Equity Research

SGS N

Support Services - Switzerland
Business Support Services

18 July 2011

Q2 results postview - Large Caps

Rating	TP	EPS 11e	EPS 12e
	↘ (6%)	↘ (9%)	↘ (6%)

Neutral

Target price **CHF1,650 (+12%)**
Sector rating **Neutral**

Price (15 July 2011)	CHF1,470
Market cap. (CHFbn / EURbn)	11.2 / 9.7
Free float (CHFbn / EURbn)	5.8 / 5.0
EV (CHFbn / EURbn)	11.2 / 9.7
3m avg. volume (CHFm / EURm)	26.0 / 22.5
Reuters/Bloomberg	SGSN.VX/SGSN VX

Financial data	12/10	12/11e	12/12e	12/13e
Adjusted EPS (CHF)	78.5	75.5	87.3	99.1
EPS - IBES (CHF)	78.7	80.3	90.3	104.9
Net dividend (CHF)	65.0	42.4	49.0	60.4
Sales (CHFm)	4,757	4,716	5,222	5,744
Adjusted EBITA (CHFm)	848	818	944	1,067
Adj. net profit (CHFm)	598	576	666	756
Adj. net debt / EBITDA (x)	-	-	-	-

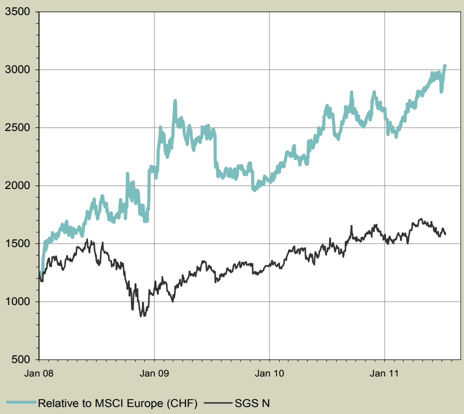
Stockmarket ratios*	12/10	12/11e	12/12e	12/13e
P/E (x)	18.6	19.5	16.8	14.8
P/BV (x)	5.5	5.4	4.7	4.1
Net yield (%)	4.4	2.9	3.3	4.1
FCF yield (%)	4.9	4.0	4.2	5.5
EV/Sales (x)	2.3	2.4	2.1	1.9
EV/EBITDA (x)	10.3	10.4	8.9	8.0
EV/EBITA (x)	13.0	13.7	11.7	10.4

** Yearly average price for FY ended 12/10*

Performance* (%)	1w	1m	3m	12m
Absolute	(10)	(9)	(11)	1
Rel. Support Services	(3)	(1)	5	11
Rel. MSCI Europe	(4)	(4)	1	7

** In listing currency, with dividend reinvested*

Price relative to MSCI Europe



H1 11 results: earnings miss mostly on FX

► H1 below expectations - mostly on FX

SGS's H1 11 EBIT was 6% below market expectations. This was mostly attributed to unfavourable FX (given the persistent strength of the CHF) which had a negative impact on sales of 13% and on EBIT of 15.5% (geographic mix). Net income was 10% below estimates (down 8.9% y/y and +6% at constant forex) also reflecting higher-than-anticipated financial charges.

► Underlying sales performances satisfactory in most divisions

Organic sales growth was robust (9.7% vs 8.7%e), with a buoyant performance in Minerals (+23.9%) and a satisfactory performance in Consumer Testing Services (+c.8%, i.e., far above peers). The operating margin decline (-55bp y/y to c.16%) was largely attributed to FX (40/45bp), limiting the underlying margin decline to c.10bp (vs flat estimated). This included a c.50bp hit from higher opex spend in H1 (CHF12m).

► Solid H2 outlook but the CHF will remain a drag on earnings

SGS confirmed solid top-line growth for FY11 (10%+ at constant currencies; excellent May and June trend seen continuing in July) and EBIT margin slightly below the 2010 level. Based on current spot rates, we have cut our FY11 estimates by 9% (H2 FX -13%e y/y on sales and -15%e on EBIT). While our c.10% l/l sales growth assumption remains virtually unchanged, we now expect a 50bp margin drop to 17.3% for FY11.

► Limited negative read-across for peers

Beyond FX (translation effect; negative impact on peers expected to be limited to 1-3%e at the top-line level in FY11) SGS's performance was solid and reassured on the industry outlook, especially for Minerals, Environment and Industrial services. This bodes particularly well for BV.

► Neutral stance maintained, TP trimmed to CHF1,650 (from CHF1,750)

Our revised TP reflects our mostly forex-related earnings cuts for 2011-13e. The current valuation (13x 12m fwd EV/EBIT) is in line with the historical average. This, coupled with weak EPS momentum, should limit the share's re-rating potential.

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EXANE BNP PARIBAS

H1 11 results missed expectations on FX

On 15 July 2011, SGS reported H1 figures below our estimates and consensus on all metrics (-3% on sales, -6% on EBITA and c.-10% on net income). This was due to a higher-than-expected negative effect from forex, which cut sales by 13.1% y/y (vs -9%e). Net income declined 8.9% y/y to CHF246m (+6% y/y at CER). The 8-12% miss vs our estimate and consensus also reflected a slightly higher tax rate (26.5% vs 26%) and higher than expected interest charges.

