



SGS

Hold

Switzerland

Ind. Holding Cos.

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CHF 1,235 on 15-07-09

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1H09 results demonstrate business model's resilience despite some weak spots - New PT CHF 1350 (1400)

Following SGS's 1H09 results we have revised our revenue forecast for FY09 and FY10 down to account for lower-than-anticipated organic growth in 1H09 (4% vs. 7% estimated). FX had a 4% negative impact (which we expect to ease in 2H09). Operating expenses were cut faster than expected but EBIT and net profit still missed our forecast by 10% and 11% when including restructuring costs. As a result we have cut our EPS by 6% and 4% for FY09 and FY10, respectively. We have lowered our price target accordingly to CHF 1350 (CHF 1400). Reports by competitors BVI (28/7) and ITRK (03/8) will shed more light on the industry dynamics, meanwhile, we confirm our Hold rating. The long-term growth prospects for SGS remain unaltered and positive and we would use weaknesses in the share price to build up positions.

Consumer Testing and Agricultural Services strong: The results contained a number of positive and negative elements. While the Consumer Testing division, Agricultural Services and Government Services delivered strong performances with solid margins, the Minerals division disappointed with revenues declining by 9% organically.

Minerals close to the bottom: For the Minerals division, SGS expects to see the bottom of the cycle in 2Q/3Q. Trade flows are improving again and discussions for larger pilot plants with customers have resumed. The restructuring measures will help to drive margins up again in 2H09 (37% of CHF 15 mn restructuring costs are allocated to Minerals).

NWC stable: Cash flow was negatively impacted by the timing of withholding tax payments, an effect that will smoothen out over the FY. NWC remains well controlled and stable. The company is likely to pursue its share repurchase program (CHF 250 mn) anytime in 2H09.



| PER SHARE DATA | |
|--|--------|
| Price target (CHF) | 1,350 |
| Price SGSN.VX on 15-07-09 CHF | 1,235 |
| No. of shares SGSN.VX in '000 | 7,255 |
| Market cap. SGSN.VX (CHF mns) | 8,960 |
| Other market cap. (CHF mns) | 0 |
| Total market capitalization (CHF mns) | 8,960 |
| Free Float % | 40 |
| Von Finck Family (voting 25%) | 25 |
| IFIL (voting 15%) | 15 |
| Allianz SE (voting 7%) | 7 |
| Average daily trading volume (12 months) | 29,009 |

| SHARE VALUATION | | | | |
|------------------|------|-------|-------|-------|
| CHF | 2008 | 2009E | 2010E | 2011E |
| EPS | 91.1 | 78.2 | 87.8 | 101 |
| EPS growth % | 39 | -14 | 12 | 15 |
| P/E | 12.1 | 15.8 | 14.1 | 12.3 |
| CEPS | 91.1 | 78.2 | 87.8 | 101 |
| P/CE | 12.1 | 15.8 | 14.1 | 12.3 |
| Dividend | 50.0 | 30.0 | 32.0 | 35.0 |
| Dividend yield % | 4.5 | 2.4 | 2.6 | 2.8 |
| Book value | 240 | 245 | 311 | 384 |
| Price/Book | 4.6 | 5.0 | 4.0 | 3.2 |
| EV/EBITDA | 7.9 | 8.5 | 7.6 | 6.5 |

| HIGH | 12-MONTH | LOW |
|-------|----------|--------|
| 1,568 | | 904.00 |

| BREAKDOWN | | | |
|---------------------------|---------|----------|-------|
| Sales 2008 | | | |
| - by sector | CHF mns | % Change | Share |
| Agricultural Services | 358 | 0.5 | 7.4 |
| Mineral Services | 663 | 18.4 | 13.8 |
| Oil, Gas & Chemical | 954 | 7.0 | 19.8 |
| Life Science Services | 204 | 2.0 | 4.2 |
| Consumer Testing Service: | 734 | 12.1 | 15.2 |
| Systems & Services | 366 | 3.4 | 7.6 |
| Industrial Services | 739 | 18.2 | 15.3 |
| Environmental Services | 296 | 5.4 | 6.2 |
| Automotive Services | 293 | 17.4 | 6.1 |
| Government & Institutions | 212 | 5.7 | 4.4 |
| Total | 4818 | 10.2 | 100.0 |

| KEY DATA | | | |
|--------------------------|-------|-------|-------|
| CHF mns | 2009E | 2010E | 2011E |
| Sales | 4,907 | 5,246 | 5,746 |
| EBIT | 802 | 888 | 1,005 |
| EBIT margin % | 16.3 | 16.9 | 17.5 |
| Shareholders' net profit | 576 | 637 | 729 |
| Return on equity % | 31.7 | 31.3 | 28.9 |
| Total assets | 3,548 | 4,077 | 4,726 |
| Equity | 1,843 | 2,291 | 2,820 |
| Equity ratio % | 52.0 | 56.2 | 59.7 |
| Interest-bearing debt | 143 | 143 | 143 |
| Cash | 298 | 603 | 969 |
| Operating cash flow | 874 | 893 | 1,007 |
| Capex | 340 | 370 | 410 |

| EXCESS PERFORMANCE | | |
|--------------------|-------------------|----------------------|
| | SPIX ¹ | DJSFISV ² |
| 3M | -6.3% | -9.8% |
| 6M | 5.0% | -10.2% |
| 12M | 6.7% | 15.6% |

¹SPI ex Div.

²DJ STOXX Financial Services

1H09 results below expectations

Organic revenue growth of 4% and margins stable.

