VONTOBEL

SGS

Hold

Switzerland

Ind. Holding Cos. 19-01-10

Bloomberg:SGSN VX Reuters:SGSN.VX SEDOL no:4824778 CHF 1,382 on 15-01-10

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Lower organic growth but strong operating margins – new PT CHF 1500 (1350)

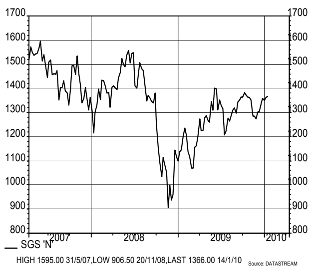
Following SGS' FY09 results, we revise our revenue estimates for FY10 and FY11 downwards but raise our operating margin forecast. The combined effect results in 3% lower EPS estimates for both years, respectively. We believe 1H10 will continue to be difficult for growth and keep our neutral view on the stock. We nevertheless increase our PT to CHF 1,500, consistent with our DCF model, which would put the stock at a P/E 10E and 11E of 17.9x and 15.5x, respectively, and an EV/EBITDA 11E of 8.3x. SGS will propose an ordinary dividend of CHF 30 topped with a special dividend of another CHF 30, resulting in an attractive yield of 4.3%.

Weaker organic revenue growth but record margins: SGS reported weaker-than-expected organic growth of 1.3% for FY09 (E: 3.8%) but a strong margin of 17.3% (E: 16.7%). The 2H09 margins came in at a record level of 18.4%, driven by service and geographic mix as well as tight cost control. Capex spending was lower than expected in 2009 and should be lower than we previously expected going forward, which drives up free cash flow and positively impacts valuation.

Guiding for growth but 3-year EPS target unlikely to be reached: SGS has guided for growth in revenues and earnings for 2010. The targets are not necessarily organic growth targets, which provides flexibility to achieve them. The earlier mentioned EPS target of CHF 105 in 2011 is still valid internally but unlikely to be reached, at least not without acquisitions.

Difficult 1H10 likely: The business environment for the Minerals segment remains depressed, the 1H10 comparison for Consumer Testing will be tough and the Automotive segment needs to compensate for the lost contract in Ireland.

PERFORMANCE



PER SHARE DATA	
Price target (CHF)	1,500
Price SGSN.VX on 15-01-10 CHF	1,382
No. of shares SGSN.VX in '000	7,427
Market cap. SGSN.VX (CHF mns)	10,264
Other market cap. (CHF mns)	0
Total market capitalization (CHF mns)	10,264
Free Float %	58
Von Finck Family (voting 15%)	15
IFIL (voting 15%)	15
Allianz SE (voting 7%)	7
Average daily trading volume (12 months)	24,579

SHARE VALUATION				
CHF	2009	2010E	2011E	2012E
EPS	75.5	83.6	97.4	108
EPS growth %	-17	11	17	10
P/E	18.2	16.5	14.2	12.8
CEPS	75.5	83.6	97.4	108
P/CE	18.2	16.5	14.2	12.8
Dividend	60.0	47.0	50.0	53.0
Dividend yield %	4.4	3.4	3.6	3.8
Book value	277	289	329	393
Price/Book	5.0	4.8	4.2	3.5
EV/EBITDA	9.6	8.9	7.6	6.6

HIGH	12-MONTH	LOW
1,405		1,036

EXCESS PERFORMANCE

	SPIX[1]	DJSFISV[2]
3M	-2.4%	4.0%
6M	-8.6%	-1.2%
12M	-3.2%	-12.8%

[1]SPI ex Div.
[2]DJ STOXX Financial Services

BREAKDOWN			
Sales 2009			
- by sector	CHF mns	Change	Share
Agricultural Services	356	-0.6%	7.6%
Mineral Services	536	-19.1%	11.4%
Oil, Gas & Chemical Services	951	-0.3%	20.2%
Life Science Services	201	-1.5%	4.3%
Consumer Testing Services	789	7.5%	16.7%
Sys. & Services Certification	367	0.5%	7.8%
Industrial Services	744	0.7%	15.8%
Environmental Services	288	-2.9%	6.1%
Automotive Services	266	-9.0%	5.6%
Gov. & Institutions Services	214	1.0%	4.5%
Total	4,712	-2.2%	100%

KEY DATA			
CHF mns	2010E	2011E	2012E
Sales	4,931	5,517	5,915
EBIT	867	999	1,092
EBIT margin %	17.6	18.1	18.5
Shareholders' net profit	624	720	791
Return on equity %	29.5	31.4	29.7
Total assets	4,037	4,457	5,011
Equity	2,190	2,469	2,928
Equity ratio %	54.2	55.4	58.4
Interest-bearing debt	341	341	341
Cash	840	1,094	1,543
Operating cash flow	851	979	1,095
Capex	230	253	278

FY09 results review

Negative organic growth of 1.2% in 2H10 but with record operating margin of 18.4%

SGS reported weaker-than-expected organic growth of 1.3% for FY09 (E: 3.8%) but a strong operating margin (before exceptional items) of 17.3% (E: 16.7%). The 2H09 margin came in at a record level of 18.4%, driven by favourable service and geographic mix as well as tight cost control. Hence, well contained operating expenses offset weaker revenues, resulting in operating income in line with our estimates. Financial charges and taxes also came in as expected, leading to a net profit within 1% of our forecast.

