

# SGS SA

Swissfirst  
Zürich, 1 April 2004

Sergio Marchionne  
Chief Executive

***swissfirst***

WHEN YOU NEED TO BE SURE

**SGS**



## Highlights 2003

- 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

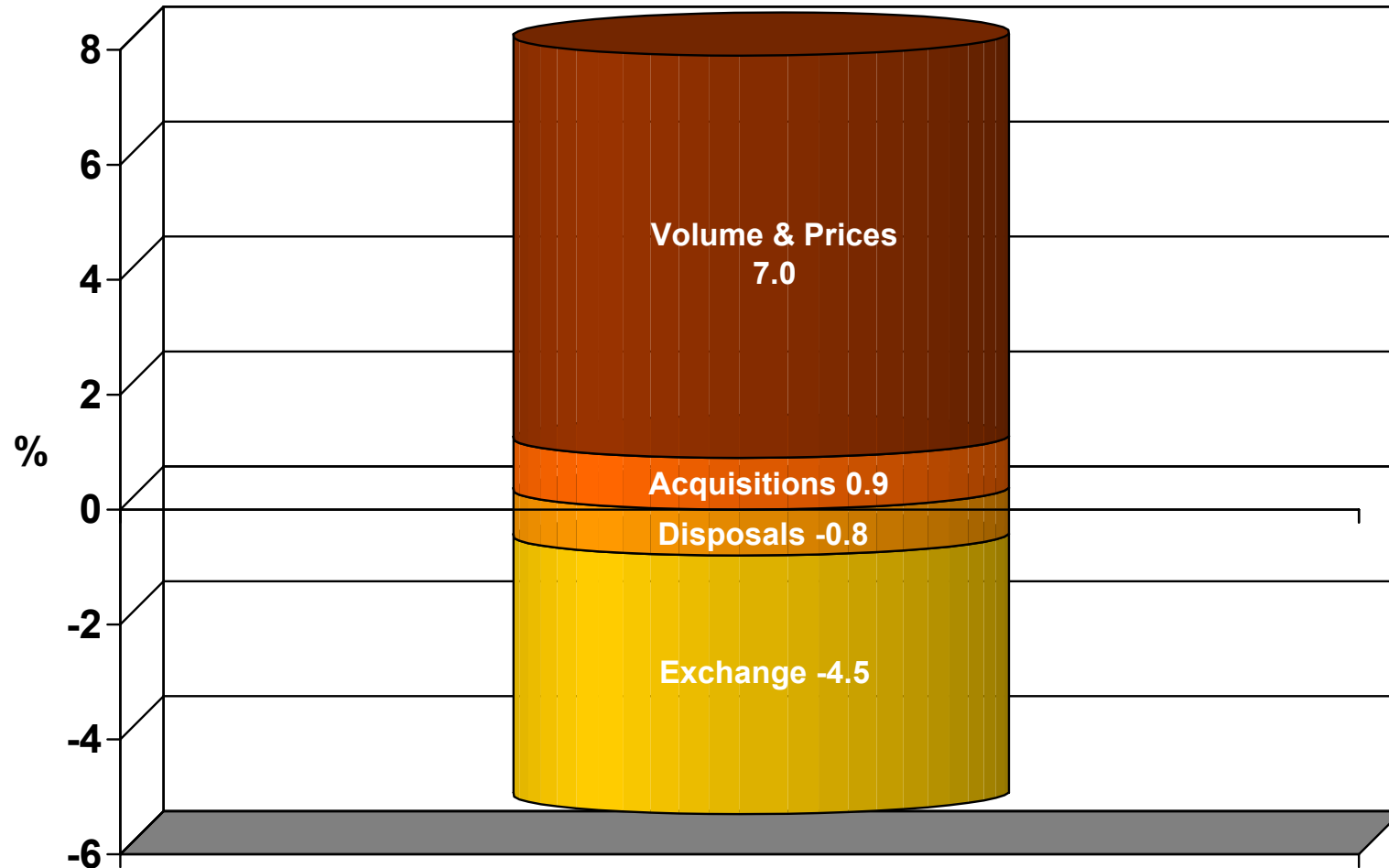


# Financial Highlights

CHF million

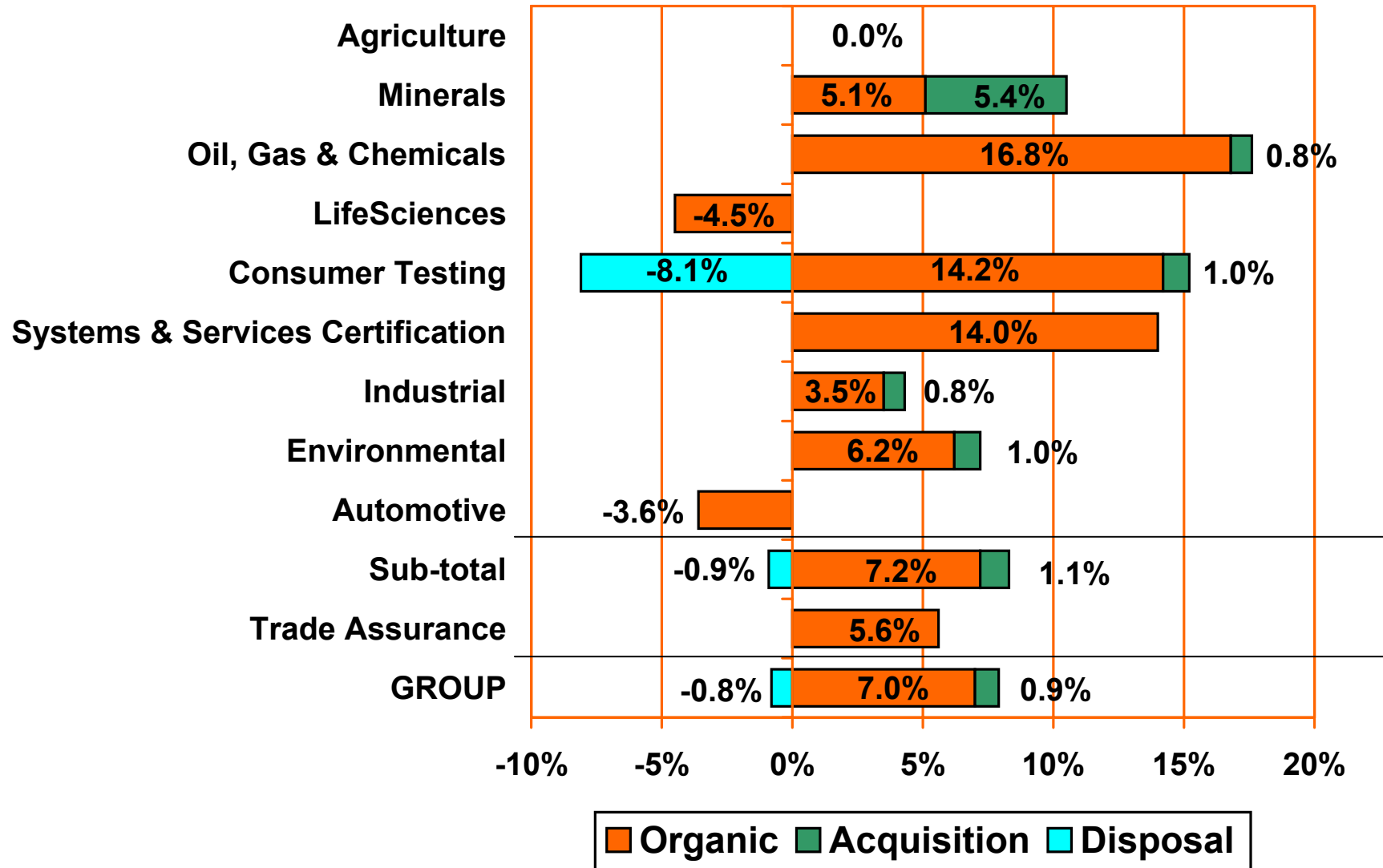
	2002	2003	Change YoY
<b>Revenue - historical rates</b>	2'392	<b>2'454</b>	2.6%
<b>- constant rates</b>	2'291	<b>2'454</b>	7.1%
<b>EBITDA</b>	311	<b>396</b>	27%
<i>EBITDA Margin</i>	13.0%	16.1%	
<b>Operating Income Group</b>	216	<b>300</b>	39%
<i>Operating Margin Group</i>	9.0%	12.2%	
<b>Net Income before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

