

Media release

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The majority of listed Swiss companies rely on short-term forecasts based on clear indicators

IRF Reputation AG
Rämistrasse 4
Postfach
CH-8024 Zürich

+41 43 244 81 44
info@irf-reputation.ch
www.irf-reputation.ch
Michael Düringer
Stefan Mathys
Martin Meier-Pfister
Jürg Stähelin

GOLD AFFILIATE
FTI Consulting

- **81% of the largest listed Swiss companies provide a qualitative or quantitative guidance of their future business development.**
- **About half of them use quantitative future-oriented targets, three quarters provide qualitative information.**
- **Three-quarters of the companies analysed provide guidance over a one-year horizon, taking into account the current market situation and the economic environment.**

Zurich, July 2019 - The vast majority of the largest listed Swiss companies (SMI Expanded) have integrated forward-looking targets into their 2018 annual financial statements in the form of financial guidance. There are significant differences in the placement and presentation of the guidance, some of which are industry-specific, others company-specific.

A clear majority of the largest listed Swiss companies included qualitative or quantitative guidance in their annual reports for the 2018 financial year, with a majority (55%) providing quantitative *and* qualitative information. In absolute terms, the proportion of companies reporting quantitative financial measures was 51%. For qualitative measures, the proportion was much higher at 74%.

Martin Meier-Pfister, Partner at IRF, comments: "Reliable forecasts for the future development of the company reduce uncertainty and thus the cost of capital. Whether and how the companies present a financial outlook depends in particular on the strategic goals, the business model and the forecasting reliability in the respective industry. What is important in any case, is that companies apply the same concept over several years. They should also transparently explain the framework conditions on which the forecasted development depends."

Sales and operating result as key targets

In terms of quantitative measures, companies commented by far the most on EBIT/EBITA/EBITDA (68%) and sales (61%). Other quantitative targets often reported as part of the guidance statements in the annual report include the future level of dividends and cash flow (26% each). Earnings or earnings per share (16%) and the expected capital ratio or return on equity (11%) were mentioned less frequently. In addition, the majority of companies providing guidance used industry-specific indicators for this purpose, such as the cost/income ratio or net new money inflow at banks, the combined ratio at insurance companies, capital expenditure at industrial companies or the vacancy rate at real estate companies.

In terms of internal performance parameters, the development of individual business areas or product groups and market benchmarks led the field. In each case, 53% of the companies commented and issued guidance on those indicators. Less frequently cited were cost-cutting programs and operational efficiency (21%) and geographic positioning (18%). Very few companies (5%) issued guidance on the future market position, whereby general statements such as "a leading position" or "one of the leading..." were not taken into account in this study.

Hardly any medium to long-term forecasts

This year's survey shows that a large majority of the companies only make short-term forecasts for the next 12 months (74%). The proportion of companies that also published medium- to long-term targets in their communication of results was much lower. 42% stated targets for the time horizon of up to three years, while longer-term targets were given by 16% of the companies surveyed. There seems to be still a clear discrepancy between the expectations of long-term buy-side investors and the short-term use of sell-side models.

In view of the current debates on climate change as well as the vigorous campaigns of both active and passive investment funds, it is to be expected that forecasts and objectives on environmental factors will increasingly be taken into account in reporting. However, its proportion was relatively low at 38%. Social indicators (43%) and quality standards (45%) were mentioned roughly as often.

Different approaches to placement and illustration of guidance

A majority of the companies analyzed that provided financial guidance placed it either in a subchapter or paragraph on the outlook for the following fiscal year in the shareholders' letter or as part of the strategy discussion.

Vifor Pharma, for example, took a different approach, with its annual report containing a short and clearly illustrated separate chapter entitled "Outlook and Financial Guidance". SGS also chose an interesting path, integrating an outlook, including financial KPIs, for each business division in the annual review. In Lonza's annual report, the medium-term guidance – outlining the objectives for the current strategy period – is combined with the short-term outlook for the coming financial year on one page.

