



# SGS

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## SGS GROUP 2000 YEAR END RESULTS

**REVENUES UP BY 4% TO CHF 2,368.9 MIO**

**CORE BUSINESSES ORGANIC OPERATING PROFIT UP BY 12.9%**

**OVERALL OPERATING PROFIT FLAT AFTER IMPACT OF SGSonSITE  
DEVELOPMENT SPEND AND EXPIRY OF PHILIPPINES CONTRACT**

**GROWTH IN NET PROFIT OF 13.3% TO CHF 128.7 MIO**

**INCREASE IN PROPOSED DIVIDEND OF 21%**

**BROADER, LESS VOLATILE SOURCE OF PROFITS NOW  
ESTABLISHED**

**CONTINUED EXPOSURE TO THE PHILIPPINES RECEIVABLE OF  
SGS GLOBAL TRADE SOLUTIONS**

Geneva, 26 March 2001

**The Board of Directors of SGS Société Générale de Surveillance Holding SA has approved the audited consolidated results of the SGS Group for the year ended 31 December 2000.**

**Group revenues** for the year to 31 December 2000 were CHF 2,368.9 mio, a growth of +3.8% compared to revenues of CHF 2,282.3 mio for the prior year (excluding divestments). The revenues for these continuing businesses include a favourable currency translation impact of +4.2%. The organic growth was +0.5%. The **Core Business** sectors of SGS Redwood Services, SGS Consumer Products Services and SGS International Certification Services all reported a strong organic revenue growth. The expiry of the contract with the government of the Philippines and Ivory Coast contracts resulted in a -12.2% decline in the organic revenues in SGS Global Trade Solutions. Excluding SGS Global Trade Solutions, **Core Businesses** revenue grew organically by +5.2%.

**Operating profit before exceptional income/(expense) (EBIT)** for continuing businesses remained flat for the year at CHF 153.6 mio. Acquisitions generated a positive impact of +0.7% on operating profit and currency translation produced a favourable effect of +4.3%. The **Core Businesses** reported an organic operating profit growth of +12.9% or CHF 20.6 mio. Improvement in the operating profits in most of the Core Business sectors offsets the current year operating profit decline in both SGS Agriculture Services and SGS Consumer Products Services.

# Media Release

Operating profit of CHF 153.6 mio includes CHF 21.7 mio development spend on SGSonSITE.

Operating profit in **SGS Industrial Services** grew organically by +14.1% mainly due to new contracts in Mexico and Taiwan. **Other Services** organic operating profit fell by -24.5% as the revenues in the NDT and Logistics businesses declined due to reduced activity in some of the key markets.

**Group EBIT margin** for continuing businesses declined slightly from 6.8% in 1999 to 6.5% in 2000. This margin reduction is mainly due to the development costs of SGSonSITE which represented 0.9% of Group revenues. The EBIT margin for the **Core Businesses** increased to 11.6% for the year compared to 10.4% for the prior year.

**Exceptional operating income/(expense)** of CHF 8.7 mio includes the collection of CHF 16.8 mio of SGS Global Trade Solution receivables which were provided for in 1998. This exceptional gain has been partly offset by foreign exchange losses of CHF 6.6 mio due mainly to the weakening of the Euro against the CHF.

**Group operating profit** after exceptional income for the year was CHF 162.3 mio, a growth of 1.4% on the prior year operating profit of CHF 160.1 mio for the continuing businesses of the Group. Excluding the investment in SGSonSITE, Group operating profit increased by +14.9%.

**Net financial income** of CHF 24.6 mio for 2000 compared to a net financial expense of CHF 0.5 mio in the prior year reflects the return on the higher average net cash position within the Group in the current year. The divestment proceeds of CHF 494.0 mio were received only towards the end of 1999 and the prior year included the full write-off of the CHF 4.3 mio set-up costs for the CHF 500 mio three year syndicated loan facility.

**Net profit** before the gain on disposals increased by +13.3% from CHF 113.6 mio in 1999 to CHF 128.7 mio for the current year.