## Revenue Growth Composition



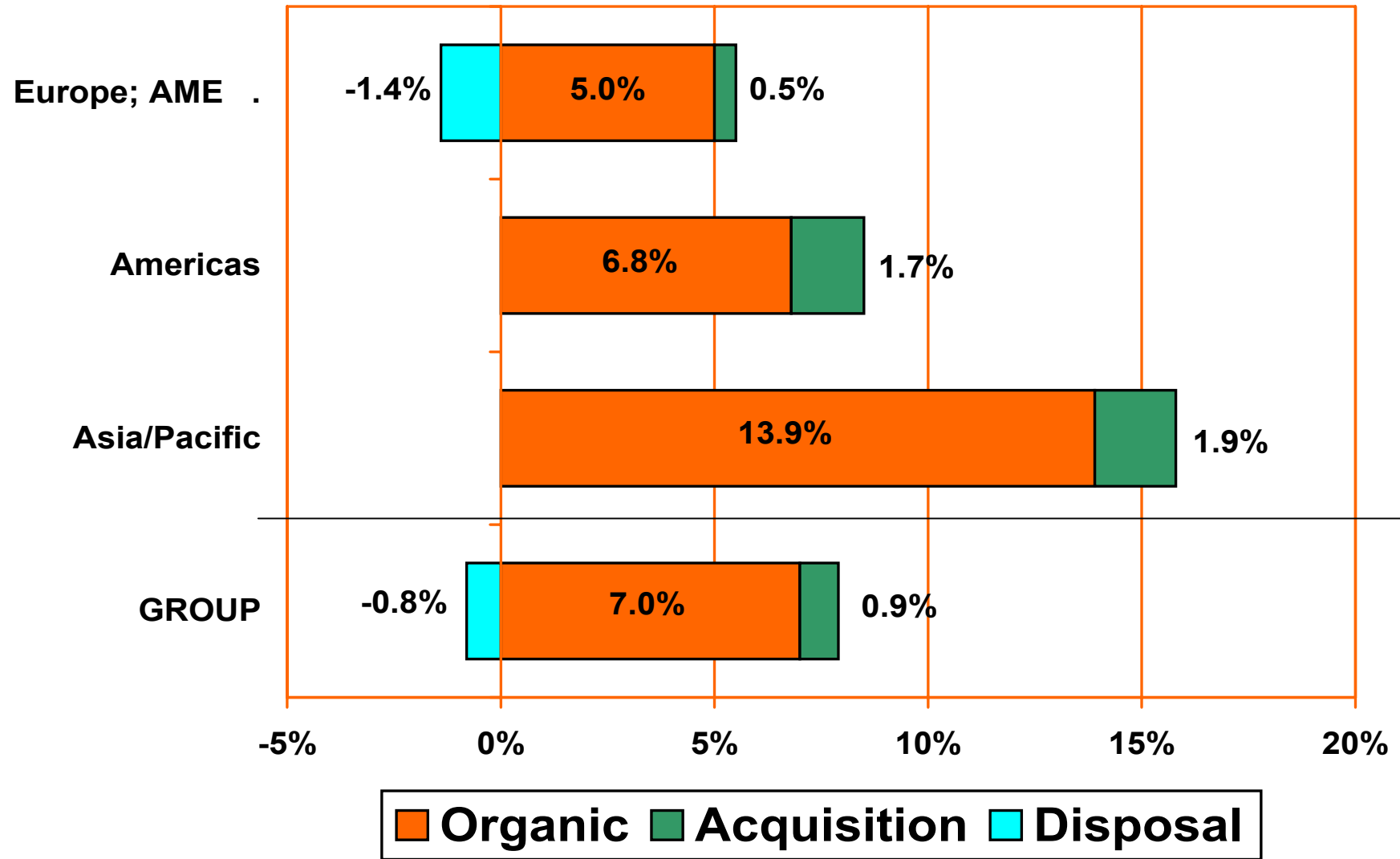


# Local Currency Growth By Business



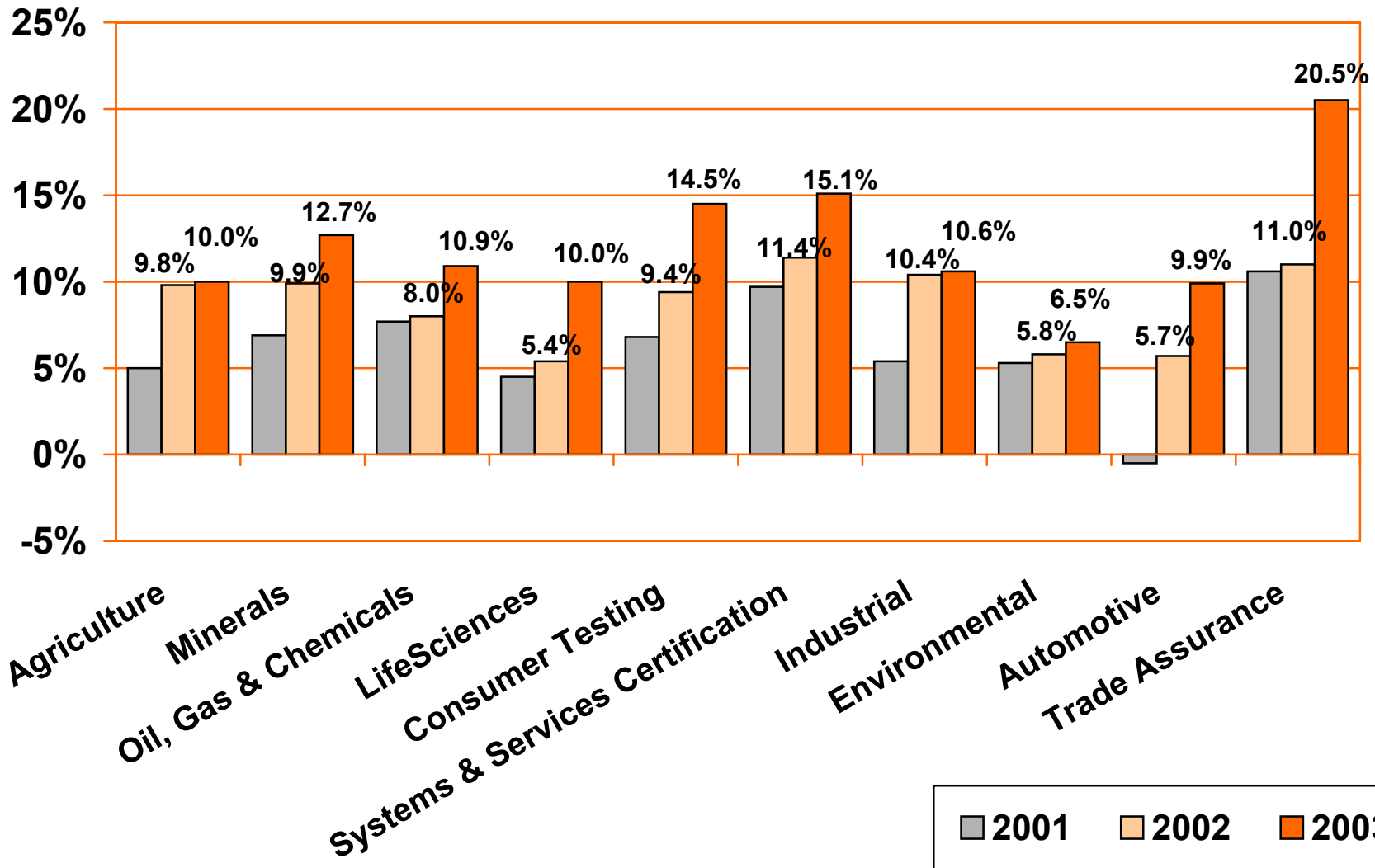


## Local Currency Growth By Area





# Operating Margin By Business





## Foreign Currency Impacts on Translation

### Impact on Revenues in CHF millions

	If exchange rate to CHF wa:		
	1.40	1.50	1.60
<b>EURO</b> Avg Rate 2003 1.52	(70)	(10)	45
	1.10	1.25	1.40
<b>USD (and pegs)</b> 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
<b>EURO</b> Avg Rate 2003 1.52	(10)	(2)	7
	1.10	1.25	1.40
<b>USD (and pegs)</b> Avg Rate 2003 1.34	(20)	(8)	7