Revenues in 1H09 increased by 1.3% on a reported basis to CHF 2,327 mn, some 5% below our and consensus expectations. 3.9% of growth was fuelled by volumes and prices and 1.8% by acquisitions. FX had an adverse impact of 4.4% on revenues. The operating margin remained strong at 16.2% (E: 16.3%), with FX having a 7 bps negative impact. EBITDA rose 2.7% YoY to CHF 486 mn and was 5% below our forecast. Operating income before exceptionals was 6% lower than expected at CHF 376 mn and net profit came in 11% below our estimate at CHF 255 mn. The company booked CHF 15 mn in restructuring charges relating primarily to Minerals (37%), Industrial Services (15%), Oil, Gas & Chemicals (14%) and Automotive (9%). Headcount increased by 2.8% since June 2008 to 56,674, but decreased by 1.1% since year-end 2008. Operating cash flow decreased by 6%, negatively impacted by the timing of tax payments, an effect that will disappear on a full year basis. The cash position decreased by CHF 323 mn driven by loan repayments and dividends.

COMPARISON OF 1H09 RESULTS AND VONTOBEL ESTIMATES

| In CHF mn FY to Dec. 31 | H1 09E | H1 09A | delta % | consensus | delta cons. |
|---|---------------|---------------|---------------|--------------|--------------|
| Revenues | 2'458 | 2'327 | -5.3% | 2'445 | -4.8% |
| Salaries and sub-contractor expenses | -1'332 | -1'279 | -4.0% | | |
| Other operating expenses | -613 | -562 | -8.3% | | |
| Exceptional items | 0 | -15 | n.m. | | |
| Total operating expenses | -1'946 | -1'856 | -4.6% | | |
| EBITDA | 513 | 486 | -5.1% | | |
| Depreciation & amortization | -112 | -110 | -1.5% | | |
| Operating income (before exceptionals) | 401 | 376 | -6.2% | 396 | -5.0% |
| EBIT | 401 | 361 | -9.9% | | |
| Interest income/expenses (net) | 1 | -3 | -621.7% | | |
| Pretax profit | 402 | 358 | -10.7% | | |
| Taxes | -100 | -91 | -9.3% | | |
| Net Group profit | 301 | 267 | -11.2% | | |
| Minority interests | -13 | -12 | -6.6% | | |
| Net profit | 288 | 255 | -11.4% | 282 | -9.4% |
| Adjusted net profit | 288 | 264 | -8.4% | | |
| Basic EPS | 38.54 | 34.09 | -11.6% | | |
| Diluted EPS (adjusted) | 38.31 | 35.13 | -8.3% | | |
| Basic number of shares ('000) | 7551 | 7493 | -0.8% | | |
| Diluted number of shares ('000) | 7619 | 7514 | -1.4% | | |

| Growth | H1 09E | H1 09A | delta % | consensus | delta cons. |
|------------------|--------|--------|---------|-----------|-------------|
| Revenues (net) | 7.0 | 1.3 | -81.5% | 6.4 | |
| EBITDA | 8.4 | 2.8 | -66.2% | | |
| Operating income | 8.4 | 1.6 | -80.3% | | |
| EBIT | -19.3 | -27.3 | 41.2% | | |
| Net profit | -23.7 | -32.4 | 36.7% | | |

| Margin analysis | H1 09E | H1 09A | delta % | consensus | delta cons. |
|-------------------------------------|--------|--------|---------|-----------|-------------|
| Salaries & sub-contr. exp./revenues | 54.2 | 55.0 | 1.4% | | |
| Other op. expenses/revenues | 24.9 | 24.1 | -3.2% | | |
| Unusual items/revenues | 0.0 | 0.6 | n.m. | | |
| EBITDA margin | 20.9 | 20.9 | 0.2% | | |
| Operating income margin | 16.3 | 16.2 | -0.9% | 16.2% | |
| EBIT margin | 16.3 | 15.5 | -4.8% | | |
| Tax rate | 25.0 | 25.4 | 1.6% | | |
| Net profit margin | 11.7 | 11.0 | -6.4% | 11.5% | |

Agricultural-, Consumer Testing and Governmental Services perform strongly

On a divisional basis results were mixed with a strong performance in **Agricultural Services** (org: +10.3%, op. margin 15.7%), driven by strong

demand for trade inspection services and continued expansion of laboratory services. The positive trend is set to continue in 2H with favourable seasonality.

Consumer Testing performed strongly (org: +12.2%, op. margin 25.4% up 300 bps) driven in particular by US legislation (CPSIA, consumer product safety improvement act) for toys and textiles. Continued geographic expansion and increasingly stringent regulations will provide further growth.

Government Services delivered a solid semester (org: +10.0%, op. margin 17.4%). as projects initiated in 2008 came on stream and existing contracts were renewed. A forestry contract in Liberia (logging control) was finalized and should serve as reference scheme for other regions.

Minerals, Automotive and Oil, Gas & Chemical Services suffer from weak economic environment

Three divisions delivered more muted performances. In particular **Mineral Services** posted negative organic growth of 9.1% and was thus the only division that did not grow (we had expected that). The lower revenues also had a negative margin impact, dragging down the op. margin by 520 bps to 14.1%. As a result, the largest share of the restructuring charge (37% of CHF 15 mn) is allocated to this division. Management sees initial signs of improvement in Minerals as trade flows are improving and customers have resumed discussions for larger pilot projects. The bottom is expected to be reached in 2Q/Q3, but we still expect declining revenues for 2H09. Margins should improve as a result of restructuring measures (primarily headcount reduction).

