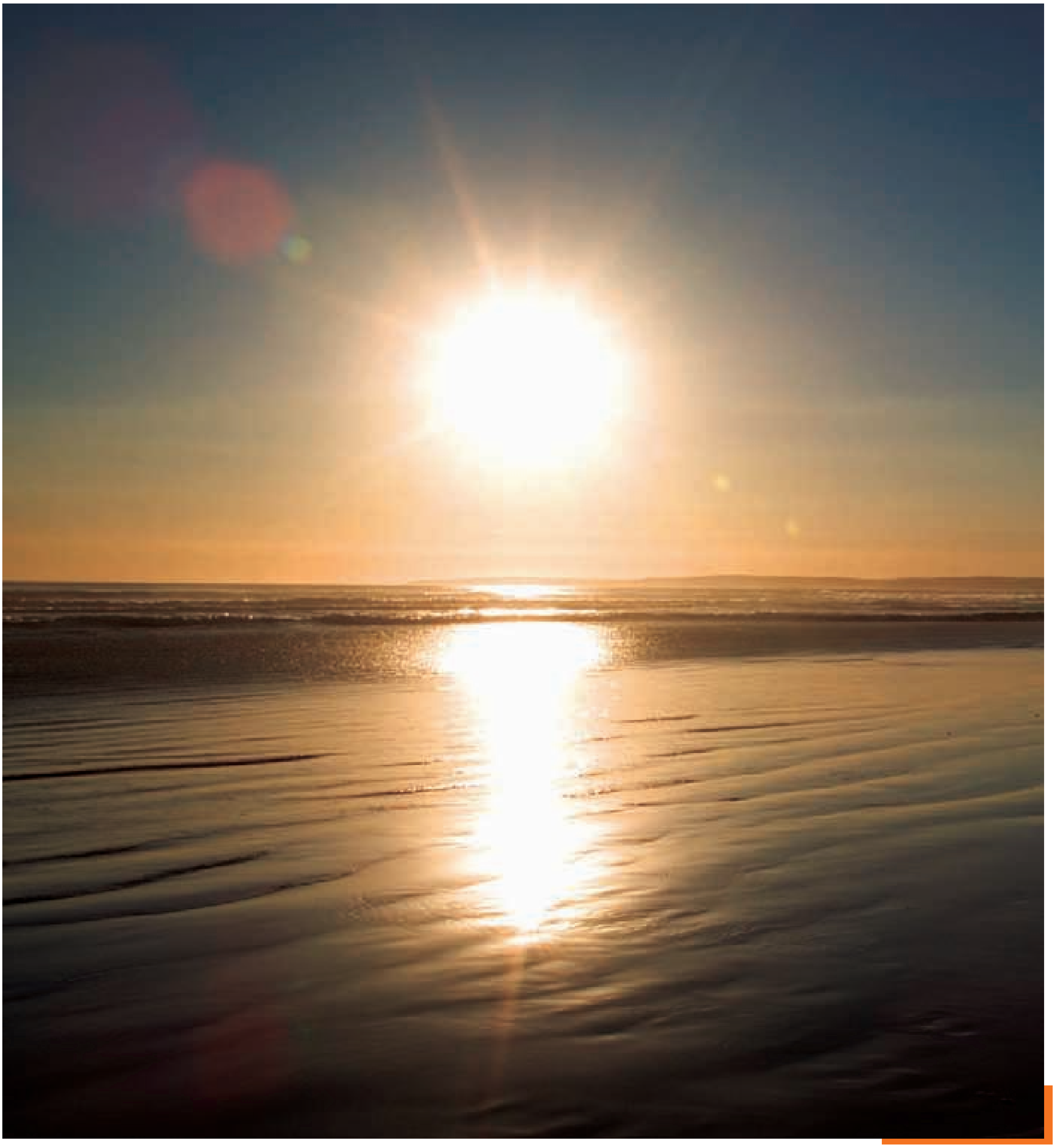
BEYOND 2007

ANNUAL REPORT

SGS



SGS

is the world's leading inspection, verification, testing and certification company. Recognised as the global benchmark for quality and integrity, SGS employs over 50 000 people and operates a network of more than 1 000 offices and laboratories around the world.

SGS is constantly looking

BEYOND

CUSTOMERS' + **SOCIETY'S** EXPECTATIONS

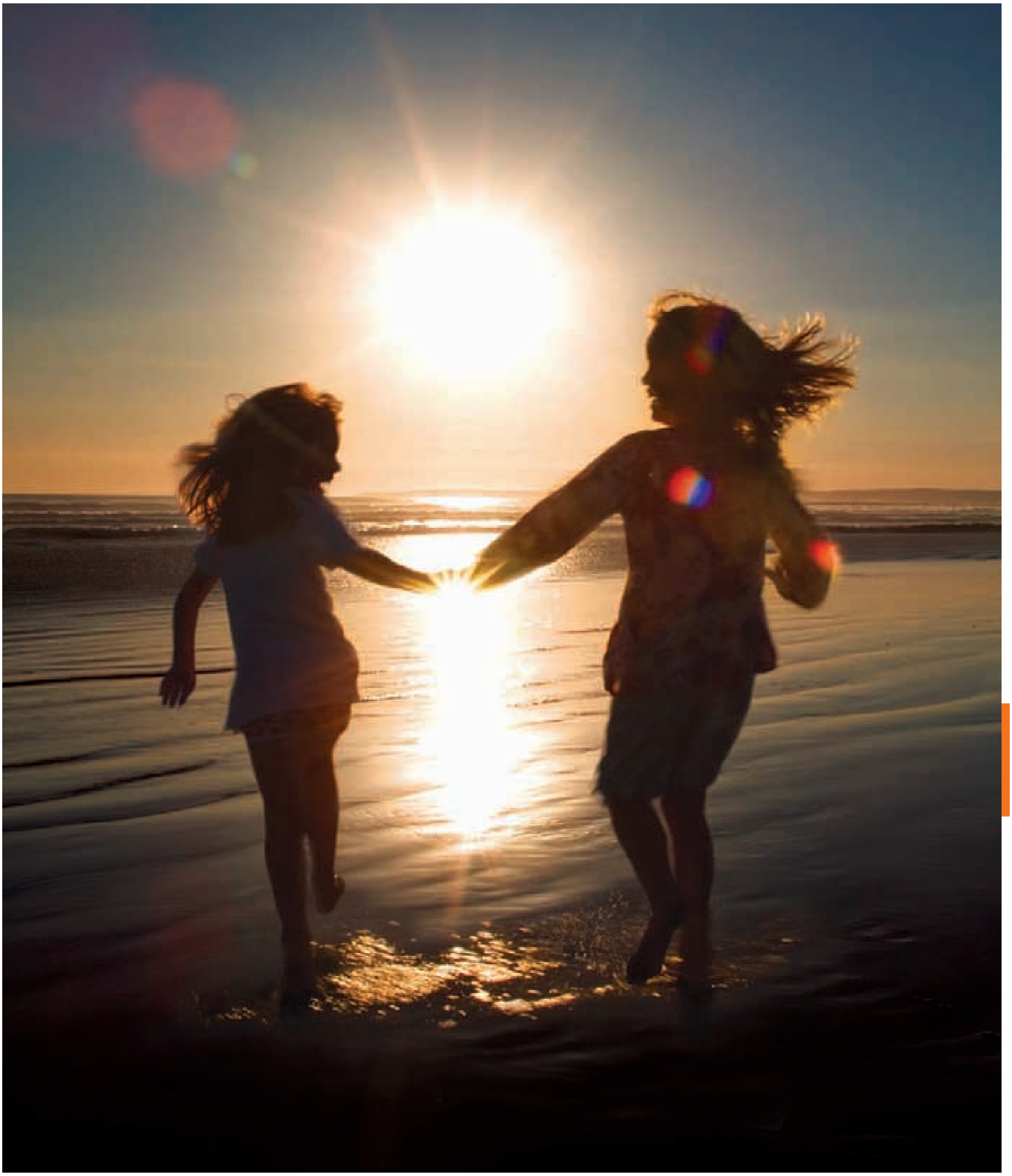
in order to deliver

market

leading services

wherever

they are needed.



contents

2007 HIGHLIGHTS

_RECORD organic revenue growth of

12.0%

Total revenue increased 14.4% to CHF 4.37 billion

Operating income before exceptionals up 17.5% to CHF 711 million

Profit before exceptionals up 19.5% to CHF 515 million

Earnings per share before exceptionals up 18.5% to CHF 67.37

Reorganisation plans initiated to optimise back-office structures

_Operating cash flow up 27.9% to CHF 706 million

Significant investments in laboratory capabilities in Minerals Services (CHF 71 million), Consumer Testing Services (CHF 54 million) and Oil, Gas & Chemicals Services (CHF 46 million)

Proposed dividend of CHF 35 per share, representing an ordinary distribution of CHF 25 and an additional distribution of CHF 10 per share

Acquisitions during the year:

Mid Iowa Grain Inspection, USA

Mid-West Seed Services, USA

COTA, Algeria

Adria Control, Slovenia

EcoServ, South Africa

FTS, USA

Lab Merten, Germany

SGS AT A GLANCE

_QUALITY

To stay competitive, businesses are looking for new and better ways to improve quality and efficiency while at the same time lowering costs. We provide a range of flexible services that allow customers to measure and then improve systems, services and processes.

_PRODUCTIVITY

Our core services cut waste and rework. They can also reduce cycle times and optimise inventory. Customers use us to help streamline their processes or they outsource them to us to create economies of scale. We can help customers enhance productivity by ensuring that inspection, verification, testing and certification are more streamlined, modular and interconnected.

_REDUCING RISK

We work closely with our customers to provide the best possible risk-management solutions. We can be their 'eyes and ears' anywhere in the world. By creating trust between all parties, we help improve margins and make business faster and simpler.

_COMPLIANCE

Increasing regulatory requirements are a reality facing all businesses, and the contractual obligations that these entail are often complex. We bring clarity to transactions and facilitate compliance by market, industry, region or between parties. In this way, compliance can translate into market confidence, freeing customers to concentrate on core business needs.

AGRICULTURAL SERVICES (AGRI)

_Revenue: CHF 356.5 million

_Operating Income: CHF 47.6 million

We can trace our origins back to 1878 when the company founders identified a need for traders to be represented at the loading and unloading of ships at docks. Today, as the global market leader in the agricultural sector, we assist clients in managing crops from seed development and soil nutrition through to harvest and help move millions of tons of products through the agricultural supply chain and reduce the risks involved in transactions.

MINERALS SERVICES (MIN)

_Revenue: CHF 559.8 million

_Operating Income: CHF 98.2 million

We offer services that range from quality and quantity inspection and testing for a vast array of commodities to advanced process control to optimise the recovery of metals in processing plants. With unique coverage and a truly global presence, we are the leading supplier of innovative and technologically advanced services to the minerals industry.

OIL, GAS & CHEMICALS SERVICES (OGC)

_Revenue: CHF 891.3 million

_Operating Income: CHF 133.4 million

We are the market leader in independent inspection, testing, verification and specialised technical services to the oil, gas and chemical industries. Alongside our trade-related activity, we provide a wide range of services from exploration and production through the midstream to consumption, including blending and cargo treatment services with additives, sample management, static and dynamic calibration, emergency response, logistics and laboratory outsourcing.

LIFE SCIENCE SERVICES (LSS)

_Revenue: CHF 200.4 million

_Operating Income: CHF 24.1 million

We are a leading provider of clinical research services for Phase I to IV clinical trials, biostatistical management services, regulatory affairs services, bioanalytical laboratory services and quality control testing services in microbiology, chemistry and biotechnology with analytical development and stability studies.

CONSUMER TESTING SERVICES (CTS)

_Revenue: CHF 654.7 million

_Operating Income: CHF 151.9 million

We offer a complete range of services for manufacturers, importers, exporters and retailers of consumer products, including laboratory testing, product inspection and consulting, process assessment and technical assistance. We help clients reduce risk, improve efficiency and ensure compliance with contractual or regulatory requirements in manufacturing sourcing.

SYSTEMS & SERVICES CERTIFICATION (SSC)

_Revenue: CHF 353.5 million

_Operating Income: CHF 65.0 million

With over 80 000 clients around the world and the successful delivery of more than 100 000 certificates, we are the world's preferred auditing and certifying body. An SGS certificate is recognised globally as a symbol of both compliance with established standards and of business excellence.

INDUSTRIAL SERVICES (IND)

_Revenue: CHF 624.7 million

_Operating Income: CHF 100.6 million

We are a global service provider for technical verification, inspection, testing and conformity assessment in all industrial markets. Our teams of engineers and technicians ensure that the quality and performance of products or installations meet applicable requirements, whether they are regulatory, voluntary or customer specific.

ENVIRONMENTAL SERVICES (ENVI)

_Revenue: CHF 281.1 million

_Operating Income: CHF 27.6 million

We help governments and industry integrate environmental management into their operations by providing a comprehensive international network of analytical and data interpretation services and are well placed to assist at both a global and local level.

AUTOMOTIVE SERVICES (AUTO)

_Revenue: CHF 249.2 million

_Operating Income: CHF 33.8 million

We focus on the design, construction and operation of motor vehicle inspection solutions throughout the world. These services are provided to governments, manufacturers, traders, financial institutions and insurance companies across five continents.

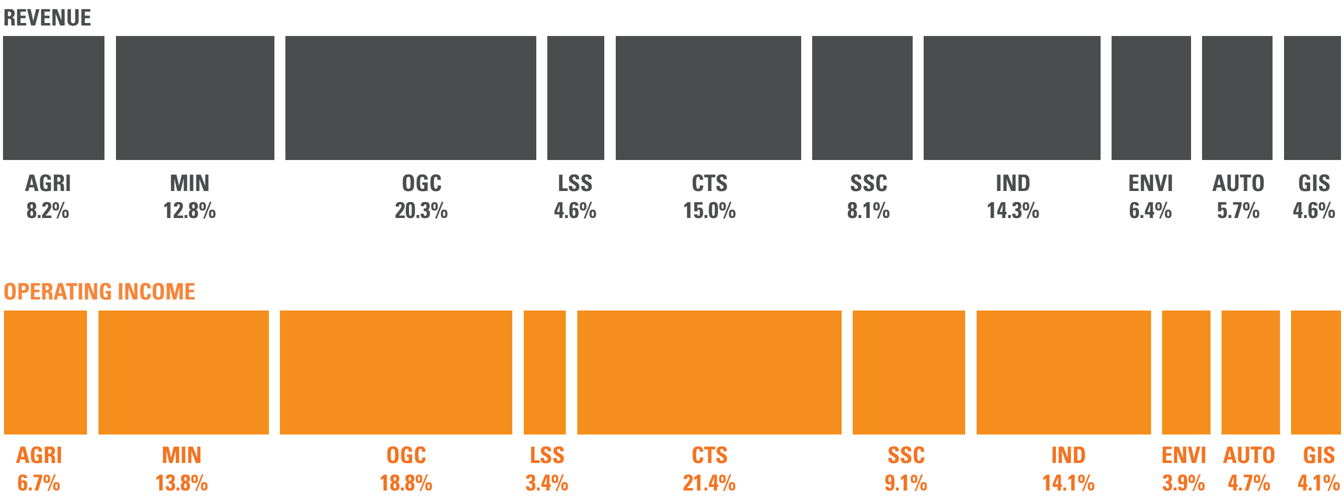
GOVERNMENTS & INSTITUTIONS SERVICES (GIS)

_Revenue: CHF 200.4 million

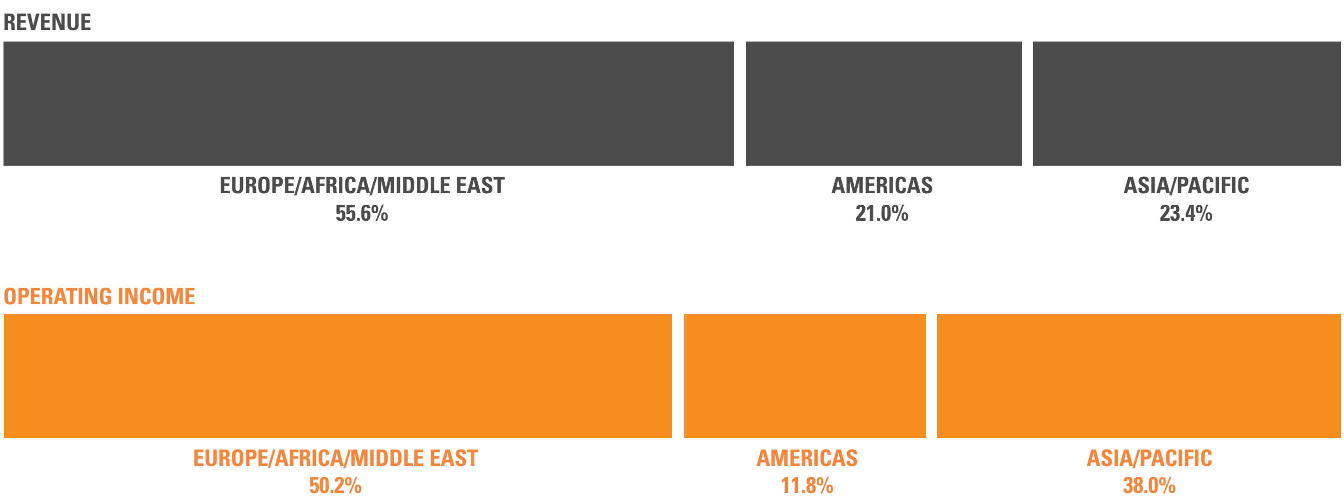
_Operating Income: CHF 28.8 million

We provide a wide range of trade verification services that assess compliance with regulatory requirements and enhance government revenue. We facilitate trade, support good governance and promote sustainable development. Our customers include governments and international institutions as well as companies from the private sector.

REVENUE + OPERATING INCOME BY BUSINESS



REVENUE + OPERATING INCOME BY REGION



GROWING MARKETS & INCREASING REGULATION

THE ENVIRONMENT IN WHICH WE OPERATE is constantly evolving. The increasing amount of global trade and other trends present in globalisation, such as outsourcing, cater to our strengths. In addition, the market for our services continues to expand as trends towards more stringent global and domestic regulations covering the environment, product safety and quality, agriculture, fuel and trade are on the increase. Some of the most notable developments in recent years have emerged as regulatory directives from the European Union:

_Registration, Evaluation and Authorisation of Chemicals Directive (REACH)

_Restriction of Hazardous Substances Directive (RoHS)

_End of Life Vehicles Directive (ELV)

_Eco-design of Energy-using Products Directive (EuP)

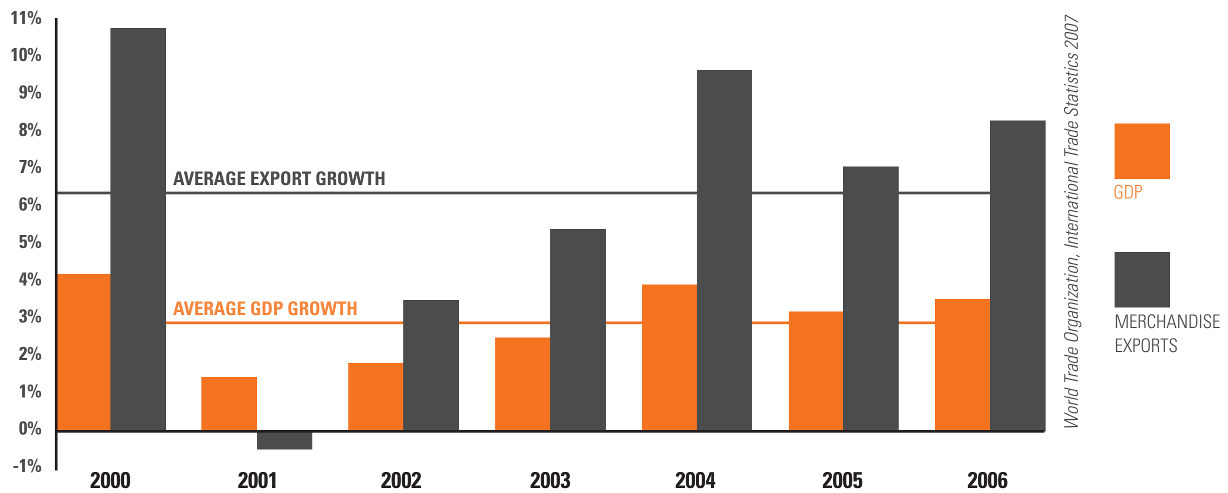
_Waste Electrical and Electronic Equipment Directive (WEEE)

OUR BUSINESS ENVIRONMENT

AS OUR BUSINESS IS BASED on global economic growth and international trade, any slow down would naturally affect our company, as it would many others. Though, given our diversified service portfolio, we are naturally hedged against much of the economic turbulence the world is facing today, due to the diversity and number of markets and industries in which we operate. In addition, international trade has typically grown at a faster rate in recent years than gross domestic product, indicating that a slow down in GDP, while bad for the global economy, would not affect trade as deeply.

GROWTH IN THE VOLUME OF WORLD MERCHANDISE TRADE AND GDP, 2000-2006

(ANNUAL PERCENTAGE CHANGE)



LETTER
FROM THE CHAIRMAN & CEO

Dear Shareholders,

2007 was another outstanding year for SGS and marked the sixth consecutive year of improved performance for the Group, with record gains in revenue, organic growth, margin improvement and our employee base. Revenue increased 14.4% to CHF 4.37 billion and operating income rose 17.5% to CHF 711 million at an operating margin of 16.3%. Customers around the world have benefited from the services we provide, including the innovations and technological developments that position our Group at the head of our industry and will lead to our continued future growth.

Our success lies in the commitment, quality and diversity of our more than 50 000 employees around the world who recognise, respond and adapt to our customers' expectations and a continually changing business landscape. It is through their commitment that we maintain our position of leadership, setting the highest standards for service and quality. The changes within our Operations Council in 2007 reflect these principles at the highest level of our company and demonstrate the depth of leadership talent available within the Group that will carry our growth forward in the years to come.

Continued growth requires investment, and we have been investing throughout all of our businesses, expanding laboratory capacity, pioneering advanced technologies and processes and developing our human capital to be able to seize business opportunities and better serve our customers. Seven of our businesses achieved organic growth in excess of 10% in 2007 and all of our businesses posted year over year increases.

We supplemented our investment in 2007 with several acquisitions, expanding our service line offerings and geographic coverage to further support our customers' needs. Acquisitions included targeted opportunities in our Agricultural, Environmental, Industrial, Automotive and Consumer Testing businesses and allowed us to expand our services into new geographies and leverage synergies across businesses within the Group. We will continue to focus on growth through acquisition and believe that 2008 will present reasonable opportunities for further expanding our services and geographic coverage.

2007 saw record cash flow which we will use to further invest in growing our businesses and strategically reinforcing our presence as the industry leader. In addition, our plan is to return a significant percentage of our profit to you through a proposed dividend of CHF 35 per share, a sign of the health of our business and our future potential to generate cash flow.

This year marks the 130th anniversary of the partnership formed by the Company's founders, Henri Goldstück and Johann A. Hainze. We are proud of our heritage and as we look beyond the results of 2007, we are committed to doing what is right for the long-term interest of the Group, our employees, and you, our shareholders. It is our hope that the next 130 years will see the kind of growth and leadership that has defined our company to date.

On our behalf and of the Board of Directors, we would like to thank all of our employees for their dedication and tremendous work they have accomplished this year to mark it as a historical year of performance for the Group.

Sergio Marchionne
Chairman of the Board

Christopher Kirk
Chief Executive Officer

REVIEW

PREPARE FOR THE FOOD FIGHT

Over the next forty years, the world's population will grow by 35%. That is like adding two more countries the size of China to our population. This will dramatically increase the demand for natural resources and have a significant impact on our environment.

The challenges of feeding more than nine billion people are starting to emerge. Even today, the demand for basic agricultural commodities is outpacing supply. This is due in part to changing dietary habits – with more people eating meat, more grain is set aside to feed livestock. The demand for biofuels is also impacting the price of food. How we feed ourselves over the next forty years will depend largely on our ability to innovate and develop advancements in farming, such as growing the most efficient and productive crops and finding ways to reduce the pressure biofuels puts on agriculture.

We lead the way in these areas through the services we provide. We help customers adopt precision farming techniques, which let them get the most out of their land. We also provide seed testing services that identify the seed species most resistant to adverse weather and soil conditions, providing the highest yields. At the same time we work with customers to assess next generation feedstocks for biofuels, such as cellulose-based fuels derived from leaves and grasses.

There is no choice to be made between food and fuel. We will continue to make sure that our customers help feed an ever-growing population and make renewable fuels a reality.

Jeffrey Newell
Executive Vice President

AGRICULTURAL SERVICES

_FIELD TRIALS BUSINESS GROWS IN FRANCE AND GERMANY

_LABORATORY OPENINGS IN ASIA AND THE MIDDLE EAST SUPPORT FOOD SAFETY TESTING NEEDS

_STRATEGIC ACQUISITIONS IN THE AREA OF SEED TESTING AND AGRICULTURAL INSPECTION IN NORTH AMERICA

Agricultural Services delivered comparable revenue growth of 3.6% to CHF 356.5 million for the year in a mixed trading environment which witnessed uneven grain commodity exports due to increased domestic demand for the production of ethanol based fuels and supply of raw materials for domestic food processing. Foreign exchange effects on commodity pricing, export controls and increased shipping costs also challenged the markets. Despite these headwinds, the sector was able to lift operating margin from 12.4% to 13.4% due to the re-positioning of the service portfolio into more profitable service offerings, and intra-year productivity measures.

During the year the Group continued to transition its service portfolio to meet customer demand and increase value of the service line product offering. Laboratory investments were made into emerging markets in North Africa and Asia to meet the demands of food supply chain safety and regulatory requirements. The Group's field trials business in Europe was successfully expanded in France and Germany with the intent of pushing the service segment into the Americas in 2008. Temporary storage solutions in South America were particularly successful in the grain markets and served to reduce revenue volatility between harvest periods.

During the period the Group made two strategic acquisitions in North America: Mid Iowa Grain is an official Federal Grain Inspection Services (USDA) grain inspector as the Group makes preparations for the liberalisation of the United States agricultural inspection market; and Mid-West Seed Services marks the Group's entry into the commercial seed testing marketplace. Both companies incorporate business models (inland grading and logistics) or service segments (seed testing) which are expected to deliver platforms for growth in excess of the traditional export oriented trading services.

MAKING SURE BIOFUELS WORK

Optimism over the potential of biofuels to address our dependence on oil and to reduce greenhouse gas emissions is diminishing as some unintended consequences emerge. For example, the prices of corn, sugar, and palm oil are increasing as they are used as feedstocks in biofuel production, driving up the cost of food products that rely on those commodities. The clash between food and fuel demand will only get worse as population increases, dietary habits change, and the demand for biofuels grows.

Both the United States and the European Union set ambitious targets for the integration of biofuels into the transportation fuel supply. But at what cost to the price of food and the environment will these targets be achieved? Governments are now introducing sustainability standards for biofuels to ensure that their use does not negatively impact the environment, particularly in developing nations where biofuel crops are grown.

For example in the United Kingdom, the Renewable Transport Fuel Obligation (RTFO) requires that by 2010, 5% of transportation fuel come from biofuels that are derived from sustainable resources, and that fuel suppliers report and certify it as such.

We are helping customers successfully meet the regulatory and reporting requirements of standards such as RTFO and others as they are introduced elsewhere in the European Union and around the world. Our work in this area will go a long way to ensuring that biofuels have a positive net impact on the environment.

Thakar Singh
Chief Operating Officer
South East Asia & Pacific

(CHF million)	2007	2006
REVENUE	**356.5**	**336.1**
Change in %	6.1	
OPERATING INCOME (before exceptionals)	**47.6**	**41.7**
Change in %	14.1	
OPERATING MARGIN % (before exceptionals)	**13.4**	**12.4**

TALENT TO EXPLORE

Energised by record demand and high prices, mining companies are going to greater and greater lengths to extract mineral resources. At the same time, the industry suffers from a lack of human capital to get the job done. Previous underinvestment and a lack of interest in geology and engineering studies at the university level means that trained and experienced personnel are in short supply.

With the combination of mining in extreme locations and the talent deficit, we are seeing a trend to staff mining operations with fewer people while technology takes on a larger role. Given an environment of reliable, high-speed communications lines to mining sites and the right technology in place at the mine, we see the potential for several mining sites to be controlled from one central hub, located anywhere in the world. This maximises the exposure of the limited talent available to manage these operations and minimises the safety risk for personnel by reducing the number of people actually needed at the mining site.

We are actively looking at how we can play a role in helping to monitor and optimise mining operations remotely and provide the services that our customers need to do so. This will allow them to extract minerals from some of the most remote locations on earth.

Michael Belton
Executive Vice President

MINERALS SERVICES

_CONTINUED STRONG GLOBAL DEMAND FOR MINERALS AND METALS UNDERPINS REVENUE GROWTH

_INTENSIVE CAPITAL INVESTMENT TO PREPARE FOR FUTURE CUSTOMER DEMAND

_CANADIAN OIL SANDS PILOT PLANT COMMISSIONED

With revenue of CHF 559.8 million, a comparable increase of 18.1% (17.0% organic) Minerals Services posted the third straight year of double digit top line growth.

Operating margin expanded from 17.2% to 17.5% as prior period investments in laboratories and service offerings were brought on stream in the principal fields of metallurgical, geochemistry, and the Group's trade related inspection network. Trading conditions in the commodities and precious metals markets remained firm through the year driving increased exploration and extraction projects on the back of industrial and commercial demand.

Group capital investments in the sector increased 107% compared to the prior year to meet the future needs of our customers and employees. These investments were made across the spectrum of the segment most notably in laboratory capacity expansions in South East Asia Pacific, Eastern Europe and South America; technology upgrades in analytical capabilities in Canada and South Africa; and health and safety investments in Australia.

During the 4th quarter the Group commissioned its first bitumen extraction pilot plant in the Canadian Oil Sands region. This green field large scale investment relied heavily on the Group's pilot plant leadership position serving the mining sector due to the similar nature of the extraction technologies employed in developing this energy source. This project will be further developed as a platform to serve the wider industrial needs of the Oil Sands complex to include the Environmental, Industrial, and Oil, Gas & Chemicals services offered in the Group's service portfolio.

PILOT PLANTS LEADING THE WAY

Our pilot plant testing helps mining industry customers test and refine processes for the most efficient extraction of metals and minerals while minimising the environmental impact of mining. This testing is the best way to establish the viability of the selected extraction method, verify the ability to meet environmental requirements and minimise the technical, environmental, operational and commercial risks associated with opening a new plant.

One of several pilot plant facilities we operate around the world is located in Chile just west of the capital city of Santiago. Using the plant in Pudahuel, our metallurgists simulate the future performance of our customers' processing plants to optimise energy, reagent and water usage to minimise the environmental impact of their operations. With our expertise, this pilot plant helps customers mimic the conditions under which their actual processing plants will operate.

Mining projects constitute sizable investments by our customers, often in the billions of dollars. Knowing in advance how effectively one can extract metals and minerals while mining is essential, both for determining the viability of a particular mining operation as well as for securing start-up financing from investors.

Alejandro Gomez de la Torre
Chief Operating Officer, South America

(CHF million)	2007	2006
REVENUE	**559.8**	**467**
Change in %	19.9	
OPERATING INCOME (before exceptionals)	**98.2**	**80.5**
Change in %	22.0	
OPERATING MARGIN % (before exceptionals)	**17.5**	**17.2**

KNOWLEDGE IS THE ALTERNATIVE

To say that concerns over fuel consumption are in the news these days is an understatement. Biofuels show promise as a way to reduce our dependence on oil, but they account for less than 1% of our current transportation fuel, and are only expected to grow moderately over the next several years. Other measures are needed.

Our expertise and advanced technologies in fuel analysis are helping automotive manufacturers increase the fuel economy and efficiency of the cars and trucks they make. Twice a year we conduct a global study of the transportation fuel available everywhere in the world, the only analysis of its kind in the automotive industry. We test samples from randomly selected petrol stations to determine the chemical composition and octane rating of the fuel. The comprehensive report is then shared with the industry, which uses the information to adapt their car and truck engines according to the regional differences in the fuel most commonly available to consumers.

With our fuel and engine testing laboratories in Germany, China and Austria, we are uniquely positioned to provide the industry with the knowledge they need to help consumers achieve better engine performance and higher levels of fuel economy.

Alim Saidov
Executive Vice President

OIL, GAS & CHEMICALS SERVICES

_WELL POSITIONED TO MEET CUSTOMER DEMAND IN FUEL TESTING REQUIREMENTS

_CONTINUED GROWTH IN NON-INSPECTION RELATED SERVICES SUCH AS PLANT AND TERMINAL OPERATIONS

_ENHANCED SERVICE OFFERING IN THE AREA OF BIOFUELS

Oil, Gas & Chemicals Services delivered full year comparable revenue growth of 13.1% (12.4% organic) to CHF 891.3 million. This growth fuelled an operating margin improvement of 60 basis points to 15% for the year as the business capitalised on solid market conditions and resulting volume leverage and was able to offset labour inflation in several key markets with improved service mix and proactive productivity measures.

During the period, the entire Group's reporting regions were able to increase trading activities with significant gains realised in the regions of North America, Eastern Europe, the Middle East, Central Europe and South East Asia Pacific. The business segment's laboratory network in Asia, Eastern Europe and Middle East continued to expand during the period and the Group is confident that it has positioned itself to meet the production and importation testing requirements as these regions expand their relative positions in crude extraction and refined products production.