COMPARISON OF FY09 RESULTS AND VONTOBEL ESTIMATES

In CHF mn FY to Dec. 31	2009E	2009A	delta %	consensus	delta cons.
Revenues	**4'889**	**4'712**	**-3.6%**	**4'821**	**-2.3%**
Salaries and sub-contractor expenses	-2'641	-2'533	-4.1%		
Other operating expenses	-1'210	-1'142	-5.6%		
Exceptional items	-20	-20	n.m.	-15	
Total operating expenses	**-3'870**	**-3'695**	**-4.5%**		
EBITDA	**1'038**	**1'037**	**-0.1%**	1018	1.9%
Depreciation & amortization	-223	-223	-0.2%		
Operating income (before exceptionals)	**815**	**814**	**-0.1%**	**810**	**0.5%**
EBIT	**796**	**794**	**-0.2%**	795	-0.1%
Interest income/expenses (net)	-2	-3	44.2%		
Pretax profit	**793**	**791**	**-0.3%**	785	0.8%
Taxes	-198	-200	0.8%		
Net Group profit	**595**	**591**	**-0.7%**		
Minority interests	-24	-25	4.2%		
Net profit	**571**	**566**	**-0.9%**	**563**	**0.5%**
Adjusted net profit	586	581	-0.8%		
Basic EPS	**77.55**	**75.49**	**-2.7%**		
Diluted EPS (adjusted)	78.90	77.22	-2.1%	74.9	3.1%

Growth	2009E	2009A	delta %	consensus	delta cons.
Revenues (net)	1.5	-2.2	-248.3%		
- Organic growth	3.8	1.3	-67.0%		
- FX impact	-3.4	-4.6	35.6%		
- M&A impact	1.1	1.1	7.8%		
EBITDA	1.4	1.3	-10.1%		
Operating income	0.6	0.5	-21.1%		
EBIT	-15.1	-15.3	1.1%		
Net profit	-17.5	-18.2	4.2%		

Margin analysis	2009E	2009A	delta %	consensus	delta cons.
Salaries & sub-contr. exp./revenues	54.0	53.8	-0.5%		
Other op. expenses/revenues	24.7	24.2	-2.0%		
Unusual items/revenues	0.4	0.4	n.m.		
EBITDA margin	21.2	22.0	3.6%		
Operating income margin	16.7	17.3	3.6%	16.8%	
EBIT margin	16.3	16.9	3.6%		
Tax rate	25.0	25.3	1.1%		
Net profit margin	11.7	12.0	2.8%	11.7%	

Performance review by business segment

AGRI growth negative, margins down, outlook muted

In the **Agricultural Services** division, SGS posted a 2H09 organic revenue decline of 1.0% with an operating margin of 16.3%, down from 17.9% in 2H08. Following a strong 1H09, the segment was negatively impacted by difficult trading conditions in 2H09 in the Americas which could not be compensated by good performances in Russia, the Ukraine, Hungary and Romania. The tough volume comparison in 1H10 will likely result in muted growth short-term.

MIN growth negative, margins down, outlook slowly improving

The **Minerals Services** division suffered an organic revenue decline of 12.6% in 2H09 with an 18.0% operating margin, down from 18.5% in 2H08. Trading conditions remained difficult for industrial and precious metals and reduced energy demand as well as low crude and gas prices negatively impacted coal consumption. A positive stockpiling effect of industrial minerals in Asia in 1H09 faded in 2H09. The business is still operating at depressed levels, but a sustained recovery is expected over time. Total exploration spending is expected to stabilize at 2009 levels (roughly USD 8 bn globally, down from USD 13 bn in 2008), with potential spending on gold projects providing upside. Three new mine-site labs have gone on-line since 1 January 2010, showing first signs of improvement.

COMPARISON OF FY09 AND 2H09 REVENUES WITH VONTOBEL ESTIMATES

Divisional Revenues

Division	2009E	2009A	delta %
Agricultural Services	383	356	-7.0%
Mineral Services	564	536	-4.9%
Oil, Gas & Chemical Services	951	951	0.0%
Life Science Services	212	201	-4.8%
Consumer Testing Services	831	789	-5.0%
Systems & Services Certification	376	367	-2.3%
Industrial Services	766	744	-2.9%
Environmental Services	294	288	-2.3%
Automotive Services	287	266	-7.1%
Government & Institutions Services	227	214	-5.7%
Total	**4889**	**4712**	**-3.6%**

Divisional Revenues

Division	H2 09E	2H 09A	delta %
Agricultural Services	207	180	-13.0%
Mineral Services	302	275	-9.2%
Oil, Gas & Chemical Services	482	482	0.0%
Life Science Services	111	100	-9.3%
Consumer Testing Services	439	398	-9.4%
Systems & Services Certification	200	192	-4.3%
Industrial Services	394	372	-5.6%
Environmental Services	154	148	-4.3%
Automotive Services	148	128	-13.8%
Government & Institutions Services	124	111	-10.5%
Total	**2562**	**2385**	**-6.9%**

Divisional Revenue Growth in % (volume & prices)

Division	2009E	2009A	delta %
Agricultural Services	10.0	4.0	
Mineral Services	-10.0	-9.9	
Oil, Gas & Chemical Services	1.5	0.1	
Life Science Services	7.5	3.1	
Consumer Testing Services	12.0	9.1	
Systems & Services Certification	6.0	4.6	
Industrial Services	5.0	2.1	
Environmental Services	4.0	1.1	
Automotive Services	1.0	-4.3	
Government & Institutions Services	11.0	6.9	
Total	**3.8**	**1.3**	**-67.0%**

Divisional Revenue Growth in % (volume & prices)

Division	H2 09E	2H 09A	delta %
Agricultural Services	9.9	-0.9	
Mineral Services	-10.8	-11.1	
Oil, Gas & Chemical Services	1.1	-1.6	
Life Science Services	7.6	-0.8	
Consumer Testing Services	11.9	6.5	
Systems & Services Certification	6.7	4.2	
Industrial Services	4.9	-0.4	
Environmental Services	3.5	-1.9	
Automotive Services	1.7	-8.8	
Government & Institutions Services	12.0	4.7	
Total	**3.7**	**-1.1**	**-130.5%**

OGC growth negative, margins up, outlook improving

The **Oil, Gas & Chemicals** division posted an organic revenue decline of 1.6% in 2H09 with a strong operating margin of 16.4% (up from 14.9% in 2H08) due to spending on productivity and a favourable geographic mix. Overall, trading conditions remained stable in 2009 with flat petroleum market volumes, growing demand for cargo treatment services, continued depressed chemical markets and weakened conditions for refined products due to falling refining margins. The division continues to invest in building out its testing facilities. The division's capex accounted for 25% of group capex, i.e. CHF 52 mn in 2009. The outlook is rather positive with a pick-up seen in Oil & Gas and a slow but sustained recovery expected in the chemicals industry. Just recently, SGS signed a non-exclusive joint agreement with Halliburton to provide on-site lab facilities, which enable the analysis of samples directly on site, thereby creating a significant time advantage for the customer.

