

# SGS GROUP RESULTS 2004

Presentation to Financial Community

Geneva, 14 January 2005

WHEN YOU NEED TO BE SURE



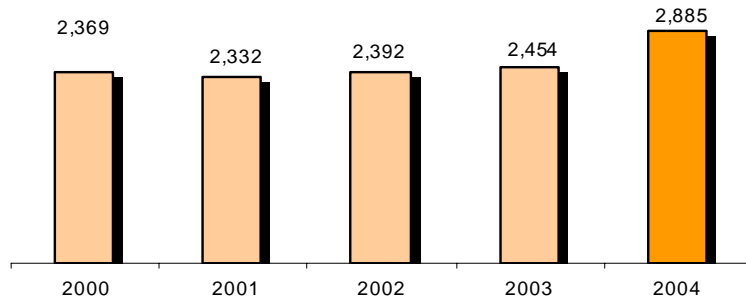
- Net Income up 27% on prior year at constant currencies
  - 23% on a reported basis
- Top line growth of 19% at constant currencies, 18% historical
- Operating margin of 13.6%
  - Achieved 14.1% margin in second half
- Performance driven by a balance of operating margin improvement and top line growth
- Regular dividend up 33% to CHF 12 per share
- Targets for 2005 at CHF 45 EPS confirmed

CHF million	2003	2004	Δ%
<b>Revenue - historical rates</b>	2,454	<b>2,885</b>	17.6%
<b>- constant rates</b>	2,418	<b>2,885</b>	19.3%
<b>EBITDA</b>	396	<b>506</b>	28%
<i>EBITDA Margin</i>	16.1%	17.5%	
<b>Operating Income Group</b>	300	<b>391</b>	30%
<i>Operating Margin Group</i>	12.2%	13.6%	
<b>Net Income before exceptionals</b>	224	<b>276</b>	23%
Exceptionals after tax	3	<b>3</b>	
<b>Net income after exceptionals</b>	227	<b>279</b>	23%
<b>Basic CHF EPS</b>	29.63	36.49	23.2%
<b>Diluted CHF EPS</b>	29.52	36.25	22.8%
<b>Period end no. of employees (incl. acquisitions)</b>	33,006	<b>38,728</b>	17.3%

