# DELIVERING TRUST BETWEEN PEOPLE, ORGANISATIONS AND GOVERNMENTS

SGS SA

Jean-Luc de Buman

Paris, 30 August 2007

WHEN YOU NEED TO BE SURE

# A BRIEF HISTORY OF SGS

- Founded in Rouen in 1878, under the name of Goldstück, Hainzé & Co.
- First registration as Société Générale de Surveillance in Geneva in 1919
- Growth by agglomerations of various companies which until 2002 had great degree of autonomy
- Listed publicly in 1985
- Single share structure introduced in 2001
- Four significant shareholder groups
  - August von Finck and family (23.7%)
  - IFIL investment (13.2%)
  - Allianz SE (7.4%)
  - FMR Corp (5.57%)

# OUR VISION

- We aim to be the most competitive and the most productive service organization in the world.
- Our core competences in testing, inspection, verification and certification are being continuously improved to be best-in-class. They are at the heart of what we are.
- Our chosen markets will be solely determined by our ability to be the most competitive and to consistently deliver unequalled service to our customers, both locally and trans-nationally.

# OUR IMPARTIAL SERVICES WORK ACROSS INDUSTRIES AND GEOGRAPHIES

- Inspection
- Verification
- Testing
- Certification

# THE WORLD'S LEADING INSPECTION, VERIFICATION, TESTING AND CERTIFICATION COMPANY.

- More than 48'000 employees
  - Europe,  Middle East & Africa: 22'600 employees
  - Americas: 10'900 employees
  - Asia/Pacific: 15'100 employees
- A network of over 1'000 offices & laboratories

# BUILDING TRUST THROUGHOUT SUPPLY CHAINS

FROM FIELD TO CONSUMER

# DELIVERING TRUSTED TESTING, INSPECTION, VERIFICATION & CERTIFICATION

EXPERTISE
ACROSS INDUSTRIES

ACTING ON PROCESSES, PRODUCTS, ASSETS

SERVING BUSINESSES, GOVERNMENTS & END USERS

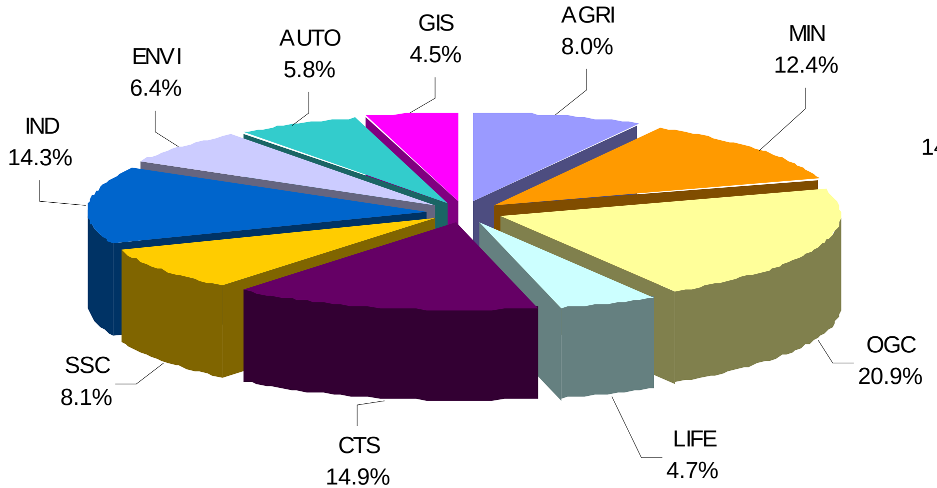
TO DELIVER SUSTAINABLE RESULTS

# HIGHLIGHTS – H1

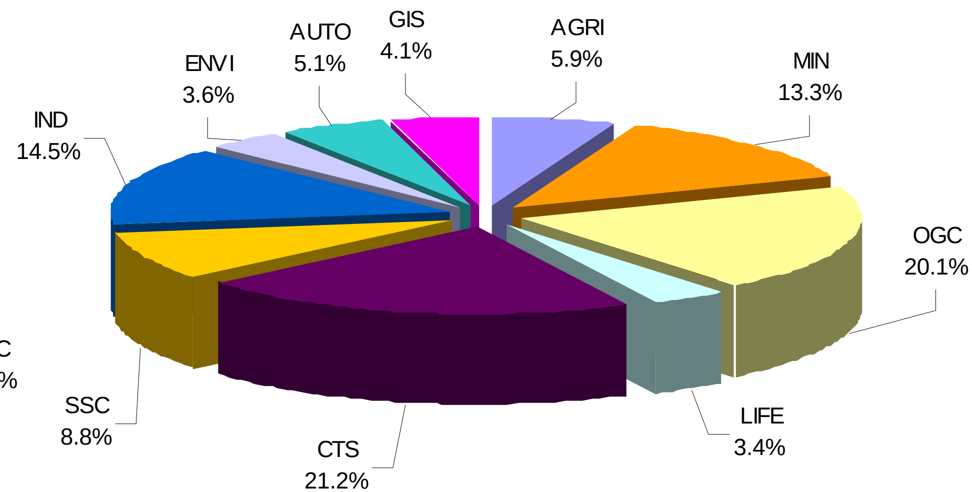
- Revenue growth of 13.2% to CHF 2.1 billion
  - 11.8% in constant currencies
  - 11.5% organic
- EBITDA up 15.2% to CHF 418 million
- Operating income up 15.3% to CHF 324 million
- Net income up 17% to CHF 234 million
- Target confirmed at CHF 80 earnings per share in 2008