SIKA is a prime example for a comprehensive and well-structured presentation of concrete targets and their achievement, taking into account various KPIs – including ESG issues. Also Swisscom backs the achievement of objectives with clearly defined KPIs as part of the strategy discussion.

For listed companies, the following questions, among others, arise in connection with the aspect of financial guidance in the annual report:

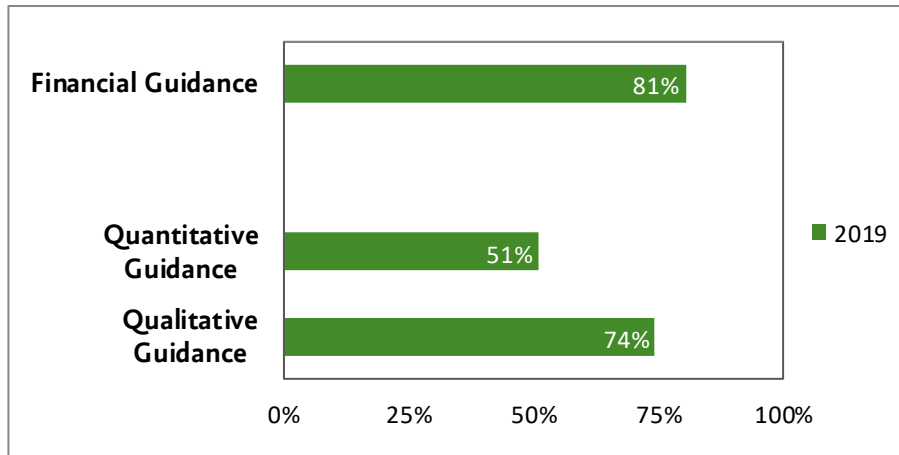
- What additional information is required to place the forward-looking statements in a meaningful context and to identify the internal and external conditions and factors on which they depend?
- How can the short-term financial guidance and the mid- to long-term financial objectives of the corporate strategy be clearly structured and distinguished from each other?
- How can new non-financial factors relevant to investors, such as social and environmental KPIs, be integrated meaningfully into the guidance part of the reporting?
- How can the current status of target achievement be shown in the strategy discussion with relevant KPIs or milestones reached?
- What needs to be done if the framework conditions change abruptly?

Method

In April and May 2019 IRF conducted its sixth study of the financial guidance practices of Swiss companies. The study was based on content analysis, drawing on the sections and chapters in annual reports and the presentations of 2018 annual results that contained information on corporate strategy or 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 securities on the Swiss stock exchange.

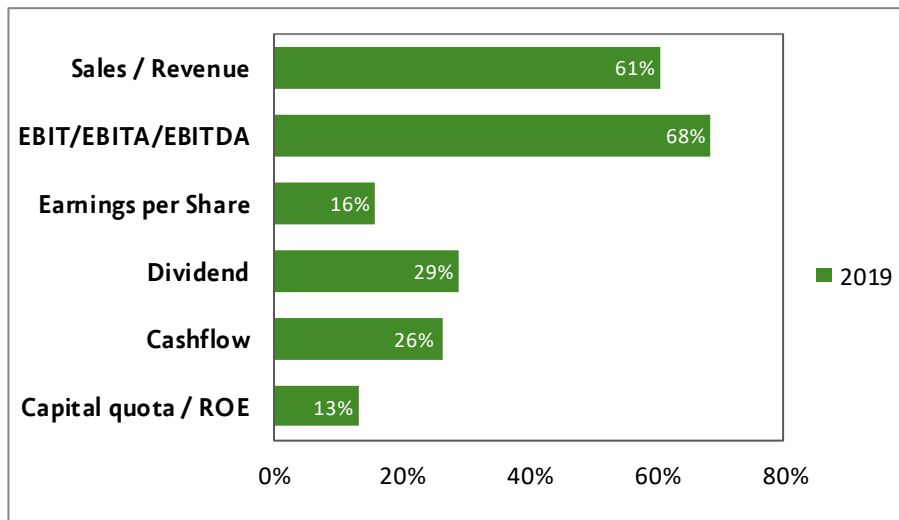
Results of the study

Is financial guidance included when reporting full-year results?