**Group net cash** decreased from CHF 616.1 mio at the end of December 1999 to CHF 488.2 mio at the end of December 2000. The cash outflow of CHF 127.9 mio reflects an increase in the working capital of SGS Global Trade Solutions (mainly the Philippines), the payment of the 1999 dividend, cash outlays under the ongoing restructuring programme, the refurbishment of the Geneva Headquarters, the investment in SGSonSITE and CHF 14.9 mio (including employer social costs) for the cash settlement (corresponding to the exercise price of 20'000 registered shares) of the outstanding vested share options in favour of the previous Chairman of the Board and President of the Group Executive Board granted in 1994.

### **Corporate costs**

Corporate overhead costs increased by CHF 2.8 mio to CHF 56.8 mio in 2000. This includes CHF 3.3 mio of additional costs associated with the fulfillment of obligations under a share option agreement with the previous Chairman of the Board and President of the Group Executive Board, and increased investment in Information Systems. These additional costs have been partly offset by lower Group Management costs.

### **Human resources**

The total number of employees has decreased by 59 to 30,555 at the year end compared to 30,614 for the prior year. 1,592 have left the Group as part of the restructuring programme and head count has increased by 1,498 to support organic business growth.

### **Status of restructuring programme**

The restructuring programme announced in 1998 is nearing completion. 3,767 employees have left the Group, slightly exceeding the target of 3,000 to 3,500 announced in the fourth quarter of 1998. The total cost of the restructuring programme is not expected to exceed the provision of CHF 200.4 mio taken in 1998.

### **Significant shareholders**

At the end of December 2000, Worms & Cie controls, either directly or together with other shareholders parties to certain voting agreements, 34.3% of the voting rights of the Company. Other members to these voting agreements are respectively members of the Founding Families, Deutsche Bank and Alp Design SA, Luxembourg. One of the members of the Founding Families, Mrs. Elisabeth Salina-Amorini holds 6.05% of the voting rights of the Company.

Other significant shareholders at the end of December 2000 include Mr. August von Finck who holds 13.5% of the voting rights of the Company, and together with his family 22.2% of the voting rights. The Company and the SWX Swiss Exchange is advised that none of the other members of the von Finck family own more than 5.0% of the voting rights and that they are not bound by any agreement with respect to voting rights or the transfer of shares. Rentenanstalt-Swiss Life holds 12.4% of the voting rights of the Company.

The Company does not have any further information regarding significant shareholders, particularly in relation to bearer shares.

### **Annual General Meeting**

The Board of Directors will recommend to the Shareholder's meeting on 10th May 2001 the approval of an increased dividend for 2000 of CHF 5.80 per registered share and CHF 29.00 per bearer share (CHF 4.80 and CHF 24.00 respectively).

### **Business activities**

**SGS Agricultural Services** revenues of CHF 217.4 mio were comparable to the prior year. Revenues declined in Eastern Europe both due to transportation difficulties on the River Danube and a poor harvest, and in Europe as a result of the bans on the export of some meat products. This lost business was offset by increased activity in Latin America. Operating margins have decreased to 9.4% of revenue as a result of low global commodity prices in 2000. Profitability is expected to increase across the sector in 2001.

**SGS Minerals Services** revenues increased by +6.0% to CHF 212.4 mio with the majority of the increase arising from positive foreign exchange movements. Revenue growth suffered from labour problems in Canada, structural issues in Europe and closures in Africa. The refocus of the sector on its core products, the rationalisation of the Geochem activities and the strength of the bulk mineral/metal markets worldwide has improved the margins from 7.5% to 11.4%.

**SGS Redwood Services** achieved a revenue growth of +15.2% (+8.5% organic revenue growth). The increased crude oil prices and product movement created favourable market conditions and the sector secured several new prestigious contracts against stiff competition. Margins have increased from 9.6% to 10.1% through limited price increases, although price pressure remains on larger global contracts.

**SGS Consumer Products Services** delivered good revenue growth of +16.6% (+7.2% organic revenue growth). Margins have suffered, declining from 9.2% in the prior year to 7.6 % this year with this being most apparent in the US and France. Margins are expected to improve in 2001.

**SGS International Certification Services** reported strong revenue growth of +17.2% (+9.6% organic revenue growth) with this growth being particularly strong in Asia and parts of Europe. Margins are up from 10.6% to 13.0%.