The **Automotive Services** division (org. +0.2%, op. margin 14.4%, -240 bps) suffered from a combination of poor commercial business and a negative base effect as driver testing volumes of 2008 in Ireland were not repeated. We expect growth to remain weak in light of the developments in the Automotive markets.

The **Oil, Gas & Chemical Services** business (org. +1.9%, op. margin 14.3%) suffered in particular from difficult markets for chemicals and distillates with no clear signs of improvement in the near-term.

Divisional Revenues

| Division | H1 09E | H1 09A | delta % |
|------------------------------------|-------------|-------------|--------------|
| Agricultural Services | 179 | 176 | -1.6% |
| Mineral Services | 312 | 262 | -16.1% |
| Oil, Gas & Chemical Services | 494 | 469 | -5.1% |
| Life Science Services | 104 | 101 | -2.9% |
| Consumer Testing Services | 397 | 391 | -1.5% |
| Systems & Services Certification | 188 | 176 | -6.4% |
| Industrial Services | 374 | 371 | -0.9% |
| Environmental Services | 156 | 140 | -9.9% |
| Automotive Services | 152 | 139 | -8.6% |
| Government & Institutions Services | 103 | 103 | 0.2% |
| Total | 2458 | 2327 | -5.3% |

Divisional Revenue Growth in %

| Division | H1 09E | H1 09A | delta % |
|------------------------------------|------------|------------|---------------|
| Agricultural Services | 7.0 | 5.3 | |
| Mineral Services | -2.8 | -14.7 | |
| Oil, Gas & Chemical Services | 8.4 | -0.3 | |
| Life Science Services | 4.9 | 1.8 | |
| Consumer Testing Services | 15.9 | 14.4 | |
| Systems & Services Certification | 8.0 | 0.7 | |
| Industrial Services | 6.3 | 5.4 | |
| Environmental Services | 8.8 | -2.0 | |
| Automotive Services | 4.9 | -4.2 | |
| Government & Institutions Services | 4.8 | 5.0 | |
| Total | 7.0 | 1.3 | -81.5% |

Divisional Revenue Growth in % (volume & prices)

| Division | H1 09E | H1 09A | delta % |
|------------------------------------|------------|------------|---------------|
| Agricultural Services | 7.0 | 9.7 | |
| Mineral Services | -3.0 | -8.4 | |
| Oil, Gas & Chemical Services | 7.0 | 1.8 | |
| Life Science Services | 5.0 | 7.2 | |
| Consumer Testing Services | 16.0 | 12.1 | |
| Systems & Services Certification | 8.0 | 5.0 | |
| Industrial Services | 4.0 | 4.8 | |
| Environmental Services | 8.0 | 4.3 | |
| Automotive Services | 5.0 | 0.2 | |
| Government & Institutions Services | 5.0 | 9.5 | |
| Total | 6.3 | 3.9 | -38.7% |

Divisional Operating Income (pre-exceptionals)

| Division | H1 09E | H1 09A | delta % |
|------------------------------------|------------|------------|--------------|
| Agricultural Services | 27 | 28 | 3.1% |
| Mineral Services | 56 | 37 | -34.1% |
| Oil, Gas & Chemical Services | 70 | 67 | -4.3% |
| Life Science Services | 12 | 11 | -10.6% |
| Consumer Testing Services | 91 | 99 | 8.6% |
| Systems & Services Certification | 36 | 34 | -6.3% |
| Industrial Services | 52 | 49 | -5.8% |
| Environmental Services | 16 | 14 | -13.2% |
| Automotive Services | 24 | 20 | -17.5% |
| Government & Institutions Services | 16 | 18 | 8.7% |
| Total | 401 | 376 | -6.2% |

Divisional Operating Income Margin Breakdown

| Division | H1 09E | H1 09A | delta % |
|------------------------------------|-------------|-------------|--------------|
| Agricultural Services | 15.0 | 15.7 | |
| Mineral Services | 18.0 | 14.1 | |
| Oil, Gas & Chemical Services | 14.2 | 14.3 | |
| Life Science Services | 11.5 | 10.6 | |
| Consumer Testing Services | 23.0 | 25.4 | |
| Systems & Services Certification | 19.1 | 19.1 | |
| Industrial Services | 14.0 | 13.3 | |
| Environmental Services | 10.0 | 9.6 | |
| Automotive Services | 16.0 | 14.4 | |
| Government & Institutions Services | 16.0 | 17.4 | |
| Total | 16.3 | 16.2 | -0.9% |

Conclusion

EPS reduced by 6% and 4% for FY09 and FY 10. HOLD rating confirmed

Following the weaker-than-expected results, we have revised our revenue forecast for FY09 and FY10 down by 5.7%, respectively, to account for lower-than-anticipated organic growth in 1H09 (4% vs. 7% estimated). FX had a 4.4% negative impact (which we expect to ease in 2H09). Operating expenses were cut faster than expected but EBIT and net profit still missed our forecast by 10% and 11% when including restructuring costs and by 7% and 8% before exceptional items. As a result we have cut our EPS by 6% and 4% for FY09 and FY10, respectively. We have lowered our price target accordingly to CHF 1350 (CHF 1400). Reports by competitors BVI (28/7) and ITRK (03/8) will shed more light on the industry dynamics and company specific strengths and weaknesses, determining whether SGS's valuation premium is still justified (P/E 10E of 14.2x versus 13.2x and 13.1x for ITRK and BVI. Meanwhile, we confirm our Hold rating.

The long-term growth prospects for SGS remain unaltered and positive in our view, and we would use weaknesses in the share price to build up positions.