Figure 1: H1 earnings below expectations – mostly on forex

Published H1 11 figures versus expectations

	Reported				Expected	
CHFm	**H1 11**	**Delta vs cons**	**Prior year**	**Y/y change**	**Consensus**	**EBNPP**
Revenues	2,345	(2.9%)	2352	(0%)	2414	2416
Y/y growth	(0.3%)	(290bp)	1.1%		2.6%	2.7%
Organic sales growth	**9.7%**	**+120bp**	**1.0%**		**8.5%**	**8.7%**
EBITA	374	(6.3%)	388	(4%)	399	401
EBITA Margin	**15.9%**	**(55bp)**	**16.5%**	**(3%)**	**16.5%**	**16.6%**
Reported net income	246	(11%)	270	(9%)	278	280
Adjusted net income (EPS) (CHF)	254.5 (33.4)	(10%)	266	(5%)	283	284 (37.3)

Source: Company, Exane BNP Paribas estimates

H1 11 operating CF declined by 12% to CHF228m on cyclical and seasonal effects. The group's net debt position was CHF233m at end-June from a net cash position of CHF259m at end-December 2010, primarily as a result of CHF494m in dividend payments and an increase in capex (+17.5% y/y) to support the 2014 plan. Note that the negative WCR effect in H1 (on a timing issue related to strong development in Industrial services, Minerals and CTS) is expected to reverse in H2 (with a net WC outflow forecast at CHF40m after CHF130m in H1 11).

Organic growth: all divisions performed satisfactorily

SGS achieved 9.7% l/l sales growth in H1 11, slightly above our estimate of 8.7%. This was driven mostly by Minerals (c.24% organically – although this was anticipated), solid figures for Consumer Testing Services (c.8% organically, above peers) and positive surprises in some of the smaller business lines (Industry and Environment up 10-15% l/l). Other divisions performed, as expected, in the (mid- to high) single-digit range.

Figure 2: SGS reported H1 11 sales and l/l sales growth vs our forecasts (CHFm)

REVENUES	**H1 10**	**H2 10**	**FY10**	**H1 11p**	**H1 11e**	**Delta vs est.**
Agricultural Services	170	174	344	156	161	(3%)
Mineral Services	291	325	616	323	335	(4%)
Oil, Gas & Chemical Services	480	476	957	451	464	(3%)
Life Science Services	98	96	194	100	103	(3%)
Consumer Testing Services (CTS)	407	414	821	388	403	(4%)
Systems & Services Certification	189	198	386	177	182	(2%)
Industrial Services	368	370	738	369	376	(2%)
Environmental Services	137	142	278	140	134	5%
Automotive Services	100	95	195	137	135	1%
Government & Institution Services	112	116	228	105	121	(13%)
Group revenues	**2,352**	**2,405**	**4,757**	**2,345**	**2,415**	**(3%)**
REVENUES - Organic sales growth						
Agricultural Services	(3.1%)	2.9%	(0.1%)	2.6%	4.0%	(140bp)
Mineral Services	5.6%	18.0%	12.2%	23.9%	24.0%	(20bp)
Oil, Gas & Chemical Services	3.8%	4.6%	4.2%	6.9%	6.5%	40bp
Life Science Services	1.2%	3.9%	2.6%	7.2%	7.0%	20bp
Consumer Testing Services (CTS)	5.6%	8.3%	7.0%	8.5%	6.5%	200bp
Systems & Services Certification	7.8%	8.0%	7.9%	5.8%	6.5%	(70bp)
Industrial Services	(3.3%)	2.1%	(0.6%)	10.6%	8.0%	260bp
Environmental Services	(4.4%)	1.5%	(1.3%)	14.6%	6.0%	860bp
Automotive Services	(25.0%)	(18.4%)	(21.8%)	6.9%	4.0%	290bp
Government & Institution Services	10.6%	7.8%	9.2%	3.1%	9.0%	(590bp)
Group revenues growth	**1.0%**	**5.4%**	**3.2%**	**9.7%**	**8.7%**	**100bp**

Source: company, Exane BNP Paribas estimates

Margins were hit by FX

SGS's EBITA margin fell to c.16% (a 55bp drop y/y), o.w. 40-45bp was attributed to FX and only 10bp to underlying performance (vs flat expectations and as indicated by the company). This included a 50bp hit related to higher opex spend, i.e., around CHF12m. The best performers included the Mineral services division (+70bp EBIT margin gain to 19.0% and +150bp at CER) and Automotive services on the accretive impact of recent acquisitions (+210bp at CER). Margins were also supported by the strong profitability improvement in the Government & Institution services (+440bp at CER).