CTS growth positive but slowing down, margins up and strong, short-term outlook muted, but positive longer term

The **Consumer Testing** division saw its organic growth decelerate to 6.8% in 2H09 from 12.2% in 1H09 due to slowing CPSIA-related revenue streams (consumer product safety improvement act). The margin was further improved to 25.3% from 23.9% in the prior year on the back of optimized capacity utilization, favourable service and regional mix and tight cost control. A weak spot was lower factory auditing and inspection demand for electronics and electrical equipment, while textiles (soft lines), hard lines and food testing showed market share gains. SGS expects 2010 to be another good year for the Consumer Testing business, even if the 1Q10 comparison will be difficult due to lower CPSIA related revenues. High-margin chemical testing (REACH services) will gradually pick up, which may allow for further margin expansion.

COMPARISON OF FY09 AND 2H09 OPERATING MARGINS WITH VONTOBEL ESTIMATES

Divisional Operating Income (pre-exceptionals)

Division	2009E	2009A	delta %
Agricultural Services	63	57	-9.7%
Mineral Services	84	86	2.7%
Oil, Gas & Chemical Services	138	146	6.2%
Life Science Services	26	28	8.5%
Consumer Testing Services	213	200	-5.9%
Systems & Services Certification	74	78	5.1%
Industrial Services	105	103	-1.4%
Environmental Services	30	34	10.8%
Automotive Services	42	42	-0.1%
Government & Institutions Services	40	39	-1.3%
Total	**815**	**814**	**-0.1%**

Divisional Operating Income (pre-exceptionals)

Division	H2 09E	2H 09A	delta %
Agricultural Services	36	29	-17.2%
Mineral Services	47	49	4.9%
Oil, Gas & Chemical Services	71	79	12.1%
Life Science Services	15	17	14.5%
Consumer Testing Services	113	101	-11.1%
Systems & Services Certification	40	44	9.3%
Industrial Services	55	54	-2.7%
Environmental Services	17	20	19.5%
Automotive Services	22	22	-0.1%
Government & Institutions Services	22	21	-2.4%
Total	**439**	**438**	**-0.2%**

Divisional Operating Income Margin Breakdown

Division	2009E	2009A	delta %
Agricultural Services	16.5	16.0	
Mineral Services	14.9	16.1	
Oil, Gas & Chemical Services	14.5	15.4	
Life Science Services	12.2	13.9	
Consumer Testing Services	25.6	25.3	
Systems & Services Certification	19.7	21.1	
Industrial Services	13.7	13.9	
Environmental Services	10.3	11.7	
Automotive Services	14.8	15.9	
Government & Institutions Services	17.6	18.4	
Total	**16.7**	**17.3**	**3.7%**

Divisional Operating Income Margin Breakdown

Division	H2 09E	2H 09A	delta %
Agricultural Services	17.2	16.3	
Mineral Services	15.5	18.0	
Oil, Gas & Chemical Services	14.7	16.4	
Life Science Services	13.7	17.2	
Consumer Testing Services	25.8	25.3	
Systems & Services Certification	20.1	23.0	
Industrial Services	14.1	14.5	
Environmental Services	10.9	13.6	
Automotive Services	15.1	17.5	
Government & Institutions Services	17.7	19.3	
Total	**17.1**	**18.4**	**7.2%**

SSC growth positive, margins up and strong, outlook positive

The **Systems & Services Certification** division produced organic growth of 4.2% in 2H09 with a strong operating margin of 23.0% up from 20.2% in 2H08. The solid performance was evenly spread across regions with particular mentions for France (3rd party regulatory directives), China (network expansion) and Asia/Pac (growing industrial activity). Margins were driven by a favourable geographic mix and productivity enhancements due to the strong back-office system CertNet.

IND growth negative, margin stable, outlook muted

The **Industrial Services** division posted an organic revenue decline of 0.4% in 2H09, a significant slowdown from growth of 5.1% in 1H09 and +16.5% in

2H08. The slowdown reflects difficult market conditions related to the recession (deferred capital spending, pressure on statutory construction and infrastructure markets in Europe). While pockets of growth are discernible in Asia, the Middle East and Eastern Europe, market conditions in Central and Western Europe are likely to remain tough. The operating margin remained stable at 14.5% in 2H09.

AUTO growth negative, margins up and strong, outlook weak but improving

The **Automotive Services** division suffered a 9.2% organic revenue decline in 2H09 on the back of the difficult conditions in the automotive industry in general (impacting SGS' OEM commercial activities) and due to the lost service volume from the Irish government (we estimate 15% of SGS' statutory business). The loss of the Ireland business will need to be compensated with new opportunities (car, taxi and bus inspection) in various regions. A number of contracts were won in 2009, including a ten-year concession in Albania, statutory programs in New Jersey and Massachusetts, and more contracts are in the pipeline. The operating margin in 2H09 was strong at 17.5% (15.8% in 2H08) helped by a rapid cost alignment and a favourable mix effect. In our view, 1H10 will remain a difficult period for this division.

GIS growth positive, margins up and strong, outlook positive

The **Government and Institutions Services** division posted solid organic growth of 4.9% (despite lower trading volumes) with an operating margin improvement to 19.3% (up from 18.0%) due to lower execution costs and a leverage effect over the existing IT backbone infrastructure. New contracts were won in Algeria, Nigeria, Egypt (product conformity), Bahrain, Bangladesh (cargo scanners), Liberia (forestry monitoring), Ghana (tax collection) and Mozambique (TradeNet). The outlook remains positive.

