

IRF Study on “Financial Guidance”

Almost all large listed companies are now making clear and measurable financial forecasts

- **92% of the largest listed companies provide quantitatively measurable financial guidance, compared with only 64% two years ago**
- **Qualitative guidance is now given by 100% of the companies analyzed**
- **Qualitative explanations and reasons for sales and profit trends increased considerably**

Zurich, September 5, 2018 - Switzerland's 50 largest listed companies (SMI Expanded) recognize the strategic benefits of financial guidance and provide various future-oriented targets in their 2017 annual reporting. According to the annual study conducted by IRF Communications, a clear majority of companies analyzed provide guidance over a one-year horizon.

All major listed Swiss companies provided qualitative and quantitative guidance in their annual reports for the 2017 financial year, albeit in varying degrees of detail. The proportion of companies providing quantitative financial measures is 92% (2017: 83%, 2016: 64%). In terms of qualitative parameters, the ratio is now 100%.

Martin Meier-Pfister, Partner at IRF Communications, comments: "More and more Swiss companies are providing increasingly precise information on future developments. Investors appreciate and demand such guidance. In addition, the increase reflects the good state of the large-cap companies and their comparatively positive assessment of the general market development at the beginning of the year. If the current turbulence on world markets continues or increases, some companies will become more cautious in their financial guidance or even forego it altogether."

And he continues: "Sometimes guidance is criticized as just "noise", implying that managers are no better at forecasting future results than investors and analysts, and they should therefore refrain from doing so. However, studies show the opposite, namely that managers clearly beat analysts regarding the correctness and accuracy of financial forecasts and that this competence is also recognized by the financial market. However, the accuracy of management forecasts varies greatly depending on the industry and a company's situation."

Quantitative targets as future parameters

The discussion of quantitative targets again showed an increase compared to the previous year. The proportion of companies referring to sales and operating profit (EBIT/EBITA/EBITDA) rose only slightly or remained unchanged (sales: 64%, EBIT/EBITA/EBITDA 55%). Statements on earnings per share and other key figures, such as dividend, cash flow, costs or return on equity, also continue to be discussed. It is worth mentioning here that the future development of sales/profit (without precise figures) was mentioned much more frequently than in the previous year (2018: 43%, 2017: 28%).

Turning to qualitative guidance criteria, the development of individual business areas or product groups leads the ranking of internal parameters, for which 70% of the companies examined gave guidance. There has also been an increase in the share of companies that focus on market position (28% vs. 21% in the previous year) or company developments compared to the market average (15% vs. 9% in the previous year).

Among the external factors, the description of market developments, on which more than half of the companies comment, is once again at the top of the list this year. The discussion of macroeconomic factors, such as economic development or currency forecasts, increased significantly (2018: 43%, 2017: 34%).

Short-term forecasts again in trend

Following last year's sharp increase in the trend towards long-term forecasts, data collection in 2018 shows that most of the companies surveyed made short-term (12 months) forecasts (85%). The proportion of companies that have published an outlook on long-term expectations also increased (2018: 45%, 2017: 40%). Statements on medium-term forecasts have remained relatively constant at around one-third since 2016.

Social indicators also remain relevant. A stable 51% of companies comment on the future development of such social indicators. In terms of ecological factors, the figure is 45%.

About IRF Communications

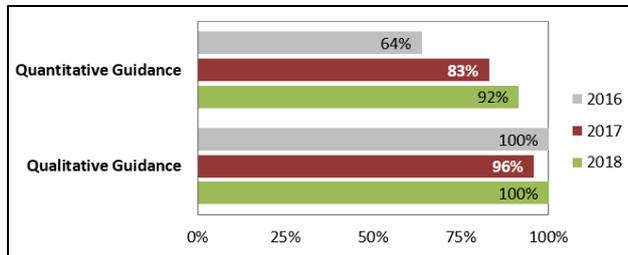
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Method

In July and August 2018 IRF Communications conducted its fifth study of the financial guidance practices of Swiss companies. This most recent study was based on content analysis. The analysis drew on the sections and chapters in annual reports and the presentations of 2017 annual results that contained information on company strategy or management's outlook for future reporting periods. The 47 companies in the SMI Expanded constituted the basis of the study. The SMI Expanded comprises the SMI and SMI MID indices and represents the 50 most highly capitalized stocks on the Swiss stock exchange.

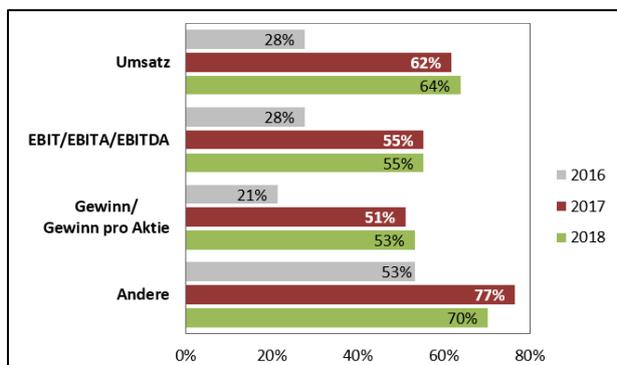
Results of the study

Is financial guidance included when reporting full-year results?