Figure 3: SGS reported H1 11 EBITA and EBITA margin vs our forecasts

CHFm	H1 10	H2 10	FY10	H1 11	H1 11e	Delta y/y (AER)	Delta y/y (CER)	Delta vs. est
EBITA								
Agricultural Services	23	31	54	21	22			(2%)
Mineral Services	52	66	118	59	64			(7%)
Oil, Gas & Chemical Services	65	83	149	59	60			(3%)
Life Science Services	13	16	29	10	13			(20%)
Consumer Testing Services	102	110	212	91	96			(5%)
Systems & Services								
Certification	36	45	82	31	35			(11%)
Industrial Services	47	50	97	40	47			(15%)
Environmental Services	13	17	30	12	13			(8%)
Automotive Services	17	19	36	29	31			(6%)
Government & Institution Services	20	22	42	22	21			5%
Group EBITA	**388**	**460**	**848**	**374**	**401**			**(7%)**
EBITA Margins (%)								
Agricultural Services	13.4%	17.9%	15.7%	13.7%	13.5%	30bp	110bp	20bp
Mineral Services	17.7%	20.4%	19.1%	18.4%	19.0%	70bp	150bp	(60bp)
Oil, Gas & Chemical Services	13.6%	17.5%	15.6%	13.0%	13.0%	(60bp)	(20bp)	0bp
Life Science Services	13.0%	16.8%	14.9%	10.4%	12.6%	(260bp)	(240bp)	(220bp)
Consumer Testing Services	25.1%	26.5%	25.8%	23.6%	23.9%	(150bp)	(110bp)	(30bp)
Systems & Services							(150bp)	
Certification	19.3%	22.9%	21.1%	17.4%	19.0%	(190bp)		(170bp)
Industrial Services	12.8%	13.5%	13.2%	10.8%	12.5%	(200bp)	(150bp)	(170bp)
Environmental Services	9.5%	11.9%	10.7%	8.6%	9.8%	(90bp)	(50bp)	(120bp)
Automotive Services	16.7%	20.2%	18.4%	21.1%	22.8%	440bp	210bp	(170bp)
Government & Institution							440bp	
Services	17.5%	18.9%	18.2%	20.7%	17.0%	320bp		370bp
Group EBITA margin	**16.5%**	**19.1%**	**17.8%**	**16.0%**	**16.6%**	**(55bp)**	**(10bp)**	**(60bp)**

Source: Company, Exane BNP Paribas estimates

Solid H2 outlook but the CHF will remain a drag

SGS reiterated that it expects solid top-line growth (10%+ at constant exchange rates and including the contribution from acquisitions) and operating margin to be slightly lower than in 2010 (as expected, on the timing of opex spend which is skewed to H2).

The 12% increase in headcount observed in H1 11 (to 67,144 o.w. +6,335 organic and +972 from acquisitions) and the return to higher capex levels (5.6% of sales in H1 vs 4.8% last year, and 6-7%e for the full year on the ramp-up of new projects, mainly skewed to the Oil, Gas & Chemical division, Minerals and CTS) highlight management's confidence in its outlook and hence bode well for sustained high single-digit (or even double-digit) sales growth at the group level.

Management indicated that sales momentum remains strong: May and June were excellent and so far July has followed this trend. All businesses are performing well with only a few exceptions: the statutory inspection in Spain (accounting for 20% of divisional sales with a restructuring under way), Certification services in Japan (growth affected by the postponement of audits in Japan after the tsunami) and Life Science (clinical research/early phase to remain under pressure due to a reduced molecule pipeline).

Within the best-performing businesses, it is worth noting that Industrial services was driven by the nuclear niche segment, Environment by recent issues (dioxin scare, radioactivity testing) and Consumer testing services by market share gains in soft lines and good growth in food and photovoltaic.

FY11 group margins are expected to suffer from 1) FX (for around 40bp, as seen in H1, on current spot rates); 2) an increase in the opex spend (by at least 50bp in H2e, as seen in H1). Note that the margin decline in Consumer testing services was explained by a transition in the product mix from maturing to new services (such as CSR), opex spend and some FX impact and therefore does not appear to be a structural issue.

