

With top line growth of 17.6% to CHF 2 885 million, SGS achieved a 30.3% improvement in operating income to CHF 391 million. Net income of CHF 279 million was up 22.9% on the prior year. SGS recorded a third consecutive year of improved performance delivering full year operating margins of 13.6%.

The Board of Directors will propose a dividend of CHF 12 per share, an increase of CHF 3 per share from the previous year. The 2005 target of CHF 45 earnings per share is reaffirmed.

FINANCIAL HIGHLIGHTS			
CHF million	2003	2004	
Revenues	2 454	2 885	
Change in %		17.6	
EBITDA	396	506	
Change in %		27.8	
Operating income	300	391	
Change in %		30.3	
Operating margin in %	12.2	13.6	
Profit before tax	303	384	
Change in %		26.7	
Net profit	227	279	
Change in %		22.9	
Net profit before exceptionals	224	276	
Change in %		23.2	
Free cash flow	168	226	
Change in %		34.5	
Net cash	493	438	
Average number of shares (000's)	7 662	7 645	
Basic earnings per share (CHF)	29.63	36.49	
Change in %		23.2	
Diluted earnings per share (CHF)	29.52	36.25	
Change in %		22.8	
Average number of employees	32 436	36 659	
Change in %		13.0	

Overview

In an improved trading environment, revenues for the Group increased to CHF 2 885 million, up CHF 467 million over last year in local currency terms (CHF 431 million on a reported basis).

Strong organic revenue growth was achieved in Minerals, Consumer Testing, Industrial and Trade Assurance Services with all these businesses delivering more than 15% growth at constant currencies. In line with the Group strategy, Life Science Services revenues grew by 80%.

Operating income improved by CHF 99 million or 33.9% to CHF 391 million at constant currencies (CHF 91 million on a reported basis). Group operating margins improved significantly to 13.6% with Consumer Testing reaching margins of 18.1%.

Net financial income of CHF 6 million was below that of last year by CHF 4 million, reflecting the continued global reduction in yields. The tax rate of 22.5% is at the low end of the range the Group expects for the medium term.

Net profit before exceptional items increased to CHF 276 million from CHF 224 million. Exceptionals of CHF 3 million were collected on discontinued government receivables.

Cash from operations improved to CHF 425 million from CHF 325 million on the back of the earnings improvement and a reduction in net working capital of CHF 37 million. This inflow of cash funded acquisitions of CHF 201 million, net capital expenditure of CHF 187 million and dividends of CHF 69 million. Group net cash decreased to CHF 438 million at end of the year.

Acquisitions and Disposals

In line with the Group's growth strategy, a number of acquisitions were completed during the year.

Institut Fresenius, Vernolab and PSC were acquired during the first semester. All these companies are now well integrated into the SGS network and are enhancing results.

During the second semester, SGS acquired majority stakes in Securitest SA and ACO Sécurité SA. The two companies operate one of the largest statutory vehicle inspection networks in France with annual turnover in excess of CHF 26 million.

SGS also concluded the sale of a small environmental consulting business in Rostock (Germany) and of SGS Expertisegroep, a Belgian automobile insurance adjusting business due to the sub-optimal size of both companies. Their combined turnover was less than CHF 15 million.

In early 2005, the acquisition of Aquatic Health SA, a Chilean testing company servicing the fish cultivation industry, has been completed. SGS has also entered into exclusive negotiations to acquire X-PER-X Inc., a Quebec based Industrial Services firm and is also entering a strategic alliance with MET Laboratories Inc., the first Nationally Recognized Testing Laboratory in the USA specialised in the testing and certification of Electric and Electronic equipment.

Proposed Dividend

The Board of Directors will recommend to the Annual General Meeting on 23 March 2005 the approval of a dividend of CHF 12.

Management

The Board of Directors will make an announcement regarding the CEO position in the coming weeks.

Outlook

SGS is committed to achieving its 2005 target of CHF 45 earnings per share.