SUMMARY OF CHANGES TO VONTOBEL ESTIMATES

	New			Old			Change %		
	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E
Revenues	4'712.0	4'931.3	5'516.7	4'906.6	5'246.1	5'746.3	-4.0%	-6.0%	-4.0%
EBITDA	1'037.0	1'110.1	1'251.0	1'044.6	1'135.2	1'275.7	-0.7%	-2.2%	-1.9%
Operating income	814.0	867.4	999.0	821.2	887.7	1'005.3	-0.9%	-2.3%	-0.6%
EBIT	794.0	867.4	999.0	801.5	887.7	1'005.3	-0.9%	-2.3%	-0.6%
Net profit	566.0	623.8	720.2	575.6	636.6	729.3	-1.7%	-2.0%	-1.2%
Diluted EPS (adj.)	77.2	83.9	96.9	79.5	86.9	99.5	-2.9%	-3.4%	-2.7%

Conclusion

EPS down 3%, but free cash flow improving

Following SGS' FY09 results, we revise our revenue estimates for FY10 and FY11 downwards but raise our operating margin forecast. The combined effect results in 3% lower EPS estimates for both years, respectively. SGS will propose an ordinary dividend of CHF 30 topped with a special dividend of another CHF 30, resulting in an attractive yield of 4.3%. This high dividend will not stop SGS from pursuing its CHF 250 mn share buyback program and from continuing to look into bolt-on acquisitions.

SGS guides for growth without committing to a range

SGS has guided for growth in revenues and earnings for 2010. The targets are not necessarily organic growth targets, which provides flexibility to achieve them. The 3-year EPS target of CHF 105 in 2011 is still valid internally but unlikely to be reached, at least not without acquisitions. Overall, we continue to appreciate the strong operational execution capabilities of the SGS management team.

Lack of short-term triggers, Hold rating confirmed, new PT CHF 1500

We believe 1H10 will continue to be difficult in terms of revenue growth and thus stick to our neutral view on the stock and confirm our Hold rating. We have nevertheless increased our PT to CHF 1,500, consistent with our DCF model, which would put the stock at a P/E 10E and 11E of 17.9x and 15.5x, respectively, and an EV/EBITDA 11E of 8.3x.

INTERIM INCOME STATEMENT

In CHF mn FY to Dec. 31		2007	H1 08	H2 08	2008	H1 09	H2 09	2009	2010E	2011E
Revenues		**4'372**	**2'298**	**2'520**	**4'818**	**2'327**	**2'385**	**4'712**	**4'931**	**5'517**
Salaries and sub-contractor expenses		-2'383	-1'243	-1'331	-2'574	-1'279	-1'254	-2'533	-2'619	-2'936
Other operating expenses		-1'081	-582	-638	-1'220	-562	-580	-1'142	-1'202	-1'330
Exceptional items		-21	127	0	127	-15	-5	-20	0	0
Total operating expenses	=	**-3'485**	**-1'698**	**-1'969**	**-3'667**	**-1'856**	**-1'839**	**-3'695**	**-3'821**	**-4'266**
EBITDA	=	**908**	**473**	**551**	**1'024**	**486**	**551**	**1'037**	**1'110**	**1'251**
Depreciation & amortization		-197	-103	-111	-214	-110	-113	-223	-243	-252
Operating income (before exceptionals)		**711**	**370**	**440**	**810**	**376**	**438**	**814**	**867**	**999**
EBIT	=	**690**	**497**	**440**	**937**	**361**	**433**	**794**	**867**	**999**
Interest income/expenses (net)		2	-1	-3	-4	-3	0	-3	3	4
Pretax profit	=	**692**	**496**	**437**	**933**	**358**	**433**	**791**	**870**	**1'003**
Taxes		-172	-108	-111	-219	-91	-109	-200	-217	-251
Net Group profit	=	**520**	**388**	**326**	**714**	**267**	**324**	**591**	**652**	**752**
Minority interests		-20	-10	-12	-22	-12	-13	-25	-29	-32
Net profit	=	**500**	**378**	**314**	**692**	**255**	**311**	**566**	**624**	**720**
Adjusted net profit		515	265	314	579	264	317	581	624	720
Basic EPS		65.47	49.53	41.56	91.09	34.09	41.40	75.49	83.59	97.44
Diluted EPS (adjusted)		66.81	34.44	41.46	75.90	35.13	42.09	77.22	83.91	96.87

Growth		2007	H1 08	H2 08	2008	H1 09	H2 09	2009	2010E	2011E
Revenues (net)	%	14.4	10.0	10.4	10.2	1.3	-5.4	-2.2	4.6	11.9
- Organic growth	%	12.1	14.1	14.4	14.3	3.9	-1.1	1.3	4.1	7.7
- FX impact	%	1.5	-6.0	-6.8	-6.4	-4.4	-4.8	-4.6	0.0	4.2
- M&A impact	%	0.9	1.9	2.7	2.3	1.8	0.5	1.1	0.5	0.0
EBITDA	%	16.9	13.2	12.4	12.8	2.8	-0.1	1.3	7.1	12.7
Operating income	%	17.5	14.2	13.7	13.9	1.6	-0.5	0.5	6.6	15.2
EBIT	%	10.6	53.4	20.2	35.8	-27.3	-1.7	-15.3	9.2	15.2
Net profit	%	12.9	61.5	18.0	38.4	-32.4	-1.1	-18.2	10.2	15.5

Margin analysis		2007	H1 08	H2 08	2008	H1 09	H2 09	2009	2010E	2011E
Salaries & sub-contr. exp./revenues	%	54.5	54.1	52.8	53.4	55.0	52.6	53.8	53.1	53.2
Other op. expenses/revenues	%	24.7	25.3	25.3	25.3	24.1	24.3	24.2	24.4	24.1
Unusual items/revenues	%	0.5	-5.5	0.0	-2.6	0.6	0.2	0.4	0.0	0.0
EBITDA margin	%	20.8	20.6	21.9	21.3	20.9	23.1	22.0	22.5	22.7
Operating income margin	%	16.3	16.1	17.5	16.8	16.2	18.4	17.3	17.6	18.1
EBIT margin		15.8	21.6	17.5	19.4	15.5	18.1	16.9	17.6	18.1
Tax rate	%	24.9	21.8	25.4	23.5	25.4	25.2	25.3	25.0	25.0
Net profit margin	%	11.4	16.4	12.5	14.4	11.0	13.0	12.0	12.6	13.1