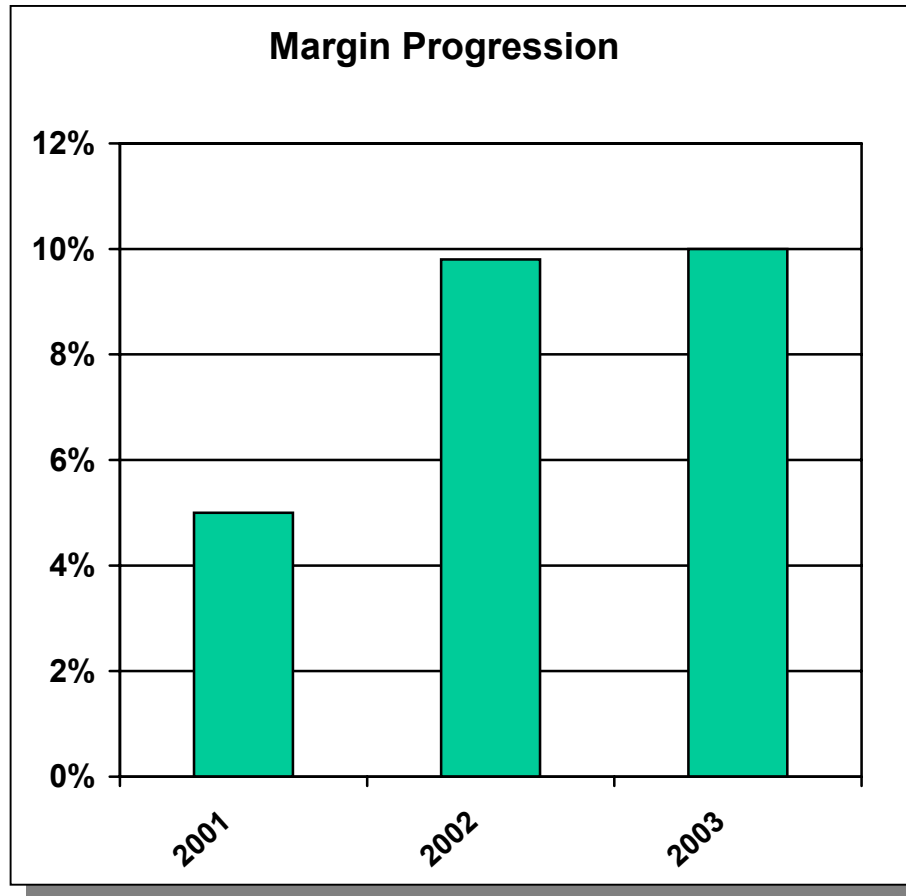
#### USD Reporting and Pegs

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



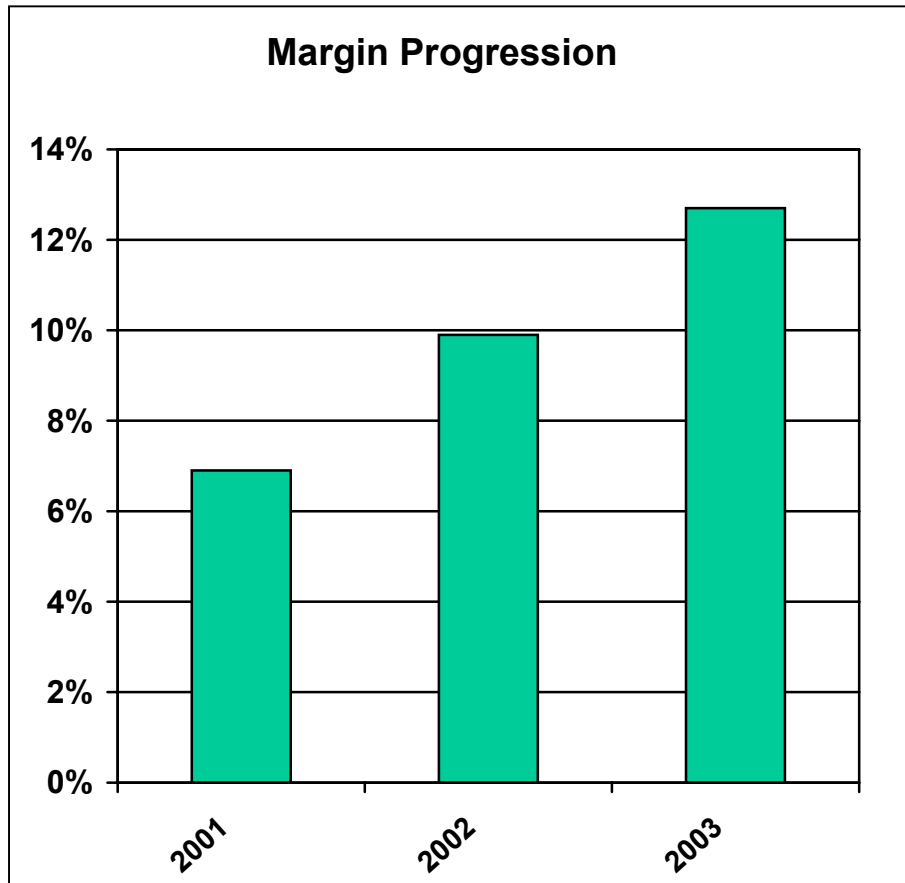
## Analysis of Organic Headcount Increase

	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%
<b>Organic Increase in Headcount</b>	<b>1'643</b>	<b>5.2%</b>	<b>7.0%</b>



