

# SGS GROUP RESULTS 2007

Presentation to the Financial Community

Geneva, 16 January 2008

WHEN YOU NEED TO BE SURE

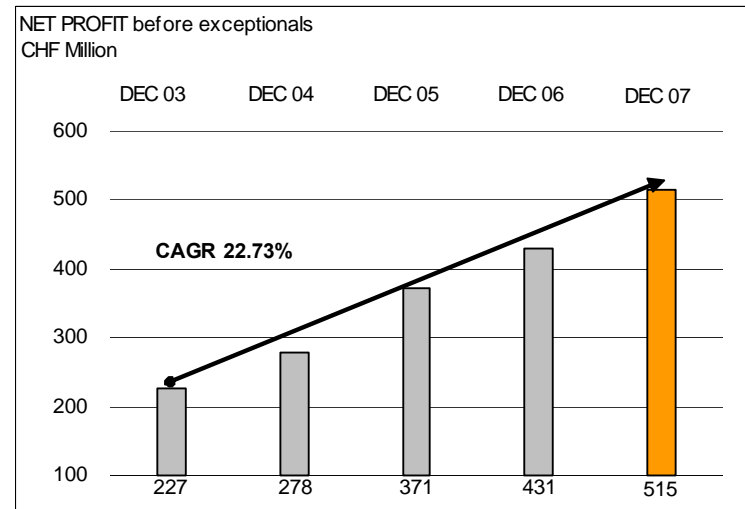
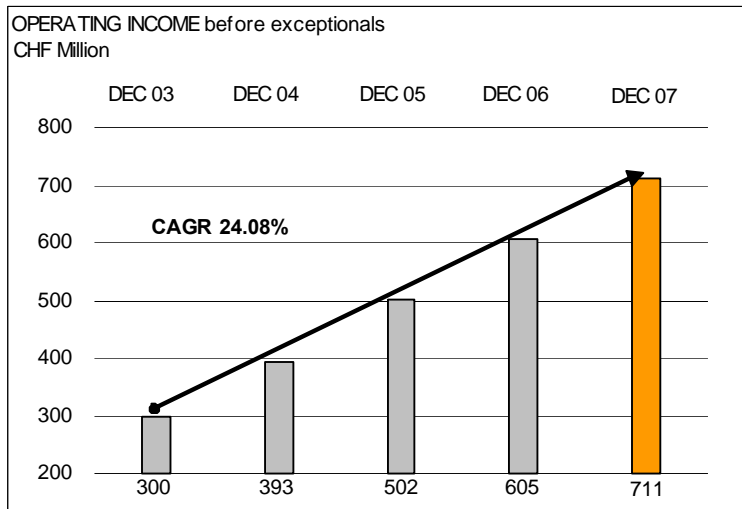
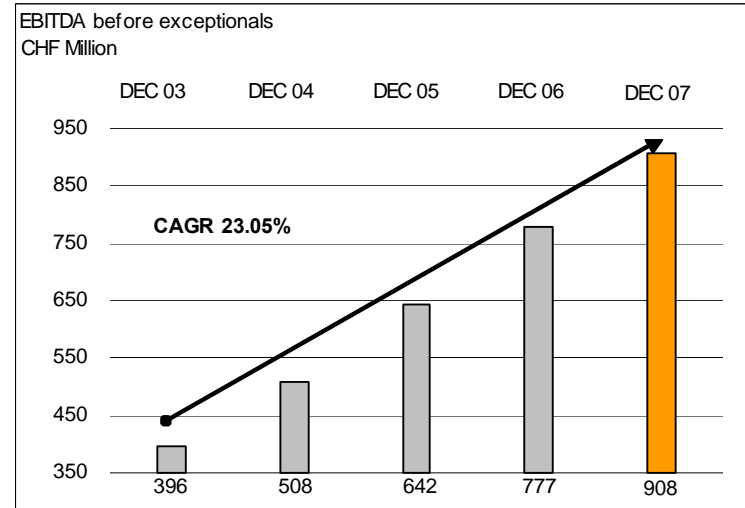
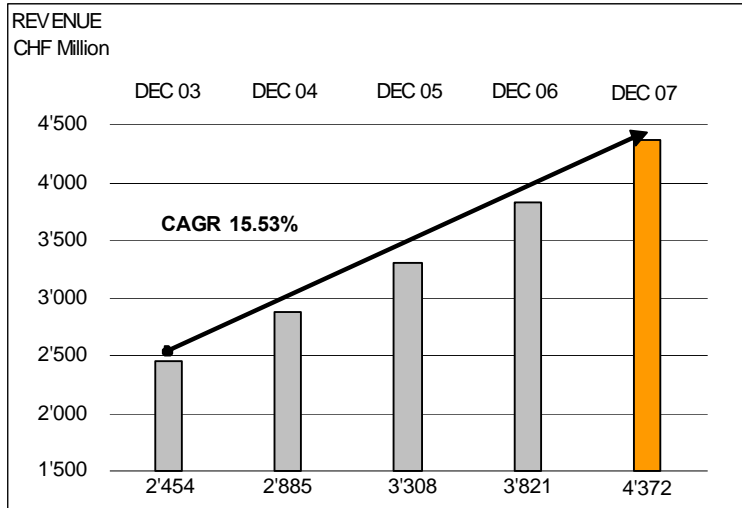


- Revenue growth of 14.4% to CHF 4.4 billion
  - 12.8% in constant currencies
  - 12.0% organic
- EBITDA before exceptional up 16.9% to CHF 908 million
- Operating income before exceptional up 17.5% to CHF 711 million
- Net income before exceptional up 19.5% to CHF 515 million
- Operating Cash Flow up 27.9% to CHF 706 million
- Proposal dividend to shareholders of CHF 35 per share
  - Ordinary dividend of CHF 25 per share, within normal payout ratio
  - Additional dividend of CHF 10 per share