# SERVICE PORTFOLIO

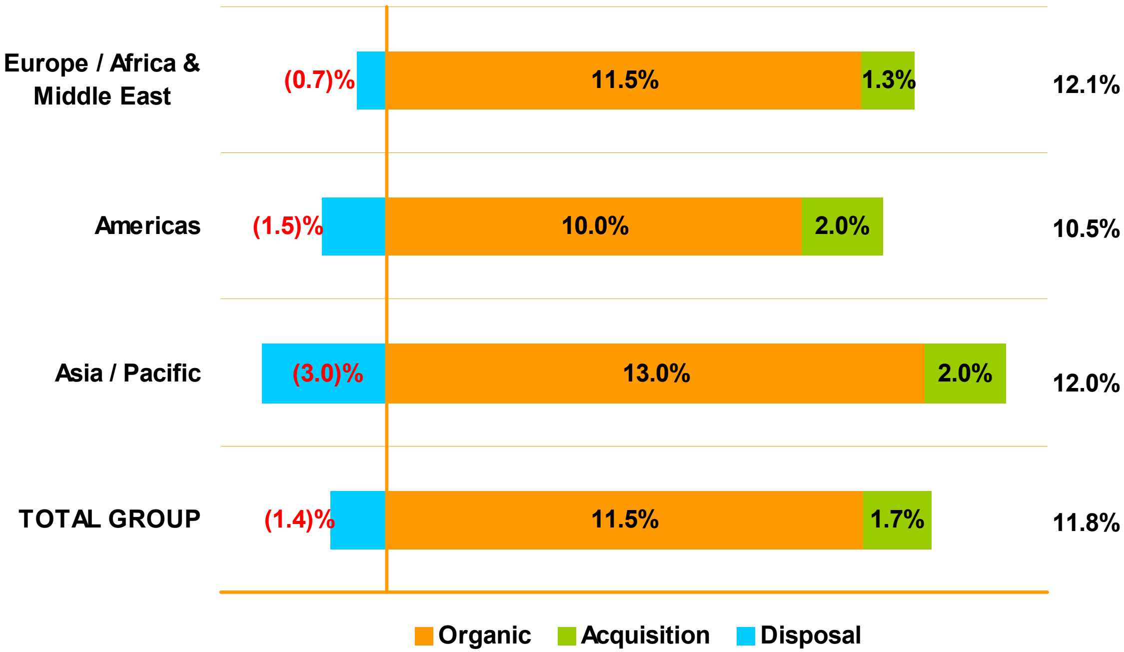
## Revenues




## Operating Income



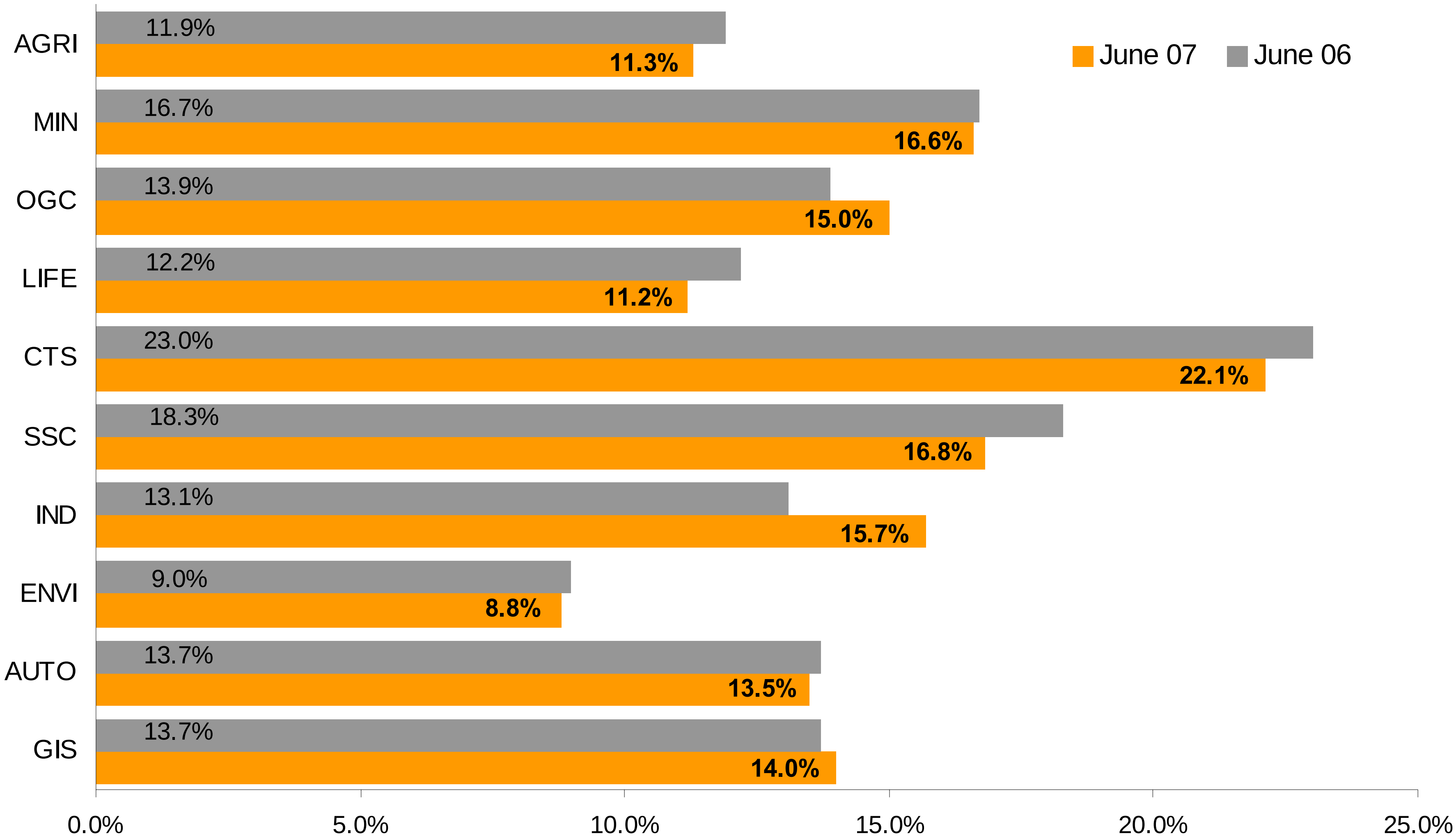
# REVENUE GROWTH AND HEADCOUNT CHANGE BY REGION



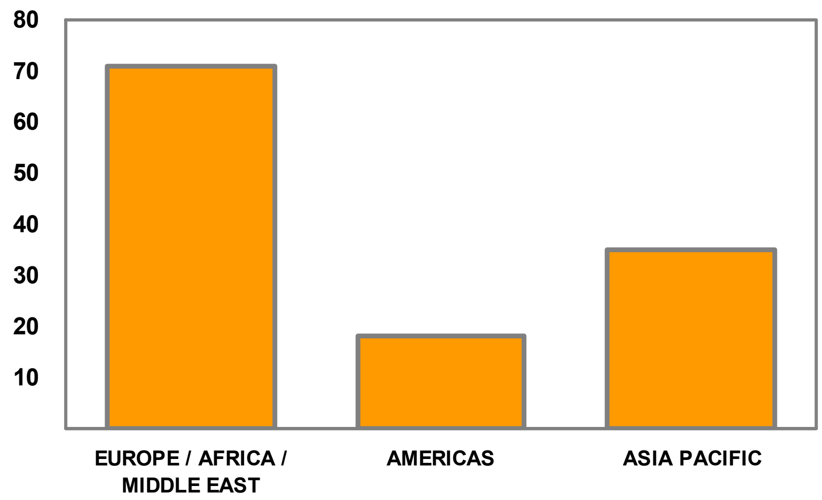

| Δ in EOP headcount | June 2007 | June 2006 | Δ |
|---|---|---|---|
| **Group Headcount** | **50,213** | **46,337** | **3,876** |
| Organic Business Growth | | | 3,819 |