The Group's non-inspection related activities continued to perform within expectations with significant contract wins in plant and terminal operations, cargo treatment services, laboratory outsourcing and fuel marking and integrity programmes across the geographical network. Services derived from technology developments continue to play a greater role within the Group's performance with positive strides made widening the product portfolio in mobile solutions servicing the wellhead. This will be a principal focus of the sector going forward into 2008.

Initiatives were launched in support of our customers' needs to meet the changing requirements for liquid fuels quality to include focused service offerings to the biofuels sector capitalising on our twenty years of experience in Brazil, product enhancement methods development, and technologies tailored to the gas-to-liquids processes. Our broad knowledge and international network allows for market specific fuel grade requirements to be identified and valued by our trading clients prior to contract acceptance and delivery, significantly reducing storage, trans-shipment and off-take costs.

ENSURING SAFE TRANSPORT OF DANGEROUS SUBSTANCES

Everyday, countless volumes of hazardous materials are shipped across Europe by truck. As these vehicles share the road with passenger cars and other commercial traffic, accidents do occur. While the drivers transporting these hazardous materials are professionals, they are not experts in how to appropriately respond to an accident involving the substances they are carrying. When an accident does occur, the driver and the emergency response services at the scene need to know the exact nature of the chemicals at the accident site and how to properly respond to a situation involving those hazardous materials.

We offer our customers who transport such substances an Emergency Communication and Liaison Network. This service helps them comply with regulations requiring them to make contingency plans for the provision of rapid and effective response in case of emergency incidents. Our experts are on standby twenty-four hours a day, seven days a week in the event of an accident and provide drivers with immediate action steps based on the cargo that is being carried. We also contact emergency responders, alerting them to what hazardous substances are present at the accident site, as well as respond in person to the scene. We offer a single point of contact within SGS for all operations and consult with our customers on efforts to reduce the environmental impact of these accidents.

By helping customers comply with the regulations they are facing as transporters of hazardous substances and serving as the first point of contact in any emergency situation, we help address the safety issues associated with the transport of these dangerous materials.

Duilio Giacomelli
Chief Operating Officer, South East Europe

(CHF million)	**2007**	**2006**
REVENUE	**891.3**	**783.4**
Change in %	13.8	
OPERATING INCOME (before exceptionals)	**133.4**	**112.6**
Change in %	18.5	
OPERATING MARGIN % (before exceptionals)	**15.0**	**14.4**

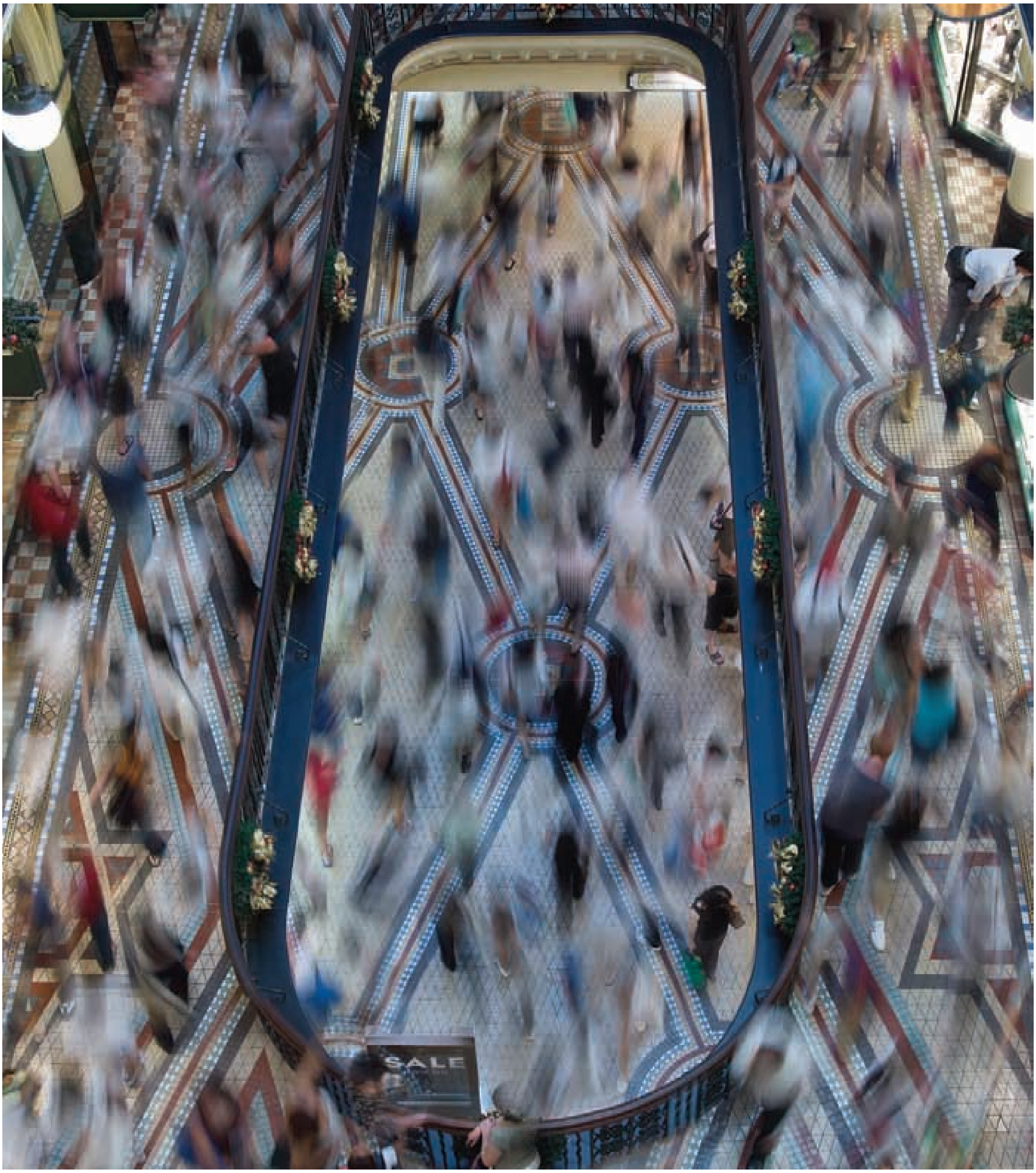
SAFETY FIRST, SECOND, THIRD...

No product is immune from the issues associated with distributed supply chains and no manufacturer can escape the damage to their reputation caused by a product recall. The risks facing the pharmaceutical industry today are no different than any other industry.

Many of the Active Pharmaceutical Ingredients (APIs) and intermediates that drug companies in North America and Europe use to manufacture their drugs come from suppliers in Asia and Latin America. Ensuring consistent quality standards across one's entire supplier base is no easy task. It will become more and more complex as price pressure forces manufacturers to outsource more production to suppliers around the world.

We provide innovative solutions to these issues, helping our customers put safety above all else as they deliver life saving treatments to people around the world. In the pharmaceutical industry, there is no room for error. No one understands the risks more clearly than the drug companies themselves, and no one is better positioned than we are to help ensure quality and safety.

Beat In-Albon
Executive Vice President


SALE

LIFE SCIENCE SERVICES

_IMPROVED PERFORMANCE IN QUALITY CONTROL SECTORS IN NORTH AMERICA AND EUROPE

_OPERATIONS IN INDIA, CHINA, SINGAPORE AND THAILAND ALL IMPROVING

_BIOMETRY SERVICES SUPPORTING KEY CUSTOMERS

Comparable revenues in Life Sciences services increased by CHF 8.1 million or 4.2% for the period delivering an operating margin of CHF 24.1 million or 12%. Top line performance was driven by solid performances in the Benelux, Germany, Canada and the United States and steadily improving performances in Asia.

In quality control testing the sector's laboratories performed well with satisfactory performances in North America and Europe especially Canada and Germany. The Groups operations in India, Singapore, Thailand and China all improved revenue performance during the year and are expected to be fully absorbing costs in the 1st semester of 2008. The Group is currently evaluating infrastructure expansion alternatives in North America where the three facilities are reaching operating capacity.

In clinical research, the group's operations in France and Belgium improved operating performance from cost containment actions and improved service mix despite only a minor change in revenue from the comparable period. Biometry services in the Benelux and the United States performed well in support of several key clients. Bioanalysis activities had a difficult year in the Benelux as the Group coped with capacity expansion, a tight labour market and accreditation delays. Performance is expected to rebound in 2008.

Customer acquisition and productivity improvement were the main focus areas for the management of the sector during the year with promising progress made in laboratory information systems standardisation and financial and capacity planning tools in clinical research. These initiatives will allow the Group to improve management of laboratory capacity taking advantage of the previous work on multi-lab accreditation with the sector's customer base.

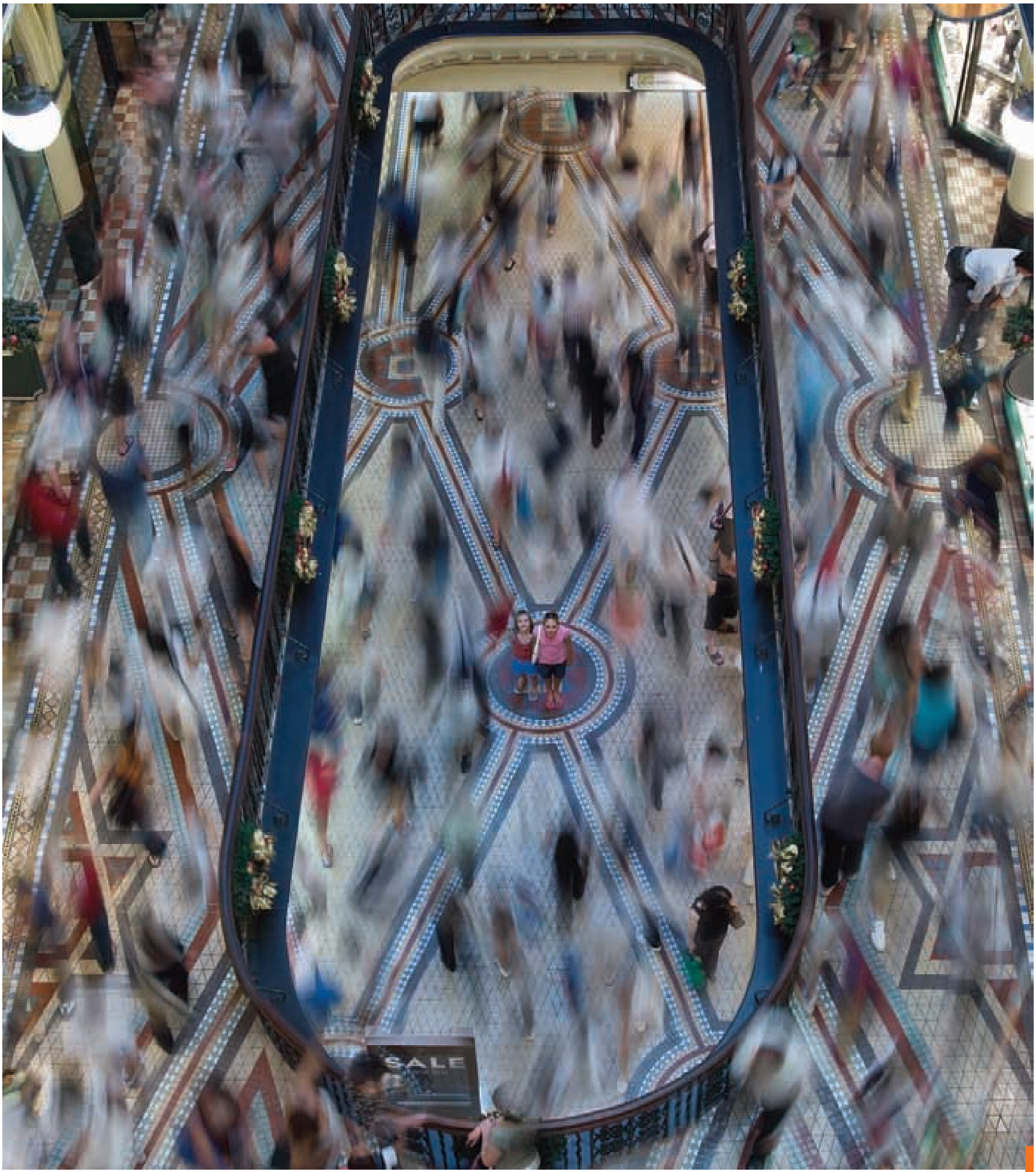
KEEPING THE PIPELINE MOVING

As a Clinical Research Organisation we operate early phase clinical facilities in Europe and are active in late phase trials in both Europe and North America. We help our customers in the pharmaceutical industry navigate the intricate and often time consuming procedures and regulations required for testing drugs in humans.

Particularly in late phase trials, our highly trained and experienced staff help our customers control costs, logistics and patient recruitment difficulties inherent in these clinical trials. This can make the difference between successfully bringing a new drug to market, quickly and safely, or stalling in the development process.

Our more than thirty years of experience and the thousands of clinical trials we have performed, contributes to our knowledge base and expertise in this area. With the combination of our innovative clinical study designs, optimal facilities and strong regulatory intelligence, we significantly improve our customers' drug development timelines and decision-making processes, allowing them to continue delivering life saving drugs to people all over the world.

Jeffrey McDonald
Chief Operating Officer, North America



(CHF million)	2007	2006
REVENUE	**200.4**	**186.8**
Change in %	7.3	
OPERATING INCOME (before exceptionals)	**24.1**	**23.7**
Change in %	1.7	
OPERATING MARGIN % (before exceptionals)	**12.0**	**12.7**

CONSUMERS ARE ASKING MORE QUESTIONS

Having the newest toys, wearing the latest fashions, showing off an expensive car or flashy television matter most. No.

Consumers were, as the saying goes, obsessed with, "Keeping up with the Joneses." Today, consumers are still driven by appearances, but the measure of what is important is shifting. Is this toy safe for my kids? Have these clothes been manufactured in accordance with global labour regulations? Am I reducing my carbon footprint by driving this car? Is this television energy efficient? Consumers ask these questions of the products they buy and of the companies they buy them from.

We see increased demand for verifying that products are what they say they are and that companies are doing what they say they are doing with regard to social and environmental issues. Those who achieve this will be rewarded for their efforts through greater customer loyalty, good word of mouth and increased business.

We lead the way in offering services that allow companies to prove they are going above and beyond simple compliance with global standards and societal expectations, making it easier for today's inquisitive consumer to continue to move the benchmark forward.

Frankie Ng
Executive Vice President

CONSUMER TESTING SERVICES

_PRODUCT RECALLS ACROSS FOOD AND TOY SECTORS DRIVE INCREASED DEMAND FOR SERVICES

_CAPACITY ADDED TO LABORATORY NETWORK IN ASIA, MIDDLE EAST AND LATIN AMERICA

_REGULATORY ENVIRONMENT SUBJECT TO CHANGE IN RESPONSE TO PRODUCT SAFETY ISSUES

With full year revenue of CHF 654.7 million Consumer Testing services delivered comparable revenue growth of CHF 72.2 million, or 12.4% (10.2% organic) generating an operating margin of 23.2%. This performance was delivered despite a significant reduction in chemical testing volumes from the expiration of the RoHS compliance deadline in 2006. These headwinds were offset by increased demand due to safety concerns with consumer products primarily in the food, toys and hard goods sectors; and an improved operating performance in electrical and electronics testing services.

Satisfactory results were realised in the soft lines (textile testing) and hard goods (furniture, toys) sectors through the bundling of solutions incorporating factory inspections, product performance and restricted substance testing solutions. This is a direct result of market pressures on importers and retailers to implement sustainability programmes on their supplier base which incorporate a larger focus on product compliance and materials in use, energy efficiency, environmental and social compliance standards.

The laboratory network of the segment was further expanded during the year. Capacity additions were made in the South East Asia Pacific, Middle East and Latin American markets to meet the demands of our key clients and as a result of the gradual shift of the supplier base of labour intensive businesses from China to other producing regions due to logistics constraints, foreign exchange volatility and regional concentration.

2007 witnessed a significant amount of speculation concerning the regulatory environment surrounding consumer goods inclusive of food products. The Consumer testing sector has made significant investments during the period in order to position itself to meet the upcoming requirements with specific emphasis on chemical testing, product energy efficiency testing, food product safety and electronics safety testing. It also acquired a specialty food and beverage consumer products laboratory, Lab Merten GmbH in South Germany.

LOOSELY CONTROLLED SUPPLY CHAINS HURT EVERYONE

Given the slew of product recalls over the past year, safety and quality are top of mind for our customers. The devastating effect that these recalls can have on brand reputation is focusing attention on the benefits of a secure, manageable and sustainable supply chain, where brand owners are more in touch with the activities of their suppliers and their suppliers' suppliers.

Product recalls affect nearly every industry and the fact of the matter is that they can happen despite one's best efforts. We help our customers reduce the scale and impact of recalls, trace products when recalls do happen and ensure that the proper procedures are put in place to minimise the possibility of such failures happening again.

Consumer awareness and concern over product quality and safety has the ability to change buying patterns and reward the companies and brands that demonstrate and communicate control over their supply chains and manufacturing processes.

Helmut Chik
Chief Operating Officer, China & Hong Kong

(CHF million)	2007	2006
REVENUE	**654.7**	**580.1**
Change in %	12.9	
OPERATING INCOME (before exceptionals)	**151.9**	**135.4**
Change in %	12.2	
OPERATING MARGIN % (before exceptionals)	**23.2**	**23.3**

GET CLOSER

Gone are the days when one could constantly switch suppliers in search of the best price and the fastest turnaround time. Supply chains today require more investment, more time and more attention.

Companies who make an effort to work more intimately with their key suppliers will be rewarded with superior levels of service and performance. The key to a closer and stronger relationship is sharing vision and strategy and even collaborating on research and development. Our services help customers get closer to their suppliers by creating a foundation of trust in their relationships.

We are certainly seeing a trend towards a model of supplier relations based on closer alignment between a company's and supplier's common values and business strategies. In many ways, our services create an environment in which these interactions can work at their most effective and productive levels.

Malcolm Reid
Executive Vice President

SYSTEMS & SERVICES CERTIFICATION

_GLOBAL CUSTOMER ACCOUNTS SHARE OF TOTAL REVENUE GROWING

_CONTINUED TRANSITION FROM GLOBAL CERTIFICATION STANDARDS TOWARDS CUSTOMISED AND INDUSTRY SPECIFIC STANDARDS

_EUROPE PRINCIPAL AREA OF GROWTH AS CONSTRUCTION AND AUTOMOTIVE SECTORS' NEEDS SERVICED

Systems & Services Certification delivered comparable revenue growth of 9% to CHF 353.5 million for the full year at an operating margin of 18.4%. This performance was delivered despite a challenging environment for the sector's primary product line of ISO 9000 which incurred increased pricing pressures in several key markets due to the maturity of the standard. Second semester performance improvement was driven by historical seasonal trends, increases in customised audit solutions and productivity measures.

Operating performance in the Eurozone was the principal driver of performance during the year as industry specific accreditation schemes, custom audits and training solutions were particularly successful in markets serving the construction and automotive sectors. This performance was augmented by continued market growth and share gains in Eastern Europe, Middle East and Africa as these markets continue to have a larger weight in the global supply chain.

The sector was successful in growing its global accounts share of total revenue as multinational enterprises continued to see the benefits of contracting with a single supplier with the ability to provide solutions on a transnational basis. These efforts were augmented by the further rollout of a web based management system tool which enables greater efficiency of our business through standardisation, process automation and productivity improvements.

It is expected that in 2008 the service portfolio will continue to transition from global standards to industry specific and customised solutions. The sector's success in managing the transition in more mature markets will necessitate replication into emerging markets as they develop. It will also necessitate the transition to a bundled service approach of offering accreditation services in conjunction with service offerings of the Group's wider portfolio.

BE EFFECTIVE AND ENHANCE YOUR FOOD SAFETY

When food manufacturers export to foreign markets they must comply with quality and safety regulations from both their home countries and the importing country. This is a daunting task for manufacturers as there are many different quality and safety standards to contend with, some of which with overlapping requirements.

To address these needs, we introduced the world's first Single Food Audit Pack, a set of solutions that combines the elements of the ISO 9001, ISO 22000, HACCP, GMP, BRC and IFS safety and quality management standards. The parallel requirements of all of these standards can be met effectively with one audit, which saves time and money as well as causes less disruption in customers' operational activities.

Korea-Dongah Flour Mills Company combined the requirements of ISO 9001 and ISO 22000 into one audit covering their quality and food safety management systems. We audited four manufacturing sites, covering wheat flour, pre-mix and buckwheat production as well as vegetable and salad processing and checked that their operations and processes met or exceeded the standards' requirements. A single audit makes it possible for our customers to review and align their quality and food safety management systems, and save time and money in the process.

Dennis Yang
Chief Operating Officer, Eastern Asia

(CHF million)	2007	2006
REVENUE	**353.5**	**318.7**
Change in %	10.9	
OPERATING INCOME (before exceptionals)	**65.0**	**58.9**
Change in %	10.4	
OPERATING MARGIN % (before exceptionals)	**18.4**	**18.5**

WHO WILL THE LEADERS FOLLOW?

Industry leadership requires constantly staying ahead of the changes in technology and adapting to new market demands. Leaders cannot achieve this alone. It requires information sharing and accessing the expert knowledge that leaders in other industries, sectors or disciplines possess.

From liquid natural gas terminals in the Niger Delta to Baltic Sea pipelines, our customers are demanding industrial solutions in increasingly hazardous and technically complex environments as the extraction and transport of raw materials and fossil fuels becomes more challenging. As a result, we are constantly expanding the range and capabilities of our services.

Just as we help our customers reduce risk and excel in the business world by providing high-end industrial solutions, we also benefit from working with industry leaders and learning how to continuously improve our service offering to better serve them. As we meet and overcome these and other challenges now and in the future, we are ready to help our customers do the same to stay ahead of their competition.

Friedrich Hecker
Executive Vice President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INDUSTRIAL SERVICES

_TENDER TO PERFORM VERIFICATION OF DESIGN AND PLANNING OF NORD STREAM NATURAL GAS PIPELINE IN THE BALTIC SEA

_STEADY GROWTH FOR EUROPE IN INFRASTRUCTURE SERVICES AND NON-DESTRUCTIVE TESTING

_ACQUISITION IN THE US TO REINFORCE POSITION IN ASSET INTEGRITY MANAGEMENT

Industrial Services delivered an excellent performance for the year posting comparable revenue growth of 19.0% (15.7% organic) with a corresponding 150 basis point improvement in operating margin to 16.1%. Geographical distribution of revenues was healthy in the period with all of the Group's reporting regions posting revenue increases and service line mix continued to improve as the Group was successful in widening its product offering and customer base.

The Group's operations in Europe posted a solid performance in infrastructure related services, non-destructive testing and statutory inspection services. The Group's operations in Spain continued to deliver excellent results in a competitive environment. This was augmented by solid progress in Germany in energy related infrastructure and cooperative projects with our joint venture partner TÜV Saarland.

The Eastern Europe and Middle East region sustained its 1st half performance despite a challenging environment given the explosive growth in energy related infrastructure in the region. This also held true in greater Asia where increased demand for supply chain services, specialty testing to the ship building industry and materials testing drove performance.

In the 4th quarter the sector concluded the acquisition of FTS Inc. in the United States. This acquisition of a leading asset integrity management firm, primarily focused on the oil and gas industry, enhances the sector's service offering and will provide the Group with the scale, when combined with our operations in Canada, necessary to compete in this key region. This scalable acquisition will also provide a key platform for technology transfer within the sector and widen the Group's service portfolio.

ELIMINATING UNCERTAINTY IN PLANT OPERATIONS

Studies have shown that the vast majority of the risk in operating an industrial plant comes from less than 10% of the operating equipment. Furthermore, the time and resources spent fixing problems once they have occurred is about triple the amount spent on preventive maintenance. Identifying the real risks facing an industrial plant and developing a thorough and predictive maintenance schedule will lead to more efficient plant operation and enormous cost savings for plant operators.

We provide asset integrity management and risk based inspection services to Karachaganak Petroleum Operating, a wholly owned partnership between Eni, BG Group, KazMunaiGaz and Lukoil. One of the world's largest gas condensate reserves, the Karachaganak field was first discovered in 1979 and is connected to international markets via the Caspian pipeline. This field is expected to produce gas and oil for the next 35 years.

Limiting plant failures and unnecessary downtime due to maintenance is essential for its successful and cost effective operation now and over its expected lifetime, and will ensure a steady flow of natural gas to markets around the world.

Teymur Abasov
Chief Operating Officer
Eastern Europe & Middle East

(CHF million)	2007	2006
REVENUE	**624.7**	**510.4**
Change in %	22.4	
OPERATING INCOME (before exceptionals)	**100.6**	**74.7**
Change in %	34.7	
OPERATING MARGIN % (before exceptionals)	**16.1**	**14.6**

TODAY'S PROBLEM IS NOT THE ISSUE

The major environmental issue we are facing today is climate change. As with many environmental issues, the more that technology and our ability to analyse the data advances, the extent and nature of our environmental impact becomes clearer. The question we should be asking ourselves, however, is what is around the corner? What other issues are on the horizon that we may be neglecting now?

Society is focusing the same amount of attention on water as was focused ten years ago on the problem of climate change, in other words, too little. We are quickly moving towards a water-constrained society, where its availability, quality and cost will vary greatly by geography and seriously impact our lives.

Water availability can be successfully managed through collaboration between business and society and we are looking forward to taking the initiative and helping our customers address these challenges. Water is free today, but we should be more worried about what will it cost tomorrow.

Alim Saidov
Executive Vice President

ENVIRONMENTAL SERVICES

_ORGANIC GROWTH STRONG DESPITE CHALLENGING MARKET CONDITIONS

_GROUP WELL POSITIONED IN SUB-SAHARAN AFRICA THROUGH ECOSERV ACQUISITION

_ENVIRONMENTAL COMPLIANCE NEEDS OF MINING INDUSTRY IN AFRICA, SOUTH AMERICA AND CANADA ADDING TO GROWTH

Environmental Services comparable revenue grew by 9.6% (14.1% pre-acquisitions and disposals) to CHF 281.1 million for the year generating an operating profit of CHF 27.6 million at an operating margin of 9.8%, a 10 basis point improvement over the comparable period exclusive of 2006 exceptional gains. Organic revenue growth for the period was 14.1% as core laboratory operations performed satisfactorily during the period despite challenging market conditions in the United States, France and Germany.

During the period encouraging performances were delivered by Spain, the Benelux region and Taiwan which saw increases in laboratory sample volume and code compliance related testing services. The Group's operations in Canada, South America and Africa continued to make positive market gains in support of the environmental compliance needs of the mining industry. General infrastructure improvements of our operations in Australia were largely completed during the year.

During the year the Group concluded the acquisition of EcoServ Pty Ltd of Durban South Africa making SGS one of the largest environmental service providers in sub-Saharan Africa. Combined with the Group's fledgling operations in Ghana, Kenya and Tanzania, SGS has now built the operational network and technical capabilities to serve the increasing needs of our customers in soil, water and emissions testing.

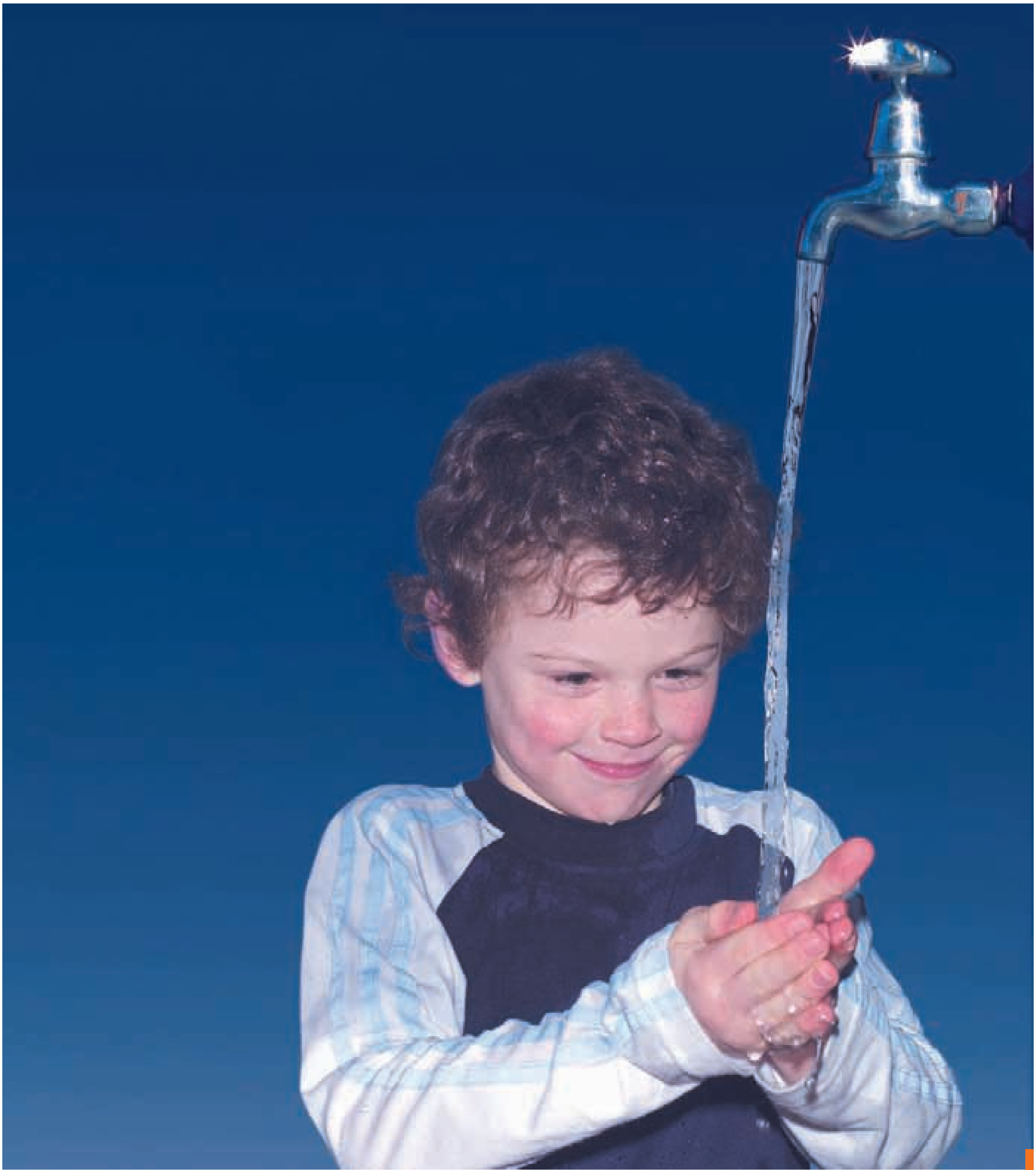
SORTING OUT THE PAST TO PROTECT THE FUTURE

Kölliken is a small town in northern Switzerland near Zurich, it also happens to be the site of one of the largest hazardous waste dumps in the country. Pollutants from the waste stored there could have become a potential threat to the region's drinking water. Aware of the problem, the Swiss authorities decided to seal off the waste site, excavate and sort the waste, then dispose of it properly.

We are working closely with the authorities to analyse the waste for toxins, which determines the best form of disposal. Options include incineration, removal to a more secure waste dump, or, in the case of extremely toxic substances, storage. This is an enormous undertaking and is expected to last until 2012, by which point more than 250,000 cubic meters of hazardous waste will have been sorted and disposed of.

Through our Institute for Applied Chromatography in Belgium, we have pioneered several technologies in this area, including micro pollutant and dioxin screening. This screening allows customers to accurately identify what has been disposed of at a particular waste site. This testing is very useful in a situation such as Kölliken, helping to determine the best course of action for waste removal and disposal.

Dirk Hellemans
Chief Operating Officer
Central North West Europe



(CHF million)	2007	2006
REVENUE	**281.1**	**249.2**
Change in %	12.8	
OPERATING INCOME (before exceptionals)	**27.6**	**24.1**
Change in %	14.5	
OPERATING MARGIN % (before exceptionals)	**9.8**	**9.7**

WHO'S IN THE FRONT SEAT?

The next ten to twenty years will bring amazing advancements in motorised transport. We should not underestimate technology's ability to address many of the problems we face today, such as greenhouse gas emissions and a growing dependence on a diminishing amount of fossil fuels.

One aspect that governments, regulators and manufacturers will have to pay special attention to is the safety of these new vehicles and in particular the fuels that they use. What consumers will accept as a tolerable level of risk is anyone's guess. One way we will help automotive manufacturers increase consumer acceptance is by conducting fuel analysis and safety testing in our laboratories in Ireland and Germany.

History is marked by innovations that have come and gone with minimal impact on society, not because they were not promising, but because they were not adopted on a broad enough scale. We are doing our part to make sure that the technologies and fuels of tomorrow have the chance to make a difference.

Frédéric Herren
Executive Vice President

AUTOMOTIVE SERVICES

_ KEY TARGETS ACHIEVED PAVING WAY FOR FUTURE BUSINESS DEVELOPMENT

_STATUTORY VEHICLE INSPECTIONS NOW ACCOUNT FOR 70% OF REVENUE

_DUBLIN SUPPORT UNIT PLAYS MULTIPLE ROLES IN DELIVERING VALUABLE SERVICES

Automotive Services delivered comparable revenue growth of 11.8% (10.2% organic) to CHF 249.2 million for the year at an operating margin of 13.6%. Compliance driven statutory inspection services represents 70% of the sector's revenue stream largely completing the transition from a commercial inspection dominated business to a regulatory driven portfolio.