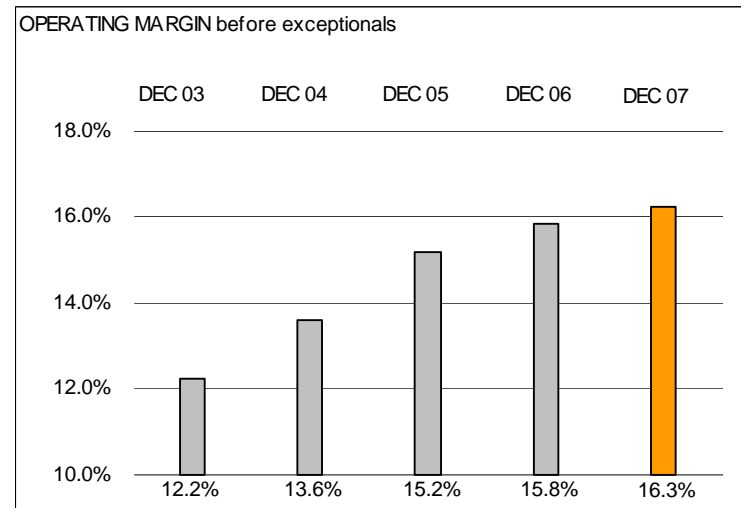
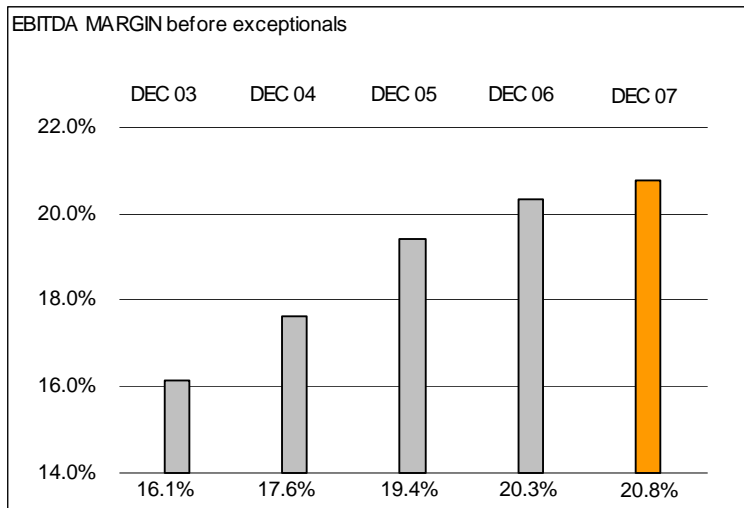
CHF million	2007 (1)	2006 (1)	Δ%
<b>Revenue - historical rates</b>	<b>4,372</b>	3,821	14.4 %
<b>- constant rates</b>	<b>4,372</b>	3,876	12.8 %
<b>EBITDA</b>	<b>908</b>	777	16.9 %
<i>EBITDA Margin</i>	20.8 %	20.3 %	
<b>Operating Income Group</b>	<b>711</b>	605	17.5 %
<i>Operating Income Margin</i>	16.3 %	15.8 %	
<b>Net income</b>	<b>515</b>	431	19.5 %
<b>Net income (after exceptionals)</b>	<b>500</b>	443	12.9 %
<b>Basic EPS</b>	65.47	58.36	12.2 %
<b>Diluted EPS</b>	64.87	57.89	12.1 %
<b>Basic EPS before exceptionals</b>	67.37	56.83	18.5 %
<b>Diluted EPS before exceptionals</b>	66.75	56.37	18.4 %
<b>Period end no. of employees (incl. acquisitions)</b>	<b>52,542</b>	48,106	9.2 %

(1) Results are stated before exceptionals

# FINANCIAL HIGHLIGHTS

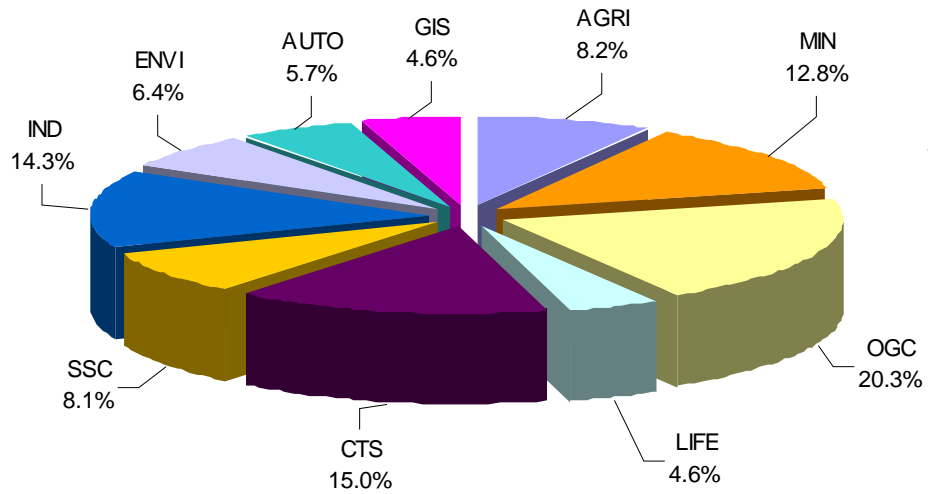


# FINANCIAL HIGHLIGHTS

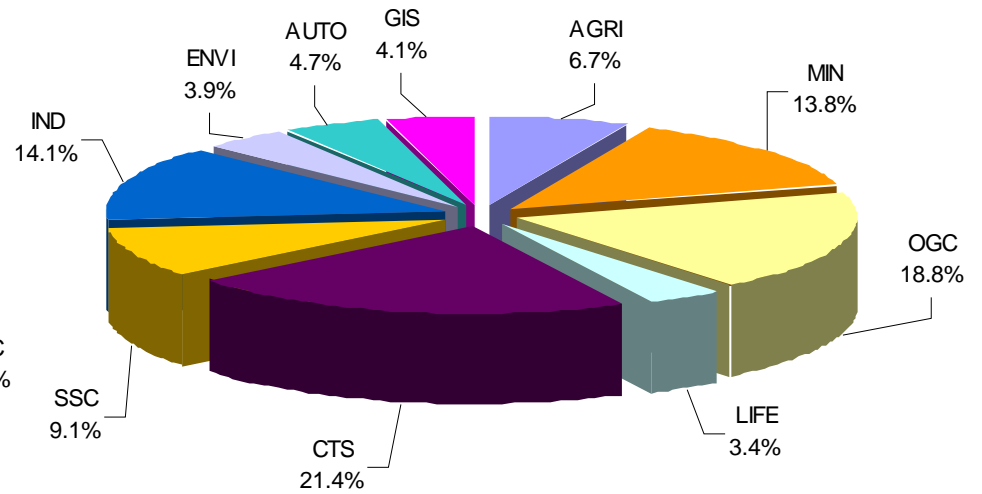


- Continued strength in 2008 both in:
  - Top line (+10%)
  - EPS growth
- Continued emphasis on margin expansion
- EPS 80 target and long term incentive plan
  - Continued as 100% grant for 2008
  - Board of Directors has extended plan to 60% (baseline) vesting if EPS 80 achieved in 2009 due to uncertainty as to timing of acquisitions in 2008
    - Baseline to increase by 10% for every CHF 1 increase over CHF 80 EPS (CHF 84 EPS, 100% vesting)
- New long term incentive set up for 2011 with threshold rate of CHF 105 EPS

### REVENUES



### OPERATING INCOME



## ACQUISITIONS 2007 - 2008



Mid-Iowa Grain Inspection Inc.

