

Good momentum into 2011

■ Solid FY10 results on 17 January

SGS reported revenues of 4,757m SFr, a touch below UBSe 4,811m SFr and cons at 4,793m SFr. FY10 organic growth of 3.2% implies a 0.9%/5.5% 1H/2H split. An EBITA margin increase of 40bp to 17.8% (vs UBSe flat margins) saw EBITA of 848m SFr, about 1% ahead of cons of SFr 833m (UBSe 835m SFr).

■ Broad based growth recovery and margin improvement

Organic growth acceleration in 2H10 means SGS is on track to do double-digit organic growth in FY11. This will require not only sustained growth in star division Minerals, but also more acceleration in Consumer as well as in slightly weaker divisions like OGC and Industrial. Margin improvement in 2H10 was a positive surprise and evidence of both strong cost control and operational gearing.

■ Key issues for 2011

The exact impact and location of P&L investment in 2011 remains unclear in our view. However we believe this will be less than the broadly guided -100bp if good organic growth trends continue. The Swiss Franc remains a headwind on revenue growth. Conversely we see further mid-sized (up to \$250m of revenues) M&A as likely (the company indicated a good pipeline). We also await further clarification of the management incentives to support the 2014 financial targets.

■ Valuation and estimates unchanged

We make only minor (c.1%) changes to EPS estimates. A lack of short-term upgrades and a full current multiple mean we see few catalysts for outperformance. Our price target is DCF-derived.

Highlights (CHFm)	12/09	12/10	12/11E	12/12E	12/13E
Revenues	4,712	4,757	5,180	5,699	6,183
EBIT (UBS)	822	848	899	1,032	1,162
Net Income (UBS)	579	599	630	725	819
EPS (UBS, CHF)	77.2	79.1	83.2	95.7	108.2
Net DPS (UBS, CHF)	60.0	65.0	65.0	65.0	65.0

Profitability & Valuation	5-yr hist av.	12/10	12/11E	12/12E	12/13E
EBIT margin %	16.3	17.8	17.4	18.1	18.8
ROIC (EBIT) %	50.4	48.9	47.2	50.4	53.1
EV/EBITDA (core) x	10.8	10.7	10.3	9.2	8.2
PE (UBS) x	19.2	19.0	19.1	16.6	14.7
Net dividend yield %	3.2	4.3	4.1	4.1	4.1

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of CHF1,589.00 on 20 Jan 2011 17:05 EST

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12-month rating **Neutral**
Unchanged

12m price target CHF1,600.00/US\$16.75
Unchanged

Price CHF1,589.00/US\$16.41 (ADR)

RIC: SGSN.VX BBG: SGSN VX

21 January 2011

Trading data (local/US\$)

52-wk range	CHF1,704.00-1,332.00/US\$17.39-11.63
Market cap.	CHF12.4bn/US\$12.8bn
Shares o/s	7.82m (REG)/782m (ADR)
ADR ratio	100 ADR:1 REG
Free float	64%
Avg. daily volume ('000)	18/29
Avg. daily value (m)	CHF29.2/US\$0.5

Balance sheet data 12/11E

Shareholders' equity	CHF2.24bn
P/BV (UBS)	5.3x
Net Cash (debt)	CHF0.30bn

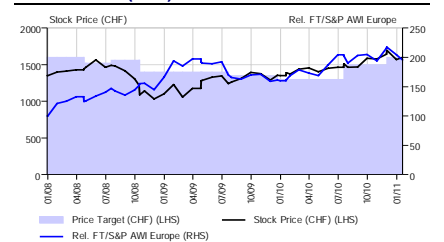
Forecast returns

Forecast price appreciation	+0.7%
Forecast dividend yield	4.1%
Forecast stock return	+4.8%
Market return assumption	5.6%
Forecast excess return	-0.8%

EPS (UBS, CHF)

	12/11E		Cons.	12/10 Actual
	From	To		
H1E	38.5	38.5	-	38.5
H2E	45.3	46.2	-	42.9
12/11E	83.4	83.2	81.5	
12/12E	96.8	95.7	94.5	

Performance (CHF)



Source: UBS

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Table 1: Organic revenue growth trends

