

SGS GROUP RESULTS 2008

Presentation to the Financial Community

January 2009

WHEN YOU NEED TO BE SURE

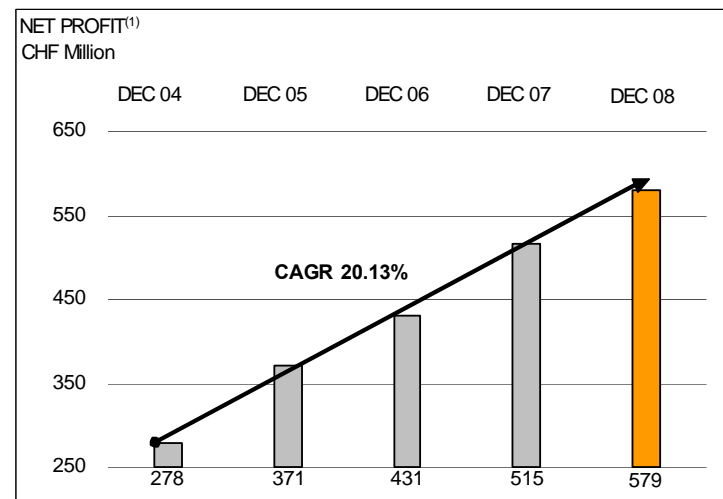
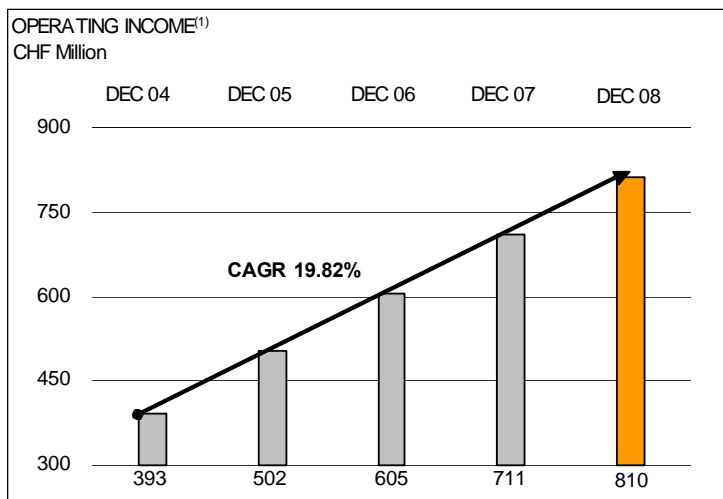
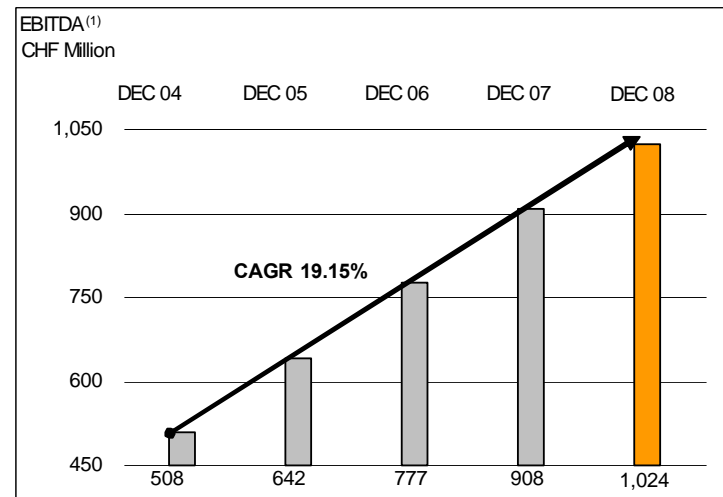
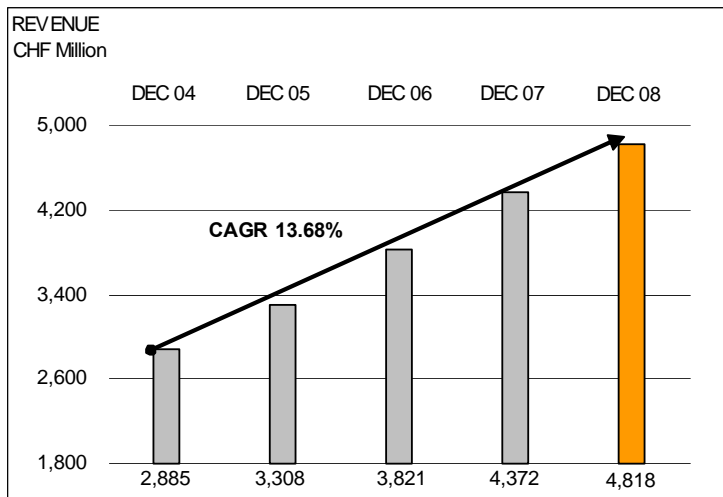


- **Revenue growth of 17.7% to CHF 4.8 billion**
 - 10.2% in historical currencies
 - 15.3% organic
- **EBITDA before exceptionals up 12.8% to CHF 1,024 million**
- **Operating income before exceptionals up 13.9% to CHF 810 million**
- **Operating margin before exceptionals up to 16.8% (H2:17.5%)**
- **Net income before exceptionals up 12.4% to CHF 579 million**
- **Operating Cash Flow before exceptionals up 10.5% to CHF 780 million**
- **Proposed dividend to shareholders of CHF 50 per share**

CHF million	2008	2007	Δ%
Revenue - historical rates	4,818	4,372	10.2 %
- constant rates	4,818	4,093	17.7 %
EBITDA⁽¹⁾	1,024	908	12.8 %
<i>EBITDA Margin</i>	21.3 %	20.8 %	
Operating Income Group⁽¹⁾	810	711	13.9 %
<i>Operating Income Margin</i>	16.8 %	16.3 %	
Net income⁽¹⁾	579	515	12.4 %
Net income (after exceptionals)	692	500	38.4 %
Basic EPS	91.08	65.47	39.1 %
Diluted EPS	90.72	64.87	39.8 %
Basic EPS before exceptionals	76.19	67.37	13.1 %
Diluted EPS before exceptionals	75.89	66.75	13.7 %
Period end no. of employees (incl. acquisitions)	57,301	52,542	9.1 %