CHEMISCHES LABOR DR. MERTEN GMBH

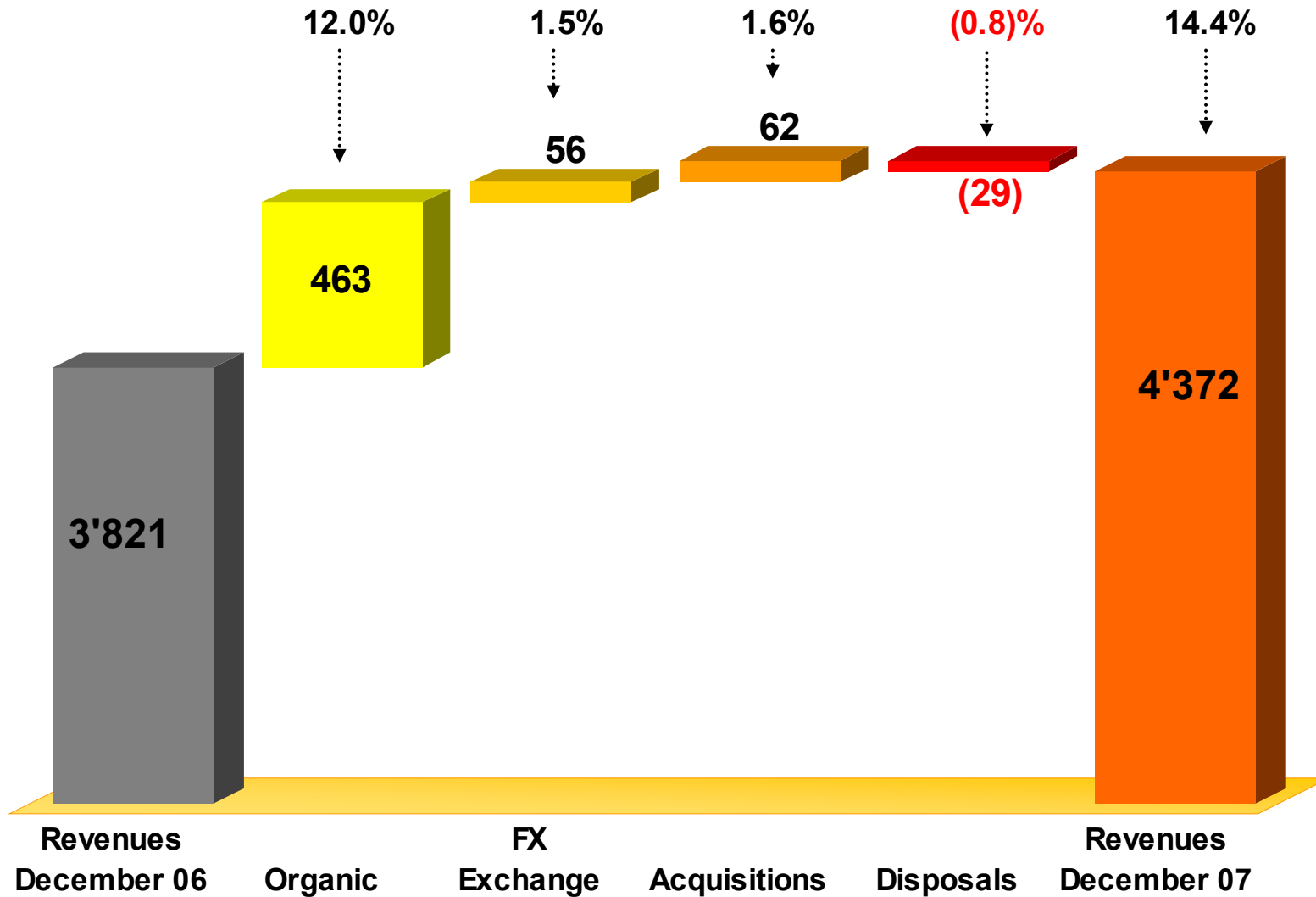


# REVENUE ANALYSIS

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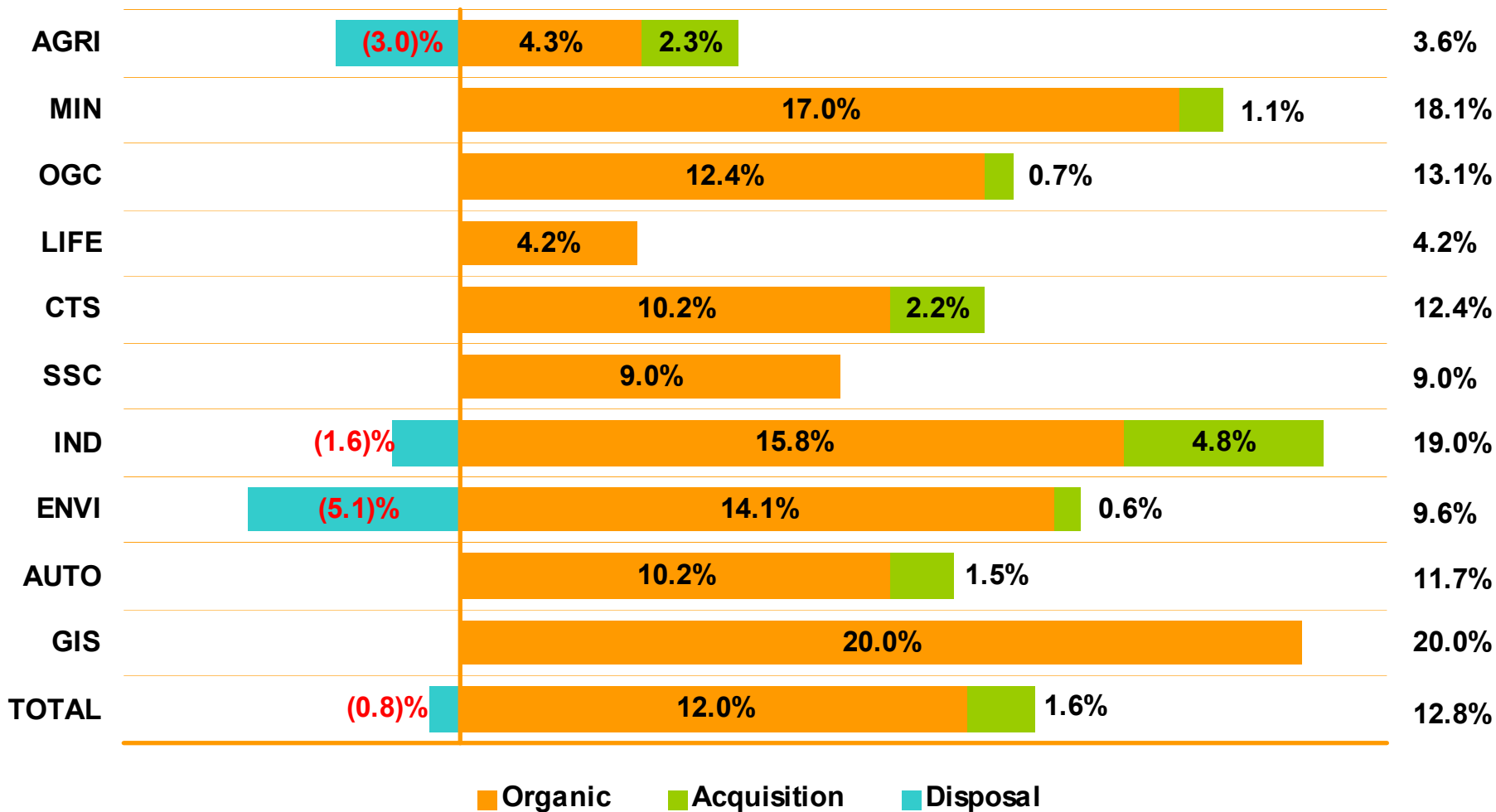