YE 31 Dec	1H 2009	2H 2009	2009A	1H 2010	2H 2010	2010	Comment
Agricultural	9.7%	-0.9%	4.0%	-3.1%	3.1%	-0.1%	Growth recovery coming through, despite Trade issues in Russia and Ukraine. 30% growth in the "inland" business.
Minerals	-8.4%	-12.1%	-10.3%	5.6%	18.9%	12.2%	Strong bounce back continued through the year. Driven by traded volumes and high levels of exploration spend (hitting 2008 record levels).
Oil, Gas & Chemicals	1.8%	-1.5%	0.1%	3.8%	4.6%	4.2%	Moderate recovery continued with strength in terminal ops and trade, disrupted by Australia flooding and reduced activity in the Gulf of Mexico.
Life Science	7.2%	-0.8%	3.1%	1.2%	4.1%	2.6%	Moderate recovery only as weak clinical research market continues to weigh.
Consumer Testing	12.1%	6.5%	9.1%	5.6%	8.3%	7.0%	Strong demand offsets tough comps. Broad based recovery, especially auto and sustainability. Less acceleration in 2H than in 1H however.
Systems & Services	5.0%	4.2%	4.6%	7.8%	8.0%	7.9%	A solid year. Key segments (auto, food, medical devices and pharma) doing well. Double-digit growth in emerging markets.
Industrial	4.8%	-0.4%	2.1%	-3.3%	2.3%	-0.6%	Moderate recovery as generally good growth is offset by weak conditions in Europe, especially Construction in Spain, and Mid East project delays.
Environmental	4.3%	-1.9%	1.1%	-4.4%	1.9%	-1.3%	Project activity is still relatively weak. Suffered from the cold weather in Europe/NA in Q1.
Automotive	0.2%	-8.8%	-4.3%	-25.0%	-18.1%	-21.8%	Irish vehicle inspection contract drives entire organic decline. Some disruption in Ivory Coast in 2H.
Trade Assurance	9.5%	4.7%	6.9%	10.6%	8.0%	9.2%	New PCA mandates, Tradenet and scanning driving growth and offsetting reduced PSI volumes.
GROUP	3.9%	-1.1%	1.3%	0.9%	5.5%	3.2%	4.6% organic growth ex-Irish contract (60m SFr)

Source: Company data; UBS

Table 2: EBITA margin trends

YE 31 Dec	1H 2009	2H 2009	2009A	1H 2010	2H 2010	2010	Comment
Agricultural	15.7%	16.4%	16.1%	13.3%	18.1%	15.7%	Decline on weaker trade volumes and move to higher cost geographies.
Minerals	14.4%	18.1%	16.3%	17.7%	20.5%	19.2%	2009 restructuring benefit and good volumes.
Oil, Gas & Chemicals	14.6%	16.7%	15.7%	13.6%	17.6%	15.6%	Broadly steady yoy margins.
Life Science	11.0%	17.8%	14.4%	13.0%	16.8%	14.9%	Improving utilisation of labs and large accounts benefit.
Consumer Testing	25.5%	25.5%	25.5%	25.1%	26.5%	25.8%	Good 2H increase given broad based revenue recovery.
Systems & Services	19.1%	23.0%	21.1%	19.3%	22.9%	21.1%	Steady yoy margins.
Industrial	13.4%	14.6%	14.0%	12.6%	13.7%	13.2%	Margin decline through the year as Spanish weakness and Mid East delays offset 2009 restructuring benefit.
Environmental	9.6%	13.6%	11.7%	9.2%	12.2%	10.7%	Seasonal benefit in 2H but ongoing pressure from tougher European project market.
Automotive	14.9%	17.9%	16.3%	19.1%	17.6%	18.4%	Impressive given the loss of the Irish contract. Benefit of pricing pressure and 2009 restructuring programme.
Trade Assurance	17.3%	19.5%	18.4%	17.4%	18.9%	18.2%	Broadly steady yoy margins.
GROUP	16.3%	18.5%	17.4%	16.5%	19.1%	17.8%	40bp yoy increase a positive surprise