SUMMARY OF CHANGES TO VONTOBEL ESTIMATES

| | New | | | Old | | | Change % | | |
|--------------------|---------|---------|---------|---------|---------|---------|----------|-------|-------|
| | 2009E | 2010E | 2011E | 2009E | 2010E | 2011E | 2009E | 2010E | 2011E |
| Revenues | 4'906.6 | 5'246.1 | 5'746.3 | 5'201.4 | 5'561.2 | 6'092.1 | -5.7% | -5.7% | -5.7% |
| EBITDA | 1'044.6 | 1'135.2 | 1'275.7 | 1'095.2 | 1'167.1 | 1'325.0 | -4.6% | -2.7% | -3.7% |
| Operating income | 821.2 | 887.7 | 1'005.3 | 871.8 | 919.6 | 1'054.6 | -5.8% | -3.5% | -4.7% |
| EBIT | 801.5 | 887.7 | 1'005.3 | 871.8 | 919.6 | 1'054.6 | -8.1% | -3.5% | -4.7% |
| Net profit | 575.6 | 636.6 | 729.3 | 629.0 | 664.6 | 768.2 | -8.5% | -4.2% | -5.1% |
| Diluted EPS (adj.) | 79.5 | 86.9 | 99.5 | 84.7 | 90.7 | 104.8 | -6.1% | -4.2% | -5.1% |

Divisional Revenue Breakdown

| Division | | 2007 | H1 08 | H2 08 | 2008 | H1 09 | H2 09E | 2009E | 2010E | 2011E |
|------------------------------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Agricultural Services | CHF mn | 357 | 167 | 191 | 358 | 176 | 207 | 383 | 406 | 435 |
| Mineral Services | CHF mn | 560 | 306 | 357 | 663 | 262 | 302 | 564 | 603 | 676 |
| Oil, Gas & Chemical Services | CHF mn | 891 | 470 | 483 | 954 | 469 | 496 | 965 | 1033 | 1126 |
| Life Science Services | CHF mn | 200 | 99 | 105 | 204 | 101 | 111 | 212 | 224 | 240 |
| Consumer Testing Services | CHF mn | 655 | 342 | 392 | 734 | 391 | 447 | 838 | 922 | 1051 |
| Systems & Services Certification | CHF mn | 354 | 174 | 191 | 366 | 176 | 198 | 374 | 400 | 432 |
| Industrial Services | CHF mn | 625 | 352 | 386 | 739 | 371 | 394 | 766 | 811 | 893 |
| Environmental Services | CHF mn | 281 | 143 | 153 | 296 | 140 | 154 | 294 | 309 | 331 |
| Automotive Services | CHF mn | 249 | 145 | 148 | 293 | 139 | 148 | 287 | 301 | 316 |
| Government & Institutions Services | CHF mn | 200 | 98 | 114 | 212 | 103 | 122 | 225 | 236 | 248 |
| Total | CHF mn | 4372 | 2298 | 2520 | 4818 | 2327 | 2579 | 4907 | 5246 | 5746 |

Divisional Revenue Growth in %

| Division | | 2007 | H1 08 | H2 08 | 2008 | H1 09 | H2 09E | 2009E | 2010E | 2011E |
|------------------------------------|----------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|------------|
| Agricultural Services | % | 6.1 | -0.2 | 1.1 | 0.5 | 5.3 | 8.3 | 6.9 | 6.0 | 7.0 |
| Mineral Services | % | 19.9 | 18.0 | 18.8 | 18.4 | -14.7 | -15.2 | -14.9 | 7.0 | 12.0 |
| Oil, Gas & Chemical Services | % | 13.8 | 8.3 | 5.7 | 7.0 | -0.3 | 2.6 | 1.2 | 7.1 | 9.0 |
| Life Science Services | % | 7.3 | 0.8 | 3.1 | 2.0 | 1.8 | 5.1 | 3.5 | 6.0 | 7.0 |
| Consumer Testing Services | % | 12.9 | 9.9 | 14.1 | 12.1 | 14.4 | 14.0 | 14.2 | 10.0 | 14.0 |
| Systems & Services Certification | % | 10.9 | 2.5 | 4.3 | 3.4 | 0.7 | 3.8 | 2.3 | 7.0 | 8.0 |
| Industrial Services | % | 22.4 | 18.1 | 18.3 | 18.2 | 5.4 | 2.1 | 3.7 | 6.0 | 10.0 |
| Environmental Services | % | 12.8 | 7.2 | 3.9 | 5.4 | -2.0 | 0.5 | -0.7 | 5.0 | 7.0 |
| Automotive Services | % | 13.1 | 18.7 | 16.2 | 17.4 | -4.2 | 0.0 | -2.0 | 5.0 | 5.0 |
| Government & Institutions Services | % | 18.6 | 4.5 | 6.9 | 5.7 | 5.0 | 7.2 | 6.2 | 5.0 | 5.0 |
| Total | % | 14.4 | 10.0 | 10.4 | 10.2 | 1.3 | 2.3 | 1.8 | 6.9 | 9.5 |