## FINANCIAL HIGHLIGHTS

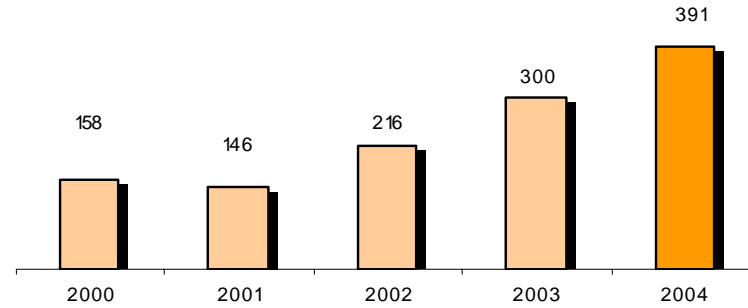
### Sales

CAGR 5%



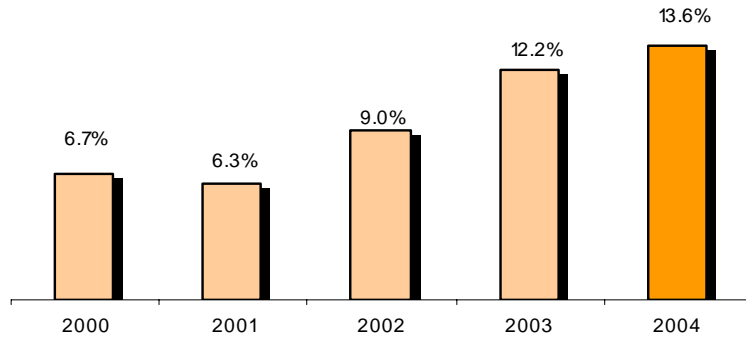
### Operating income

CAGR 25%



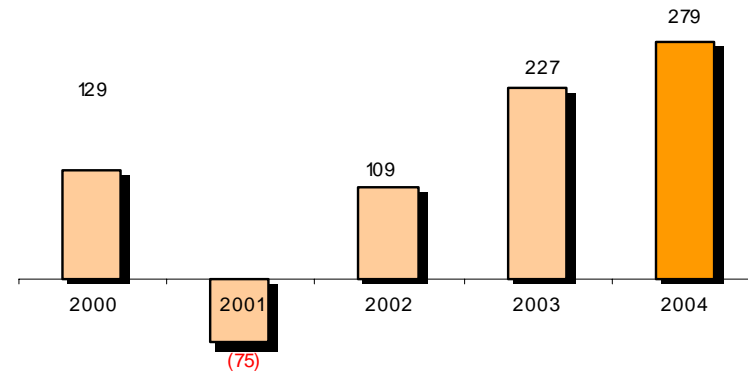
### Margin %

CAGR 19%



### Net income

CAGR 21%

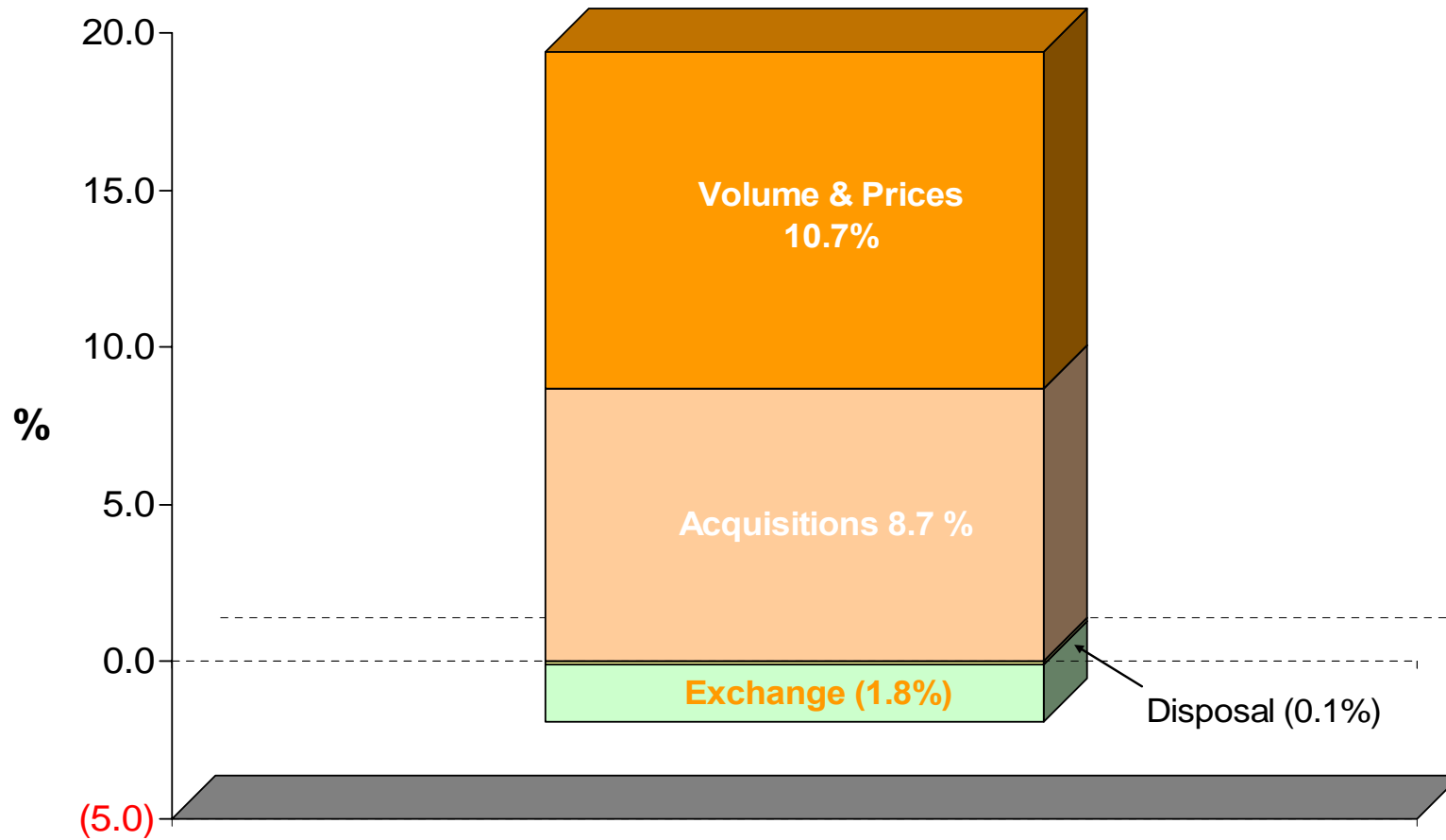


# REVENUE ANALYSIS

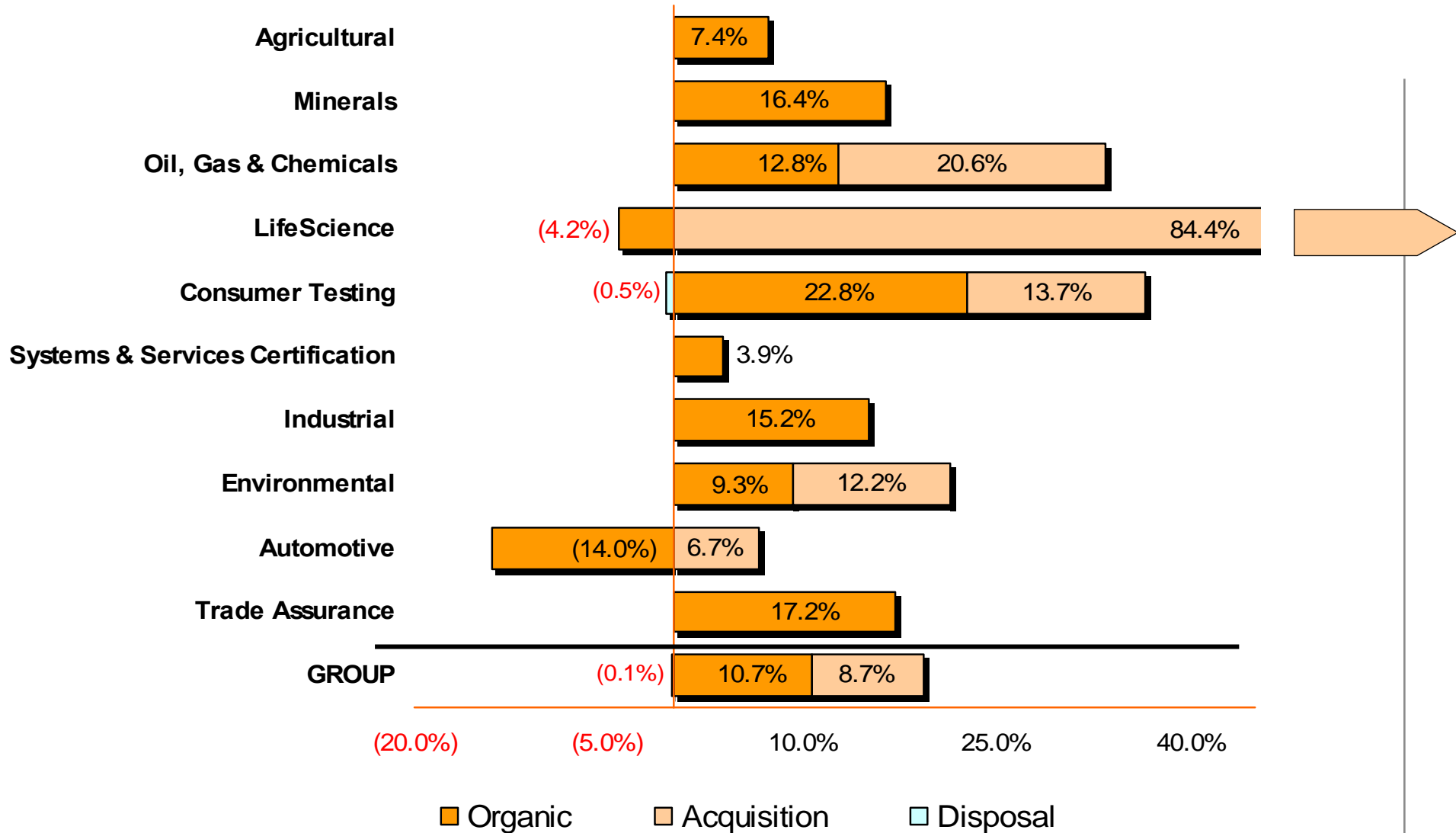
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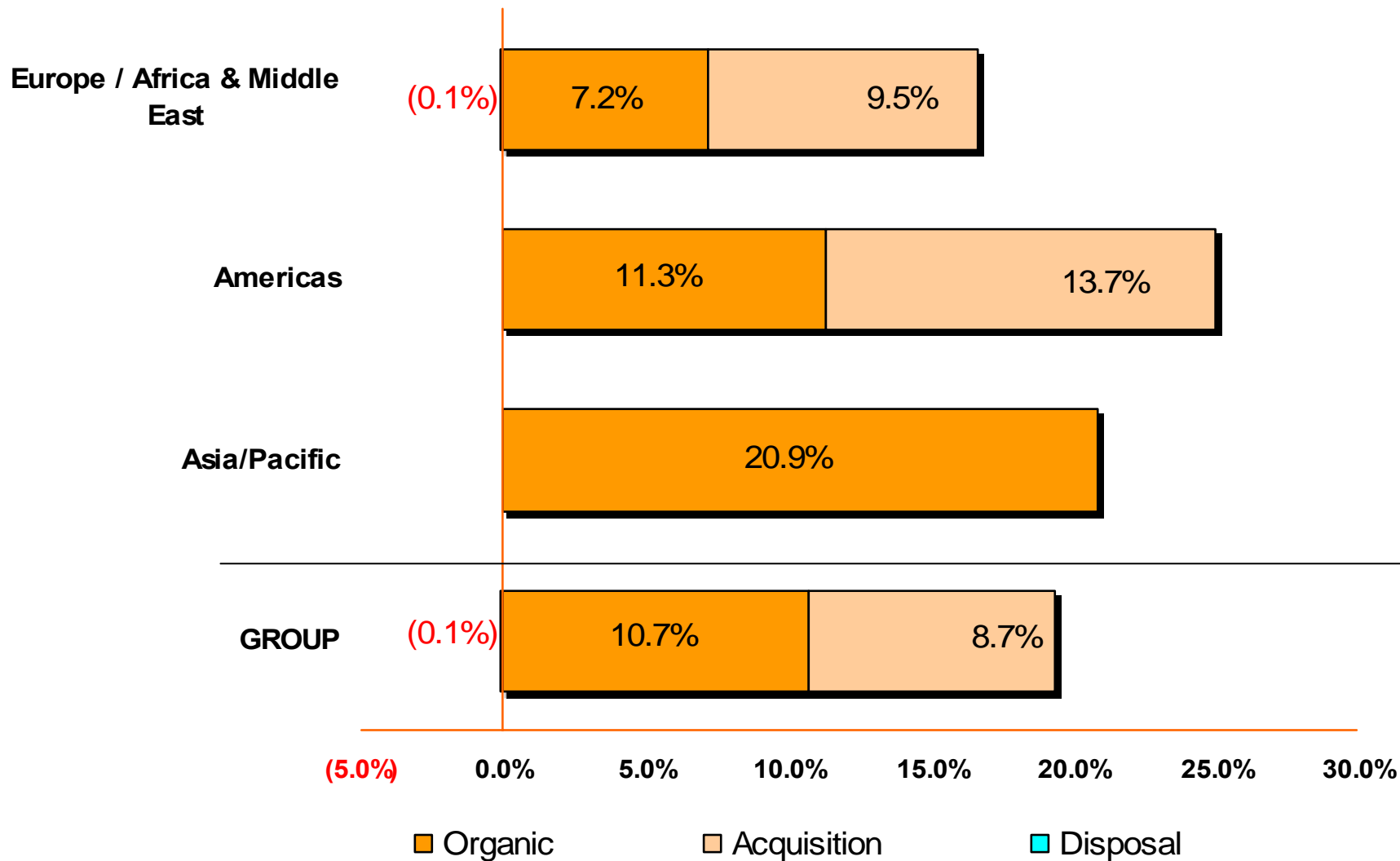
## REVENUE GROWTH COMPOSITION