The Group accomplished several key objectives during the year setting a platform for future development of the business. In Africa, the Group completed the acquisition of COTA, the market leader for statutory light and heavy vehicle inspections in Algeria. In Morocco, the Group was jointly awarded the concession to operate vehicle inspection services across the country. This green field contract which will necessitate the construction of infrastructure is slated to progressively become operational in 2008. In Slovenia, the Group completed the acquisition of Adria Control to provide services to vehicle manufacturers as the region's share of automotive manufacturing expands. Finally, in China the Group was jointly awarded a concession to begin statutory emissions testing for the City of Nanjing; the contract provides the first foothold into this important Asian marketplace.

In the commercial inspections field, the Group was successful in renewing our largest leasing inspection contract in Europe and winning volume gains in the United States. Inspection services for quality control at the manufacturing level made some important gains during the year. A targeted effort into this sector combining the Group's auditing and component testing capabilities is in development.

In support of the Group's increasingly diverse portfolio on five continents, a new support unit has been set up in Dublin to provide marketing support as well as assistance for design and implementation, information technology, call centre expertise, purchasing services and operational standards.

BLACK CAB SAFETY

In the UK, we are providing licensing and inspection services for all London Black Cabs. Starting in April 2007, we began delivering services across London, including vehicle inspections covering safety and emissions standards.
Our online booking system for inspection appointments and new call centre have dramatically increased the ease with which London's Black Cab owners can make appointments. Our network of three inspection centres, strategically located in Greater London, has made getting to those inspection appointments that much easier for vehicle owners. The end result is greater assurance about the safety of the vehicles used by the countless people who travel in London's Black Cabs every day.

Currently we provide services like this to many other metropolitan taxi authorities around the world, including in Buenos Aires, Ireland, the Ivory Coast and Chile. Our model promotes better use of scarce resources and value for money as well as a dynamic system to improve the image and service of taxis.

Fernando Basabe
Chief Operating Officer, Western Europe

(CHF million)	2007	2006
REVENUE	**249.2**	**220.3**
Change in %	13.1	
OPERATING INCOME (before exceptionals)	**33.8**	**29.8**
Change in %	13.4	
OPERATING MARGIN % (before exceptionals)	**13.6**	**13.5**

GOVERNMENTS & INSTITUTIONS SERVICES

FAIR PLAY

Civil society functions best under strong principles of governance such as the observance of the rule of law, respect for property rights and the protection of basic liberties. It is in such an environment that investment flourishes and nations develop.

The services we provide governments facilitate trade, support good governance and promote sustainable development and industrialisation in these countries. One service in particular that helps ensure accountability and transparency is our evaluation and verification of government implementing agencies and non-profit organisations who are the recipients of international development aid and loans. Our third-party verification and certification helps increase performance in the institutions and offices we audit. These services help ensure good governance practices and the optimal distribution of resources to those who need it the most.

By certifying transparency and accountability in these institutions, we help create an environment where investment, efficiency and stability can grow and improve the lives of those nations' citizens.

Frédéric Herren
Executive Vice President

GOVERNMENTS & INSTITUTIONS SERVICES

_SERVICES TO AUTHORITIES IN NIGERIA, GHANA, AND MADAGASCAR NOW FULLY OPERATIONAL

_2008 WILL SEE A TOTAL OF 14 CARGO SCANNERS ACTIVE WORLDWIDE

_NEW SERVICES IN 2007 INCLUDED CARGO TRACKING, ANTI-COUNTERFEITING AND ENVIRONMENTAL COMPLIANCE SOLUTIONS

Governments & Institutions Services comparable revenue increased by 20% to CHF 200.4 million for the year. This revenue growth delivered an operating profit of CHF 28.8 million at an operating margin of 14.4%, a 70 basis point improvement from the comparable period.

The sector built upon its first semester performance principally from the further ramp up of service solutions to authorities in Africa as the Group's operations in Nigeria, Ghana and Madagascar reached near steady state performance within the period. The Group's jointly held pre-shipment inspection contract in Angola produced satisfactory results within the year.

Building on the recent success in Africa with scanner solutions, additional mandates were secured in Haiti, Uruguay, Bahrain and Kosovo during the period. These operations will become progressively operational in 2008 with the sector having reached a total of 14 scanners in operation worldwide. Our operations in Mexico continued to perform well during the year and we reinforced our position in product conformity assessment with a new mandate in Kuwait.

The sector continued to invest in new service line deployment projects in 2007 with notable successes in cargo tracking, anti-counterfeiting solutions, and environmental compliance solutions with a special focus on forestry and sustainability introduced during the period.

In South America the Group's pre-shipment inspection contract in Ecuador has been terminated; the transition of 3rd party systems to Ecuadorian Customs is expected to be completed in February 2008.

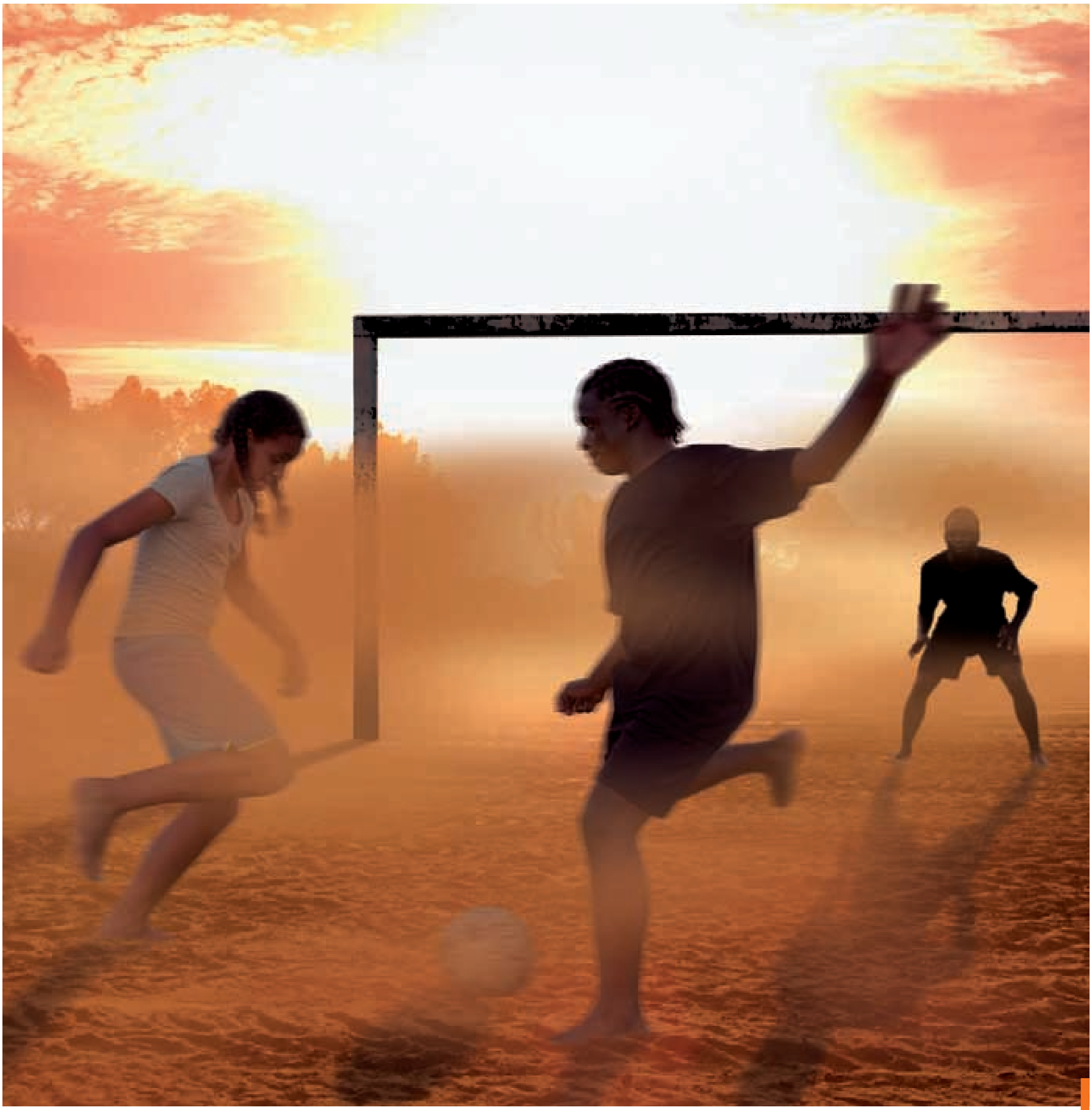
LIBERIAN FORESTRY SECTOR TO CONTRIBUTE TO NATIONAL RECONSTRUCTION

We are implementing a comprehensive timber verification programme for the Liberian government. The goal is to ensure that the country's forest resources contribute to the legitimate economy, growth, national reconstruction and the conservation of critical ecosystems damaged by fourteen years of civil war. With the potential to represent up to 50% of Liberia's GDP, timber exports are vital to the national economy.

Under a strategic partnership with the Liberian government, and with the support of the United States, we proposed a system designed to revolutionise the forestry sector, bringing much needed transparency and accountability. The system will use state-of-the-art tracking technology to monitor log movements, ensure that logging operations are in line with international best practice and respect local community rights and new environmental regulations. We will also design a computerised application to enhance revenue collection from forest products. The system will allow for a fair contribution of the forest sector to national development. Capacity building is also an important aspect of this partnership. We will provide specific training to ensure that the ability to manage the national timber tracking system is put in place for the long-term.

We are proud to be one of the first multinationals to invest in Liberia since peace has been re-established. We see our partnership with the Government as a direct contribution to the recovery of the country, helping the Liberian people to manage the future of their forests in a more sustainable manner.

Robert Markus
Chief Operating Officer, Africa



(CHF million)	2007	2006
REVENUE	**200.4**	**169.0**
Change in %	18.6	
OPERATING INCOME (before exceptionals)	**28.8**	**23.2**
Change in %	24.1	
OPERATING MARGIN % (before exceptionals)	**14.4**	**13.7**

CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors of SGS considers matters of corporate governance and public disclosure of such information to be of great significance to shareholders and other stakeholders alike.

This report has been prepared by the Board in accordance with the Corporate Governance Directive issued by the SWX Swiss Exchange on 17 April 2002 and 29 March 2006 and the related Commentary, as updated.

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1. GROUP STRUCTURE

SGS SA, registered in Geneva (CH), also referred to as the "Company", is the ultimate holding company of the Group (hereinafter to include SGS SA, its direct and indirect subsidiaries, and entities under its significant influence) which provides independent inspection, verification, testing, certification and quality assurance services through its worldwide network of subsidiaries, branches and agencies.

The shares of SGS SA are listed on the SWX Swiss Exchange and are traded on Virt-X (Swiss Security Number: 249745; ISIN: CH0002497458). On 31 December 2007, SGS SA had a market capitalisation of CHF 10 552 million.

None of the companies under the direct or indirect control of SGS SA has listed their shares on any stock exchange or has any of their securities listed on any exchange.

The principal entities consolidated within the Group are listed on pages 161 to 166 of the Annual Report, with indications regarding their share capital, the percentage of shares controlled directly or indirectly by SGS SA, their registered office or their principal place of business.

Details of material acquisitions made by the SGS Group during 2007 are provided in note 3 to the Consolidated Financial Statement of SGS SA (page 95).

Operationally, the Group is divided into 10 regions which are responsible for the local execution of the SGS businesses and the implementation of Group policies and strategies.

At 31 December 2007, the geographic operations were:

Europe, Africa, Middle East

- Western Europe
- Central & North West Europe
- South East Europe
- Eastern Europe & Middle East
- Africa

Americas

- North America
- South America

Asia Pacific

- East Asia
- China & Hong Kong
- South East Asia & Pacific

Each operating area is led by a Chief Operating Officer who is a member of the Group's Operations Council.

The Group is also structured into 10 lines of business. Each business is in charge of the global development of Group activities in its own sphere of specialisation and of the execution of strategies in conjunction and with the support of the Chief Operating Officers.

- Agricultural
- Minerals
- Oil, Gas & Chemicals
- Life Science
- Consumer Testing
- Systems & Services Certification
- Industrial
- Environmental
- Automotive
- Governments & Institutions

Each line of business is placed under the leadership of an Executive Vice President who is also a member of the Operations Council.

1.2. SIGNIFICANT SHAREHOLDERS

At 31 December 2007, Mr. August von Finck and members of his family acting in concert held 23.7% of the capital and voting rights of the company; IFIL Investissements SA held 15%, Allianz SE held 7.4% and FMR Corp held 5.57%.

1.3. CROSS-SHAREHOLDINGS

Neither SGS SA nor its direct and indirect subsidiaries has any cross shareholding in any other entity, whether publicly traded or privately held.

2. CAPITAL STRUCTURE

2.1. ISSUED SHARE CAPITAL

SGS SA has a share capital of CHF 7 822 436 fully paid in and divided into 7 822 436 registered shares of a par value of CHF 1.

On 31 December 2007, SGS SA held directly or indirectly, 193 468 treasury shares.

In 2007, 29 541 treasury shares were released to cover option rights. The 29 541 treasury shares released to cover option rights were sold at an average price of CHF 648.

During the year, 19 986 treasury shares were purchased for an average price of CHF 1 357.

2.2. AUTHORISED AND CONDITIONAL SHARE CAPITAL

The Board of Directors has the authority to increase the share capital of the Company by a maximum of 500 000 registered shares of a par value of CHF 1 each, corresponding to a maximum increase of CHF 500 000 in share capital. The Board is mandated to issue the new shares at the market conditions prevailing at the time of issue. In the event that the new shares are issued for an acquisition, the Board is authorised to waive the shareholders' preferential right of subscription or to allocate such subscription rights to third parties. The authority delegated by the shareholders to the Board of Directors to increase the share capital is valid until 18 March 2009.

The shareholders have conditionally approved an increase of share capital in the amount of CHF 1 100 000 divided into 1 100 000 registered shares of a par value of CHF 1 each. This conditional share capital increase is intended to procure the necessary shares to satisfy employee share option plans and option or conversion rights to be incorporated in convertible bonds or similar equity-linked instruments that the Board is authorised to issue. The right to subscribe to such conditional capital is reserved to beneficiaries of employee share option plans and holders of convertible bonds or similar debt instruments and therefore excludes shareholders' preferential rights of subscription. The Board is authorised to determine the timing and conditions of such issues, provided that they reflect prevailing market conditions. The term of exercise of the options or conversion rights may not exceed 10 years from the date of issuance of the equity-linked instruments.

2.3. CHANGES IN CAPITAL

The shareholders increased the conditional capital from CHF 1 000 000 to CHF 1 100 000 on 19 March 2007.

By resolution of the shareholders of 20 March 2006, the par value of the shares was reduced from CHF 20 to CHF 1 resulting in the corresponding reduction of the share capital. The difference of CHF 19 per share has been returned to the shareholders.

The share capital was increased on 23 March 2005 by the issuance of 270 registered shares of a par value of CHF 20 out of the authorised share capital. These shares were exchanged for the then outstanding profit sharing certificates.

2.4. SHARES AND PARTICIPATION CERTIFICATES

As at 31 December 2007, the Company had 7 822 436 fully paid-in shares in issue, each with a par value of CHF 1. All shares, other than treasury shares held directly or indirectly by SGS SA, participate equally in the dividends declared by the Company and have equal voting rights.

The Company has not issued any participation certificates (bons de participation/Partizipationsscheine).

2.5. PROFIT SHARING CERTIFICATES

The Company has not issued any profit sharing certificates.

2.6. LIMITATIONS ON TRANSFERABILITY AND ADMISSIBILITY OF NOMINEE REGISTRATIONS

SGS SA does not limit in any way the transferability of its shares.

Registration of shares held by nominees is not allowed according to the Company's Articles of Association, except by special resolution of the Board of Directors.

By decision of the Board, made public by a note issued by SAG (then SEGA) on 4 October 2001, the Company's shares can be registered in the name of a nominee acting in a fiduciary capacity for an undisclosed principal. Such shares do not carry voting rights except with the approval of the Board of Directors. On 23 March 2005, the Board of Directors decided to approve the registration of such shares with voting rights up to 5% of the share capital of the Company in the aggregate. This decision was communicated to SAG.

The Company has a single class of shares and no privilege, statutory or otherwise, has been granted to any shareholder.

2.7. CONVERTIBLE BONDS AND WARRANTS/OPTIONS

No convertible bonds have been issued by the Company or by any entity under its direct or indirect control. Options granted to senior managers and Directors of the Group are detailed under section 5. Disclosure of all options outstanding is provided in note 31 of the consolidated financial statements of the Group. No other options or similar instruments have been issued by the Company or any of the Group entities.

3. BOARD OF DIRECTORS

The Board of Directors convenes regularly scheduled meetings and meets as often as otherwise required, in person or by phone conference. It may pass resolutions by written consent.

In 2007, the Board met on seven occasions.

3.1. MEMBERS OF THE BOARD OF DIRECTORS

The composition of the Board of Directors did not change in 2007 except for the resignation of Hans-Peter Keitel on 30 June 2007. After that resignation, the Board comprised six non-executive Directors (including the Chairman).

The Company is exempt from the legal requirement of a majority of Directors residing in Switzerland. The following persons acted as Members of the Board of Directors during 2007:

CHAIRMAN (since 20 March 2006)

SERGIO MARCHIONNE (1952)

Canadian/Italian

Walchwil (CH)

Chief Executive Officer of the Fiat Group

Member of the Board of SGS since May 2001, Vice Chairman from June 2004 to March 2006, Chief Executive Officer between February 2002 and June 2004

TIBERTO RUY BRANDOLINI D'ADDA (1948)

Italian

Paris (FR)

Chairman of Sequana Capital SA

Member of the Board of SGS since March 2005

AUGUST VON FINCK (1930)

German

Munich (DE)

Industrialist

Member of the Board of SGS since October 1998

AUGUST FRANÇOIS VON FINCK (1968)

Swiss

Freienbach (CH)

Industrialist

Member of the Board of SGS since May 2002

PASCAL LEBARD (1962)

French

Paris (FR)

Chief Executive Officer of Sequana Capital SA

Member of the Board of SGS since March 2005

SHELBY DU PASQUIER (1960)

Swiss

Geneva (CH)

Partner of the law firm Lenz & Staehelin

Member of the Board of SGS since March 2006

The SGS Group General Counsel, Jean-Pierre Méan, acts as the Company Secretary; he is not a Member of the Board of Directors.

Additional biographical information on the Members of the Board of Directors may be viewed on the Group website, http://www.sgs.com/about_sgs/management/boardofdirectors.htm, which is regularly updated.

The Directors bring a wide range of experience and skills to the Board. They participate fully in decisions on key issues facing the Group. The Board undertakes a periodic review of the Directors' interests in which all potential or perceived conflicts of interests and issues relevant to their independence are considered. Based on this review, the Board has concluded that all the non-executive Directors (including the Chairman) are independent from management and free of any relationship that could materially interfere with the exercise of their independent judgment. With the exception of Sergio Marchionne, who was Chief Executive Officer of the Group between February 2002 and June 2004, none of the Directors or their close relatives has or had any management responsibility within the SGS Group. None of the Members of the Board of Directors or their close relatives has or had any material business connections with the Company or its affiliated companies.

The remuneration of the Members of the Board of Directors is detailed under section 5.2.4.

3.2. OTHER ACTIVITIES AND FUNCTIONS

The following list discloses all material activities in governing and supervisory boards, management positions and consultancy functions, official tenures and political engagements of each Board Member, both in Switzerland and abroad, as of 31 December 2007 (an * denotes a listed company).

SERGIO MARCHIONNE

Major Board assignments

*Fiat S.p.A., Turin (IT)
Member of the Board since 2003
Chief Executive Officer since 2004

*UBS SA, Zurich (CH)
Member of the Board since 2007

*CNH Global N.V., Amsterdam (NL)
Chairman of the Board since 2006

Confindustria, Rome (IT)
Member of the General Council since 2006

European Automobile Manufacturers' Association (ACEA), Brussels (BE)
Member of the Board since 2006

TIBERTO RUY BRANDOLINI D'ADDA

Major Board assignments

IFIL Investissements SA, Luxembourg (LU)
Chairman of the Board since 2007

*Sequana Capital, Paris (FR)
Chairman of the Board since 2005

*IFIL S.p.A., Turin (IT)
Vice Chairman and Member of the Executive Committee since 1981

*Espirito Santo Financial Group SA, Luxembourg (LU)
Member of the Board since 1992

Giovanni Agnelli e C., Turin (IT)
Member of the Board since 2004

*Fiat S.p.A., Turin (IT)
Member of the Board since 2004

*Vittoria Assicurazioni S.p.A., Milan (IT)
Member of the Board since 2004

*IFI S.p.A., Turin (IT)
Member of the Board since 2006

Antalis International SAS, Paris (FR)
Member of the Supervisory Board since 2005

Antonin Rodet SAS, Mercurey (FR)
Member of the Supervisory Board since 2005

ArjoWiggins SAS, Issy les Moulineaux (FR)
Member of the Supervisory Board since 2005

Exor Group, Luxembourg (LU)
Vice Chairman and Managing Director from 2003 to 2007

Exint, Paris (FR)
Chief Executive Officer from 2005 to 2007

AUGUST VON FINCK

Major Board assignment

Generali Holding Vienna AG, Vienna (AT)
Member of the Board since 1974

AUGUST FRANÇOIS VON FINCK

Major Board assignments

*Custodia Holding, Munich (DE)
Member of the Board since 1999

Carlton Holding, Allschwil (CH)
Member of the Board since 2001

*Staatl. Mineralbrunnen AG, Bad Brückenau (DE)
Member of the Board since May 2001

PASCAL LEBARD

Major Board assignments

*Club Méditerranée, Paris (FR)
Member of the Supervisory Board since 1995

*LISI SA, Paris (FR)
Member of the Board since 2002

Antalis International SAS, Paris (FR)
Chairman of the Supervisory Board since 2007
Member of the Supervisory Board since 2004

ArjoWiggins SAS, Issy les Moulineaux (FR)
Chairman of the Supervisory Board since 2007
Member of the Supervisory Board since 2004

*Sequana Capital SA, Paris (FR)
Chief Executive Officer since 2007
Member of the Board since 2004

SHELBY DU PASQUIER

Major Board assignment

*Aygaz AS, Istanbul (TR)
Member of the Board since March 1998

3.3. CROSS INVOLVEMENT

See section 3.2.

3.4. ELECTIONS AND TERMS OF OFFICE

The Articles of Association of SGS SA provide that the Members of the Board of Directors are elected by the shareholders for a maximum tenure of four years. There is no limit to the number of terms a Director may serve. The tenure of all the current Board Members will expire at the 2010 Annual General Meeting, at which time all Board positions will be subject to election by the shareholders. There is no provision for partial, rotating or staggered renewal of the Board of Directors. By-elections may be held before the end of the term of office in the event of vacancies.

The initial date of appointment of each Board Member is indicated in section 3.1.

3.5. INTERNAL ORGANISATIONAL STRUCTURE

The duties of the Board of Directors and its Committees are defined in the Company's internal regulations which are reviewed periodically. They set out all matters reserved for decision by the Board of Directors. In addition to the decisions reserved by Swiss company law, the Board of Directors approves the Group's strategies and key business policies, investments, acquisitions, disposals and commitments in excess of delegated limits.

The Members of the Board of Directors are briefed in advance of Board meetings on matters to be addressed at the meeting and each Board member receives monthly reports on the Group's operational results and financial position. They are regularly updated on key aspects of the Group's business and other material issues. The Board of Directors meets with all members of the Operations Council at least twice a year. The Chief Executive Officer, Chief Financial Officer and General Counsel & Chief Compliance Officer (senior management) attend all the Board of Directors meetings, while other Operations Council members attend from time to time to discuss matters under their direct responsibility. The Board of Directors held seven meetings in 2007. It also passed two resolutions in writing.

3.5.1. Task allocation

The Board of Directors elects at the beginning of each term, at its first meeting after the annual general shareholders' meeting, its Chairman, currently Sergio Marchionne (see section 3.1.) and the members of its committees.

3.5.2. Committees

The Board has established the following committees:

- Nomination and Remuneration
- Audit
- Professional Conduct

Each committee acts within terms of reference set by the Board in the internal regulations and the minutes of their meetings are available to all Directors.

Nomination and Remuneration Committee

The membership and duties of the Nomination and Remuneration Committee are described in section 5.1. of this report.

Audit Committee

The Audit Committee is comprised of non-executive Directors. During 2007, the membership of the Committee was as follows:

- Sergio Marchionne (Chairman)
- August François von Finck
- Pascal Lebard

The Audit Committee held three meetings during the year. The Committee assists the Board of Directors in discharging its duties regarding financial reporting, including considering the appropriateness of accounting policies, the adequacy of internal controls and regulatory compliance and the effectiveness of the internal and external auditors. The Committee receives reports from and meets regularly with the Group's internal and external auditors. The Committee reports regularly to the Board.

Professional Conduct Committee

The Professional Conduct Committee consists of the Chairman, the Chief Executive Officer, the Chief Compliance Officer and one non-executive Director. The head of Internal Audit also attends the meetings of the Committee.

All members of the Committee are appointed by the Board of Directors. During 2007, the following individuals served on the Committee:

- Sergio Marchionne (Chairman)
- Shelby du Pasquier
- Christopher Kirk
- Jean-Pierre Méan

The Committee met twice in 2007 and passed several resolutions in writing.

The Committee assists the Board of Directors and Management in delineating policies relating to professional conduct and oversees their implementation. The Group's professional conduct policies are embodied in a Code of Integrity and Professional Conduct which sets out the principles governing the business conduct required by the whole SGS Group. These principles reflect the Business Principles for Countering Bribery issued by Transparency International and Social Accountability International and incorporate the rules adopted by the International Federation of Inspection Agencies (IFIA), the professional association for the inspection industry.

3.5.3. Work methods

See section 3.5.2.

3.6. DEFINITION OF AREAS OF RESPONSIBILITY

In accordance with the Company's internal regulations available at www.sgs.com/boardregulations, operational management of the Group is the responsibility of the Operations Council, a function which the Board of Directors has delegated. The Operations

Council has the authority and responsibility to decide on all issues which are not reserved to the Board of Directors. In the event of uncertainty on a particular issue regarding the delineation of responsibility between the Board of Directors and the Management, the question is finally decided by the Chairman of the Board.

The Chairman is regularly informed of the activities of the Operations Council by the Chief Executive Officer, Chief Financial Officer and General Counsel & Chief Compliance Officer (senior management).

The Operations Council consists of those individuals entrusted with the operational management of the Group's activities and is chaired by the Chief Executive Officer:

- the Chief Operating Officers (COOs) are responsible for operations in the Group's 10 regions (see section 1.1.)
- the Executive Vice Presidents (EVPs) are entrusted with the management and development of the Group's 10 business segments (see section 1.1.)
- the Senior Vice Presidents (SVPs) represent the principal Group support functions (Finance & IT, Communications & Investor Relations, Corporate Development & Taxation, Legal & Compliance and Continuous Improvement)

The composition, role and organisation of the Operations Council are detailed in section 4.

3.7. INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS THE MANAGEMENT

The Board of Directors has ultimate responsibility for the systems of internal controls established and maintained by the Group and for periodically reviewing their effectiveness. These systems are intended to provide reasonable assurance against financial misstatement and/or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information and the compliance with relevant legislation, regulation and industry practice.

The Group has an established governance framework which is designed to oversee its operations and assist the Company to achieve its objectives. The main principles of the control instruments include a definition of the role of the Board and its Committees, an organisational structure with documented delegated authority from the Board to management and procedures for the approval of major investments, acquisitions and other capital allocations.

As a rule, the Chief Executive Officer participates in the meetings of the Board of Directors and of the Committees; the Chief Financial Officer participates in the meetings of the Board of Directors and of the Audit Committee; the Group Controller and the Head of the Internal Audit Function participate in the meetings of the Audit Committee; the Head of Human Resources participates in the meetings of the Nomination and Remuneration Committee and the General Counsel & Chief Compliance Officer attends all meetings of the Board of Directors and its Committees. The other members of the Operations Council and other members of management only participate in the Board and Committee meetings upon invitation of these bodies.

The Board of Directors receives monthly reports on the financial results and in addition, reports on business and operations at each meeting. The Group has a dedicated Internal Audit function, reporting to the Chairman of the Board and the Audit Committee, which assesses the effectiveness and appropriateness of the Group's risk management, internal controls and governance processes as well as the reliability of internal financial and operational information and ensures that the standards and policies of the Group are respected. Internal Audit reviews and identifies areas of potential risk associated with the key business activities performed by a particular office, highlights opportunities for improvement and proposes constructive control solutions to reduce these exposures.

All key observations are communicated to the Operations Council and the Chairman of the Board via formal and informal reports. The Audit Committee is regularly informed about the audits performed and important findings as well as about the progress on implementing the agreed actions by management.

The Group further has a compliance function, headed by a senior member of management who is a member of the Professional Conduct Committee and has direct access to the Chairman of the Board. The compliance function supports the implementation of a compliance programme based on the SGS Code of Integrity and Professional Conduct available in 29 languages. The goal of the programme is to ensure that the highest standards of integrity are applied to all the Group's activities worldwide in accordance with international best practices.

In addition, the main businesses have specialised technical governance units which ensure compliance with internally set quality standards and industry best practices. Formal procedures are in place for both internal and external auditors to report their findings and recommendations independently to the Board's Audit Committee.

4. OPERATIONS COUNCIL

The Operations Council (as defined in section 3.5.) convenes as often as required by the business, in principle at least six times a year. In between meetings, it holds regular phone conferences and may make decisions on such calls or by electronic voting.

4.1. MEMBERS OF THE OPERATIONS COUNCIL

The following persons were members of the Operations Council as at 31 December 2007:

CHRISTOPHER KIRK (1956)*

British

Chief Executive Officer

Bachelor of Science

Joined SGS in 1981

Previous responsibilities:

2003 – 2006: EVP, Minerals and Environmental Services

2002 – 2003: COO, South East Asia & Pacific, Managing Director, Australia and Global Business Manager Minerals Services

2000 – 2002: Managing Director and Sub-regional Manager, Singapore and Regional Sector Head, Minerals Services

1998 – 1999: Managing Director, Thailand

1994 – 1998: Managing Director, Ghana

JEAN-PIERRE MÉAN (1944)*

Swiss/Canadian

General Counsel & Chief Compliance Officer

Doctorate in Law, Admitted to the bar in Canada and Switzerland

Initially joined SGS in 1996, rejoined in 2003

Other work experience:

2002 – 2003: Chief Compliance Officer, European Bank for Reconstruction and Development

RICHARD TOBIN (1963)*

American

Chief Financial Officer & IT

Master in Business Administration

Joined SGS in 2002

Previous responsibilities:

2002 – 2004: COO, North America

Other work experience:

1996 – 2002: General Manager and Vice President, Alusuisse-Lonza SA

TEYMUR ABASOV (1972)

Azeri

COO, Eastern Europe & Middle East (since March 2007)

Degree in Electrical Engineering

Joined SGS in 1994

Previous responsibilities:

2006 – 2007: Managing Director, Kazakhstan & Caspian Sub Region

2004 – 2006: Managing Director, Azerbaijan and Georgia

2003 – 2004: Managing Director, Georgia

2001 – 2003: Operations Manager and Manager, Oil Gas & Chemicals Services, Azerbaijan

FERNANDO BASABE (1959)

Spanish

COO, Western Europe

BA in Law and Master in Business Administration

Joined SGS in 1996

Previous responsibilities:

1999 – 2002: National Chief Executive, Spain

1996 – 1998: Business Development Manager, Spain

MICHAEL BELTON (1960)

British

EVP, Minerals Services (since January 2007)

BSC Chemistry

Joined SGS in 2002

Previous responsibilities:

2005 – 2007: Managing Director, Minerals Services, North America

2002 – 2005: VP, Global Non-Ferrous Minerals Services

Other work experience :

1995 – 2002: EVP, Alfred H. Knight North America Ltd.