Divisional Revenue Growth in % (volume & prices)

| Division | | 2007 | H1 08 | H2 08 | 2008 | H1 09 | H2 09E | 2009E | 2010E | 2011E |
|------------------------------------|----------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|------------|
| Agricultural Services | % | 4.3 | 5.4 | 10.8 | 8.3 | 9.7 | 9.9 | 10.0 | 6.0 | 7.0 |
| Mineral Services | % | 17.3 | 29.0 | 22.2 | 25.3 | -8.4 | -10.8 | -10.0 | 7.0 | 12.0 |
| Oil, Gas & Chemical Services | % | 12.5 | 9.9 | 11.6 | 10.8 | 1.8 | 4.0 | 3.0 | 7.0 | 9.0 |
| Life Science Services | % | 4.3 | 6.2 | 11.0 | 8.6 | 7.2 | 7.6 | 7.5 | 6.0 | 7.0 |
| Consumer Testing Services | % | 10.3 | 16.5 | 15.2 | 15.8 | 12.1 | 13.8 | 13.0 | 10.0 | 14.0 |
| Systems & Services Certification | % | 9.2 | 7.8 | 10.5 | 9.2 | 5.0 | 5.8 | 5.5 | 7.0 | 8.0 |
| Industrial Services | % | 16.0 | 16.1 | 15.4 | 15.7 | 4.8 | 4.9 | 5.0 | 6.0 | 10.0 |
| Environmental Services | % | 13.8 | 9.3 | 10.3 | 9.8 | 4.3 | 3.5 | 4.0 | 5.0 | 7.0 |
| Automotive Services | % | 10.3 | 22.2 | 22.4 | 22.3 | 0.2 | 1.7 | 1.0 | 5.0 | 5.0 |
| Government & Institutions Services | % | 19.8 | 9.5 | 11.5 | 10.5 | 9.5 | 10.1 | 10.0 | 5.0 | 5.0 |
| Total | % | 12.1 | 14.1 | 14.4 | 14.3 | 3.9 | 4.4 | 4.2 | 6.9 | 9.5 |

Divisional Revenue Breakdown in % of Total Revenues

| Division | | 2007 | H1 08 | H2 08 | 2008 | H1 09 | H2 09E | 2009E | 2010E | 2011E |
|------------------------------------|----------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Agricultural Services | % | 8.2 | 7.3 | 7.6 | 7.4 | 7.6 | 8.0 | 7.8 | 7.7 | 7.6 |
| Mineral Services | % | 12.8 | 13.3 | 14.1 | 13.8 | 11.2 | 11.7 | 11.5 | 11.5 | 11.8 |
| Oil, Gas & Chemical Services | % | 20.4 | 20.5 | 19.2 | 19.8 | 20.1 | 19.2 | 19.7 | 19.7 | 19.6 |
| Life Science Services | % | 4.6 | 4.3 | 4.2 | 4.2 | 4.3 | 4.3 | 4.3 | 4.3 | 4.2 |
| Consumer Testing Services | % | 15.0 | 14.9 | 15.5 | 15.2 | 16.8 | 17.3 | 17.1 | 17.6 | 18.3 |
| Systems & Services Certification | % | 8.1 | 7.6 | 7.6 | 7.6 | 7.5 | 7.7 | 7.6 | 7.6 | 7.5 |
| Industrial Services | % | 14.3 | 15.3 | 15.3 | 15.3 | 16.0 | 15.3 | 15.6 | 15.5 | 15.5 |
| Environmental Services | % | 6.4 | 6.2 | 6.1 | 6.2 | 6.0 | 6.0 | 6.0 | 5.9 | 5.8 |
| Automotive Services | % | 5.7 | 6.3 | 5.9 | 6.1 | 6.0 | 5.7 | 5.8 | 5.7 | 5.5 |
| Government & Institutions Services | % | 4.6 | 4.3 | 4.5 | 4.4 | 4.4 | 4.7 | 4.6 | 4.5 | 4.3 |
| Total | % | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Divisional Operating Income (pre-exceptionals)

| Division | | 2007 | H1 08 | H2 08 | 2008 | H1 09 | H2 09E | 2009E | 2010E | 2011E |
|------------------------------------|---------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|
| Agricultural Services | CHF mn | 48 | 22 | 34 | 56 | 28 | 35 | 63 | 67 | 72 |
| Mineral Services | CHF mn | 98 | 59 | 66 | 125 | 37 | 49 | 86 | 103 | 128 |
| Oil, Gas & Chemical Services | CHF mn | 133 | 68 | 72 | 140 | 67 | 75 | 142 | 148 | 169 |
| Life Science Services | CHF mn | 24 | 11 | 16 | 28 | 11 | 15 | 26 | 29 | 32 |
| Consumer Testing Services | CHF mn | 152 | 77 | 94 | 170 | 99 | 114 | 214 | 230 | 263 |
| Systems & Services Certification | CHF mn | 65 | 31 | 39 | 70 | 34 | 40 | 73 | 74 | 80 |
| Industrial Services | CHF mn | 101 | 50 | 56 | 106 | 49 | 56 | 106 | 118 | 134 |
| Environmental Services | CHF mn | 28 | 13 | 19 | 31 | 14 | 17 | 31 | 32 | 35 |
| Automotive Services | CHF mn | 34 | 24 | 23 | 48 | 20 | 22 | 42 | 46 | 49 |
| Government & Institutions Services | CHF mn | 29 | 15 | 21 | 36 | 18 | 21 | 39 | 41 | 43 |
| Total | CHF mn | 711 | 370 | 440 | 810 | 376 | 445 | 821 | 888 | 1005 |

