



Media Release

TOTAL GROUP REVENUES CONSTANT AT CHF 1,164 MIO

ORGANIC REVENUES UP +5.9%

(excluding SGS Global Trade Solutions)

CORE BUSINESSES ORGANIC PROFIT CONTRIBUTION UP CHF 25.3 MIO (+43.7%)

(excluding SGS Global Trade Solutions)

NET EARNINGS OF CHF 43.6 MIO HELD BACK BY THE NON-RECURRENCE OF PRIOR YEAR EXCEPTIONAL PROFITS

Geneva, 27th August 2001

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

Operating profit before exceptional income/(expense) (EBIT) declined CHF 11.3 mio to CHF 58.4 mio. In line with the Group's strategy, operating profit performance improved strongly in the majority of the core business sectors.

Core Businesses' (excluding GTS) organic profit contribution improved by **+43.7%** to CHF 81.1 mio. In the first half of this year, **83%** of the total Trading Profit was contributed by core businesses other than GTS.

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

Net profit decreased by CHF 14.2 to CHF 43.6 mio. Compared to the prior period, the major highlights are a strong performance in the majority of the Group's businesses, an -82% reduction in EBIT from GTS and the non-recurrence in 2001 of the CHF 12 mio exceptional debt recoveries in GTS achieved in the first half of 2000.

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Business activities

SGS Agricultural Services revenues grew organically by **+3.2%** compared to the six months to 30 June 2000. Operating margins are slightly lower at 9.3% compared to 9.7% for the same period last year.

SGS Minerals Services revenues increased organically by **+4.6%**. Margins remained constant at 10.4%.

SGS Redwood Services has reported a strong organic revenue growth of **+10.1%**. Margins are up from 8.9% to **10.8%**.

SGS Consumer Products Services revenues have grown organically by **+10.6%**. Margins have increased from 4.9% to **7.4%**.

SGS International Certification Services reported strong organic revenue growth of **+9.5%**. Solid margin progression was achieved, increasing from 9.3% to **11.3%**.

The **new** core business of **SGS Industrial Services** has shown an organic revenue growth of **+2.3%**, with margins up from 2.3% to **8.1%**. This is due to the turnaround of the vehicle inspection business in the USA and the results of restructuring the general industrial activities. This new sector comprises Vehicle Inspection Services with revenues of CHF 103 mio, Industrial Services, CHF 90 mio and Project Resources Services, CHF 10 mio.

SGS Global Trade Solutions revenues have, as expected, declined significantly (-31.1% organically) compared to 2000 due to the non-renewal of the contracts with the Governments of the Philippines and the Ivory Coast. Operating margins (before debt provisions) reduced from 19.2% to 10.4% reflecting non-renewal of the above mentioned contracts. Including provisions for debts, operating margins declined from 18.5% in the prior period to 4.9% in the first half of 2001.

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

Outlook

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

The Group also reconfirms its medium term performance goals of 10% revenue growth (including acquisitions), 10% Group EBIT and a 20% Return on Shareholders' Equity.

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