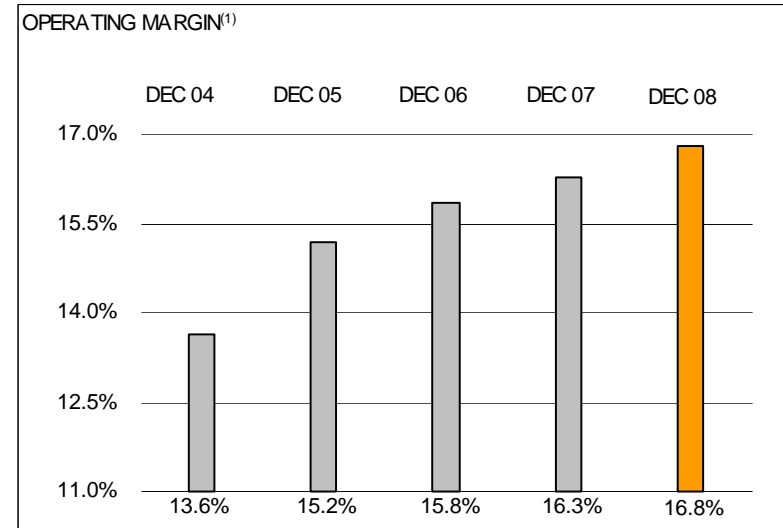
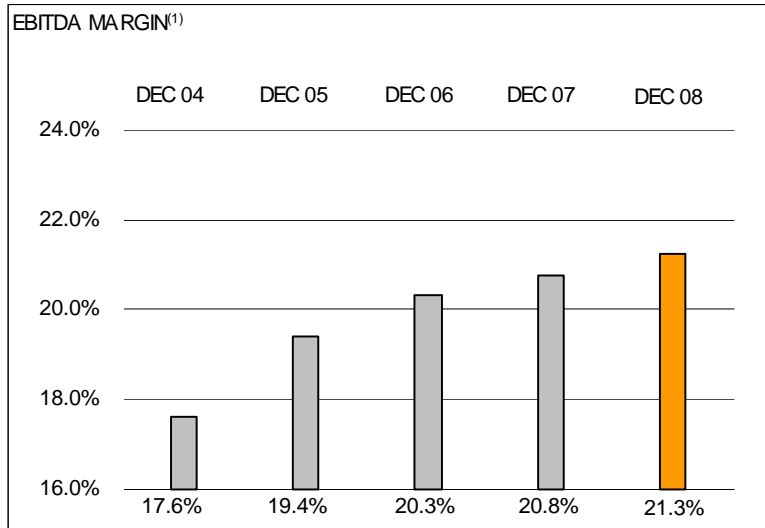
⁽¹⁾ Results are stated before exceptionals