Divisional Operating Income Margin Breakdown

| Division | | 2007 | H1 08 | H2 08 | 2008 | H1 09 | H2 09E | 2009E | 2010E | 2011E |
|------------------------------------|----------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Agricultural Services | % | 13.4 | 13.0 | 17.9 | 15.6 | 15.7 | 17.0 | 16.4 | 16.5 | 16.5 |
| Mineral Services | % | 17.5 | 19.3 | 18.5 | 18.9 | 14.1 | 16.1 | 15.2 | 17.0 | 19.0 |
| Oil, Gas & Chemical Services | % | 15.0 | 14.5 | 14.9 | 14.7 | 14.3 | 15.1 | 14.7 | 14.3 | 15.0 |
| Life Science Services | % | 12.0 | 11.3 | 15.5 | 13.5 | 10.6 | 13.7 | 12.2 | 12.8 | 13.5 |
| Consumer Testing Services | % | 23.2 | 22.4 | 23.9 | 23.2 | 25.4 | 25.6 | 25.5 | 25.0 | 25.0 |
| Systems & Services Certification | % | 18.4 | 18.0 | 20.2 | 19.1 | 19.1 | 20.0 | 19.6 | 18.5 | 18.5 |
| Industrial Services | % | 16.1 | 14.1 | 14.5 | 14.3 | 13.3 | 14.3 | 13.8 | 14.5 | 15.0 |
| Environmental Services | % | 9.8 | 8.9 | 12.2 | 10.6 | 9.6 | 11.1 | 10.4 | 10.5 | 10.5 |
| Automotive Services | % | 13.6 | 16.8 | 15.8 | 16.3 | 14.4 | 15.1 | 14.8 | 15.2 | 15.6 |
| Government & Institutions Services | % | 14.4 | 15.7 | 18.0 | 16.9 | 17.4 | 17.6 | 17.5 | 17.5 | 17.5 |
| Total | % | 16.3 | 16.1 | 17.4 | 16.8 | 16.2 | 17.3 | 16.7 | 16.9 | 17.5 |

Income Statement

| In CHF mn FY to Dec. 31 | 2007 | 2008 | 2009E | 2010E | 2011E | CAGR 2007-2010 |
|--|---------------|---------------|---------------|---------------|---------------|-------------------|
| Revenues (gross) | 4'372 | 4'818 | 4'907 | 5'246 | 5'746 | 6.3% |
| Salaries and wages | -2'076 | -2'249 | -2'312 | -2'472 | -2'695 | 6.0% |
| Subcontractors' expenses | -307 | -325 | -337 | -360 | -391 | 5.5% |
| Other operating expenses | -1'081 | -1'220 | -1'212 | -1'278 | -1'385 | 5.8% |
| Exceptional items | -21 | 127 | -20 | 0 | 0 | n.m. |
| Total operating expenses | -3'485 | -3'667 | -3'882 | -4'111 | -4'471 | 5.7% |
| EBITDA | 908 | 1'024 | 1'045 | 1'135 | 1'276 | 7.7% |
| <i>Depreciation of fixed assets</i> | -166 | -180 | -183 | -203 | -219 | 6.9% |
| <i>Depr./impairm. of intangible assets</i> | -31 | -34 | -40 | -45 | -51 | 13.1% |
| Op. Inc. (pre-exceptionals) | 711 | 810 | 821 | 888 | 1'005 | 7.7% |
| EBIT | 690 | 937 | 802 | 888 | 1'005 | 8.8% |
| Interest income/expenses (net) | 2 | -4 | -2 | -1 | 9 | n.m. |
| Pretax profit | 692 | 933 | 799 | 887 | 1'015 | 8.6% |
| Taxes | -172 | -219 | -200 | -222 | -254 | 8.8% |
| Net group profit | 520 | 714 | 600 | 665 | 761 | 8.6% |
| Minority interests | -20 | -22 | -24 | -29 | -32 | 12.7% |
| Net profit | 500 | 692 | 576 | 637 | 729 | 8.4% |
| Net profit adjusted | 515 | 579 | 590 | 637 | 729.3 | 7.3% |

| Growth | | 2007 | 2008 | 2009E | 2010E | 2011E |
|-------------------------------|---|------|------|-------|-------|-------|
| Revenues (net) | % | 14.4 | 10.2 | 1.8 | 6.9 | 9.5 |
| EBITDA | % | 16.9 | 12.8 | 2.0 | 8.7 | 12.4 |
| Operating income (pre-excep.) | % | 17.5 | 13.9 | 1.4 | 8.1 | |
| EBIT | % | 10.6 | 35.8 | -14.5 | 10.7 | 13.3 |
| Net profit | % | 12.9 | 38.4 | -16.8 | 10.6 | 14.6 |

| Margins analysis | | 2007 | 2008 | 2009E | 2010E | 2011E | CAGR 2007-2010 |
|---------------------------------|---|------|------|-------|-------|-------|-------------------|
| EBITDA margin | % | 20.8 | 21.3 | 21.3 | 21.6 | 22.2 | 1.4% |
| Op. Inc. margin (pre-exception) | % | 16.3 | 16.8 | 16.7 | 16.9 | 17.5 | 1.3% |
| EBIT margin | % | 15.8 | 19.4 | 16.3 | 16.9 | 17.5 | 2.3% |
| Tax rate | % | 24.9 | 23.5 | 25.0 | 25.0 | 25.0 | 0.2% |
| Net profit margin | % | 11.4 | 14.4 | 11.7 | 12.1 | 12.7 | 2.0% |
| Operational cash flow margin | % | 16.1 | 17.4 | 17.8 | 17.0 | 17.5 | 1.8% |

Cash flow Statement

| In CHF mn FY to Dec. 31 | 2007 | 2008 | 2009E | 2010E | 2011E | CAGR 2007-2010 |
|----------------------------------|-------------|-------------|-------------|-------------|--------------|-------------------|
| Cash flow | 871 | 860 | 878 | 913 | 1'031 | 1.6% |
| Inc. (-)/dec. (+) in NWC | -165 | -22 | -4 | -20 | -24 | -50.5% |
| Operating cash flow | 706 | 838 | 874 | 893 | 1'007 | 8.1% |
| Total capex | 341 | 415 | 340 | 370 | 410 | 9.1% |
| Operating free cash flow | 421 | 528 | 534 | 523 | 597 | 7.5% |
| Investing cash flow | -45 | -147 | 0 | 0 | 0 | n.m. |
| Financing cash flow | -166 | -202 | -818 | -218 | -232 | 9.5% |
| Inc. (+)/dec. (-) in cash | 200 | 145 | -285 | 305 | 365 | 15.1% |