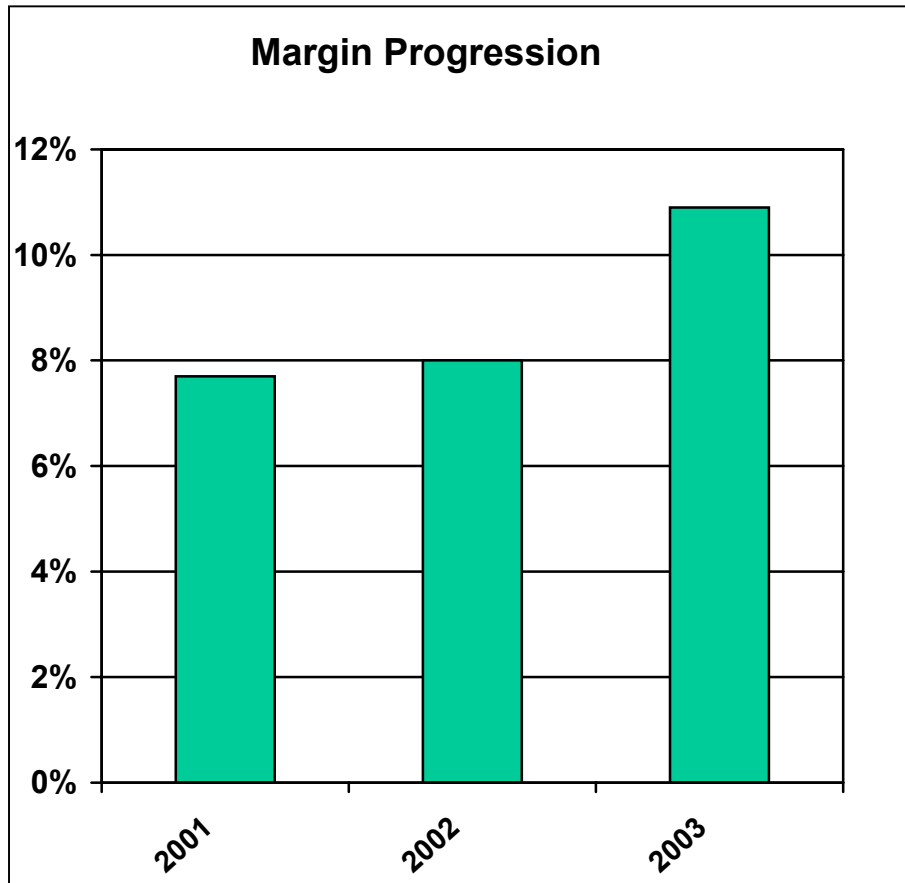
## ■ Outlook

- 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



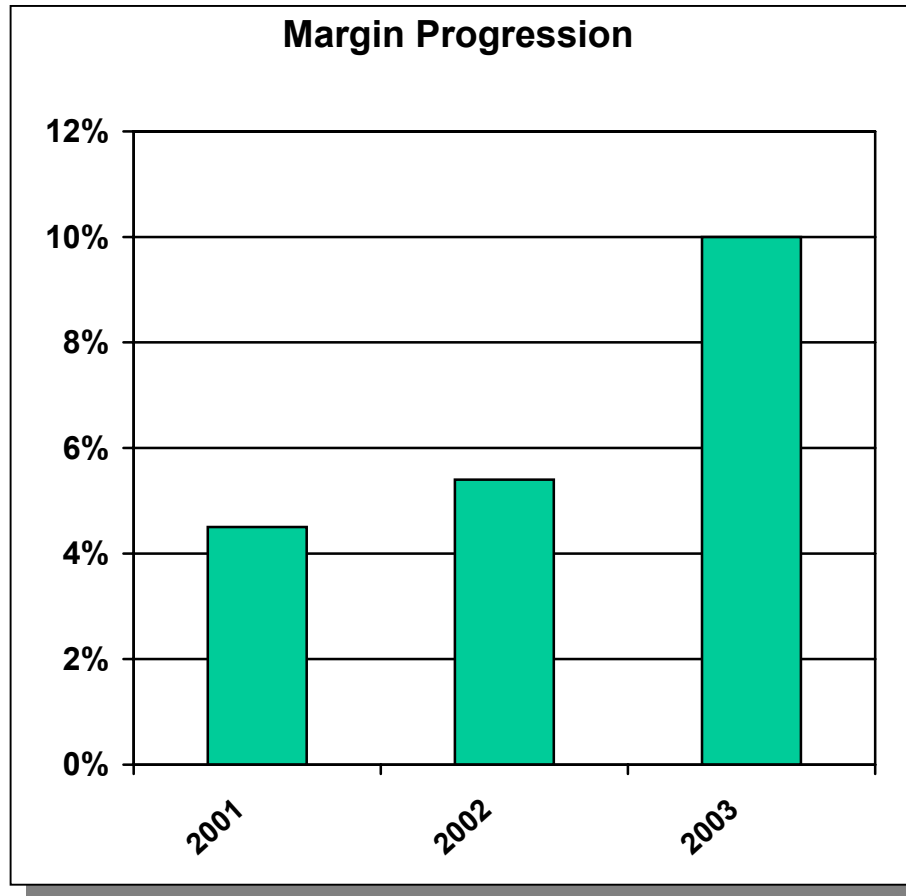
## ■ Outlook

- 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



## ■ Outlook

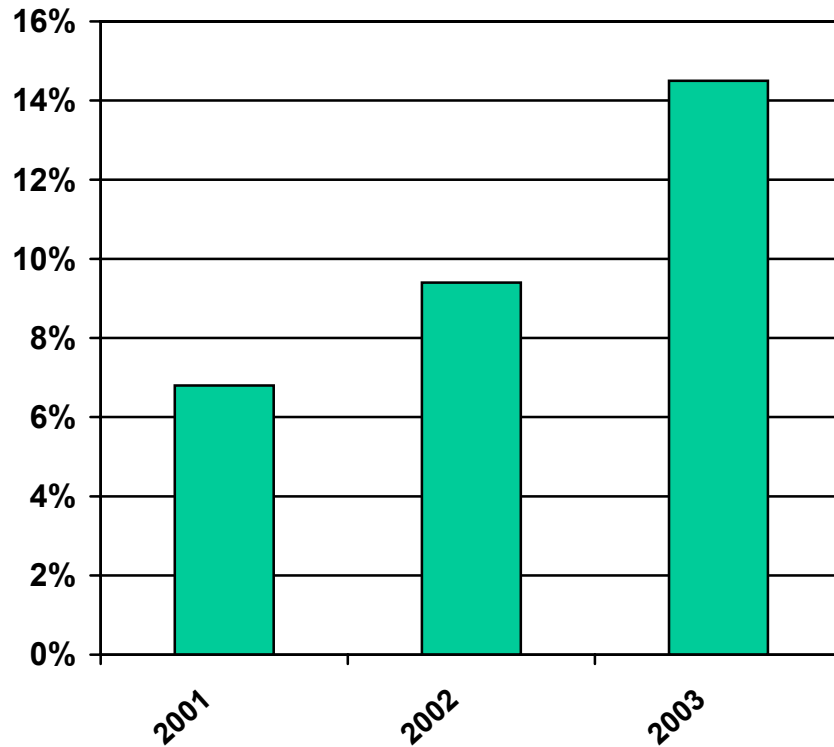
- New petrochemical capacity in Mid East and Asia will drive volumes.