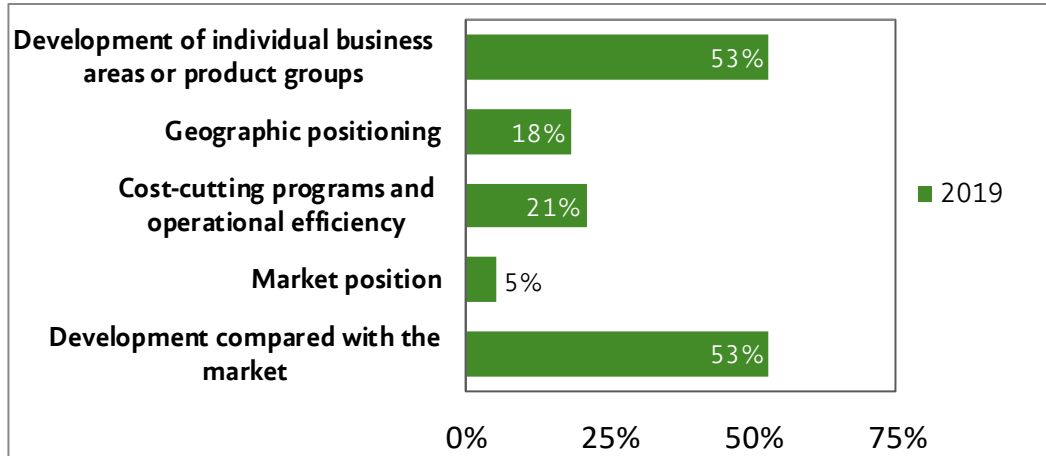
Four out of five companies surveyed provide financial guidance as part of their annual reporting. Qualitative targets are addressed in three quarters (34) of the companies, while a good half (24) also provide quantitative information. Somewhat less than half of the companies (21) use both.

What financial metrics does the guidance refer to?



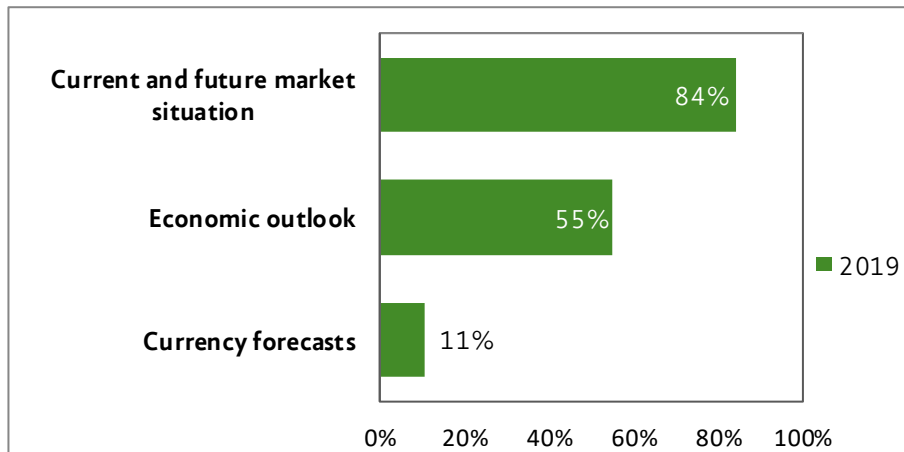
At 68%, companies most frequently comment on the future development of operating profit (EBIT/EBITA/EBITDA) and sales (61%). The level of dividends and cash flows are also popular indicators – around a quarter of the companies provide guidance on them. A smaller number of companies provide guidance on earnings per share or capital ratio/return on equity.

What internal performance parameters were covered by the guidance?