**SGS Global Trade Solutions** reported a good profit recovery in 2000 with margins up from 11.5% to 16.7%. This reflects the positive effects of the restructuring programme and a slightly reduced level of provisioning in 2000. Revenues declined by -10.3% primarily due to the expiry of the Philippines and Ivory Coast contracts. Both the public and private sectors have shown much interest in the new range of services to complement the existing Pre-Shipment Inspection service. Revenues from government contracts are expected to decline further in 2001. Total gross receivables have increased from CHF 361.7 mio at the end of 1999 to CHF 415.2 mio at the end of 2000. The main component of this growth is an increase in the level of receivables related to the expired contract with the Republic of the Philippines entered into in 1994. After considering the current status of the collection discussions with various debtors and the related uncertainties, Management, the Board of Directors and the Group's Auditors, after conducting a thorough review, are of the opinion that the total net receivables are appropriately valued in accordance with International Accounting Standards.

**SGS Industrial Services** reported an organic revenue growth of CHF +23.6 mio or +6.6% mainly due to the increased activity in the vehicle inspection service in the USA and in the new vehicle testing facility in Ireland. Organic revenues in the **Other Services** have declined by CHF -22.7 mio due to the closure of unprofitable business activities.

### **SGSonSITE**

Development expenditure on SGSonSITE in 2000 amounted to CHF 21.7 mio. Revenue flows from this initiative are expected to commence in the second half of 2001. The first release of SGSonSITE in August 2000 introduced the innovative Vendor Rating Programme for which over 2000 vendor ratings have already been ordered with SGSonSITE being integrated into eight leading B2B marketplaces. Relationships have been established with more than 600 marketplaces and associated service providers. A cautious approach is being

taken due to the signs of financial distress in this new industry segment and in the expectation of industry consolidation during 2001.

The second release of SGSonSITE providing the e-enablement of the full range of traditional SGS services is being piloted in the first quarter of 2001 and will be progressively rolled out in 2001.

### **Outlook**

The Group is expected to generate continued earnings growth in the year 2001. Ongoing restructuring benefits and investments in the development of new products in the Core Businesses will position the Group for continued improvement in its operating and financial performance.

With its strong financial position, the Group is now well positioned to explore opportunities to accelerate future growth.

**The SGS Group is the clear global leader and innovator in verification, testing and certification services. Founded in 1878, the SGS Group is recognised as the global benchmark for the highest standards of expertise, quality and integrity. The SGS Group operates a network of 850 offices and subsidiaries and 330 laboratories in 140 countries.**

**SGS Group**  
**Consolidated profit and loss accounts**

	2000 CHF 000	Continuing business 1999 CHF 000	Discontinued business 1999 CHF 000	1999 CHF 000
<b>Revenues</b>	<b>2'368'862</b>	<b>2'282'218</b>	<b>802'839</b>	<b>3'085'057</b>
Salaries and wages	-1'245'828	-1'208'015	-465'398	-1'673'413
Subcontractors' expenses	-146'676	-148'857	-21'504	-170'361
Depreciation	-103'502	-107'055	-37'249	-144'304
Goodwill amortisation	-4'314	-5'421	-5'264	-10'685
Other operating expenses	-714'982	-658'075	-245'616	-903'691
<b>Operating profit before exceptional income/(expense)</b>	<b>153'560</b>	<b>154'795</b>	<b>27'808</b>	<b>182'603</b>
Exceptional operating income/(expense)	8'695	5'266	-206	5'060
<b>Operating profit</b>	<b>162'255</b>	<b>160'061</b>	<b>27'602</b>	<b>187'663</b>
Financial income, net	24'566	6'774	-7'215	-441
<b>Profit before taxes and minority interests</b>	<b>186'821</b>	<b>166'835</b>	<b>20'387</b>	<b>187'222</b>
Taxes	-51'358	-47'870	-9'297	-57'167
<b>Profit after taxes</b>	<b>135'463</b>	<b>118'965</b>	<b>11'090</b>	<b>130'055</b>
Minority interests	-6'749	-6'645	-9'807	-16'452
<b>Net profit before disposals</b>	<b>128'714</b>	<b>112'320</b>	<b>1'283</b>	<b>113'603</b>
Gain on disposals (net)	0	0	202'867	202'867
<b>Net profit</b>	<b>128'714</b>	<b>112'320</b>	<b>204'150</b>	<b>316'470</b>
<b>Earnings per share (in CHF)</b>				
- registered	16.46			40.46
- bearer	82.30			202.30