- Russia and Caspian export growth will continue, with key marketing efforts underway in Eastern Europe
- Expansion of service portfolio in South America into gas station monitoring.



## ■ Outlook

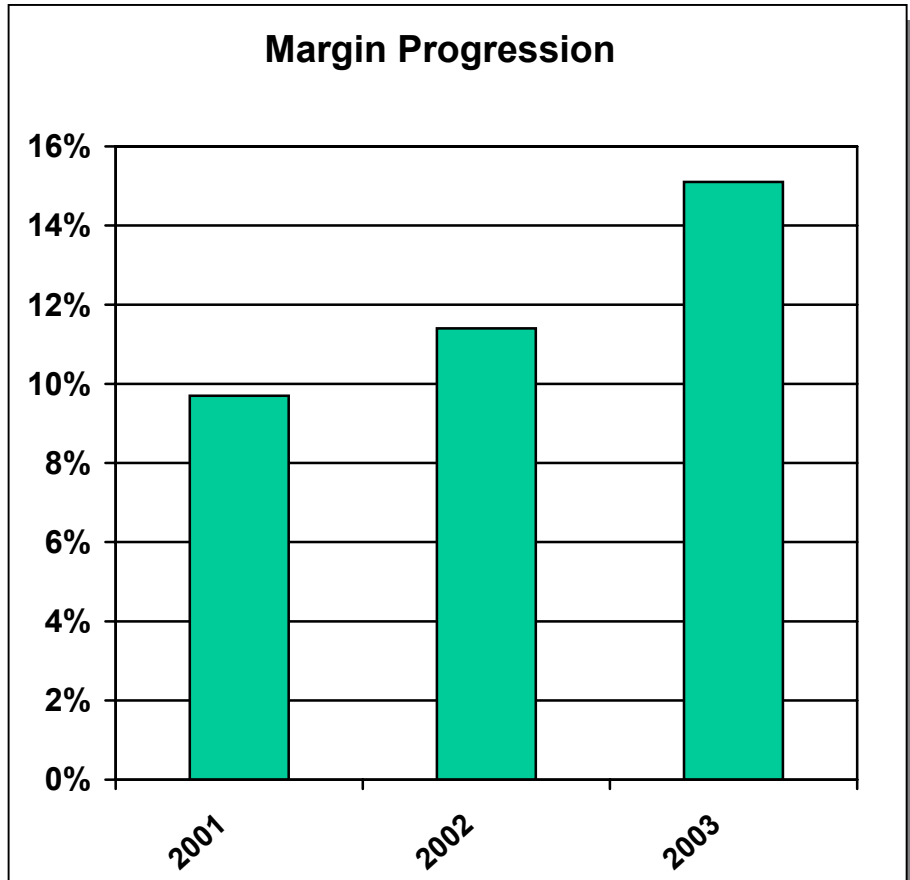
- Business size under critical in its present shape
- Acquisition of Medisearch first step in implementation of strategy
- Strategic growth options and initiatives evaluated and will be outlined separately

