Equity Research

SGS N

Support Services - Switzerland
Business Support Services

31 May 2011

News - Large Caps

Rating	TP	EPS 12e	EPS 13e
	↗ 3%		↗ 2%

Neutral

Target price	**CHF1,750 (+6%)**
Sector rating	**Neutral**

Price (30 May 2011)	**CHF1,644**
Market cap. (CHFbn / EURbn)	12.5 / 10.3
Free float (CHFbn / EURbn)	6.5 / 5.4
EV (CHFbn / EURbn)	12.5 / 10.3
3m avg. volume (CHFm / EURm)	26.8 / 22.0
Reuters/Bloomberg	SGSN.VX/SGSN VX

Financial data	**12/10**	**12/11e**	**12/12e**	**12/13e**
Adjusted EPS (CHF)	78.5	82.7	94.3	107.0
EPS - IBES (CHF)	78.7	81.8	94.7	108.9
Net dividend (CHF)	65.0	46.3	52.8	65.1
Sales (CHFm)	4,757	5,010	5,493	6,043
Adjusted EBITA (CHFm)	848	884	1,002	1,132
Adj. net profit (CHFm)	598	630	718	814
Adj. net debt / EBITDA (x)	-	-	-	-

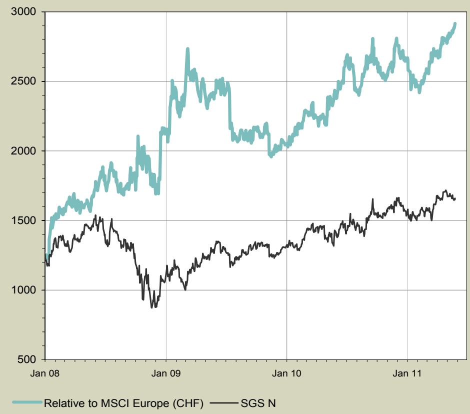
Stockmarket ratios*	**12/10**	**12/11e**	**12/12e**	**12/13e**
P/E (x)	18.6	19.9	17.4	15.4
P/BV (x)	5.5	5.8	5.0	4.4
Net yield (%)	4.4	2.8	3.2	4.0
FCF yield (%)	4.9	3.8	4.2	5.4
EV/Sales (x)	2.3	2.5	2.2	2.0
EV/EBITDA (x)	10.3	10.7	9.3	8.4
EV/EBITA (x)	13.0	14.1	12.3	10.9

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

Performance* (%)	**1w**	**1m**	**3m**	**12m**
Absolute	(0)	(4)	7	18
Rel. Support Services	(0)	4	12	16
Rel. MSCI Europe	0	2	14	18

** In listing currency, with dividend reinvested*

Price relative to MSCI Europe



Investor Days feedback: on the way (slowly) to the 2014 targets

► **Investor Days: evidence of moving up the value chain**

SGS held two Investor Days in Toronto on 26-27 May, consisting of divisional presentations and lab visits. It was an opportunity to spotlight the group's strategy of moving up the value chain in most businesses, in keeping with the 2014 plan.

► **Trading update: I/l sales growth as expected but better margins**

As expected and like peers, SGS released a positive trading update for early 2011, with I/l sales growth in the high single-digits (we assume 8.5%), led by Minerals (seen posting an "at least double-digit" rise) and to some extent Consumer Goods (+c.6%e, i.e. above peers). The good news was the EBITA margins, which the group said have held well YTD ('broadly flat y/y') thanks to the solid underlying operating performances (and mix effect) and the timing of opex spend (skewed towards H2 11 and 2012 as investment decisions and their P&L impact take time). This is, however, likely to be mostly offset by negative FX (-8% at current spot) on the persistent CHF strength versus other currencies. We have left virtually unchanged our FY11 estimates calling for 8% I/l sales growth and an EBITA margin down 20bp at 17.6% (vs. -30bpe previously). We expect the low consensus expectations to be edged up.

► **M&A to accelerate and balance sheet to possibly be geared up**

The group confirmed that the acquisition pipeline remains very strong (from small to medium-sized deals). Hence, as we have seen in 2011 YTD (11 deals adding CHF27m of annual revenues or c.0.6% of group sales), there is scope for more deals to be announced. SGS is now sufficiently comfortable to introduce a bit of leverage in the balance sheet (with net debt/EBITDA of c.1x vs net cash of CHF259m at end-2010) for further special dividends and acquisitions (possibly medium-sized deals).