## REVENUE GROWTH COMPOSITION

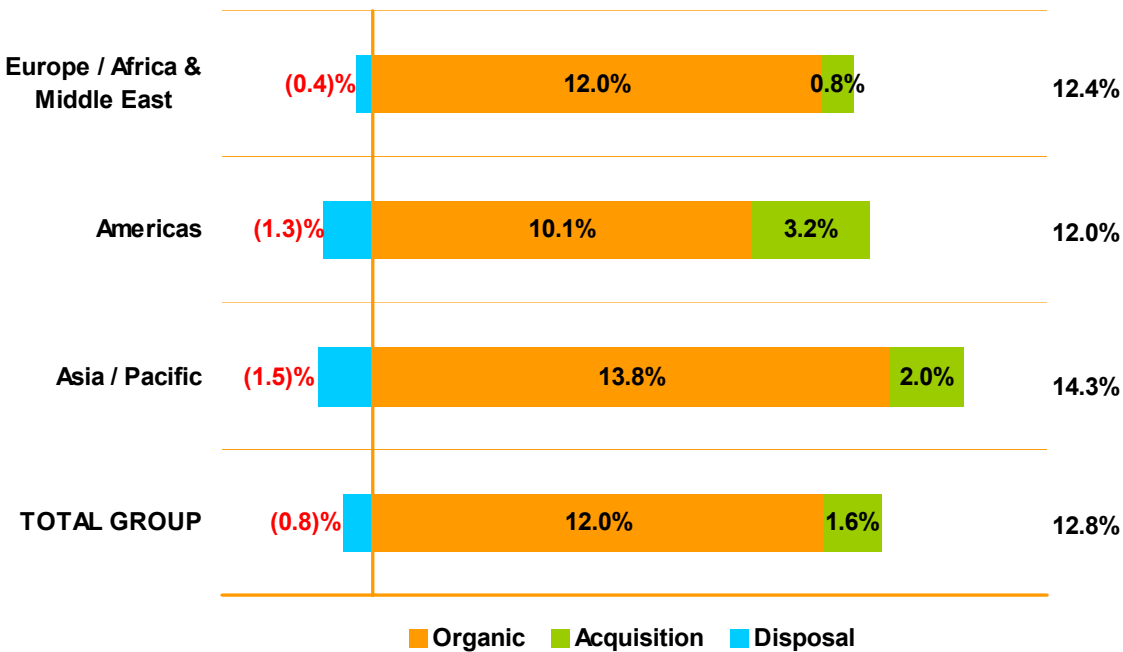




# LOCAL CURRENCY GROWTH BY BUSINESS



# REVENUE GROWTH AND HEADCOUNT CHANGE BY REGION



Δ in EOP headcount	December 2007	December 2006	Δ
<b>Group Headcount</b>	<b>52,542</b>	<b>48,106</b>	<b>4,436</b>
Organic Business Growth			3,735
Acquisitions			709
Disposals			(8)
<b>Increase in Group Headcount</b>			<b>4,436</b>

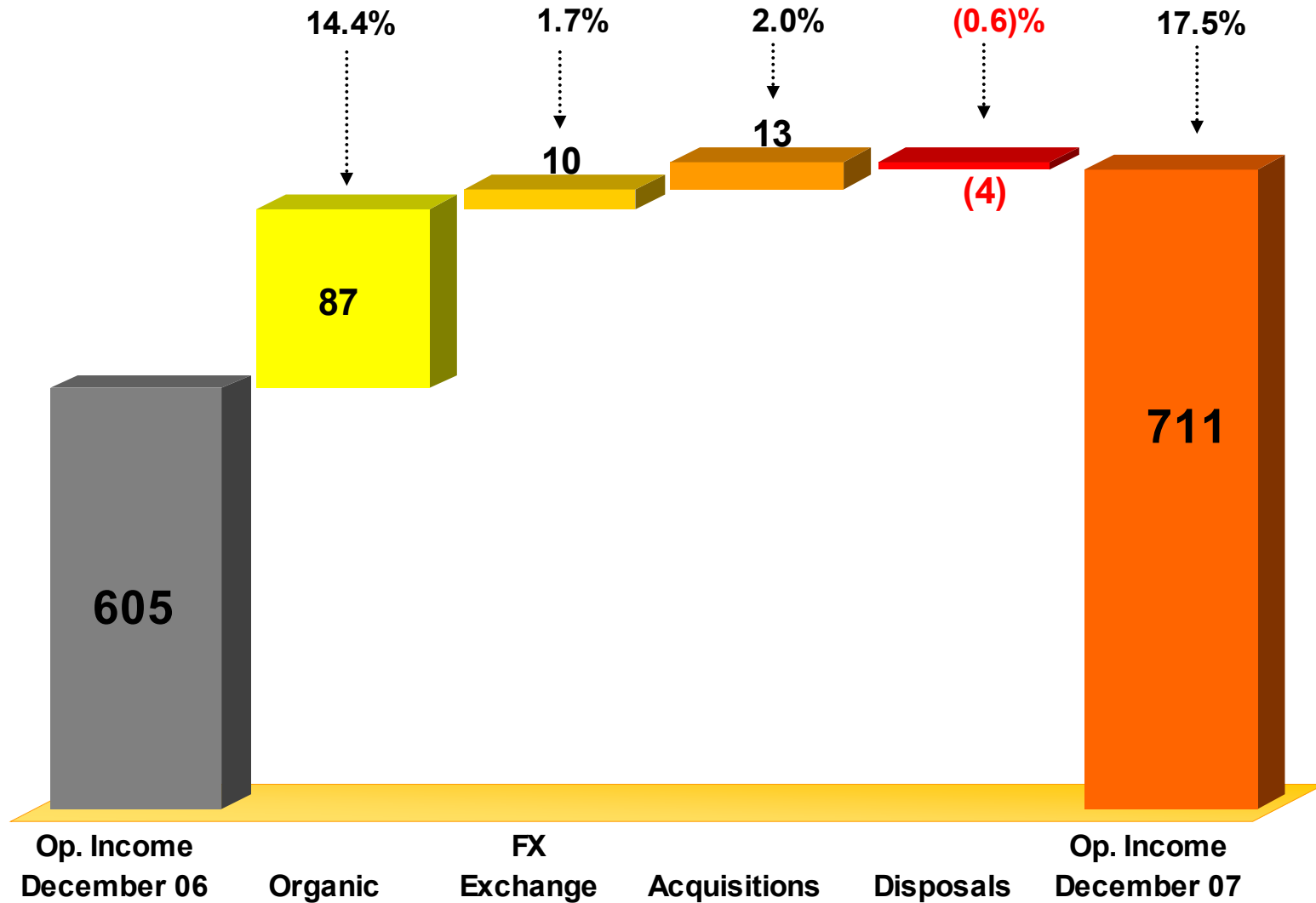
By Region	Headcount Δ	Headcount Δ%	Revenues Δ%
Europe / Africa / Middle East	1,626	7.2%	12.4%
Americas	1,348	12.5%	12.0%
Asia / Pacific	1,462	9.8%	14.3%
<b>TOTAL</b>	<b>4,436</b>	<b>9.2%</b>	<b>12.8%</b>