Figure 4: Our organic sales growth and EBITA margin estimates for 2011e

%	H1 11 p	H2 11e	FY11e (new)	FY11e (previous)	Comments/Divisional H2 outlook
REVENUES – l/l sales gr.					
Agricultural Services	2.6%	4.0%	3.3%	3.5%	Good crop forecasts (return of Russia & Ukraine). Good opportunities in BRIC countries. High demand for sustainability certif. +20% growth generated from synergies & acquisitions.
Mineral Services	23.8%	18.0%	20.8%	20.3%	Market demand & commodity prices expected to remain strong. Expansion of commercial laboratory network in Australia, Canada & West Africa.
Oil, Gas & Chemicals Services	6.9%	9.0%	7.9%	7.8%	High activity in trade services to remain. Deceleration in refining volumes due to structural changes of ref. ind. in Europe. New revenues from upstream services & lab in Middle East
Life Science Services	7.2%	6.0%	6.6%	6.5%	Leverage from M-Scan labs acquisition. Lab testing demand to remain strong for R&D/QC, biopharma & immuno analysis. CR early phase market likely to remain under pressure due to reduced molecule pipeline & shift towards patient trials.
Consumer Testing Services	8.5%	8.5%	8.5%	7.5%	Market share expansion (US & Europe particularly in soft lines & hard goods). New services & lab investments expected to generate returns. Positive outlook on wireless (new technology).
Systems & Services Certification	5.8%	8.0%	6.9%	8.3%	Acceleration of growth in Americas & Asia. Increased demand for renewable energy. Strong potential in IT, transportation security. Continued investment in technical expertise.
Industrial Services	10.6%	11.0%	10.8%	8.0%	Inspection & testing volumes to rise for Oil & Gas-related maintenance. Demand for nuclear inspection to increase. Increased exploration activity in Asia for upstream services.
Environmental Services	14.6%	10.0%	12.3%	4.5%	Market shows positive developments from regulation changes though Brownfield developments expected to remain weak. Further service developments & continued geographic developments (Guinea, Malaysia, Vietnam).
Automotive Services	6.9%	6.0%	6.5%	5.0%	Solid results in statutory business. Remarketing inspection services and stock audits developing through new clients across geographies. Opportunities in statutory field (Asia, South America & Europe).
Trade Assurance Services	3.1%	8.0%	5.6%	9.5%	New 3 yr PSI program signed in Bangladesh with larger volumes. Roll-out of new tracking services in Africa. Complete implementation of new mandates in DRC, Cameroon & Ghana.
Group revenue growth	**9.7%**	**9.7%**	**9.7%**	**8.8%**	**Sales growth of 10%+ at constant exchange rates (incl. acquisitions)**
EBITA Margins					
Agricultural Services	13.7%	17.3%	15.6%	15.4%	
Mineral Services	18.4%	20.2%	19.3%	19.5%	
Oil, Gas & Chemical Services	13.0%	16.0%	14.5%	14.3%	
Life Science Services	10.4%	15.0%	12.6%	14.0%	
Consumer Testing Services	23.6%	25.0%	24.3%	25.0%	
Systems & Services Certification	17.4%	21.5%	19.5%	20.3%	
Industrial Services	10.8%	13.2%	12.0%	12.8%	
Environmental Services	8.6%	11.5%	10.0%	10.9%	
Automotive Services	21.1%	25.8%	23.4%	24.3%	
Government and Inst. Services	20.7%	19.0%	19.8%	17.0%	
Group EBITA margin	**16.0%**	**18.6%**	**17.3%**	17.7%	**Margins to be hit by opex spend and FX**

Source: Company, Exane BNP Paribas estimates

We have fine-tuned our estimates by business line for both the top line and margin to reflect the H1 11 performances. Our H2 l/l top-line forecasts remain unchanged overall: we are still looking for c.10%e in H2 10, and a margin decline of 50bp y/y to 17.5% for the full year (from 17.7% including a 50bp drop in H2) as a result of the FX impact, as we already reflected the impact of increased opex spend related to the 2014 plan. All in all, we have cut our EPS by 9% in 2011e and by 6% in 2012-13e to factor in the negative FX impact.

Figure 5: FX to remain a drag for H2 11

SGS main currencies' moves in H1 11 and H2 11e

	Sales breakdown	H1 10	H2 10	H1 11	H2 11e	Delta H1 11 y/y	Delta H2 11e y/y
CHF/EUR	34%	1.44	1.38	1.27	1.17	(12%)	(12%)
CHF/USD	15%	1.08	1.04	0.91	0.84	(16%)	(17%)
CHF/HKD	3%	0.14	0.13	0.12	0.11	(16%)	(17%)
CHF/GBP	3%	1.65	1.61	1.46	1.33	(11%)	(15%)
CHF/AUD	6%	0.97	0.96	0.93	0.89	(3%)	(6%)
CHF/CNY	9%	0.16	0.15	0.14	0.13	(13%)	(13%)
CHF/BRL	3%	0.60	0.59	0.55	0.53	(8%)	(9%)
CHF/TWD	3%	0.03	0.03	0.03	0.03	(8%)	(10%)
CHF/CAD	5%	1.05	1.01	0.93	0.86	(11%)	(12%)
SGS group impact on sales						**(13.1%)**	**(13.5%)**
SGS group impact on EBIT						**(15.5)**	**(15.5)**

Source: Exane BNP Paribas estimates

Lastly, in terms of M&A, SGS confirms that it expects more acquisitions in H2 (vs H1 – only nine for CHF19m) given its full pipeline (three small ones are about to be announced).

Limited negative read-across for peers

Beyond FX (only a translation impact), which will have a substantially smaller impact on peers (1-3% at the top-line level vs a double-digit impact for SGS), SGS's H1 11 release confirms the solid operating performances overall and thus gives some reassurance on the outlook for the industry. Except for some margin decline in the Consumer testing activities (mostly negative for Intertek as this segment accounts for 45% of group EBIT), the good performances in most divisions, including Minerals, Environment and Industrial services, bode particularly well for the TIC sector and especially for Bureau Veritas.