Georges Muller
Chairman



Johan Allegaert
Chief Executive

CONSOLIDATED PROFIT & LOSS			
CHF million	2003	2004	
Revenue	2 454	2 885	
Operating income	300	391	
Exceptionals	3	3	
Goodwill	(10)	(16)	
EBIT	293	378	
Net financial income	10	6	
Profit before taxes and minority interests	303	384	
Taxes	(68)	(90)	
Profit after taxes	235	294	
Minority interest	(8)	(15)	
Net profit	227	279	
Net profit before exceptionals (net of tax)	224	276	

CHANGES IN SHAREHOLDERS' EQUITY			
CHF million	2003	2004	
As at 1 January	897	1 072	
Dividend	(56)	(69)	
Purchase of Treasury shares	0	(15)	
Translation	4	(38)	
Net profit	227	279	
As at 31 December	1 072	1 229	

ACQUISITION			
CHF million	Total		
Goodwill	148		
Assets	140		
Liabilities	(75)		
Total purchase price	213		
Net debt acquired	(12)		
Net cash outflow	201		

CONSOLIDATED CASH FLOW			
CHF million	2003	2004	
EBIT	293	378	
Adjustment for non cash items (increase)/decrease in net working capital	103	109	
Changes in other provisions	(36)	37	
Taxes paid	4	(27)	
Cash from operations	(39)	(72)	
Cash from operations	325	425	
Net sale/(purchase) of fixed assets	(146)	(187)	
Other	(11)	(13)	
Free cash flow	168	225	
Financing	10	6	
Dividend paid	(56)	(69)	
Net cash (used in) acquisitions/disposals	(18)	(201)	
Purchase of treasury shares	0	(15)	
Exchange on opening balances	(6)	(18)	
Translation differences on flows	(7)	17	
Increase/(decrease) in net cash	91	(55)	

CONSOLIDATED BALANCE SHEET			
CHF million	2003	2004	
Non-current asset			
Land building and equipment	415	493	
Other long-term assets	120	130	
Goodwill and other intangible assets	147	304	
Total non-current asset	682	927	
Current asset			
Trade accounts and notes receivables	571	579	
Other current assets	243	251	
Cash and short term investments	526	455	
Total current asset	1 340	1 285	
Total assets	2 022	2 212	
Shareholders' equity	1 072	1 229	
Minority interests	18	26	
Non-current liabilities			
Long term loans	11	7	
Provisions and other liabilities	281	250	
Total non-current liabilities	292	257	
Current liabilities			
Trade and other payables	299	329	
Other current liabilities	341	371	
Total current liabilities	640	700	
Total liabilities and shareholders' equity	2 022	2 212	

Accounting Principles

The audited condensed financial statements are prepared in accordance with the accounting and reporting requirements of the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These condensed consolidated accounts are based on the accounts of the individual subsidiaries at 31 December, which have been drawn up according to uniform Group Accounting Principles.

The acquisitions completed during the period have been accounted for using the purchase method of accounting. In accordance with IFRS 3, no amortisation of goodwill has been recognised for acquisitions with an agreement date on or after 31 March 2004.

EXCHANGE RATES						
			Balance Sheet		Profit & Loss account	
			end of period rate CHF		Year to date	
			Dec. 03	Dec. 04	average rate CHF	
					2003	2004
Australia	AUD	100	93.24	87.86	87.65	91.45
EU	EUR	100	156.06	154.49	152.09	154.41
Great Britain	GBP	100	221.55	217.93	219.86	227.5
USA	USD	100	124.86	113.42	134.57	124.35

AGRICULTURAL SERVICES		
CHF million	2003	2004
Revenues	241.8	257.1
Change in %		6.3
Change due to		
Volume and Prices	17.8	
Currency Translation	(2.5)	
Acquisitions/(Disposals)	--	
Operating Income	24.3	23.6
Change in %		(2.9)
Operating Margin %	10.0	9.2

Agricultural Services

Comparable revenues in Agricultural Services grew by 7.4%. The sector reported full year operating margins of 9.2% with margins accelerating to 10.4% in H2.

Improved volumes from South Asia, Australasia and Eastern Europe contributed positively to top line growth. Value added services in GMO traceability, collateral management, and guaranteed business solutions continued to gain market acceptance and further diversified the portfolio from its dependence on trade related commodity movements.