# OPERATING INCOME ANALYSIS

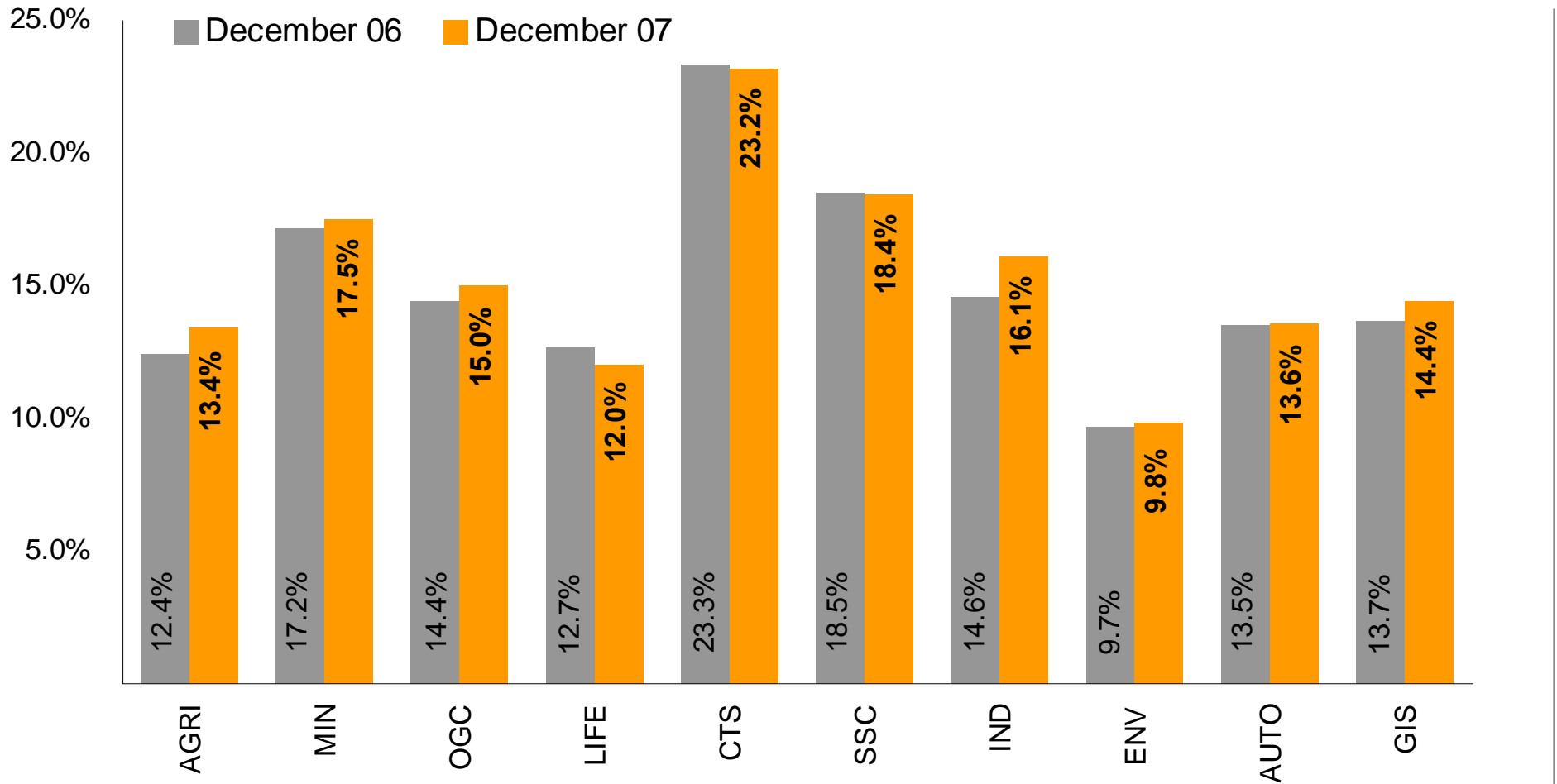
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# OPERATING INCOME GROWTH COMPOSITION



# OPERATING MARGIN BY BUSINESS

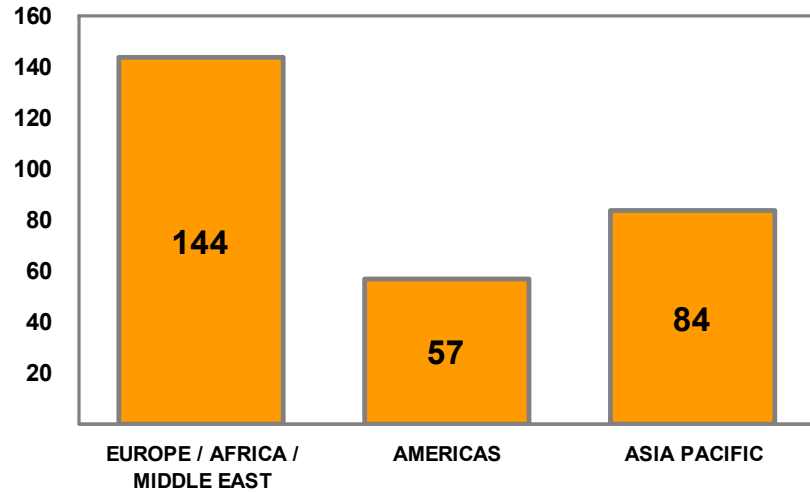


## CASH FLOW

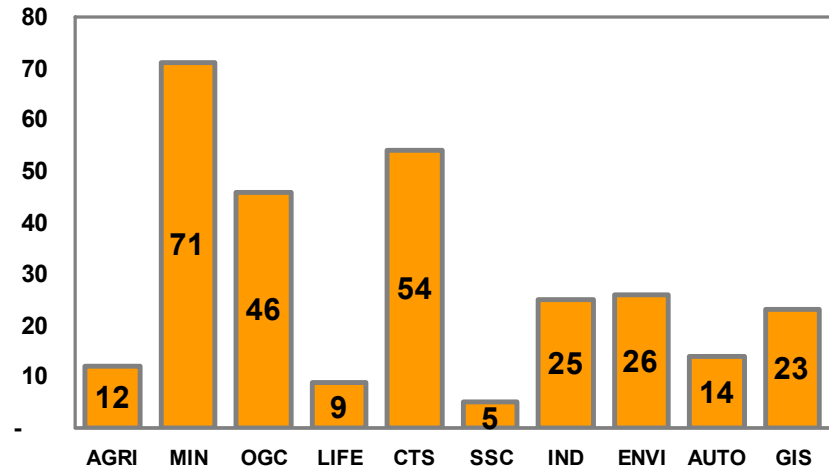
CHF Million	Dec 07	Dec 06
<b>PROFIT FOR THE PERIOD</b>	<b>500</b>	<b>443</b>
Adjustment for non cash items	371	284
<i>Amortisation of Intangibles</i>	5	31
<i>Depreciation</i>	190	141
<i>Share based payments</i>	12	13
<i>Other</i>	164	99
Decrease/(Increase) in net working capital	12	(31)
Taxes paid	(177)	(144)
<b>Cash from operations</b>	<b>706</b>	<b>552</b>
Net purchase of fixed assets	(271)	(224)
Net cash paid for acquisitions/disposals	(71)	(178)
Other from investing activities	12	13
<b>Cash flow from investing activities</b>	<b>(330)</b>	<b>(389)</b>
Dividend paid to equity holders of SGS SA	(153)	(236)
Dividend paid to Minority interests	(25)	(12)
Share capital refund	-	(145)
Movement on treasury shares	(8)	43
Increase/(Decrease) in loans	20	(85)
Other from financing activities	-	(17)
<b>Cash flow from financing activities</b>	<b>(166)</b>	<b>(452)</b>
Exchange differences on opening balances	(1)	1
Translation differences on flows	(10)	(3)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>199</b>	<b>(291)</b>