► **Neutral stance reiterated with a TP lifted to CHF1,750 (from CHF1,700)**

Our slight TP hike reflects higher margin forecasts from 2013. The event confirmed SGS's growth profile (led by increasing regulations and outsourcing). But we expect no particular rerating from current valuation levels (13.3x EV/EBIT 1Y fw, in line with historical trends) as upward earnings revisions are unlikely given the FX drag.

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EXANE BNP PARIBAS

Investor Days: moving up the value chain

SGS held two Investor Days on 26-27 May in Toronto.

Both days included presentations and lab visits in Toronto. The main divisions were addressed, particularly those that are commodities-related (Minerals, OGC and Agricultural Services, accounting for c.40% of group EBIT) as well as Life Science and Industrial services. There were visits of some SGS flagship facilities in Mineral & Environmental services in Lakefield and a multi-lab facility specialising in biotechnology, microbiology and oil & gas analysis in Mississauga (close to Toronto). Unfortunately the planned excursion to the SGS Oilsands facilities on the 28^{th} and 29^{th} was cancelled due to unforeseen events (forest fire).

The presentations showcased the wide range of services that SGS offers (with expertise and new value-added services often coming from niche acquisitions as evidenced by several deals YTD) and gave further evidence of SGS's positioning along the entire supply chain across all the industries in which it operates. In Industrial services for instance, the group assures asset integrity from design to decommissioning in many industries (Oil & Gas, Power, and Transportation) in projects such as offshore and onshore winds farms, bio ethanol plants and coal power plants.

Figure 1: A strategy of moving up the value chain

Range of services offered in some of SGS's key divisions

Divisions	Business / services	Details / Growth opportunities
Agricultural services	Seed & Ag-chemical	Study coordination / Field research / Seed testing / Market research
	Growers	Soil testing / Crop scouting / Demo trials
	Harvesting	Traceability / Auditing / Yield assessment
	Transport	Inspections / Fumigation / Auditing
	Trade & logistics	Inspection - testing / Fumigation / Stock monitoring
	Processors	Outsourcing / Analytical services / Weight & quality
Industrial services	Material testing	Corrosion testing / welding trials / geological studies / High temp properties
	Supply chain & surveillance services	Pipe mill inspection / Pipeline tracking / Software
	Asset integrity management	Enterprise software solution / Risk based integrity / Tablet technology / Data analysis
Mineral services	Metallurgical testing Geochemistry / Geology / Geometallurgy Mining services Advanced process control	Explore / Analyse / Test / Plant design optimization & risk management / Mine design & optimization / Control
Life science services	Biologics	BioChem quality control / Cell molecular biology / Method development / Cell banking
	Stability studies	Storage / Track potency & purity over time
	Formulation	New business / Develop best medium to deliver active ingredient
	Container testing	Container seal integrity in extreme conditions / Light emission into containers
	Extractables & leachables	Testing containers (often plastics) that carry pharmaceuticals (often liquids) for heavy metals & chemicals
	Characterization	Industry leading for identifying unknown proteins & carbohydrates
Oil, Gas & Chemicals services	Traditional services	Field inspection / Fixed labs / Sample mgmt / Loss control / Oil, Gas & chemicals analysis / Refining, chemical, marine
	New services	Sample automation / Offshore site analysis / Lab staff outsourcing / ARQS / Down hole, Drilling fluid, Shale gas, biofuels & PVT testing / Metering & calibration

Source: company

The event also highlighted SGS's strategy of moving up the value chain in all business lines (for instance offshore site analysis versus traditional services of inspection in the Oil, Gas & Chemical division, seed & crop testing compared to trade inspections in Agriculture, or biologics testing versus traditional pharmaceutical testing in Life Science services). In Mineral services, for example,, the group has over time invested in technology (through the acquisition of two QEMSCANs - Quantitative Evaluation of Minerals Using Scanning Electron Microscopy) to move from labour-intensive, commodity activities to high-end professional services. This is obviously a good way to support top-line growth and push margins higher, which lends further credence to the 2014 plan (13.7% top-line CAGR 2010-14e, EBIT margin gain of 220bp to 20% from the 2010 level). We expect a 10% top-line CAGR and an EBITA margin of 19% in 2014.

A trading update broadly as expected

In terms of trading, the group's top line is broadly as expected while margins are above consensus estimates (seen flat y/y in the first part of 2011 versus -60bp expected by the consensus for FY11) on solid underlying business trends (mainly for Minerals), YTD accretive acquisitions and the phasing of the opex plan. That said, the better operating performances will be mostly offset by persistently negative FX (-7% y/y given the strength of the CHF versus other currencies). We have left virtually unchanged our 2011 EPS forecast and expect minor (positive) adjustments from the consensus, which has low expectations.