**SGS Group**
**Information by business segment and geographical area**
**Revenues by segment:**

CHF (million)	31 Dec 2000	%	31 Dec 1999	%	Total variance	% Total	Exchange	% Exchange	Acq.	% Acq.	Disp.	% Disp.	Organic
<b>Verification, Testing and Certification Services</b>													
- SGS Agricultural Services	217.4	9.2%	215.2	7.0%	2.2	1.0%	4.7	2.2%					(2.5)
- SGS Minerals Services	212.4	9.0%	200.4	6.5%	12.0	6.0%	11.4	5.7%					0.6
- SGS Redwood Services	397.5	16.8%	345.2	11.2%	52.3	15.2%	20.6	6.0%	2.5	0.7%			29.2
- SGS International Certification Services	194.1	8.2%	165.6	5.3%	28.5	17.2%	11.7	7.1%	0.9	0.5%			15.9
- SGS Consumer Products Services	251.0	10.6%	215.2	7.1%	35.8	16.6%	14.1	6.6%	6.1	2.8%			15.6
- SGS Global Trade Solutions	353.4	14.9%	394.1	12.8%	(40.7)	-10.3%	7.3	1.9%					(48.0)
<b>Core businesses</b>	<b>1'625.8</b>	<b>68.7%</b>	<b>1'535.7</b>	<b>49.9%</b>	<b>90.1</b>	<b>5.9%</b>	<b>69.8</b>	<b>4.5%</b>	<b>9.5</b>	<b>0.6%</b>	-		<b>10.8</b>
- SGS Industrial Services	401.2	16.9%	355.3	11.5%	45.9	12.9%	22.3	6.3%				0.0%	23.6
- Other Services	341.9	14.4%	391.3	12.6%	(49.4)	-12.6%	3.7	0.9%			(30.4)	-7.8%	(22.7)
	<b>2'368.9</b>	<b>100.0%</b>	<b>2'282.3</b>	<b>74.0%</b>	<b>86.6</b>	<b>3.8%</b>	<b>95.8</b>	<b>4.2%</b>	<b>9.5</b>	<b>0.4%</b>	<b>(30.4)</b>	<b>-1.3%</b>	<b>11.7</b>
Discontinued activities			802.8	26.0%	(802.8)						(802.8)		
<b>Total</b>	<b>2'368.9</b>	<b>100.0%</b>	<b>3'085.1</b>	<b>100.0%</b>	<b>(716.2)</b>	<b>-23.2%</b>	<b>95.8</b>	<b>3.1%</b>	<b>9.5</b>	<b>0.3%</b>	<b>(833.2)</b>	<b>-27.0%</b>	<b>11.7</b>

**Revenues by geographical area:**

CHF (million)	31 Dec 2000	%	31 Dec 1999	%	Total variance	% Total	Exchange	% Exchange	Acq.	% Acq.	Disp.	% Disp.	Organic
Europe	1'157.2	48.8%	1'142.1	37.0%	15.1	1.3%	(7.6)	-0.7%	9.5	0.8%	(29.8)	-2.6%	43.0
Africa/Middle East	132.0	5.6%	117.5	3.8%	14.5	12.3%	-	0.0%			(0.6)	-0.5%	15.1
North America	482.9	20.4%	462.7	15.0%	20.2	4.4%	51.7	11.2%					(31.5)
Latin America	184.7	7.8%	157.9	5.1%	26.8	17.0%	11.6	7.3%					15.2
Asia/Pacific	412.1	17.4%	402.1	13.1%	10.0	2.5%	40.1	10.0%					(30.1)
Discontinued activities			802.8	26.0%	(802.8)						(802.8)		
<b>Total</b>	<b>2'368.9</b>	<b>100.0%</b>	<b>3'085.1</b>	<b>100.0%</b>	<b>(716.2)</b>	<b>-23.2%</b>	<b>95.8</b>	<b>3.1%</b>	<b>9.5</b>	<b>0.3%</b>	<b>(833.2)</b>	<b>-27.0%</b>	<b>11.7</b>