JEAN-LUC DE BUMAN (1953)

Swiss

SVP, Corporate Communications & Investor Relations

Legal studies

Joined SGS in 1998

Other work experience:

1978 – 1998: Country Head Switzerland, Sales Fixed Income, UBS

HELMUT CHIK (1960)

Chinese

COO, China & Hong Kong

Master in Business Administration

Joined SGS in 1991

Previous responsibilities:

2003: Managing Director, Hong Kong

2002: Global Business Manager, Softline, Consumer Testing Services

2000 – 2001: Director Greater China, SBU Softline, Consumer Testing Services

1999: Director, Hong Kong, Consumer Testing Services

** Denotes members of the Operations Council directly supervised by the Board of Directors (senior management)*

DUILIO GIACOMELLI (1950)

Italian

COO, South East Europe

Diploma in Industrial Chemistry

Joined SGS in 1970

Previous responsibilities:

2003 – 2005: Managing Director, Italy

1999 – 2002: Business Manager, Agricultural, Minerals and Oil Gas & Chemicals Services, South East Europe

1995 – 1998: Business Manager, Agricultural Services, Italy

ALEJANDRO GOMEZ DE LA TORRE (1959)

Peruvian

COO, South America

Degree in Business Administration, Post Graduate Specialisation in International Commerce

Joined SGS in 1986

Previous responsibilities:

1996 – 2001: National Chief Executive, Peru and Manager Central Sub Region, Latin America (1998 – 2001)

FRIEDRICH HECKER (1962)

German

EVP, Industrial Services

BA in Economics

Joined SGS in 2002

Previous responsibilities:

2002 – 2003: COO, Central Europe

Prior work experience:

2001 – 2002: Managing Director, Industrial Business, TÜV SÜD

1996 – 2001: Senior Project Manager, Roland Berger Strategy Consultants

DIRK HELLEMANS (1958)

Belgian

COO, Central & North West Europe

Degree in Chemical Engineering and Master in Business Administration

Joined SGS in 1988

Previous responsibilities:

2002 – 2004: COO, North West Europe

1997 – 2004: Managing Director, SGS Belgium

FRÉDÉRIC HERREN (1955)

Swiss

EVP, Automotive Services and Governments & Institutions Services (formerly Trade Assurance Services)

Master in Economics

Initially joined SGS in 1986, rejoined in 1999

Previous responsibilities:

1999 – 2006: Head of Global Marketing, Trade Assurance Services (now Governments & Institutions Services)

Other work experience :

1995 – 1998: CEO, Unilabs International

BEAT IN-ALBON (1952)

Swiss

EVP, Life Science Services (since August 2007)

Doctorate in Economic Science & MBA

Joined SGS in 2007

Other work experience:

1997 – 2006: Head, Organic Fine Chemicals. 2000 – 2006 also Head, Organic Fine & Performance Chemicals, Lonza

FRANCIS LACROZE (1953)

French

SVP, Continuous Improvement

Doctorate in Economics

Joined SGS in 1987

Previous responsibilities:

2004 – 2007: EVP, Agricultural Services

2002 – 2004: EVP, Systems & Services Certification

1997 – 2002: General Manager, Consumer Testing Services and Systems & Services Certification, France
1998 – 2000 also Regional Sector Manager, Consumer Testing Services, Europe, Africa & Middle East

CLAUDE LANOUHE (1950)

French

COO, South East Asia & Pacific

Doctorate in Economics

Joined SGS in 1987

Previous responsibilities:

2004 – 2007: Managing Director, India
2000 – 2004: Managing Director, Vietnam
1996 – 2000: Managing Director, Senegal

HUGH MARKEY (1950)

Canadian

SVP, Corporate Development & Taxation

BA in Business Administration

Joined SGS in 2002

Other work experience:

1997 – 2001: Partner, International Taxation, Ernst & Young

ROBERT MARKUS (1956)

Dutch

COO, Africa

BS in Mechanical Engineering

Joined SGS in 1982

Previous responsibilities:

2001 – 2005: Managing Director, Western Africa

1997 – 2001: Managing Director, Mexico, and Sub-Regional Manager, Latin America

JEFFREY MCDONALD (1964)

COO, Australian

North America

Post Graduate Certificate Education

Joined SGS in 1995

Previous responsibilities:

2003 – 2004: EVP, Systems & Services Certification

2003: Global Project Manager, Systems & Services Certification

1995 – 2003: Systems & Services Certification, South East Asia & Pacific, Regional Manager (Bangkok)

JEFFREY NEWELL (1950)

British

EVP, Agricultural Services (since March 2007)

BA in Chemistry & Biology

Joined SGS in 1969

Previous responsibilities:

2004 – 2007: SVP, Global Sales, Oil, Gas & Chemicals Services

1998 – 2003: Global Business Manager, Oil, Gas & Chemicals Services

FRANKIE NG (1966)

Swiss/Chinese

EVP, Consumer Testing Services

BA in Economics and Electrical Engineering

Joined SGS in 1994

Previous responsibilities:

2002 – 2004: Managing Director, US Testing

2000 – 2002: Director, Consumer Testing Services, China and Global Hardlines

1997 – 2000: Operations Manager, Consumer Testing Services, China

MALCOLM REID (1963)

British

EVP, Systems & Services Certification (since March 2007)

BSC Chemistry

Joined SGS in 1987

Previous responsibilities:

2005 – 2007: Managing Director, Australia
2000 – 2005: Managing Director, Thailand
1997 – 2000: Managing Director, Philippines

ALIM SAIDOV (1964)

Azeri

EVP, Oil, Gas & Chemicals Services and Environmental Services

PhD in Science

Joined SGS in 1993

Previous responsibilities:

2004 – 2007: COO, Eastern Europe & Middle East

2004: Managing Director, Canada & NAFTA Business Development Manager

2002 – 2004: Managing Director, Azerbaijan & Responsible Caspian Region

2001 – 2002: Managing Director, Kazakhstan

DENNIS YANG (1949)

Taiwanese

COO, East Asia

Master of Business Administration

Joined SGS in 1975

Previous responsibilities:

2000 – 2002: Managing Director, Taiwan

1992 – 2000: Deputy Manager, Taiwan

Additional information, including biographical details can be found on the Company’s website:

http://www.sgs.com/about_sgs/management

4.2. OTHER ACTIVITIES AND FUNCTIONS

The following list discloses all material activities in governing and supervisory boards, management positions and consultancy functions, official tenures and political engagements held by each member of the Operations Council outside the Group, both in Switzerland and abroad.

JEAN-LUC DE BUMAN

SWX Swiss Exchange, Zurich (CH), Member of the Board since 1999

CCIG Chambre de Commerce et de l'Industrie de Genève, Geneva (CH), Member of the Board since 1999

Association pour le Développement des Compétences Bancaires, Geneva (CH), Member of the Board since 1999

Anglo Irish Bank (Suisse) SA, Geneva (CH), Member of the Board since 2006

FRIEDRICH HECKER

SBASS, Swiss Business Association Saudi Arabia, Zurich (CH), Member of the Board since 2007

FRÉDÉRIC HERREN

The Latin-American Chamber of Commerce, Zurich (CH), Member of the Board since 2004

CITA, International Motor Vehicle Inspection Committee, Brussels (BE), Member of the Bureau Permanent since 2005

FISITA , International Federation of Automotive Engineering Societies, London (GB), Member of the Honorary Committee since 2006

JEAN-PIERRE MÉAN

ICC International Chamber of Commerce Switzerland, Zurich (CH), Member of the Board since 2005

Transparency International, Berne (CH), Member of the Board since 2005

4.3 MANAGEMENT CONTRACTS

The Company is not party to any management contract delegating management tasks to companies or individuals outside the Group.

5. COMPENSATION, SHAREHOLDINGS AND LOANS

5.1. COMPANY'S REMUNERATION POLICIES

The Company's compensation policies for Directors and members of the Operations Council are defined and approved by the Nomination and Remuneration Committee which consists of independent non-executive Directors. The compensation of the Directors, including the Chairman of the Board and the Chief Executive Officer, is approved by the full Board of Directors on recommendation of the Committee. Neither the Chairman of the Board nor the Chief Executive Officer is allowed to participate in discussions and decisions on their own compensation.

The following Directors served on the Nomination and Remuneration Committee in 2007:

- Sergio Marchionne (Chairman)
- August von Finck
- Tiberto Ruy Brandolini d'Adda

The Chief Executive Officer attends meetings of the Committee except when his own remuneration is being discussed. The Committee met on two occasions during the year.

When reviewing executive remuneration policies, the Committee receives advice from the Group Human Resources staff and relies on publicly available information on Director and executive management remuneration paid by other Swiss companies and to a lesser extent on European comparables.

The overriding objective of the Company's remuneration policy is to motivate its leadership team to create shareholder value. Annual bonuses and long-term incentive programmes are all conditional upon the achievement of key financial performance targets.

In addition to a base salary, members of the Operations Council (including the Chief Executive Officer) are entitled to a performance related annual bonus which, if target objectives are met, yields an incentive payment of between 30% and 70% of base salary. If targets are exceeded, annual bonuses are increased on a multiplier basis with a maximum payout equal to a range of 75% to 175% of base salary.

In the event of underperformance against target, the bonus is rateably reduced on a multiplier basis, so that no bonus is paid in the event a pre-established minimum target is not achieved. The current Company policy on performance related bonuses was introduced in 2002 and was applied first in order to determine the bonuses paid in 2003 on the basis of the 2002 performance. Annual bonus amounts (as a percentage of base salary) and financial/operational targets are approved in advance by the Committee.

Bonuses of Operations Council members are assessed on the basis of the actual performance of the Group as a whole, of the relevant business segments and of operations against specific financial targets.

Once the quantum of a bonus is determined, it is settled 50% in cash and 50% in options. Although such options are granted immediately, they vest rateably over a period of three years and are only exercisable in the fourth and fifth year after grant.

The current Long-Term Incentive Plan, set up by the Company in 2006 (the 2006 LTI Plan), was designed to motivate the leadership team to achieve the long-term stated objectives of the Group. Under this plan, options granted to some executives of the Group are scheduled to vest in January 2009 under the conditions that (i) the Group reach or exceed in 2008 the target of CHF 80 earnings per share (before exceptional items) and (ii) the beneficiary is still employed by or rendering services for the Group on the date of vesting. The 2006 LTI Plan involves the granting of options to acquire shares of the Company at a strike price of CHF 1 033. Such options are in the form of traded warrants, with 100 warrants required to purchase one share. The plan was modified in 2008 with an option to extend (if EPS 80 is not achieved in 2008) the target to end 2009 (vesting date January 2010) with a corresponding tiered benefit structure as follows: 60% of the baseline 2006 granted options will vest if the Group reaches a target of CHF 80; for each CHF 1 increase over CHF 80 earnings per share an additional 10% baseline benefit will vest with 100% vesting upon reaching CHF 84 earnings per share.

Under the 2006 LTI Plan, Operations Council members nominated in 2007 have been awarded 270 000 additional warrants, granting them the right to acquire shares of the Company at a strike price of CHF 1 033. The purchase of one share requires 100 warrants. Such warrants will vest in January 2009 or January 2010 provided that the conditions set in the plan have been met.

Full details on the structure and working of these options incentive plans are provided in note 31 to the consolidated financial statements.

5.2. COMPENSATION FOR ACTING MEMBERS OF GOVERNING BODIES

5.2.1. Non-executive Directors

In 2007, each Board member was entitled to a fixed board membership fee of CHF 150 000 per annum, unchanged from last year. Members of the Board serving on a Committee were entitled to an additional fee of CHF 30 000 per committee, unchanged from last year.

Non-executive Directors do not hold service contracts, and are not entitled to any termination payments. They do not participate in the Company's share option plans (except for the Chairman) or other benefit schemes and the Company does not make any pension contribution for their benefit. The Chairman of the Board's remuneration is detailed under section 5.2.2.

5.2.2. Chairman of the Board's remuneration

As non-executive Chairman of the Board of Directors, Sergio Marchionne is entitled to a fixed board membership fee of CHF 300 000 per annum.

By decision of the Board of Directors, the Chairman of the Board is entitled to receive an amount of share options corresponding to 25% of the options granted to the Chief Executive Officer as part of his annual performance bonus payable in options, under the same conditions of award, vesting and exercise as the Chief Executive Officer. In 2007, 81 354 such options were awarded to the Chairman of the Board.

5.2.3. Chief Executive Officer's remuneration

Sections 5.2.3.1. to 5.2.3.5. detail the principles of the Chief Executive Officer's remuneration. The description of the remuneration paid to Board Members in 2007 in Section 5.2.4. applies only to Board Members. The remuneration earned by the Chief Executive Officer is included under section 5.2.5. (Compensation paid to the Operations Council members).

5.2.3.1. General principles

The Chief Executive Officer's remuneration consists of a base salary, other employment benefits, an annual performance bonus and a long-term incentive plan. All elements of the remuneration are detailed in this section.

The proportions of the fixed and variable cash components of the Chief Executive Officer's remuneration as a percentage of total cash compensation in any given year, are represented in the chart below.

	Below minimum target performance	*On target performance*	*Maximum performance*
Base cash remuneration	100%	68%	46%
Variable cash remuneration	0%	32%	54%

5.2.3.2. Base salary and other employment benefits

The base salary, including benefits, is determined by the Nomination and Remuneration Committee by comparison with salary levels for similar positions.

Other employment benefits include housing (for a limited time), car allowance, health insurance coverage, and (if applicable) tuition fees allowance for children.

The Chief Executive Officer also participates, on the same basis as other Swiss employees of the Group, in the Company's pension plans, i.e. one defined benefit scheme under the Swiss LPP regulations up to an insured amount of CHF 100 000 and one defined contribution scheme for a pensionable remuneration in excess of CHF 100 000 up to a maximum of CHF 795 600 per year. Employees contribute 8% of their base salary and the Company contributes an amount equal to one and a half times the contributions paid by all employees to the scheme.

5.2.3.3. Annual performance bonus

The Chief Executive Officer's annual performance bonus is conditional upon the achievement by the Group of an improvement in financial results. The achievement of target objectives yields a bonus corresponding to 70% of the base salary.

If targets are exceeded, the annual bonus is increased on a multiplier basis with a maximum cash payout equal to 117% of base salary. In the event of an improvement which is below target, the bonus is rateably reduced on a multiplier basis. No bonus is paid if no improvement has been achieved in the financial results of the Group.

The total annual bonus is settled 50% in cash and 50% in options, with the latter being governed by the rules regarding vesting and blocking periods applicable to the other members of the Operations Council as outlined in section 5.1. above.

5.2.3.4. Long-term incentive programmes

No other long-term incentive plan was set up during the period under review for the Chief Executive Officer.

5.2.3.5. Employment contracts

The employment contract of the Chief Executive Officer of the Company has no fixed term for a period longer than three months and can be terminated by either party with a three-month notice period.

Christopher Kirk's employment contract provides for a severance payment equivalent to two years total remuneration payable in the event that the employment contract is terminated or constructively terminated (including in the event of a change of control) by the Company other than for cause. No severance payment is due if the employment relationship is terminated in any other circumstance.

5.2.4. Directors' remuneration in 2007

This section sets out the remuneration which was paid to the Directors during the year. It has been subject to audit.

5.2.4.1. Remuneration

The following chart details each Director's fees and other benefits paid during 2007.

Name	*Date of appointment*	*Board Fee*	*Committee Fees*	*Other benefits*	*Total cash remuneration 2007*	*Share options*	*Total remuneration 2007 (including options)*
S. Marchionne	Mar-06	300	90	25	415	247	662
A. von Finck	Oct-98	150	30		180		180
A.F. von Finck	May-02	150	30		180		180
T.R. Brandolini d'Adda	May-05	150	30		180		180 [1]
P. Lebard	May-05	150	30		180		180 [1]
S. du Pasquier	Mar-06	150	30		180		180
H.P. Keitel	Mar-06-Jun-07	75	0		75		75
					1 390	**247**	**1 637**

1. Board and committee fees for T.R. Brandolini d'Adda and P. Lebard have been paid to IFIL Investissements SA, Luxembourg.

5.2.4.2. Share options

The following information summarises options[1] that were granted to the Company's Directors in 2007:

Name	At 1 January 2007	Granted 2007	Exercised 2007	Cancelled or lapsed 2007	At 31 December 07	Vested 2007 [2]	Exercise price CHF	Market value 2007 at grant (CHF 000)
S. Marchionne	150 000				150 000	0	1 033 [1]	
		81 354			81 354	27 118	1 308	247

1. One hundred options give the right to acquire one share.

2. Including options having vested in prior years. None of these options were exercisable as of 31 December 2007.

5.2.5. Compensation paid to the Operations Council and senior management

This section sets out the global remuneration which was paid to the Operations Council and the three Operations Council members constituting senior management (as defined in section 3.5) during 2007.

5.2.5.1. Cash compensation

A total of CHF 2 738 000 (2006: CHF 2 198 000) was earned by senior management as remuneration for services during 2007, excluding severance payments (see section 5.2.5.4.). The amount includes bonuses payable in 2008 in relation to the 2007 financial results.

The total cash compensation paid to the Operations Council (including senior management) amounted to CHF 12 146 000 (2006: CHF 14 093 000).

5.2.5.2. Share options

A total of 200 119 options (2006: 218 683) granting the right to acquire shares of SGS at a strike price of CHF 1 308 (100 options give the right to acquire one share) were granted to senior management in 2007. Such options vest one third in 2007, 2008 and 2010 and are subject to a blocking period ending in January 2010. At grant these options had an aggregate value (calculated on the basis of the fair value at grant date) of CHF 606 361 (2006: CHF 524 839).

The following table shows the details of the options[1] granted to senior management under each plan:

	Number of options at 31.12.07	Exercise price CHF	Vesting date 1/3	Vesting date 1/3	Vesting date 1/3	Exercisable	Market value at grant date CHF
SGSUP	107 996	734	01.2004	07.2005	01.2007	01.2007 - 01.2009	158 538
SGSMU	292 629	759	01.2005	07.2006	01.2008	01.2008 - 01.2010	430 165
SGSGF	218 683	1 033	01.2006	07.2007	01.2009	01.2009 - 01.2011	524 839
SGSGF-LTI	780 000	1 033				01.2009 - 01.2011[2]	1 872 000
SGSFS	200 119	1 308	01.2007	07.2008	01.2010	01.2010 - 01.2012	606 361

1 One hundred options give the right to acquire one share.

2 If target of EPS (CHF 80) is reached in 2008 or 2009.

A total of 865 806 options (2006:1 478 773) granting the right to acquire shares of SGS at a strike price of CHF 1 308 (100 options give the right to acquire one share) were granted to the Operations Council (including senior management) in 2007. Such options vest one third in 2007, 2008 and 2010 and are subject to a blocking period ending in January 2010. At grant these options had an aggregate value (calculated on the basis of the fair value at grant date) of CHF 2 623 392 (2006: CHF 3 549 054).

The following table shows the details of the options[1] granted to the Operations Council under each plan:

	Number of options at 31.12.07	*Exercise price CHF*	*Vesting date 1/3*	*Vesting date 1/3*	*Vesting date 1/3*	*Exercisable*	*Market value at grant date CHF*
SGSUP	386 522	734	01.2004	07.2005	01.2007	01.2007 - 01.2009	567 414
SGSMU	1 230 557	759	01.2005	07.2006	01.2008	01.2008 - 01.2010	1 808 919
SGSGF	895 744	1 033	01.2006	07.2007	01.2009	01.2009 - 01.2011	2 149 786
SGSGF-LTI	3 710 000	1 033				01.2009 - 01.2011[2]	8 904 000
SGSFS	760 513	1 308	01.2007	07.2008	01.2010	01.2010 - 01.2012	2 304 354

1 One hundred options give the right to acquire one share.

2 If target of EPS (CHF 80) is reached in 2008 or 2009.

5.2.5.3. Total compensation paid to the Operations Council and senior management

Senior management (including the Chief Executive Officer) received a total compensation (cash and options) of CHF 3 344 361 (2006: CHF 4 594 839). The amount for 2006 includes CHF 1 872 000 related to the 2006 LTI option plan.

The total compensation (cash and options) received by the Operations Council (including senior management) amounted to CHF 15 417 392 (2006: CHF 28 805 641). The amount for 2006 includes CHF 10 848 000 related to the 2006 LTI option plan.

5.2.5.4. Severance payments

In 2007, the Group accrued an aggregate amount of CHF 963 000 (2006: CHF 6 103 000) for present and future severance payments to Operations Council members. The amount for 2006 includes CHF 5 574 000 related to senior management.

5.2.5.5. Loans to members of governing bodies

As of 31 December 2007, the Company had outstanding advances, credits or loans to members of its governing bodies amounting to CHF 84 538.

5.2.5.6. Highest total compensation

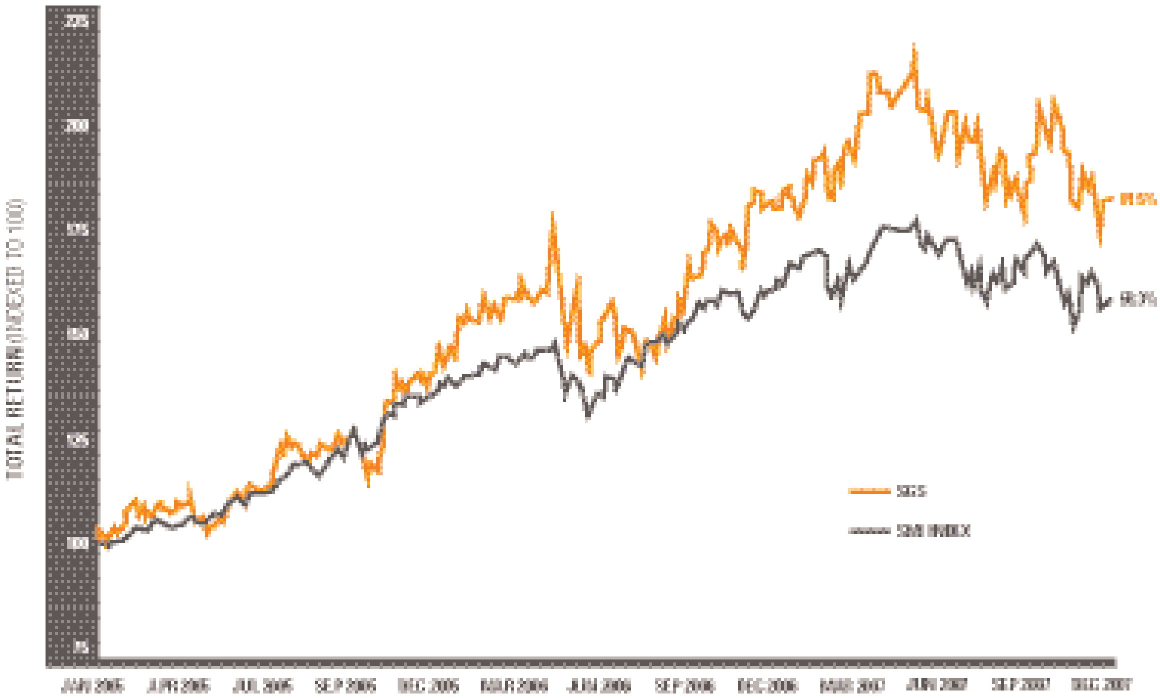
The highest compensation in the year under review amounts to CHF 1 717 774 and relates to the Chief Executive Officer. This amount includes 86 064 options representing a fair value at grant date of CHF 260 774.

5.2.6. Company's performance

The following graph compares the TSR (Total Shareholder Return) of the Company with the TSR of the Swiss Market Index (SMI) for the three year period 2005 to 2007. The company measures its performance against the SMI index because this index tracks the performance of large companies based in Switzerland, which are also active internationally.

Given the lack of direct industry comparables, the SMI is viewed as being the best relevant benchmark. It is a good indication of the market performance of other comparable Swiss companies during the period.

Comparison of relative returns between SGS and the SMI index, assuming that SGS dividends are re-invested to purchase additional equity at the closing price on the date of payment of dividends for the period 1 January 2005 to 31 December 2007.



6. SHAREHOLDERS' PARTICIPATION RIGHTS

All registered shareholders receive a copy of the half year and full year results upon the publication of such results by the Company. They can receive a copy of the Company's Annual Report and are personally invited to attend the General Meetings of Shareholders.

6.1. VOTING RIGHTS AND REPRESENTATION RESTRICTIONS

All registered shareholders can attend the shareholders' meetings and vote their shares. The shareholders may also elect to grant a power of attorney to the independent proxy holder appointed to this effect by the Company, to a bank or a regulated financial intermediary or to any other registered shareholder. There are no voting restrictions, subject to the exclusion of nominee shareholders representing undisclosed principals, as detailed in section 2.6.

6.2. STATUTORY QUORUMS

The General Meeting can validly deliberate regardless of the number of shares represented at the meeting.

Resolutions are adopted by the absolute majority of votes cast. If a second ballot is necessary, a relative majority is sufficient.

In addition to the specific provisions of Swiss company law, the following resolutions require a majority of 2/3 of votes cast ("Special Majority"):

- share capital increase
- election and removal of a member of the Board of Directors
- changes in the maximum number of the Members of the Board of Directors
- amendment of the Special Majority requirement

6.3. CONVOCATION OF GENERAL MEETINGS OF SHAREHOLDERS

The rules regarding the convocation of General Meetings of Shareholders are in accordance with Swiss company law.

6.4. AGENDA

The Agenda of General Meetings of Shareholders is issued by the Board of Directors. Shareholders representing shares of a minimum par value of CHF 50 000 may request the inclusion of an item on the agenda of General Meetings, provided that such a request reaches the Company at least 40 days prior to the General Meeting.

6.5. REGISTRATION IN THE SHARE REGISTER

The Company does not impose any deadline for registering shares prior to a General Meeting. However, a technical notice of two business days is required to process the registration.

7. CHANGE OF CONTROL AND DEFENCE MEASURES

There is no change of control restriction in the Company's Articles of Association.

7.1. DUTY TO MAKE AN OFFER

In the absence of any specific statutory rules in the Company's Articles of Association, any investor or group of investors acquiring more than 33.3% of the shares and voting rights in the Company has the duty to make a public offer in compliance with the applicable Swiss takeover rules.

7.2. CLAUSES ON CHANGES OF CONTROL

There are no general plans or standard agreements offering specific protection to Board Members, senior management or employees of the Group in the event of a change of control, subject to the ordinary rules regarding termination of employment.

The contracts of a limited number of senior managers include specific provisions which may trigger a severance payment of a maximum of two years remuneration and the immediate vesting of options granted to them in the event there is a change of control in the Company.

8. AUDITORS

8.1. DURATION OF THE MANDATE AND TERM OF OFFICE

Following a competitive process in 2000, Deloitte SA was appointed auditor of the Company and of the SGS Group by the Annual General Meeting of Shareholders upon recommendation of the Board of Directors. The auditors of the Company are subject to re-election at the Annual General Meeting every year. Deloitte SA has audited the Company's financial statements starting with the financial year 2000.

The current lead auditor, Peter Quigley, began serving in this role in 2005.

8.2. AUDITING FEES

The audit fees charged by Deloitte SA for the audit of the Company and the Group financial statements in 2007 amounted to CHF 5.6 million.

8.3. ADDITIONAL FEES

In addition, Deloitte SA charged SGS Group in 2007 an aggregate amount of CHF 1.4 million for other professional services, unrelated to the audit activity, including transaction services and consulting fees.

8.4. SUPERVISORY AND CONTROL INSTRUMENTS VIS-A-VIS THE AUDITORS

The Audit Committee is responsible for evaluating the external auditors on behalf of the Board of Directors. The Audit Committee conducts assessments of the audit services provided to the Group as part of the committee meetings held tri-annually. The external auditors attended two of the three Audit Committee meetings held in 2007.

SGS strives to safeguard and support the independence of the auditor by avoiding conflicts of interests. By application of this policy, the Company carefully examines when attributing other consultancy assignments that such appointments do not endanger the independence of its auditor.

9. INFORMATION POLICY

The policy of SGS is to provide individual and institutional investors directly or through financial analysts, business journalists or investment consultants (financial community) and the employees with financial and business information in a consistent, broad, timely and transparent manner. The SGS website has a section fully dedicated to Investor Relations, http://www.sgs.com/investor_relations/financial_highlights.htm, where all financial information and presentations are available. This includes an updated version of the Articles of Association, actual information on share buy back programmes and minutes of shareholders' meetings. SGS meets regularly with institutional investors, holds results presentations, road shows, presentations at broker-sponsored country or industry conferences as well as one-on-one meetings.

SGS publishes consolidated half year unaudited and yearly audited results in print and online formats. These documents are sent to each registered shareholder and are available in English (binding version) and in French. The Annual Report is published in English (binding version) and in French and is available upon order or on the Internet. The current list of publication dates is available on the Internet.

SGS acknowledges the Directives on the Independence of Financial Research issued by the Swiss Bankers Association, particularly articles 26 and 29-32. In addition, SGS complies with rules regarding information and reporting of the Federal Act on Stock Exchange and Securities Trading, and the Ordinance on Stock Exchanges and Securities Trading.

SGS GROUP RESULTS

CONSOLIDATED INCOME STATEMENT

For the years ended 31 December

(CHF million)	Notes	**2007**	2006
REVENUE		**4 372**	**3 821**
Salaries and wages		(2 076)	(1 818)
Subcontractors' expenses		(307)	(263)
Depreciation, amortisation and impairment	11 & 13	(197)	(172)
Other operating expenses	5	(1 081)	(963)
OPERATING INCOME (BEFORE EXCEPTIONAL ITEMS)		**711**	**605**
Exceptional items	6	(21)	19
PROFIT FROM OPERATING ACTIVITIES (EBIT)		**690**	**624**
Financial income	7	12	12
Financial expenses	8	(10)	(13)
PROFIT BEFORE TAXES		**692**	**623**
Taxes	9	(172)	(155)
PROFIT FOR THE YEAR		**520**	**468**
Profit attributable to:			
Equity holders of SGS SA		500	443
Minority interests		20	25
BASIC EARNINGS PER SHARE (IN CHF)	10	**65.47**	**58.36**
DILUTED EARNINGS PER SHARE (IN CHF)	10	**64.87**	**57.89**
DIVIDENDS PER SHARE (IN CHF)		**35.00**[1]	**20.00**

1 As proposed by the Board of Directors.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the years ended 31 December

Statement of recognised income and expense for the year ended 31 December 2007:

(CHF million)	Notes	EQUITY HOLDERS OF SGS SA	MINORITY INTERESTS	TOTAL
Exchange differences[1]		(7)	(1)	(8)
Actuarial gains and losses on defined benefit plans	24	76	-	76
Income tax on income/expenses taken directly to equity	9	(11)	-	(11)
NET INCOME RECOGNISED DIRECTLY IN EQUITY		**58**	**(1)**	57
Profit for the year		500	20	520
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR		**558**	**19**	**577**

Statement of recognised income and expense for the year ended 31 December 2006:

(CHF million)	Notes	EQUITY HOLDERS OF SGS SA	MINORITY INTERESTS	TOTAL
Exchange differences[1]		(13)	(2)	(15)
Actuarial gains and losses on defined benefit plans	24	26	-	26
Income tax on income/expenses taken directly to equity	9	(7)	-	(7)
NET INCOME RECOGNISED DIRECTLY IN EQUITY		**6**	**(2)**	4
Profit for the year		443	25	468
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR		**449**	**23**	**472**

1. In 2007, exchange differences included net exchange losses of CHF 11 million on long-term loans treated as net investment in a foreign entity according to International Accounting Standard (IAS) 21 (2006: losses of CHF 3 million).

CONSOLIDATED BALANCE SHEET

At 31 December (before appropriation of available retained earnings)

(CHF million)	Notes	**2007**	2006
ASSETS			
NON-CURRENT ASSETS			
Land, buildings and equipment	11	738	656
Goodwill	12	563	503
Other intangible assets	13	153	141
Investments in associated and other companies		2	2
Deferred tax assets	9	143	149
Other non-current assets	14	39	38
TOTAL NON-CURRENT ASSETS		**1 638**	**1 489**
CURRENT ASSETS			
Work-in-progress and inventories	15	206	180
Trade accounts and notes receivable	16	867	762
Other receivables and prepayments	17	184	182
Marketable securities	18	9	9
Cash and cash equivalents	19	429	230
TOTAL CURRENT ASSETS		**1 695**	**1 363**
TOTAL ASSETS		**3 333**	**2 852**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital		8	8
Reserves		2 031	1 614
Treasury shares		(68)	(60)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SGS SA		**1 971**	**1 562**
MINORITY INTERESTS		**36**	**30**
TOTAL EQUITY	22	**2 007**	**1 592**
NON-CURRENT LIABILITIES			
Loans and obligations under finance leases	23	20	7
Deferred tax liabilities	9	64	46
Retirement benefit obligations	24	78	187
Provisions	25	98	99
TOTAL NON-CURRENT LIABILITIES		**260**	**339**
CURRENT LIABILITIES			
Loans and obligations under finance leases	23	40	17
Trade and other payables	26	452	402
Provisions	25	25	32
Current tax liabilities		69	88
Other creditors and accruals	27	480	382
TOTAL CURRENT LIABILITIES		**1 066**	**921**
TOTAL LIABILITIES		**1 326**	**1 260**
TOTAL EQUITY AND LIABILITIES		**3 333**	**2 852**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended 31 December

(CHF million)	Notes	**2007**	2006
Profit for the year		500	443
Adjustments for:			
Depreciation of land, building and equipment	11	164	141
Impairment of land, building and equipment and other intangible assets	11 & 13	2	4
Amortisation of intangible assets	13	31	31
Net financial (income) / expense		(1)	1
Decrease in provisions		(24)	(37)
Share-based payment expense		12	13
Gains on disposals of businesses, net of related provisions	20	(1)	(45)
Gains on disposals of land, building and equipment		(4)	(4)
Minority interests		20	25
Taxes		172	155
		871	**727**
Working capital movements:			
(Increase) in work-in-progress and inventories		(22)	(25)
(Increase) in trade accounts and notes receivable		(94)	(50)
(Increase) in other receivables and prepayments		(4)	(20)
Increase in trade and other payables		55	41
Increase in other creditors and accruals		81	16
(Decrease) / Increase in other provisions		(4)	7
Taxes paid		(177)	(144)
OPERATING CASH FLOW		**706**	**552**
Purchase of land, buildings, equipment and other intangible assets	11 & 13	(285)	(248)
Acquisition and divestments of businesses	3 & 20	(71)	(178)
Decrease in marketable securities		-	2
Interest and dividends received		12	11
Sales of land, buildings and equipment		14	24
CASH FLOW FROM INVESTING ACTIVITIES		**(330)**	**(389)**
Dividends paid to equity holders of SGS SA		(153)	(236)
Dividends paid to minority interests		(25)	(12)
Share capital reduction		-	(145)
Cash (paid) / received on treasury shares		(8)	43
Interest paid		(9)	(12)
Increase / (Decrease) in long-term loans		9	(5)
Increase / (Decrease) in short-term loans		20	(85)
CASH FLOW FROM FINANCING ACTIVITIES		**(166)**	**(452)**
Increase / (Decrease) in cash and cash equivalents at average rates		210	(289)
Translation differences on flows		(10)	(3)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS AT CLOSING RATES		**200**	**(292)**
Cash and cash equivalents at beginning of year		230	521
Effects of exchange rate changes on opening balances		(1)	1
Cash and cash equivalents at 1 January retranslated at closing rates		229	522
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**429**	**230**

NOTES

1. ACTIVITIES OF THE GROUP

SGS SA and its subsidiaries (the "Group") operate in more than 140 countries under the name SGS. The head office of the Group is located in Geneva, Switzerland.