Figure 6: 2011 targets announced by the top three players in the TIC sector

2011 targets	SGS	Intertek Group	Bureau Veritas
Date of H1 11 release	15 July 2011	1 August 2011	25 August 2011
Organic sales growth	Double-digit sales growth at CER – H2 10%+ at CER	High single-digit sales growth	Around 6% l/l sales growth
EBITA margin	Lower than in 2010 (i.e. below 17.8%) on opex spend and FX drag	Slight margin decline on Moody acquisition	Declining margins on Inspectorate consolidation
Capex/sales	6-7%	A return to 5-6% level	Around 3-3.5%

Source: Companies, Exane BNP Paribas estimates

We expect both Intertek and Bureau Veritas to report solid underlying results, respectively on 1 and 25 August 2011. Unlike SGS, we see no major surprises vs expectations with solid top-line trends (>6% l/l for BVI and >8% for ITRK), a limited negative FX impact and some y/y margin decline as a result of the consolidation of recent acquisitions (Inspectorate for BVI and Moody for ITRK), as well as a margin decrease in Consumer Goods (on slower top-line growth and as flagged by SGS). We confirm our Neutral rating on Intertek (TP GBP22.0, +15%) and our Outperform on Bureau Veritas (EUR70, +21%) given the upside of its late-cyclical activities.

EXANE BNP PARIBAS

Price at 15 Jul. 11 / Target Price

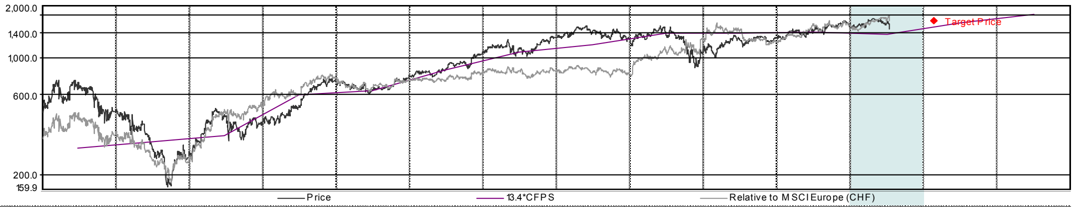
CHF1,470 / CHF1,650 +12%

Reuters / Bloomberg: SGSN.VX / SGSN VX   Analyst: Laurent Brunelle (+33) 1 42 99 84 66

SGS N (Neutral)

Business Support Services | Support Services (Neutral) - Switzerland

Company Highlights	CHFm / EURm		
Enterprise value	11,204 / 9,713		
Market capitalisation	11,201 / 9,710		
Free float	5,824 / 5,049		
3m average volume	26 / 23		
Performance (*)	**1m**	**3m**	**12m**
Absolute	(9%)	(11%)	1%
Rel. Sector	(1%)	5%	11%
Rel. MSCI Europe	(4%)	1%	7%
12m Hi/Lo (CHF) : 1,717 -14% / 1,386 +6%			
CAGR	**1996/2011**		**2011/2013**
EPS restated (**)	6%		15%
CFPS	5%		14%