## SGS Group

### Operating profit before exceptional items by segment:

CHF (million)	31 Dec 2000	%	31 Dec 1999	%	Total variance	% Total	Exchange	% Exchange	Acq.	% Acq.	Disp.	% Disp.	Organic
<b>Verification, Testing and Certification Services</b>													
- SGS Agricultural Services	20.4	9.7%	28.5	12.1%	(8.1)	-28.4%	0.5	1.8%			-		(8.6)
- SGS Minerals Services	24.2	11.5%	15.0	6.3%	9.2	61.3%	1.4	9.3%			-		7.8
- SGS Redwood Services	40.0	19.0%	33.0	14.0%	7.0	21.2%	1.4	4.2%	0.5	1.5%	-		5.1
- SGS International Certification Services	25.2	12.0%	17.6	7.5%	7.6	43.2%	1.9	10.8%	0.1	0.6%	-		5.6
- SGS Consumer Products Services	19.2	9.1%	19.9	8.4%	(0.7)	-3.5%	1.4	7.0%	0.7	3.5%	-		(2.8)
- SGS Global Trade Solutions	59.0	28.0%	45.3	19.1%	13.7	30.2%	0.2	0.4%			-		13.5
<b>Core businesses</b>	<b>188.0</b>	<b>89.3%</b>	<b>159.3</b>	<b>67.4%</b>	<b>28.7</b>	<b>18.0%</b>	<b>6.8</b>	<b>4.3%</b>	<b>1.3</b>	<b>0.8%</b>	-		<b>20.6</b>
- SGS Industrial Services	18.4	8.8%	15.6	6.6%	2.8	17.9%	0.6	3.8%					2.2
- Other Services	25.7	12.2%	33.9	14.3%	(8.2)	-24.2%	0.4	1.2%	-		(0.3)	-0.9%	(8.3)
	<b>232.1</b>	<b>110.3%</b>	<b>208.8</b>	<b>88.3%</b>	<b>23.3</b>	<b>11.2%</b>	<b>7.8</b>	<b>3.7%</b>	<b>1.3</b>	<b>0.6%</b>	<b>(0.3)</b>		<b>14.5</b>
SGSonSite	(21.7)	-10.3%			(21.7)								(21.7)
Discontinued activities			27.8	11.7%	(27.8)						(27.8)		
<b>Total before corporate costs and exceptional items</b>	<b>210.4</b>	<b>100.0%</b>	<b>236.6</b>	<b>100.0%</b>	<b>(26.2)</b>	<b>-11.1%</b>	<b>7.8</b>	<b>3.3%</b>	<b>1.3</b>	<b>0.5%</b>	<b>(28.1)</b>	<b>-11.9%</b>	<b>(7.2)</b>
less:													
Corporate costs	(56.8)		(54.0)		(2.8)	-5.2%							(2.8)
<b>Group operating profit before exceptional operating income/(expenses)</b>	<b>153.6</b>		<b>182.6</b>		<b>(29.0)</b>	<b>-15.9%</b>	<b>7.8</b>	<b>4.3%</b>	<b>1.3</b>	<b>0.7%</b>	<b>(28.1)</b>	<b>-15.4%</b>	<b>(10.0)</b>

### Operating profit before exceptional items by geographical area:

CHF (million)	31 Dec 2000	%	31 Dec 1999	%	Total variance	% Total	Exchange	% Exchange	Acq.	% Acq.	Disp.	% Disp.	Organic
Europe	89.3	42.4%	101.6	42.9%	(12.3)	-12.1%	(0.6)	-0.6%	1.3	1.3%	(0.4)	-0.4%	(12.6)
Africa/Middle East	13.8	6.6%	4.0	1.7%	9.8	245.0%	0.3	7.5%			0.1	2.5%	9.4
North America	23.9	11.4%	29.7	12.6%	(5.8)	-19.5%	2.0	6.7%					(7.8)
Latin America	22.2	10.6%	16.7	7.1%	5.5	32.9%	0.8	4.8%					4.7
Asia/Pacific	61.2	29.0%	56.8	24.0%	4.4	7.7%	5.3	9.3%					(0.9)
Discontinued activities			27.8	11.7%	(27.8)						(27.8)		
<b>Total before corporate costs and exceptional items</b>	<b>210.4</b>	<b>100.0%</b>	<b>236.6</b>	<b>100.0%</b>	<b>(26.2)</b>	<b>-11.1%</b>	<b>7.8</b>	<b>3.3%</b>	<b>1.3</b>	<b>0.5%</b>	<b>(28.1)</b>	<b>-11.9%</b>	<b>(7.2)</b>
less:													
Corporate costs	(56.8)		(54.0)		(2.8)	-5.2%							(2.8)
<b>Group operating profit before exceptional operating income/(expenses)</b>	<b>153.6</b>		<b>182.6</b>		<b>(29.0)</b>	<b>-15.9%</b>	<b>7.8</b>	<b>4.3%</b>	<b>1.3</b>	<b>0.7%</b>	<b>(28.1)</b>	<b>-15.4%</b>	<b>(10.0)</b>