SGS is the global leader and innovator in inspection, verification, testing and certification services supporting international trade in agriculture, minerals, petroleum and consumer products. It also provides these services to governments, international institutions and to customers engaged in the industrial, environmental and life science sectors.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Group are stated in millions of Swiss francs. They are prepared from the financial statements of the individual companies within the Group for which the significant companies have a year-end of 31 December 2007. The consolidated financial statements comply with the accounting and reporting requirements of the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The accounting conventions and accounting policies are the same as those applied in the 2006 consolidated financial statements, except for the Group's adoption of new or revised IFRS effective 1 January 2007.

The financial statements are prepared on an accrual basis and under the historical cost convention, modified as required for the revaluation of certain financial instruments.

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted the following Standards and Interpretations:

- IAS 1 amended: Capital disclosures
  The amendment to IAS 1 requires the disclosure of information that enables users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital.
- IFRS 7: Financial instruments: disclosures
  IFRS 7 specifies additional disclosures required for financial instruments, including:
  - their significance for the entity's financial position and performance
  - qualitative information on the exposure to risks arising from them and the policies and procedures in place to manage these risks
  - quantitative information on the exposure to risks arising from them and especially credit risk, liquidity risk and market risk
- IFRIC 7: Financial Reporting in Hyperinflationary Economies
- IFRIC 8: Scope of IFRS 2
- IFRIC 9: Reassessment of Embedded Derivatives
- IFRIC 10: Interim Financial Reporting and Impairment

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IFRS 8: Operating Segments
- IFRIC 11: IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12: Service Concession Arrangements
- IFRIC 13: Customer Loyalty Programmes
- IFRIC 14: IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The equity and profit attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and income statement, respectively. The principal operating and holding companies of the Group are listed on pages 161 to 166.

Associates

Associates are enterprises over which the Group has significant influence, but no control or joint control, over the financial and operating policies. The consolidated financial statements include the Group's share of the earnings of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses of an associate, if any, exceeds the carrying amount of the associate on the Group's balance sheets, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Jointly controlled entities

Jointly controlled entities are enterprises over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportionate share of the enterprises' assets, liabilities, revenues and expenses with items of a similar nature on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

Investments in other companies

Investments in other companies (normally below 20% shareholding levels) are stated at cost less any provision for impairment. The fair value of these investments cannot be reliably measured. Dividends received from these investments are included in financial income.

Transactions eliminated on consolidation

All significant intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in those entities.

Foreign currency transactions

Transactions in foreign currencies are recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate prevailing at that date. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements, are recognised in the income statement.

Consolidation of foreign companies

All assets and liabilities of foreign companies that are consolidated are translated using the exchange rates in effect at the balance sheet date. Income and expenses are translated at the average exchange rate for the year. Translation differences resulting from the application of this method are classified as equity until the disposal of the investment.

Average rates of exchange have been used to translate the cash flows of foreign subsidiaries in preparing the consolidated statement of cash flows.

SEGMENT INFORMATION

The Group classifies its operations in two dimensions – by business segment, which is the primary and dominant view, where activities are grouped according to the nature of the services provided, and secondly by geographical segment. The Group's ten business segments operate in all three geographical segments.

The Group evaluates segment performance and allocates resources based on several factors of which net sales revenue, operating income and return on capital are the primary criteria.

There are no significant intercompany sales or profits or losses on segmented revenue due to the difference in nature of services being rendered. Revenue and operating income are attributed to geographic segments based on the location in which the services are rendered.

Segment assets comprise all assets held by the Group's operating affiliates after elimination of inter-company balances (land, buildings and equipment, intangible assets, goodwill, trade and other receivables, inventories, prepayments as well as cash and cash equivalents).

Segment liabilities comprise all liabilities held by the Group's operating affiliates after elimination of inter-company balances (trade and other payables, accruals, provisions and other obligations).

Assets and liabilities by business and geographical segment represent the situation at the end of the year.

Capital additions represent the total cost incurred to acquire land, buildings and equipment as well as other intangible assets.

Depreciation and amortisation of segment assets includes depreciation of land, buildings and equipment as well as other intangible assets. Impairment of segment assets includes impairment related to land, buildings and equipment, goodwill and other intangible assets when incurred.

LAND, BUILDINGS AND EQUIPMENT

Land is stated at historical cost and is not depreciated. Buildings and equipment are stated at historical cost less accumulated depreciation. Subsequent expenditures are capitalised only if they increase the future economic benefits embodied in the related item of property and equipment. All other expenditures are expensed as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Buildings	12 – 40 years
Machinery and equipment	3 – 10 years
Other tangible assets	3 – 10 years

LEASES

Assets acquired under finance lease agreements, which provide the Group with substantially all the risks and rewards of ownership, are capitalised at fair value or, if lower, at amounts equivalent to the estimated present value of the underlying minimum lease payments. The corresponding liabilities are included in long and short-term loans. These leased assets are depreciated over the lease period or their estimated useful lives, whichever is shorter.

Leases where the lessor retains substantially all the risks and rewards of ownership of the assets are classified as operating leases. Operating lease expenditures are expensed on a straight-line basis over the lease terms.

GOODWILL

In the case of acquisitions of businesses, the acquired identifiable assets, liabilities and contingent liabilities are recorded at fair value. The difference between the purchase price and the fair value is classified as goodwill and recorded in the balance sheet as an intangible asset.

Goodwill arising from business combinations is measured at cost less any accumulated impairment losses.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are recorded in the relevant foreign currency and are translated using the period end exchange rate.

On disposal of part, or the whole, of a business which was previously acquired and which gave rise to the recording of acquisition goodwill, the relevant amount of goodwill net book value is included in the determination of the gain or loss on disposal.

Goodwill and other intangible assets with indefinite useful lives acquired as part of business combinations are tested for possible impairment annually and whenever events or changes in circumstances indicate their value may not be fully recoverable.

For the purpose of impairment testing, SGS has adopted a uniform method for assessing goodwill and other intangibles recognised under purchase accounting. These assets are allocated to the cash generating unit (CGU) or group of CGUs that are expected to benefit from the business combination. The recoverable amount of a CGU is determined through a value-in-use calculation. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices or direct costs during the period. Pre-tax discount rates used are based on the Group's weighted average cost of capital, adjusted for specific risks associated with the CGU's cash flow projections. The growth rates are based on industry growth forecasts.

Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

For all CGUs, an initial value in use calculation is performed using cash flow forecasts derived from most recent financial results and budgets approved by management for the next five years. These cash flows are then extrapolated a further five years based on a growth rate ranging from 1% to the average long-term growth rate for the relevant markets.

If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Even if the initial accounting for an intangible asset acquired in the reporting period is only provisional, this asset is tested for impairment.

OTHER INTANGIBLE ASSETS

Intangible assets, including software, licences, trademarks and customer relationships are capitalised and amortised on a straight-line basis over their estimated useful lives, normally not exceeding 20 years. Indefinite life intangible assets are not amortised.

The following useful lives are used in the calculation of amortisation:

Trademarks	5 – 20 years
Customer relationships	5 – 20 years
Computer software	1 – 4 years

Other intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if their fair value can be measured reliably. Internally generated intangible assets are recognised if the asset created can be identified, it is probable that future economic benefits will be generated from it and the related development costs can be measured reliably. These assets are amortised on a straight-line basis over their useful lives, which usually does not exceed four years. All other development costs are expensed as incurred.

IMPAIRMENT OF ASSETS EXCLUDING GOODWILL

At each balance sheet date or whenever there is an indication that an asset may be impaired, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether they have suffered an impairment loss. If indications of impairment are present, the assets are tested for impairment. If impaired, the carrying value of the asset is reduced to its recoverable value. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount of an asset is the greater of the net selling price and its value in use. In assessing its value in use, the pre-tax estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

REVERSAL OF IMPAIRMENT LOSSES

Where an impairment loss on assets other than goodwill subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been recorded had no impairment loss been recognised.
A reversal of an impairment loss is recognised as income immediately.

WORK-IN-PROGRESS AND INVENTORIES

Work-in-progress is measured at the lower of the costs incurred in providing the service or its ultimate invoice price less costs to complete.

Inventories are recorded at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value represents the estimated selling price less all estimated costs to complete and costs to be incurred in selling and distribution.

RECEIVABLES

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

MARKETABLE SECURITIES

Marketable securities are recorded in the balance sheet at fair value. Movements in fair value for marketable securities held for trading are reported in the income statement as financial income/expense. For marketable securities designated as being available for sale, the movements in fair value are recorded as a component of shareholder's equity and recognised in the income statement at the time of disposal. Marketable securities designated as available for sale are those that are not classified as at fair value through profit and loss.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, deposits held with banks and investments in money market instruments with an original maturity of three months or less. Bank overdrafts are included within current loans.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivatives that do not qualify for hedge accounting are accounted for on a mark to market basis.

Derivative financial instruments are recognised initially at cost. Subsequently, derivative financial instruments are stated at fair value. The treatment of gains or losses resulting from the fair value restatement depends on the item to which they relate (see Hedging below).

The fair value of forward exchange contracts is their quoted market price at the balance sheet date.

HEDGING

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, a foreign currency risk related to firm commitment, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised as a component of equity. When the firm commitment or forecasted transaction results in the recognition of an asset or liability, the related cumulative gain or loss on the hedge is removed from equity and included in the measurement of the asset or liability. In all other cases, the cumulative gain or loss is removed from equity and recognised in the income statement at the same time as the recording of the hedged transaction. The ineffective part of the cash flow hedge is recognised in the income statement immediately.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss realised to the point of termination remains in equity and is recognised at the same time as the related transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss held in equity is recognised in the income statement immediately.

Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to hedge the foreign exchange exposure of a recognised monetary asset or liability, any related gains and/or losses on the hedging instrument resulting from fair value restatements are recognised in the income statement.

Hedge of net investment in foreign operation

Where a foreign currency liability or a derivative instrument is used to hedge a net investment in a foreign operation, related foreign exchange differences arising on translation of the liability or fair value restatement of the derivative instruments are recorded as a separate component of equity.

EMPLOYEE BENEFITS

Pension plans

The Group maintains several defined benefit and defined contribution pension plans in accordance with local conditions and practices in the countries in which it operates. Defined benefit pension plans are based on an employee's years of service and remuneration earned during a pre-determined period. Contributions to these plans are normally paid into funds which are managed independently of the Group, except in rare cases where there is no legal obligation to fund. In such cases, the liability is recorded in the Group's consolidated balance sheet.

The Group's obligation to fund defined benefit pension plans and the annual cost recognised in the income statement is determined by independent actuaries using the projected unit credit method. Actuarial gains and losses are immediately recognised in the consolidated balance sheet with the corresponding movement being recorded in the statement of recognised income and expense.

Past service costs are recognised as an expense over the average period remaining until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or change to, a defined benefit plan, the expense is recognised immediately.

Payments to defined contribution plans are recognised as an expense in the income statement as incurred.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Post employment plans other than pensions

The Group operates some post employment defined benefit schemes, mainly healthcare plans. The method of accounting and the frequency of valuations are similar to those used for defined benefit pension plans.

Equity compensation plans

The Group provides additional benefits to certain members of senior management and employees through equity compensation plans (see note 31). An expense is recognised in the income statement for shares and options granted to members of senior management and employees under these plans.

TRADE PAYABLES

Trade payables are recognised at nominal value that approximates the fair value.

PROVISIONS

The Group records provisions when it has an obligation, legal or constructive, to satisfy a claim; it is probable that an outflow of Group resources will be required to satisfy the obligation, and a reliable estimate of the amount can be made.

In the case of litigation and claims relating to services rendered, the amount that is ultimately recorded is the result of a complex process of assessment of a number of variables, and relies on management's informed judgement about the circumstances surrounding the past provision of services. It also relies on expert legal advice and actuarial assessments. Changes in estimates are reflected in the income statement in the period in which the change occurs.

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenues represent fees for services rendered to third parties after the deduction of discounts and are recognised when the service has been completed. No margin is recognised on work-in-progress. Completed but unbilled services are recorded at net selling prices. Only the gross margin on contract hire of technical personnel is included in revenues.

BORROWING COSTS

Borrowing costs are recognised in the income statement in the period in which they are incurred.

CAPITAL MANAGEMENT

Capital comprises equity attributable to equity holders, loans and obligations under finance leases and cash and cash equivalents.

The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors also recommends the level of dividends to be distributed to ordinary shareholders on an annual basis.

The Group maintains sufficient liquidity at the Group and subsidiary level to meet its working capital requirements, fund capital purchases and small and medium sized acquisitions.

Cash and cash equivalents, equity attributable to equity holders as well as loans and obligations under finance leases are disclosed in notes 18, 21 and 22 respectively.

The Group has a share buy back programme enabling the purchase of shares up to a total of CHF 250 million, effective from 21 March, 2007 to 31 December, 2009. Treasury shares are intended primarily to be used to cover the Group's employee share option programmes and/or convertible bonds. Decisions to buy or sell are made on an individual transaction basis by management.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to any externally imposed capital requirements.

TAXES

Income taxes include all taxes based upon the taxable profits of the Group including withholding taxes payable on the transfer of income from Group companies and tax adjustments from prior years. Taxes on income are recognised in the income statement except to the extent that they relate to items directly charged or credited to equity, in which case the related income tax effect is recognised in equity. Provisions of income and withholding taxes that could arise on the remittance of subsidiary retained earnings are only made where there is a current intention to remit such earnings. Other taxes not based on income, such as property taxes and capital taxes, are included within operating expenses.

Deferred taxes are provided using the full liability method. They are calculated on all temporary differences that arise between the tax base of an asset or liability and the carrying values in the consolidated financial statements except for non tax-deductible goodwill and for those differences related to investments in subsidiaries where their reversal will not take place in the foreseeable future. Deferred income tax assets relating to the carry-forward of unused tax losses and tax credits are recognised to the extent that it is probable that future profits be available against which they can be utilised.

Current and deferred income tax assets and liabilities are offset when the income taxes are levied by the same taxing authority and where there is a legally enforceable right of offset. Deferred tax assets and liabilities are determined based on enacted tax rates in the respective jurisdictions in which the Group operates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the Group's profit by the weighted average number of shares outstanding during the year, excluding treasury shares. For diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming conversion of all potential dilutive shares. Group profit is also adjusted to reflect the after-tax impact of conversion.

DIVIDENDS

Dividends are reported as a movement in equity in the period in which they are approved by the shareholders.

TREASURY SHARES

Treasury shares are reported as a deduction to equity. The original cost of treasury shares and the proceeds of any subsequent sale are recorded as movements in equity.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the entity's accounting policies described above, management has made the following judgements that have a significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with in the following paragraphs).

Legal and warranty claims on services rendered

The Group is subject to litigation and other claims as described in note 25. Management bases its judgements on the circumstances relating to each specific event, internal and external legal advice, knowledge of the industries and markets, prevailing commercial terms and legal precedent. The Group's legal and warranty claims are reviewed, at minimum, on a quarterly basis by a cross-functional representation of management.

Use of estimates

The key assumptions concerning the future, and other key sources of estimation at the balance sheet date that have a risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

Recoverability of trade accounts and notes receivable

Trade accounts and notes receivable are reflected net of an estimated allowance for doubtful accounts (see note 16). These allowances for uncollectible amounts are estimated based primarily on the Group's ageing policy guidelines, individual client analysis and an analysis of the underlying risk profile of each major revenue stream by business and geography.

Impairment of Goodwill

The Group determines whether goodwill is impaired at minimum on an annual basis. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit that holds the goodwill at a determined discount rate in order to calculate the present value of those cash flows.

Estimations of employee post-employment benefits obligations

The group maintains several defined benefit pension plans in accordance with local conditions and practices in the countries in which it operates. The related obligations recognised in the balance sheet represent the present value of the defined benefit obligations calculated annually by independent actuaries. These actuarial valuations include assumptions such as discount rates, return on assets, salary progression rates and mortality rates. These actuarial assumptions vary according to the local prevailing economic and social conditions. Details of the assumptions used are provided in note 24.

The most significant currencies for the Group were translated at the following exchange rates:

			Year-end rates		Annual average rates	
			2007	2006	**2007**	2006
Australia	AUD	100	99.39	96.69	100.56	94.36
Eurozone	EUR	100	166.33	160.86	164.27	157.30
Great Britain	GBP	100	226.56	239.95	240.11	230.70
USA	USD	100	113.53	122.13	120.03	125.30

3. BUSINESS COMBINATIONS AND OTHER SIGNIFICANT TRANSACTIONS

The following business combinations and other significant transactions occurred during 2007 and 2006:

ACQUISITIONS 2007

FTS

Effective 3 December 2007 SGS acquired, for an equivalent of CHF 46 million, 100% of FTS Inc., a provider of Asset Integrity Management (AIM) services to the oil, gas and chemical industry, based in Bartlesville, USA. This acquisition is in line with the SGS Industrial Services strategy to serve the rapidly growing international AIM market. Provisional goodwill at 31 December 2007 amounted to CHF 32 million (note 20).

Other

In 2007, other acquisitions included 100% of Mid Iowa Grain Inspection Inc. (effective 1 April 2007), 100% of Mid-West Seed Services, Inc. (effective 1 May 2007), 100% of Adria Control d.o.o. Kontrola (effective 1 July 2007), 77% of Entreprise Publique Economique de Contrôle Technique Automobile SA (COTA) (effective 1 July 2007), 100% of Ecoserv (Proprietary) Limited (effective 1 August 2007) and 100% of Chemisches Laboratorrium Dr. Merten GmbH (effective 15 November 2007). These companies were acquired for an equivalent of CHF 32 million and the total goodwill generated on these transactions amounted to CHF 24 million. In addition, further small transactions resulted in additional goodwill of CHF 0.4 million, and cash outflows of CHF 2 million.

In 2007, all the above acquisitions contributed in total CHF 18 million in revenues and CHF 2 million in profit for the year for the Group. Had all acquisitions been effective 1 January 2007, Group revenues for the year would have been increased by CHF 54 million and Group profit for the year would have been increased by CHF 8 million.

DIVESTMENTS 2007

There have been no significant divestments in 2007.

ACQUISITIONS 2006

Aster Cephac

Effective 1 January 2006 SGS acquired, for an equivalent of CHF 114 million, 100% of Aster Cephac, a full provider of early clinical pharmacology trials and bioanalytical drug development services based in France. This acquisition enabled SGS to become the market leader in early stage clinical research services. Goodwill at 31 December 2006 amounted to CHF 72 million.

Northview Biosciences

Effective 1 January 2006 SGS acquired, for an equivalent of CHF 31 million, 100% of Northview Biosciences Inc., a life science laboratory services provider based in North America. Goodwill at 31 December 2006 amounted to CHF 25 million.

Laroute

Effective 1 February 2006 SGS acquired, for an equivalent of CHF 41 million, 100% of Laroute, a major provider of additives treatment services to the oil industry in Central and Eastern European countries. Goodwill at 31 December 2006 amounted to CHF 35 million.

Other

In 2006, other acquisitions included 100% of Cotax SA (effective 1 January 2006), 100% of McMurray Resources Research and Testing Ltd (effective 1 July 2006), 100% of 7 Layers UK Limited (effective 1 October 2006), 100% of Wireless Test Systems (effective 1 October 2006) and 100% of SRS Tech Co., Ltd (effective 1 November 2006). These companies were acquired for an equivalent of CHF 59 million and the total goodwill generated on these transactions amounted to CHF 46 million. In addition, further small transactions resulted in additional goodwill of CHF 2 million, and cash outflows of CHF 3 million.

In 2006, all the above acquisitions contributed in total CHF 114 million in revenues and CHF 10 million in profit for the year for the Group. Had all acquisitions been effective 1 January 2006, Group revenues for the year would have been increased by CHF 34 million and Group profit for the year would have been increased by CHF 4 million.

DIVESTMENTS 2006

Pink Healthcare services

Effective 30 June 2006, SGS disposed of its Pink Healthcare services assets for CHF 53 million before transaction costs. The unit, which is not a separate major line of business to be presented as a discontinued operation, generated during the first semester of 2006 CHF 11 million of revenues and CHF 2 million of operating income and had net assets of CHF 2 million as at 30 June 2006.

TPS UK Limited

Effective 31 July 2006, SGS disposed of TPS UK Limited, a provider of technical staffing services, for CHF 15 million before transaction costs. The unit, which is not a separate major line of business to be presented as a discontinued operation, generated during the first seven months of 2006 CHF 5 million of revenues and CHF 1 million of operating income and had net assets of CHF 9 million as at 31 July 2006.

4. INFORMATION BY BUSINESS AND GEOGRAPHICAL SEGMENT

(CHF million)	**2007**	%	2006	%
REVENUE FROM EXTERNAL CUSTOMERS BY BUSINESS SEGMENT				
Agricultural Services	357	8.2	336	8.8
Minerals Services	560	12.8	467	12.2
Oil, Gas & Chemicals Services	891	20.3	783	20.5
Life Science Services	200	4.6	187	4.9
Consumer Testing Services	655	15.0	580	15.2
Systems & Services Certification	354	8.1	319	8.3
Industrial Services	625	14.3	511	13.4
Environmental Services	281	6.4	249	6.5
Automotive Services	249	5.7	220	5.8
Governments & Institutions Services	200	4.6	169	4.4
TOTAL	**4 372**	**100.0**	**3 821**	**100.0**
REVENUE FROM EXTERNAL CUSTOMERS BY GEOGRAPHICAL SEGMENT				
Europe/Africa/Middle East	2 431	55.6	2 101	55.0
Americas	920	21.0	836	21.9
Asia/Pacific	1 021	23.4	884	23.1
TOTAL	**4 372**	**100.0**	**3 821**	**100.0**
OPERATING INCOME (BEFORE EXCEPTIONALS) BY BUSINESS SEGMENT				
Agricultural Services	47	6.7	42	7.0
Minerals Services	98	13.8	80	13.3
Oil, Gas & Chemicals Services	133	18.8	113	18.6
Life Science Services	24	3.4	24	4.0
Consumer Testing Services	152	21.4	135	22.3
Systems & Services Certification	65	9.1	59	9.7
Industrial Services	101	14.1	75	12.4
Environmental Services	28	3.9	24	4.0
Automotive Services	34	4.7	30	4.9
Governments & Institutions Services	29	4.1	23	3.8
TOTAL	**711**	**100.0**	**605**	**100.0**
OPERATING INCOME (BEFORE EXCEPTIONALS) BY GEOGRAPHICAL SEGMENT				
Europe/Africa/Middle East	357	50.2	289	47.8
Americas	84	11.8	79	13.0
Asia/Pacific	270	38.0	237	39.2
TOTAL	**711**	**100.0**	**605**	**100.0**

(CHF million)	**2007**	%	2006	%
PROFIT FROM OPERATING ACTIVITIES BY BUSINESS SEGMENT				
Agricultural Services	46	6.7	40	6.4
Minerals Services	98	14.2	79	12.7
Oil, Gas & Chemicals Services	131	19.0	109	17.5
Life Science Services	23	3.3	22	3.5
Consumer Testing Services	146	21.2	129	20.7
Systems & Services Certification	63	9.1	58	9.3
Industrial Services	98	14.2	74	11.8
Environmental Services	26	3.8	67	10.7
Automotive Services	34	4.9	28	4.5
Governments & Institutions Services	25	3.6	18	2.9
TOTAL	**690**	**100.0**	**624**	**100.0**
PROFIT FROM OPERATING ACTIVITIES BY GEOGRAPHICAL SEGMENT				
Europe/Africa/Middle East	340	49.3	269	43.1
Americas	82	11.9	77	12.3
Asia/Pacific	268	38.8	278	44.6
TOTAL	**690**	**100.0**	**624**	**100.0**
OPERATING ASSETS BY BUSINESS SEGMENT				
Agricultural Services	200	6.5	174	6.4
Minerals Services	513	16.7	404	15.0
Oil, Gas & Chemicals Services	518	16.9	507	18.9
Life Science Services	269	8.8	251	9.3
Consumer Testing Services	470	15.3	433	16.0
Systems & Services Certification	121	3.9	120	4.4
Industrial Services	406	13.2	317	11.8
Environmental Services	232	7.5	186	6.9
Automotive Services	187	6.1	163	6.0
Governments & Institutions Services	157	5.1	144	5.3
TOTAL	**3 073**	**100.0**	**2 699**	**100.0**
OPERATING ASSETS BY GEOGRAPHICAL SEGMENT				
Europe/Africa/Middle East	1 346	43.8	1 385	51.3
Americas	770	25.1	686	25.4
Asia/Pacific	957	31.1	628	23.3
TOTAL	**3 073**	**100.0**	**2 699**	**100.0**

(CHF million)	**2007**	2006
RECONCILIATION OF OPERATING ASSETS BY BUSINESS SEGMENT TO THE BALANCE SHEET		
Assets by business segment as above	3 073	2 699
Non-operating assets	260	153
TOTAL ASSETS PER BALANCE SHEET	**3 333**	**2 852**

(CHF million)	**2007**	%	2006	%
OPERATING LIABILITIES BY BUSINESS SEGMENT				
Agricultural Services	101	8.2	97	8.3
Minerals Services	159	12.8	144	12.3
Oil, Gas & Chemicals Services	252	20.3	241	20.5
Life Science Services	57	4.6	59	5.0
Consumer Testing Services	185	14.9	182	15.5
Systems & Services Certification	100	8.1	98	8.3
Industrial Services	177	14.3	156	13.3
Environmental Services	80	6.5	77	6.6
Automotive Services	71	5.7	68	5.8
Governments & Institutions Services	57	4.6	52	4.4
TOTAL	**1 239**	**100.0**	**1 174**	**100.0**
OPERATING LIABILITIES BY GEOGRAPHICAL SEGMENT				
Europe/Africa/Middle East	827	66.8	778	66.3
Americas	175	14.1	173	14.7
Asia/Pacific	237	19.1	223	19.0
TOTAL	**1 239**	**100.0**	**1 174**	**100.0**

(CHF million)	**2007**	2006
RECONCILIATION OF OPERATING LIABILITIES BY BUSINESS SEGMENT TO THE BALANCE SHEET		
Liabilities by business segment as above	1 239	1 174
Non-operating liabilities	87	86
TOTAL LIABILITIES PER BALANCE SHEET	**1 326**	**1 260**

(CHF million)	2007	%	2006	%
CAPITAL ADDITIONS BY BUSINESS SEGMENT				
Agricultural Services	12	4.2	11	4.4
Minerals Services	71	24.9	35	14.1
Oil, Gas & Chemicals Services	46	16.1	36	14.5
Life Science Services	9	3.2	11	4.4
Consumer Testing Services	54	18.9	66	26.6
Systems & Services Certification	5	1.8	5	2.0
Industrial Services	25	8.8	20	8.1
Environmental Services	26	9.1	22	8.9
Automotive Services	14	4.9	16	6.5
Governments & Institutions Services	23	8.1	26	10.5
TOTAL	**285**	**100.0**	**248**	**100.0**

CAPITAL ADDITIONS BY GEOGRAPHICAL SEGMENT				
Europe/Africa/Middle East	144	50.5	118	47.6
Americas	57	20.0	34	13.7
Asia/Pacific	84	29.5	96	38.7
TOTAL	**285**	**100.0**	**248**	**100.0**

DEPRECIATION, AMORTISATION AND IMPAIRMENT BY BUSINESS SEGMENT				
Agricultural Services	11	5.6	11	6.4
Minerals Services	25	12.7	21	12.2
Oil, Gas & Chemicals Services	36	18.3	31	18.0
Life Science Services	12	6.1	11	6.4
Consumer Testing Services	48	24.4	39	22.7
Systems & Services Certification	5	2.5	5	2.9
Industrial Services	18	9.1	16	9.3
Environmental Services	17	8.6	18	10.5
Automotive Services	13	6.6	11	6.4
Governments & Institutions Services	12	6.1	9	5.2
TOTAL	**197**	**100.0**	**172**	**100.0**

DEPRECIATION, AMORTISATION AND IMPAIRMENT BY GEOGRAPHICAL SEGMENT				
Europe/Africa/Middle East	102	51.8	90	52.3
Americas	33	16.7	29	16.9
Asia/Pacific	62	31.5	53	30.8
TOTAL	**197**	**100.0**	**172**	**100.0**

(CHF million)	**2007**	%	2006	%
IMPAIRMENT BY BUSINESS SEGMENT				
Oil, Gas & Chemicals Services	2	100.0	-	-
Environmental Services	-	-	2	50.0
Governments & Institutions Services	-	-	2	50.0
TOTAL	**2**	**100.0**	**4**	**100.0**
IMPAIRMENT BY GEOGRAPHICAL SEGMENT				
Europe/Africa/Middle East	2	100.0	2	50.0
Asia/Pacific	-	-	2	50.0
TOTAL	**2**	**100.0**	**4**	**100.0**

(CHF million)	**2007**	2006
AVERAGE NUMBER OF EMPLOYEES BY GEOGRAPHICAL SEGMENT		
Europe/Africa/Middle East	23 094	21 428
Americas	11 472	10 626
Asia/Pacific	15 765	13 874
TOTAL	**50 331**	**45 928**
Number of employees at year-end	52 542	48 106

5. OTHER OPERATING EXPENSES

(CHF million)	**2007**	2006
Rental expense, insurance, utilities and sundry supplies	208	196
Consumables, repairs and maintenance	287	260
Communication costs	104	97
Travel costs	286	251
Miscellaneous operating income and expenses	196	159
TOTAL	**1 081**	**963**

Included in other operating expenses are operating lease expenses totaling CHF 81 million (2006: CHF 75 million).

6. EXCEPTIONAL ITEMS

In 2007, the Group consolidated income statement included exceptional expenses of a non-recurring nature amounting to CHF 21 million (2006: income CHF 19 million):

(CHF million)	**2007**	2006
Restructuring and termination expenses	(21)	(19)
Net gain on changes in Group organisation	-	43
Legal and warranty claim against former subsidiary	-	(5)
TOTAL	**(21)**	**19**

Restructuring and termination expenses

In 2007, the Group incurred a restructuring charge largely as a result of back-office personnel re-organisation programmes, following the implementation of the enterprise resource planning tool. In 2006, the Group initiated a number of restructuring programmes aimed at resolving business operational issues in response to structural changes in their underlying markets and/or service offerings. In 2006, the Group also incurred termination expenses in relation with the departure of the Chief Executive Officer. The impact of these restructuring and termination expenses on the results of each business segment is disclosed in note 4.

Legal and warranty claim against former subsidiary

In the normal course of business, the Group and its subsidiaries are parties to various lawsuits and claims. However, in 2006, the Group incurred additional legal costs in relation with a claim filed in 2000 against a subsidiary sold in 1999. After years of delays in proceedings, the claimant filed in 2006 a notice of arbitration in accordance with the agreement between the parties. It is not possible to predict with certainty the cost of legal fees or whether or not the Group will ultimately be successful in defending in full this claim. A provision is held to reflect the estimated probable economic outflow.

Net gain on changes in Group organisation

As part of a realignment of its Environmental services portfolio, the Group disposed in 2006 of its non-core Pink Healthcare services operations in Australia. The gain realised on this disposal, net of related transaction fees, asset impairments and stranded costs amounted to CHF 43 million.

Recoveries on pre-2002 terminated contracts

There have been no recoveries on pre-2002 terminated contracts in 2007 or 2006 (see note 16).

7. FINANCIAL INCOME

(CHF million)	**2007**	2006
Interest income	11	7
Foreign exchange gains	1	3
Other financial income	-	2
TOTAL	**12**	**12**

8. FINANCIAL EXPENSE

(CHF million)	**2007**	2006
Interest expense	8	5
Loss on available for sale marketable securities	-	1
Loss on derivatives at fair value	-	5
Other financial expense	2	2
TOTAL	**10**	**13**

9. TAXES

(CHF million)	**2007**	2006
MAJOR COMPONENTS OF TAX EXPENSE		
Current taxes	174	160
Deferred tax expense relating to the origination and reversal of temporary differences	(2)	(5)
TOTAL	**172**	**155**

The Group has operations in various countries that have differing tax laws and rates. Consequently, the effective tax rate on consolidated income varies from year to year. A reconciliation between the reported income tax expense and the amount that would arise using the weighted average statutory tax rate of the Group is as follows:

(CHF million)	**2007**	2006
RECONCILIATION OF TAX EXPENSE		
Profit before taxes	692	623
Tax at the domestic rates applicable to the profits earned in the country concerned	149	142
Tax effect of non-deductible or non-taxable items	1	-
Tax charge / (usage of) unrecognised tax losses	-	(2)
Non-creditable foreign withholding taxes	20	16
Other	2	(1)
TAX CHARGE	**172**	**155**

(CHF million)	2007 Assets	2007 Liabilities	2006 Assets	2006 Liabilities
COMPONENTS OF DEFERRED INCOME TAX BALANCES				
Fixed assets	14	26	12	24
Inventories and receivables	14	3	8	3
Actuarial gains and losses on pensions	41	-	54	-
Provisions and other	37	35	31	19
Intangible assets	15	-	17	-
Tax loss carryforwards	22	-	27	-
DEFERRED INCOME TAXES	**143**	**64**	**149**	**46**

Net change in deferred tax assets (liabilities):

(CHF million)	Fixed assets	Inventories & trade receivables	Operating provisions & others	Actuarial gains & losses on pensions	Intangible assets	Tax losses carry-forwards	Total
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 1 JANUARY 2006	**(9)**	**-**	**6**	**64**	**20**	**29**	**110**
(Charged)/credited to the income statement	(3)	7	3	-	(2)	-	5
Additions/(disposals)	-	-	1	-	-	-	1
(Charged)/credited to the shareholders' equity	-	-	-	(7)	-	-	(7)
Exchange differences and other	-	(2)	2	(3)	(1)	(2)	(6)
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 31 DECEMBER 2006	**(12)**	**5**	**12**	**54**	**17**	**27**	**103**
(Charged)/credited to the income statement	(1)	8	-	-	(1)	(4)	2
(Charged)/credited to the shareholders' equity	-	-	-	(11)	-	-	(11)
Exchange differences and other	1	(2)	(10)	(2)	(1)	(1)	(15)
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 31 DECEMBER 2007	**(12)**	**11**	**2**	**41**	**15**	**22**	**79**

The Group has unrecognised tax losses carried forward amounting to CHF 23 million (2006: CHF 21 million) of which CHF 8 million (2006: CHF 13 million) expire within the next five years. No tax losses carried forward expired in 2007.