	Dec. 00	Dec. 01	Dec. 02	Dec. 03	Dec. 04	Dec. 05	Dec. 06	Dec. 07	Dec. 08	Dec. 09	Dec. 10	Dec. 11e	Dec. 12e	Dec. 13e
Price (yearly avg from Dec. 00 to Dec. 10)	*584.8*	*325.5*	*385.6*	*553.2*	*681.2*	*877.6*	*1 158.6*	*1 395.1*	*1 283.3*	*1 232.7*	*1 463.6*	*1 470.0*	*1 470.0*	*1 470.0*
PER SHARE DATA (CHF)	**Dec. 00**	**Dec. 01**	**Dec. 02**	**Dec. 03**	**Dec. 04**	**Dec. 05**	**Dec. 06**	**Dec. 07**	**Dec. 08**	**Dec. 09**	**Dec. 10**	**Dec. 11e**	**Dec. 12e**	**Dec. 13e**
No of shares year end, basic, (m)	7.822	7.822	7.978	7.958	7.958	7.822	7.822	7.822	7.822	7.822	7.822	7.822	7.822	7.822
Average no of shares, diluted, excl. treasury stocks (m)	7.822	7.822	7.978	7.958	7.958	7.505	7.619	7.694	7.628	7.529	7.612	7.629	7.629	7.629
EPS reported	*16.46*	*(9.61)*	*13.66*	*28.04*	*34.34*	*46.62*	*56.61*	*63.88*	*88.43*	*73.35*	*75.14*	*72.56*	*84.39*	*95.87*
EPS restated	15.05	14.11	24.82	29.78	34.93	49.43	58.12	66.99	75.87	77.93	78.51	75.46	87.30	99.07
% change	*(64.1%)*	*(6.3%)*	*75.9%*	*20.0%*	*17.3%*	*41.5%*	*17.6%*	*15.3%*	*13.3%*	*2.7%*	*0.7%*	*(3.9%)*	*15.7%*	*13.5%*
CFPS	21.45	23.41	25.45	44.73	47.57	63.19	80.86	89.04	104.18	105.20	105.59	103.62	120.80	134.89
Book value (BVPS) (a)	140.5	125.4	112.4	134.7	146.1	184.0	198.4	248.1	233.3	265.0	264.6	273.9	315.9	362.9
Net dividend	5.80	6.00	6.00	8.85	11.80	30.47	20.00	35.00	50.00	60.00	65.00	42.37	48.96	60.39
STOCKMARKET RATIOS	**YEARLY AVERAGE PRICES for end Dec. 00 to Dec. 10**					**Dec. 05**	**Dec. 06**	**Dec. 07**	**Dec. 08**	**Dec. 09**	**Dec. 10**	**Dec. 11e**	**Dec. 12e**	**Dec. 13e**
P / E (P/ EPS restated)	38.9x	23.1x	15.5x	18.6x	19.5x	17.8x	19.9x	20.8x	16.9x	15.8x	18.6x	19.5x	16.8x	14.8x
P / E relative to MSCI Europe	167%	91%	72%	132%	148%	143%	155%	150%	120%	115%	162%	182%	178%	170%
P / CF	27.3x	13.9x	15.2x	12.4x	14.3x	13.9x	14.3x	15.7x	12.3x	11.7x	13.9x	14.2x	12.2x	10.9x
FCF yield	(2.4%)	0.2%	5.1%	3.7%	4.2%	3.4%	4.2%	4.2%	5.3%	6.6%	4.9%	4.0%	4.2%	5.5%
P / BVPS	4.16x	2.60x	3.43x	4.11x	4.66x	4.77x	5.84x	5.62x	5.50x	4.65x	5.53x	5.37x	4.65x	4.05x
Net yield	1.0%	1.8%	1.6%	1.6%	1.7%	3.5%	1.7%	2.5%	3.9%	4.9%	4.4%	2.9%	3.3%	4.1%
Payout	38.5%	42.5%	24.2%	29.7%	33.8%	61.6%	34.4%	52.2%	65.9%	77.0%	82.8%	56.2%	56.1%	61.0%
EV / Sales	1.76x	0.93x	1.14x	1.60x	1.76x	1.91x	2.32x	2.39x	2.01x	1.92x	2.32x	2.38x	2.12x	1.93x
EV / Restated EBITDA	16.2x	9.1x	8.8x	9.9x	10.0x	9.8x	11.4x	11.5x	9.5x	8.7x	10.3x	10.4x	8.9x	8.0x
EV / Restated EBITA	27.1x	15.8x	12.6x	13.1x	12.9x	12.6x	14.6x	14.7x	12.0x	11.0x	13.0x	13.7x	11.7x	10.4x
EV / OpFCF	NC	106.0x	16.0x	20.3x	16.9x	19.0x	17.0x	16.6x	14.6x	10.9x	14.2x	16.2x	14.6x	11.8x
EV / Capital employed (incl. gross goodwill)	4.9x	2.9x	3.9x	5.2x	5.4x	5.1x	5.6x	4.6x	4.1x	3.8x	4.3x	4.1x	3.8x	3.7x
ENTERPRISE VALUE (CHFm)	**4,165**	**2,161**	**2,727**	**3,924**	**5,084**	**6,316**	**8,855**	**10,436**	**9,701**	**9,049**	**11,054**	**11,204**	**11,047**	**11,079**
Market cap	4,575	2,546	3,077	4,402	5,421	6,587	8,828	10,630	9,778	9,392	11,152	11,201	11,201	11,201
+ Adjusted net debt	(488)	(446)	(402)	(493)	(439)	(430)	(199)	(378)	(248)	(476)	(259)	(157)	(315)	(282)
+ Other liabilities and commitments	85	81	80	61	150	219	286	176	194	194	194	194	194	194
+ Revalued minority interests	85	67	62	74	121	165	165	197	198	168	205	205	205	205
- Revalued investments	92	88	89	120	169	225	225	189	221	229	237	237	237	237