| Acquisitions | | | 65 |
| Disposals | | | (8) |
| **Increase in Group Headcount** | | | **3,876** |

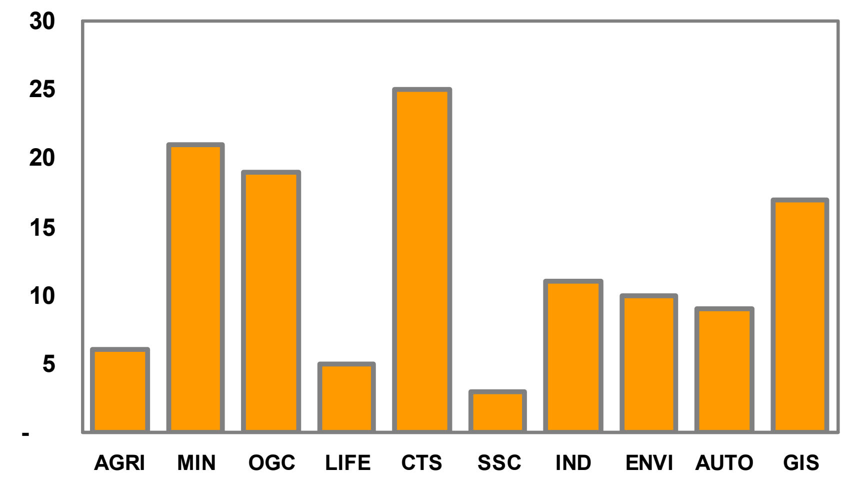
| By Region | Headcount Δ | Headcount Δ% | Revenues Δ% |
|---|---|---|---|
| Europe / Africa / Middle East | 1,170 | 5.4% | 12.1% |
| Americas | 850 | 7.8% | 10.5% |
| Asia / Pacific | 1,856 | 13.3% | 12.0% |
| **TOTAL** | **3,876** | **8.4%** | **11.8%** |