(CHF million)	**2007**	2006
REFLECTED IN THE BALANCE SHEET AS FOLLOWS:		
Deferred tax assets	143	149
Deferred tax liabilities	(64)	(46)
TOTAL	**79**	**103**

10. EARNINGS PER SHARE

Basic earnings per share are calculated as follows:

	2007	2006
Profit attributable to equity holders of SGS SA (CHF million)	500	443
Weighted average number of shares	7 636 985	7 594 984
BASIC EARNINGS PER SHARE (CHF)	**65.47**	**58.36**

Diluted earnings per share are calculated as basic earnings per share except that the weighted average number of shares includes the dilutive effect of the Group's share option plans (see note 31):

	2007	2006
Diluted weighted average number of shares	7 708 288	7 656 992
DILUTED EARNINGS PER SHARE (CHF)	**64.87**	**57.89**

Earnings per share before exceptionals are calculated as follows:

	2007	2006
Profit attributable to equity holders of SGS SA (CHF million)	500	443
Exceptional items net of tax (CHF million)	15	(12)
Profit attributable to equity holders of SGS SA before exceptionals (CHF million)	515	431
BASIC EARNINGS PER SHARE BEFORE EXCEPTIONALS (CHF)	**67.37**	**56.83**
DILUTED EARNINGS PER SHARE BEFORE EXCEPTIONALS (CHF)	**66.75**	**56.37**

11. LAND, BUILDINGS AND EQUIPMENT

(CHF million)	*Land & buildings*	*Machinery & equipment*	*Other tangible assets*	**TOTAL**
2007				
COST				
At 1 January	365	843	415	1 623
Additions	18	156	74	248
Acquisition of subsidiaries	1	11	7	19
Sale of subsidiaries	-	(1)	-	(1)
Disposals	(3)	(34)	(22)	(59)
Exchange differences	5	(4)	-	1
At 31 December	386	971	474	1 831
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January	144	538	285	967
Depreciation	14	105	45	164
Impairment	2	-	-	2
Acquisition of subsidiaries	-	5	5	10
Sale of subsidiaries	-	(1)	-	(1)
Disposals	(1)	(28)	(20)	(49)
Exchange differences	2	(2)	-	-
At 31 December	161	617	315	1 093
NET BOOK VALUE AT 31 DECEMBER 2007	**225**	**354**	**159**	**738**

INCLUDED IN LAND, BUILDINGS AND EQUIPMENT ARE LEASED ASSETS AS FOLLOWS:				
Purchase cost of leased tangible assets	14	4	1	19
Accumulated depreciation	6	2	-	8
NET BOOK VALUE AT 31 DECEMBER 2007	**8**	**2**	**1**	**11**

(CHF million)	*Land & buildings*	*Machinery & equipment*	*Other tangible assets*	**TOTAL**
2006				
COST				
At 1 January	356	729	382	1 467
Additions	9	149	54	212
Acquisition of subsidiaries	7	36	18	61
Sale of subsidiaries	-	(19)	(3)	(22)
Disposals	(11)	(41)	(30)	(82)
Exchange differences	4	(11)	(6)	(13)
At 31 December	365	843	415	1 623
ACCUMULATED DEPRECIATION AND IMPAIRMENTS				
At 1 January	133	476	272	881
Depreciation	13	88	40	141
Impairment	-	2	-	2
Acquisition of subsidiaries	2	23	6	31
Sale of subsidiaries	-	(16)	(2)	(18)
Disposals	(5)	(30)	(28)	(63)
Exchange differences	1	(5)	(3)	(7)
At 31 December	144	538	285	967
NET BOOK VALUE AT 31 DECEMBER 2006	**221**	**305**	**130**	**656**
INCLUDED IN LAND, BUILDINGS AND EQUIPMENT ARE LEASED ASSETS AS FOLLOWS:				
Purchase cost of leased tangible assets	14	3	2	19
Accumulated depreciation	5	1	2	8
NET BOOK VALUE AT 31 DECEMBER 2006	**9**	**2**	**-**	**11**

At 31 December 2007, the Group has commitments of CHF 2 million (2006: CHF 8 million) for the acquisition of land, buildings and equipment.

Included in the other tangible assets are construction-in-progress projects amounting to CHF 26 million (2006: CHF 6 million).

The values of buildings and equipment for fire insurance purposes are as follows:

(CHF million)	**2007**	2006
Buildings	444	405
Machinery, equipment and other tangible assets	1 333	1 175

12. GOODWILL

(CHF million)	2007	2006
COST		
At 1 January	503	329
Additions	56	180
Disposals	-	(2)
Exchange differences	4	(4)
AT 31 DECEMBER	**563**	**503**

Goodwill additions include contingent consideration paid in relation to prior years acquisitions of CHF 0.4 million (2006: CHF 1 million).

Goodwill arising from business combinations in the year has been allocated to CGUs as follows:

(CHF million)	2007
FTS – Industrial Services, North America	32
Others	24
TOTAL	**56**

Goodwill impairment reviews have been conducted for more than 30 goodwill items allocated to specific cash generating units (CGU). The goodwill items tested account for 92% of the total goodwill net book value reported as at 31 December 2007. No goodwill impairment exposure was identified and therefore no impairment charge was recorded (2006: nil).

Detailed results of the impairment tests are presented below for the CGUs supporting the larger goodwill items (representing 53% of all goodwill items tested). These tests have all been performed in accordance with the Group's uniform method described on page 91.

Life Science Services, Europe

Goodwill recognised on the following acquisitions has been allocated to the Life Science Services Europe CGU for impairment testing purposes: Medisearch International (2003), Cibest (2004) and Aster Cephac (2006). The carrying amounts of the goodwill items allocated to this CGU are expressed in EUR for an equivalent of CHF 99 million as at 31 December 2007 (2006: CHF 95 million).

The recoverable amount of the CGU, determined based upon a value-in-use calculation, is higher than its carrying amount. Cash flow projections covering the next 10 years were used in this calculation, discounted at a pre-tax rate of 10.1%. The cash flows for the first five years were based upon financial plans approved by Group Management while the subsequent five years assume a conservative revenue growth of 1% and stable operating margins. The overall assumptions used in the calculation are consistent with the expected average growth rate of the Life Science Services business in Europe.

The key sensitivity for the impairment test is the growth in sales and operating margin. Had an overall 1% growth in cash flows been used, the carrying amount would not have exceeded the recoverable amount.

An increase of 1% in the discount rate assumption would not change the conclusions of the impairment test.

Fresenius Services, Europe

Goodwill recognised on the acquisition of Institut Fresenius AG (2004) has been allocated to a specific cross-business CGU for impairment testing purposes. The carrying amount of the goodwill allocated to this CGU is expressed in EUR for an equivalent of CHF 72 million as at 31 December 2007 (2006: CHF 69 million).

The recoverable amount of the CGU, determined based upon a value-in-use calculation, is higher than its carrying amount. Cash flow projections covering the next 10 years were used in this calculation, discounted at a pre-tax rate of 9.3%. The cash flows for the first 5 years were based upon financial plans approved by Group Management while the subsequent five years assume a conservative revenue growth of 1% and stable operating margins. The overall assumptions used in the calculation are consistent with the expected average growth rate of the Fresenius businesses in Europe.

The key sensitivity for the impairment test is the growth in sales and operating margin. Had an overall 1% growth in cash flows been used, the carrying amount would not have exceeded the recoverable amount.

An increase of 1% in the discount rate assumption would not change the conclusions of the impairment test.

Minerals Services, Americas

Goodwill recognised on the following acquisitions has been allocated to the Minerals Services, Americas CGU for impairment testing purposes: Lakefield group (2002) and Minnovex group (2005). The carrying amounts of the goodwill items allocated to this CGU are expressed in various currencies for an equivalent of CHF 64 million as at 31 December 2007 (2006: CHF 59 million).

The recoverable amount of the CGU, determined based upon a value-in-use calculation, is higher than its carrying amount. Cash flow projections covering the next 10 years were used in this calculation, discounted at a pre-tax rate of 10.8%. The cash flows for the first five years were based upon financial plans approved by Group Management while the subsequent five years assume a conservative revenue growth of 1% and stable operating margins. The overall assumptions used in the calculation are consistent with the expected average growth rate of the Minerals Services business.

The key sensitivity for the impairment test is the growth in sales and operating margin. Had an overall 1% growth in cash flows been used, the carrying amount would not have exceeded the recoverable amount.

An increase of 1% in the discount rate assumption would not change the conclusions of the impairment test.

Oil, Gas & Chemicals, North America

Goodwill recognised on the acquisition of Petroleum Services Corporation Inc. (2005) has been allocated to the Oil, Gas & Chemicals North America CGU for impairment testing purposes. The carrying amount of the goodwill allocated to this CGU is expressed in USD for an equivalent of CHF 37 million as at 31 December 2007 (2006: CHF 40 million).

The recoverable amount of the CGU, determined based upon a value-in-use calculation, is higher than its carrying amount. Cash flow projections covering the next 10 years were used in this calculation, discounted at a pre-tax rate of 8.4%. The cash flows for the first five years were based upon financial plans approved by Group Management while the subsequent five years assume a conservative revenue growth of 1% and stable operating margins. The overall assumptions used in the calculation are consistent with the expected average growth rate of the Oil, Gas & Chemicals Services business in North America.

The key sensitivity for the impairment test is the growth in sales and operating margin. Had an overall 1% growth in cash flows been used, the carrying amount would not have exceeded the recoverable amount.

An increase of 1% in the discount rate assumption would not change the conclusions of the impairment test.

13. OTHER INTANGIBLE ASSETS

(CHF million)	Trademarks and other	Customer relationships	Computer software and other assets Internally generated	Purchased	TOTAL
2007					
COST					
At 1 January	29	52	38	144	263
Additions	-	-	9	28	37
Acquisition of subsidiaries	(2)	10	-	-	8
Sale of subsidiaries	-	-	-	-	-
Disposals	-	-	-	(3)	(3)
Exchange differences	-	1	-	(2)	(1)
At 31 December	27	63	47	167	304
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 January	1	5	22	94	122
Amortisation	1	3	8	19	31
Impairment	-	-	-	-	-
Acquisition of subsidiaries	-	1	-	-	1
Sale of subsidiaries	-	-	-	-	-
Disposals	-	-	-	(2)	(2)
Exchange differences	-	-	-	(1)	(1)
At 31 December	2	9	30	110	151
NET BOOK VALUE AT 31 DECEMBER 2007	**25**	**54**	**17**	**57**	**153**

(CHF million)	Trademarks and other	Customer relationships	Computer software and other assets Internally generated	Purchased	TOTAL
2006					
COST					
At 1 January	5	36	31	118	190
Additions	-	-	7	29	36
Acquisition of subsidiaries	24	16	-	3	43
Sale of subsidiaries	-	-	-	(1)	(1)
Disposals	-	-	-	(2)	(2)
Exchange differences	-	-	-	(3)	(3)
At 31 December	29	52	38	144	263
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 January	-	2	12	76	90
Amortisation	1	3	8	19	31
Impairment	-	-	2	-	2
Acquisition of subsidiaries	-	-	-	2	2
Sale of subsidiaries	-	-	-	(1)	(1)
Disposals	-	-	-	(2)	(2)
Exchange differences	-	-	-	-	-
At 31 December	1	5	22	94	122
NET BOOK VALUE AT 31 DECEMBER 2006	**28**	**47**	**16**	**50**	**141**

Significant intangible assets

The Group has acquired during the year, as part of business combinations, a number of trademarks and customer relationship assets. For details please refer to notes 3 and 20.

The Group is implementing global management information systems focusing on contract management, finance and sales order processing. In particular, additions relating to the Group’s ERP system amount to CHF 6 million (2006: CHF 5 million) and are being amortised over a period of four years.

Incremental costs relating to internally generated assets are capitalised when incurred and amortised over a period of four years from the time of occurrence. Purchased intangible assets mainly consist of purchased computer software and consultancy services required for implementations.

14. OTHER NON-CURRENT ASSETS

(CHF million)	**2007**	2006
Non-current loans to third parties	1	1
Other non-current assets	38	37
TOTAL	**39**	**38**

Depending on nature of the loan, currency and date of maturity, interest rates on long-term loans to third parties range between 0% and 15%.

Other non-current assets consist mainly of deposits for guarantees and include CHF 2 million of restricted cash. Typical examples of restricted cash are cash deposits for performance bonds, rentals and other operating obligations.

At 31 December 2007 and 2006, the fair value of the Group's other non-current assets approximates the carrying value.

15. WORK-IN PROGRESS AND INVENTORIES

(CHF million)	**2007**	2006
Work-in-progress	23	19
Unbilled revenues	149	134
Inventories	34	27
TOTAL	**206**	**180**

16. TRADE ACCOUNTS AND NOTES RECEIVABLE

(CHF million)	**2007**	2006
Trade accounts and notes receivable	1 267	1 158
Allowance for doubtful accounts	(400)	(396)
TOTAL	**867**	**762**
Relating to GIS	38	33
Ageing of trade accounts and notes receivable not impaired:		
Not overdue	421	352
Past due not more than two months	307	273
Past due more than two months but not more than four months	68	69
Past due more than four months but not more than six months	37	36
Past due more than six months but not more than one year	34	32
TOTAL	**867**	**762**

Credit risks arise mainly from the possibility that its customers may not be able to settle their obligations as agreed. The Group assesses periodically the creditworthiness of customers.

The Group's credit risk is diversified due to the large number of entities that make up the Group's customer base and the diversification across many different industries and geographic regions.

The maximum credit risk to which the Group is theoretically exposed at 31 December, 2007 is represented by the carrying amounts of receivables in the balance sheet.

No customer accounts for 5% or more of the Group's total net sales.

The nominal value less impairment provisions of trade accounts and notes receivable are assumed to approximate their fair value.

Total receivables, net of allowance for doubtful accounts, from Governments & Institutions Services (GIS) clients are disclosed separately in the above table due to their specific risk profile. In 2001, CHF 177 million of accounts receivable balances on terminated GIS contracts were recorded in the balance sheet at zero and the adjustment charged as an exceptional item in the income statement. The recoveries of these receivables have been and will continue to be reported separately as "recoveries on pre-2002 terminated contracts". During the current year no such receivables have been collected (2006: nil).

The movement of allowance for doubtful accounts is analysed as follows:

(CHF million)	**2007**	2006
Balance at beginning of the year	(396)	(400)
Increase in allowance recognised in profit and loss	(17)	(11)
Utilisations	13	14
Exchange differences	-	1
TOTAL	**(400)**	**(396)**

Receivables aged less than 360 days are provided when the credit worthiness review indicates that the amounts may have become unrecoverable.

The Group provides fully for all receivables over 360 days as historical experience shows that receivables aged more than 360 days are generally not recoverable.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Accordingly, management believes that there is no further credit provision required in excess of the allowance for doubtful debts.

17. OTHER RECEIVABLES AND PREPAYMENTS

(CHF million)	**2007**	2006
Prepayments and deposits	50	49
Derivative assets	7	3
Other receivables	127	130
TOTAL	**184**	**182**

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties.

18. MARKETABLE SECURITIES

(CHF million)	**2007**	2006
Available for sale	9	9
TOTAL	**9**	**9**

Unrealised gains or losses on marketable securities designated as available for sale and which are recorded in equity amounted to nil for 2007 (2006: gain CHF 0.3 million).

19. CASH AND CASH EQUIVALENTS

(CHF million)	**2007**	2006
Cash and short-term deposits	427	230
Short-term loans	2	-
TOTAL	**429**	**230**

Cash and cash equivalents do not include restricted cash, which is reported within other non-current assets.

20. ACQUISITIONS AND DIVESTMENTS OF BUSINESSES

20.1 CASH FLOWS ARISING FROM ACQUISITIONS AND DIVESTMENTS OF BUSINESSES

(CHF million)	**2007** *Aquisitions*	**2007** *Divestments*
Tangible and intangible assets	(18)	-
Current assets excluding cash and cash equivalents	(13)	-
Cash and cash equivalents	(5)	-
Current liabilities	9	-
Non-current liabilities	3	-
NET IDENTIFIABLE ASSETS ACQUIRED OR DIVESTED	**(24)**	**-**
Acquired/divested cash and cash equivalents	5	-
SUB TOTAL	**(19)**	**-**
Goodwill	(56)	-
Divestments gain	-	1
Consideration payable	3	-
NET CASH FLOWS	**(72)**	**1**

Note 3 provides further information regarding acquisitions and divestments of businesses. All acquisitions were settled in cash.

20.2 ASSETS AND LIABILITIES ARISING FROM THE 2007 ACQUISITIONS

(CHF million)	*FTS* Book value	*FTS* Fair value adjustments	*FTS* Fair value on aquisition	*Other* Book value	*Other* Fair value adjustments	*Other* Fair value on aquisition
Tangible and intangible assets	2	6	8	8	2	10
Current assets excluding cash and cash equivalents	9	-	9	4	-	4
Cash and cash equivalents	-	-	-	5	-	5
Current liabilities	(3)	-	(3)	(6)	-	(6)
Non-current liabilities	-	-	-	(3)	-	(3)
NET ASSETS ACQUIRED	**8**	**6**	**14**	**8**	**2**	**10**
Goodwill			32			24
TOTAL PURCHASE PRICE			**46**			**34**
Acquired cash and cash equivalents			-			(5)
Consideration payable			-			(3)
NET CASH OUTFLOW ON ACQUISITIONS			**46**			**26**

(CHF million)	**TOTAL** *Book value*	**TOTAL** *Fair value adjustments*	**TOTAL** *Fair value on aquisition*
Tangible and intangible assets	10	8	18
Current assets excluding cash and cash equivalents	13	-	13
Cash and cash equivalents	5	-	5
Current liabilities	(9)	-	(9)
Non-current liabilities	(3)	-	(3)
NET ASSETS ACQUIRED	**16**	**8**	**24**
Goodwill			56
TOTAL PURCHASE PRICE			**80**
Acquired cash and cash equivalents			(5)
Consideration payable			(3)
NET CASH OUTFLOW ON ACQUISITIONS			**72**

The goodwill arising on these acquisitions relates to the value of anticipated synergies, future profits and the value of the qualified workforce that do not meet the criteria for recognition as separable intangible assets.

Due to the timing of the transaction, the initial accounting for the aquisition of FTS has only been provisionally determined at the balance sheet date.

21. FINANCIAL RISK MANAGEMENT

Risk management policies and objectives

The Group's activities expose it primarily to market, credit and liquidity risk. Market risk includes foreign exchange, interest rate and equity price risks.

The risk management policies and objectives are governed by the Group's policies approved by the Board of Directors.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls and to monitor the risk and limits continually by means of reliable and up-to-date administrative and information systems.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies. The Audit Committee is assisted in its oversight role by Internal Audit.

Risk management activities

The Group uses three types of foreign exchange contracts: fair value, cash flow and net investments in foreign operations to manage the Group's exposure to fluctuations in foreign currency exchange rates. These activities are carried out in accordance with the Group's risk management policies and objectives in areas such as counterparty exposure and hedging practices. Counterparties to these agreements are major international financial institutions with high credit ratings and positions are monitored using market value and sensitivity analyses. The associated credit risk is therefore limited. These agreements generally include the exchange of one currency for a second currency at a future date.

The following table summarises foreign exchange contracts outstanding at year-end. The notional amount of derivatives summarised below represents the gross amount of the contracts and includes transactions which have not yet matured. Therefore the figures do not reflect the Group's net exposure at year-end. The market value approximates the costs to settle the outstanding contracts. These market values should not be viewed in isolation but in relation to the market values of the underlying hedged transactions and the overall reduction in the Group's exposure to adverse fluctuations in foreign exchange rates.

The group has limited exposure to interest risk and no exposure to equity price risks.

	Notional amount		*Book value*		*Market value*	
(CHF million)	**2007**	2006	**2007**	2006	**2007**	2006
FOREIGN EXCHANGE FORWARD CONTRACTS						
Currency:						
Australian Dollar (AUD)	(21)	15	-	-	-	-
Canadian Dollar (CAD)	(49)	43	(1)	-	(2)	-
European Union Euro (EUR)	187	(53)	2	2	2	2
British Pounds Sterling (GBP)	7	5	-	-	-	-
Hong Kong Dollar (HKD)	13	-	-	-	-	-
Japanese Yen (JPY)	(16)	21	-	1	-	1
Korean Won (KRW)	3	31	-	-	-	-
New Zealand Dollar (NZD)	(2)	2	-	-	-	-
Taiwanese Dollar (TWD)	(7)	5	-	-	-	-
US Dollar (USD)	(63)	(45)	-	-	-	-
South African Rand (ZAR)	(6)	3	-	-	-	-
Other	11	17	-	-	-	-
TOTAL	**57**	**44**	**1**	**3**	**-**	**3**

Credit risk management

Credit risks arise from the possibility that customers may not be able to settle their obligations as agreed. It arises principally from the Group's commercial activities. The Group has dedicated standards, policies and procedures to control and monitor such risks.

As part of financial management activities the Group is entering into various types of transactions with international banks, usually with a credit rating of at least A. Exposure to these risks is closely monitored and kept within predetermined parameters. The Group does not expect any non-performance by these counterparties.

The maximum credit risk to which the Group is theoretically exposed at 31 December 2007 is the carrying amount of financial assets including derivatives.

Analysis of financial assets by classes and category at 31 December 2007:

	Amortised cost		*Fair value*					
	Loans and receivables		*Available for sale*		*At fair value through P&L*		**TOTAL**	
(CHF million)	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*
Cash and cash equivalents	427	427	-	-	-	-	427	427
Trade receivables	867	867	-	-	-	-	867	867
Unbilled revenues	149	149	-	-	-	-	149	149
Loans to 3rd party – current	2	2	-	-	-	-	2	2
Loans to 3rd party – non-current	1	1	-	-	-	-	1	1
Marketable securities	-	-	9	9	-	-	9	9
Derivatives	-	-	-	-	7	7	7	7
TOTAL FINANCIAL ASSETS	**1 446**	**1 446**	**9**	**9**	**7**	**7**	**1 462**	**1 462**

Analysis of financial assets by classes and category at 31 December 2006:

	Amortised cost		*Fair value*					
	Loans and receivables		*Available for sale*		*At fair value through P&L*		**TOTAL**	
(CHF million)	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*
Cash and cash equivalents	230	230	-	-	-	-	230	230
Trade receivables	762	762	-	-	-	-	762	762
Unbilled revenues	134	134	-	-	-	-	134	134
Loans to 3rd party – current	1	1	-	-	-	-	1	1
Loans to 3rd party – non-current	1	1	-	-	-	-	1	1
Marketable securities	-	-	9	9	-	-	9	9
Derivatives	-	-	-	-	3	3	3	3
TOTAL FINANCIAL ASSETS	**1 128**	**1 128**	**9**	**9**	**3**	**3**	**1 140**	**1 140**

Liquidity risk management

The objective of the Group liquidity and funding management is to ensure that all its foreseeable financial commitments can be met when due. Liquidity and funding is primarily managed by Group Treasury in accordance with practices and limits set in the risk management policies and objectives approved by the Board of Directors.

The nature of the Group's business requires keeping a significant part of the cash reserves in the operating units.

Due to the significant cash position the liquidity risk is limited and the Group has arranged a sufficient amount of uncommitted bilateral credit facilities with its banks.

Analysis of financial liabilities by classes and category at 31 December 2007:

	Amortised cost Other liabilities		*Fair value At fair value through P&L*		**TOTAL**	
(CHF million)	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*
Trade payables	213	213	-	-	213	213
Other payables	109	109	-	-	109	109
Advances from clients	32	32	-	-	32	32
Loans and obligations under finance leases	54	54	-	-	54	54
Derivatives	-	-	6	6	6	6
Bank overdrafts	6	6	-	-	6	6
TOTAL FINANCIAL LIABILITIES	**414**	**414**	**6**	**6**	**420**	**420**

Analysis of financial liabilities by classes and category at 31 December 2006:

	Amortised cost Other liabilities		*Fair value At fair value through P&L*		**TOTAL**	
(CHF million)	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*
Trade payables	181	181	-	-	181	181
Other payables	104	104	-	-	104	104
Advances from clients	20	20	-	-	20	20
Loans and obligations under finance leases	20	20	-	-	20	20
Derivatives	-	-	1	1	1	1
Bank overdrafts	4	4	-	-	4	4
TOTAL FINANCIAL LIABILITIES	**329**	**329**	**1**	**1**	**330**	**330**

Contractual maturities of financial liabilities including interest payments at 31 December 2007:

(CHF million)	*Borrowings 3rd party LT and ST*	*Bank overdrafts and other LT liabilities*	*Foreign exchange contracts*	*Trade payables and other*	*Finance leases*	**TOTAL CONTRACTUAL MATURITIES**
On demand or within one year	36	10	129	331	2	**508**
Within the second year	3	2	-	1	1	**7**
Within the third year	15	-	-	-	1	**16**
Within the fourth year	1	-	-	-	-	**1**
Within the fifth year	1	-	-	-	-	**1**
After five years	1	-	-	-	-	**1**

Since the Group hedges their net foreign exchange exposure, the CHF 129 million (2006: CHF 16 million) represents the net nominal value expressed in CHF of the Group's foreign contracts outstanding at 31 December 2007.

Contractual maturities of financial liabilities including interest payments at 31 December 2006:

(CHF million)	*Borrowings 3rd party LT and ST*	*Bank overdrafts and other LT liabilities*	*Foreign exchange contracts*	*Trade payables and other*	*Finance leases*	**TOTAL CONTRACTUAL MATURITIES**
On demand or within one year	11	6	16	285	3	**321**
Within the second year	1	1	-	1	2	**5**
Within the third year	-	-	-	-	1	**1**
Within the fourth year	-	-	-	-	1	**1**
Within the fifth year	-	-	-	-	-	**-**
After five years	1	2	-	-	-	**3**

Sensitivity analyses

The estimated changes in the value of net foreign currency positions are based on an instantaneous 5% weakening of the Swiss Franc against all other currencies from the level applicable at 31 December 2007 and 2006, with all other variables remaining constant.

Sensitivity analysis at 31 December 2007 and 2006:

	2007		2006	
(CHF million)	*Profit and loss impact income / (expense)*	*Equity impact increase / (decrease)*	*Profit and loss impact income / (expense)*	*Equity impact increase / (decrease)*
US Dollar (USD)	-	8	4	5
European Union Euro (EUR)	1	1	1	1
Chinese Yuan Ren-Min-Bi (CNY)	-	-	(1)	-
British Pounds Sterling (GBP)	-	2	-	2
Australian Dollar (AUD)	-	2	-	2
Canadian Dollar (CAD)	-	2	-	2
Korean Won (KRW)	-	2	-	2
Chilean Peso (CLP)	-	1	-	1

22. SHARE CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves:

(CHF million)	Share capital	Treasury shares	Capital reserve	Cumulative translation adjustments	Retained earnings and Group reserves	Attributable to: Equity holders of SGS SA	Minority interests	Total equity
BALANCE AT 1 JANUARY 2006	**156**	**(90)**	**20**	**(98)**	**1 451**	**1 439**	**36**	**1 475**
Total recognised income and expense for the year	-	-	-	(13)	462	449	23	472
Share-based payments	-	-	13	-	-	13	-	13
Treasury shares	-	30	-	-	15	45	-	45
Share capital reduction	(148)	-	-	-	-	(148)	-	(148)
Dividends paid	-	-	-	-	(236)	(236) [1]	(29)	(265)
BALANCE AT 31 DECEMBER 2006	**8**	**(60)**	**33**	**(111)**	**1 692**	**1 562**	**30**	**1 592**
Total recognised income and expense for the year	-	-	-	(7)	565	558	19	577
Share-based payments	-	-	12	-	-	12	-	12
Treasury shares	-	(8)	-	-	-	(8)	-	(8)
Dividends paid	-	-	-	-	(153)	(153) [1]	(13)	(166)
BALANCE AT 31 DECEMBER 2007	**8**	**(68)**	**45**	**(118)**	**2 104**	**1 971**	**36**	**2 007**

1. The amounts available for dividends are based on the SGS SA's unconsolidated shareholders' equity determined in accordance with the legal provisions of the Swiss Code of Obligations.

	Registered shares CHF 1 Nominal value Number of shares			
	In circulation	Treasury shares	Total issued	Total share capital (CHF million)
BALANCE AT 1 JANUARY 2006	**7 505 463**	**316 973**	**7 822 436**	**156**
Share capital reduction	-	-	-	(148)
Treasury shares released in circulation	120 550	(120 550)	-	-
Treasury shares purchased	(6 600)	6 600	-	-
BALANCE AT 31 DECEMBER 2006	**7 619 413**	**203 023**	**7 822 436**	**8**
Treasury shares released in circulation	29 541	(29 541)	-	-
Treasury shares purchased	(19 986)	19 986	-	-
BALANCE AT 31 DECEMBER 2007	**7 628 968**	**193 468**	**7 822 436**	**8**

Issued share capital

SGS SA has a share capital of CHF 7 822 436 (2006: CHF 7 822 436) fully paid in and divided into 7 822 436 (2006: 7 822 436) registered shares of a par value of CHF 1. All shares, other than own shares, participate equally in the dividends declared by the Company and have equal voting rights.

Treasury shares

On 31 December 2007, SGS SA held, directly or indirectly, 113 490 treasury shares. In addition, in the consolidated financial statements, SGS SA also recognises, as treasury shares, 79 978 shares held by the Foundation (Fondation pour l'Intéressement du Personnel au Développement du Groupe SGS).

In 2007, 29 541 treasury shares were released to cover option rights. During the year, 19 986 treasury shares have been purchased for an average price of CHF 1 357.

Authorised and Conditional issue of share capital

The Board has the authority to increase the share capital of the Company by a maximum of 500 000 registered shares of a par value of CHF 1 each corresponding to a maximum increase of CHF 500 000 in share capital. The Board is mandated to issue the new shares at the market conditions at the time of issue. In the event that the new shares are issued for an acquisition, the Board is authorised to waive the shareholders' preferential right of subscription or to allocate such subscription right to third parties. The authority delegated by the shareholders to the Board of Directors to increase the share capital is valid until 18 March 2009.

The shareholders have conditionally approved an increase of share capital in the amount of CHF 1 100 000 divided into 1 100 000 registered shares of a par value of CHF 1 each. This conditional share capital increase is intended to procure the necessary shares to satisfy employee share option plans and option or conversion rights to be incorporated in convertible bonds or similar equity-linked instruments that the Board is authorised to issue. The right to subscribe to such conditional capital is reserved for beneficiaries of employee share option plans and holders of convertible bonds or similar debt instruments and therefore excludes shareholders' preferential rights of subscription. The Board is authorised to determine the timing and conditions of such issues, provided that they reflect prevailing market conditions. The term of exercise of the options or conversion rights may not exceed 10 years from the date of issuance of the equity-linked instruments.

23. LOANS AND OBLIGATIONS UNDER FINANCE LEASES

(CHF million)	**2007**	2006
Bank overdrafts	6	4
Bank loans	50	14
Finance lease obligations	4	6
TOTAL	**60**	**24**
Current	40	17
Non-current	20	7

Depending on the nature of the loan, currency and date of maturity, interest rates on long-term loans from third parties range between 0% and 21% and on short-term loans from third parties range between 0% and 17%.

The loans from third parties exposed to fair value interest rate risk amount to CHF 45 million (2006: CHF 13 million) and the loans from third parties exposed to cash flow interest rate risk amount to CHF 17 million (2006: CHF 5 million).

Loans and finance lease obligations mature as follows:

(CHF million)	Loans and overdrafts 2007	2006	Lease obligations 2007	2006
On demand or within one year	38	13	2	2
Within the second year	3	2	1	2
Within the third year	13	1	1	1
Within the fourth year	-	1	-	1
Within the fifth year	1	-	-	-
After five years	1	1	-	-
TOTAL	**56**	**18**	**4**	**6**

The currency composition of loans and finance lease obligations is as follows:

(CHF million)	Loans and overdrafts 2007	2006	Lease obligations 2007	2006
European Union Euro (EUR)	7	4	3	4
US Dollar (USD)	9	5	-	-
Indian Rupee (INR)	15	5	-	-
Colombian Peso (COP)	-	1	-	-
Madagascar Area Spot (MGA)	13	-	-	-
Malaysian Ringgit (MYR)	4	-	-	-
Brazilian Real (BRL)	2	-	-	-
Guinean Franc (GNF)	2	-	-	-
Other	4	3	1	2
TOTAL	**56**	**18**	**4**	**6**

24. RETIREMENT BENEFIT OBLIGATIONS

The main defined benefit pension plans within the Group are in Switzerland, USA, UK, Netherlands, Germany, Italy, France and Taiwan. Contributions to most plans are paid to pension funds that are legally separate entities. Other post employment benefit plans are principally healthcare plans in the USA.