## LOCAL CURRENCY GROWTH BY BUSINESS



## LOCAL CURRENCY GROWTH BY REGION

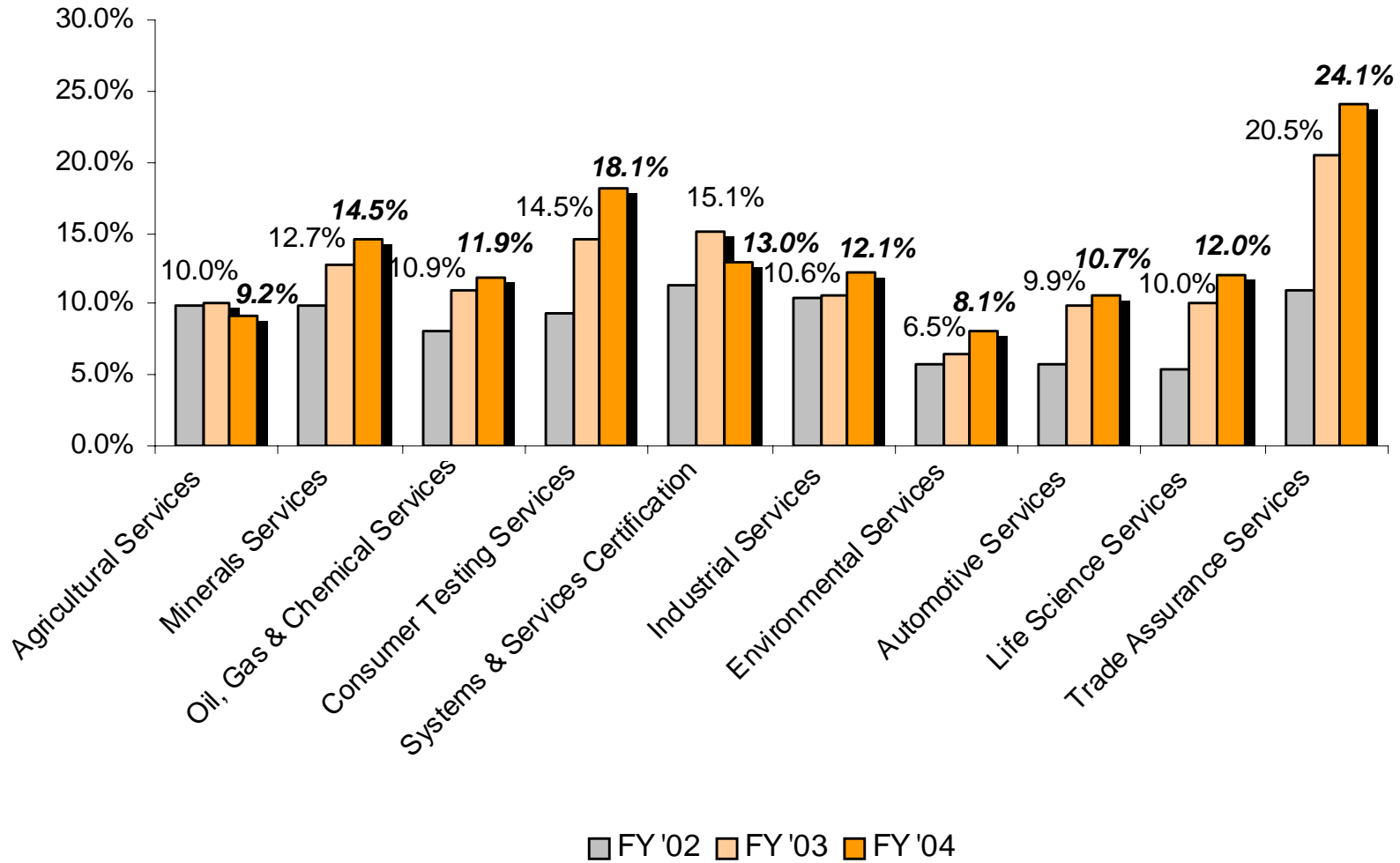


# OPERATING INCOME ANALYSIS


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# OPERATING MARGIN BY BUSINESS



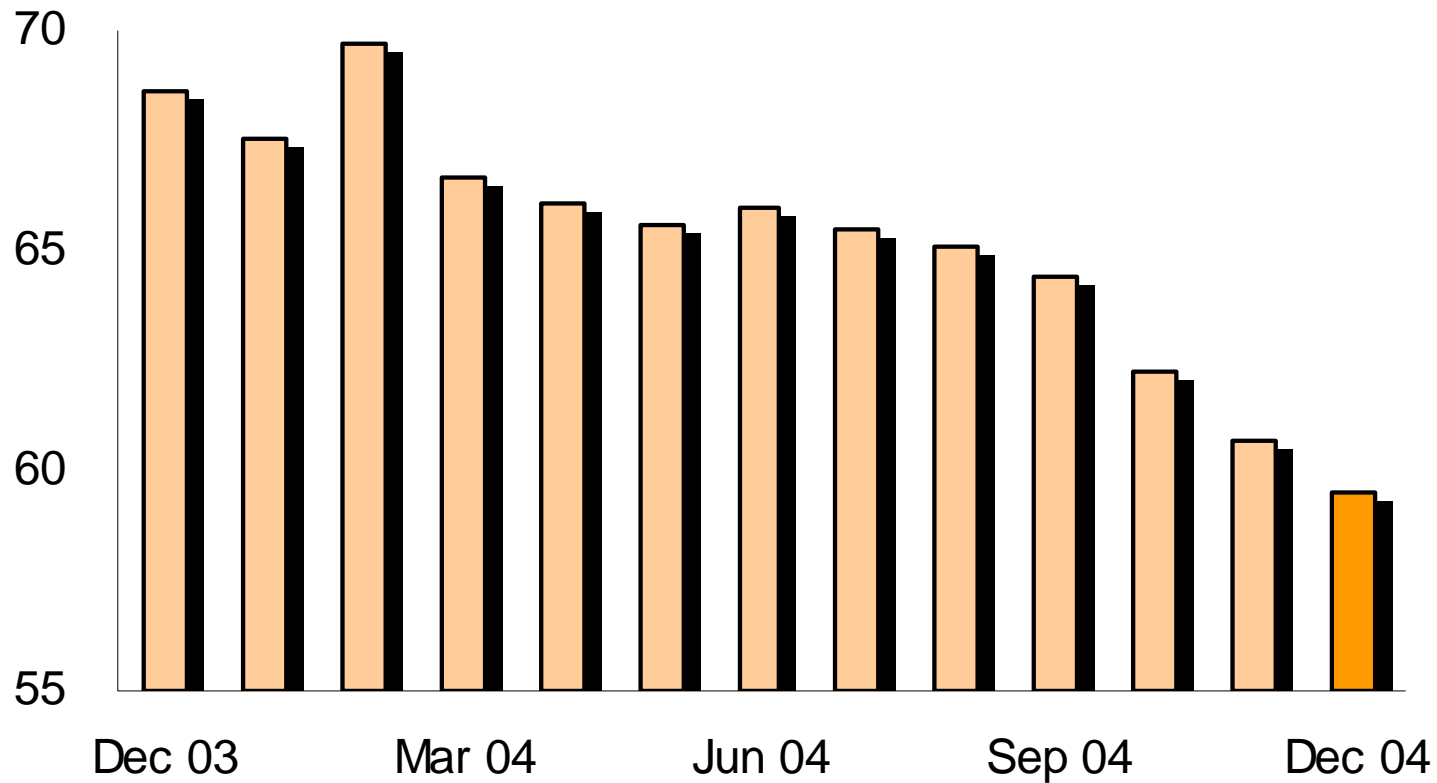
# GROUP OPERATING INCOME RECONCILIATION 2003 TO 2004

<b>Group Operating Income December 2003</b>	<b>300</b>	 <p>Improvement of <b>CHF 91 Million</b></p>
<b>Business Volume &amp; Efficiency Gains</b>	<b>68</b>	
Acquisitions	31	
Disposals	0	
Currency Translation Effect	(8)	
<b>Group Operating Income December 2004</b>	<b>391</b>	

# GROUP CASH FLOW STATEMENT

<b>CONSOLIDATED CASH FLOW</b>		
CHF million	<b>Dec 03</b>	<b>Dec 04</b>
EBIT	293	378
Adjustment for non cash items	103	109
(Increase)/Decrease in net working capital	(36)	37
Changes in other provisions	4	(27)
Taxes paid	(39)	(72)
<b>Cash from operations</b>	<b>325</b>	<b>425</b>
Net sale/(purchase) of fixed assets	(146)	(187)
Other	(11)	(13)
<b>Free cash flow</b>	<b>168</b>	<b>225</b>
Financing	10	6
Dividend paid	(56)	(69)
Net cash (used in) acquisitions/disposals	(18)	(201)
Purchase of treasury shares		(15)
Exchange on opening balances	(6)	(18)
Translation differences on flows	(7)	17
<b>Increase/(decrease) in net cash</b>	<b>91</b>	<b>(55)</b>

### Days of Sales Outstanding



<b>EURO</b>	<b>1.40</b>	<b>1.50</b>	<b>1.60</b>
Revenues	(98)	(30)	38
Net income	(6)	(2)	2
<b>US\$</b>	<b>1.10</b>	<b>1.25</b>	<b>1.40</b>
Revenues	(88)	4	96
Net income	(4)	0	4