Divisional Revenue Breakdown

Division		2008	H1 09	H2 09	2009	H1 10E	H2 10E	2010E	2011E	2012E
Agricultural Services	CHF mn	358	176	180	356	183	187	371	405	425
Mineral Services	CHF mn	663	262	275	536	275	288	563	656	708
Oil, Gas & Chemical Services	CHF mn	954	469	482	951	479	511	990	1101	1201
Life Science Services	CHF mn	204	101	100	201	103	104	207	226	240
Consumer Testing Services	CHF mn	734	391	398	789	391	421	813	921	995
Systems & Services Certification	CHF mn	366	176	192	367	188	205	393	441	472
Industrial Services	CHF mn	739	371	372	744	389	405	793	883	945
Environmental Services	CHF mn	296	140	148	288	144	157	301	329	346
Automotive Services	CHF mn	293	139	128	266	133	139	272	299	314
Government & Institutions Services	CHF mn	212	103	111	214	110	119	229	255	270
Total	**CHF mn**	**4818**	**2327**	**2385**	**4712**	**2395**	**2536**	**4931**	**5517**	**5915**

Divisional Revenue Growth in %

Division		2008	H1 09	H2 09	2009	H1 10E	H2 10E	2010E	2011E	2012E
Agricultural Services	%	0.5	5.3	-5.7	-0.6	4.0	4.0	4.0	9.2	5.0
Mineral Services	%	18.4	-14.7	-23.0	-19.1	5.0	5.0	5.0	16.5	8.0
Oil, Gas & Chemical Services	%	7.0	-0.3	-0.2	-0.3	2.1	5.9	4.1	11.3	9.0
Life Science Services	%	2.0	1.8	-4.7	-1.5	2.0	4.0	3.0	9.2	6.0
Consumer Testing Services	%	12.1	14.4	1.5	7.5	0.0	6.0	3.0	13.4	8.0
Systems & Services Certification	%	3.4	0.7	0.2	0.5	7.0	7.0	7.0	12.3	7.0
Industrial Services	%	18.2	5.4	-3.6	0.7	4.7	8.7	6.7	11.3	7.0
Environmental Services	%	5.4	-2.0	-3.8	-2.9	2.9	6.5	4.7	9.2	5.0
Automotive Services	%	17.4	-4.2	-13.8	-9.0	-4.0	8.5	2.0	10.2	5.0
Government & Institutions Services	%	5.7	5.0	-2.5	1.0	7.0	7.0	7.0	11.3	6.0
Total	**%**	**10.2**	**1.3**	**-5.4**	**-2.2**	**2.9**	**6.3**	**4.6**	**11.9**	**7.2**

Divisional Revenue Growth in % (volume & prices)

Division		2008	H1 09	H2 09	2009	H1 10E	H2 10E	2010E	2011E	2012E
Agricultural Services	%	8.3	9.7	-0.9	4.0	4.0	4.0	4.0	5.0	5.0
Mineral Services	%	25.3	-8.4	-11.1	-9.9	5.0	5.0	5.0	12.0	8.0
Oil, Gas & Chemical Services	%	10.8	1.8	-1.6	0.1	2.0	5.9	4.0	7.0	9.0
Life Science Services	%	8.6	7.2	-0.8	3.1	2.0	4.0	3.0	5.0	6.0
Consumer Testing Services	%	15.8	12.1	6.5	9.1	0.0	6.0	3.0	9.0	8.0
Systems & Services Certification	%	9.2	5.0	4.2	4.6	7.0	7.0	7.0	8.0	7.0
Industrial Services	%	15.7	4.8	-0.4	2.1	2.0	6.0	4.0	7.0	7.0
Environmental Services	%	9.8	4.3	-1.9	1.1	0.0	5.9	3.0	5.0	5.0
Automotive Services	%	22.3	0.2	-8.8	-4.3	-4.0	8.5	2.0	6.0	5.0
Government & Institutions Services	%	10.5	9.5	4.7	6.9	7.0	7.0	7.0	7.0	6.0
Total	**%**	**14.3**	**3.9**	**-1.1**	**1.3**	**2.3**	**5.9**	**4.1**	**7.7**	**7.2**

Divisional Revenue Breakdown in % of Total Revenues

Division		2008	H1 09	H2 09	2009	H1 10E	H2 10E	2010E	2011E	2012E
Agricultural Services	%	7.4	7.6	7.5	7.6	7.7	7.4	7.5	7.3	7.2
Mineral Services	%	13.8	11.2	11.5	11.4	11.5	11.4	11.4	11.9	12.0
Oil, Gas & Chemical Services	%	19.8	20.1	20.2	20.2	20.0	20.2	20.1	20.0	20.3
Life Science Services	%	4.2	4.3	4.2	4.3	4.3	4.1	4.2	4.1	4.1
Consumer Testing Services	%	15.2	16.8	16.7	16.7	16.3	16.6	16.5	16.7	16.8
Systems & Services Certification	%	7.6	7.5	8.0	7.8	7.8	8.1	8.0	8.0	8.0
Industrial Services	%	15.3	16.0	15.6	15.8	16.2	16.0	16.1	16.0	16.0
Environmental Services	%	6.2	6.0	6.2	6.1	6.0	6.2	6.1	6.0	5.8
Automotive Services	%	6.1	6.0	5.4	5.6	5.6	5.5	5.5	5.4	5.3
Government & Institutions Services	%	4.4	4.4	4.6	4.5	4.6	4.7	4.6	4.6	4.6
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		2008	H1 09	H2 09	2009	H1 10E	H2 10E	2010E	2011E	2012E
Agricultural Services	CHF mn	56	28	29	57	29	30	59	66	69
Mineral Services	CHF mn	125	37	49	86	49	52	101	125	135
Oil, Gas & Chemical Services	CHF mn	140	67	79	146	70	83	152	171	186
Life Science Services	CHF mn	28	11	17	28	13	14	27	31	32
Consumer Testing Services	CHF mn	170	99	101	200	99	107	206	234	254
Systems & Services Certification	CHF mn	70	34	44	78	37	44	81	91	99
Industrial Services	CHF mn	106	49	54	103	56	59	115	130	142
Environmental Services	CHF mn	31	14	20	34	14	21	35	39	41
Automotive Services	CHF mn	48	20	22	42	20	23	43	48	50
Government & Institutions Services	CHF mn	36	18	21	39	19	23	42	47	50
Total	**CHF mn**	**810**	**376**	**438**	**814**	**407**	**455**	**863**	**981**	**1059**