FINANCIAL HIGHLIGHTS



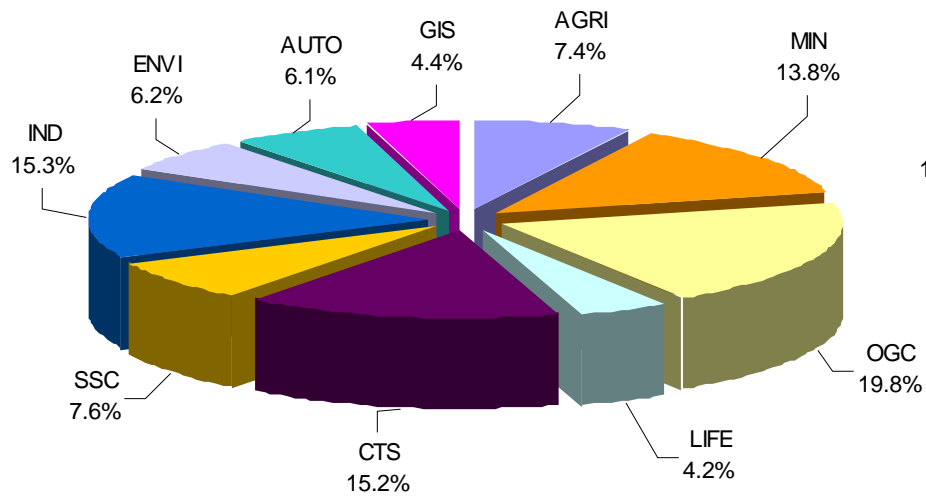
⁽¹⁾ Before exceptionals

FINANCIAL HIGHLIGHTS

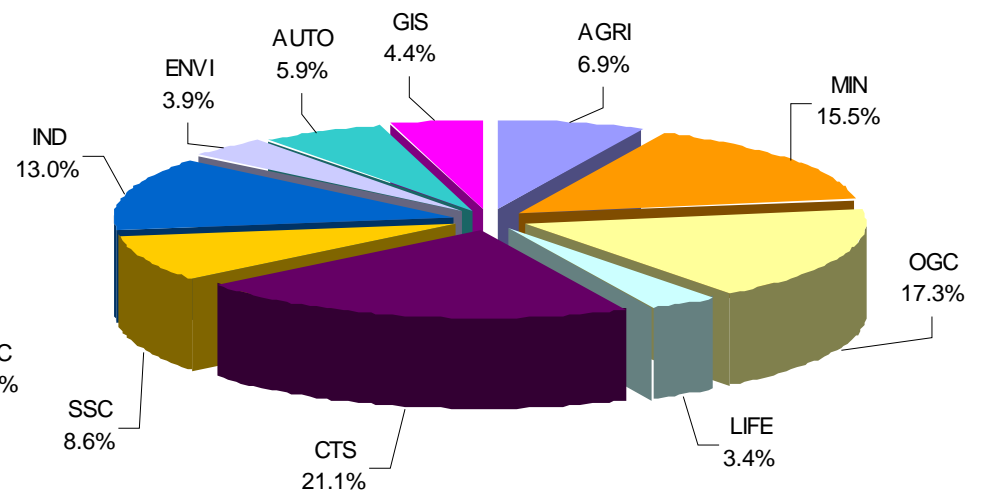


⁽¹⁾ Before exceptionals

REVENUES



OPERATING INCOME

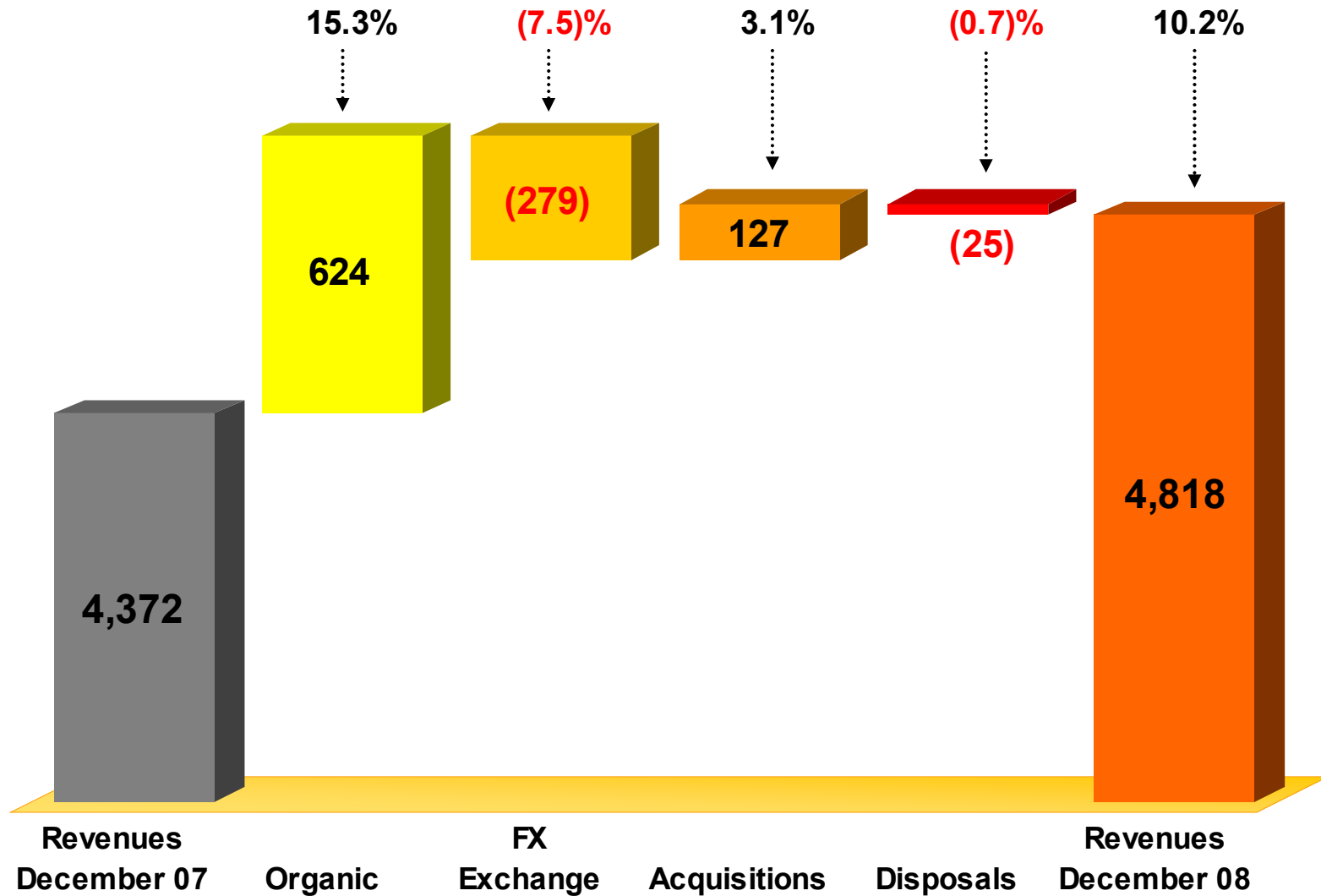


REVENUE ANALYSIS

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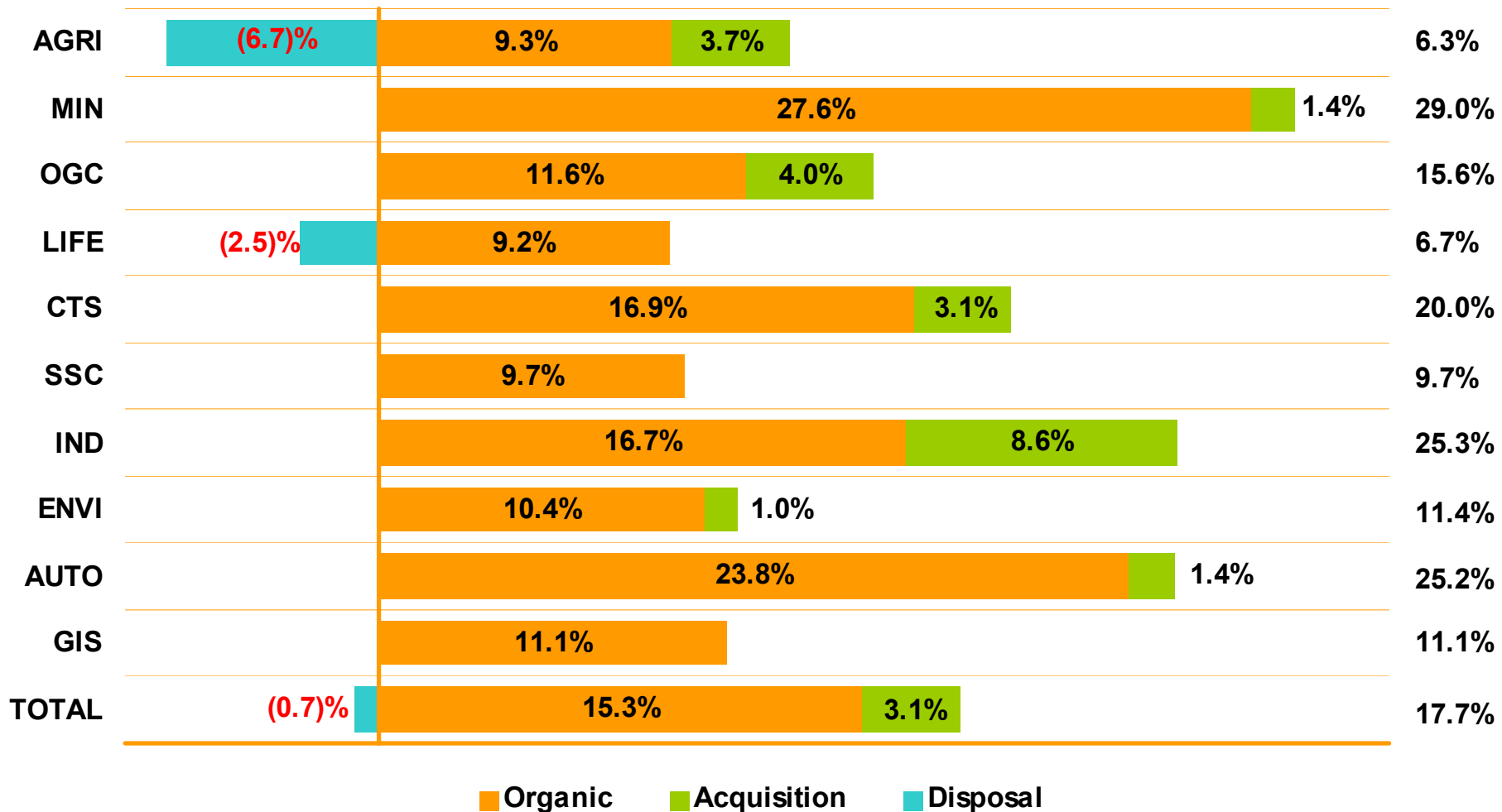


REVENUE GROWTH COMPOSITION

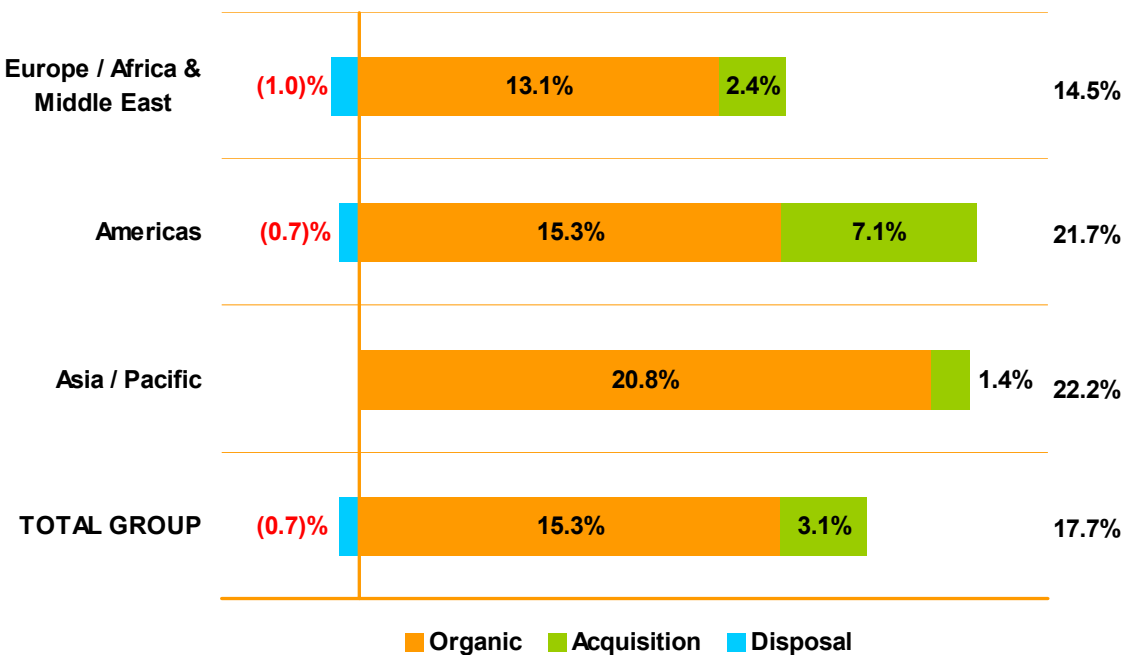




LOCAL CURRENCY GROWTH BY BUSINESS



REVENUE GROWTH AND HEADCOUNT CHANGE BY REGION



Δ in EOP headcount	December 2008	December 2007	Δ
Group Headcount	57,301	52,542	4,759
Organic Business Growth			3,952
Acquisitions			968
Disposals			(161)
Increase in Group Headcount			4,759