Balance Sheet

| In CHF mn FY to Dec. 31 | 2007 | 2008 | 2009E | 2010E | 2011E | CAGR 2007-2010 |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|-------------------|
| Cash & marketable securities | 438 | 583 | 298 | 603 | 969 | 11.3% |
| Inventories | 206 | 184 | 207 | 221 | 242 | 2.4% |
| Trade and other receivables | 867 | 919 | 1'031 | 1'118 | 1'241 | 8.9% |
| Other receivables and prepayments | 184 | 194 | 194 | 194 | 194 | 1.8% |
| Current assets | 1'695 | 1'880 | 1'731 | 2'137 | 2'646 | 8.0% |
| Net fixed assets | 738 | 721 | 769 | 859 | 963 | 5.2% |
| Intangibles | 153 | 165 | 148 | 144 | 138 | -1.9% |
| Goodwill | 563 | 594 | 679 | 716 | 757 | 8.3% |
| Other long-term assets | 145 | 182 | 182 | 182 | 182 | 7.9% |
| Long-term assets | 1'638 | 1'701 | 1'818 | 1'940 | 2'080 | 5.8% |
| Total assets | 3'333 | 3'581 | 3'548 | 4'077 | 4'726 | 6.9% |

| In CHF mn FY to Dec. 31 | 2007 | 2008 | 2009E | 2010E | 2011E | CAGR 2007-2010 |
|---|--------------|--------------|--------------|--------------|--------------|-------------------|
| Trade and other payables | 452 | 403 | 507 | 542 | 594 | 6.2% |
| Short-term interest-bearing debt | 40 | 333 | 133 | 133 | 133 | 49.3% |
| Other current liabilities | 574 | 641 | 668 | 714 | 782 | 7.6% |
| Current liabilities | 1'066 | 1'377 | 1'308 | 1'389 | 1'509 | 9.2% |
| Long-term interest-bearing debt | 20 | 10 | 10 | 10 | 10 | -20.6% |
| Pension provisions | 78 | 78 | 78 | 78 | 78 | 0.0% |
| Deferred taxes | 64 | 64 | 64 | 64 | 64 | 0.0% |
| Other provisions | 98 | 190 | 245 | 245 | 245 | 35.7% |
| Long-term liabilities | 260 | 342 | 397 | 397 | 397 | 15.2% |
| Shareholders' equity | 1'971 | 1'826 | 1'807 | 2'255 | 2'784 | 4.6% |
| Minority interests | 36 | 36 | 36 | 36 | 36 | 0.0% |
| Equity & l.t. liabilities | 2'267 | 2'204 | 2'240 | 2'688 | 3'217 | 5.8% |
| Total liabilities & sh. equity | 3'333 | 3'581 | 3'548 | 4'077 | 4'726 | 6.9% |

Balance Sheet Analysis

| Working capital analysis | | 2007 | 2008 | 2009E | 2010E | 2011E | CAGR 2007-2010 |
|--------------------------|--------|-------|-------|-------|-------|-------|-------------------|
| Net work. cap. (NWC) | CHF mn | 231.0 | 253.0 | 257.5 | 277.4 | 301.5 | 6.3% |
| NWC/turnover | % | 5.3 | 5.3 | 5.2 | 5.3 | 5.2 | 0.0% |
| Working capital | days | 19.3 | 19.2 | 19.2 | 19.3 | 19.2 | 0.0% |
| Inventory | days | 17 | 14 | 15 | 15 | 15 | -3.6% |
| Receivables | days | 72 | 70 | 77 | 78 | 79 | 2.4% |
| Payables | days | 38 | 31 | 38 | 38 | 38 | 0.0% |

| Capital structure | | 2007 | 2008 | 2009E | 2010E | 2011E | CAGR 2007-2010 |
|--------------------------|--------|---------|---------|---------|---------|---------|-------------------|
| Average equity | CHF mn | 1'766.5 | 1'898.5 | 1'816.7 | 2'031.2 | 2'519.3 | 4.8% |
| Net fin. pos. (year-end) | CHF mn | 378.0 | 240.0 | 155.3 | 460.4 | 825.5 | 6.8% |
| Capital employed | CHF mn | 1'707.0 | 1'700.0 | 1'766.1 | 1'908.5 | 2'072.2 | 3.8% |
| Equity/total assets | % | 60.2 | 52.0 | 52.0 | 56.2 | 59.7 | -2.3% |
| Gearing (year-end) | % | -19.2 | -13.1 | -8.6 | -20.4 | -29.7 | 2.1% |

| Breakdown of ROE | | 2007 | 2008 | 2009E | 2010E | 2011E |
|--------------------------|---|-------|-------|-------|-------|-------|
| Net profit margin | % | 11.4 | 14.4 | 11.7 | 12.1 | 12.7 |
| Asset turnover | % | 131.2 | 134.5 | 138.3 | 128.7 | 121.6 |
| Return on assets (ROA) | % | 15.0 | 19.3 | 16.2 | 15.6 | 15.4 |
| Leverage (assets/equity) | x | 1.9 | 1.9 | 2.0 | 2.0 | 1.9 |
| Return on equity (ROE) | % | 28.3 | 36.4 | 31.7 | 31.3 | 28.9 |