Reconciliation of assets and liabilities recognised in the balance sheet at 31 December for defined benefit pension and other plans:

	Pension plans		*Other plans*	
(CHF million)	**2007**	2006	**2007**	2006
Present value of funded obligations	746	827	-	-
Fair value of plan assets	(734)	(712)	-	-
NET FUNDED STATUS	**12**	**115**	**-**	**-**
Present value of unfunded obligations	55	59	12	14
Past service cost not yet recognised	(1)	(1)	-	-
NET LIABILITY	**66**	**173**	**12**	**14**

Amounts recorded in the income statement:

	Pension plans		*Other plans*	
(CHF million)	**2007**	2006	**2007**	2006
Current service cost	14	15	-	-
Interest cost	39	37	1	1
Expected return on plan assets	(46)	(42)	-	-
Past service cost	6	-	-	-
TOTAL INCLUDED IN SALARIES AND WAGES	**13**	**10**	**1**	**1**

Amounts recorded in the statement of recognised income and expense:

(CHF million)	Pension plans 2007	2006	Other plans 2007	2006
Cumulative amount of losses at the beginning of the period	160	186	14	19
Net actuarial gains recognised in the year	(75)	(23)	(1)	(3)
Exchange differences	(7)	(3)	-	(2)
CUMULATIVE AMOUNT OF LOSSES AT THE END OF THE PERIOD	**78**	**160**	**13**	**14**

There are no adjustments arising from the limit in paragraph 58(b) of IAS 19.

Movements in the net liability during the period:

(CHF million)	Pension plans 2007	2006	Other plans 2007	2006
NET LIABILITY AT 1 JANUARY	173	219	14	18
Exchange differences	(3)	(2)	(2)	(2)
Expense recognised in the income statement	13	10	1	1
Contributions paid by the Group	(43)	(31)	-	-
Liabilities assumed in a business combination	1	-	-	-
Net actuarial gains recognised in the period	(75)	(23)	(1)	(3)
NET LIABILITY AT 31 DECEMBER	**66**	**173**	**12**	**14**

Change in the defined benefit obligation is as follows:

(CHF million)	Pension plans 2007	2006	Other plans 2007	2006
Opening present value of the defined benefit obligation	886	881	14	18
Current service cost	14	15	-	-
Interest cost	39	37	1	1
Plan participants' contributions	6	6	2	2
Actuarial gains	(80)	(10)	(1)	(3)
Past service cost	6	-	-	-
Liabilities assumed in a business combination	1	-	-	-
Exchange differences	(27)	(3)	(2)	(2)
Benefits paid	(44)	(40)	(2)	(2)
NET LIABILITY AT 31 DECEMBER	**801**	**886**	**12**	**14**

Change in fair value of plan assets is as follows:

(CHF million)	Pension plans 2007	2006	Other plans 2007	2006
Opening fair value of plan assets	712	661	-	-
Expected return	46	42	-	-
Actuarial (losses) / gains	(5)	13	-	-
Plan participants contributions	6	6	-	-
Employer contributions	43	32	-	-
Exchange differences on foreign plans	(24)	(2)	-	-
Benefits paid	(44)	(40)	-	-
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	**734**	**712**	**-**	**-**
Actual return on plan assets	41	55	-	-

There are no reimbursement rights included in plan assets.

The major categories of plan assets as a percentage of total plan assets are as follows:

Weighted average %	Pension plans 2007	2006	Other plans 2007	2006
Equity securities	36.6	36.8	-	-
Debt securities	23.9	28.1	-	-
Property	12.1	11.0	-	-
Other	27.4	24.1	-	-
TOTAL	**100.0**	**100.0**	**-**	**-**

The “Other” assets consist mainly of cash and cash equivalents and assets related to insurance contracts.

SGS occupies property that is included in the Plan assets with a fair value of CHF 2 million (2006: CHF 2 million). The property is rented at fair market rental rates. There are no SGS SA shares included in plan assets.

The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and portfolio weighting, and future estimates of long-term investment returns.

Actuarial assumptions vary according to local prevailing economic and social conditions. The principal weighted average actuarial assumptions used in determining the cost of benefits for both 2007 and 2006 are as follows:

	Pension plans		Other plans	
Weighted average %	**2007**	2006	**2007**	2006
Discount rate	5.2	4.5	6.3	5.8
Return on assets	6.5	6.5	-	-
Salary progression rate	3.5	3.5	-	-
Future pension increases	1.3	1.4	-	-
Healthcare cost trend assumed for the next year	-	-	8.0	8.5
Ultimate trend rate	-	-	5.0	5.0
Year that the rate reaches the ultimate trend rate	-	-	2014	2014

Assumed healthcare cost trend rates do not have a significant effect on the amounts recognised in the income statement.

Funded status of the pension plans for the current and previous periods are as follows:

(CHF million)	**2007**	2006	2005	2004
Defined benefit obligation	801	886	881	732
Plan assets	(734)	(712)	(661)	(577)
Deficit	67	174	220	155
Experience (gains) / losses on plan liabilities	5	5	15	(9)
Experience (gains) / losses on plan assets	5	(13)	23	2

Funded status of other plans for the current and previous periods are as follows:

(CHF million)	**2007**	2006	2005	2004
Defined benefit obligation	12	14	18	18
Plan assets	-	-	-	-
Deficit	12	14	18	18
Experience (gains) / losses on plan liabilities	(1)	(3)	3	-

The amount recognised as an expense in respect of defined contribution plans during 2007 was CHF 28 million (2006: CHF 21 million).

The Group expects to contribute approximately CHF 44 million to its defined benefit plans in 2008.

25. PROVISIONS

(CHF million)	*Legal and warranty claims on services rendered*	*Demobilisation and reorganisation*	*Other provisions*	**TOTAL**
AT 1 JANUARY 2007	**72**	**45**	**14**	**131**
Charge to income statement	24	39	-	63
Release to income statement	(12)	(6)	-	(18)
Payments	(13)	(33)	(3)	(49)
Exchange differences	(3)	(1)	-	(4)
AT 31 DECEMBER 2007	**68**	**44**	**11**	**123**

Analysed as:	**2007**	2006
Current liabilities	25	32
Non-current liabilities	98	99
	123	**131**

A number of Group companies are subject to litigation and other claims arising out of the normal conduct of their business that can be best viewed as claims on services rendered. The claim provision represents the sum of estimates of amounts payable on identified claims and of losses incurred but not yet reported. They therefore reflect estimates of the future payments required to settle both reported and unreported claims.

The process of estimation is complex, dealing with uncertainty, requiring the use of informed estimates, actuarial assessment, and the judgement of management. Any changes in these estimates are reflected in the income statement in the period in which the estimates change.

The timing of cash outflows from pending litigation and claims is uncertain since it depends, in the majority of cases, on the outcome of administrative and legal proceedings. The Group does not discount its provisions, as the timing of the cash outflows cannot be reasonably and reliably determined.

In the opinion of management, based on all currently available information, the provisions adequately reflect exposure to legal and warranty claims on services rendered. The ultimate outcome of these matters is not expected to materially affect the Group's financial position, results of operations or cash flows.

For specific long-term contracts with two to five years duration, the Group is required to dismantle infrastructure and dismiss personnel on the termination of the contract. These demobilisation costs are provided for during the life of the contract.

Experience has shown that these contracts may be either extended or terminated earlier than expected. The timing of these demobilisation outflows is difficult to assess. The amounts are therefore not discounted. In some jurisdictions, there is a legal obligation to make a termination payment to employees upon leaving the Group. These obligations are included under other provisions.

26. TRADE AND OTHER PAYABLES

(CHF million)	**2007**	2006
Trade payables	213	181
Other payables	109	104
Other financial liabilities	130	117
TOTAL	**452**	**402**

Trade accounts and other payables principally comprise amounts outstanding for trade purchases and ongoing operating costs. At 31 December 2007 and 2006 the fair value of the Group's trade accounts and other payables approximates the carrying value.

27. OTHER CREDITORS AND ACCRUALS

(CHF million)	**2007**	2006
Accrued expenses	391	330
Advance billings	51	31
Advances from clients	32	20
Derivative liabilities	6	1
TOTAL	**480**	**382**

At 31 December 2007 and 2006 the fair value of the Group's other creditors and accruals approximates the carrying value.

28. CONTINGENT LIABILITIES

In the normal course of business, the Group and its subsidiaries are parties to various lawsuits and claims. Management does not expect that the outcome of any of these legal proceedings will have a material adverse effect on the Group's financial position, results of operations or cash flows.

29. GUARANTEES

(CHF million)	**2007** *issued*	2006 *issued*
Guarantees	117	174
Performance bonds	73	41
TOTAL	**190**	**215**

The Group has issued unconditional guarantees to certain financial institutions that have provided credit facilities (loans and guarantee bonds) to its subsidiaries. In addition, it has issued performance bonds and bid bonds to commercial customers on behalf of its subsidiaries. Management believes the likelihood that a material payment will be required under these guarantees is remote.

30. OPERATING LEASES

Operating lease rentals are payable as follows:

(CHF million)	**2007**	2006
Less than one year	56	49
Between one and five years	103	92
More than five years	13	19
TOTAL	**172**	**160**

Provisions for onerous lease contracts as at 31 December 2007 amounted to CHF 2 million (2006: CHF 3 million). These provisions are reflected in note 25.

31. EQUITY COMPENSATION PLANS

31.1 SHARE OPTION PLANS

Selected directors and employees of the SGS Group are entitled to participate each year in a share option plan. The benefits consist of the right to buy SGS SA shares (accounted for as equity-settled share based payment transactions) at a predetermined fixed price through a traded option plan.

i) Grants to senior management and directors

A total of 947 160 options granting the right to acquire shares of SGS SA at a strike price of CHF 1 308 (100 options give the right to acquire one share and each option expires in January 2012 (these options hereinafter referred to as SGSFS)) were granted to the members of the Operations Council and the Board of Directors in 2007. One-third of these options vest or have vested in each of the years 2007, 2009 and 2010 and can be exercised or sold between 2010 and 2012. At the date of grant, these options had an aggregate value (calculated on the basis required for Swiss tax reporting purposes) of CHF 1 648 058. The estimated fair value of the options granted is CHF 2 869 895.

ii) Grants to other employees

In 2007, an additional 1 941 700 SGSFS options were granted to employees, other than members of the Operations Council and the Board of Directors. One-third of these options vest or have vested in each of the years 2007, 2009 and 2010 and can be exercised or sold between 2010 and 2012. At the date of grant, these options had an aggregate value (calculated on the basis required for Swiss tax reporting purposes) of CHF 3 378 558. The estimated fair value of the options granted is CHF 5 883 351.

iii) Long-Term Incentive Plan (LTI)

The company has granted 270 000 options of the discretionary Long-Term Incentive Plan (SGSGF-LTI) to a selected number of senior executives of the Group. The options will vest in January 2009 if a minimum target of CHF 80 earnings per share (before exceptional items) is reached by end 2008 or, following a modification in 2008, end 2009 (vesting date January 2010) with a corresponding tiered benefit structure as follows: 60% of the baseline 2006 granted options will vest if the Group reaches a target of CHF 80; for each CHF 1 increase over CHF 80 earnings per share an additional 10% baseline benefit will vest with 100% vesting upon reaching CHF 84 earnings per share and the employee is still employed by or rendering services to the Group on the date of vesting and at the date of grant.

These options had an aggregate value (calculated on the basis required for Swiss tax reporting purposes) of CHF 364 500. The estimated fair value of the options granted is CHF 648 000. In 2007 no Long-Term Incentive Plan (LTI) options were issued.

Description	*Exercise period from*	*to*	*Strike price*	*Options outstanding at 31 December 2006*	*Granted*	*Cancelled*	*Exercised or adjusted*	*Options outstanding at 31 December 2007*
SGSGO-LTI Plan	Jan-06	Jan-08	416.00	1 469 141	-	-	(679 814)	789 327
SGSUP-Ordinarily issued	Jan-07	Jan-09	721.45	4 909 622	-	(5 334)	(2 596 430)	2 307 858
SGSMU-Ordinarily issued	Jan-08	Jan-10	746.02	4 762 504	-	(38 687)	-	4 723 817
SGSGF-Ordinarily issued	Jan-09	Jan-11	1 015.34	3 647 860	-	(53 341)	-	3 594 519
SGSGF-LTI Plan	Jan-09	Jan-11	1 015.34	6 516 300	270 000	(1 200 000)	-	5 586 300
SGSFS-Ordinarily issued	Jan-10	Jan-12	1 308.00	-	2 888 860	(30 227)	-	2 858 633
TOTAL				**21 305 427**	**3 158 860**	**(1 327 589)**	**(3 276 244)**	**19 860 454**
Of which exercisable at 31 December				1 469 141				3 097 185

The fair value of share options granted during the year is based on their market value at grant date. All options are publicly traded. The exercise dates are not known to the company. Correspondingly, the weighted average share price at the date of exercise cannot be calculated.

The Group recognised during the year total expenses of CHF 12 million (2006: CHF 13 million) in relation with equity-settled sharebased payments.

Shares available for future option plans:

	TOTAL
AT 1 JANUARY 2006	**82 038**
Repurchased shares and cash settled to employees (equity purchase plan)	544
Partial repurchases	6 600
Options granted (SGSGF Plan)	(100 118)
Options cancelled	2 812
Additional shares required due to strike price adjustments	(3 379)
AT 31 DECEMBER 2006	**(11 503)**
Repurchased shares	19 986
Options granted (SGSFS Plan)	(28 587)
Options cancelled	11 878
AT 31 DECEMBER 2007	**(8 226)**

At 31 December 2007, the Group had the following shares available to satisfy the option and share purchase plan programmes:

	2007	2006
Number of unallocated shares held	191 994	201 549
Shares held for 2003 and prior option plans	(7 893)	(14 692)
Shares held for 2004 option plans	(26 416)	(49 098)
Shares held for 2005 option plans	(47 304)	(47 626)
Shares held for 2006 option plans	(90 020)	(101 636)
Shares held for 2007 option plans	(28 587)	-
SHARES (REQUIRED)/AVAILABLE FOR FUTURE OPTION PLANS AT 31 DECEMBER 2007	**(8 226)**	**(11 503)**

The Group has entered into agreements with various banks, whereby the Group has an obligation to offer to sell to the banks the shares underlying the option programme at the relevant strike price whenever these shares become unblocked. The banks are not obliged to purchase these shares.

32. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in the note.

Compensation to directors and key members of management

The remuneration of Directors and key members of management during the year was as follows:

(CHF million)	**2007**	2006
Short-term benefits	13	16
Post-employment benefits	1	1
Share-based payments	4	15
Termination benefits	1	6
TOTAL	**19**	**38**

The remuneration of directors and key members of management is determined by the Nomination and Remuneration Committee. Additional information is disclosed under the Directors' report on Corporate Governance in this report (pages 58 to 77).

During 2007 and 2006, no member of the Board of Directors or of the Operations Council had a personal interest in any business transactions of the Group.

These related parties participate in the share option plans and employee share purchase plan as disclosed in note 31.

The above mentioned 2006 share-based payments include CHF 10.8 million related to the Long-Term Incentive Plan (SGSGF-LTI).

The share-based payments are valued at their fair value in the year of grant. Director's fees relating to 2007 were CHF 1 390 000 (2006: CHF 1 476 000). For the Operations Council, including the Chief Executive Officer, the total cash compensation paid and accrued for the year 2007 was CHF 12 146 000 (2006: CHF 14 093 000).

Disclosure of compensation paid to the board of directors and senior management as required by Swiss law is presented in the notes to the accounts of SGS SA on pages 145 to 151 of this report.

Loans to members of governing bodies

As at 31 December 2007, the company had outstanding loans of CHF 84 538 (2006: CHF nil) to members of the Operations Council.

Transactions with other related parties

During the year, the Group performed inspection, verification, testing and certification services for other related parties on normal commercial terms generating total revenues of CHF 8.6 million. Related trade receivable balances unpaid as at 31 December 2007 amounted to CHF 3.0 million. No expense was incurred in 2007 in respect of any bad or doubtful debts due from these related parties.

33. SIGNIFICANT SHAREHOLDERS

As at 31 December 2007, Mr. August von Finck and members of his family acting in concert held 23.7% (2006: 23.7%) of the share capital and voting rights of the Company. IFIL Investissements SA held 15.0% (2006: 13.2%), Allianz SE held 7.4% and FMR Corp held 5.57% of the share capital and voting rights of the Company.

34. APPROVAL OF FINANCIAL STATEMENTS AND SUBSEQUENT EVENTS

The Board of Directors is responsible for the preparation and presentation of the financial statements. These financial statements were authorised for issue by the Board of Directors on 15 January 2008, and will be submitted for approval by the shareholders' Annual General Meeting to be held on 17 March 2008.

In January 2008 the Group entered into a definitive agreement to acquire 100% of the issued share capital of Alvey Group, a leading independant provider of comprehensive field research services and GPS soil sampling and testing services to the USA agricultural market, generating annual revenues in excess of CHF 7.8 million.

REPORT OF THE SGS GROUP AUDITORS TO THE GENERAL MEETING OF SGS SA

Deloitte.

To the General Meeting of SGS SA, Geneva

As Group auditors, we have audited the consolidated financial statements (consolidated balance sheet, income statement, statement of recognised income and expense, statement of cash flows and notes) of the SGS Group presented on pages 78 to 136, for the year ended December 31, 2007.

These consolidated financial statements are the responsibility of the Board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the SGS Group, the results of its operations and its cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

DELOITTE SA

P. B. Quigley   L A Watson

Peter Quigley   Lisa Watson

Auditor in charge

Geneva, 15 January 2008

SGS
SA RESULTS

INCOME STATEMENT

for the years ended 31 December

(CHF million)	**2007**	2006
INCOME		
Dividends from subsidiaries	236	223
Interest income	41	30
Other income	1	1
Other financial income	0	0
Liquidation of subsidiaries, net	0	0
Exchange gain, net	1	-
TOTAL INCOME	**279**	**254**
EXPENDITURE		
Administrative expenses	(4)	(5)
Liquidation of subsidiaries, net	(1)	-
Depreciation	(1)	(1)
Financial expenses	(34)	(20)
Provisions	2	(2)
Exchange loss, net	-	(0)
TOTAL EXPENDITURE	**(38)**	**(28)**
PROFIT		
Profit before taxes	241	226
Taxes	(7)	(5)
PROFIT FOR THE YEAR	**234**	**221**

BALANCE SHEET AT 31 DECEMBER

(before appropriation of available retained earnings)

(CHF million)	**2007**	2006
ASSETS		
NON-CURRENT ASSETS		
Land buildings and equipment	4	5
Financial assets		
Investments in subsidiaries	676	621
Loans to subsidiaries	813	696
TOTAL NON-CURRENT ASSETS	**1 493**	**1 322**
CURRENT ASSETS		
Amounts due from subsidiaries	17	34
Other current assets	10	5
Cash and cash equivalents	229	133
TOTAL CURRENT ASSETS	**256**	**172**
TOTAL ASSETS	**1 749**	**1 494**
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Share capital	8	8
General reserve	34	34
Reserve for own shares	54	51
Retained earnings	799	722
TOTAL EQUITY	**895**	**815**
LIABILITIES		
Non-Current liabilities		
Amounts due to subsidiaries	190	190
Current liabilities		
Provisions	36	40
Amounts due to subsidiaries	619	444
Other liabilities and accruals	9	5
TOTAL LIABILITIES	**854**	**679**
TOTAL EQUITY AND LIABILITIES	**1 749**	**1 494**

NOTES TO THE FINANCIAL STATEMENTS

SGS SA ("the Company") is the holding company of the Group which owns and finances, either directly or indirectly, its subsidiaries and joint ventures throughout the world. The financial statements are prepared in accordance with the accounting principles of Swiss law. During the year, there were no changes in accounting policies.

1. SIGNIFICANT ACCOUNTING POLICIES

Investments in subsidiaries

Investments in subsidiaries are valued at acquisition cost less an appropriate adjustment for impairment.

Foreign currencies

Balance sheet items denominated in foreign currencies are converted at year end exchange rates with the exception of investments in subsidiaries which are valued at the historical exchange rate. All unrealised gains and losses arising on foreign exchange transactions are included in the determination of the net profit.

2. TOTAL EQUITY

(CHF million)	*Share capital*	*General reserve*	*Reserve for own share*	*Retained earnings*	**TOTAL**
BALANCE AT 1 JANUARY 2006	**156**	**34**	**77**	**714**	**981**
Capital reduction	(148)	-	-	-	(148)
Dividends paid	-	-	-	(239)	(239)
Reversal from the reserve for own shares	-	-	(26)	26	-
Profit for the year	-	-	-	221	221
BALANCE AT 31 DECEMBER 2006	**8**	**34**	**51**	**722**	**815**
Dividends paid	-	-	-	(154)	(154)
Increase the reserve for own shares	-	-	3	(3)	-
Profit for the year	-	-	-	234	234
BALANCE AT 31 DECEMBER 2007	**8**	**34**	**54**	**799**	**895**

3. SHARE CAPITAL

Registered shares CHF 20 nominal value until 20 March 2006 *Registered shares CHF 1 nominal value since 20 March 2006*	*In circulation*	*Number of shares* *Treasury shares*	*Total issued*	*Total share capital (CHF million)*
BALANCE AT 1 JANUARY 2006	**7 505 463**	**316 973**	**7 822 436**	**156**
Capital reduction of CHF 19 per share	-	-	-	(148)
Treasury shares released into circulation	120 550	(120 550)	-	-
Treasury shares purchased, net	(6 600)	6 600	-	-
BALANCE AT 31 DECEMBER 2006	**7 619 413**	**203 023**	**7 822 436**	**8**
Treasury shares released into circulation	29 541	(29 541)	-	-
Treasury shares purchased, net	(19 986)	19 986	-	-
BALANCE AT 31 DECEMBER 2007	**7 628 968**	**193 468**	**7 822 436**	**8**

Issued share capital

SGS SA has a share capital of CHF 7 822 436 (2006: CHF 7 822 436) fully paid in and divided into 7 822 436 (2006: 7 822 436) registered shares of a par value of CHF 1. All shares, other than own shares, participate equally in the dividends declared by the Company and have equal voting rights.

Treasury shares

On 31 December 2007, SGS SA held, directly or indirectly, 113 490 of its own shares for which SGS SA has recorded a "reserve for own shares". In addition, in the consolidated financial statements, SGS SA also recognises as treasury shares 79 978 shares held by the Foundation (Fondation pour l'Intéressement du Personnel au Développement du Groupe SGS).

In 2007, 29 541 treasury shares were released to cover option rights. During the year, 19 986 treasury shares have been purchased by a subsidiary for an average price of CHF 1 357. A corresponding movement in the reserve for own shares has been recorded.

Authorised and conditional issue of share capital

The Board of Directors has the authority to increase the share capital of the Company by a maximum of 500 000 registered shares of a par value of CHF 1, each corresponding to a maximum increase of CHF 500 000 in share capital. The Board is mandated to issue the new shares at the market conditions prevailing at the time of issue. In the event that the new shares are issued for an acquisition, the Board is authorised to waive the shareholders' preferential right of subscription, or to allocate such subscription rights to third parties. The authority delegated by the shareholders to the Board of Directors to increase the share capital is valid until 18 March 2009.

The shareholders have conditionally approved an increase of share capital in the amount of CHF 1 100 000 divided into 1 100 000 registered shares of a par value of CHF 1 each. This conditional share capital increase is intended to procure the necessary shares to satisfy employee share option plans and option or conversion rights to be incorporated in convertible bonds or similar equity-linked instruments that the Board is authorised to issue. The right to subscribe to such conditional capital is reserved to beneficiaries of employee share option plans and holders of convertible bonds or similar debt instruments and therefore excludes shareholders' preferential rights of subscription. The Board is authorised to determine the timing and conditions of such issues, provided that they reflect prevailing market conditions. The term of exercise of the options or conversion rights may not exceed 10 years from the date of issuance of the equity-linked instruments.

4. GUARANTEES

(CHF million)	**2007** *issued*	**2007** *utilised*	2006 *issued*	2006 *utilised*
Guarantees	201	162	251	163
Performance bonds	26	26	25	25
TOTAL	**227**	**188**	**276**	**188**

The Company has unconditionally guaranteed or provided comfort to financial institutions providing credit facilities (loans and guarantee bonds) to its subsidiaries. In addition, it has issued performance bonds to commercial customers on behalf of its subsidiaries.

The company is part of a VAT Group comprising itself and other Group companies in Switzerland.

5. FIRE INSURANCE VALUE OF FIXED ASSETS

(CHF million)	**2007**	2006
Buildings	14	14

6. COMPENSATION SHAREHOLDINGS AND LOANS

6.1. COMPANY'S REMUNERATION POLICIES

The Company's compensation policies for Directors and members of the Operations Council are defined and approved by the Nomination and Remuneration Committee which consists of independent non-executive Directors. The compensation of the Directors, including the Chairman of the Board's and the Chief Executive Officer's, is approved by the full Board of Directors on recommendation of the Committee. Neither the Chairman of the Board nor the Chief Executive Officer is allowed to participate in discussions and decisions on his own compensation.

The following Directors served on the Nomination and Remuneration Committee in 2007:

- Sergio Marchionne (Chairman)
- August von Finck
- Tiberto Ruy Brandolini d'Adda

The Chief Executive Officer attends meetings of the Committee, except when his own remuneration is being discussed. The Committee met on two occasions during the year. When reviewing executive remuneration policies, the Committee receives advice from the Group Human Resources staff and relies on publicly available information on Director and executive management remuneration paid by other Swiss companies and to a lesser extent on European comparables.

The overriding objective of the Company's remuneration policy is to motivate its leadership team to create shareholder value. Annual bonuses and long-term incentive programmes are all conditional upon the achievement of key financial performance targets.

In addition to a base salary, members of the Operations Council (including the Chief Executive Officer) are entitled to a performance related annual bonus which, if target objectives are met, yields an incentive payment between 30% and 70% of base salary. If targets are exceeded, annual bonuses are increased on a multiplier basis with a maximum payout equal to a range of 75% to 175% of base salary.

In the event of underperformance against target, the bonus is rateably reduced on a multiplier basis so that no bonus is paid in the event a pre-established minimum target is not achieved. The current Company policy on performance related bonuses was introduced in 2002 and was applied first in order to determine the bonuses paid in 2003 on the basis of the 2002 performance. Annual bonus amounts (as a percentage of base salary) and financial/operational targets are approved in advance by the Committee.

Bonuses of Operation Council members are assessed on the basis of the actual performance of the Group as a whole of the relevant Businesses and of Operations against specific financial targets.

Once the quantum of a bonus is determined, it is settled 50% in cash and 50% in options. Although such options are granted immediately, they vest over a period of three years and are only exercisable in the fourth and fifth year after grant.

The current Long-Term Incentive Plan was set up by the Company in 2006 (the 2006 LTI Plan). Under this plan, options granted to some executives of the Group are scheduled to vest in January 2009 under the conditions that (i) the Group reach or exceed in 2008 the target of CHF 80 earnings per share (before exceptional items) and (ii) the beneficiary is still employed by or rendering services for the Group on the date of vesting. The 2006 LTI Plan involves the granting of options to acquire shares of the Company at a strike price of CHF 1 033. Such options are in the form of traded warrants, with 100 warrants required to purchase one share. The plan was modified in 2008 with an option to extend (if EPS 80 is not achieved in 2008) the target to end 2009 (vesting date January 2010), with a corresponding tiered benefit structure as follows: 60% of the baseline 2006 granted options will vest if the Group reaches a target of CHF 80; for each CHF 1 increase over CHF 80 earnings per share an additional 10% baseline benefit will vest with 100% vesting upon reaching CHF 84 earnings per share.

The Company originally set aside 6 410 000 such warrants for this purpose (see note 31 to the consolidated financial statements). This plan was designed to motivate the leadership team to achieve the long-term stated objective by 2008. No other long-term incentive plan was set up during the period under review.

Under the 2006 LTI Plan, Operations Council members nominated in 2007 have been awarded 270 000 additional warrants granting them the right to acquire shares of the Company at a strike price of CHF 1 033. The purchase of one share requires 100 warrants. Such warrants will vest in January 2009 or January 2010 provided that the conditions set in the plan have been met.

Full details on the structure and working of these options incentive plans are provided in note 31 to the consolidated financial statements.

6.2. COMPENSATION FOR ACTING MEMBERS OF GOVERNING BODIES

6.2.1. Non-executive Directors

In 2007, each Board member was entitled to a fixed board membership fee of CHF 150 000 per annum, unchanged from last year. Members of the Board serving on a Committee were entitled to an additional fee of CHF 30 000 per committee, unchanged from last year.

Non-executive Directors do not hold service contracts and are not entitled to any termination payments. They do not participate in the Company's share option plans (except for the Chairman) or other benefit schemes and the Company does not make any pension contribution for their benefit. The Chairman's remuneration is detailed under section 6.2.2.

6.2.2. Chairman of the Board's remuneration

As non-executive Chairman of the Board of Directors, Mr. Marchionne is entitled to a fixed board membership fee of CHF 300 000 per annum.

By decision of the Board of Directors, the Chairman of the Board is entitled to receive an amount of share options corresponding to 25% of the options granted to the Chief Executive Officer as part of his annual performance bonus, payable in options under the same conditions of award vesting and exercise as the Chief Executive Officer. In 2007, 81 354 such options were awarded to the Chairman.

6.2.3. Chief Executive Officer's remuneration

Sections 6.2.3.1. to 6.2.3.5. detail the principles of the Chief Executive Officer's remuneration. The description of the remuneration paid to Board Members in 2007 in Section 6.2.4. applies only to Board Members. The remuneration earned by the Chief Executive Officer is included under section 6.2.5. (Compensation paid to the Operations Council and senior management).

6.2.3.1. General principles

The Chief Executive Officer's remuneration consists of a base salary, other employment benefits, an annual performance bonus and a long-term incentive plan. All elements of the remuneration are detailed in this section.

The proportions of the fixed and variable cash components of the Chief Executive Officer's remuneration, as a percentage of total cash compensation in any given year, are represented in the chart below.

	Below minimum target performance	*On target performance*	*Maximum performance*
Base cash remuneration	100%	68%	46%
Variable cash remuneration	0%	32%	54%

6.2.3.2. Base salary and other employment benefits

The base salary, including benefits, is determined by the Nomination and Remuneration Committee by comparison with salary levels for similar positions.

Other employment benefits include housing (for a limited time), car, health insurance coverage and (if applicable) tuition fees allowance for children.

The Chief Executive Officer also participates on the same basis as other Swiss employees of the Group in the Company's pension plans, i.e. one defined benefit scheme under the Swiss LPP regulations up to an insured amount of CHF 100 000 and one defined contribution scheme for a pensionable remuneration in excess of CHF 100 000 up to a maximum of CHF 795 600 per year. Employees contribute 8% of their base salary and the Company contributes an amount equal to one and a half times the contributions paid by all employees to the scheme.

6.2.3.3. Annual performance bonus

The Chief Executive Officer's annual performance bonus is conditional upon the achievement by the Group of an improvement in financial results. The achievement of target objectives yields a bonus corresponding to 70% of the base salary.

If targets are exceeded, the annual bonus is increased on a multiplier basis with a maximum cash payout equal to 117% of base salary. In the event of an improvement which is below target, the bonus is rateably reduced on a multiplier basis. No bonus is paid if no improvement has been achieved in the financial results of the Group.

The total annual bonus is settled 50% in cash and 50% in options, with the latter being governed by the rules regarding vesting and blocking periods applicable to the other members of the Operations Council as outlined in section 6.1. above.

6.2.3.4. Long-term incentive programmes

No other long-term incentive plan was set up during the period under review for the Chief Executive Officer.

6.2.3.5. Employment contracts

The employment contract of the Chief Executive Officer of the Company has no fixed term for a period longer than three months and can be terminated by either party with a three-month notice period.

Christopher Kirk's employment contract provides for a severance payment equivalent to two years total remuneration payable in the event that the employment contract is terminated or constructively terminated (including in the event of a change of control) by the Company other than for cause. No severance payment is due if the employment relationship is terminated in any other circumstance.

6.2.4. Directors' remuneration in 2007

This section sets out the remuneration which was paid to the Directors during the year. It has been subject to audit.

6.2.4.1. Remuneration

The following chart details each Director's fees and other benefits paid during 2007:

Name	*Date of appointment*	*Board Fee*	*Committee Fees*	*Other benefits*	*Total cash remuneration 2007*	*Share options*	*Total remuneration 2007 (including options)*
S. Marchionne	Mar-06	300	90	25	415	247	662
A. von Finck	Oct-98	150	30		180		180
A.F. von Finck	May-02	150	30		180		180
T.R. Brandolini d'Adda	May-05	150	30		180		180 [1]
P. Lebard	May-05	150	30		180		180 [1]
S. du Pasquier	Mar-06	150	30		180		180
H.P. Keitel	Mar-06-Jun-07	75	0		75		75
					1 390	**247**	**1 637**

1. Board and committee fees related to T.R. Brandolini d'Adda and P. Lebard have been paid to IFIL Investissements SA Luxembourg.