Margin Progression



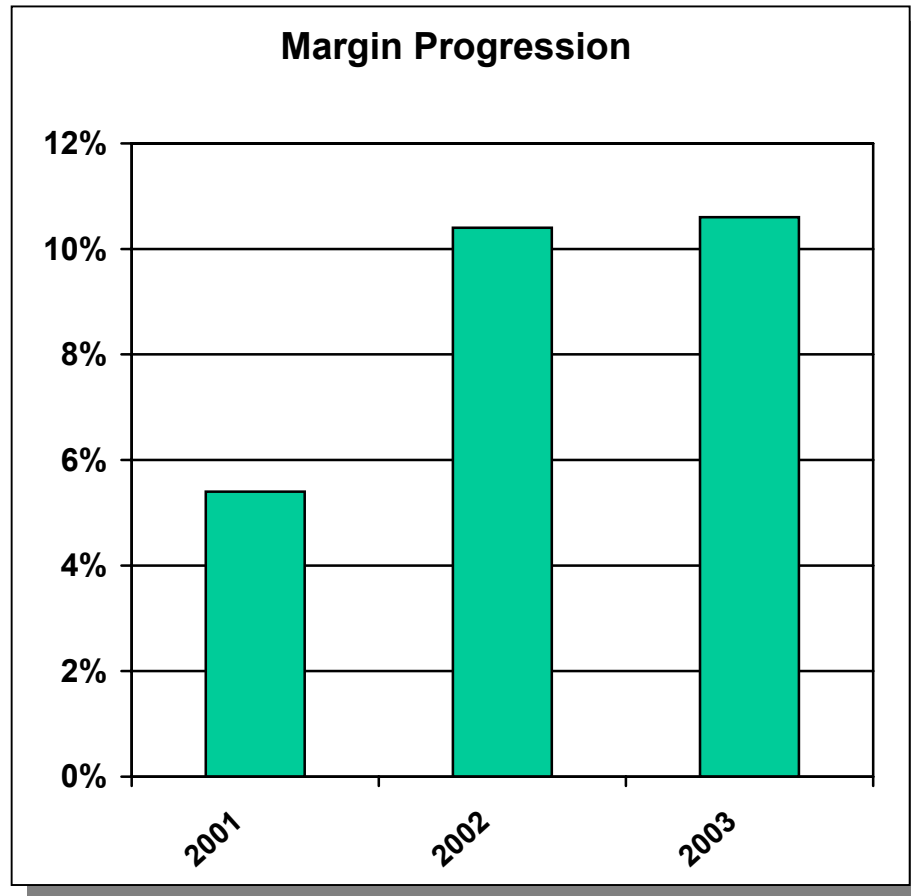
## Outlook

- 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



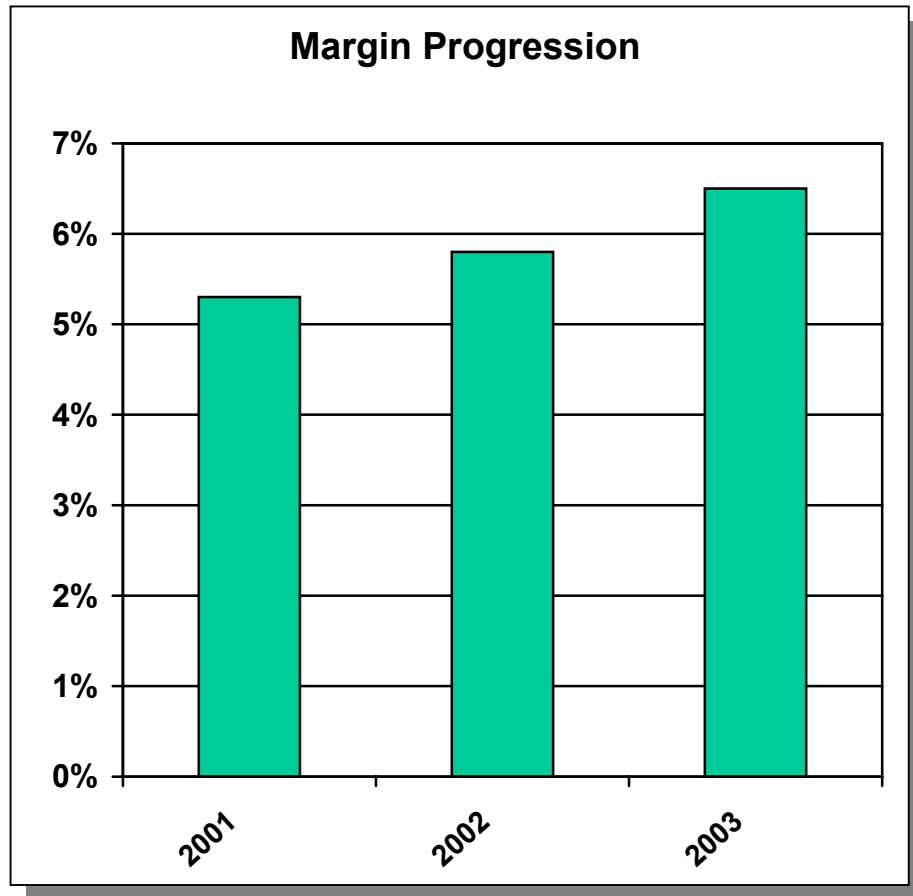
## ■ Outlook

- 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



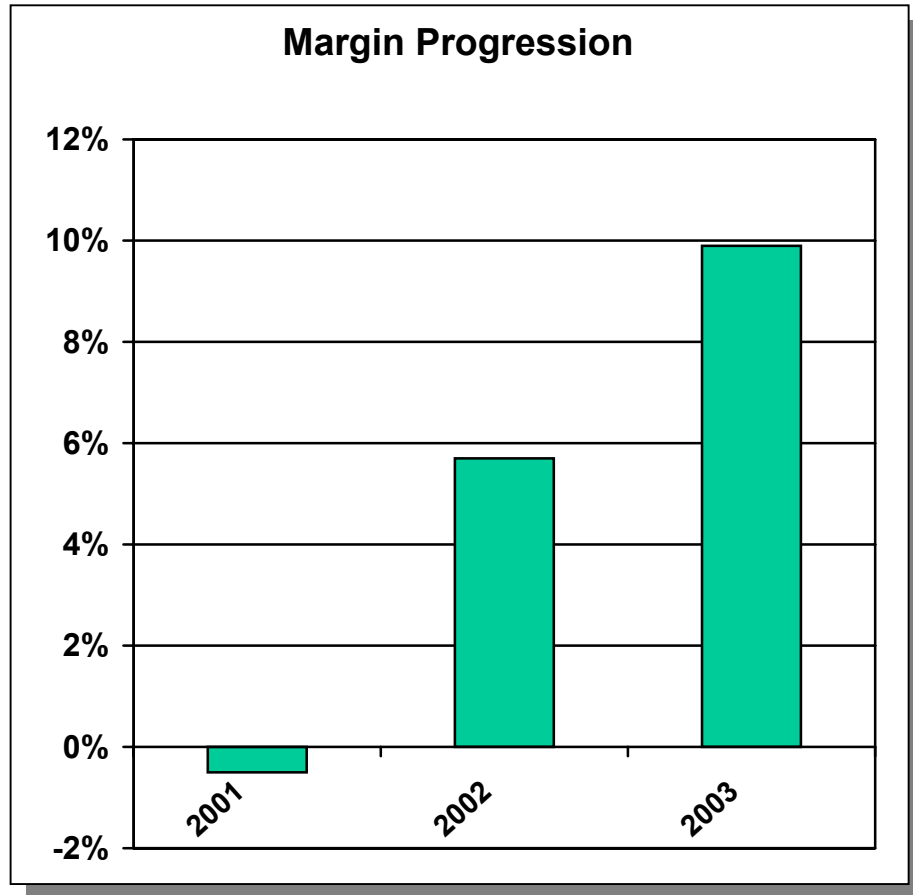
## ■ Outlook

- 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



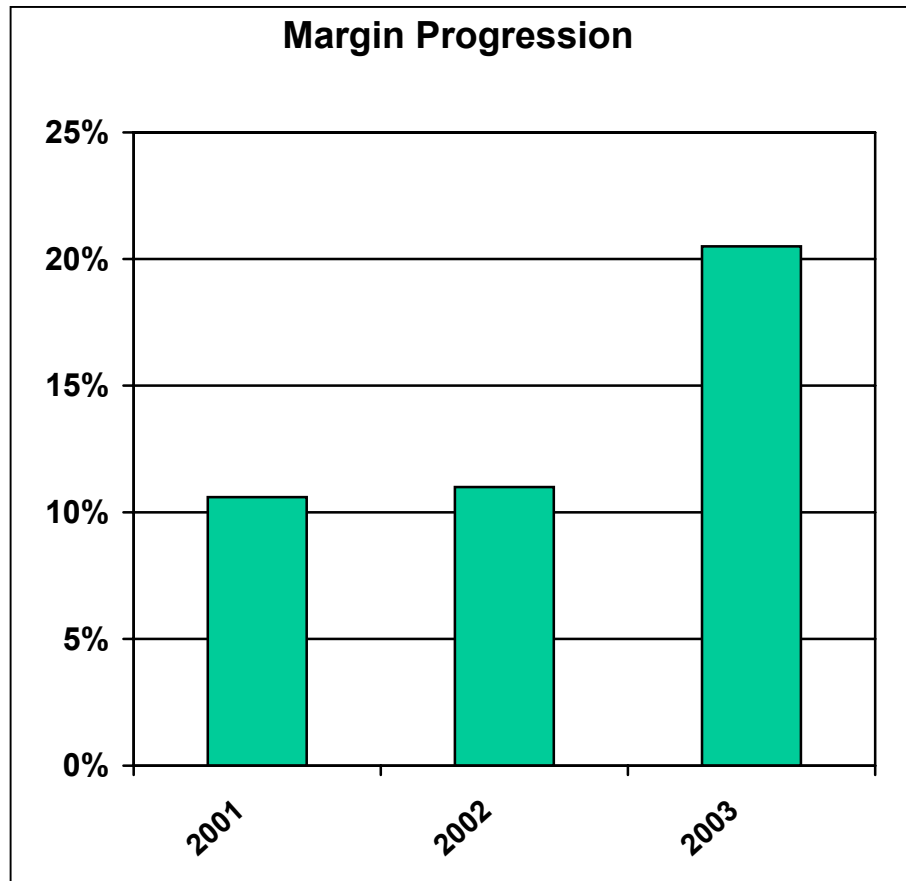