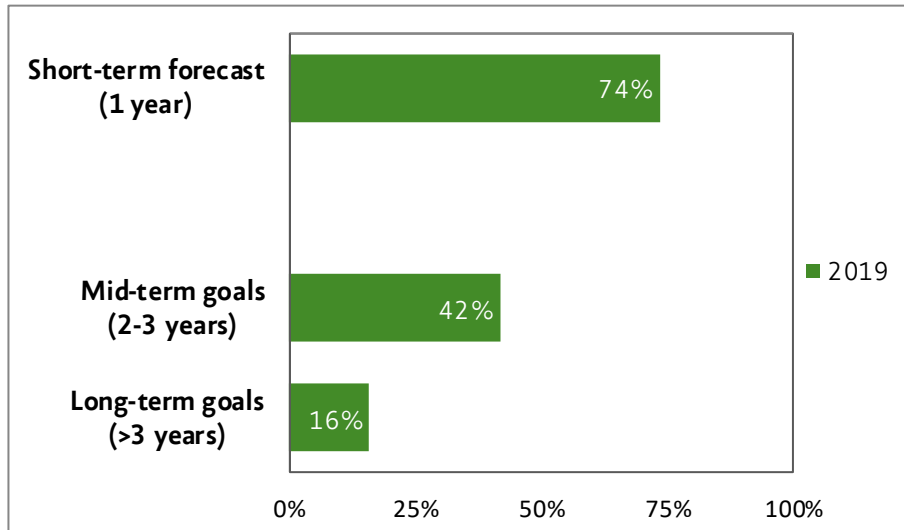
Slightly more than half (53% each) of the companies analysed provided guidance on the development of individual business areas or product groups as well as on the development of the company compared with the market. A good fifth of the companies commented on cost-cutting programs and operational efficiency (21%), as well as on geographic positioning (18%). Only a small number of companies issued meaningful guidance on their future market position.

What general external factors are mentioned in the guidance?



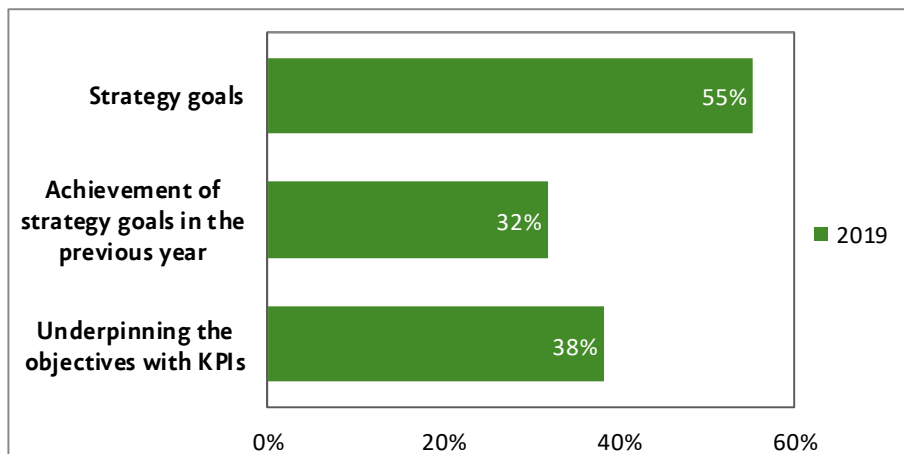
The framework conditions are led by the discussion on the current and future market situation: 84% of the companies addressed these in the shareholders' letter or in the strategy discussion. A majority of the companies (55%) also commented on the economic outlook. Concrete currency forecasts, on the other hand, were issued by only a few companies (11%).

What time frame was given in the guidance?