P & L HIGHLIGHTS (CHFm)	**Switch to IFRS data from FY ended 12/04**				**Dec. 04**	**Dec. 05**	**Dec. 06**	**Dec. 07**	**Dec. 08**	**Dec. 09**	**Dec. 10**	**Dec. 11e**	**Dec. 12e**	**Dec. 13e**
Sales	**2,369**	**2,332**	**2,392**	**2,454**	**2,885**	**3,308**	**3,821**	**4,372**	**4,818**	**4,712**	**4,757**	**4,716**	**5,222**	**5,744**
Restated EBITDA (b)	**257**	**238**	**311**	**396**	**508**	**642**	**777**	**908**	**1,024**	**1,045**	**1,073**	**1,078**	**1,245**	**1,387**
Depreciation	(104)	(101)	(95)	(96)	(115)	(140)	(172)	(197)	(214)	(223)	(225)	(261)	(302)	(321)
Restated EBITA (b) (**)	**154**	**137**	**216**	**300**	**393**	**502**	**605**	**711**	**810**	**822**	**848**	**818**	**944**	**1,067**
Reported operating profit (loss)	169	(40)	127	293	380	502	624	690	937	802	836	807	936	1,059
Net financial income (charges)	18	17	13	10	6	5	(1)	2	(4)	(3)	(7)	3	2	3
Affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other														
Tax	(51)	(44)	(27)	(68)	(93)	(119)	(155)	(172)	(219)	(200)	(215)	(215)	(249)	(281)
Minorities	(7)	(8)	(4)	(8)	(15)	(17)	(25)	(20)	(22)	(25)	(26)	(28)	(29)	(30)
Goodwill amortisation	(4)	(8)	(9)	(10)	-	-	-	-	-	-	-	-	-	-
Net attributable profit reported	129	(75)	109	227	278	371	443	500	692	574	588	568	660	750
Net attributable profit restated (c)	**114**	**102**	**189**	**227**	**278**	**371**	**443**	**515**	**579**	**587**	**598**	**576**	**666**	**756**
CASH FLOW HIGHLIGHTS (CHFm)	**Dec. 00**	**Dec. 01**	**Dec. 02**	**Dec. 03**	**Dec. 04**	**Dec. 05**	**Dec. 06**	**Dec. 07**	**Dec. 08**	**Dec. 09**	**Dec. 10**	**Dec. 11e**	**Dec. 12e**	**Dec. 13e**
EBITDA (reported)	**276**	**69**	**231**	**399**	**495**	**642**	**796**	**887**	**1,151**	**1,025**	**1,061**	**1,067**	**1,237**	**1,379**
EBITDA adjustment (b)	**(19)**	**170**	**80**	**(3)**	**13**	**0**	**(19)**	**21**	**(127)**	**20**	**12**	**11**	**8**	**8**
Other items	(59)	(26)	(92)	1	(43)	(44)	19	(21)	(58)	(20)	(12)	(11)	(8)	(8)
Change in WCR	(167)	(76)	72	(33)	36	(60)	(31)	12	(22)	13	(33)	(44)	(63)	(67)
Operating cash flow	**32**	**137**	**291**	**364**	**501**	**538**	**765**	**899**	**944**	**1,038**	**1,028**	**1,023**	**1,174**	**1,312**
Capex	(121)	(116)	(121)	(171)	(201)	(205)	(245)	(271)	(278)	(209)	(250)	(330)	(418)	(373)
Operating free cash flow (OpFCF)	**(90)**	**20**	**171**	**193**	**300**	**333**	**520**	**628**	**666**	**829**	**778**	**693**	**757**	**939**
Net financial items + tax paid	(21)	(16)	(12)	(29)	(66)	(102)	(145)	(175)	(141)	(199)	(222)	(239)	(275)	(309)
Free cash flow	**(111)**	**5**	**159**	**164**	**234**	**231**	**375**	**453**	**525**	**630**	**556**	**454**	**481**	**630**
Net financial investments & acquisitions	19	(24)	(44)	(6)	(180)	(80)	(165)	(57)	(172)	(9)	(302)	(36)	0	0
Other	1	23	(112)	3	(40)	(70)	(61)	(31)	(15)	(12)	9	(28)	(29)	(30)
Capital increase (decrease)	0	0	0	0	0	0	(145)	(8)	(201)	0	0	0	0	0
Dividends paid	(38)	(45)	(47)	(70)	(68)	(90)	(236)	(178)	(267)	(381)	(480)	(495)	(331)	(383)
Increase (decrease) in net financial debt	**128**	**42**	**44**	**(91)**	**54**	**9**	**231**	**(179)**	**130**	**(228)**	**217**	**104**	**(121)**	**(217)**
Cash flow, group share	**168**	**183**	**203**	**356**	**379**	**474**	**616**	**685**	**795**	**792**	**804**	**791**	**922**	**1,029**
BALANCE SHEET HIGHLIGHTS (CHFm)	**Dec. 00**	**Dec. 01**	**Dec. 02**	**Dec. 03**	**Dec. 04**	**Dec. 05**	**Dec. 06**	**Dec. 07**	**Dec. 08**	**Dec. 09**	**Dec. 10**	**Dec. 11e**	**Dec. 12e**	**Dec. 13e**