South America continued to deliver excellent results with regional revenues increasing 46.7% (comparable basis). This performance was largely driven by the success of the operations servicing the fish industry in Peru, the large harvests of soybeans in Brazil and Argentina, and improved performance in grains.

In-plant outsourcing initiatives are beginning to bear fruit with contracts signed in Canada, Egypt, and Russia providing weigh bridge and logistics, supply chain management, and laboratory services to production and storage sites.

MINERALS SERVICES		
CHF million	2003	2004
Revenues	279.9	319.5
Change in %		14.1
Change due to		
Volume and Prices	44.9	
Currency Translation	(5.3)	
Acquisitions/(Disposals)	--	
Operating Income	35.5	46.3
Change in %		30.4
Operating Margin %	12.7	14.5

Minerals Services

Minerals services grew revenues by 16.4% on a comparable basis (14.1% reported). Operating margins improved to 14.5% from 12.7% last year. Strong growth was driven largely by Russia, China, Brazil and India. Increased global demand for metals and ores as well as high commodity prices contributed to the favourable environment.

Demand for geochemistry services grew due to increased exploration and mining activity. An additional six outsourcing contracts were won in 2004 with commissioning in Q1 2005. Focused sales activity and improved execution drove growth in targeted sectors such as fertilizers where SGS is now the global leader in inspection services.

Metallurgy / Mineralogy grew well with the integration of Lakefield now producing its full benefits. Projects (High Pressure Acid Leach (HIPAL) pilot plants) performed on behalf of major mining houses were very successful. SGS is now recognised as the leading service provider in this testing field.

OIL, GAS & CHEMICALS SERVICES		
CHF million	2003	2004
Revenues	439.1	574.6
Change in %		30.9
Change due to		
Volume and Prices	55.2	
Currency Translation	(8.4)	
Acquisitions/(Disposals)	88.7	
Operating Income	47.9	68.6
Change in %		43.2
Operating Margin %	10.9	11.9

Oil, Gas & Chemicals Services

Oil, Gas & Chemicals services revenues grew by 33.4% on a comparable basis (30.9% on a reported basis). The business delivered operating margin of 11.9% over prior year 10.9%. The strategic acquisitions of Petroleum Services Corp. and Vernolab have been successfully completed with service replication strategies underway.

Asia, Central and Eastern Europe and Americas all delivered significant organic growth. Sizeable outsourcing contracts in Papua New Guinea, Germany, Austria and France were secured.

Demand for petroleum products and chemicals was high, especially in North America and Asia with China at the forefront. Leadership position in LNG related services strengthened further during the period.

New petrochemical capacity in the Middle East and Asia will drive demand for inspection and testing services in these regions. With new laboratory facilities now operational in Qatar and Caojing, SGS will further strengthen its leadership position in these developing markets.

LIFE SCIENCE SERVICES		
CHF million	2003	2004
Revenues	59.1	106.5
Change in %		80.2
Change due to		
Volume and Prices		(2.5)
Currency Translation		--
Acquisitions/(Disposals)		49.9
Operating Income	5.9	12.8
Change in %		116.9
Operating Margin %	10.0	12.0

Life Science Services

Revenues in Life Science Services jumped by 80.2% on a reported basis as the Group has embarked on realising its ambitious revenue target for this segment. With the acquisitions of Medisearch and Institut Fresenius, and the start up of laboratory facilities in India, Thailand and Hong Kong, SGS is now reaching a scale where it is recognised as an important service provider to the pharmaceutical, biotech and medical device industries.

The global management team is now in place and has clearly defined its areas of focus in clinical research and quality control testing.

Clinical Research services performed well in Phase I-IV and supporting services. On the back of pleasing results in the USA (revenues up 75%), Medisearch expanded its staff from 7 to 25. Existing operations in Spain and Belgium delivered improved profits over the prior year, and are well positioned as service providers to their respective markets. Bio-analytical services were introduced in India in Q4 2004; SGS considers this a milestone event as it has identified this region as a high growth area for clinical research services.

In the quality control testing area, SGS delivered solid performance, especially thanks to its Canadian, Indian and German (Institut Fresenius) laboratories. SGS sustained its market leading positions in France and Belgium despite the difficult market environment for chemistry based drugs development.