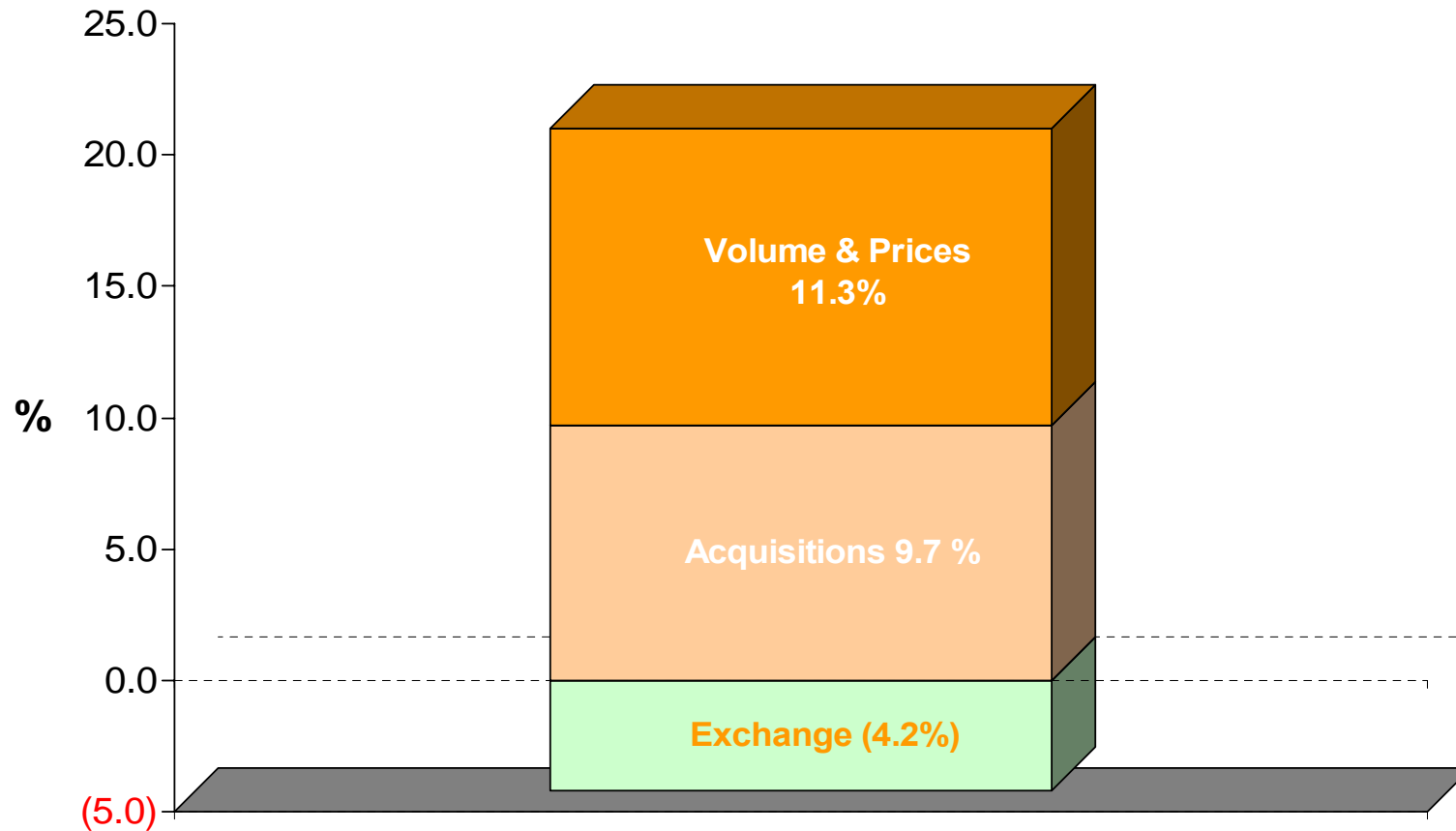
# SECOND HALF 2004

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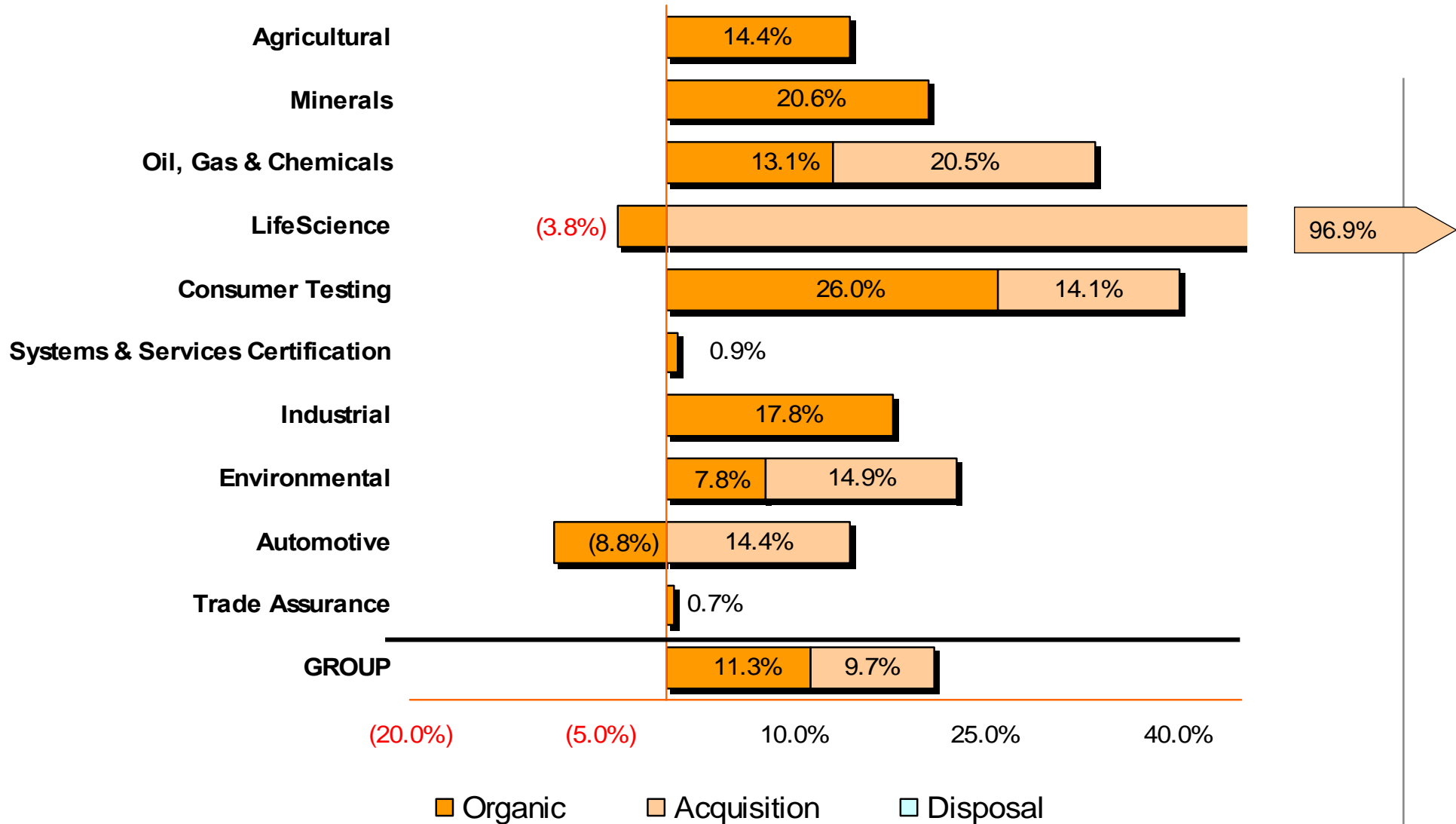
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CHF million	H2 2003	H2 2004	Δ%
<b>Revenue - historical rates</b>	1,281	<b>1,495</b>	16.7%
<b>- constant rates</b>	1,236	<b>1,495</b>	21.0%
<b>EBITDA</b>	212	<b>272</b>	28%
<i>EBITDA Margin</i>	16.5%	18.2%	
<b>Operating Income Group</b>	163	<b>210</b>	29%
<i>Operating Margin Group</i>	12.7%	14.0%	
<b>Net Income before exceptionals</b>	124	<b>148</b>	19%
Exceptionals after tax	3	<b>3</b>	
<b>Net income after exceptionals</b>	127	<b>151</b>	19%
<b>Basic CHF EPS</b>	16.58	19.76	19.2%
<b>Diluted CHF EPS</b>	16.52	19.62	18.8%
<b>Period end no. of employees (incl. acquisitions)</b>	33,006	<b>38,728</b>	17.3%

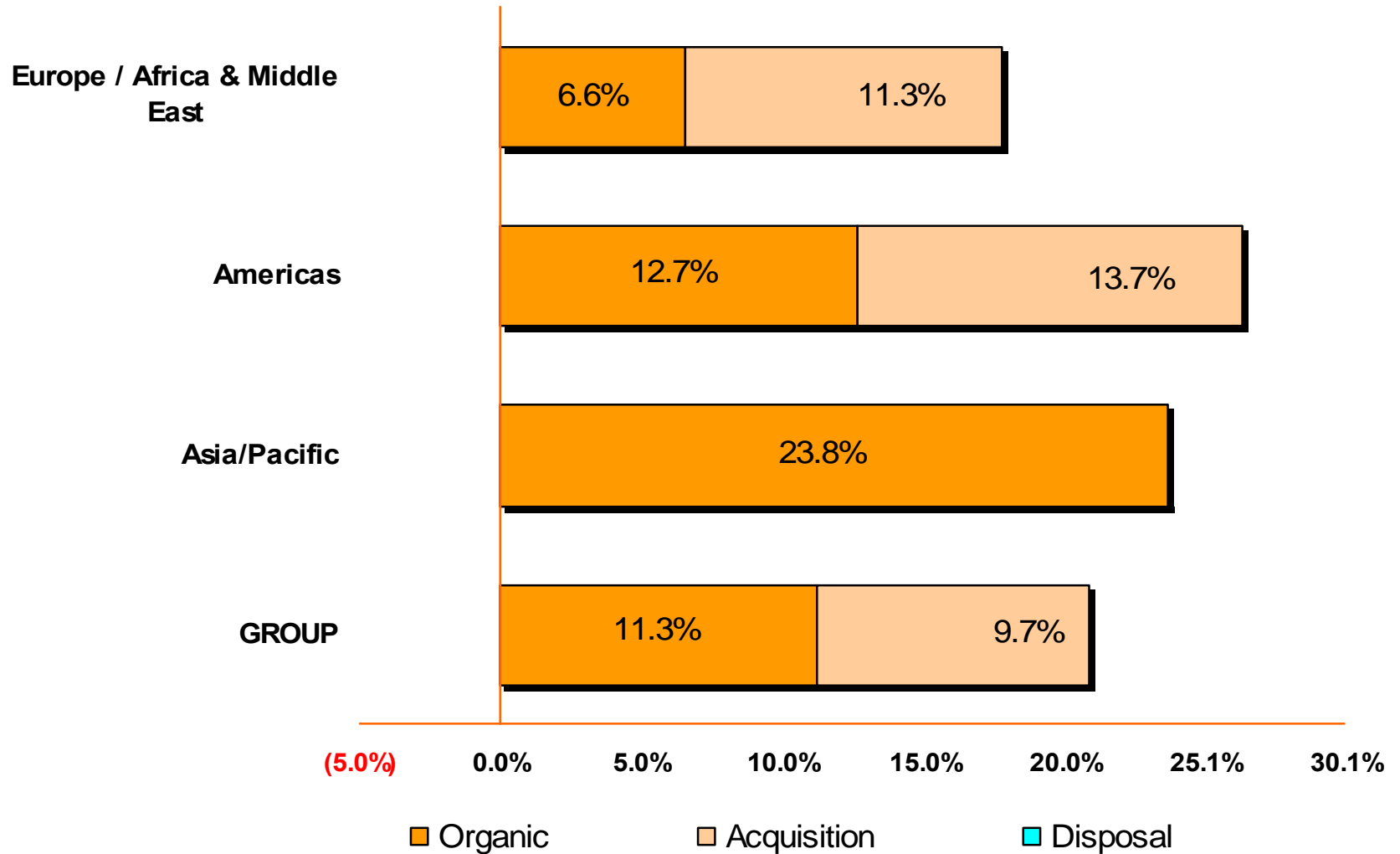
## REVENUE GROWTH COMPOSITION SECOND HALF