# CAPITAL EXPENDITURE

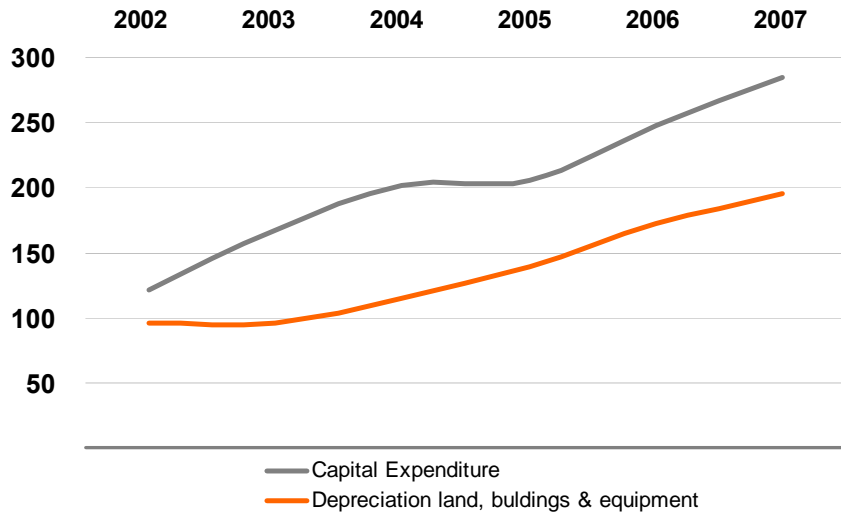
CHF Mio



CHF Mio

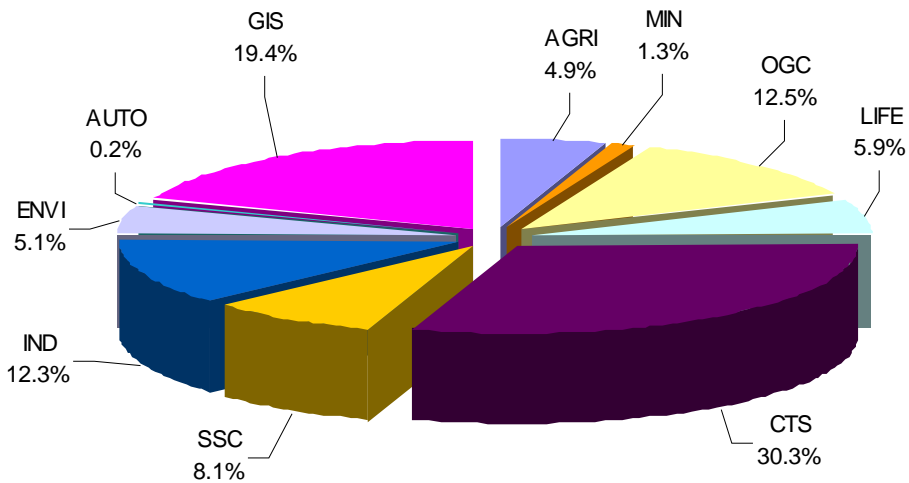


CAPEX  
CHF Mio

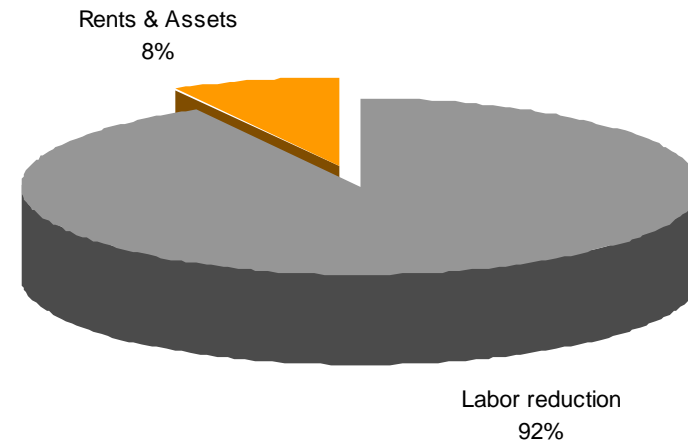


	2006	2007
Reorganization costs	CHF 19 Mio	CHF (21) Mio
Tax Thereon	CHF (7) Mio	CHF 6 Mio
<b>Exceptional items after tax</b>	<b>CHF 12 Mio</b>	<b>CHF (15) Mio</b>

Exceptional Items 2007 by business



Exceptional Items 2007 by category





# FOREIGN CURRENCY IMPACTS ON TRANSLATION

<b>EURO</b>	<b>1.50</b>	<b>1.64</b>	<b>1.75</b>
Revenues	(143)	0	108
Income	(22)	0	16

<b>USD</b>	<b>1.00</b>	<b>1.20</b>	<b>1.30</b>
Revenues	(118)	0	59
Income	(11)	0	6

# SECOND HALF 2007

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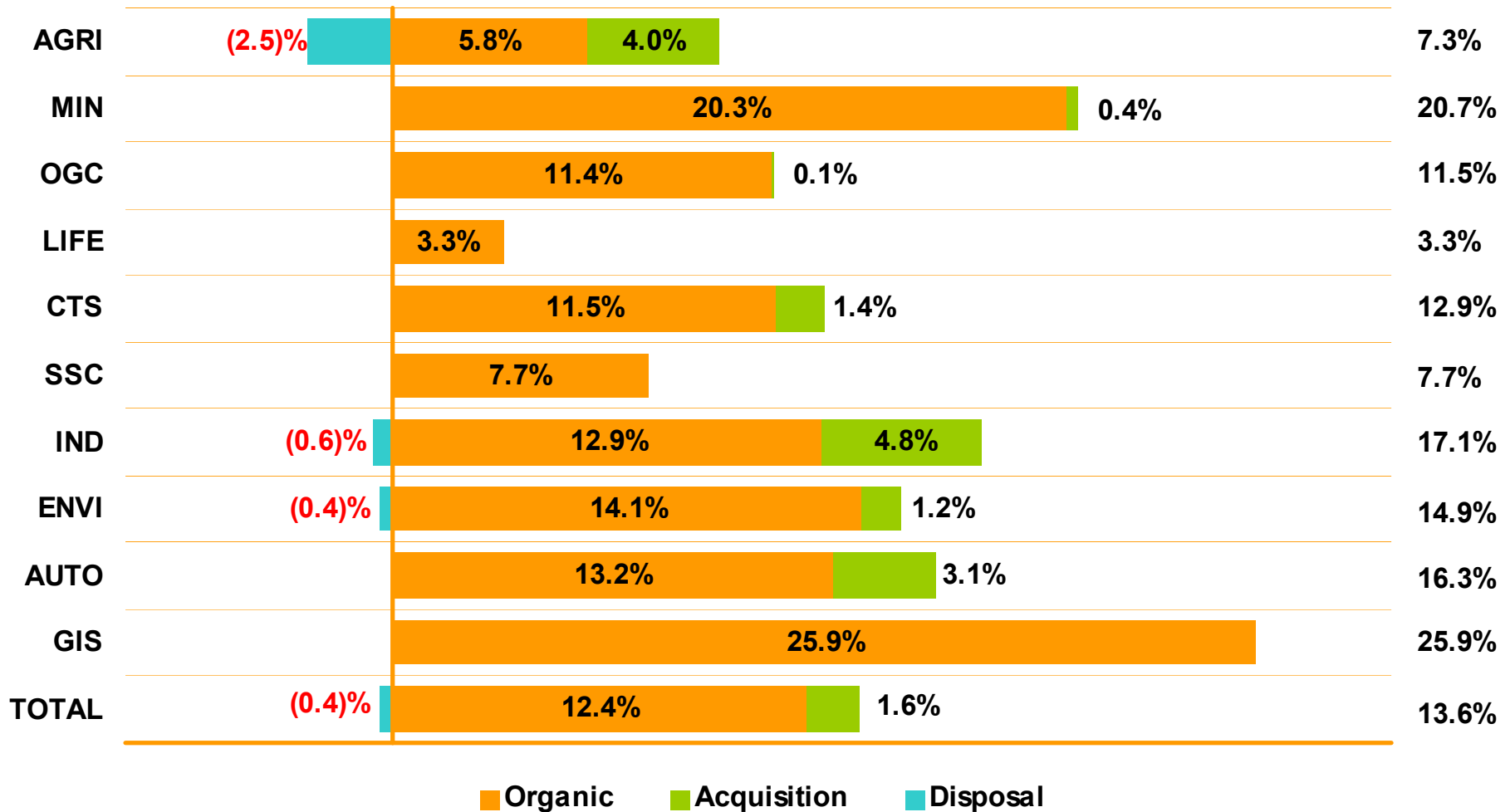