Fixed operating assets, incl. gross goodwill	420	457	480	562	797	1,015	1,300	2,017	2,074	2,131	2,338	2,443	2,559	2,612
WCR	434	286	216	196	138	223	287	256	274	224	241	285	348	415
Capital employed, incl. gross goodwill	**853**	**743**	**696**	**758**	**935**	**1,238**	**1,587**	**2,273**	**2,348**	**2,355**	**2,579**	**2,728**	**2,907**	**3,027**
Shareholders' funds, group share	1,099	981	897	1,072	1,163	1,439	1,552	1,941	1,825	2,073	2,070	2,143	2,471	2,838
Minorities	20	26	18	18	26	36	40	36	37	37	38	66	95	125
Provisions/ Other liabilities	314	270	272	281	354	418	383	300	361	321	141	86	27	(33)
Net financial debt (cash)	(488)	(446)	(402)	(493)	(439)	(430)	(199)	(378)	(248)	(476)	(259)	(155)	(275)	(492)
FINANCIAL RATIOS (%)	**Dec. 00**	**Dec. 01**	**Dec. 02**	**Dec. 03**	**Dec. 04**	**Dec. 05**	**Dec. 06**	**Dec. 07**	**Dec. 08**	**Dec. 09**	**Dec. 10**	**Dec. 11e**	**Dec. 12e**	**Dec. 13e**
Sales (% change)	(23.2%)	(1.6%)	2.6%	2.6%	17.6%	14.7%	15.5%	14.4%	10.2%	(2.2%)	1.0%	(0.9%)	10.7%	10.0%
Organic sales growth	1.0%	7.0%	6.0%	6.7%	10.6%	11.4%	10.3%	12.0%	14.2%	1.3%	3.2%	9.7%	10.5%	10.0%
Restated EBITA (% change) (**)	(15.9%)	(10.7%)	57.5%	38.9%	31.0%	27.7%	20.5%	17.5%	13.9%	1.5%	3.2%	(3.6%)	15.4%	13.0%
Restated attributable net profit (% change) (**)	(64.1%)	(6.3%)	79.4%	19.7%	17.3%	33.5%	19.4%	16.4%	12.3%	1.4%	1.9%	(3.7%)	15.7%	13.5%
Personnel costs / Sales	52.6%	53.8%	52.3%	50.5%	49.7%	48.8%	49.2%	49.3%	48.4%	47.0%	46.7%	49.0%	49.1%	49.2%
Restated EBITDA margin	10.9%	10.2%	13.0%	16.1%	17.6%	19.4%	20.3%	20.8%	21.3%	22.2%	22.6%	22.9%	23.8%	24.1%
Restated EBITA margin	6.5%	5.9%	9.0%	12.2%	13.6%	15.2%	15.8%	16.3%	16.8%	17.4%	17.8%	17.3%	18.1%	18.6%
Tax rate	26.9%	NC	18.1%	21.7%	24.1%	23.5%	24.9%	24.9%	23.5%	25.0%	26.0%	26.5%	26.5%	26.5%
Net margin	5.7%	(2.9%)	4.7%	9.6%	10.2%	11.7%	12.2%	11.9%	14.8%	12.7%	12.9%	12.6%	13.2%	13.6%
Capex / Sales	5.1%	5.0%	5.0%	7.0%	7.0%	6.2%	6.4%	6.2%	5.8%	4.4%	5.3%	7.0%	8.0%	6.5%
OpFCF / Sales	(3.8%)	0.9%	7.1%	7.9%	10.4%	10.1%	13.6%	14.4%	13.8%	17.6%	16.4%	14.7%	14.5%	16.3%
WCR / Sales	18.3%	12.3%	9.0%	8.0%	4.8%	6.7%	7.5%	5.9%	5.7%	4.8%	5.1%	6.0%	6.7%	7.2%
Capital employed (excl. gross goodwill) / Sales	34.6%	29.1%	24.7%	24.9%	21.9%	24.5%	24.7%	22.7%	20.7%	20.7%	21.0%	24.3%	25.4%	25.2%
ROE	10.7%	11.2%	22.1%	22.1%	23.9%	25.8%	28.5%	26.6%	31.7%	28.3%	28.9%	26.9%	26.9%	26.6%
Gearing	(44%)	(44%)	(44%)	(45%)	(37%)	(29%)	(13%)	(19%)	(13%)	(23%)	(12%)	(7%)	(12%)	(10%)
EBITDA / Financial charges	NC	NC	NC	NC	NC	NC	863.1x	NC	256.0x	326.5x	157.8x	NC	NC	NC
Adjusted financial debt / EBITDA	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC
ROCE, excl. gross goodwill	13.7%	15.3%	30.0%	38.4%	47.3%	47.5%	48.2%	53.7%	62.3%	63.2%	63.0%	52.4%	52.7%	54.6%
ROCE, incl. gross goodwill	13.2%	13.9%	25.4%	31.0%	31.9%	31.0%	28.6%	23.5%	26.4%	26.2%	24.3%	22.0%	24.0%	26.1%
WACC	8.1%	8.8%	8.7%	8.9%	9.0%	8.0%	7.9%	8.0%	8.4%	9.1%	9.0%	9.3%	9.3%	9.3%

Latest Model update: 12 Jul. 11

(a) Intangibles: CHF756.00m, or CHF97 per share. (b) adjusted for capital gains/losses, impairment charges, exceptional restructuring charges, capitalized R&D, pension charge replaced by service cost

(c) adj.for capital gains losses, imp.charges, capitalized R&D, am. of intangibles from M&A, exceptional restructuring, (*) In listing currency, with div. reinvested, (**) also adjusted for am. of intangibles from M&A, or for am. of gw ill for pre IFRS years

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