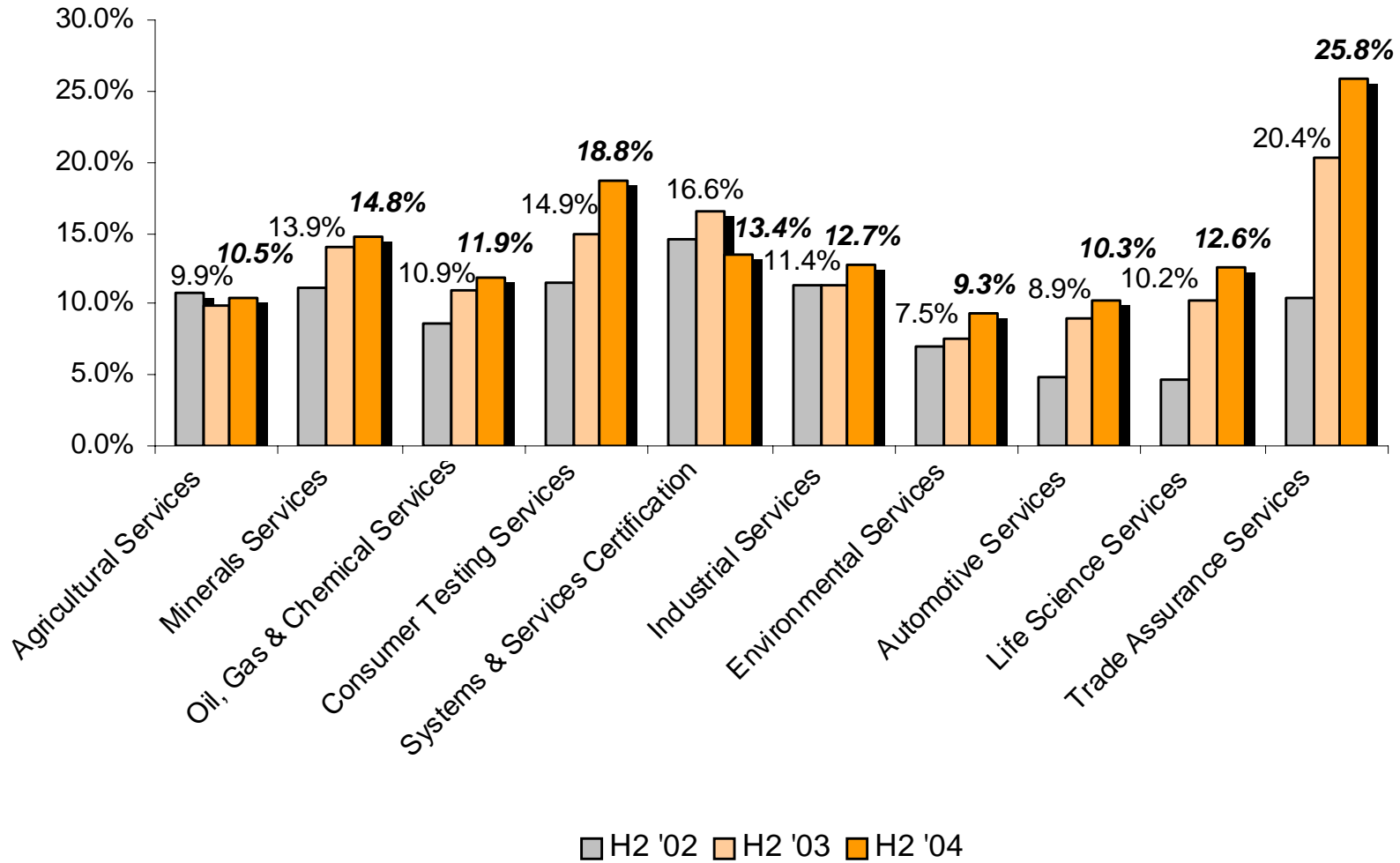
## LOCAL CURRENCY GROWTH BY BUSINESS SECOND HALF



## LOCAL CURRENCY GROWTH BY AREA SECOND HALF



# OPERATING MARGIN BY BUSINESS SECOND HALF



# HEADCOUNT

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# HEADCOUNT RECONCILIATION DEC '03 TO DEC '04

<b>Δ in EOP headcount</b>	<b>Dec 31, 2003</b>	<b>Dec 31, 2004</b>	<b>Δ</b>
<b>Group Headcount</b>	33,006	<b>38,728</b>	<b>5722</b>
Organic Business Growth			<b>3774</b>
Acquisitions			<b>1948</b>
Disposals			
<b>Increase in Group Headcount</b>			<b>5722</b>



# ANALYSIS OF ORGANIC HEADCOUNT (FTE) INCREASE

By Region	HEADCOUNT $\Delta$	HEADCOUNT $\Delta\%$	REVENUES $\Delta\%$
ASIA / PACIFIC	1,476	16.4%	20.9%
AMERICAS*	1,149	14.8%	11.3%
EUROPE / AFRICA & MIDDLE EAST	1,150	7.1%	7.2%
<b>TOTAL</b>	<b>3,774</b>	<b>11.4%</b>	<b>10.7%</b>

\* Increase driven by the fishery discharge control contract in Peru (>500 heads).

# BUSINESS OVERVIEW

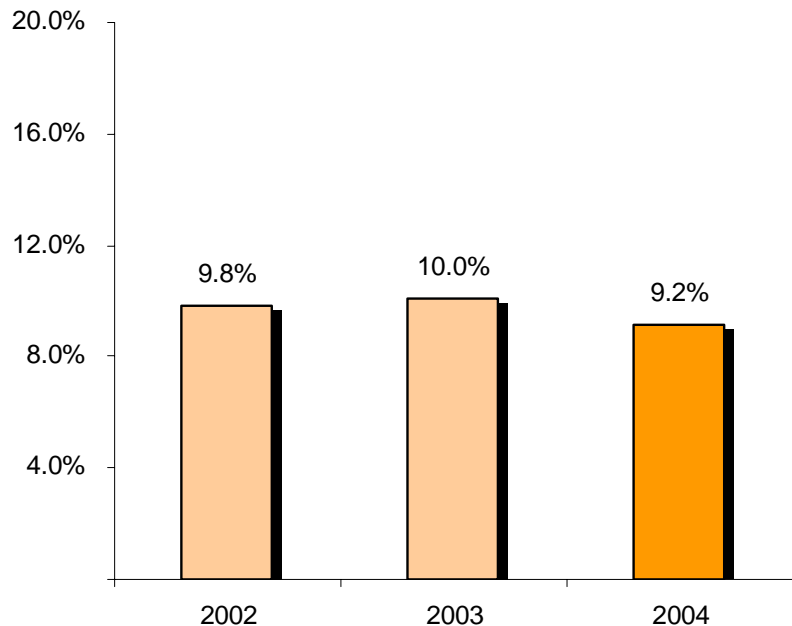
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CHF Million	Dec 03	Dec 04
<b>Revenue</b>	241.8	257.1
Change in %		6.3%
<b>Change due to</b>		
Volume and prices		17.8
Currency Translation		(2.5)
Acquisitions/(Disposals)		
<b>Operating Income</b>	24.3	23.6
Change in %		(2.9%)