Top line: high single-digit organic sales growth YTD

SGS said that organic sales growth has been in the high single digits YTD in 2011 (we assume 8.5%, slightly above Intertek which achieved 8% in the first four months). All business lines are "performing nicely" and particularly Minerals services (14% of group sales), registering double-digit gains, like peers (BV Minerals business was up 16% in Q1) and to some extent the Consumer Testing activities (which are outperforming peers). The impact of unforeseen shocks (Japan catastrophe, Libyan and African geopolitical risks) is limited at the group level.

For the rest of the year, the group expects to maintain l/l sales growth in the high single digits, mainly driven by the Minerals markets. Note that the group will benefit from easier comps than peers, at least in H1 11 (H1 10 was up 1%) and the first benefits of the initiatives taken (cross-selling revenue opportunities) for the 2014 plan by H2 onwards.

Regarding the Consumer Testing Services division (17% of sales and 25% of EBIT), the Q1 performance was better than peers', with growth similar to last year's level: this implies c.6% organic sales growth compared with 1.6% for BV and a mid single-digit figure for ITRK. While, like peers, SGS had to deal with particular disruption from the Chinese New Year this year, it apparently did not lose any contracts (unlike BV with US retailers) and even recorded some contract wins (such as Loewe in the US). The group indicated that the ongoing trends of sourcing diversification from large clients (as seen in the US with retailers) should not impact its performance as there is no one large client accounting for more than 1% of sales. In CTS, 2011 is expected to be a good year but "not spectacular" given the lack of major new regulations (except the EU toys directive).

Automotive services are performing satisfactorily (turning in c.5% organic growth) with the integration of ITV (mostly in Spain) progressing smoothly.

Margins holding well - so far

Profitability-wise, the group said that EBITA margins held well in the first months of 2011 (they should be broadly stable y/y in H1) as a result of the robust underlying operating performance and the phasing of opex spend (mostly skewed to H2 and next year). This came as a positive surprise for market analysts (the consensus estimate is -60bp y/y in 2011) but was broadly as we anticipated (see our preview of the Investor Days).

This reflects:

- The positive impact of recent acquisitions (a dozen adding c.3% of sales with EBITA margins above 24%, the bulk of which are related to ITV's statutory inspection business in Spain/Argentina with margins in the 30% range), adding 30bp at the group level.

- A different investment phasing that is set to be more heavily loaded in H2 11 - 2012. Indeed, the ongoing opex programmes (total spend of CHF150m announced in September 2010 to support the 2014 plan) will only marginally impact the H1 numbers given the time it takes to implement a project (many were validated at the group Operations Council a few days before the Investor Days) and hence the spend will be mostly skewed to H2 11 (with less than CHF50m expected to be spent this year) and especially in 2012. However, SGS indicated that it may possibly be below the initial target (depending on the opportunities in the various divisions).

- Strong operating performances, with particularly buoyant conditions for Minerals (growing much faster than the group average with margins of c.20% vs 17.8% for the group). This is likely to be partly offset by slightly lower growth than the group average in its most profitable Consumer Testing Services division.

Figure 2: No major changes overall in our forecasts for 2011

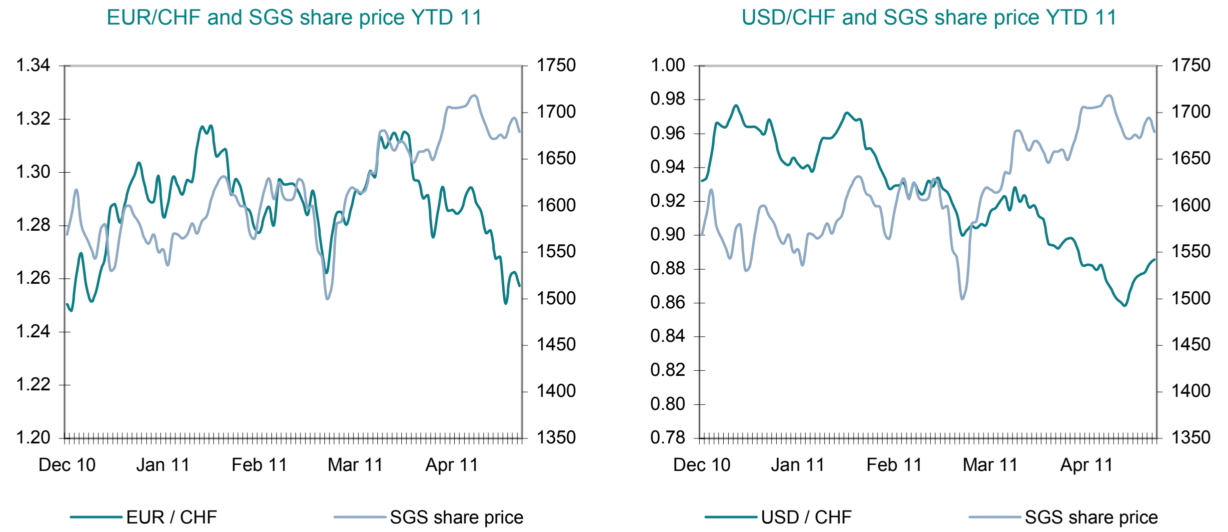
Our organic sales growth and EBITA margin estimates for FY11