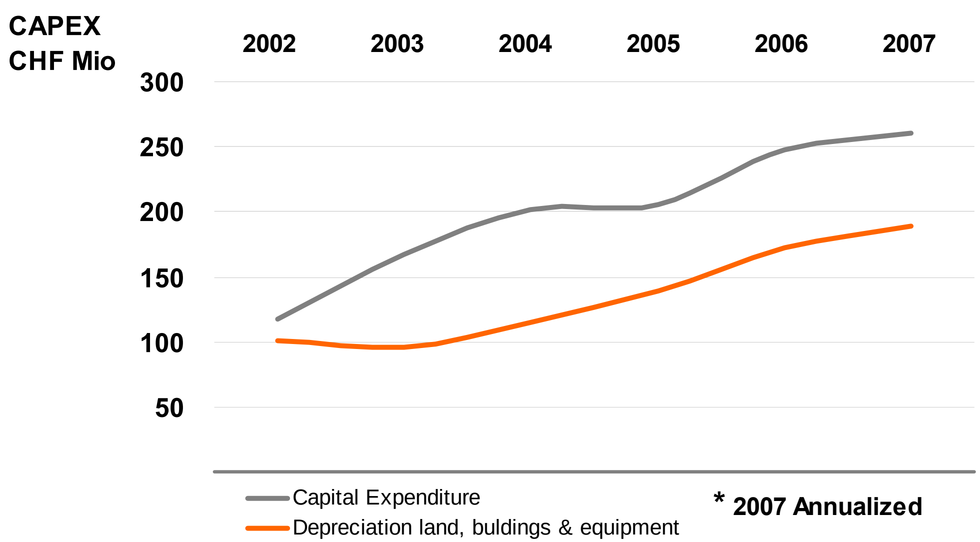
# OPERATING MARGIN BY BUSINESS



# CAPITAL EXPENDITURE




* 2007 Annualized

# AGRICULTURAL SERVICES

"Customers and authorities demand better quality and reliability in the supply chain".

We bring efficiency and quality to all stakeholders involved in the agricultural value chain

**WE DELIVER:**

- Reduced risks in transactions, improved Quality and increased peace of mind
- Quality control in the supply chain
- Reliable data to enable our clients to make informed decisions for the benefit of their company and their customers
- Objectivity, expertise and innovation throughout the value chain

**WHY SGS:**

- Our reputation is synonymous with quality and inspires confidence
- Service across industries & geographies

# AGRICULTURAL SERVICES (AGRI)

| CHF million | June 2007 | June 2006 |
|---|---|---|
| **Revenue** | 167.7 | 165.7 |
| Change in % | 1.2 | |
| **Operating Income before exceptionals** | 19.0 | 19.7 |
| Change in % | (3.6) | |
| **Margin %** | 11.3 | 11.9 |

## Overview 2007

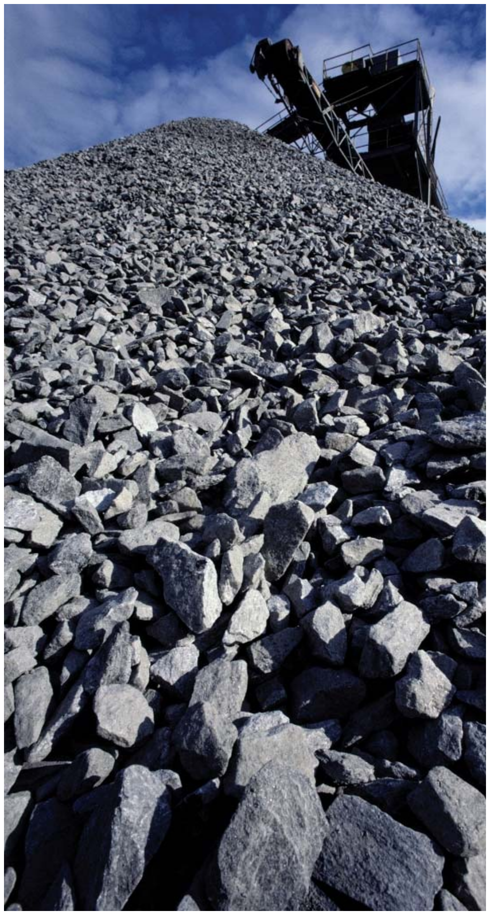
- Supply Chain Management activities in FSU to Baltic's trade have been established.
- Logistics business success has contributed to a good performance in South East Europe.
- Solid results on rice inspections in Vietnam
- Interest in our storage solutions operation in Argentina has enabled replication in Paraguay.
- Difficult trading environment in Spain and North American export markets.
- Position in the US market has been strengthened with the acquisition of two leading companies offering Grading On-Site and in high-value seed testing.