Divisional Operating Income Margin Breakdown

Division		2008	H1 09	H2 09	2009	H1 10E	H2 10E	2010E	2011E	2012E
Agricultural Services	%	15.6	15.7	16.3	16.0	16.0	16.0	16.0	16.2	16.3
Mineral Services	%	18.9	14.1	18.0	16.1	18.0	18.0	18.0	19.0	19.0
Oil, Gas & Chemical Services	%	14.7	14.3	16.4	15.4	14.6	16.1	15.4	15.5	15.5
Life Science Services	%	13.5	10.6	17.2	13.9	12.5	13.1	12.8	13.5	13.5
Consumer Testing Services	%	23.2	25.4	25.3	25.3	25.3	25.5	25.4	25.4	25.5
Systems & Services Certification	%	19.1	19.1	23.0	21.1	19.5	21.4	20.5	20.7	21.0
Industrial Services	%	14.3	13.3	14.5	13.9	14.5	14.5	14.5	14.7	15.0
Environmental Services	%	10.6	9.6	13.6	11.7	10.0	13.3	11.7	11.9	12.0
Automotive Services	%	16.3	14.4	17.5	15.9	15.0	17.0	16.0	16.0	16.0
Government & Institutions Services	%	16.9	17.4	19.3	18.4	17.5	19.4	18.5	18.5	18.5
Total	**%**	**16.8**	**16.2**	**18.4**	**17.3**	**17.0**	**18.0**	**17.5**	**17.8**	**17.9**

Divisional Operating Profit Growth YoY

Division		2008	H1 09	H2 09	2009	H1 10E	H2 10E	2010E	2011E	2012E
Agricultural Services	%	17.4	27.6	-14.0	2.1	5.9	1.9	3.8	10.6	5.6
Mineral Services	%	27.6	-37.5	-25.4	-31.1	33.6	5.2	17.4	23.0	8.0
Oil, Gas & Chemical Services	%	5.2	-1.5	9.8	4.3	4.2	4.1	4.1	12.0	9.0
Life Science Services	%	14.1	-4.5	6.1	1.8	20.4	-21.0	-5.2	15.2	6.0
Consumer Testing Services	%	12.1	29.5	7.6	17.4	-0.2	6.6	3.2	13.4	8.4
Systems & Services Certification	%	7.7	7.0	14.0	10.9	9.1	-0.2	3.8	13.4	8.6
Industrial Services	%	4.9	-0.4	-3.4	-2.0	14.1	8.6	11.3	12.8	9.2
Environmental Services	%	13.8	6.3	7.5	7.0	6.8	3.7	4.9	11.1	5.9
Automotive Services	%	41.1	-17.7	-4.3	-11.1	-0.3	4.9	2.5	10.2	5.0
Government & Institutions Services	%	24.7	16.2	4.4	9.5	7.9	7.7	7.8	11.3	6.0
Total	**%**	**13.9**	**1.6**	**-0.4**	**0.5**	**8.3**	**4.0**	**6.0**	**13.7**	**7.9**

Divisional Operating Profit as % of total

Division		2008	H1 09	H2 09	2009	H1 10E	H2 10E	2010E	2011E	2012E
Agricultural Services	%	6.9	7.4	6.7	7.0	7.2	6.6	6.9	6.7	6.5
Mineral Services	%	15.5	9.8	11.3	10.6	12.1	11.4	11.7	12.7	12.7
Oil, Gas & Chemical Services	%	17.3	17.8	18.1	18.0	17.2	18.1	17.7	17.4	17.6
Life Science Services	%	3.4	2.8	3.9	3.4	3.2	3.0	3.1	3.1	3.1
Consumer Testing Services	%	21.0	26.4	23.0	24.6	24.3	23.6	23.9	23.9	24.0
Systems & Services Certification	%	8.6	8.9	10.0	9.5	9.0	9.6	9.3	9.3	9.4
Industrial Services	%	13.0	13.1	12.3	12.7	13.8	12.9	13.3	13.2	13.4
Environmental Services	%	3.9	3.6	4.6	4.1	3.5	4.6	4.1	4.0	3.9
Automotive Services	%	5.9	5.3	5.1	5.2	4.9	5.2	5.0	4.9	4.8
Government & Institutions Services	%	4.4	4.8	4.9	4.8	4.7	5.1	4.9	4.8	4.7
Total	**%**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Income Statement