	H1 10	H2 10	FY10	H1 11e	H2 11e	FY 11e (new)	FY11e (previous)	Comments/Divisional 2011 outlook
REVENUES – l/l sales gr.								
Agricultural Services	(3.1%)	2.9%	(0.1%)	4.0%	3.0%	**3.5%**	4.0%	Good revenue growth expected (importance of Yield improvement as a growth driver for crop) - New supply chain services in China and laboratory expansion
Mineral Services	5.6%	18.0%	12.2%	23.0%	14.0%	**18.2%**	15.4%	Negative impact of Queensland flooding - But strong pipeline of metallurgical projects, targeted investments in emerging markets and high commodities demand
Oil, Gas & Chemical Services	3.8%	4.6%	4.2%	8.0%	9.0%	**8.5%**	8.0%	Outsourcing of Plant & Terminal Operations as a major driver – growth stimulated by current high prices of oil & gas
Life Science Services	1.2%	3.9%	2.6%	4.0%	6.0%	**5.0%**	5.0%	Lab top-line improvement in USA, EU and Asia - Good potential from added-value services - Leveraging M-Scan acquisition to drive growth
Consumer Testing Services	5.6%	8.3%	7.0%	6.5%	8.5%	**7.5%**	9.0%	Positive developments in key markets + market share gains vs. peers, a "good but not spectacular year"
Systems & Services Certification	7.8%	8.0%	7.9%	10.0%	10.0%	**10.0%**	10.0%	Strong demand for supply chain related services - New strategic segments and services to be added
Industrial Services	(3.3%)	2.1%	(0.6%)	3.0%	5.0%	**4.0%**	4.0%	Increasing demand from the nuclear sector in China/EU - New O&G inspection contracts in Asia, Africa and Middle East - Initiation of postponed capex projects
Environmental Services	(4.4%)	1.5%	(1.3%)	3.0%	3.0%	**3.0%**	4.0%	Further expansion in Africa, Asia and South Am. to drive growth - Impact of economic recovery - Multinational companies driving growth (sustainability services…)
Automotive Services	(25.0%)	(18.4%)	(21.8%)	5.0%	6.0%	**5.5%**	5.5%	Possible negative impact on statutory business in Ivory Coast - New statutory activities in Africa and South Am. - Expansion of commercial services in EU and USA
Government & Institution Services	10.6%	7.8%	9.2%	17.0%	10.0%	**13.4%**	9.5%	Continued growth expected with new mandates for 2011, materialization of several tradenet and cargo tracking programmes, limited impact from the unforeseen shocks
Group revenue growth	**1.0%**	**5.4%**	**3.2%**	**8.5%**	**8.0%**	**8.3%**	**8.0%**	Growth expected compared to 2010
EBITA Margins								
Agricultural Services	13.4%	17.9%	15.7%	13.5%	17.2%	**15.4%**	15.4%	
Mineral Services	17.7%	20.4%	19.1%	18.0%	20.0%	**19.0%**	19.5%	Focus on improvements in back office efficiencies - further improvement led by the operating leverage
Oil, Gas & Chemical Services	13.6%	17.5%	15.6%	13.5%	15.5%	**14.5%**	14.5%	Outsourcing of PTO – Opportunities of cross-business collaboration with Minerals, Industrial and Env. services
Life Science Services	13.0%	16.8%	14.9%	12.5%	15.5%	**14.0%**	14.2%	Reinforce sales to ensure cross-selling synergies margin improvement driven by rising capacity utilization
Consumer Testing Services	25.1%	26.5%	25.8%	23.8%	26.0%	**25.0%**	25.5%	
Systems & Services Certification	19.3%	22.9%	21.1%	19.0%	21.5%	**20.3%**	20.3%	
Industrial Services	12.8%	13.5%	13.2%	12.5%	13.2%	**12.9%**	12.8%	
Environmental Services	9.5%	11.9%	10.7%	9.0%	12.0%	**10.5%**	10.6%	Strong expansion in Africa, Asia and SA to drive margins
Automotive Services	16.7%	20.2%	18.4%	22.8%	25.8%	**24.3%**	19.4%	Integration of ITV (Spain & Argentina) very accretive on margins (>500bp at the div. level)
Government & Institution Services	17.5%	18.9%	18.2%	17.0%	18.0%	**17.5%**	17.5%	
Group EBITA margin	**16.5%**	**19.1%**	**17.8%**	**16.5%**	**18.7%**	**17.6%**	**17.5%**	Margin levels to depend on the timing of opex spend