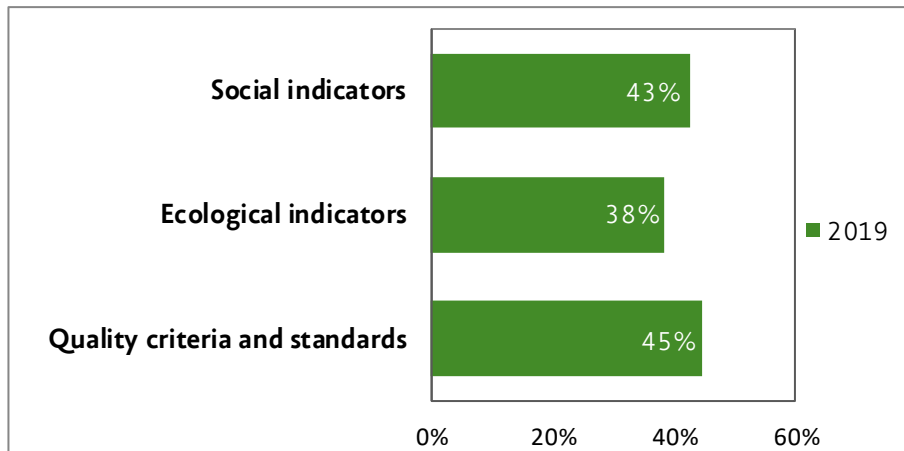
Around three quarters of all companies surveyed provided a guidance for the next 12 months. More than one third also commented on the company's medium-term development. 16% of the companies had a time horizon for the guidance of more than three years.

Are the contents of the strategy explained in the strategy discussion?



Where information on corporate strategy was part of the reporting, around half of the companies (53%) also stated targets and metrics. In contrast, however, just under one-third also explained to what extent the targets set had been achieved in the past financial year. A good third (34%) also provided concrete KPIs for the targets mentioned.

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



ESG criteria (environmental, social, governance), which are becoming increasingly important in corporate reporting, still play a relatively minor role in comparison to the financial guidance of companies. In concrete terms, social indicators such as job security or training for employees are discussed by 40% of the companies. Despite the strong presence of the topic in the public sphere and the vigorous campaigns of both active and passive investment funds, around one third of companies (34%) currently use ecological indicators such as energy consumption, resource management and emissions. Basic quality criteria and standards, on the other hand, are included in the strategy discussion and objectives by 40% of the companies.

Best Practice examples

2019 OUTLOOK AND FINANCIAL GUIDANCE

OUTLOOK: CONTINUED GROWTH IN NET SALES AND EBITDA

MARKET ACCESS

Veltassa® will continue to be launched in selected countries across Europe. In addition, Ferinject® is expected to be launched in Japan in H2 2019. We will continue to work towards finding a partner for the Japanese rights for CCX140.

CLINICAL TRIALS

Results from the AMBER study will be published in 2019, evaluating the impact of Veltassa® in patients with chronic kidney disease (CKD) and resistant hypertension. Initiation of the DIAMOND study looking at the benefits of Veltassa® in patients with CKD and heart failure affected by hyperkalaemia is expected in H1 2019.

A phase-II study of the ferroportin inhibitor, designed to prevent excessive iron release into the blood, is expected to start in H2 2019.

Enrolment of the global phase-III ADVOCATE study of avacopan for anti-neutrophil cytoplasmic auto-antibody-associated vasculitis (ANCA-associated vasculitis) was completed in Q3 2018, with results expected in Q4 2019.

Cara Therapeutics is currently conducting two pivotal phase-III trials of CR845, with completion and data read-out anticipated by the end of 2019.

Recruitment will continue in the AFFIRM-AHF phase-IV trial of Ferinject® for acute heart failure. The trial is the first study to investigate the effects of i.v. iron therapy on mortality and morbidity of acute heart failure patients.

BUSINESS DEVELOPMENT

We aim to complete at least one additional in-licensing, product acquisition or corporate transaction during the course of 2019.

FINANCIAL GUIDANCE

In 2019 at constant exchange rates, Vifor Pharma net sales are expected to grow between 11% and 13%, reported EBITDA is expected to increase by 25%. In 2020 net sales are expected to exceed CHF 2 billion and EBITDA to be in the range of CHF 700 million. Going forward the dividend is expected to remain at the current level of CHF 2 per share.