Source: Company data; UBS

Table 3: Longer-term organic revenue growth forecasts

YE 31 Dec	2008A	2009A	2010	2011e	2012e	2013e	2014e	Comment
Agricultural	8.3%	4.0%	-0.1%	6.0%	7.0%	7.0%	7.0%	We anticipate trade volatility in 2011 and beyond. Move "inland" will provide good growth opportunities.
Minerals	25.3%	-10.3%	12.2%	17.5%	15.0%	12.0%	10.0%	Good tailwinds from 2010. Ongoing cyclical and emerging markets demand. Track record of double-digit growth.
Oil, Gas & Chemicals	10.8%	0.1%	4.2%	7.5%	7.5%	7.5%	7.5%	Potentially conservative given co optimism on upstream services. Some oil price sensitivity. Growth has traditionally lagged Minerals.
Life Science	8.6%	3.1%	2.6%	7.0%	6.0%	5.0%	5.0%	Potential upside to growth expectations given outsourcing trends and move into biologics. However long-term trend of below-group-average growth.
Consumer Testing	15.8%	9.1%	7.0%	12.5%	15.0%	10.0%	10.0%	Good tailwinds from 2010. Ongoing regulatory driver. New areas (eg food; sustainability) mean optimism for continued double-digit growth.
Systems & Services	9.2%	4.6%	7.9%	10.0%	7.5%	7.5%	7.5%	A solid outlook given growth in new standards and rollout of the global/key accounts model.
Industrial	15.7%	2.1%	-0.6%	10.0%	10.0%	7.5%	7.5%	Despite pressures in 2010, improving European economy and capex/corporate spend bode well.
Environmental	9.8%	1.1%	-1.3%	7.5%	7.5%	7.5%	7.5%	A project-based business, but we assume return to long-run average growth in an improving economy.
Automotive	22.3%	-4.3%	-21.8%	0.0%	5.0%	7.5%	7.5%	Growth likely to be "lumpy" but potential from new outsourcing opportunities (emerging markets) and underlying expansion of current fleets.
Trade Assurance	10.5%	6.9%	9.2%	10.0%	7.5%	7.5%	7.5%	Clear economic driver but no reason should not grow at historic average rates.
GROUP	14.3%	1.3%	3.1%	9.9%	10.0%	8.5%	8.2%	9-10% medium term growth forecast is below company's hoped-for 11%+

Source: Company data; UBS

Table 4: Longer-term EBITA margin forecasts

YE 31 Dec	2008A	2009A	2010	2011e	2012e	2013e	2014e	Comment
Agricultural	15.6%	16.1%	15.7%	15.0%	16.0%	17.0%	18.0%	Investment in 2011 then good benefit from move to "inland/upstream" services.
Minerals	19.8%	16.3%	19.2%	19.0%	19.2%	19.4%	19.6%	Investment in 2011, then efficiency squeeze.
Oil, Gas & Chemicals	14.2%	15.7%	15.6%	14.9%	15.9%	16.9%	17.9%	Investment in 2011 then good benefit from move to "inland/upstream" services.
Life Science	13.5%	14.4%	14.9%	14.7%	15.7%	16.7%	17.7%	Investment in 2011 then good benefit from move to added value services, as well as scale gains.
Consumer Testing	23.2%	25.5%	25.8%	24.8%	25.2%	25.6%	26.0%	Investment in 2011, then efficiency squeeze.
Systems & Services	19.1%	21.1%	21.1%	20.8%	21.0%	21.2%	21.4%	Investment in 2011, then efficiency squeeze.
Industrial	14.3%	14.0%	13.2%	12.4%	13.4%	14.4%	15.4%	Investment in 2011 then good benefit from move to added value services, as well as scale gains.
Environmental	10.6%	11.7%	10.7%	10.0%	11.5%	13.0%	14.5%	Investment in 2011 then good benefit from move to added value services, as well as scale gains.
Automotive	16.3%	16.3%	18.4%	19.4%	19.6%	19.8%	20.0%	Upside in 2011 from ITV mix. Squeezing up thereafter.
Trade Assurance	16.9%	18.4%	18.2%	17.5%	17.7%	17.9%	18.1%	Investment in 2011, then efficiency squeeze.
GROUP	16.8%	17.4%	17.8%	17.4%	18.1%	18.8%	19.5%	SGS targets 20% in FY14. Our FY11 forecast assumes 60bp of margin pressure from investment offset by ongoing operational gearing benefit.