Source: company, Exane BNP Paribas estimates

We have fine-tuned our revenue and margin estimates by business line. Our FY11 forecasts remain virtually unchanged overall, however: we are still looking for 8% sales growth l/l and have raised our EBITA margin to 17.6% from 17.5% offset by FX headwinds (our EBITA is unchanged at CHF884m but on lower sales).

Figure 3: Earnings momentum to remain weak on FX drag



Source: Datastream

We have left our capex assumptions unchanged for 2011 (we expect capex to represent 7.5% of sales vs 5.3% of sales in 2010, as previously indicated at its FY10 results), depending on the phasing of the investments related to the 2014 plan.

Thereafter, we have edged up our margin forecasts to reflect the positive business mix and the benefit of initiatives taken to move up the value chain (as evidenced many times during the Investor Days). We now expect EBITA margins of 18.7% in 2013e (vs 18.4% previously) and 19.0% in 2014e (vs 18.5% and a company target of 20.0%).

Our TP has been slightly raised to CHF1,750 (from CHF1,700) implying a 13.3x EV/EBIT multiple on a 1Y fw basis.

M&A opportunities to speed up, balance sheet possibly to gear up

Lastly, regarding acquisitions, the group confirms that the pipeline remains very strong (from small to medium-sized deals, i.e. less than USD250m). Hence, as we have seen in 2010 (10 acquisitions for a total consideration of CHF302m, adding CHF146m of annual revenues), and YTD in 2011 (11 deals adding CHF27m of annual revenues or c.0.6% of group sales), there is scope for more deals to be announced.

We gather that acquisitions are likely to accelerate as they are now a key focus for the company (at SGS's most recent Operations Council, a third of the time was spent discussing acquisitions). Many projects are likely to materialise in the coming months with more sizeable transactions in the pipeline.

This accompanies a change of strategy, as SGS is now sufficiently comfortable to introduce a bit of leverage in the balance sheet (with a net debt/EBITDA ratio possibly in the range of 1x vs net cash of CHF259m at end-2010) to cover further special dividends (as seen recurrently over the past four years) and possible medium-sized deals if nice M&A opportunities arise (witness the recent bond issuance of CHF350m). Such leveraging would give SGS strong firepower in the range of CHF1.5bn. Hence we believe that SGS will make a large deal such as acquiring Germanisher Loyds in ship classification in order to gear up its balance sheet.

Figure 4: Special dividend has become the norm since 2007

SGS's dividend policy since 2004

CHF	2004	2005	2006	2007	2008	2009	2010
Regular dividend/share	12.0	31.0	20.0	25.0	35.0	30.0	30.0
Special dividend/share	0.0	0.0	0.0	**10.0**	**15.0**	**30.0**	**35.0**
Total dividend /share	12.0	31.0	20.0	35.0	50.0	60.0	65.0
Dividend yield	1.7%	3.6%	1.7%	2.5%	3.9%	4.9%	4.1%
Payout ratio	32%	63%	42%	52%	68%	52%	60%
Payout ratio on regular dividend	33%	63%	36%	37%	46%	39%	39%