%  
**Organic**

-1.2%  
0.3%  
8.5%  
9.6%  
7.2%  
-12.2%  
**0.8%**  
6.6%  
-5.7%  
**0.5%**  
**0.4%**

%  
**Organic**

3.8%  
12.8%  
-6.8%  
9.7%  
-7.5%  
**0.4%**

%

**Organic**

-30.2%  
52.0%  
15.5%  
31.8%  
-14.0%  
29.8%  
**12.9%**  
14.1%  
-24.5%  
**6.9%**

-3.0%

-5.2%

**-5.5%**

%

**Organic**

-12.4%  
235.0%  
-26.2%  
28.1%  
-1.6%  
**-3.0%**

-5.2%

**-5.5%**

**SGS Group**  
**Consolidated balance sheets**

	December 2000 CHF 000	December 1999 CHF 000
<b>Assets</b>		
<b>Fixed assets</b>		
Land, buildings and equipment	386'485	403'752
Investment in associated and other companies	6'439	7'213
Long-term loans and other assets	85'841	88'171
Goodwill and other intangible assets	33'180	33'214
<b>Total fixed assets</b>	<b>511'945</b>	<b>532'350</b>
<b>Current assets</b>		
Work-in-progress and inventories	113'977	117'672
Trade accounts and notes receivable	641'526	607'486
Other receivables and prepayments	212'546	233'146
Cash and short-term investments	641'577	762'545
<b>Total current assets</b>	<b>1'609'626</b>	<b>1'720'849</b>
<b>Total</b>	<b>2'121'571</b>	<b>2'253'199</b>

**Shareholders' equity and liabilities**

<b>Shareholders' equity</b>		
Share capital	156'443	156'443
Reserves	942'869	840'954
<b>Total shareholders' equity</b>	<b>1'099'312</b>	<b>997'397</b>
<b>Minority interests</b>	<b>20'469</b>	<b>21'731</b>
<b>Liabilities</b>		
<i>Long-term liabilities</i>		
Other loans	43'831	48'212
Provisions for liabilities and commitments	313'910	397'262
	357'741	445'474
<i>Current liabilities</i>		
Loans	109'540	98'193
Accounts payable	283'305	369'688
Other creditors and accruals	251'204	320'716
	644'049	788'597
<b>Total liabilities</b>	<b>1'001'790</b>	<b>1'234'071</b>
<b>Total</b>	<b>2'121'571</b>	<b>2'253'199</b>

**SGS Group**  
**Consolidated cash flow statements**

CHF mio	December 2000	December 1999
Net cash beginning of period	616.1	85.1
Net cash end of period	488.2	616.1
<b>(Decrease)/increase in net cash</b>	<b>(127.9)</b>	<b>531.0</b>
<i>Explained by:</i>		
Operating profit/(loss)	162.3	187.7
Adjustment for non cash items - Amortisation	107.8	155.0
- Other	(5.4)	(4.5)
<b>Adjusted operating profit</b>	<b>264.7</b>	<b>338.2</b>
Tax paid	(39.0)	(56.4)
Restructuring expenses (provided in 1998)	(79.5)	(45.1)
(Increase) in working capital	(91.1)	(48.9)
<b>Cash flow from operating activities</b>	<b>55.1</b>	<b>187.8</b>
Net purchase of fixed assets	(98.6)	(155.0)
Net financial income	24.6	(0.4)
Other (including exchange)	(17.4)	19.8
<b>Free cash flow</b>	<b>(36.3)</b>	<b>52.2</b>
Dividend paid	(37.5)	-
	-	-
Net cash paid for acquisitions	(11.3)	(15.2)
Net cash received from disposals	(42.8)	494.0
<b>(Decrease)/increase in net cash</b>	<b>(127.9)</b>	<b>531.0</b>