Source: Company data; UBS

Table 5: Changes to estimates

YE 31 Dec; SFr m	2009A	2010A	2011e	2012e	2013e	2014e	Comment
Revenue - previous	4,712	4,811	5,258	5,777	6,277	6,821	Based on slightly lower 2010 starting point (we originally expected 3.8% organic growth vs 3.2% delivered).
Revenue - current	4,712	4,757	5,180	5,699	6,183	6,692	
Upgrade / (downgrade)	0%	-1%	-1.5%	-1.3%	-1.5%	-1.9%	
Organic revenue growth - previous	1.3%	3.8%	9.9%	9.9%	8.7%	8.7%	Broadly unchanged, despite small adjustments to the divisional mix.
Organic revenue growth - current	1.3%	3.1%	9.9%	10.0%	8.5%	8.2%	
EBITA - previous	821	835	887	1026	1167	1325	
EBITA - current	822	848	899	1032	1162	1304	
Upgrade / (downgrade)	0.1%	1.5%	1.4%	0.6%	-0.4%	-1.6%	
EBITA margin - previous	17.4%	17.4%	16.9%	17.8%	18.6%	19.4%	Higher expectations based on the higher 2010 starting point.
EBITA margin - current	17.4%	17.8%	17.4%	18.1%	18.8%	19.5%	
EPS - previous (SFr)	77.2	78.3	83.4	96.8	110.4	125.6	Difference to EBIT change is driven by slightly higher interest charge expectation going forward.
EPS - current (SFr)	77.2	79.1	83.2	95.7	108.2	121.7	
Upgrade / (downgrade)	0%	1%	-0.2%	-1.0%	-2.0%	-3.1%	
DPS - previous (SFr)	60	50	54	63	71	81	30 SFr underlying + 35 SFr "special". However SGS has paid some form of "special" divi in each of last 4 years so we assume this continuing, albeit at more moderate rate given investment plans.
DPS - current (SFr)	60	65	65	65	65	65	
Upgrade / (downgrade)	0%	30%	20.4%	3.7%	-9.1%	-20.1%	