Source: Company, Exane BNP Paribas estimates

Figure 5: SGS's acquisitions since the beginning of 2011

Date	What	Division	Segment- Details	Country	Employees	Sales
Total 2011						CHF27m
May-11	AG Research Associates LLC	Agricultural services	Leading Contract Research Organisation for both registration and R&D of new agrochemicals and seeds. It conducts bio-efficacy and GMO efficacy trials, provides regulatory science guidance and recommendations for defence, development, and registration of new agricultural products.	USA	30	USD5m
May-11	Oil & Gas measurement assurance business of Total Measurement Services	Oil, Gas & Chemicals	Oil & gas measurement equipment calibration and in-shop proving, repair and installation. In addition, TMS offers a broad range of sampling device sales, repair and installation.	USA	9	> USD1m
May-11	Air Emission division of Kema	Environmental Services	Providing specialist services in air monitoring and indoor investigations. Activities include field work, sampling, on-site measurements, laboratory analysis, expert research and independent advice.	Netherlands	2	EUR0.6m
Apr-11	Sertec srl	Health & safety	One of the largest Health & Safety (H&S) service providers in Italy. Sertec is primarily focused on H&S statutory services and training in chemical, petrochemical, pharmaceutical and mechanical industries. These services include food analysis, calibration and consultancy services in environmental and goods manufacturing practice (GMP) for the chemicals and pharmaceutical industries.	Italy	85	EUR7m
Mar-11	Agri-Food Laboratories Inc. (AFL)	Agricultural services	The largest independent agriculture testing lab in Ontario based in Guelph, Ontario, Canada.	Canada	3	CND$3m
Feb-11	Auto Contrôle Evaluation Services (ACE),	Automotive Services	Specialist in off-lease and non-statutory vehicle inspections	France		EUR0.6
Jan-11	Lippens Geotechniek (formerly Jan Lippens BVBA),	Mineral services	A leading geotechnical engineering company based in Zulte, Belgium.	Belgium	10	EUR1.3
Jan-11	NviroCrop	Agricultural services	A leading precision agriculture services company in South Africa	South Africa	17	20MZAR
Jan-11	Chemical characterisation business of LGC Group	Oil, Gas & Chemicals	Well-equipped in the areas of inorganic analysis, spectroscopy and thermal analysis for fuels polymers and catalysts.	UK	8	0.75 MGBP
Jan-11	Tianjin Tianbao Construction Materials	Industrial Services	A leading construction materials testing laboratory	China	15	
Jan-11	International Electrical Certification Centre HK (IECC)	Consumer Testing Services	A leading independent laboratory providing third-party testing, focusing on Electromagnetic Compatibility and Product Safety test of electronic and electrical products	Hong Kong	22	10 MHKD

Source: company

Forthcoming events

Date	Event
15 Jul. 2011	H1 2011 Sales and Results

EXANE BNP PARIBAS

Price at 30 May 11 / Target Price

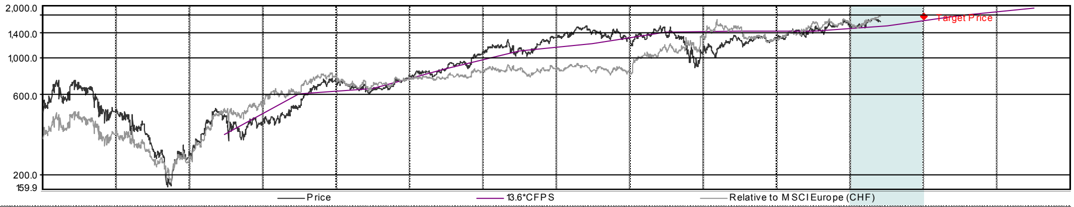
CHF1,644 / CHF1,750 +6%

SGS N (Neutral)

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

Business Support Services | Support Services (Neutral) - Switzerland

Company Highlights			**CHFm / EURm**
Enterprise value			12,475 / 10,255
Market capitalisation			12,526 / 10,297
Free float			6,514 / 5,355
3m average volume			27 / 22
Performance (*)	**1m**	**3m**	**12m**
Absolute	(4%)	7%	18%
Rel. Sector	4%	12%	16%
Rel. MSCI Europe	2%	14%	18%
12m Hi/Lo (CHF) : 1,717 -4% / 1,378 +19%			
CAGR	**1996/2011**		**2011/2013**
EPS restated (**)	NC		14%
CFPS	NC		13%