## Outlook

- Growth of agricultural feed-stocks for alternate fuels will present new supply chain management and testing opportunities.
- Expected good crop conditions in the Americas in H2.
- Expansion of seed testing activity and onsite grading at processing plants and in-land terminals based on the business models of newly acquired activities.

# MINERALS SERVICES

"A partner who values quality & understands urgency as a core value"



Supporting interest of parties involved in exploration, extraction, transformation, trading of minerals

**WE DELIVER:**

- Unparalleled network of geochemical labs
- Bankable metallurgical testing & development
- Independent services for energy minerals
- Advanced process control systems
- Stock monitoring, management & control
- Quality and quantity inspection testing

**TO HELP:**

- Reduce risk, enhance value & maximize returns

**WHY SGS:**

- Extensive experience with hundreds of commodities
- Leading supplier of innovative technology

# MINERALS SERVICES (MIN)

| CHF million | June 2007 | June 2006 |
|---|---|---|
| **Revenue** | 259.6 | 225.3 |
| Change in % | 15.2 | |
| **Operating Income before exceptionals** | 43.2 | 37.6 |
| Change in % | 14.9 | |
| **Margin %** | 16.6 | 16.7 |

## Overview 2007

- Traditional trade related business continues to show strong growth based on high commodity demand.
- Geochemistry opened new facilities in Uganda, Mauritania and Russia.
- Metallurgy and mineralogy delivered increased revenues from NAM, SAM, SEAP and Africa.
- Robotic sample preparation system installed and commissioned in Perth.
- Strong regional growth in Africa, South America and China.

## Outlook

- On-site laboratory business will add several new sites in the second half of the year.
- QEMScan capability in SAM on track to be operational in July.
- Continue the roll-out of LIMS into the coal lab network globally.
- Overall market conditions expected to remain positive.

# OIL, GAS & CHEMICALS SERVICES

"Business as usual is not enough".

Serving the whole OGC industry, supply chain and stakeholders across the globe

**WE DELIVER:**

- Unbiased reliable facts and information under all circumstances (anywhere, any place, anytime)
- Tailored solutions that add value

**TO HELP:**

- Increase speed and quality of decision making
- Protect & secure business interest around the globe
- Increase flexibility to do business

**WHY SGS:**

- Unequalled OGC laboratory network
- Supported with pragmatic experts, eager to assist

# OIL, GAS & CHEMICALS SERVICES (OGC)

| CHF million | June 2007 | June 2006 |
|---|---|---|
| **Revenue** | 434.1 | 374.3 |
| Change in % | 16.0 | |
| **Operating Income before exceptionals** | 65.2 | 51.9 |
| Change in % | 25.6 | |
| **Margin %** | 15.0 | 13.9 |

## Overview 2007

- In favourable market conditions the sector continued to capitalize on our network coverage and service portfolio.
- All regions and services contributed to the comparable revenue growth.
- Replication of cargo treatment, PTO and fuel integrity business models underway in various regions.
- Successful introduction of innovative analytical solutions into the upstream market.

## Outlook

- Expect favourable market conditions to continue for the remainder of the year.
- Global roll-out of recent innovative analytical solutions will start to contribute to results (PVT, GOR).
- Strongly positioned to benefit from the growth in alternative fuels related services-deploying cross-business team (OGC, MIN, AGRI).

# CONSUMER TESTING SERVICES

"The sharp reduction in customer return rates is evidence that SGS has helped achieve a consistently high standard".

Manufacturers, importers, exporters and retailers of consumer products

**WE DELIVER:**

- Product testing, certification, verification, inspection, process assessment, technical assistance & consulting service E&E, Textile, Food, Hardlines

**TO HELP:**

- Reduce risks
- Eliminate defects at an early production stage
- Ensure quality, performance & compliance with local and international requirements
- Faster time to market, avoiding regulatory and non-compliance bottlenecks

**WHY SGS:**

- Largest & strategically located global network of quality control and regulatory specialists
- Internationally-recognized certification marks demonstrating product fulfils technical requirements

# CONSUMER TESTING SERVICES (CTS)

| CHF million | June 2007 | June 2006 |
|---|---|---|
| **Revenue** | 311.4 | 277.3 |
| Change in % | 12.3 | |
| **Operating Income before exceptionals** | 68.7 | 63.9 |
| Change in % | 7.5 | |
| **Margin %** | 22.1 | 23.0 |