Source: Company data; UBS estimates

Income statement (CHFm)	12/06	12/07	12/08	12/09	12/10	12/11E	% ch	12/12E	% ch	12/13E	% ch
Revenues	3,821	4,372	4,818	4,712	4,757	5,180	8.9	5,699	10.0	6,183	8.5
Operating expenses (ex depn)	-	-	-	-	-	-	-	-	-	-	-
EBITDA (UBS)	777	908	1,024	1,045	1,080	1,195	10.7	1,337	11.9	1,472	10.1
Depreciation	(172)	(197)	(214)	(223)	(232)	(296)	27.6	(305)	3.1	(309)	1.3
Operating income (EBIT, UBS)	605	711	810	822	848	899	6.1	1,032	14.8	1,162	12.7
Other income & associates	0	0	0	0	0	0	-	0	-	0	-
Net interest	(1)	2	(4)	(3)	(7)	(11)	53.4	(10)	-8.0	(8)	-18.7
Abnormal items (pre-tax)	19	(21)	127	(28)	(12)	(8)	-33.3	(8)	0.0	(8)	0.0
Profit before tax	623	692	933	791	829	880	6.3	1,014	15.2	1,146	13.1
Tax	(155)	(172)	(219)	(200)	(215)	(228)	6.3	(263)	15.2	(297)	13.1
Profit after tax	468	520	714	591	614	652	6.3	751	15.2	849	13.1
Abnormal items (post-tax)	0	0	0	0	0	0	-	0	-	0	-
Minorities / pref dividends	(25)	(20)	(22)	(25)	(26)	(28)	6.3	(32)	15.2	(36)	13.1
Net income (local GAAP)	443	500	692	566	588	624	6.3	719	15.2	813	13.1
Net Income (UBS)	424	515	579	579	599	630	5.3	725	15.0	819	13.0
Tax rate (%)	25	25	23	25	26	26	0.0	26	0.0	26	0.0
Pre-abnormal tax rate (%)	26	25	25	26	26	26	1.0	26	0.0	26	0.0
Per share (CHF)	12/06	12/07	12/08	12/09	12/10	12/11E	% ch	12/12E	% ch	12/13E	% ch
EPS (local GAAP)	58.3	65.5	91.1	75.5	77.6	82.5	6.3	95.0	15.2	107.4	13.1
EPS (UBS)	55.8	67.4	76.2	77.2	79.1	83.2	5.3	95.7	15.0	108.2	13.0
Net DPS	19.7	35.0	50.0	60.0	65.0	65.0	0.0	65.0	0.0	65.0	0.0
Cash EPS	78.4	93.2	104.4	107.0	109.7	122.3	11.5	136.1	11.2	149.0	9.5
BVPS	199.7	248.1	233.3	265.0	264.8	299.1	13.0	334.4	11.8	382.9	14.5
Balance sheet (CHFm)	12/06	12/07	12/08	12/09	12/10	12/11E	% ch	12/12E	% ch	12/13E	% ch
Net tangible fixed assets	656	738	721	751	756	874	15.7	997	14.0	1,120	12.4
Net intangible fixed assets	644	716	759	777	1,130	1,130	0.0	1,130	0.0	1,130	0.0
Net working capital (incl. other assets)	407	418	464	431	267	286	7.0	309	8.2	327	5.9
Other liabilities	(332)	(275)	(332)	(326)	(317)	(317)	0.0	(317)	0.0	(317)	0.0
Operating invested capital	1,375	1,597	1,612	1,633	1,836	1,973	7.5	2,119	7.4	2,261	6.7
Investments	2	2	2	1	1	1	0.0	1	0.0	1	0.0
Total capital employed	1,377	1,599	1,614	1,634	1,837	1,974	7.5	2,120	7.4	2,262	6.7
Shareholders' equity	1,562	1,941	1,825	2,073	2,071	2,237	8.0	2,501	11.8	2,864	14.5
Minority interests	30	36	37	37	37	37	0.0	37	0.0	37	0.0
Total equity	1,592	1,977	1,862	2,110	2,108	2,274	7.9	2,538	11.6	2,901	14.3
Net debt / (cash)	(215)	(378)	(248)	(476)	(271)	(300)	10.6	(419)	39.7	(640)	52.8
Other debt-deemed items	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	1,377	1,599	1,614	1,634	1,837	1,974	7.5	2,120	7.4	2,262	6.7
Cash flow (CHFm)	12/06	12/07	12/08	12/09	12/10	12/11E	% ch	12/12E	% ch	12/13E	% ch
Operating income (EBIT, UBS)	605	711	810	822	848	899	6.1	1,032	14.8	1,162	12.7
Depreciation	172	197	214	223	232	296	27.6	305	3.1	309	1.3
Net change in working capital	(38)	16	(21)	12	(33)	(19)	-43.2	(23)	25.1	(18)	-22.5
Other (operating)	(10)	(40)	80	(35)	(38)	(36)	-6.2	(40)	11.8	(44)	10.4
Operating cash flow (pre tax/interest)	729	884	1,083	1,022	1,009	1,141	13.1	1,274	11.7	1,409	10.6
Net interest received / (paid)	(1)	2	(4)	(3)	(7)	(11)	53.4	(10)	-8.0	(8)	-18.7
Dividends paid	(248)	(178)	(281)	(391)	(484)	(486)	0.4	(486)	0.0	(486)	0.0
Tax paid	(144)	(177)	(195)	(217)	(215)	(228)	6.3	(263)	15.2	(297)	13.1
Capital expenditure	(248)	(285)	(290)	(209)	(250)	(414)	65.8	(427)	3.1	(433)	1.3
Net (acquisitions) / disposals	(154)	(57)	(172)	2	(300)	0	-	0	-	0	-
Other	(15)	(36)	75	(36)	(38)	(36)	-6.2	(40)	11.8	(44)	10.4
Share issues	(102)	(8)	(201)	15	85	0	-	0	-	0	-
Cash flow (inc)/dec in net debt	(166)	181	(66)	219	(163)	1	-	87	8656.4	185	112.0
FX / non cash items	(49)	(18)	(64)	9	(43)	28	-	32	15.2	36	13.1
Balance sheet (inc)/dec in net debt	(215)	163	(130)	228	(205)	29	-	119	315.9	221	85.5
Core EBITDA	777	908	1,024	1,045	1,080	1,195	10.7	1,337	11.9	1,472	10.1
Maintenance capital expenditure	(221)	(221)	(221)	(221)	(221)	(221)	0.0	(221)	0.0	(221)	0.0
Maintenance net working capital	(195)	(195)	(195)	(195)	(195)	(195)	0.0	(195)	0.0	(195)	0.0
Operating free cash flow, pre-tax	360	492	608	629	663	779	17.4	921	18.2	1,055	14.6