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*	*1 644.0*	*1 644.0*	*1 644.0*
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)			7.978	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)			7.978	7.958	7.958	7.505	7.619	7.694	7.628	7.529	7.612	7.612	7.612	7.612
EPS reported			*13.66*	*28.04*	*34.34*	*46.62*	*56.61*	*63.88*	*88.43*	*73.35*	*75.14*	*79.75*	*91.03*	*103.36*
EPS restated			24.82	29.78	34.93	49.43	58.12	66.99	75.87	77.93	78.51	82.73	94.33	107.00
% change			*NS*	*20.0%*	*17.3%*	*41.5%*	*17.6%*	*15.3%*	*13.3%*	*2.7%*	*0.7%*	*5.4%*	*14.0%*	*13.4%*
CFPS			25.45	44.73	47.57	63.19	80.86	89.04	104.18	105.20	105.59	113.38	129.97	145.10
Book value (BVPS) (a)			112.4	134.7	146.1	184.0	198.4	248.1	233.3	265.0	264.6	281.1	325.9	376.4
Net dividend	5.80	6.00	6.00	8.85	11.80	30.47	20.00	35.00	50.00	60.00	65.00	46.29	52.78	65.07
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)			15.5x	18.6x	19.5x	17.8x	19.9x	20.8x	16.9x	15.8x	18.6x	19.9x	17.4x	15.4x
P / E relative to MSCI Europe			72%	132%	148%	143%	155%	150%	120%	115%	163%	181%	178%	171%
P / CF			15.2x	12.4x	14.3x	13.9x	14.3x	15.7x	12.3x	11.7x	13.9x	14.5x	12.6x	11.3x
FCF yield			5.1%	3.7%	4.2%	3.4%	4.2%	4.2%	5.3%	6.6%	4.9%	3.8%	4.2%	5.4%
P / BVPS			3.43x	4.11x	4.66x	4.77x	5.84x	5.62x	5.50x	4.65x	5.53x	5.85x	5.05x	4.37x
Net yield	1.0%	1.8%	1.6%	1.6%	1.7%	3.5%	1.7%	2.5%	3.9%	4.9%	4.4%	2.8%	3.2%	4.0%
Payout			24.2%	29.7%	33.8%	61.6%	34.4%	52.2%	65.9%	77.0%	82.8%	56.0%	56.0%	60.8%
EV / Sales			1.14x	1.60x	1.76x	1.91x	2.32x	2.39x	2.01x	1.92x	2.32x	2.49x	2.24x	2.04x
EV / Restated EBITDA			8.8x	9.9x	10.0x	9.8x	11.4x	11.5x	9.5x	8.7x	10.3x	10.7x	9.3x	8.4x
EV / Restated EBITA			12.6x	13.1x	12.9x	12.6x	14.6x	14.7x	12.0x	11.0x	13.0x	14.1x	12.3x	10.9x
EV / OpFCF			16.0x	20.3x	17.0x	19.0x	17.0x	16.6x	14.6x	10.9x	14.2x	17.0x	15.0x	12.3x
EV / Capital employed (incl. gross goodwill)			3.9x	5.2x	5.4x	5.1x	5.6x	4.6x	4.1x	3.8x	4.3x	4.5x	4.2x	4.0x
ENTERPRISE VALUE (CHFm)			**2,729**	**3,926**	**5,087**	**6,320**	**8,858**	**10,441**	**9,706**	**9,053**	**11,059**	**12,475**	**12,294**	**12,355**
Market cap			3,077	4,402	5,421	6,587	8,828	10,630	9,778	9,392	11,152	12,526	12,526	12,526
+ Adjusted net debt	(488)	(446)	(402)	(493)	(439)	(430)	(199)	(378)	(248)	(476)	(259)	(217)	(399)	(337)
+ Other liabilities and commitments	85	81	80	61	150	219	286	176	194	194	194	194	194	194
+ Revalued minority interests			63	76	124	169	169	202	203	172	209	209	209	209
- 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**	**5,010**	**5,493**	**6,043**
Restated EBITDA (b)	**257**	**238**	**311**	**396**	**508**	**642**	**777**	**908**	**1,024**	**1,045**	**1,073**	**1,161**	**1,320**	**1,470**
Depreciation	(104)	(101)	(95)	(96)	(115)	(140)	(172)	(197)	(214)	(223)	(225)	(277)	(317)	(337)
Restated EBITA (b) (**)	**154**	**137**	**216**	**300**	**393**	**502**	**605**	**711**	**810**	**822**	**848**	**884**	**1,002**	**1,132**
Reported operating profit (loss)	169	(40)	127	293	380	502	624	690	937	802	836	876	994	1,124
Net financial income (charges)	18	17	13	10	6	5	(1)	2	(4)	(3)	(7)	4	8	9
Affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other														
Tax	(51)	(44)	(27)	(68)	(93)	(119)	(155)	(172)	(219)	(200)	(215)	(229)	(260)	(295)
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	624	712	809
Net attributable profit restated (c)	**114**	**102**	**189**	**227**	**278**	**371**	**443**	**515**	**579**	**587**	**598**	**630**	**718**	**814**