CHF million	H2 2007 (1)	H2 2006 (1)	Δ%
<b>Revenue - historical rates</b>	<b>2,282</b>	1,976	15.5 %
<b>- constant rates</b>	<b>2,282</b>	2,008	13.6 %
<b>EBITDA</b>	<b>490</b>	414	18.4 %
<i>EBITDA Margin</i>	21.5 %	21.0 %	
<b>Operating Income Group</b>	<b>387</b>	322	20.2 %
<i>Operating Income Margin</i>	16.9 %	16.3 %	
<b>Net income</b>	<b>281</b>	229	22.7 %
<b>Net income (after exceptionals)</b>	<b>266</b>	228	16.7 %

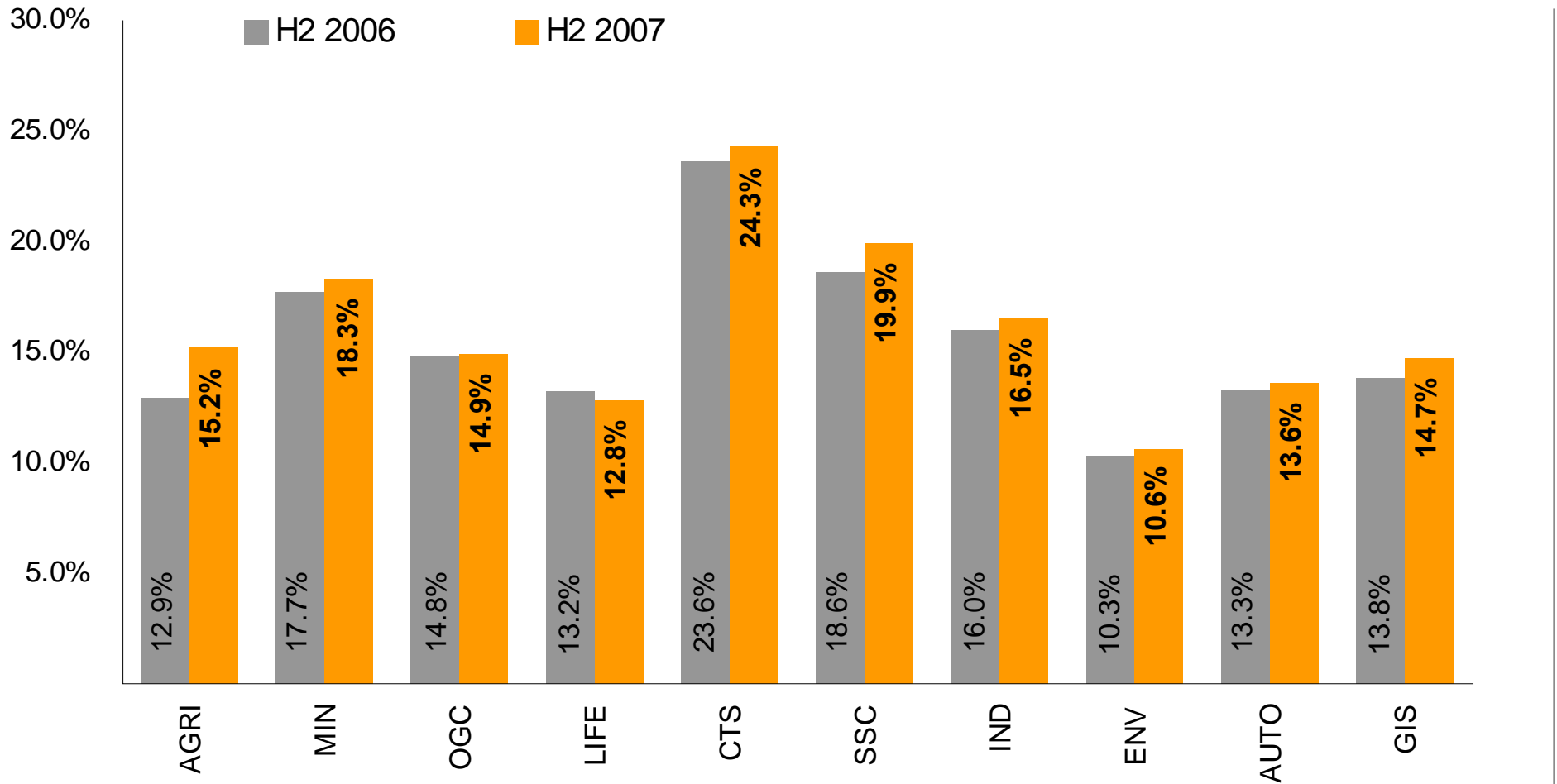
<sup>(1)</sup> Results are stated before exceptionals



# LOCAL CURRENCY GROWTH BY BUSINESS



# OPERATING MARGIN BY BUSINESS



# BUSINESS OVERVIEW

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CHF million	December 2007	December 2006
<b>Revenue</b>	356.5	336.1
Change in %	6.1	
<b>Operating Income before exceptionals</b>	47.6	41.7
Change in %	14.1	
<b>Margin %</b>	13.4	12.4



### ■ Overview 2007

- Increased Agricultural commodity prices driven by bio-fuel demands, foreign exchange volatility and high shipping costs
- Position in North America strengthened through acquisitions of two non-trade related businesses
- Solid performances in Western Europe, Eastern Europe, Africa and South America
- Operating margin improvement in H2 driven by volume, service mix, and acquisitions and disposals
- Export restrictions in Q4 in Eastern Europe impacting export volume

### ■ Outlook

- Commodity prices expected to remain firm in 2008 driving trader needs for loss prevention products
- Cross border trade slowing until inventories are replenished
- Full year benefit of acquisitions
- Bio-fuels initiative expected to gain traction in the marketplace
- Western Europe revenues to be negatively effected by termination of silo management agreement in Valencia

CHF million	December 2007	December 2006
<b>Revenue</b>	559.8	467.0
Change in %	19.9	
<b>Operating Income before exceptionals</b>	98.2	80.5
Change in %	22.0	
<b>Margin %</b>	17.5	17.2



### ■ Overview 2007

- Demand for precious metals, energy minerals, and fertilizers remained firm throughout the period
- Laboratory technology upgrades completed in Australia, Canada, South Africa, and South America
- Green field sites commissioned in Russia and Canadian Oil Sands
- Laboratory automation beta site commissioned in Australia
- Advanced mineralogy network now fully operational in North America, South Africa, Australia, and Chile

### ■ Outlook

- Exploration and extraction spending by mining firms expected to remain firm in 2008 driving revenue growth
- Laboratory network to be expanded primarily in Asia South America, and South East Asia & Pacific
- Geological consulting services to be added to the group to complete value chain coverage
- Sourcing qualified staff the biggest challenge