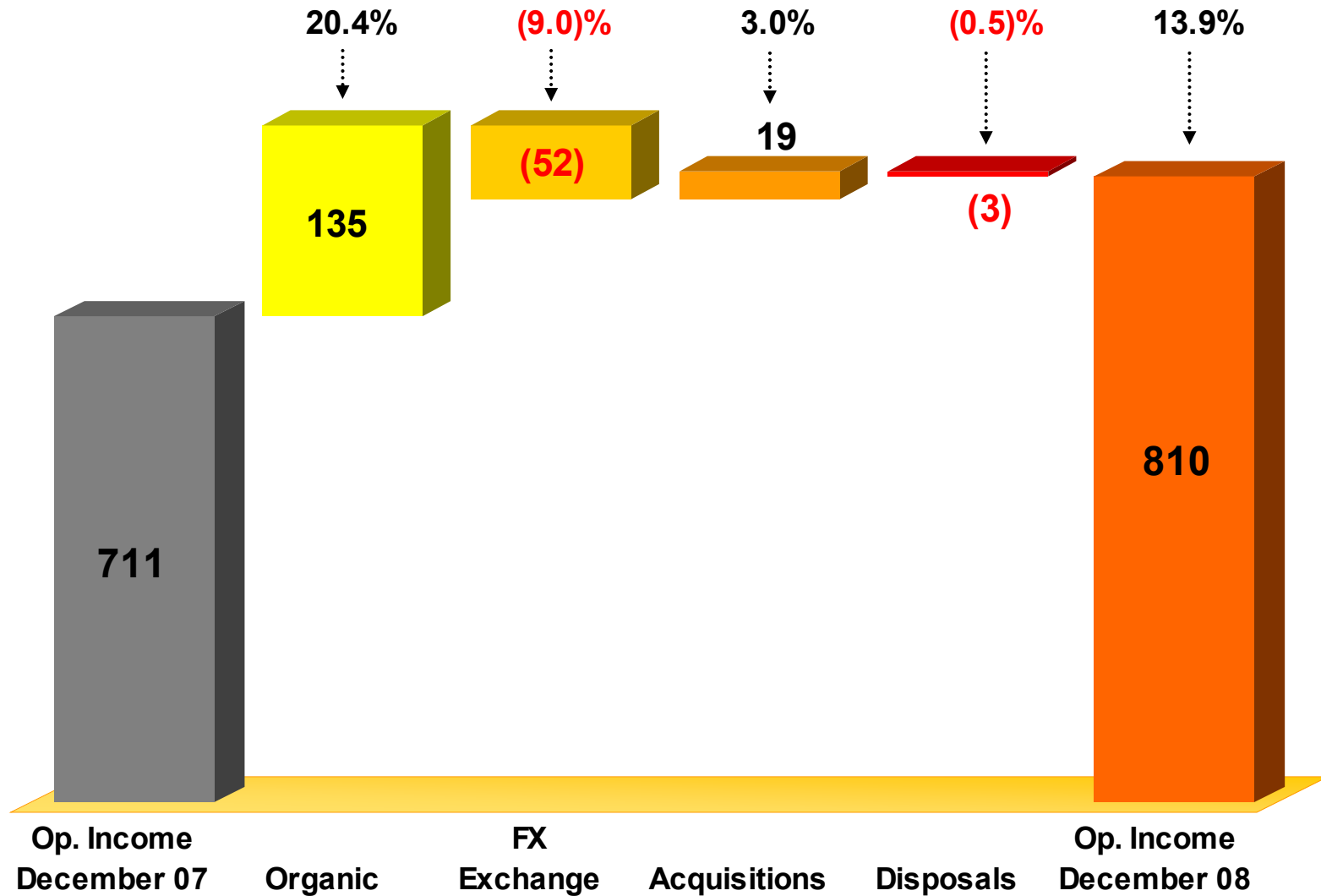
By Region	Headcount Δ	Headcount Δ%	Revenues Δ%
Europe / Africa / Middle East	1,697	7.1%	14.5%
Americas	649	5.3%	21.7%
Asia / Pacific	2,412	14.8%	22.2%
TOTAL	4,759	9.1%	17.7%

OPERATING INCOME ANALYSIS

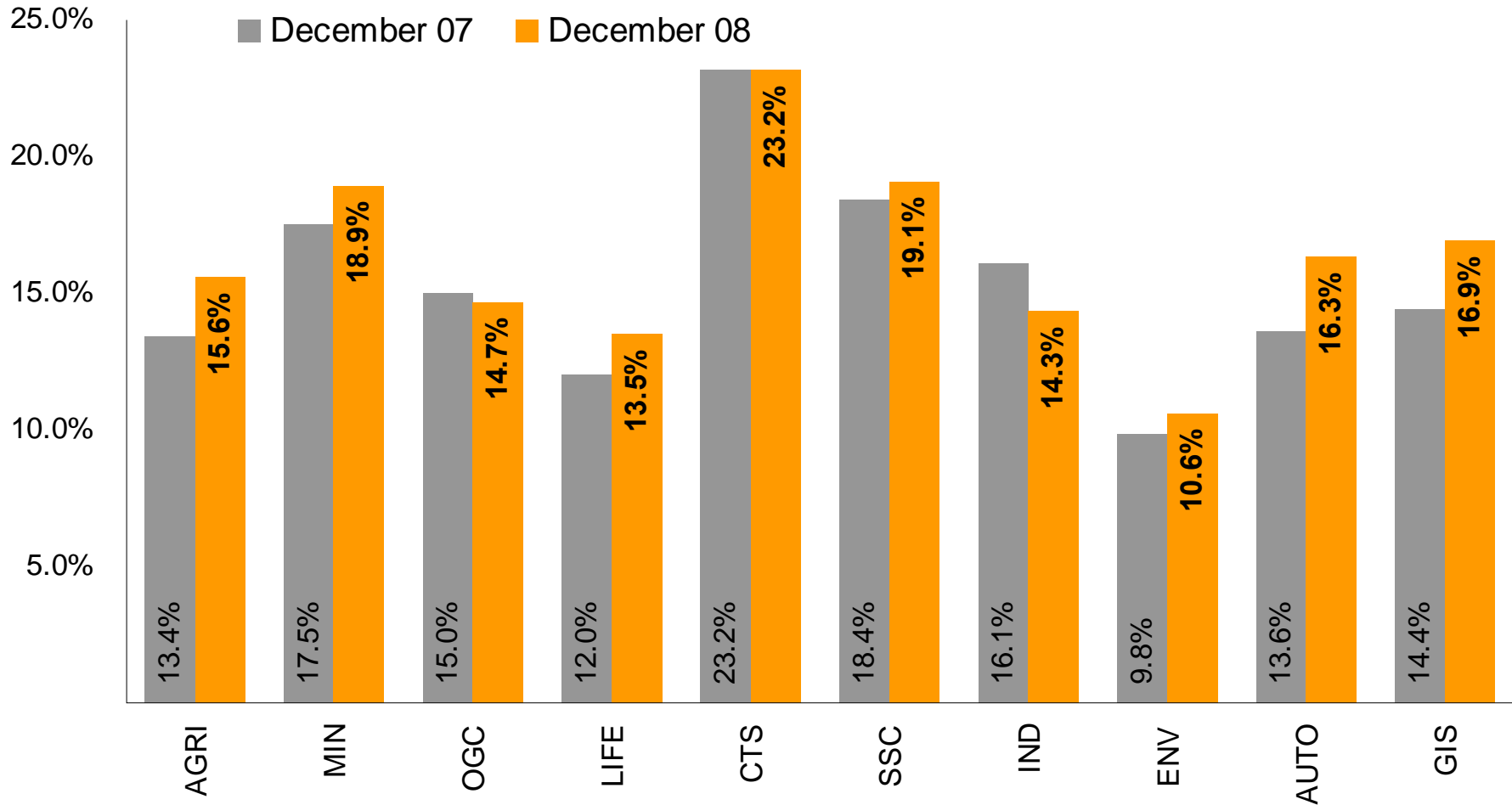
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OPERATING INCOME GROWTH COMPOSITION