## ■ Outlook

- 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



## ■ 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



## ■ Outlook

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

# GENERAL MEETING OF SHAREHOLDERS

Geneva, 23 March 2004

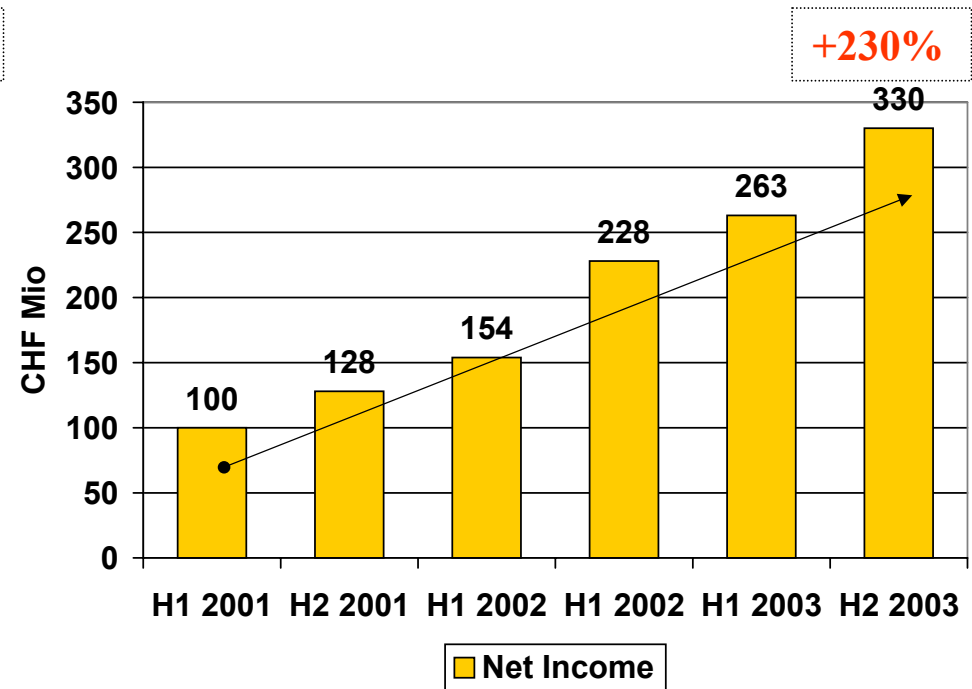
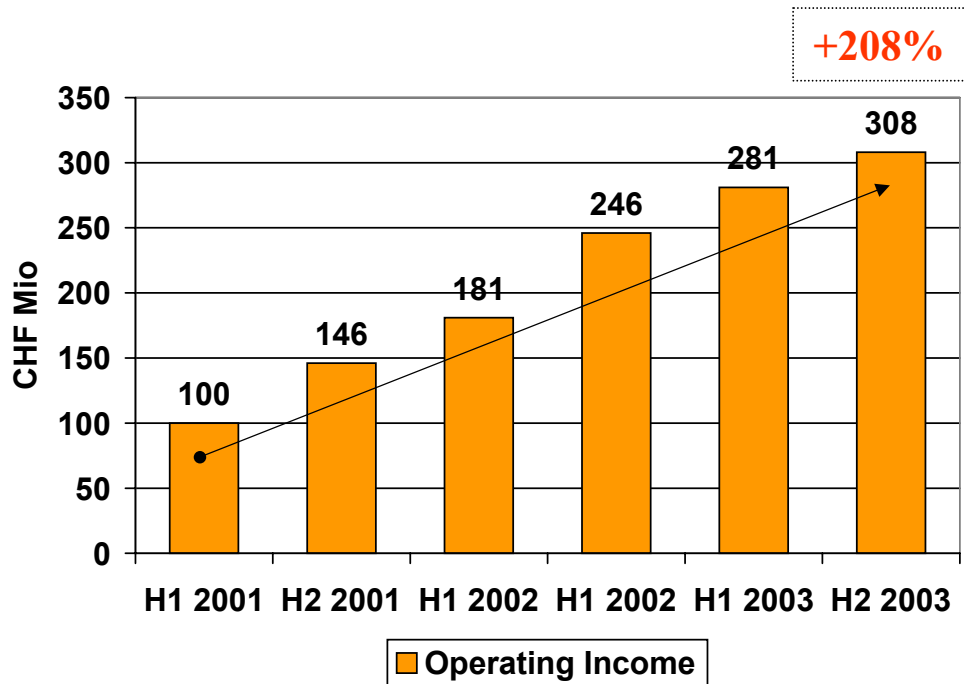
WHEN YOU NEED TO BE SURE