- Cost containment measures enacted in 2004 (principally in Western Europe).
- Improved volumes from SAA, SAM and Eastern Europe regions only partly offset the impact from decreased volumes in France and Germany. Margins accelerated to 10.4% in H2 2004.
- High volume of non-AWB grain export business in Australia.
- The fish control contract in Peru producing its full impact in terms of revenue and profits.
- Good growth in:
  - GMO traceability, particularly Brazil
  - Collateral Management in Eastern Europe, Africa, and SAA.
  - Grading on site in Eastern Europe and Australia.
  - Guaranteed Business Solutions ( except Europe, low export volumes)

Margin progression

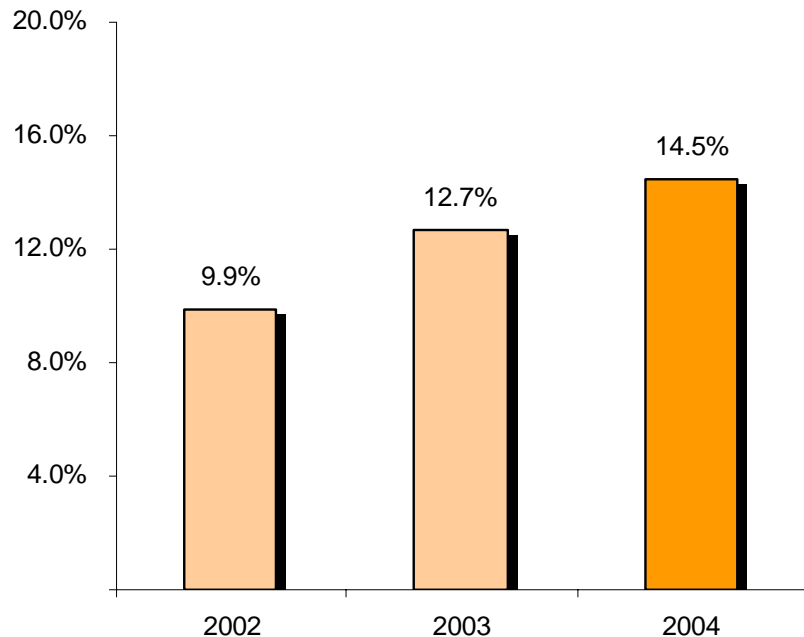


- Value-added services will continue to grow.
  - Guaranteed Business Solutions (Quantity and Quality)
  - Collateral management
  - Fumigation
  - Inland Grading
  
- SAM and SAA regions targeted for significant growth in 2005 due continuation of 2004 trends . Europe to benefit from the improved 2004 harvest and efficiency measures enacted in H2 2004.
  
- In plant outsourcing initiatives are beginning to bear fruit; contracts signed in 2004 (Canada, Egypt, Russia) will provide reference for regional expansion.
  - Logistics and weigh bridge services
  - Laboratories
  - Supply chain management

CHF Million	Dec 03	Dec 04
<b>Revenue</b>	279.9	319.5
Change in %		14.1%
<b>Change due to</b>		
Volume and prices		44.9
Currency Translation		(5.3)
Acquisitions/(Disposals)		
<b>Operating Income</b>	35.5	46.3
Change in %		30.4%

- Strong growth driven largely by Russia, China, Brazil and India. Increased global demand for metals and ores, and high commodity prices contributed to the favourable environment.
- Increased exploration & mining activity contributed to a buoyant market for Geochemist services. Six additional outsourcing contracts were won in 2004 with commissioning in Q1 2005.
- Trade services, particularly non-ferrous, grew very strongly thanks to focused sales activity and improved execution.
- Metallurgy / Mineralogy performed well with the integration of Lakefield now producing its full benefits. SGS is now recognized as the leading service provider in the pilot plant (HIPAL) testing field.

Margin progression



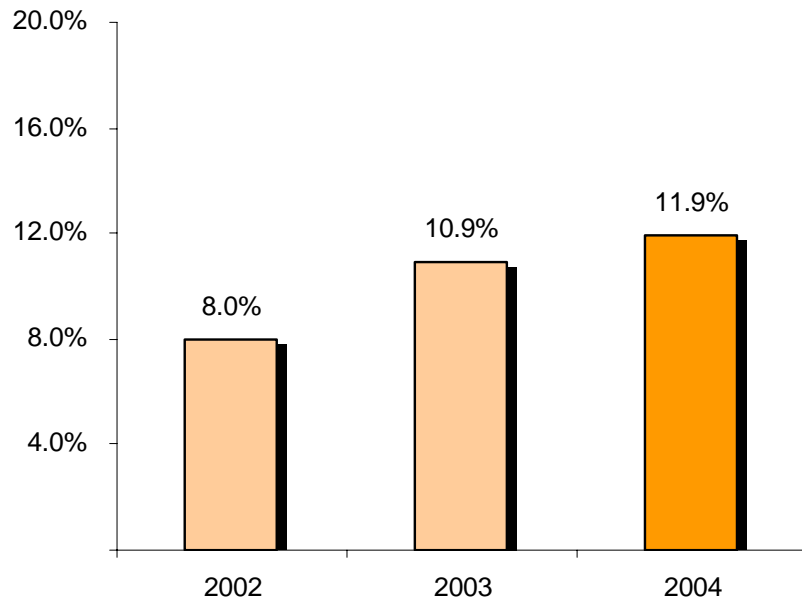
- Increased exploration budgets driven by improved demand and higher metal prices will drive growth in the geochemistry and non-ferrous business lines.
- Expected growth in the metallurgy business, thanks to a buoyant mining market.
- Fertilisers: Regions targeted for growth in 2005 are Eastern Europe and South America. SGS is now the leader in inspection services in this segment.
- Energy Minerals: Further emphasis on global trading opportunities as high petroleum prices has renewed demand for coal and RDFs (refuse derived fuels).

## OIL, GAS & CHEMICALS SERVICES '04

CHF Million	Dec 03	Dec 04
<b>Revenue</b>	439.1	574.6
Change in %		30.9%
<b>Change due to</b>		
Volume and prices		55.2
Currency Translation		(8.4)
Acquisitions/(Disposals)		88.7
<b>Operating Income</b>	47.9	68.6
Change in %		43.2%

- Strategic acquisitions of Petroleum Services Corp. and Vernolab successfully completed.
- Double digit comparable organic growth throughout the network, especially in Asia, Central & Eastern Europe and Americas.
- Sizeable outsourcing contracts won in Papua New Guinea, Germany, Austria and France.
- Demand for petroleum products and chemicals were high, especially in North America and Asia with China at the forefront.
- Leadership position in LNG related services further strengthened during the period.

Margin progression

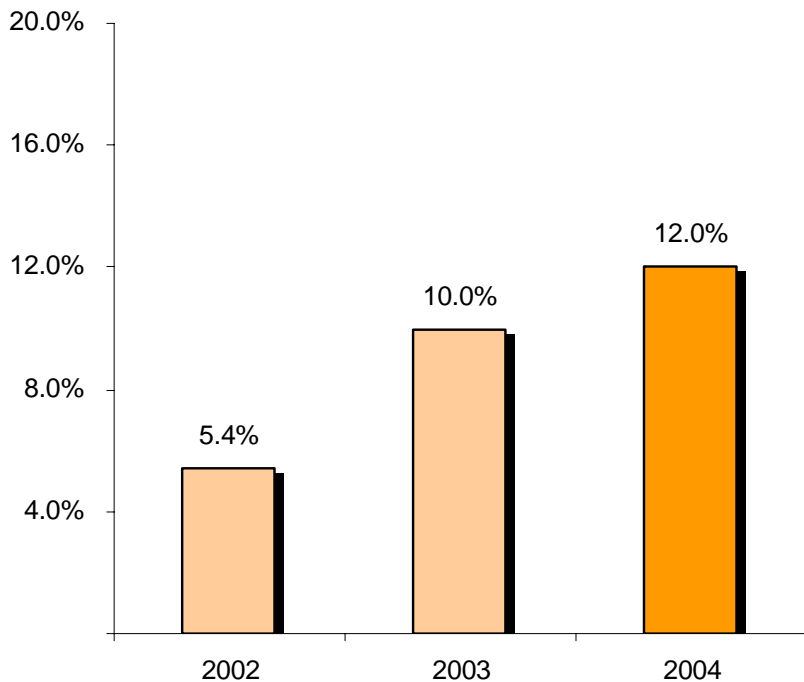


- With the new laboratory facility now operational in Caojing, SGS will further strengthen its leadership position in China
- New petrochemical capacity in Middle East and Asia will drive demand for inspection and testing related services in these regions.
- Leverage acquisitions - replication of “in-plant logistic services” and “comprehensive fuel and engine services package” across the network.
- OGC well prepared and positioned to accommodate the expected growth of the LNG/NG/gas to liquids market.