The Laboratory Information Systems (LIMS) project started in 2004 will standardise all SGS Life Science laboratories on a common platform. This key initiative will ensure quality and consistency of service delivery in all regions of execution.

CONSUMER TESTING SERVICES		
CHF million	2003	2004
Revenues	272.3	360.6
Change in %		32.4
Change due to		
Volume and Prices		60.3
Currency Translation		(7.0)
Acquisitions/(Disposals)		35
Operating Income	39.4	65.2
Change in %		65.5
Operating Margin %	14.5	18.1

Consumer Testing Services

With revenues of CHF 360.6 million, our Consumer Testing Services business grew by 35.9% (32.4% on a reported basis, 22.8% organic) and generated operating margins of 18.1% on a reported basis (14.5% prior year). Testing now accounts for above 70% of turnover.

All business segments performed well. Global leadership (45% market share) was established in restricted substances testing and services (RSTS), with additional laboratory capacity in India, France and Turkey commissioned in 2004.

New investments in testing technologies for the telecommunications/IT markets made in 2003-2004 gained wide customer acceptance. SGS expects to become the number 1 provider of GSM, Bluetooth and WiFi testing services in Asia.

Transfer of specialised technologies (drinking water, VOC (Volatile Organic Compound), cosmetics and formulated products testing) from the acquisition of Institut Fresenius to the Asia and Asia Pacific SGS network is well under way.

Market share in softlines has increased. SGS is now the number 2 service provider with new laboratories commissioned in Guatemala and Turkey, and capacity expanded in India, Philippines and Bangladesh.

SYSTEMS & SERVICES CERTIFICATION		
CHF million	2003	2004
Revenues	229.7	235.4
Change in %		2.5
Change due to		
Volume and Prices		8.9
Currency Translation		(3.2)
Acquisitions/(Disposals)		--
Operating Income	34.7	30.5
Change in %		(12.1)
Operating Margin %	15.1	13.0

Systems & Services Certification

Comparable revenue grew by 3.9% (2.5% on a reported basis). The sector reported full year operating margins at 13% with margins improving to 13.5% in H2. Spain, Italy, France, Sweden and new EU member countries recorded above average growth rates. China and Hong Kong continued to deliver excellent results reflecting economic activity and development of the international supplier base in the region.

Transition to the ISO 9000: 2000 standard in 2003 resulted in a larger than expected drop of renewal revenue in 2004. Corrected for this effect, organic growth stands at 10% in 2004. Restructuring measures, due to cost rationalization for reduced renewals, negatively impacted both revenue and profitability in Germany, Benelux, Japan and North America.

ISO 14001 (environment), second party audits, integrated audits and industry specific schemes are all growing at double digit rates.

Sector based certification schemes, such as Automotive (TS16949) – Aerospace (AS9100) – Forestry (PEFC) - Information Systems Security (BS7799) will be focus areas and are expected to be the platform for future growth in mature markets.

Replication of six sigma projects started in 2004 and the roll-out of a standard back-office IT system will deliver efficiency improvements and reduce accreditation costs.

INDUSTRIAL SERVICES		
CHF million	2003	2004
Revenues	330.1	379.8
Change in %		15.1
Change due to		
Volume and Prices		50.0
Currency Translation		(0.3)
Acquisitions/(Disposals)		--
Operating Income	34.9	46.1
Change in %		32.1
Operating Margin %	10.6	12.1

Industrial Services

Industrial Services comparable revenue grew by 15.2% (15.1% on a reported basis) with operating margins improving to 12.1% from 10.6%. This solid growth was driven by Spain (statutory and construction), Poland (owners representative services), Brazil (supply chain) and Taiwan (construction and material testing).

Demand for non-destructive testing services (NDT) for facilities maintenance and refurbishment related activities increased, contributing to profit improvements in the Benelux and Germany. Supply chain and NDT services performed well in the Africa Middle East 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 as the Group continues to focus on the oil, gas and power generation sectors.

A number of business initiatives were started in 2004 as the Group continues to strengthen its value added service portfolio in risk based inspection, project monitoring, owner/investor representation and technical staffing services.