## Overview 2007

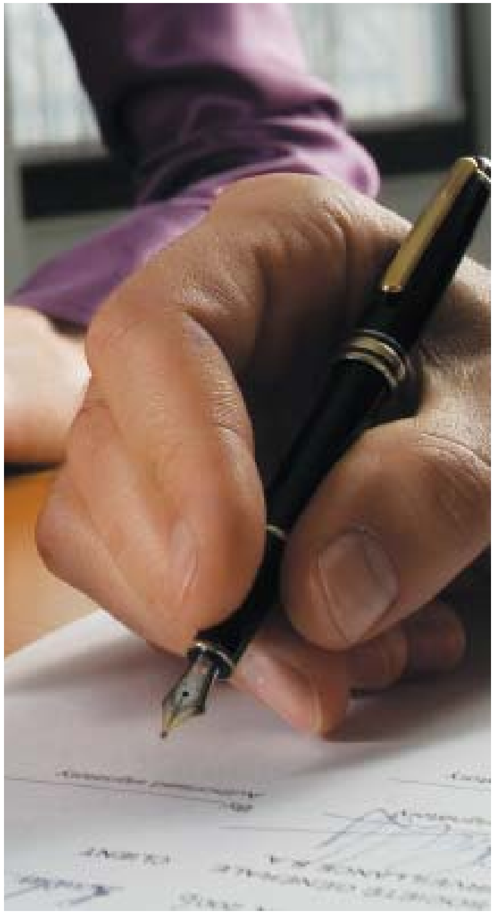
- Slow down of RoHS testing in H1 versus PY occurring as expected; partially compensated by growth in other RSTS activities including food contact, chemical testing related to toys, hard goods, textile.
- Solid growth in soft lines and hard lines testing with gain of shares in key markets such as US, Germany and China.
- Strengthened US position in food auditing with new contracts secured.
- All SGS regions reported YOY revenue growth with margin compression in Europe and Asia due to investment and service mix changes.

## Outlook

- Automotive business development accelerating with new approval programs for both materials and chemical testing.
- Sustainability trend with focus on corporate social responsibility (social & environmental), energy efficiency and REACH.
- Resources re-alignment due to recent IT implementations in H1 expected to improve margins.
- Revenue back logs for SL and HL look promising for holiday buying season.

# SYSTEMS & SERVICES CERTIFICATION

"SGS' deep knowledge & experience was a key in helping us become a preferred supplier with ISO 22000 certification".



Supports all organisations

**WE DELIVER:**

- Audits & certification against management systems standards
- Audits against clients' own standards
- Performance improvement solutions & training

**TO HELP:**

- Client Systems to meet a most stringent quality, environmental, safety & security criteria
- Clients to control the supply chain network to exceed customer requirements
- Offer the right solution to continuously improve and sustain the performance of processes and bottom-line results

**WHY SGS:**

- Unique range of services to allow monitoring and improvement of processes to deliver sustainable performance

# SYSTEMS & SERVICES CERTIFICATION (SSC)

| CHF million | June 2007 | June 2006 |
|---|---|---|
| **Revenue** | 170.1 | 151.4 |
| Change in % | 12.4 | |
| **Operating Income before exceptionals** | 28.5 | 27.7 |
| Change in % | 2.9 | |
| **Margin %** | 16.8 | 18.3 |


## Overview 2007

- Production capacity shift to new EU members offers good growth opportunities.
- Middle East & FSU growth boosted by energy and infrastructure developments.
- Western Europe economic growth creates demand for integrated management systems solutions.
- Service certification delivers high growth in Europe with possible expansion into other regional markets.
- China market in transition phase.

## Outlook

- Investment in international sales project launched in end Q1 and starting to deliver new revenue streams.
- Improved performance in H2 based on forecasted pipeline for new contracts.

# INDUSTRIAL SERVICES

"When you're building a a wind farm in the Baltic sea, quality truly matters".

For owners, operators, contractors and investors of Industrial assets

**WE DELIVER:**

- Technical verification, inspection, testing and conformity assessment

**TO HELP:**

- Assure Asset Integrity – from Design to Operation
- Reduce complexity and take care of quality and safety interests
- Reduce operational cost and risk
- Confirm compliance and increase reliability

**WHY SGS:**

- Integrated service package of specialised solutions and traditional services focused on the complete asset life cycle
- Technical expertise and experience combined with a wide ranging worldwide network

# INDUSTRIAL SERVICES (IND)

| CHF million | June 2007 | June 2006 |
|---|---|---|
| **Revenue** | 298.4 | 240.2 |
| Change in % | 24.2 | |
| **Operating Income before exceptionals** | 46.8 | 31.5 |
| Change in % | 48.6 | |
| **Margin %** | 15.7 | 13.1 |


## Overview 2007

- Strong organic revenue growth across the Group, particularly in NDT and supply chain services.
- Good margin growth in Europe due to improved efficiency and focus on higher value services.
- Wind energy business continues to grow rapidly with established capability in Europe, India and China and services now starting up in North America.
- New materials testing lab added in China.
- Improved performance in infrastructure project work in India and the Middle East.