In CHF mn FY to Dec. 31		2007	2008	2009	2010E	2011E	2012E	CAGR 2007-2010
Revenues (gross)		**4'372**	**4'818**	**4'712**	**4'931**	**5'517**	**5'915**	*4.1%*
Salaries and wages		-2'076	-2'249	-2'209	-2'281	-2'561	-2'727	*3.2%*
Subcontractors' expenses		-307	-325	-324	-339	-375	-400	*3.3%*
Other operating expenses		-1'081	-1'220	-1'142	-1'202	-1'330	-1'420	*3.6%*
Exceptional items		-21	127	-20	0	0	0	*n.m.*
Total operating expenses		**-3'485**	**-3'667**	**-3'695**	**-3'821**	**-4'266**	**-4'547**	***3.1%***
EBITDA	=	**908**	**1'024**	**1'037**	**1'110**	**1'251**	**1'368**	*6.9%*
Depreciation of fixed assets		*-166*	*-180*	*-183*	*-197*	*-203*	*-223*	*5.9%*
Depr./impairm. of intangible assets		*-31*	*-34*	*-40*	*-46*	*-49*	*-54*	*13.9%*
Op. Inc. (pre-exceptionals)	=	**711**	**810**	**814**	**867**	**999**	**1'092**	*6.9%*
EBIT	=	**690**	**937**	**794**	**867**	**999**	**1'092**	*7.9%*
Interest income/expenses (net)		2	-4	-3	3	4	10	*7.9%*
Pretax profit	=	**692**	**933**	**791**	**870**	**1'003**	**1'102**	*7.9%*
Taxes		-172	-219	-200	-217	-251	-275	*8.1%*
Net group profit	=	**520**	**714**	**591**	**652**	**752**	**826**	*7.9%*
Minority interests		-20	-22	-25	-29	-32	-35	*12.7%*
Net profit	=	**500**	**692**	**566**	**624**	**720**	**791**	*7.7%*
Net profit adjusted		515	579	581	624	720.2	791	*6.6%*

Growth		2007	2008	2009	2010E	2011E	2012E
Revenues (net)	%	14.4	10.2	-2.2	4.7	11.9	7.2
EBITDA	%	16.9	12.8	1.3	7.1	12.7	9.4
Operating income (pre-excep.)	%	17.5	13.9	0.5	6.6	15.2	9.3
EBIT	%	10.6	35.8	-15.3	9.2	15.2	9.3
Net profit	%	12.9	38.4	-18.2	10.2	15.5	9.9

Margins analysis		2007	2008	2009	2010E	2011E	2012E	CAGR 2007-2010
EBITDA margin	%	20.8	21.3	22.0	22.5	22.7	23.1	*2.7%*
Op. Inc. margin (pre-exception	%	16.3	16.8	17.3	17.6	18.1	18.5	*2.6%*
EBIT margin	%	15.8	19.4	16.9	17.6	18.1	18.5	*3.7%*
Tax rate	%	24.9	23.5	25.3	25.0	25.0	25.0	*0.2%*
Net profit margin	%	11.4	14.4	12.0	12.6	13.1	13.4	*3.4%*
Operational cash flow margin	%	16.1	17.4	17.8	17.3	17.7	18.5	*2.2%*

Cash flow Statement

In CHF mn FY to Dec. 31	2007	2008	2009	2010E	2011E	2012E	CAGR 2007-2010
Cash flow	**871**	**860**	**827**	**895**	**1'004**	**1'103**	*0.9%*
Inc. (-)/dec. (+) in NWC	-165	-22	13	-44	-25	-7	*-35.4%*
Operating cash flow	**706**	**838**	**840**	**851**	**979**	**1'095**	*6.4%*
Total capex	341	415	209	230	253	278	*-6.9%*
Operating free cash flow	**421**	**528**	**631**	**621**	**726**	**817**	*13.8%*
Investing cash flow	**-45**	**-147**	**16**	**0**	**0**	**0**	*n.m.*
Financing cash flow	**-166**	**-202**	**-414**	**-573**	**-472**	**-368**	*51.1%*
Inc. (+)/dec. (-) in cash	**200**	**145**	**209**	**48**	**254**	**449**	*-37.8%*

Balance Sheet

In CHF mn FY to Dec. 31	2007	2008	2009	2010E	2011E	2012E	CAGR 2007-2010
Cash & marketable securities	438	583	792	840	1'094	1'543	*24.2%*
Inventories	206	184	181	208	233	250	*0.3%*
Trade and other receivables	867	919	812	1'051	1'191	1'277	*6.6%*
Other receivables and prepayments	184	194	194	194	194	194	*1.8%*
Current assets	**1'695**	**1'880**	**1'979**	**2'293**	**2'712**	**3'264**	*10.6%*
Net fixed assets	738	721	751	736	733	730	*-0.1%*
Intangibles	153	165	166	146	124	101	*-1.7%*
Goodwill	563	594	611	634	659	687	*4.0%*
Other long-term assets	145	182	189	189	189	189	*9.2%*
Long-term assets	**1'638**	**1'701**	**1'757**	**1'744**	**1'745**	**1'747**	*2.1%*
Total assets	**3'333**	**3'581**	**3'736**	**4'037**	**4'457**	**5'011**	*6.6%*

In CHF mn FY to Dec. 31	2007	2008	2009	2010E	2011E	2012E	CAGR 2007-2010
Trade and other payables	452	403	388	509	570	611	*4.1%*
Short-term interest-bearing debt	40	333	333	333	333	333	*102.7%*
Other current liabilities	574	641	571	671	751	805	*5.4%*
Current liabilities	**1'066**	**1'377**	**1'292**	**1'514**	**1'654**	**1'749**	*12.4%*
Long-term interest-bearing debt	20	10	8	8	8	8	*-26.3%*
Pension provisions	78	78	78	78	78	78	*0.0%*
Deferred taxes	64	64	64	64	64	64	*0.0%*
Other provisions	98	190	184	184	184	184	*23.4%*
Long-term liabilities	**260**	**342**	**334**	**334**	**334**	**334**	*8.7%*
Shareholders' equity	**1'971**	**1'826**	**2'073**	**2'153**	**2'432**	**2'891**	*3.0%*
Minority interests	36	36	37	37	37	37	*0.9%*
Equity & l.t. liabilities	**2'267**	**2'204**	**2'444**	**2'524**	**2'803**	**3'262**	*3.6%*
Total liabilities & sh. equity	**3'333**	**3'581**	**3'736**	**4'037**	**4'457**	**5'011**	*6.6%*