OPERATING MARGIN BY BUSINESS

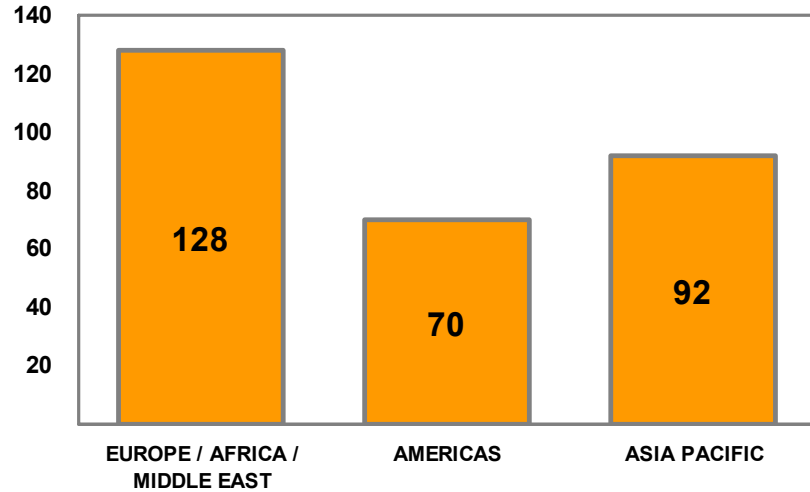


CASH FLOW

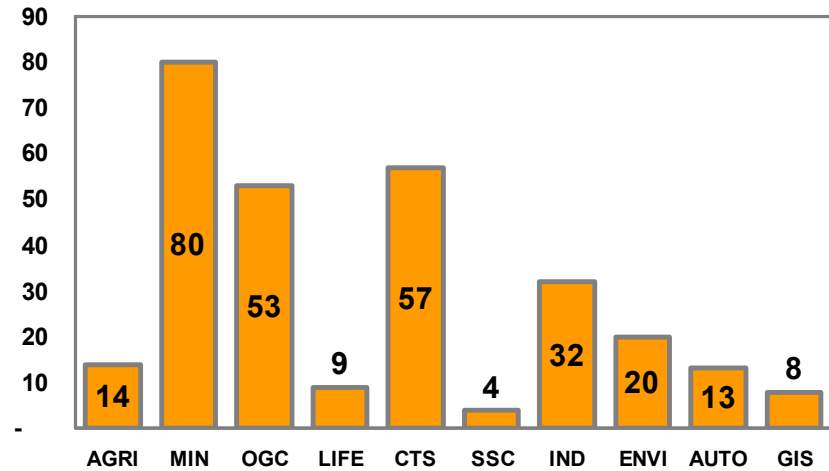
CHF Million	Dec 08	Dec 07
PROFIT FOR THE PERIOD	714	520
Adjustment for non cash items	283	351
<i>Depreciation / Amortisation</i>	215	197
<i>Exceptional items</i>	(127)	-
<i>Share based payments</i>	17	12
<i>Tax</i>	219	172
<i>Other</i>	(41)	(30)
Decrease/(Increase) in net working capital	(22)	12
Taxes paid	(195)	(177)
Cash from operations before exceptionals	780	706
Cash received / (paid) on exceptional items	58	-
Cash from operations	838	706
Net purchase of fixed assets	(278)	(271)
Net cash paid for acquisitions/disposals	(184)	(71)
Other from investing activities	5	12
Cash flow from investing activities	(457)	(330)
Dividend paid to equity holders of SGS SA	(267)	(153)
Dividend paid to Minority interests	(14)	(25)
Movement on treasury shares	(201)	(8)
Increase/(Decrease) in loans	295	29
Other from financing activities	(15)	(9)
Cash flow from financing activities	(202)	(166)
Exchange differences on opening balances	(18)	(1)
Translation differences on flows	(15)	(10)
Increase/(decrease) in cash and cash equivalents	146	199

