



2001 Half Year Results

[Geneva, 27th August 2001]

- TOTAL GROUP REVENUES CONSTANT AT CHF 1,164 MIO
- ORGANIC REVENUES UP +5.9% (excluding SGS Global Trade Solutions)
- CORE BUSINESSES ORGANIC PROFIT CONTRIBUTION UP CHF 25.3 MIO (+43.7%) (excluding SGS Global Trade Solutions)
- REDUCED DEPENDENCY ON SGS GLOBAL TRADE SOLUTIONS
- NET EARNINGS OF CHF 43.6 MIO HELD BACK BY THE NON-RECURRENCE OF PRIOR YEAR EXCEPTIONAL PROFITS
- OUTLOOK : CONTINUED STRONG REVENUE AND OPERATING PROFIT GROWTH IN OTHER CORE BUSINESSES

The Board of Directors of SGS Société Générale de Surveillance Holding SA has approved the unaudited consolidated results of the SGS Group for the six months ended 30 June 2001.

Group revenues for the six months to 30 June 2001 were CHF 1,163.7 mio compared to CHF 1,194.7 mio in the same period in the prior year, the entire difference being attributable to foreign exchange translation effects. Revenue performance for the period was in line with the Group's strategy of driving growth in its Core Businesses. **Group revenues** (excluding SGS Global Trade Solutions), representing 88 % of total revenues, have grown organically by +5.9%. SGS Redwood Services, SGS Consumer Products and SGS International Certification Services have all achieved organic revenue growth of approximately +10%. As expected, SGS Global Trade Solutions revenues declined organically by – 31.1% primarily due to the non-renewal of the contracts with the Governments of the Philippines and the Ivory Coast in the prior period.

Operating profit before exceptional income/(expense) (EBIT) declined CHF 11.3 mio or –16.2% from CHF 69.7 mio to CHF 58.4 mio. In line with the Group's strategy, operating profit performance improved strongly in the majority of the core business sectors, whilst the contribution from SGS Global Trade Solutions declined significantly compared to the prior period. **Core Businesses** (excluding SGS Global Trade Solutions) organic profit contribution improved by CHF 25.3 mio (+43.7%) to CHF 81.1 mio. SGS Redwood Services, SGS Consumer Products Services and SGS International Certification Services organically increased profits by CHF 12.8 mio in total and the SGS Industrial Services business reported an organic EBIT growth of CHF 12.1 mio. The increased profitability in SGS Industrial Services is mainly due to the restructuring of the vehicle inspection business in the USA. The EBIT in SGS Global Trade Solutions declined organically by –81.7% to CHF 6.7 mio mainly due to the non-renewal of the contracts referred to above and a higher level of provisioning for bad debts.

Group EBIT margin has declined slightly to 5.0% compared to 5.8% for the same period in the prior year. A general improvement in operating margins across the Group has been impacted by the results of SGS Global Trade Solutions. The EBIT margins in the **Core businesses** excluding SGS Global Trade Solutions have increased to 9.4% from 7.0% in the prior first half year.

Exceptional operating income/(expense) moved from an income of CHF 7.5 mio in 2000 to an expense of CHF 3.2 mio in 2001. This is due to the non recurrence of the net collection of CHF 12.0

mio of SGS Global Trade Solutions receivables in 2000 which had been provisioned, as an exceptional item, in 1998. Exceptional operating expense for the six months to 30 June 2001 is mainly composed of foreign exchange losses.

Group operating profit for the half year was CHF 55.2 mio compared to CHF 77.2 mio in the same period in the prior year. The majority of the **Core Businesses** have produced strong operating profit growth. This has been more than offset by the considerable decline in the profitability of SGS Global Trade Solutions.

Net financial income of CHF 12.2 mio is comparable with that of the first half prior year.

Net profit decreased by CHF 14.2 mio or -24.6% from CHF 57.8 mio in the prior first half year to CHF 43.6 mio for the six months to 30 June 2001. Compared to the prior period, the major highlights are a strong performance in the majority of the Group's businesses (representing 88 % of total Group revenues), an -82% reduction in EBIT from SGS Global Trade Solutions and the non-recurrence in 2001 of the CHF 12.0 m exceptional debt recoveries in SGS Global Trade Solutions achieved in the first half of 2000.

Group net cash decreased from CHF 488.2 mio at the end of December 2000 to CHF 450.7 mio at 30 June 2001. The cash outflow of CHF 37.5 mio for the six month period is mainly due to the increase in working capital of the SGS Global Trade Solutions business.

