



*Dr Fabio Colombo, Principal,
Environ Italy srl, Italy*

**WE NEED
A RELIABLE
PARTNER TO
HELP US EVEN
IN THE MOST
DIFFICULT
INVESTIGATIONS**

ENVIRONMENTAL SERVICES

- **KOREAN LAB IS THE FIRST ASIAN LAB TO WIN USA ENVIRONMENTAL ACCREDITATION**
- **NEW SYDNEY LABORATORY OPENED FOR ENVIRONMENTAL TESTING**
- **AIR AND WATER QUALITY MONITORED FOR POTENTIAL CONTAMINATION DURING PAKISTAN EARTHQUAKE RELIEF ACTIVITIES**

Every day our world is affected by natural and man-made activities that pollute the soil, water and air. Pollution affects people everywhere and threatens our global ecosystem and public health if it is not controlled. We believe sustainable development is fundamental to us all. So to help governments and industry integrate proper environmental management into their operations, Environmental Services provides a comprehensive international network of analytical services helping improve the environment.

During 2006 the Environmental Services business increased revenue by 6.0% to CHF 249.2 million at an operating margin for the year of 9.7%. The environmental testing market has been going through a period of much needed consolidation in many of the established countries during the year. Consequentially, the SGS focus in these regions has been to ensure we adapt our structure to the changing shape of the market place so that we can maintain and improve our share of the market. At the same time the newer geographies have presented exciting opportunities for growth and we have continued our geographic expansion on four main fronts; Africa, Eastern Europe, Asia and the Middle East.

The focus of the business remains laboratory analysis for contaminants in soil, water and air. As a result of this strategy the group divested itself of its Australian-based washroom hygiene services business during the year. The acquisition of Paradigm Analytical Inc at the end of 2005 gave us a strong player in the ultra-trace analytical market in the USA and gave us unique sample processing technologies. This technology is

now being progressively rolled out across the SGS network to improve efficiencies in the Group's existing laboratories. At the conclusion of 2006 the sector launched its data services package which will enable our clients to gain maximum value from our analytical and related data.

As well as helping customers understand their impact on the environment we also strive to reduce our own impact. We have introduced innovative sample extraction technology. This improves our productivity and also significantly reduces the amount of solvents used as a fundamental part of the analytical process. The technique eliminates the exposure of potentially harmful solvents to operators and allows used solvents to be separated and returned to the manufacturer for recycling rather than being disposed of as hazardous waste.

We continue to deliver a service that is recognised for its quality worldwide. During the dioxin scare that closed over 200 livestock farms in the Netherlands, Belgium and Germany in 2006, our Antwerp IAC lab was asked by the authorities to analyse a range of samples. The fast response of the lab helped the authorities trace back the source of the contamination as well as identify the affected parts of the food chain. The Group's Alaskan lab won an award for being the analytical supplier with the highest quality of data on its biggest project. In Italy we have worked for the Supreme Court to help establish sources of contamination in a complex environmental liability case. In North Carolina we were appointed by the State of North Carolina Division of Waste Management to conduct analysis following a disastrous fire at a waste chemical complex. In China SGS provided the analysis for the first review of the water quality along the Yangtze. Time and again when quality matters, when the client needs to be sure, they come to SGS.

CHF (million)

| | 2006 | 2005 |
|-------------------------------------------------|--------------|--------------|
| REVENUE | 249.2 | 235.0 |
| Change in % | 6.0 | – |
| OPERATING INCOME (before exceptionals) | 24.1 | 26.0 |
| Change in % | (7.3) | – |
| OPERATING MARGIN % (before exceptionals) | 9.7 | 11.1 |