## Outlook

- High global investment levels in plant and infrastructure are expected to continue, fuelling demand.
- Growth initiatives:
  - roll out of upstream oil and gas inspections.
  - packaged service with OGC for tank farm calibration, NDT and certification.
  - further replication of construction supervision services in Eastern Europe, Russia, and Peru.

# ENVIRONMENTAL SERVICES

"We need a reliable partner to help us even in the most difficult investigations".

For all organisations with an Environmental Footprint

**WE DELIVER:**

- Monitoring, analysis & data interpretation of contamination in soil, water & air
- Verification & Certification of $CO_2$ emissions for mandatory & voluntary climate change programmes

**TO HELP:**

- Understand & reduce environmental risks
- Optimise processes to work effectively within the environmental regulations

**WHY SGS:**

- The most comprehensive international network of analytical labs backed up by speciality experts (e.g. dioxins)

# ENVIRONMENTAL SERVICES (ENVI)

| CHF million | June 2007 | June 2006 |
|---|---|---|
| **Revenue** | 133.4 | 125.0 |
| Change in % | 6.7 | |
| **Operating Income before exceptionals** | 11.8 | 11.3 |
| Change in % | 4.4 | |
| **Margin %** | 8.8 | 9.0 |


## Overview 2007

- Solid comparable[1] revenue and operating income growth, with notable performance in Spain, Belgium and Italy.
- Multi-year contract wins in Australia, Belgium, Italy, Spain, and Switzerland.
- Gulf Laboratory was ISO 17025 accredited and commenced operations.
- Strong demand for our Climate Change Programme which continues to be one of the market leaders in Clean Development Mechanism (CDM) activity.

## Outlook

- Environmental concerns continue to drive demand for the services.
- New dioxin screening product has already received first contract wins.
- Continuing demand for climate change activities with a move towards more voluntary activities.
- Usual seasonality profile will deliver improved performance in the 2nd semester.

1. Excluding the contributions from the Australian hygiene business sold on June 30, 2006.

# AUTOMOTIVE SERVICES

"State of the art E-Business tools and indisputable cost calculation makes SGS the perfect partner across our global network".

For governmental agencies, Automotive manufacturers, leasing & financial companies

**WE DELIVER:**

- Outsourcing of services to Government agencies involved in road traffic and safety
- Detailed controls along the supply chain (from factory to dealer)
- Uniform and independent remarketing solutions

**TO HELP:**

- Proper & efficient implementation of legislation (vehicle safety, drivers, emissions)
- Maximise the  remarketing value & cycle
- Monitor and assure quality of vehicles from factory to client

**WHY SGS:**

- SGS adapts solutions to client needs & delivers consistency across borders

# AUTOMOTIVE SERVICES (AUTO)

| CHF million | June 2007 | June 2006 |
|---|---|---|
| **Revenue** | 121.7 | 111.5 |
| Change in % | 9.1 | |
| **Operating Income before exceptionals** | 16.4 | 15.3 |
| Change in % | 7.2 | |
| **Margin %** | 13.5 | 13.7 |

## Overview 2007

- New inspection contract for black cabs in London.
- In Ireland, new contract for driver's testing.
- In Egypt, contract with Egyptian Travel Agents Association for the provision of "on the road testing" of vehicles and drivers.
- Commercial services are gaining momentum both in Europe and in the USA with new services.
- COTA acquisition completed

## Outlook

- For statutory inspections services, positive impact of Black cab, driver's testing and Egypt, COTA. Expect additional mandate to be finalized in early Q3.
- For commercial services, new revenues in Europe and USA will increase revenues in 2nd semester.

# LIFE SCIENCE SERVICES

"SGS helps increase productivity and frees-up resources".

For the pharmaceutical, biotechnology, medial device, and cosmetic industry

**WE DELIVER:**

- Clinical research for Phase I to IV clinical trials
- Quality control testing and contract analytical services

**TO HELP:**

- Ensure the quality, safety and effectiveness of pharmaceuticals and other life science products
- Reduce time to market

**WHY SGS:**

- Broad therapeutic expertise
- State-of-the art clinical pharmacology units
- World's largest network of GMP compliant laboratories (US-FDA, EMEA, WHO)

# LIFE SCIENCE SERVICES (LIFE)

| CHF million | June 2007 | June 2006 |
|---|---|---|
| **Revenue** | 98.4 | 91.1 |
| Change in % | 8.0 | |
| **Operating Income before exceptionals** | 11.0 | 11.1 |
| Change in % | (0.9) | |
| **Margin %** | 11.2 | 12.2 |

## Overview 2007

- Clinical research results driven by good performance in Late Stage services increasing demand for bio-analytical and double-digit growth for Phase I services despite ongoing difficult environment in France following the implementation of EU directive in August 2006.
- Increased utilization of electronic data capture (eDC) solution to support the data collection, management and analysis of clinical trials.
- New bio-pharmaceutical extension to Belgium lab completed.
- India quality control lab successfully passed its first US-FDA pre-approval and GMP inspection.