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

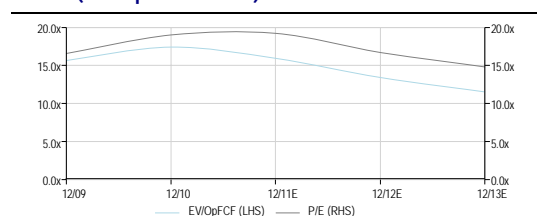
12-month rating **Neutral**

12m price target **CHF1,600.00**

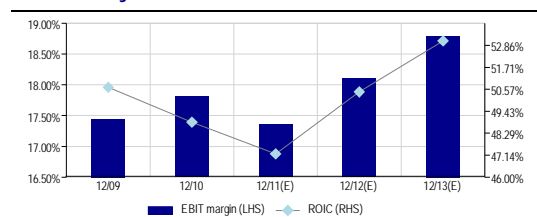
Company profile

SGS is the largest inspection, testing and certification organisation in the world. The core services offered by SGS (split between 10 divisions) can be divided into three categories: (1) inspection services - SGS inspects and verifies the quantity, weight and quality of traded goods; (2) testing services - SGS tests product quality and performance against various health, safety and regulatory standards; and (3) certification services - SGS certifies that systems or services meet the requirements of standards set by governments, standardisation bodies or by SGS customers.

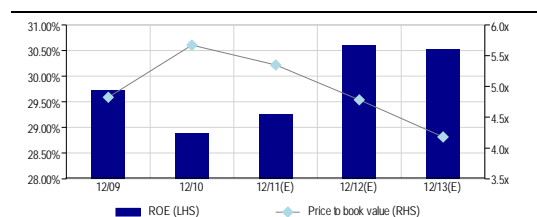
Value (EV/OpFCF & P/E)



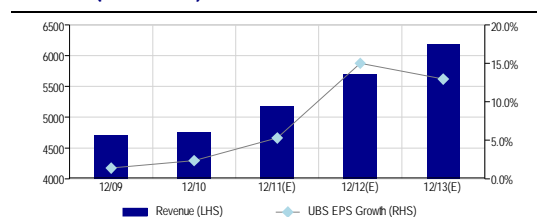
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
P/E (local GAAP)	18.8	17.0	19.5	19.4	16.8	14.9
P/E (UBS)	19.2	16.6	19.0	19.1	16.6	14.7
P/CEPS	13.8	11.9	13.7	13.0	11.7	10.7
Net dividend yield (%)	3.2	4.7	4.3	4.1	4.1	4.1
P/BV	5.5	4.8	5.7	5.3	4.8	4.1
EV/revenue (core)	2.2	2.1	2.4	2.4	2.2	2.0
EV/EBITDA (core)	10.8	9.4	10.7	10.3	9.2	8.2
EV/EBIT (core)	13.7	12.0	13.6	13.7	11.9	10.4
EV/OpFCF (core)	20.4	15.6	17.4	15.8	13.3	11.4
EV/op. invested capital	6.9	6.1	6.7	6.5	6.0	5.5

Enterprise value (CHFm)	12/09	12/10	12/11E	12/12E	12/13E
Average market cap	9,999	11,746	12,430	12,430	12,430
+ minority interests	37	37	37	37	37
+ average net debt (cash)	(362)	(374)	(285)	(359)	(529)
+ pension obligations and other	154	146	146	146	146
- non-core asset value	0	0	0	0	0
Core enterprise value	9,828	11,556	12,328	12,254	12,084

Growth (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
Revenue	9.3	-2.2	1.0	8.9	10.0	8.5
EBITDA (UBS)	13.0	2.1	3.3	10.7	11.9	10.1
EBIT (UBS)	13.1	1.5	3.1	6.1	14.8	12.7
EPS (UBS)	11.8	1.4	2.4	5.3	15.0	13.0
Cash EPS	11.9	2.5	2.5	11.5	11.2	9.5
Net DPS	18.6	20.0	8.3	0.0	0.0	0.0
BVPS	9.6	13.6	-0.1	13.0	11.8	14.5

Margins (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
EBITDA / revenue	20.8	22.2	22.7	23.1	23.5	23.8
EBIT / revenue	16.3	17.4	17.8	17.4	18.1	18.8
Net profit (UBS) / revenue	11.7	12.3	12.6	12.2	12.7	13.2