6.2.4.2. Share options

The following information summarises options that were granted to the Company's Directors:

Name	*At 1 January 2007*	*Granted 2007*	*Exercised 2007*	*Cancelled or lapsed 2007*	*At 31 December 07*	*Vested 2007* [2]	*Exercise price CHF*	*Market value 2007 at grant (CHF 000)*
S. Marchionne	150 000				150 000	0	1 033 [1]	
		81 354			81 354	27 118	1 308	247

1. One hundred options give the right to acquire one share.

2. Including options having vested in prior years. None of these options was exercisable as of 31 December 2007.

6.2.5. Compensation paid to the Operations Council and senior management

This section sets out the global remuneration which was paid to the Operations Council and the three Operations Council members constituting senior management during 2007.

6.2.5.1. Cash compensation

A total of CHF 2 738 000 (2006: CHF 2 198 000) was earned by senior management as remuneration for services during 2007, excluding severance payments (see section 6.2.5.4.). The amount includes bonuses payable in 2008 in relation to the 2007 financial results.

The total cash compensation paid to the Operations Council (including senior management) amounted to CHF 12 146 000 (2006: CHF 14 093 000).

6.2.5.2. Share options

A total of 200 119 options (2006: 218 683) granting the right to acquire shares of SGS at a strike price of CHF 1 308 (100 options give the right to acquire one share) were granted to senior management in 2007. Such options vest one third in 2007, 2008 and 2010 and are subject to a blocking period ending in January 2010. At grant these options had an aggregate value (calculated on the basis of the fair value at grant date) of CHF 606 361 (2006: CHF 524 839).

The following table shows the details of the options[1] granted to senior management under each plan:

	Number of options at 31.12.07	*Exercise price CHF*	*Vesting date 1/3*	*Vesting date 1/3*	*Vesting date 1/3*	*Exercisable*	*Market value at grant date CHF*
SGSUP	107 996	734	01.2004	07.2005	01.2007	01.2007 - 01.2009	158 538
SGSMU	292 629	759	01.2005	07.2006	01.2008	01.2008 - 01.2010	430 165
SGSGF	218 683	1 033	01.2006	07.2007	01.2009	01.2009 - 01.2011	524 839
SGSGF-LTI	780 000	1 033				01.2009 - 01.2011 [2]	1 872 000
SGSFS	200 119	1 308	01.2007	07.2008	01.2010	01.2010 - 01.2012	606 361

1 One hundred options give the right to acquire one share.

2 If target of EPS (CHF 80) is reached in 2008 or 2009.

A total of 865 806 options (2006:1 478 773) granting the right to acquire shares of SGS at a strike price of CHF 1 308 (100 options give the right to acquire one share) were granted to the Operations Council (including senior management) in 2007. Such options vest one third in 2007, 2008 and 2010 and are subject to a blocking period ending in January 2010. At grant these options had an aggregate value (calculated on the basis of the fair value at grant date) of CHF 2 623 392 (2006: CHF 3 549 054).

The following table shows the details of the options[1] granted to the Operations Council under each plan:

	Number of options at 31.12.07	*Exercise price CHF*	*Vesting date 1/3*	*Vesting date 1/3*	*Vesting date 1/3*	*Exercisable*	*Market value at grant date CHF*
SGSUP	386 522	734	01.2004	07.2005	01.2007	01.2007 - 01.2009	567 414
SGSMU	1 230 557	759	01.2005	07.2006	01.2008	01.2008 - 01.2010	1 808 919
SGSGF	895 744	1 033	01.2006	07.2007	01.2009	01.2009 - 01.2011	2 149 786
SGSGF-LTI	3 710 000	1 033				01.2009 - 01.2011[2]	8 904 000
SGSFS	760 513	1 308	01.2007	07.2008	01.2010	01.2010 - 01.2012	2 304 354

1 One hundred options give the right to acquire one share.

2 If target of EPS (CHF 80) is reached in 2008 or 2009.

6.2.5.3. Total compensation paid to the Operations Council and senior management

Senior management (including the Chief Executive Officer) received a total compensation (cash and options) of CHF 3 344 361 (2006: CHF 4 594 839). The amount for 2006 includes CHF 1 872 000 related to the 2006 LTI option plan.

The total compensation (cash and options) received by the Operations Council (including senior management) amounted to CHF 15 417 392 (2006: CHF 28 805 641). The amount for 2006 includes CHF 10 848 000 related to the 2006 LTI option plan.

6.2.5.4. Severance payments

In 2007, the Group accrued an aggregate amount of CHF 963 000 (2006: CHF 6 103 000) for present and future severance payments to Operations Council members. The amount for 2006 includes CHF 5 574 000 related to senior management.

6.2.5.5. Loans to members of governing bodies

As at 31 December 2007, the Company had outstanding advances, credits or loans to members of its governing bodies amounting to CHF 84 538.

6.2.5.6. Highest total compensation

The highest compensation in the year under review amounts to CHF 1 717 774 and relates to the Chief Executive Officer. This amount includes 86 064 options representing a fair value at grant date of CHF 260 774.

6.3. SHARES AND OPTIONS HELD BY MEMBERS OF GOVERNING BODIES

6.3.1. Shares and options held by Members of the Board of Directors

The following table shows the shares and vested options held by Members of the Board of Directors at 31 December 2007:

Name	SGS UP grant date 01.2004 vested as at 12.2007	SGS MU grant date 01.2005 vested as at 12.2007	SGS GF grant date 01.2006 vested as at 12.2007	SGS FS grant date 01.2007 vested as at 12.2007	Shares
S. Marchionne				27 118	50
T.R. Brandolini d'Adda					1
A. von Finck					19 670
A.F. von Finck					732 800
P. Lebard					10
S. du Pasquier					10

6.3.2. Shares and options held by senior management

The following table shows the shares and vested options held by senior management at 31 December 2007:

Name	Corporate responsability	SGS UP grant date 01.2004 vested as at 12.2007	SGS MU grant date 01.2005 vested as at 12.2007	SGS GF grant date 01.2006 vested as at 12.2007	SGS FS grant date 01.2007 vested as at 12.2007	Shares
C. Kirk	Chief Executive Officer	107 996	77 798	55 160	28 688	605
R. Tobin	Chief Financial Officer		48 474	51 620	22 003	
J.P. Méan	General Counsel & Chief Compliance Officer		68 812	39 006	16 015	

7. SUBSIDIARIES

The list of principal group subsidiaries appears in the Annual Report (pages 161 to 166).

8. SIGNIFICANT SHAREHOLDERS

At 31 December 2007, Mr. August von Finck and members of his family acting in concert held 23.7% (2006: 23.7%) of the share capital and voting rights of the company; IFIL Investissements SA held 15.0% (2006: 13.2%); Allianz SE held 7.4% and FMR Corp held 5.57%.

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF AVAILABLE RETAINED EARNINGS

CHF	**2007**	2006
Profit for the year	234 306 254	221 661 473
Balance brought forward from previous year	568 064 773	477 560 444
Dividends paid on own shares released into circulation in 2006 prior the Annual General Meeting on 20 March 2006	-	(2 241 517)
Dividends paid on own shares released into circulation in 2007 prior the Annual General Meeting on 19 March 2007	(138 320)	-
(Purchase) / Reversal from the reserve for own shares	(2 664 122)	25 204 973
TOTAL RETAINED EARNINGS AVAILABLE FOR APPROPRIATION	**799 568 585**	**722 185 373**
Proposal of the board of Directors:		
Dividends[1]	(269 813 110)	(154 120 600)
BALANCE CARRIED FORWARD	**529 755 475**	**568 064 773**
Ordinary gross dividend per Registered share	25.00	20.00
Additional gross dividend per Registered share	10.00	-

1. No dividend is paid on own shares held directly or indirectly by SGS SA.

REPORT OF THE STATUTORY AUDITORS TO THE GENERAL MEETING OF SGS SA

To the General Meeting of SGS SA Geneva

As statutory auditors we have audited the accounting records and the financial statements (balance sheet income statement and notes) of SGS SA presented on pages 138 to 152 for the year ended December 31 2007.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used significant estimates made and the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the accounting records the financial statements and the proposed appropriation of available earnings comply with Swiss law and the Company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

DELOITTE SA

Peter Quigley
Auditor in charge

Lisa Watson

Geneva, 15 January 2008

DATA

SGS GROUP FIVE-YEAR STATISTICAL DATA CONSOLIDATED PROFIT AND LOSS ACCOUNTS

For the years ended 31 December

(CHF million)	**2007**	2006	2005	2004	2003
REVENUES	**4 372**	**3 821**	**3 308**	**2 885**	**2 454**
Salaries and wages	(2 076)	(1 818)	(1 615)	(1 435)	(1 240)
Subcontractors' expenses	(307)	(263)	(217)	(181)	(155)
Depreciation and amortisation	(197)	(172)	(140)	(115)	(96)
Other operating expenses	(1 081)	(963)	(834)	(761)	(663)
OPERATING INCOME BEFORE EXCEPTIONALS	**711**	**605**	**502**	**393**	**300**
Exceptional items	(21)	19	-	3	3
Goodwill amortisation	-	-	-	(16)	(10)
OPERATING INCOME (EBIT)	**690**	**624**	**502**	**380**	**293**
Financial income/(expense)	2	(1)	5	6	10
PROFIT BEFORE TAXES	**692**	**623**	**507**	**386**	**303**
Taxes	(172)	(155)	(119)	(93)	(68)
PROFIT FOR THE YEAR	**520**	**468**	**388**	**293**	**235**
PROFIT ATTRIBUTABLE TO:					
EQUITY HOLDERS OF SGS SA	**500**	**443**	**371**	**278**	**227**
MINORITY INTERESTS	**20**	**25**	**17**	**15**	**8**
OPERATING MARGINS BEFORE EXCEPTIONALS	**16.3**	**15.8**	**15.2**	**13.6**	**12.2**
EMPLOYEES					
Average number of employees	50 331	45 928	41 460	36 659	32 436

SGS GROUP FIVE-YEAR STATISTICAL DATA
CONSOLIDATED BALANCE SHEETS

At 31 December

(CHF million)	**2007**	2006	2005	2004	2003
Land, buildings and equipment	738	656	586	493	415
Goodwill and other intangible assets	716	644	429	304	147
Investments in associated and other companies	2	2	2	2	2
Deferred tax and other long term assets	182	187	223	167	118
TOTAL NON-CURRENT ASSETS	**1 638**	**1 489**	**1 240**	**966**	**682**
Work-in-progress and inventories	206	180	147	118	108
Trade accounts and notes receivable	867	762	713	579	571
Other receivables and prepayments	184	182	134	132	135
Cash and marketable securities	438	239	531	457	526
TOTAL CURRENT ASSETS	**1 695**	**1 363**	**1 525**	**1 286**	**1 340**
TOTAL	**3 333**	**2 852**	**2 765**	**2 252**	**2 022**
Share capital	8	8	156	156	156
Reserves	1 963	1 554	1 283	1 007	916
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SGS SA	**1 971**	**1 562**	**1 439**	**1 163**	**1 072**
Minority interests	36	30	36	26	18
TOTAL EQUITY	**2 007**	**1 592**	**1 475**	**1 189**	**1 090**
Non-current loans	20	7	7	8	11
Deferred tax liabilities	64	46	51	64	72
Provisions and retirement benefit obligations	176	286	367	290	209
TOTAL LONG-TERM LIABILITIES	**260**	**339**	**425**	**362**	**292**
Loans and obligations under finance leases	40	17	94	10	22
Trade and other payables	452	402	329	330	299
Current tax liabilities	69	88	58	45	36
Other creditors and accruals	505	414	384	316	283
TOTAL CURRENT LIABILITIES	**1 066**	**921**	**865**	**701**	**640**
TOTAL LIABILITIES	**1 326**	**1 260**	**1 290**	**1 063**	**932**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**3 333**	**2 852**	**2 765**	**2 252**	**2 022**
CAPITAL EXPENDITURE					
Land, buildings and equipment	285	248	170	173	151

SGS GROUP FIVE-YEAR STATISTICAL DATA

(CHF unless indicated otherwise)	**2007**	2006	2005	2004	2003
SHARE INFORMATION					
REGISTERED SHARES					
Number of shares issued	7 822 436	7 822 436	7 822 436	7 822 166	7 822 166
Number of shares with dividend rights	7 822 436	7 822 436	7 822 436	7 822 166	7 822 166
Price:					
High	1 607	1 394	1 111	803	798
Low	1 296	1 057	642	633	409
Year-end	1 349	1 358	1 108	797	776
Par value	1	1	20	20	20
BONUS CERTIFICATES[1]					
Number of bonus certificates	-	-	-	54	74
KEY FIGURES BY SHARES					
Equity attributable to equity holders of SGS SA per share in circulation at 31 December	258.30	205.00	191.72	155.00	139.35
Basic earnings per share[2]	65.47	58.36	49.45	37.21	29.63
Dividend per share	35.00[3]	20.00	31.00	12.00	9.00
DIVIDENDS (CHF MILLIONS)					
Ordinary	267[3]	154	237	92	69

1. Bonus certificates have been de-listed from the stock exchange as of 15 November 1993.
2. Calculation of the basic earnings per share (weighted average for the year) is disclosed in note 10, page 106.
3. As proposed by the Board of Directors.

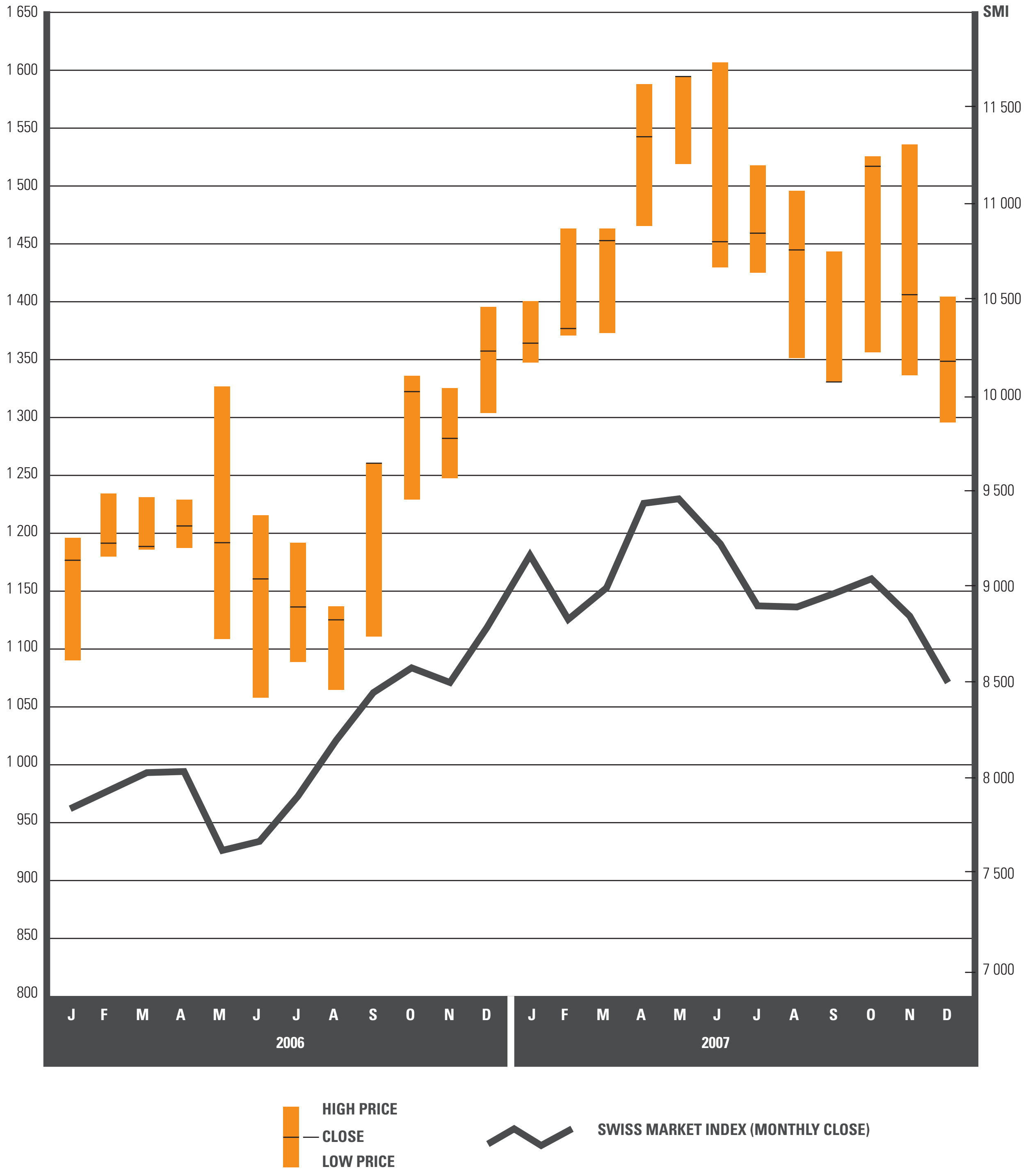
SGS GROUP SHARE INFORMATION

SHARE TRANSFER

SGS SA has no restrictions as to share ownership, except that registered shares acquired in a fiduciary capacity by third parties may not be registered in the shareholders' register, unless a special authorisation has been granted by the Board of Directors.

MARKET CAPITALISATION

At the end of 2007, market capitalisation was approximately CHF 10 552 million (2006: CHF 10 623 million).
Shares are quoted on the SWX Swiss Exchange.



SGS GROUP PRINCIPAL OPERATING AND HOLDING COMPANIES

Country	Name and domicile	Issued currency	Amount	% Group	Direct/ Indirect
Albania	SGS Albania Ltd., Tirana	ALL	100 000	100	D
Algeria	Qualitest Algérie SPA, Alger	DZD	50 000 000	100	D
Angola	SGS Angola Limitada, Luanda	USD	100 000	100	D
Argentina	SGS Argentina S.A., Buenos Aires	ARS	4 171 536	100	D
Australia	SGS Australia Holdings Pty. Ltd., Bentley	AUD	2 675 000	100	D
Australia	Gearhart Australia Limited, Perth	AUD	5 609 210	100	I
Australia	SGS Scientific Services Pty. Ltd., Perth	AUD	30 198 853	100	I
Austria	SGS Austria Controll-Co. Ges.m.b.H., Vienna	EUR	185 000	100	D
Azerbaijan	SGS Azeri Ltd., Baku	USD	100 000	100	D
Bahamas	SGS Bahamas Ltd., Freeport	BSD	5 000	100	D
Bangladesh	SGS Bangladesh Limited, Dhaka	BDT	100 000	100	D
Belarus	SGS Minsk Ltd., Minsk	USD	20 000	100	D
Belgium	SGS Belgium N.V., Antwerpen	EUR	2 178 200	100	I
Belgium	SGS Coordination Center N.V., Antwerpen	EUR	52 300 000	100	D
Benin	SGS Bénin S.A., Cotonou	XOF	10 000 000	100	D
Bermuda	Transmonde Services Insurance Company Limited, Hamilton	USD	120 000	100	D
Bolivia	SGS Bolivia S.A., La Paz	BOB	41 900	100	D
Bosnia-Herzegovina	SGS Bosna i Hercegovina (d.o.o.) Ltd., Sarajevo	BAM	2 000	100	I
Botswana	SGS Botswana (Proprietary) Limited, Gaborone	BWP	1 000	100	D
Brazil	SGS do Brasil Ltda., São Paulo	BRL	53 009 486	100	D
Bulgaria	SGS Bulgaria Ltd., Sofia	BGN	10 000	100	D
Burkina Faso	SGS Burkina S.A., Ouagadougou	XOF	10 000 000	100	D
Cameroon	SGS Cameroun S.A., Douala	XAF	10 000 000	100	D
Canada	SGS Lakefield Research Limited, Lakefield/Ontario	CAD	18 809 676	100	D
Canada	SGS Canada Inc., Missisauga	CAD	20 900 000	100	D
Canada	SGS X-Per-X Inc., Montreal	CAD	4 632 707	100	I
Chile	SGS Chile Limitada, Santiago	CLP	180 000 000	100	D
Chile	SGS Aquatic Health Chile S.A., Puerto Montt	CLP	5 000 000	100	I
China	SGS CSTC Standards Technical Services Ltd., Beijing	USD	3 966 667	85	D
Colombia	SGS Colombia S.A., Bogota	COP	84 965 360	100	D

SGS GROUP PRINCIPAL OPERATING AND HOLDING COMPANIES

Country	Name and domicile	Issued currency	Amount	% Group	Direct/ Indirect
Congo	SGS Congo S.A., Pointe-Noire	XAF	10 000 000	100	D
Croatia	SGS Adriatica, w.l.l., Rijeka	HRK	1 300 000	100	I
Cyprus	SGS Cyprus Control & Testing Limited, Limassol	CYP	10 000	100	D
Czech Republic	SGS Czech Republic s.r.o., Praha	CZK	7 607 000	100	I
Denmark	SGS Danmark A/S, Frederiksberg	DKK	700 000	100	I
Ecuador	SGS del Ecuador S.A., Guayaquil	USD	147 680	100	D
Egypt	SGS Egypt Ltd., Giza/Cairo	EGP	1 500 000	60	D
Estonia	SGS Estonia Ltd., Maardu	EEK	660 000	100	I
Ethiopia	SGS Ethiopia Private Limited, Addis Abeba	ETB	15 000	100	D
Finland	SGS Inspection Services Oy, Helsingfors	EUR	102 000	100	I
Finland	SGS Fimko Oy, Helsingfors	EUR	260 000	100	I
France	SGS Oil, Gas & Chemicals, SAS, Cachan	EUR	720 000	100	I
France	SGS Holding France SAS, Cachan	EUR	3 172 613	100	I
France	SGS Qualitest Industrie SAS, Orsay	EUR	200 000	100	I
France	Securitest S.A., Paris	EUR	2 745 000	91.986	I
France	SGS Auto Sécurité SAS, Rueil Malmaison	EUR	3 917 600	100	I
France	SGS Astec SA, Paris	EUR	11 216 390	100	I
Georgia	SGS Georgia Ltd., Batumi	USD	80 000	100	D
Germany	SGS Gottfeld NDT Services GmbH, Herne	EUR	750 000	100	I
Germany	SGS Germany GmbH, Hamburg	EUR	1 210 000	100	I
Germany	SGS Institut Fresenius GmbH, Taunusstein	EUR	7 490 000	100	I
Germany	SGS Tüv Saarland GmbH, Sulzbach	EUR	750 000	74.9	I
Ghana	SGS Ghana Limited, Accra	GHC	52 020 000	100	D
Ghana	Ghana Community Network Services Limited, Accra	GHC	19 786 041 000	60	D
Great Britain	SGS Holding UK Ltd., Ellesmere Port	GBP	10 700 000	100	I
Great Britain	SGS United Kingdom Limited, Ellesmere Port	GBP	8 000 000	100	I
Greece	SGS Greece SA, Peristeri	EUR	301 731	100	D
Guam	SGS Guam, Guam	USD	25 000	100	D
Guatemala	SGS de Guatemala, S.A., Guatemala-City	GTQ	1 068 000	100	D
Guinea	SGS Guinée Conakry S.A., Conakry	GNF	50 000 000	100	D
Hong Kong	SGS Hong Kong Limited, Hong Kong	HKD	100 000	100	D
Hungary	SGS Hungária Kft., Budapest	HUF	18 000 000	100	I
India	SGS India Private Ltd., Mumbai	INR	800 000	100	D

Country	Name and domicile	Issued currency	Amount	% Group	Direct/ Indirect
Indonesia	P.T. Sucofindo (Persero), Jakarta	IDR	75 000 000 000	5	D
Indonesia	P.T. SGS Indonesia, Jakarta	USD	200 000	100	D
Iran	SGS Iran (Private Joint Stock) Limited, Tehran	IRR	50 000 000	100	D
Iran	Arya–SGS Quality Services, Private Joint Stock Co., Tehran	IRR	1 500 000 000	50	D
Ireland	SGS Ireland (Holdings) Limited, Dublin	EUR	62 500	100	I
Ireland	National Car Testing Service Limited, Dublin	EUR	2 748 753	100	I
Italy	SGS Italia S.p.A., Milan	EUR	2 500 000	100	I
Ivory Coast	SGS Côte d'Ivoire S.A., Abidjan	XOF	300 000 000	80	D
Ivory Coast	Société Ivoirienne de Contrôles Techniques Automobiles et Industriels S.A., Abidjan	XOF	200 000 000	95	D
Japan	SGS Japan Inc., Yokohama	JPY	350 000 000	100	D
Jersey, Channel Isl.	SGS Capital Limited, Saint-Hélier	CHF	10 000	100	D
Jordan	SGS (Jordan) Private Shareholding Company, Amman	JOD	100 000	50	D
Kazakhstan	SGS Kazakhstan Limited, Almaty	KZT	146 527	100	D
Kenya	SGS Kenya Limited, Mombasa	KES	2 000 000	100	D
Korea (Republic of)	SGS Korea Co., Ltd., Seoul	KRW	1 217 540 000	100	D
Korea (Republic of)	SGS Testing Korea Co., Ltd., Gunpo-shi	KRW	4 050 000 000	100	D
Kuwait	SGS Kuwait W.L.L., Kuwait	KWD	50 000	49	D
Latvia	SGS Latvija Limited, Riga	LVL	83 200	100	I
Lebanon	SGS (Liban) S.A.L., Beirut	LBP	30 000 000	99.99	D
Libya	SGS Inspection Services Limited, Tripoli (Branch office)	–	–	–	–
Lithuania	SGS Klaipeda Ltd., Klaipeda	LTL	40 000	100	I
Luxembourg	SGS Luxembourg S.A., Mamer	EUR	38 000	100	I
Luxembourg	SGS Finance (Luxembourg) S.A., Luxembourg	EUR	25 000 000	100	D
Madagascar	SGS Madagascar SARL, Antananarivo	MGA	20 000 000	100	I
Malawi	SGS Malawi Limited, Blantyre	MWK	30 000	100	D
Malaysia	Petrotechnical Inspection (Malaysia) Sdn. Bhd., Kuala Lumpur	MYR	200 000	70	D
Malaysia	SGS (Malaysia) Sdn. Bhd., Kuala Lumpur	MYR	60 000	100	I
Mali	Analabs Mali SARL, Kayes	XOF	2 500 000	100	I
Mauritius	SGS (Mauritius) LTD, Phoenix	MUR	100 000	100	D

SGS GROUP PRINCIPAL OPERATING AND HOLDING COMPANIES

Country	Name and domicile	Issued currency	Amount	% Group	Direct/ Indirect
Mexico	SGS de Mexico, S.A. de C.V., Mexico	MXN	7 065 828	100	D
Moldavia	SGS (Moldova) S.A., Chisinau	MDL	488 050	100	D
Mongolia	SGS Mongolia LLC, Ulaanbaatar	USD	700 000	100	I
Morocco	SGS Maroc S.A., Casablanca	MAD	7 500 000	100	D
Mozambique	SGS Moçambique, Limitada, Maputo	MZM	100 000 000	100	D
Myanmar	SGS (Myanmar) Limited, Yangoon	BUK	300 000	100	D
Namibia	Richlab Namibia (Pty) Ltd., Walvis Bay	NAD	2	100	I
Netherland Antilles	SGS Curaçao N.V., Curaçao	ANG	10 000	100	I
Netherlands	SGS Nederland B.V., Spijkenisse	EUR	250 000	100	I
Netherlands	SGS Nederland Holding B.V., Spijkenisse	EUR	3 025 000	100	I
Netherlands	SGS European Holding B.V., Spijkenisse	EUR	5 000 000	100	D
New Zealand	SGS New Zealand Limited, Auckland-Onehunga	NZD	4 522 190	100	D
Nigeria	SGS Inspection Services Nigeria Limited, Lagos	NGN	200 000	50	D
Norway	SGS Norge A/S, Bergen	NOK	800 000	100	I
Pakistan	SGS Pakistan (Private) Limited, Karachi	PKR	2 300 000	100	D
Panama	SGS Panama Control Services Inc., Panama	USD	500 000	100	D
Papua-New-Guinea	SGS PNG Pty. Limited, Port Moresby	PGK	2	100	I
Paraguay	SGS Paraguay S.A., Asunción	PYG	962 000 000	100	D
Peru	SGS del Perú S.A.C., Lima	PEN	11 738 890	100	D
Philippines	SGS Global Trade Solutions Philippines, Inc., Manila	PHP	8 325 000	100	D
Philippines	SGS Philippines, Inc., Manila	PHP	24 620 000	100	D
Poland	SGS Polska Sp.z o.o., Warsaw	PLZ	1 674 800	100	I
Portugal	SGS Portugal - Sociedade Geral de Superintendência S.A., Lisbon	EUR	500 000	100	I
Romania	SGS Romania S.A., Bucharest	RON	100 002	100	I
Russia	SGS Vostok Limited, Moscow	RUR	5 605 900	100	D
Saudi Arabia	SGS Inspection Services Saudi Arabia Ltd., Jeddah	SAR	1 000 000	75	D
Senegal	SGS Sénégal S.A., Dakar	XAF	35 000 000	100	D
Serbia	SGS Beograd d.o.o., Beograd	EUR	66 161	100	I
Singapore	SGS Singapore (Pte) Limited, Singapore	SGD	100 000	100	I
Singapore	SGS Testing & Control Services Singapore Pte Ltd., Singapore	SGD	100 000	100	D

Country	Name and domicile	Issued currency	Amount	% Group	Direct/ Indirect
Slovakia	SGS Slovakia spol.s.r.o., Kosice	SKK	600 000	100	I
Slovenia	SGS Slovenija d.o.o. - Podjetje za kontrol blaga, Koper	EUR	10 432.32	100	I
South Africa	SGS South Africa (Proprietary) Limited, Johannesburg	ZAR	5 100 000	100	D
Spain	SGS Española de Control S.A., Madrid	EUR	240 000	100	I
Spain	SGS Tecnos, S.A., Sociedad Unipersonal, Madrid	EUR	12 072 040.59	100	I
Spain	SGS International Certification Services Ibérica, S.A., Madrid	EUR	60 101.21	100	I
Sri Lanka	SGS Lanka (Private) Limited, Colombo	LKR	9 000 000	100	D
Sudan	SGS Inspection Services Co. Ltd., Khartoum	SDD	10 000 000	51	D
Sweden	SGS Sweden AB, Göteborg	SEK	1 500 000	100	I
Switzerland	SGS Société Générale de Surveillance SA, Geneva	CHF	10 000 000	100	I
Switzerland	SGS Société Générale de Surveillance IP SA, Gland	CHF	100 000	100	D
Switzerland	SGS SA, Geneva	CHF	7 822 436	–	Ultimate parent company
Switzerland	SGS Group Management SA, Geneva	CHF	100 000	100	I
Taiwan (R.O.C.)	SGS Taiwan Limited, Taipei	TWD	12 000 000	100	I
Tanzania	SGS Tanzania Superintendence Co. Limited, Dar-es-Salaam	TZS	250 000	100	D
Thailand	SGS (Thailand) Limited, Bangkok	THB	20 000 000	99.999	D
Thailand	SGS Holding (Thailand) Limited, Bangkok	THB	5 000 000	49	D
Togo	SGS Togo S.A., Lomé	XOF	10 000 000	100	D
Tunisia	SGS Tunisie S.A., Tunis	TND	50 000	50	D
Turkey	SGS Supervise Gözetme Etüd Kontrol Servisleri Anonim Sirketi, Istanbul	YTL	50 000	100	I
Turkmenistan	SGS Turkmen Ltd., Ashgabat	USD	50 000	100	D
Uganda	SGS Uganda Limited, Kampala	UGS	5 000 000	100	D
Ukraine	SGS Ukraine, Foreign Enterprise, Odessa	USD	400 000	100	I
United Arab Emirates	SGS Gulf Limited, Abu Dhabi,	–	–	–	–
	Dubai (Branch offices)				
United States	SGS U.S. Holding Inc., Wilmington/Delaware	USD	100	100	D
United States	SGS North America Inc., Wilmington	USD	73 701 996	100	I

SGS GROUP PRINCIPAL OPERATING AND HOLDING COMPANIES

Country	Name and domicile	Issued currency	Amount	% Group	Direct/ Indirect
United States	SGS Automotive Services Inc., Rutherford	USD	400	100	I
United States	SGS U.S. Testing Company Inc., New York	USD	303 625	100	I
United States	SGS Environmental Services Inc., Wilmington	USD	5 169 487	100	I
Uruguay	SGS Uruguay Limitada, Montevideo	UYU	1 500	100	D
	Uruguay Sociedad Uruguaya de Control Técnico de Automotores Sociedad Anónima, Montevideo	UYU	24 000 000	100	I
Uzbekistan	SGS Tashkent Ltd., Tashkent	USD	50 000	100	D
Venezuela	SGS Venezuela S.A., Caracas	VEB	243 237 000	100	D
Vietnam (Socialist Republic of)	SGS Vietnam Ltd., Ho Chi Minh City	USD	288 000	100	D
Zambia	SGS Zambia Limited, Ndola	ZMK	2 000 000	100	D
Zimbabwe	SGS Zimbabwe (Private) Limited, Harare	ZWD	5 000	100	D

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STOCK EXCHANGE LISTING

SWX Swiss Exchange, SGSN

STOCK EXCHANGE TRADING

Virt-X (SWX Europe Ltd)

COMMON STOCK SYMBOLS

Bloomberg: Registered Share: SGSN.VX
Reuters: Registered Share: SGSN.VX
Telekurs: Registered Share: SGSN
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ANNUAL GENERAL MEETING OF SHAREHOLDERS

Monday, 17 March 2008
Location: Hotel President Wilson, Geneva

PROJECT MANAGEMENT

Geraldine Matchett, Carole Streng

CONCEPT, REALISATION AND PRODUCTION

WOODSCANNON
Verbier, Switzerland

DESIGN

David Carson
Zurich, Switzerland

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Jason Joyce
London, England

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