CHF million	December 2007	December 2006
<b>Revenue</b>	891.3	783.4
Change in %	13.8	
<b>Operating Income before exceptionals</b>	133.4	112.6
Change in %	18.5	
<b>Margin %</b>	15.0	14.4



### ■ Overview 2007

- Petroleum feedstock pricing remained high on strong demand putting pressure on refining and chemicals markets
- Laboratory start-ups and expansions completed in China, Russia, and South East Asia Pacific
- Cargo treatment and fuel marking services continued to expand lifting operating margins
- Capacity and technology upgrades added to upstream service lines

### ■ Outlook

- Petroleum pricing will continue to drive exploration and optimization spending
- Alternative fuel sources remain viable due to petroleum pricing and strategic concerns
- Credit squeeze and product valuations drive risk mitigation services, cargo treatment, and product marking demand
- Cautious optimism that acquisition pricing will normalize

CHF million	December 2007	December 2006
<b>Revenue</b>	654.7	580.1
Change in %	12.9	
<b>Operating Income before exceptionals</b>	151.9	135.4
Change in %	12.2	
<b>Margin %</b>	23.2	23.3



## ■ Overview 2007

- RoHS slowing demand put pressure on top line growth and operating margins
- Laboratory capacity expanded in Latin America, North Africa, and South East Asia Pacific to meet increase in demand outside of China
- Product safety concerns due to product recalls accelerates transition to performance testing
- 2<sup>nd</sup> semester margin driven by satisfactory results in E&E testing, textiles and hard goods
- Restructuring actions taken in Q4 primarily as a result of back-office productivity programs and transition of laboratory volumes between regions

## ■ Outlook

- RSTS testing volumes to return to normal growth trajectory
- Textile and hard goods testing demand to remain firm
- Product performance testing to become a larger portion of the sectors revenue stream
- Capital investments will be targeted towards E&E safety, EMC testing, and laboratory productivity initiatives

CHF million	December 2007	December 2006
<b>Revenue</b>	200.4	186.8
Change in %	7.3	
<b>Operating Income before exceptionals</b>	24.1	23.7
Change in %	1.7	
<b>Margin %</b>	12.0	12.7



### ■ Overview 2007

- Quality control laboratories in North America and Germany met expectations; Asia labs reaching full cost absorption
- Despite low revenue growth in clinical research operations profitability was improved from productivity measures
- Biometry services performed well in Belgium
- Difficult trading conditions in bio-analysis operations
- Successful audit cycles completed by the FDA and large pharma clients at key laboratories particularly India

### ■ Outlook

- Asia labs to move into a profit position by the end of the first semester
- Bio-analysis operations set to rebound in the Benelux and France
- Productivity measures taken within 2007 to roll forward in 2008
- Laboratory systems to be standardized and upgraded in clinical research
- Capacity expansion in North America quality control

CHF million	December 2007	December 2006
<b>Revenue</b>	353.5	318.7
Change in %	10.9	
<b>Operating Income before exceptionals</b>	65.0	58.9
Change in %	10.4	
<b>Margin %</b>	18.4	18.5



### ■ Overview 2007

- ISO 9000 product line demand remained challenging due to 3 year audit cycle and transition of market demand
- Multi-national client sales were strong as a result of prior period investments in management structure
- Common information technology solutions continued to be deployed tempering labor cost inflation
- Customized audit solutions continued to grow as a proportion of revenue and were particularly successful in Europe
- Successful market share gains in the automotive TS certification space

### ■ Outlook

- Introduction of additional strategic market segments to expand our global customer base
- Implementation of standardization, productivity and efficiency projects to increase our competitiveness and reduce cost of delivery
- Continue to deliver above market growth rates in our chosen key market segments
- Investment in service expansion in Latin America, Asia and Eastern Europe

CHF million	December 2007	December 2006
<b>Revenue</b>	624.7	510.4
Change in %	22.4	
<b>Operating Income before exceptionals</b>	100.6	74.7
Change in %	34.7	
<b>Margin %</b>	16.1	14.6



### ■ Overview 2007

- Excellent results particularly in non-destructive testing as deferred maintenance cycle in the petrochemicals industry was initiated
- Supply chain services and international project management posted strong growth in Asia and Eastern Europe Middle East
- Wind energy services gained traction in India, China, and North America
- Strong results in statutory inspection in Spain
- Successful acquisition in asset integrity management in the United States

### ■ Outlook

- Core services delivered to the oil and gas, power generation, and infrastructure to remain solid in 2008
- Non-destructive testing and supply chain services network investments to be accelerated in H1
- Full year benefit from FTS acquisition
- Technical skills talent sourcing to remain the principle challenge

CHF million	December 2007	December 2006
<b>Revenue</b>	281.1	249.2
Change in %	12.8	
<b>Operating Income before exceptionals</b>	27.6	24.1
Change in %	14.5	
<b>Margin %</b>	9.8	9.7



### ■ Overview 2007

- Comparable organic growth of 14% was well above historical norms
- Operating margin improvement in 2<sup>nd</sup> semester driven by volume, mix, and Greenfield labs reaching break even
- Environmental services targeted towards the mining industry becomes a principle area of growth and investment
- Asset refurbishment of Australian operations completed
- Successful acquisition of Ecoserv Pty in South Africa
- Koelliken contract win a milestone for the Group

### ■ Outlook

- Regulatory and legislative environment portends to future growth of the segment
- North American and European markets will remain competitive requiring focus on service delivery cost and productivity
- Investments will be targeted towards emerging markets and focused industry sectors
- Laboratory technology offerings such as MultiTrace a key to off-setting pricing pressure

CHF million	December 2007	December 2006
<b>Revenue</b>	249.2	220.3
Change in %	13.1	
<b>Operating Income before exceptionals</b>	33.8	29.8
Change in %	13.4	
<b>Margin %</b>	13.6	13.5



### ■ Overview 2007

- Milestone contract wins in Asia, and North Africa
- Good performance in France, Ireland, Spain, Chile, Ivory Coast of statutory concessions
- Satisfactory performance in commercial vehicle inspections in Europe.
- Positive momentum in car manufacturing quality services and pre-delivery inspection
- Successful acquisitions of Adria Control in Slovenia, and COTA in Algeria

### ■ Outlook

- Excellent execution of black cabs and private hire vehicles concessions in London to lead to positive opportunities for other municipalities
- Margin in H1 to be dampened due to start up costs of Moroccan and Nanjing concessions which require infrastructure build-out
- Privatization opportunities in emerging markets to come to tender in 2008

CHF million	December 2007	December 2006
<b>Revenue</b>	200.4	169.0
Change in %	18.6	
<b>Operating Income before exceptionals</b>	28.8	23.2
Change in %	24.1	
<b>Margin %</b>	14.4	13.7



## ■ Overview 2007

- Successful implementation of pre-shipment inspection mandate in Angola
- Scanning mandates awarded in Bahrain, Kuwait, and Kosovo bring installed total to 14
- Product conformity assessments awarded in Indonesia and Kuwait
- TradeNet implemented in Madagascar
- Ecuador pre-shipment inspection contract terminated effective December 31 (8% of 2007 revenue)

## ■ Outlook

- Local solutions to represent +50% of revenue for the sector. +90% of 2008 revenue growth to come from non-PSI business
- Full year impact of awarded mandates in 2007 to offset impact of termination of Ecuador contract
- Productivity measures to be implemented to right size organization for reduced PSI revenue
- Significant promotion efforts for solutions such as TradeNet, product conformity, cargo-tracking, and compliance solutions

- “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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