# Development of Operating Income and Net Income

(before exceptionals)

At constant exchange rates

























H1 2001 used as base = 100



# 2004 Year-on-Year comparable revenue growth

At constant exchange rates

	Jan / Feb 2004	Expected full year
Agriculture		
Minerals		
Oil, Gas & Chemicals		
Life Science		
Consumer Testing		
Systems & Services Certification		
Industrial		
Environmental		
Automotive		
Trade Assurance		
GROUP		



## **A new vision for SGS**

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

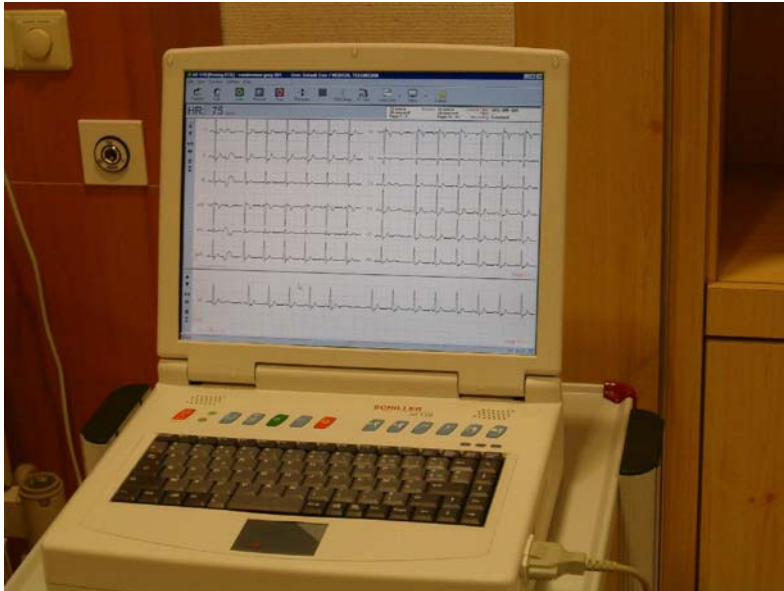
*Our core competences in testing, inspection, verification and certification are being continuously improved to be best-in-class.*

*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.*

# SGS

# Medisearch International



# SGS

## Institut Fresenius

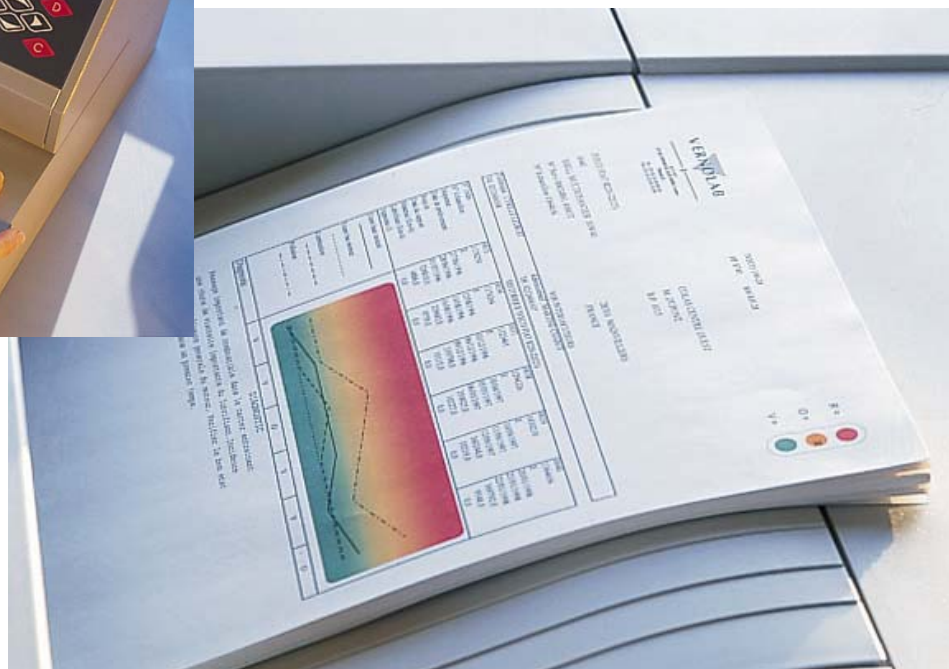


# SGS

## Vernolab

# vernolab

pcas





## Consolidation

"What has become clear is that all of our businesses would greatly benefit from scale expansion. In general, the industry itself needs to look at this issue in an open and unbiased way. The willingness of the participants to engage in a process of consolidation to improve service levels to our customers and yield substantial efficiency gains in that delivery provides the single largest opportunity for value creation in this industry."

*Sergio Marchionne, 23 March 2004*