Return on capital (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
EBIT ROIC (UBS)	50.4	50.7	48.9	47.2	50.4	53.1
ROIC post tax	-	37.4	36.3	35.0	37.3	39.3
Net ROE	29.2	29.7	28.9	29.3	30.6	30.5

Coverage ratios (x)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
EBIT / net interest	-	NM	NM	NM	NM	NM
Dividend cover (UBS EPS)	1.8	1.3	1.2	1.3	1.5	1.7
Div. payout ratio (% , UBS EPS)	58.4	77.7	82.2	78.1	67.9	60.1
Net debt / EBITDA	NM	NM	NM	NM	NM	NM

Efficiency ratios (x)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
Revenue / op. invested capital	3.1	2.9	2.7	2.7	2.8	2.8
Revenue / fixed assets	3.3	3.1	2.8	2.7	2.8	2.8
Revenue / net working capital	19.3	21.0	24.9	27.5	27.2	26.8

Investment ratios (x)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
OpFCF / EBIT	0.7	0.8	0.8	0.9	0.9	0.9
Capex / revenue (%)	5.9	4.4	5.3	8.0	7.5	7.0
Capex / depreciation	1.3	0.9	1.1	1.4	1.4	1.4

Capital structure (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
Net debt / total equity	(19.8)	(23.0)	(13.1)	(13.4)	(16.7)	(22.3)
Net debt / (net debt + equity)	(24.6)	(29.8)	(15.1)	(15.5)	(20.1)	(28.8)
Net debt (core) / EV	(3.7)	(3.7)	(3.2)	(2.3)	(2.9)	(4.4)

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of CHF1,589.00 on 20 Jan 2011 17:05 EST Market cap(E) may include forecast share issues/buybacks.

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UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	49%	40%
Neutral	Hold/Neutral	42%	35%
Sell	Sell	8%	21%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	14%
Sell	Sell	less than 1%	0%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 31 December 2010.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

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Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

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UBS Limited: William Vanderpump; Jaime Brandwood, CFA; Shang Liew.

Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
SGS ^{2, 4, 5, 13, 15, 16, 18a, 18b}	SGSN.VX	Neutral	N/A	CHF1,600.00	19 Jan 2011

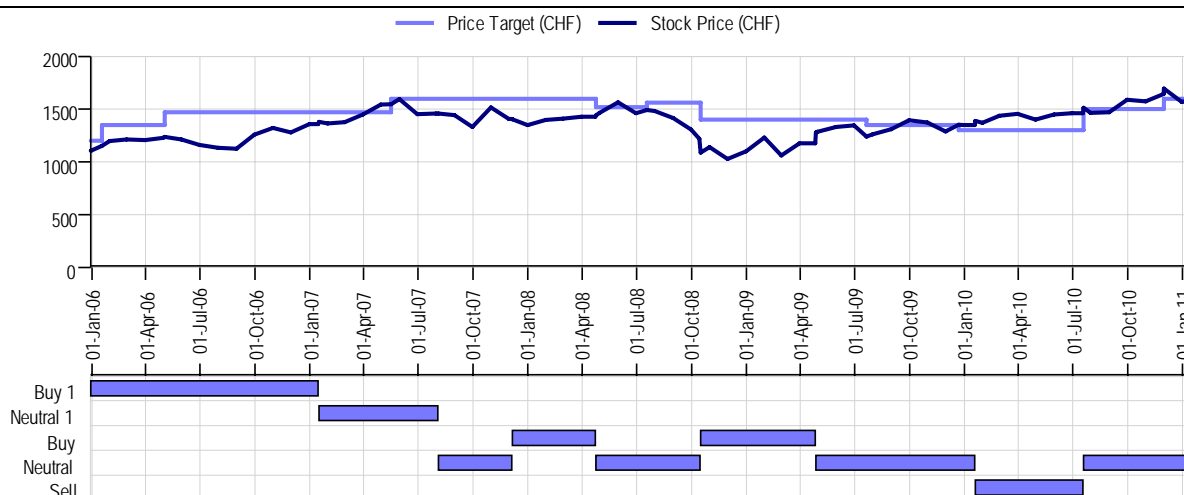
Source: UBS. All prices as of local market close.

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SGS (CHF)



Source: UBS; as of 19 Jan 2011

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