CHF Million	Dec 03	Dec 04
<b>Revenue</b>	59.1	106.5
Change in %		80.2%
<b>Change due to</b>		
Volume and prices		(2.5)
Currency Translation		
Acquisitions/(Disposals)		49.9
<b>Operating Income</b>	5.9	12.8
Change in %		116.9%

- Global Management Team now in place
  - SGS Medisearch clinical trial monitoring staff in USA expanded from 7 to 25.
- Successful integration of Medisearch and Institut Fresenius businesses into lab network.
- Clinical Research
  - Strong growth in Phase I-IV and supporting services.
  - Bio-analytical services introduced in India in Q4 2004.
- Quality Control
  - Solid growth in Canada business
  - Sustained market leading positions in France and Belgium
  - Laboratory commissioned in India in Q4
  - LIMS standardization project started in 2004 with all SGS Life Sciences laboratories to be standardized on a common platform.

Margin progression

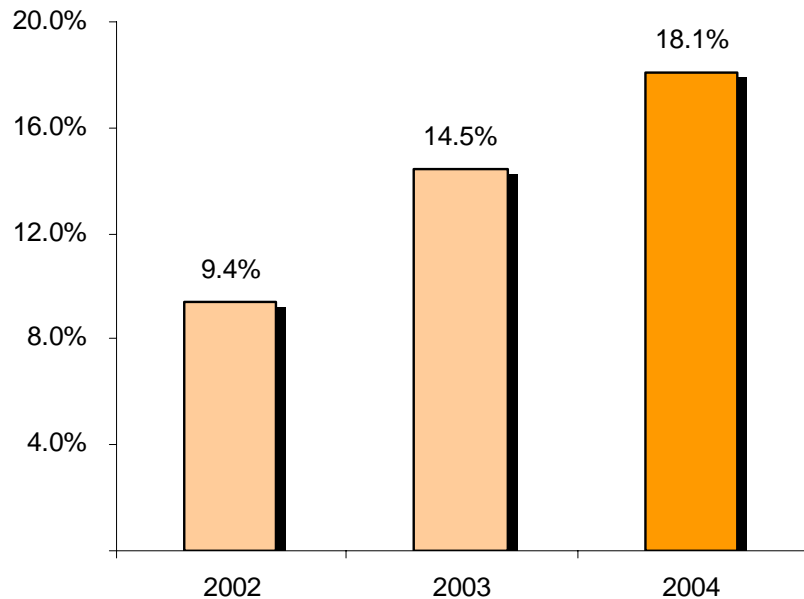


- Focus will be on higher value added services (eg. biopharmaceuticals, early stage services)
- Acquisition activity to continue.
- Clinical research
  - Phase I will continue to be the growth area
  - Focus on early stage services, Phase I, First in Man, bio equivalence, proof of concept studies and bio-analytical services
- Quality control
  - Service portfolio to be expanded to new customer segments (eg biotech, medical devices, enablers)
  - Ramp up of capacities installed in India, Hong Kong and Thailand in 2004
    - Additional two labs approved for start up in 2005

CHF Million	Dec 03	Dec 04
<b>Revenue</b>	272.3	360.6
Change in %		32.4%
<b>Change due to</b>		
Volume and prices		60.3
Currency Translation		(7.0)
Acquisitions/(Disposals)		35.0
<b>Operating Income</b>	39.4	65.2
Change in %		65.5%

- Good progress in main selling markets; secured major contracts in Germany, US and Japan.
- Testing now above 70% of turnover
- Global leadership (45% market share) in restricted substances testing and services (RSTS).
  - Laboratory investments made in India, France, and Turkey
- With finalising lab structure, SGS will become the #1 provider of GSM, Bluetooth and WiFi testing services in Asia by H2 2005.
- Transfer of specialised technologies from the acquisition of Institute Fresenius is well under way with focus on Asia and Asia Pacific.

Margin progression

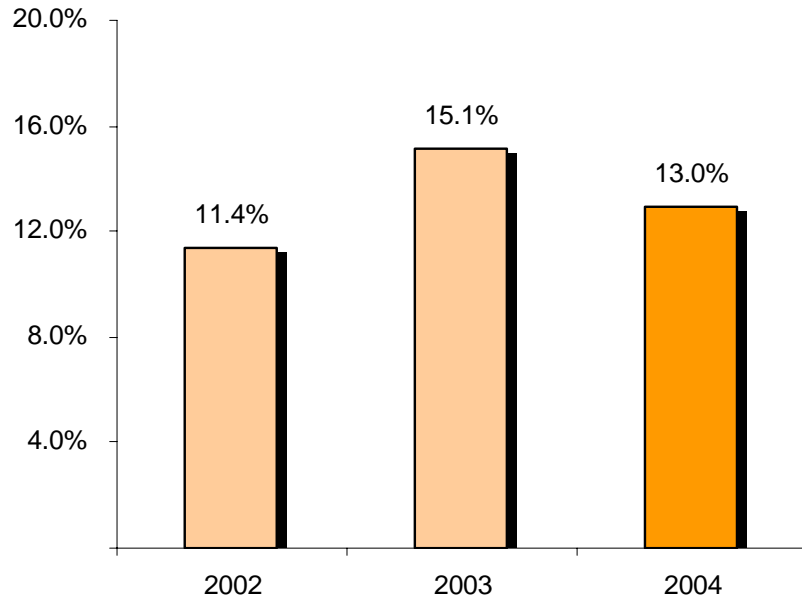


- Sales networks in North America, Western Europe and Japan will continue to be expanded in 2005.
- Soft lines
  - Close gap with market leader
- E&E
  - significant volume growth expected out of high end electronics and communications
  - Strategic alliance agreement signed with Metlabs (USA) will allow SGS to penetrate the US and Canadian product certifications markets.
- Food
  - Acquisition of Aquatic Health SA in Chile will provide a platform for the development of specialized laboratory services to the seafood industry.

CHF Million	Dec 03	Dec 04
<b>Revenue</b>	229.7	235.4
Change in %		2.5%
<b>Change due to</b>		
Volume and prices		8.9
Currency Translation		(3.2)
Acquisitions/(Disposals)		
<b>Operating Income</b>	34.7	30.5
Change in %		(12.1%)

- Spain, Italy, France, Sweden and EU newcomers recorded above average growth rates.
- China / Hong Kong continued to deliver excellent results.
- Transition to the ISO 9000: 2000 standard in 2003 resulted in a larger than expected drop of renewal revenue. Corrected for this effect, organic growth stands at 10% in 2004.
- Restructuring measures, due to cost rationalization for reduced renewals, negatively impacted profitability in Germany, Benelux, Japan and North America.
- ISO 14001 (environment), 2<sup>nd</sup> party audits, integrated audits and industry specific schemes are all growing at double digit rates.

Margin progression

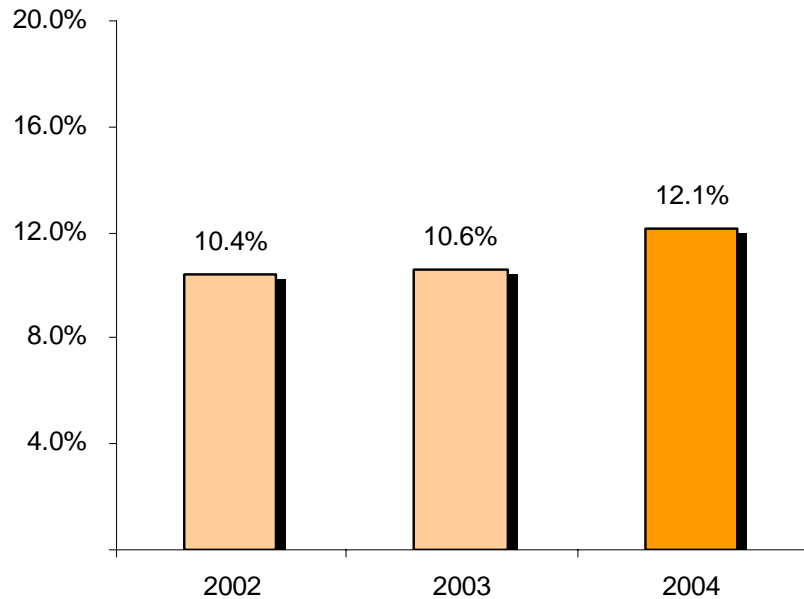


- Key sector based certification schemes, such as Automotive – Aerospace – Forestry - Information Systems Security will drive growth.
- Continued development of new products will allow SGS to enter new higher value markets.:
  - Sustainability report assurance: providing services to the field of Corporate Social Responsibility
  - Lean 6-sigma: auditing, certification and training provided to organizations adopting six sigma programs
- Replication of six sigma projects started in 2004 and roll-out of standard back-office IT system will deliver efficiency improvements and reduce accreditation costs.
- Multi-national corporation key accounts sales team has been re-focused to take advantage of shift in supplier base to developing economies.

CHF Million	Dec 03	Dec 04
<b>Revenue</b>	330.1	379.8
Change in %		15.1%
<b>Change due to</b>		
Volume and prices		50.0
Currency Translation		(0.3)
Acquisitions/(Disposals)		
<b>Operating Income</b>	34.9	46.1
Change in %		32.1%

- Solid growth across all regions driven by Spain, Poland, Brazil and Taiwan.
- Continued improvement in profitability particularly in Spain, Germany and the Benelux.
- Supply chain and NDT services performed well in the AME region with particularly good performance in Iran, Egypt and UAE servicing the energy industry.
- Services provided to the LNG industry in Africa performed above expectations.