With the start-up of its pipeline integrity service, SGS has re-introduced itself to the North American industrial services market in 2004. SGS believes that this market holds significant future potential and expects to replicate its existing services leveraging on the existing client base in the region.

ENVIRONMENTAL SERVICES		
CHF million	2003	2004
Revenues	172.0	208.6
Change in %		21.3
Change due to		
Volume and Prices		15.9
Currency Translation		(0.2)
Acquisitions/(Disposals)		20.9
Operating Income	11.2	16.8
Change in %		50.0
Operating Margin %	6.5	8.1

Environmental Services

The Environmental Services revenue grew by 21.3% (9.3% excluding acquisitions) with margins increasing to 8.1% from 6.5% on a reported basis.

Margin improvement was largely driven by increased volumes, laboratory efficiency gains and cost containment actions taken in under-performing operations. Revenue increase was delivered mainly by the Australian, Italian, German and Spanish markets.

Integration of the Institut Fresenius acquisition into the European laboratory network is largely complete and has demonstrated early success. The Belgian dioxin laboratory further strengthened its leadership position by leveraging the SGS network to significantly improve sample volumes.

Environmental Services started operations in several new countries during the year including India, China and Korea. Corrective actions on loss making operations in Germany, USA and Benelux are complete.

AUTOMOTIVE SERVICES		
CHF million	2003	2004
Revenues	211.0	187.7
Change in %		(11.0)
Change due to		
Volume and Prices		(28.3)
Currency Translation		(8.5)
Acquisitions/(Disposals)		13.5
Operating Income	20.8	20.0
Change in %		(3.8)
Operating Margin %	9.9	10.7

Automotive Services

Automotive Services revenue declined to CHF 187.7 million (CHF 211 million prior year) generating full-year reported operating margins of 10.7% (9.9% prior year).

Depressed traditional off lease and auction volumes in the USA coupled with start-up costs incurred for VIS contracts secured in Chile, New York and California, led to slightly lower margins in H2.

The July acquisitions in France of Securitest and ACO Sécurité have established SGS in the Vehicle Inspection Services (VIS) market in continental Europe. Based on its existing VIS position in Ireland coupled with recent successes in South America (Chile) and the USA (New York, Virginia and California), SGS is now well positioned to seize opportunities arising from privatisation schemes. The outlook is positive with tenders scheduled in the USA (six states), Denmark, Brazil and India in the medium term.

Off lease inspection for LeasePlan and State of New York data management services commenced in H2, achieving expected margins.

The damage assessment business in Belgium was divested in December.



TRADE ASSURANCE SERVICES		
CHF million	2003	2004
Revenues	219.5	255.4
Change in %		16.4
Change due to		
Volume and Prices		37.4
Currency Translation		(1.5)
Acquisitions/(Disposals)		--
Operating Income	45.1	61.5
Change in %		36.4
Operating Margin %	20.5	24.1

Trade Assurance Services

Comparable revenue in Trade Assurance Services increase by 17.2% (16.4% on a reported basis) mainly in Africa and South America. Operating margins increased to 24.1% from 20.5%.

Burundi, Mauritania and Cameroon PSI contracts were extended, whilst the Burkina Faso, Central Africa, Ethiopia and Peru contracts were discontinued during the year.

Non PSI revenue increased 31% in 2004, driven by the successful TradeNet operations in Ghana, ValuNet Mexico and various Forestry contracts.

The non PSI portfolio of services was further diversified through the successful launch of the CO₂ emissions verification/validation program for emissions trading and the initial launch of the NGO assessment services. In addition, the implementation of the first scanner contract started in Gambia in Q4.

English version is binding

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2005 HALF YEAR RESULTS

Wednesday, 13 July 2005

ANNUAL GENERAL MEETING OF SHAREHOLDERS

Wednesday, 23 March 2005

STOCK EXCHANGE LISTING

SWX Swiss Exchange, SGSN

STOCK EXCHANGE TRADING

virt-x

COMMON STOCK SYMBOLS

Bloomberg: Registered Share: SGSN
Reuters: Registered Share: SGSZn.S
Telekurs: Registered Share: SGSN
ISIN: Registered Share: CH0002497458

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