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**	**1,153**	**1,312**	**1,462**
EBITDA adjustment (b)	**(19)**	**170**	**80**	**(3)**	**13**	**0**	**(19)**	**21**	**(127)**	**20**	**12**	**8**	**8**	**8**
Other items	(59)	(26)	(92)	1	(43)	(44)	19	(21)	(58)	(20)	(12)	(8)	(8)	(8)
Change in WCR	(167)	(76)	72	(33)	36	(60)	(31)	12	(22)	13	(33)	(44)	(55)	(66)
Operating cash flow	**32**	**137**	**291**	**364**	**501**	**538**	**765**	**899**	**944**	**1,038**	**1,028**	**1,109**	**1,257**	**1,395**
Capex	(121)	(116)	(121)	(171)	(201)	(205)	(245)	(271)	(278)	(209)	(250)	(376)	(439)	(393)
Operating free cash flow (OpFCF)	**(90)**	**20**	**171**	**193**	**300**	**333**	**520**	**628**	**666**	**829**	**778**	**733**	**817**	**1,003**
Net financial items + tax paid	(21)	(16)	(12)	(29)	(66)	(102)	(145)	(175)	(141)	(199)	(222)	(252)	(282)	(316)
Free cash flow	**(111)**	**5**	**159**	**164**	**234**	**231**	**375**	**453**	**525**	**630**	**556**	**481**	**535**	**687**
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)	(362)	(413)
Increase (decrease) in net financial debt	**128**	**42**	**44**	**(91)**	**54**	**9**	**231**	**(179)**	**130**	**(228)**	**217**	**77**	**(144)**	**(243)**
Cash flow, group share	**168**	**183**	**203**	**356**	**379**	**474**	**616**	**685**	**795**	**792**	**804**	**863**	**989**	**1,104**
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	2,473	2,595	2,650
WCR	434	286	216	196	138	223	287	256	274	224	241	285	340	406
Capital employed, incl. gross goodwill	**853**	**743**	**696**	**758**	**935**	**1,238**	**1,587**	**2,273**	**2,348**	**2,355**	**2,579**	**2,758**	**2,934**	**3,056**
Shareholders' funds, group share	1,099	981	897	1,072	1,163	1,439	1,552	1,941	1,825	2,073	2,070	2,199	2,549	2,945
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)	(182)	(326)	(569)
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%	5.3%	9.7%	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%	8.3%	9.5%	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%	4.3%	13.3%	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%	5.4%	14.0%	13.4%
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%	23.2%	24.0%	24.3%
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%	17.6%	18.2%	18.7%
Tax rate	26.9%	NC	18.1%	21.7%	24.1%	23.5%	24.9%	24.9%	23.5%	25.0%	26.0%	26.0%	26.0%	26.0%
Net margin	5.7%	(2.9%)	4.7%	9.6%	10.2%	11.7%	12.2%	11.9%	14.8%	12.7%	12.9%	13.0%	13.5%	13.9%
Capex / Sales	5.1%	5.0%	5.0%	7.0%	7.0%	6.2%	6.4%	6.2%	5.8%	4.4%	5.3%	7.5%	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%	14.6%	14.9%	16.6%
WCR / Sales	18.3%	12.3%	9.0%	8.0%	4.8%	6.7%	7.5%	5.9%	5.7%	4.8%	5.1%	5.7%	6.2%	6.7%
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%	23.5%	24.6%	24.4%
ROE	10.7%	11.2%	22.1%	22.1%	23.9%	25.8%	28.5%	26.6%	31.7%	28.3%	28.9%	28.6%	28.2%	27.7%
Gearing	(44%)	(44%)	(44%)	(45%)	(37%)	(29%)	(13%)	(19%)	(13%)	(23%)	(12%)	(10%)	(15%)	(11%)
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%	55.6%	54.8%	56.8%
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%	23.7%	25.3%	27.4%
WACC	8.1%	8.8%	8.7%	8.9%	9.0%	8.0%	7.9%	8.0%	8.4%	9.1%	9.0%	9.1%	9.1%	9.1%
Average number of employees	30,532	30,625	32,288	32,436	36,659	41,460	45,928	50,331	55,026	57,153	60,321			

Latest Model update : 30 May. 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 gwill for pre IFRS years

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