## Outlook

- Strong increase in backlog for Phase I services.
- Strong demand for preferred vendor ship agreements from internationally active pharma, generic, CMO and API manufacturing companies driven by network advantage of GMP-compliant labs.
- Back logs and contract wins point to improved performance in H2.
- Change in Business leadership.

# GOVERNMENTS AND INSTITUTIONS SERVICES

"We need to establish the basis for future growth."

For Governments and Institutions, NGO-s and Charities

**WE DELIVER:**

- Inspected goods (before or after arrival) to ensure compliance with legal requirements
- Validated at source information submitted globally

**TO HELP:**

- Facilitate trade, support good governance and promote sustainable development by combating counterfeits, improving import and export processing, assessing and improving visibility and accountability of implementing agencies

**WHY SGS:**

- Adaptable modern tools to support efficiency & monitoring, being IT or scanners, tracking devices or marking technology
- Partnership and investment commitment
- Width of expertise benefit Governments and Institution

# GOVERNMENT AND INSTITUTIONS SERVICES (GIS)

| CHF million | June 2007 | June 2006 |
| --- | --- | --- |
| **Revenue** | 94.0 | 83.3 |
| Change in % | 12.8 | |
| **Operating Income before exceptionals** | 13.2 | 11.4 |
| Change in % | 15.8 | |
| **Margin %** | 14.0 | 13.7 |

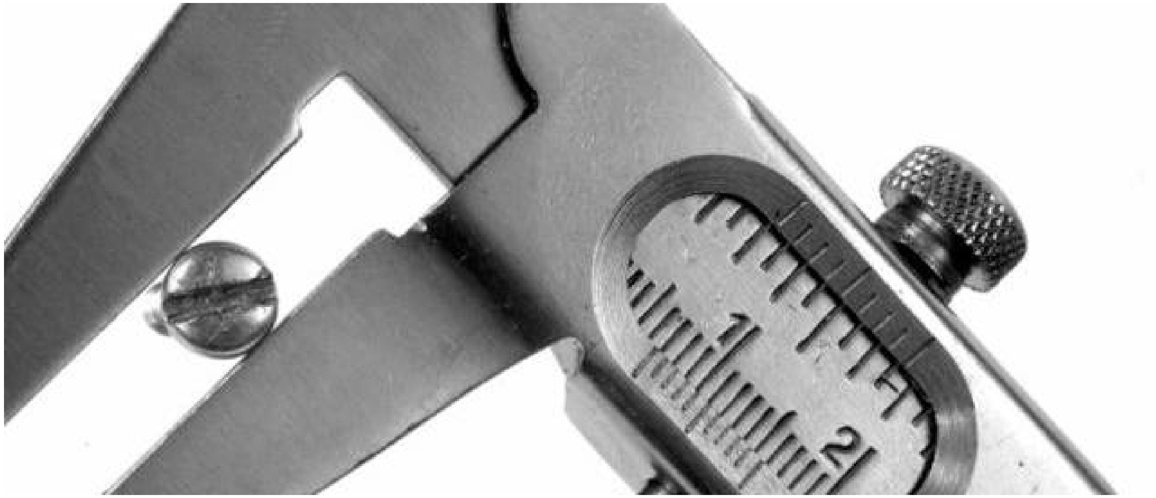
## Overview 2007

- Decrease in Global Solutions was compensated by 41% of Local Solutions growth.
- New PSI program implemented in Angola.
- Extension for Haiti PSI including a scanner.
- In Madagascar PSI was replaced by a modern TradeNet program complemented with Scanners.
- DI program in Nigeria is performing according to plan.
- In Ghana, in addition to the successful TradeNet scheme, a cargo tracking module is now running.
- Product conformity assessment schemes in Kenya and Saudi Arabia are progressing well.

## Outlook

- For Global solutions few new PSI opportunities. Transition of Madagascar contract will be partially compensated by Angola.
- Local Solutions should be increasing through new opportunities in TradeNet, scanners and Forestry with positive trend continuing.
- Expect to improve operating performance as new contracts reach steady state in H2.

# SGS DELIVERS COMPETITIVE EDGE



- By enhancing quality
- By reducing risk
- By improving productivity
- By ensuring compliance

# WHAT MAKES SGS DIFFERENT ?

- Working across Industries
- Thinking Globally
- Acting Locally
- Covering Supply Chains
- Using the right Technology
- Our Culture of Integrity

# YOU CAN RELY ON OUR MOST IMPORTANT ASSETS

Our People

Our Expertise

Our Commitment

WHEN YOU NEED TO BE SURE

# DRIVEN BY

- Integrity
- Passion
- Entrepreneurship
- Innovative spirit

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