Summary & Valuation

| Price (registered) | | 2007 | 2008 | 2009E | 2010E | 2011E | |
|---------------------------|-----|-------------|-------------|--------------|--------------|--------------|--|
| Price (year-end) | CHF | 1'339 | 1'100 | 1'235 | 1'235 | 1'235 | |
| High | CHF | 1'595 | 1'607 | 1'239 | n.a. | n.a. | |
| Low | CHF | 1'286 | 884 | 1'145 | n.a. | n.a. | |

| Shares outstanding | | 2007 | 2008 | 2009E | 2010E | 2011E | |
|-----------------------------|--------|-------------|-------------|--------------|--------------|--------------|--|
| Average shares outstanding | ('000) | 7'637 | 7'597 | 7'364 | 7'255 | 7'255 | |
| Year-end shares outstanding | ('000) | 7'629 | 7'473 | 7'255 | 7'255 | 7'255 | |
| Market capitalization | CHF mn | 10'214 | 8'221 | 8'960 | 8'960 | 8'960 | |

| Aggregate data | | 2007 | 2008 | 2009E | 2010E | 2011E | CAGR 2007-2010 |
|-----------------------|--------|-------------|-------------|--------------|--------------|--------------|---------------------------|
| Revenues (net) | CHF mn | 4'372.0 | 4'818.0 | 4'906.6 | 5'246.1 | 5'746.3 | 6.3% |
| EBITDA | CHF mn | 908.0 | 1'024.0 | 1'044.6 | 1'135.2 | 1'275.7 | 7.7% |
| EBIT | CHF mn | 690.0 | 937.0 | 801.5 | 887.7 | 1'005.3 | 8.8% |
| Net profit | CHF mn | 500.0 | 692.0 | 575.6 | 636.6 | 729.3 | 8.4% |
| Enterprise value | CHF mn | 9'950 | 8'095 | 8'919 | 8'614 | 8'249 | -4.7% |

| Growth (CHF) | | 2007 | 2008 | 2009E | 2010E | 2011E | |
|---------------------|---|-------------|-------------|--------------|--------------|--------------|--|
| Revenues (net) | % | 14.4 | 10.2 | 1.8 | 6.9 | 9.5 | |
| EBITDA | % | 16.9 | 12.8 | 2.0 | 8.7 | 12.4 | |
| EBIT | % | 10.6 | 35.8 | -14.5 | 10.7 | 13.3 | |
| Net profit | % | 12.9 | 38.4 | -16.8 | 10.6 | 14.6 | |
| Book value | % | 26.2 | -7.4 | -1.0 | 24.8 | 23.5 | |

| Per-share data | | 2007 | 2008 | 2009E | 2010E | 2011E | CAGR 2007-2010 |
|-----------------------|-----|-------------|-------------|--------------|--------------|--------------|---------------------------|
| EPS (reported) | CHF | 65.5 | 91.1 | 78.2 | 87.7 | 100.5 | 10.3% |
| EPS (adjusted) | CHF | 66.8 | 75.9 | 79.5 | 86.9 | 99.5 | 9.1% |
| EBITDA | CHF | 118.9 | 134.8 | 141.8 | 156.5 | 175.8 | 9.6% |
| EBIT | CHF | 90.3 | 123.3 | 108.8 | 122.4 | 138.6 | 10.6% |
| Cash flow | CHF | 114.1 | 113.2 | 119.2 | 125.8 | 142.2 | 3.3% |
| Op. cash flow | CHF | 92.4 | 110.3 | 118.6 | 123.0 | 138.8 | 10.0% |
| BVPS (reported) | CHF | 258.1 | 240.4 | 245.4 | 310.8 | 383.7 | 6.4% |
| BVPS (adjusted) | CHF | 241.8 | 245.3 | 273.8 | 362.9 | 459.6 | 14.5% |
| Dividend | CHF | 35.0 | 50.0 | 30.0 | 32.0 | 35.0 | -2.9% |

| Valuation (CHF) | | 2007 | 2008 | 2009E | 2010E | 2011E | |
|------------------------|---|-------------|-------------|--------------|--------------|--------------|--|
| P/E (reported) | x | 20.5 | 12.1 | 15.8 | 14.1 | 12.3 | |
| P/E (adjusted) | x | 20.0 | 14.5 | 15.5 | 14.2 | 12.4 | |
| P/Cash flow | x | 11.7 | 9.7 | 10.4 | 9.8 | 8.7 | |
| P/Op. cash flow | x | 14.5 | 10.0 | 10.4 | 10.0 | 8.9 | |
| P/Book (reported) | x | 5.2 | 4.6 | 5.0 | 4.0 | 3.2 | |
| P/Book (adjusted) | x | 5.5 | 4.5 | 4.5 | 3.4 | 2.7 | |
| Dividend yield | % | 2.6 | 4.5 | 2.4 | 2.6 | 2.8 | |
| EV/Revenues | x | 2.3 | 1.7 | 1.8 | 1.6 | 1.4 | |
| EV/EBITDA | x | 11.0 | 7.9 | 8.5 | 7.6 | 6.5 | |
| EV/EBIT | x | 14.4 | 8.6 | 11.1 | 9.7 | 8.2 | |

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|--------|----------------------|----------------------|---|
| | No. | As % | As % |
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| Hold | 112 | 67 | 27 |
| Reduce | 13 | 8 | 15 |

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|-----------------|--|
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| Hold | Price target (when set) implies 0-15% upside on a 12-month horizon |
| Reduce | Price target (when set) downside on a 12-month horizon |

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Reduce: When upside to price target reaches or exceeds 5% (all caps).

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