Balance Sheet Analysis

Working capital analysis		2007	2008	2009	2010E	2011E	2012E	CAGR 2007-2010
Net work. cap. (NWC)	CHF mn	231.0	253.0	228.0	272.4	297.2	304.6	*5.7%*
NWC/turnover	%	5.3	5.3	4.8	5.5	5.4	5.2	*1.5%*
Working capital	days	19.3	19.2	17.7	20.2	19.7	18.8	*1.5%*
Inventory	days	17	14	14	15	15	15	*-3.6%*
Receivables	days	72	70	63	78	79	79	*2.4%*
Payables	days	38	31	30	38	38	38	*0.0%*

Capital structure		2007	2008	2009	2010E	2011E	2012E	CAGR 2007-2010
Average equity	CHF mn	1'766.5	1'898.5	1'949.5	2'112.8	2'292.4	2'661.4	*6.1%*
Net fin. pos. (year-end)	CHF mn	378.0	240.0	451.0	499.1	752.9	1'202.1	*9.7%*
Capital employed	CHF mn	1'707.0	1'700.0	1'737.0	1'768.6	1'794.2	1'803.6	*1.2%*
Equity/total assets	%	60.2	52.0	56.5	54.2	55.4	58.4	*-3.4%*
Gearing (year-end)	%	-19.2	-13.1	-21.8	-23.2	-31.0	-41.6	*6.5%*

Breakdown of ROE		2007	2008	2009	2010E	2011E	2012E
Net profit margin	%	11.4	14.4	12.0	12.6	13.1	13.4
Asset turnover	%	131.2	134.5	126.1	122.1	123.8	118.0
Return on assets (ROA)	%	15.0	19.3	15.1	15.5	16.2	15.8
Leverage (assets/equity)	x	1.9	1.9	1.9	1.9	1.9	1.9
Return on equity (ROE)	%	28.3	36.4	29.0	29.5	31.4	29.7

Summary & Valuation

Price (registered)		2007	2008	2009	2010E	2011E	2012E	
Price (year-end)	CHF	1'339	1'100	1'374	1'382	1'382	1'382	
High	CHF	1'595	1'607	1'430	1'415	n.a.	n.a.	
Low	CHF	1'286	884	1'028	1'332	n.a.	n.a.	
Shares outstanding		**2007**	**2008**	**2009**	**2010E**	**2011E**	**2012E**	
Average shares outstanding	('000)	7'637	7'597	7'498	7'463	7'391	7'356	
Year-end shares outstanding	('000)	7'629	7'473	7'498	7'427	7'356	7'356	
Market capitalization	CHF mn	10'214	8'221	10'303	10'264	10'165	10'165	
Aggregate data		**2007**	**2008**	**2009**	**2010E**	**2011E**	**2012E**	**CAGR 2007-2010**
Revenues (net)	CHF mn	4'372.0	4'818.0	4'712.0	4'931.3	5'516.7	5'915.2	*4.1%*
EBITDA	CHF mn	908.0	1'024.0	1'037.0	1'110.1	1'251.0	1'368.3	*6.9%*
EBIT	CHF mn	690.0	937.0	794.0	867.4	999.0	1'092.0	*7.9%*
Net profit	CHF mn	500.0	692.0	566.0	623.8	720.2	791.5	*7.7%*
Enterprise value	CHF mn	9'950	8'095	9'967	9'880	9'527	9'078	*-0.2%*
Growth (CHF)		**2007**	**2008**	**2009**	**2010E**	**2011E**	**2012E**	
Revenues (net)	%	14.4	10.2	-2.2	4.7	11.9	7.2	
EBITDA	%	16.9	12.8	1.3	7.1	12.7	9.4	
EBIT	%	10.6	35.8	-15.3	9.2	15.2	9.3	
Net profit	%	12.9	38.4	-18.2	10.2	15.5	9.9	
Book value	%	26.2	-7.4	13.5	3.8	13.0	18.9	
Per-share data		**2007**	**2008**	**2009**	**2010E**	**2011E**	**2012E**	**CAGR 2007-2010**
EPS (reported)	CHF	65.5	91.1	75.5	83.6	97.4	107.6	*8.5%*
EPS (adjusted)	CHF	66.8	75.9	77.2	83.9	96.9	106.5	*7.9%*
EBITDA	CHF	118.9	134.8	138.3	148.8	169.3	186.0	*7.8%*
EBIT	CHF	90.3	123.3	105.9	116.2	135.2	148.5	*8.8%*
Cash flow	CHF	114.1	113.2	110.3	120.0	135.8	149.9	*1.7%*
Op. cash flow	CHF	92.4	110.3	112.0	114.0	132.5	148.9	*7.2%*
BVPS (reported)	CHF	258.1	240.4	276.5	288.5	329.1	393.0	*3.8%*
BVPS (adjusted)	CHF	241.8	245.3	306.2	345.8	408.4	495.1	*12.7%*
Dividend	CHF	35.0	50.0	60.0	47.0	50.0	53.0	*10.3%*
Valuation (CHF)		**2007**	**2008**	**2009**	**2010E**	**2011E**	**2012E**	
P/E (reported)	x	20.5	12.1	18.2	16.5	14.2	12.8	
P/E (adjusted)	x	20.0	14.5	17.8	16.5	14.3	13.0	
P/Cash flow	x	11.7	9.7	12.5	11.5	10.2	9.2	
P/Op. cash flow	x	14.5	10.0	12.3	12.1	10.4	9.3	
P/Book (reported)	x	5.2	4.6	5.0	4.8	4.2	3.5	
P/Book (adjusted)	x	5.5	4.5	4.5	4.0	3.4	2.8	
Dividend yield	%	2.6	4.5	4.4	3.4	3.6	3.8	
EV/Revenues	x	2.3	1.7	2.1	2.0	1.7	1.5	
EV/EBITDA	x	11.0	7.9	9.6	8.9	7.6	6.6	
EV/EBIT	x	14.4	8.6	12.6	11.4	9.5	8.3	

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	VT Research universe	VT Research universe	Share of VT IB clients in rating category
	No.	As %	As %
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Hold	111	65	32
Reduce	11	6	9

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Rating	Definition
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Reduce	Price target (when set) implies downside on a 12-month horizon
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Reduce	Price target (when set) downside on a 12-month horizon

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