Margin progression

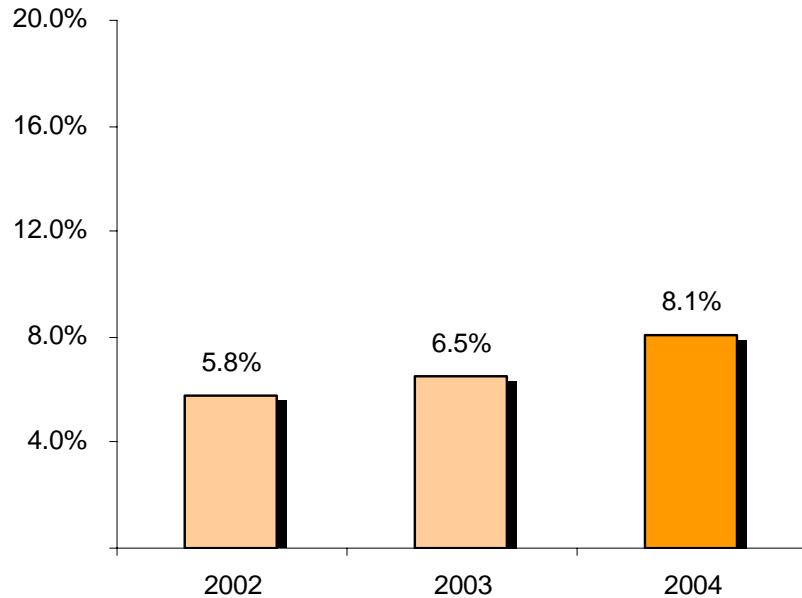


- Continue to focus on the oil, gas and power generation sectors.
- Strengthen value added service portfolio:
  - Risk based inspection
  - Project monitoring services
  - Owner/investor representation services
  - Pipeline integrity
- Construction
  - Replicate existing services in to growing construction markets in Eastern Europe, Asia and Middle East
- Strengthened our activities in North America with the introduction of pipeline services which are expected to demonstrate significant demand due to regulatory requirements enacted.

CHF Million	Dec 03	Dec 04
<b>Revenue</b>	172.0	208.6
Change in %		21.3%
<b>Change due to</b>		
Volume and prices		15.9
Currency Translation		(0.2)
Acquisitions/(Disposals)		20.9
<b>Operating Income</b>	11.2	16.8
Change in %		50.0%

- Good growth in revenues in Australia, Italy and Spain contributed to improved performance.
- Integration of the Institut Fresenius acquisition into the European network has demonstrated early success.
- Margin improvement largely driven by increased volumes, laboratory efficiency gains, and cost containment actions taken in under-performing operations.
- Our Belgian Dioxin lab further strengthened its leadership position by leveraging the SGS network to significantly improve sample volumes

Margin progression

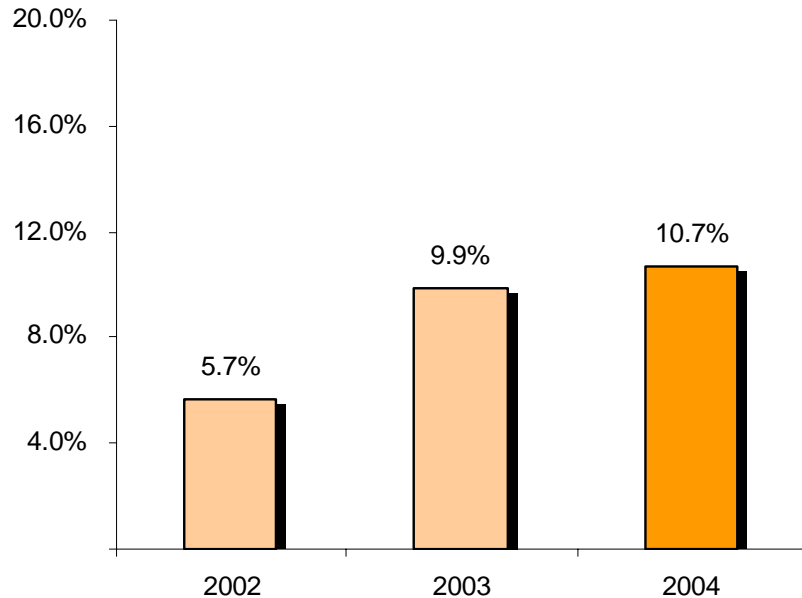


- Key markets are testing of air, soil and water
- Laboratory capacity was commissioned or expanded in 2004 in the following countries and all are expected to contribute in Q1:
  - India ( Delhi, Chennai, Kolkata)
  - China (Shanghai)
  - Korea (Seoul)
- Corrective actions on loss making operations in Germany, USA and Benelux are in place, removing their drag on the results.
- Re-organization of European network into a regional structure is maximizing utilization of high throughput in low cost facilities.
  - Institut Fresenius
  - Holland
  - France

CHF Million	Dec 03	Dec 04
<b>Revenue</b>	211.0	187.7
Change in %		-11.0%
<b>Change due to</b>		
Volume and prices		(28.3)
Currency Translation		(8.5)
Acquisitions/(Disposals)		13.5
<b>Operating Income</b>	20.8	20.0
Change in %		(3.8%)

- Successful acquisition of ACO Securitest
- Loss making damage assessment business in Belgium sold in December.
- Ireland (VIS) continued its good margin performance with volumes down slightly in H2.
- State of New York (USA) data management services commenced in H2, achieving expected margins.
- Traditional off lease and auction volumes remain depressed in the USA.
- VIS contract won in Chile and California start up costs incurred in Q4 2004; operational start Q1 and Q3 respectively.

Margin progression

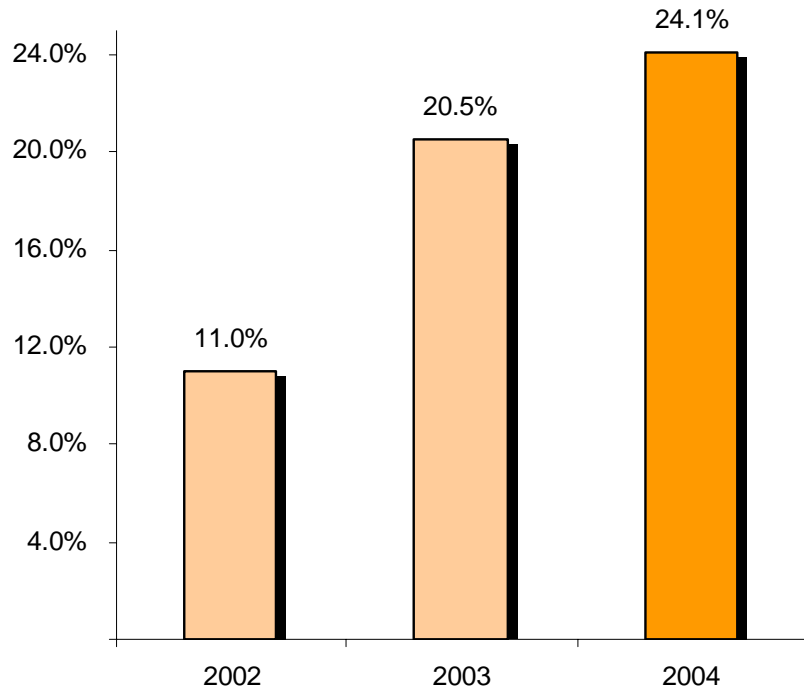


- Full year benefit of ACO Securitest
- Full year benefit LeasePlan and off lease inspections in Europe
- Opportunities for privatization schemes for VIS have positive momentum:
  - Six states in USA tendering in 2005
  - Denmark privatization scheduled for January
  - Brazil expected to tender in 2005
  - Initiatives scheduled in India, China, and Columbia
- The Group has identified promising opportunities for growth through acquisition or strategic alliances. These initiatives will be fully explored in 2005.

CHF Million	Dec 03	Dec 04
<b>Revenue</b>	219.5	255.4
Change in %		16.4%
<b>Change due to</b>		
Volume and prices		37.4
Currency Translation		(1.5)
Acquisitions/(Disposals)		
<b>Operating Income</b>	45.1	61.5
Change in %		36.4%

- Revenues up over 2003, mainly due to Venezuela, Nigeria and Non-PSI.
- Burundi, Cameroon and Mauritania PSI contracts were extended. The Burkina Faso, Central Africa, Ethiopia and Peru contracts were discontinued during the year.
- Non PSI revenue increased 40% in 2004. Mainly due to TradeNet Ghana, ValuNet Mexico and various Forestry contracts.
- CO<sub>2</sub> verification program for emission trading and NGO assessment services launched and implementation of scanner contract started in Gambia in Q4.
- Net collection of terminated contract of CHF 2.6 Mio.

Margin progression



- Opportunities for new custom programs exist particularly in the former Soviet Union and Asia.
- Vigorous marketing for new services to achieve further diversification:
  - Scanner operations
  - TradeNet
  - Forestry
  - ValuNet
- Continued strong growth in Non-PSI revenues.
- Collection effort for terminated contracts continue.

THANK YOU

WHEN YOU NEED TO BE SURE

SGS