All companies covered by the IRF survey provide financial guidance when reporting on their annual results. Qualitative targets are mentioned by 100% of the companies analyzed. The percentage of companies that additionally provide quantitative targets rose from 83% in the previous year to 92%.

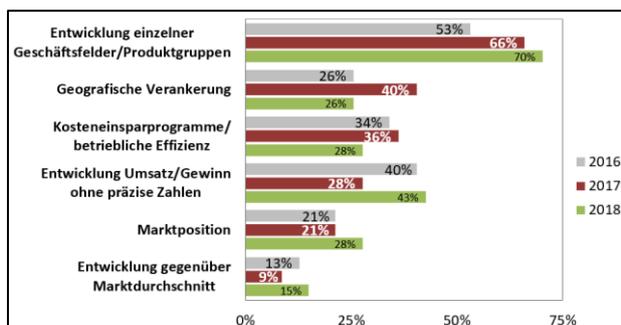
What financial metrics does the quantitative guidance refer to?



Quantitative guidance is still discussed in detail. In most cases, this guidance referred to sales (64%); references to EBIT/EBITA/EBITDA followed in second place (55%). The percentage of companies providing quantitative guidance on their net profit or earnings per share rose to 53%.

Other quantitative statements were also made during the reporting of annual results. For example, 36% of all companies mentioned their expectations regarding the future dividend, 28% regarding the expected cash flow and 21% the expected equity ratio or return on equity (2017: 19%).

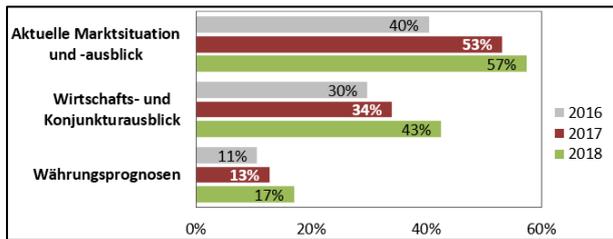
What internal performance parameters were covered by the qualitative guidance?



With respect to qualitative guidance, the most commonly mentioned aspects, as in previous years, concerned the expected course of business for individual business units or product groups. 70% of the companies analyzed included this with their guidance. They were less likely to provide geographical references however (2018: 26%, 2017: 40%). There were also fewer mentions of cost-cutting or operational efficiency measures (2018: 28%, 2017: 36%).

The percentage of companies that made statements regarding their expected sales and profits (without providing precise numbers) rose considerably from the previous year. More than 43% did so (2017: 28%). Guidance concerning future market positions also increased (2018: 28%, 2017: 21%) as did the number of companies comparing their expected performance with the average market developments (2018: 15%, 2017: 9%).

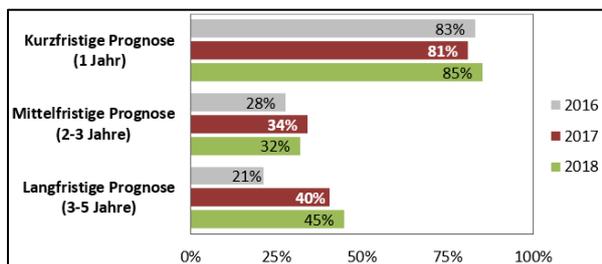
What general external factors are mentioned in the qualitative guidance?



The most commonly cited general external factors are the current market environment and the market outlook: Well over half of the companies analyzed mentioned these factors in their 2017 reports (57%). The number of companies that gave a market or economic outlook or commented on foreign exchange rates rose as well. 43% (2017: 34%) of all companies

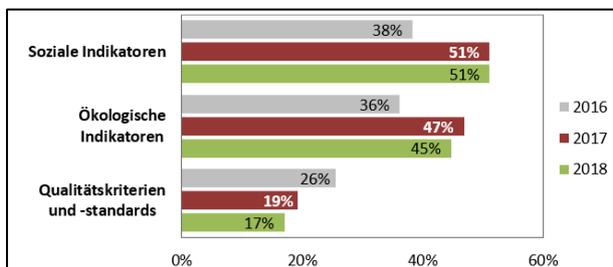
gave a market or economic outlook. 17%, 2017: 13%) provided a currency forecast.

What time frame was given in the guidance?



Most of the projections given with the reporting of 2017 results were short-term: 85% of all companies stuck cited a 12-month time frame with their guidance. About one-third of the companies commented on the company's expected business performance in the medium term. 45%, 2017: 40%) provided a general forecast for the next 3-5 years.

Are non-financial KPIs also defined and addressed in the commentary on strategy or the outlook? If so, in what areas?



Social indicators such as workplace safety or employee training or additional services for customers are mentioned by 51% of all companies, the same as in the previous year. Environmental indicators such as resource management, emissions targets and green footprints were mentioned by slightly fewer companies than in the previous year (2018: 45%, 2017: 47%) Quality criteria and standards are mentioned by 17% of the companies analyzed.

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