CAPITAL EXPENDITURE

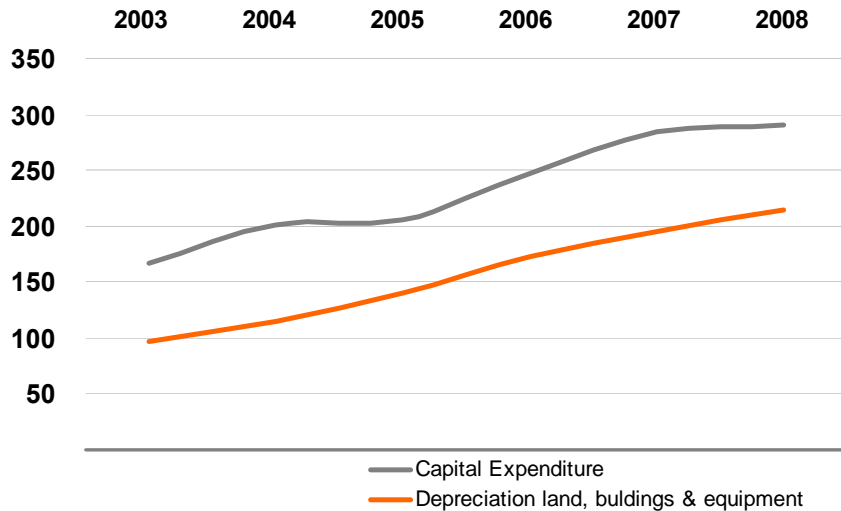
CHF Mio



CHF Mio



CAPEX
CHF Mio





FOREIGN CURRENCY IMPACTS ON TRANSLATION

EURO	1.50	1.59	1.65
Revenues	(98)	0	69
Income	(15)	0	11

USD	1.00	1.08	1.15
Revenues	(59)	0	47
Income	(6)	0	5

SECOND HALF 2008

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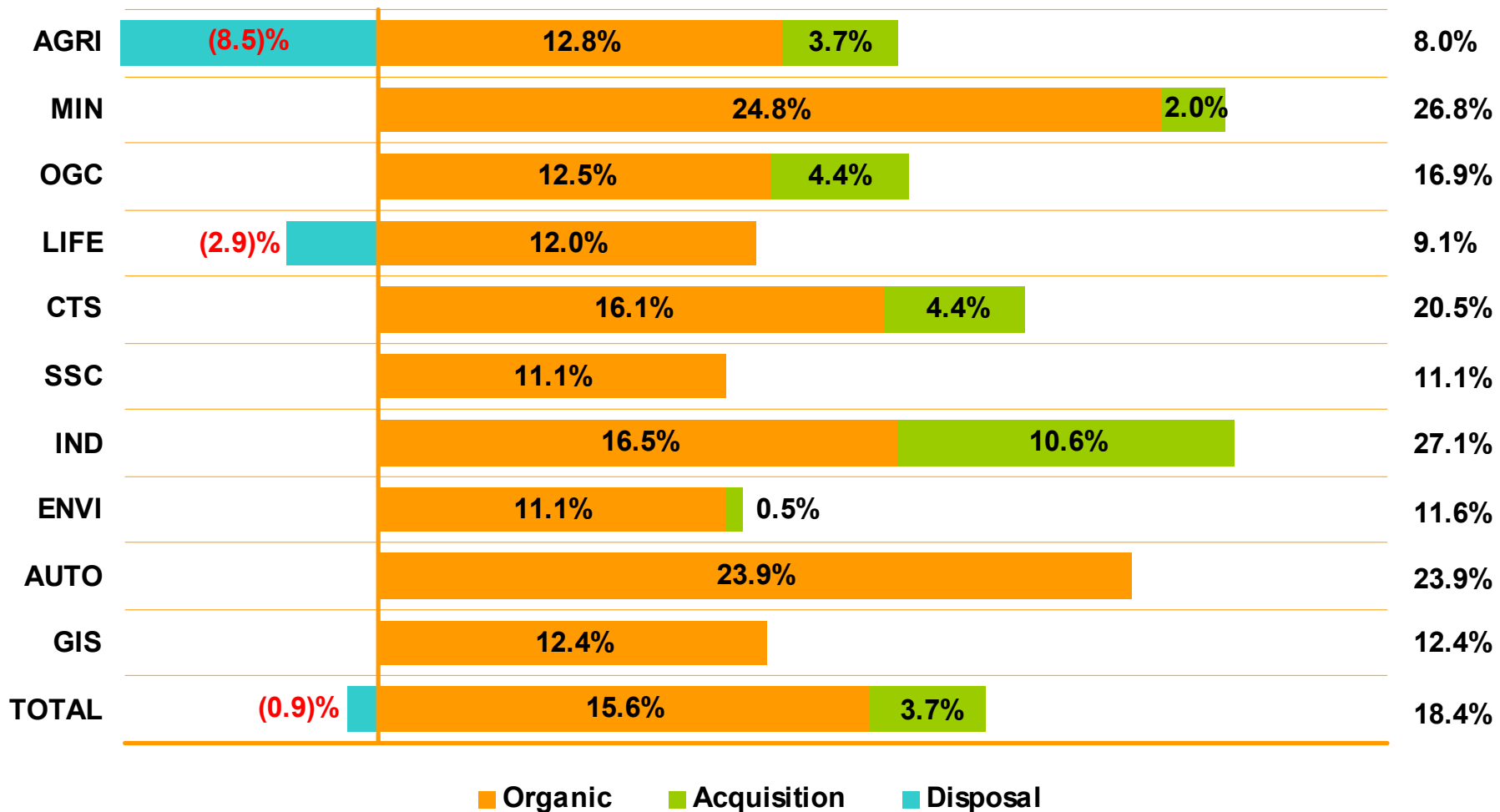


FINANCIAL HIGHLIGHTS

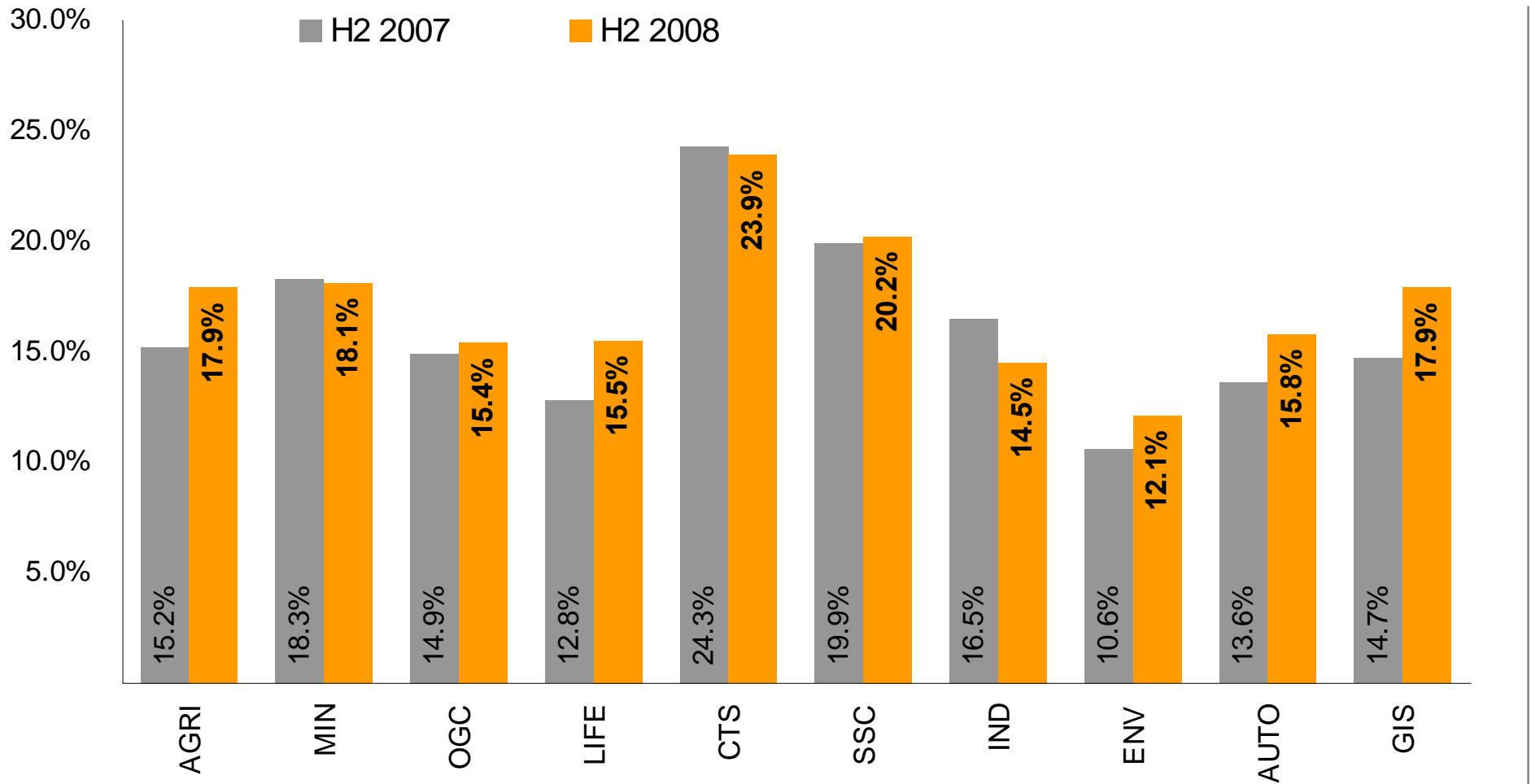
CHF million	2008	2007	Δ%
Revenue - historical rates	2,520	2,282	10.4 %
- constant rates	2,520	2,128	18.4 %
EBITDA⁽¹⁾	551	490	12.4 %
<i>EBITDA Margin</i>	21.9 %	21.5 %	
Operating Income Group⁽¹⁾	440	387	13.8 %
<i>Operating Income Margin</i>	17.5 %	16.9 %	
Net income⁽¹⁾	314	281	11.8 %
Net income (after exceptionals)	314	266	18.0 %