Employees Number

The monthly average number of employees increased by 607 to 30,712 for the six months to June 2001 from 30,105 in the six months to June 2000. The majority of the increases are in the **Core Businesses** of SGS Redwood Services and SGS Consumer Products Services reflecting the increased trading volumes partly offset by a significant decrease of 621 employees in SGS Global Trade Solutions.

Business activities

SGS Agricultural Services revenues grew organically by +3.2% compared to the six months to 30 June 2000. This modest growth arose in the Americas, Africa and Asia partially offset by declines in Europe. Operating margins are slightly lower at 9.3% compared to 9.7% for the same period last year.

SGS Minerals Services revenues increased organically by +4.6% compared to the six months to 30 June 2000 reflecting reasonable growth particularly in the Americas and Africa. Margins remained constant at 10.4%.

SGS Redwood Services has reported a strong organic revenue growth of +10.1% compared to the six months to 30 June 2000. Margins are up from 8.9% in the prior half year to 10.7% this year reflecting generally favorable market conditions, improved operating efficiencies and increased focus on global sales and marketing activities.

SGS Consumer Products Services revenues have grown organically by +10.6% in the first half year of 2001. Margins have increased from 4.9% to 7.4%, in part due to improved performance in France and Holland.

SGS International Certification Services reported strong organic revenue growth of +9.5% compared to 30 June 2000 with growth in all regions outside of central Europe and North America. Solid margin progression was achieved, increasing from 9.3% to 11.3%.

The new core business of **SGS Industrial Services** has shown a slight organic revenue growth of +2.3% compared to 2000 although a significant increase in operating profit, up from CHF 4.6 mio in

2000 to CHF 16.5 mio in 2001, with margins up from 2.3% to 8.1%. This is due to the turnaround of the vehicle inspection business in the USA and the results of restructuring the general industrial activities. This new sector comprises Vehicle Inspection Services with first half revenues of CHF 103 mio, Industrial Services, CHF 90 mio and Project Resources Services, CHF 10 mio.

SGS Global Trade Solutions revenues have, as expected, declined significantly (-31.1% organically) compared to 2000 due to the non-renewal of the contracts with the Governments of the Philippines and the Ivory Coast. Operating margins (before debt provisions) reduced from 19.2% to 10.4% reflecting the loss of the aforementioned contracts. Including provisions for debts, operating margins declined from 18.5% in the prior period to 4.9% in the first half of 2001. The total gross receivables have increased from CHF 415.2 mio at December 2000 to CHF 451.4 mio at June 2001 (at historical exchange rates). Negotiations are continuing in a positive and constructive manner with the new government of the Philippines over the outstanding receivables on the contract which expired at the end of March 2000. The total outstanding amount of this contract remains unchanged at CHF 206.2 mio.

Other Services organic revenues have increased by +2.4% whilst the EBIT margin declined slightly from 5.9% to 5.7%. Within this sector, first half revenues for Non Destructive Testing amount to CHF 48 mio, Environment CHF 60 mio, and Logistics CHF 19 mio, with others making up the balance.

Outlook

The Group reconfirms its strategy of focussing on performance improvement in its core areas of activity, thereby reducing its earnings dependence on SGS Global Trade Solutions. The results of the first half of 2001 are in line with the progressive delivery of this strategy.

The Group also reconfirms its medium term performance goals of 10% revenue growth (including acquisitions), 10% Group EBIT and a 20% Return on Shareholders' Equity. Whilst overall performance was below these levels in the first half of 2001, encouraging and significant progress was made in the period in many of the Group's activities.

The financial position of the Group remains strong and the Group is considering acquisitions with a view to strengthening its core activities, increasing the financial efficiency of its Balance Sheet and increasing shareholder value. The Group ended the period with net cash of CHF 451 mio and consolidated shareholders equity of CHF 1,140 mio.

As the Group nears completion of its three year restructuring programme, commenced in late 1998, it now expects to enter a period of improved performance and increased shareholder value.

Organic revenue growth and improved operating performance in the majority of the Group's businesses is expected to continue into the second half of 2001. The performance of SGS Global Trade Solutions, which will remain a core part of the Group's activities, is expected to stabilise in the second half of the current year.

Despite the ongoing weakness in the global economy and assuming no significant deterioration in trading conditions, the Group expects to deliver full year earnings broadly similar to last year, with strong revenue and profit growth in the majority of the Group's activities offset by the weaker performance of SGS Global Trade Solutions.

The SGS Group is the clear global leader and innovator in verification, testing and certification services. Founded in 1878, the SGS Group is recognised as the global benchmark for the highest standards of expertise, quality and integrity. The SGS Group operates a network of 850 offices and subsidiaries and 340 laboratories in 140 countries.