⁽¹⁾ Results are stated before exceptionals

LOCAL CURRENCY GROWTH BY BUSINESS



OPERATING MARGIN BY BUSINESS



BUSINESS OVERVIEW

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CHF million	December 2008	December 2007
Revenue	358.3	356.5
Change in %	0.5	
Change due to		
Volume & Prices	29.5	
Currency Translation	(19.3)	
Acquisitions/(Disposals)	(8.4)	
Operating Income⁽¹⁾	55.9	47.6
Change in %	17.4	
Margin %	15.6	13.4

⁽¹⁾Before exceptionals

Overview 2008

- Constant currency growth of 9.3% (before foreign exchange, acquisitions, disposals)
- Positive margin contribution from acquisitions in inland services
- High commodity prices (ethanol demand) and logistics costs in H1 led to export bans in certain geographies
- H2 performance driven by improved harvest conditions in South East Europe and Eastern Europe / Middle East
- Export markets in Western Europe improved in H2
- Argentinean wheat exports volatile due to government intervention

Outlook

- Market conditions expected to remain volatile in 2009
 - Prices and logistics costs remain low relative to 2008
 - Export and trade financing conditions uncertain
- Seed, soil testing, crop development and precision farming services expansion remains the focus for 2009
- Logistics and collateral management services markets expected to be positive in the current environment
- Food safety and supply chain services to be integrated with CTS and SSC offering a single customer window for all food related services



CHF million	December 2008	December 2007
Revenue	662.9	559.8
Change in %	18.4	
Change due to		
Volume & Prices	141.9	
Currency Translation	(46.0)	
Acquisitions / (Disposals)	7.2	
Operating Income⁽¹⁾	125.3	98.2
Change in %	27.6	
Margin %	18.9	17.5

⁽¹⁾Before exceptionals

Overview 2008

- Demand for all minerals remained very strong in the first three quarters of 2008
 - Energy minerals demand was high in part due to prohibitive oil and gas pricing
 - Industrial metals demand was high driven by emerging market consumption
 - Precious and platinum group metal prices drove record exploration expenditure
- Positive contribution from all acquired companies
- Laboratory technology enhancements and robotics improved service mix and productivity
- H2 minerals prices dropped significantly as a result of the credit crisis and subsequent drop in demand

Outlook

- Most metals markets are expected to be weak through H1 due to decreased demand and inventory de-stocking
 - Ferrous metals market to be weak
 - Energy minerals and coal to be more resilient
- Geochemistry lab performance stable unless markets deteriorate further. Mineralogy testing market outlook is uncertain as mining sector re-trenches
- Capital consumption to decline in 2009 as a % of sales
- Customer consolidation is expected to accelerate rapidly if credit conditions improve



CHF million	December 2008	December 2007
Revenue	953.5	891.3
Change in %	7.0	
Change due to		
Volume & Prices	96.1	
Currency Translation	(66.2)	
Acquisitions / (Disposals)	32.3	
Operating Income⁽¹⁾	140.3	133.4
Change in %	5.2	
Margin %	14.7	15.0

⁽¹⁾Before exceptionals

Overview 2008

- Service demand remained stable despite the reversal in oil & gas prices
- \$USD denominated international contracts pressured margins in H1, partly reversed in H2
- New international client service hub system led to improved customer satisfaction and new business
- Hurricanes in North America interrupted service delivery impacting performance
- Fuel blending, and fuel marking activities performed well
- Positive expansion of upstream service offering through acquisition and capital expenditure

Outlook

- Current market conditions to remain stable unless recession accelerates
 - Chemical markets under pressure
 - Gasoline and heating oil markets stable
- Sovereign oil companies are expected to increase their participation in overall market
- Upstream services expansion activities to be matched to market demand and asset capacity utilization
- Productivity improvement projects to be focus of capex
- Full impact of back office development
- Opportunistic outlook for consolidation of smaller service providers



CHF million	December 2008	December 2007
Revenue	204.4	200.4
Change in %	2.0	
Change due to		
Volume & Prices	17.3	
Currency Translation	(8.9)	
Acquisitions / (Disposals)	(4.4)	
Operating Income⁽¹⁾	27.5	24.1
Change in %	14.1	
Margin %	13.5	12.0

⁽¹⁾Before exceptionals



Overview 2008

- Good organic growth of 9.2%
 - Solid performance in Phase I clinical research and bio-analysis activities offset by weaker performance in late Phase activities
 - Quality control revenue growth stable but limited by capacity constraints in North America
- Operating margin improvement of 150 bps driven by laboratory volume leverage and as a result of Asian start-up labs reaching full cost absorption in H2
- New laboratory information system upgrades in the USA and France and clinical research project software implemented in Belgium driving efficiency
- Divestment of non-core activity in Peru

Outlook

- Quality control services market more resilient in current economic conditions due to regulatory under-pinning
- Clinical research market will remain dependant upon studies awarded- H2 2008 performance held up well
- Asian labs to continue to benefit from increasing capacity utilization
- Laboratory capacity expansion in North America to become operational by end H1
- Cautiously optimistic about M&A environment as smaller providers struggle in difficult financing conditions

CHF million	December 2008	December 2007
Revenue	733.9	654.7
Change in %	12.1	
Change due to		
Volume & Prices	103.7	
Currency Translation	(42.9)	
Acquisitions / (Disposals)	18.4	
Operating Income⁽¹⁾	170.3	151.9
Change in %	12.1	
Margin %	23.2	23.2

⁽¹⁾Before exceptionals



Overview 2008

- Despite deteriorating conditions in the consumer goods and retail markets in H2 service demand remained stable
- All service sub-sectors (soft lines, hard lines, E&E, food) grew revenue driven by:
 - Increased demand for restricted substance testing
 - Good performance in mobile testing services
 - Toy testing
 - Increased concerns in the food supply chain
- Capacity was expanded in chemical testing to accommodate shifts in demand
- North American laboratory operations restructured due to shift of capacity to lower costs regions
- Acquisitions in E&E & EHS/chemical broadened the portfolio

Outlook

- Consumer goods and retail markets to remain under pressure through, at least, H1
 - Supplier base is contracting in emerging markets pressuring factory audit business
- Regulatory trends are expected to tighten despite weakened markets following market recall events in 2007/8
 - REACH adoption progresses slowly
 - “green” initiatives to accelerate due to government stimulus (CSR)
- Capital consumption will reduce. Opportunities for sector consolidation of smaller service providers

CHF million	December 2008	December 2007
Revenue	365.6	353.5
Change in %	3.4	
Change due to		
Volume & Prices	32.4	
Currency Translation	(20.3)	
Acquisitions / (Disposals)	-	
Operating Income⁽¹⁾	70.0	65.0
Change in %	7.7	
Margin %	19.1	18.4

⁽¹⁾Before exceptionals

Overview 2008

- All major affiliates successfully transitioned to ISO 17021 standard for certification bodies
- Multi-national client revenue grew for the 3rd consecutive year following Global KAM initiative.
- Market share gains in the Americas, South East Asia, and Eastern Europe Middle East
- Focused sector strategy (food, auto, pharma, finance, energy) successful
- Standardization and productivity initiatives contributed to increase in operating margin
- Labour cost inflation in Asia moderated in H2

Outlook

- Market share gains will be the primary driver of performance in a more difficult environment
- Business transition to customized audit solutions and industry specific standards continues
- Multi-national client and strategic sector focus retained. New sectors to be added
- Productivity and standardization initiatives to continue in order to offset pricing pressure
- 'Sustainable' solutions gaining recognition
- Sub-contractor labour cost inflation to stabilize



CHF million	December 2008	December 2007
Revenue	738.5	624.7
Change in %	18.2	
Change due to		
Volume & Prices	98.3	
Currency Translation	(35.3)	
Acquisitions / (Disposals)	50.8	
Operating Income⁽¹⁾	105.5	100.6
Change in %	4.9	
Margin %	14.3	16.1

⁽¹⁾Before exceptionals

Overview 2008

- Growth driven by high level of activity in the oil, gas, and power generation sectors
- Statutory, non-destructive testing, and supply chain services product lines fuelled excellent growth
- Construction and infrastructure markets in Europe came under severe pressure during the period
 - Restructuring actions implemented through H2
- Impact mitigated by solid growth in the Middle East, Latin America, and Eastern Europe
- Asset integrity management services offering global roll-out initiated
- Acquisitions in Australia and Brazil consolidated into regional operations and progressing well

Outlook

- Weakness in the European construction and infrastructure markets will remain without government stimulus (IND has no material position in this market outside Europe)
- Oil, gas and power generation sectors largely resilient in current economic conditions
- Service line and geographic expansion plans continue due to their capital intensity profile
- Full year benefit from 2008 acquisitions
- Cautiously optimistic about 2009 M&A environment



CHF million	December 2008	December 2007
Revenue	296.4	281.1
Change in %	5.4	
Change due to		
Volume & Prices	27.6	
Currency Translation	(15.0)	
Acquisitions / (Disposals)	2.7	
Operating Income⁽¹⁾	31.4	27.6
Change in %	13.8	
Margin %	10.6	9.8

⁽¹⁾Before exceptionals



Overview 2008

- Constant currency growth of +10.4%
 - Revenue remained stable through the year
- Operating margin improvement due to volume leverage and changes in service mix
- Emerging markets improved performance as prior period investments came on stream
- Capacity consolidations completed in Australia and Brazil
- GHG verification and certification business continued to develop well
- Pan-European product offering gained traction with several multi-country frame contracts awarded during the year

Outlook

- Revenue base is largely regulatory driven providing a measure of resilience
- Brown field re-development market is expected to be weak due to difficulties in the construction sector
- Capacity expansions in South America and Europe to ramp up progressively over the year
- Greenhouse gas and climate change activities to continue to expand to achieve No 1 status

CHF million	December 2008	December 2007
Revenue	292.6	249.2
Change in %	17.4	
Change due to		
Volume & Prices	55.6	
Currency Translation	(15.5)	
Acquisitions / (Disposals)	3.3	
Operating Income⁽¹⁾	47.7	33.8
Change in %	41.1	
Margin %	16.3	13.6

⁽¹⁾Before exceptionals

Overview 2008

- Statutory business the principle driver of growth (+23,9% organic constant currency growth)
 - Excellent performance in driver testing in Ireland
 - Good growth in Spain, Ivory Coast, Algeria, USA, Chile, Argentina, and Uruguay
- Commercial business volume improved despite deteriorating market conditions
- Operating margin improvement from volume leverage, proportional increase of statutory business, productivity improvement activities in France

Outlook

- Difficult market conditions in the commercial automotive markets to continue. Restructuring plans in place
- Statutory volumes to remain largely stable due to compulsory nature of service
- Moroccan concession to accelerate contract ramp up as site delays are overcome. Continued cooperation with the government
- Massachusetts and New Jersey JV contracts to come on stream in 2009



CHF million	December 2008	December 2007
Revenue	211.9	200.4
Change in %	5.7	
Change due to		
Volume & Prices	21.1	
Currency Translation	(9.6)	
Acquisitions / (Disposals)	-	
Operating Income⁽¹⁾	35.9	28.8
Change in %	24.7	
Margin %	16.9	14.4

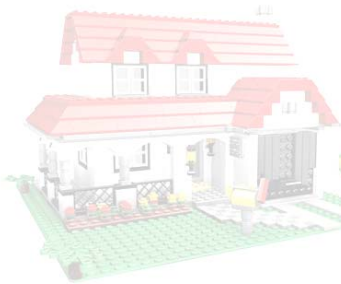
⁽¹⁾Before exceptionals

Overview 2008

- Expected termination of the Ecuador PSI contract was compensated by growth of contracts in Angola, Bangladesh, Cameroon and Mauritania
- ValueNet programs in Madagascar and Guatemala performed well
- TradeNet performed well in Ghana due to increased import volumes
- Madagascar hybrid TradeNet & scanner contract started well after delays
- Stable performance from Mexico customs solution
- Scanner operations performed as expected
- Product conformity contract volumes increased for Saudi Arabia and Kenya with market share gains

Outlook

- No material contracts are due for termination in 2009
 - PSI and TradeNet contracts to flex dependant upon import volumes of contracting countries
- Scanner business remains stable with new mandates in Bangladesh and Mauritania operational in H2. Installed capacity now 13 worldwide
- Further market share gains in product conformity programs
- Contract share gains won in Bangladesh and Angola to be preserved



OUTLOOK

WHEN YOU NEED TO BE SURE



TESTING, INSPECTION, AND CERTIFICATION MARKET OUTLOOK 2009

- **The SGS Group expects a lower growth environment in 2009:**
 - Less than double digit revenue growth
 - Full year 2008 operating margin protected
 - Operating margin protection a focus: pricing discipline, capacity utilization monitoring, pre-emptive right-sizing of operations
 - Cash flow protection measures by flexing capital spending, corporate activity, and tightening of commercial terms
- **SGS advantages**
 - Conservative capital structure with significant debt headroom and marginal debt service cost
 - Cash generative business profile with CHF 75 Mio exceptional cash gain in H2 2009 (2nd tranche Philippines)
 - Ability to flex cash consumption and cost structure to market conditions
 - Largest market player with widest business portfolio and geographic footprint (low concentration risk)- ability to commit to our client service in difficult market conditions

- “Certain matters discussed in this presentation may constitute forward-looking statements. These statements are based on current expectations and estimates of SGS SA, although SGS SA can give no assurance that these expectations and estimates will be achieved. The actual results may differ materially in the future from the forward-looking statements included in this presentation due to various factors. Furthermore, SGS SA has no obligation to update the statements contained in this presentation.”

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