NET SALES EXPECTED GROWTH

11-13%

EBITDA EXPECTED TO INCREASE

25%

2020 EXPECTED NET SALES

>2 BILLION
CHF

The short chapter "Outlook and Financial Guidance" in Vifor Pharma's annual report.

CONSUMER AND RETAIL

OVERVIEW

- Double-digit growth in South East Asia Pacific, Eastern Europe and Middle East
- New restricted substances and strong level of Safety testing boosted E&E activities
- Excellent growth in Cosmetic, Personal Care and Household (CPCH) in Germany, China and North America
- Softlines gained market share from new sustainability solutions and footwear testing

OUTLOOK

- USA/China trade war represents a risk, especially for technology products
- Expand capacity in South East Asia to meet buyer shift out of China; continued investments in digitalization and automation to drive margin improvements
- Investment in 5G and Internet of Things for wireless activity
- Further expand CPCH and Hardlines through acquisitions

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REVENUE IN CHF MILLION

6.2%

GROWTH IN 2018¹



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366.0

REVENUE IN CHF MILLION

7.0%

GROWTH IN 2018¹



INDUSTRIAL

OVERVIEW

- Growth in Oil and Gas market driven by large supervision contracts and refinery shutdown inspections across all regions
- Solid developments in Infrastructure market in South America and Asia
- Manufacturing growth in Laboratory Testing activities, specifically in Calibration services
- Margin improvement offset Brazil situation

OUTLOOK

- Leverage positive growth perspectives in the Infrastructure market
- Preserve our position in the Oil and Gas market in a low CAPEX environment
- Continue our diversification into Laboratory Testing through acquisitions
- Implement development programs and continue portfolio management

940.2

REVENUE IN CHF MILLION

4.8%

GROWTH IN 2018¹



¹. Constant currency basis.

HIGHLIGHTS

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OUR VALUE TO SOCIETY

2018 INTEGRATED ANNUAL REPORT

Outlook with Guidance/KPI integrated in the annual review for each business division in the annual report of SGS.

Mid-Term Guidance 2022

To reflect the divestment of its former Water Care business unit and to emphasize Lonza's focus on growth along the Healthcare Continuum[®], Lonza provided an adjusted Mid-Term Guidance 2022 in March 2019. The adjustment consists of excluding the Water Care Mid-Term Guidance from the Lonza Group financial projections prepared in 2017. The Water Care Mid-Term Guidance was disclosed at Lonza's Capital Markets Day 2018.

In addition, Lonza is reflecting not only the Water Care divestment but also the latest strategy development. The Mid-Term Guidance 2022 was first issued in 2017. The adjusted Mid-Term Guidance demonstrates our focus on growing our businesses along the Healthcare Continuum[®] while continuing to aim for operational excellence, productivity improvements and attractive margins.

The adjusted Mid-Term Guidance for Lonza's continuing operations (excluding the Water Care business unit) is the following¹:

- Sales of CHF 7.1 billion
- CORE EBITDA margin of 30.5%
- CORE RONOA 35%
- Double-digit ROIC

At Lonza's Capital Markets Day in September 2018, the growth trajectory by business was outlined²:

	Pharma & Biotech	Specialty Ingredients	
	Pharma & Biotech	Consumer Health	Consumer & Resources Protection
Sales Growth 2019 - 2022	High-single digits	Mid- to high-single digits	Low- to mid-single digits
2022 CORE EBITDA Margin Trajectory	Sustain > 30%	From high twenties to > 30%	From high teens to ~25%
Building Blocks	<ul style="list-style-type: none"> • Growth projects • Capitalist synergies • Manufacturing excellence • Capex investments and throughput optimization 	<ul style="list-style-type: none"> • Capitalist synergies • Leveraging pharma technologies • Innovation 	<ul style="list-style-type: none"> • Microbial control expertise • Procurement and supply chain excellence • Product portfolio optimization

Lonza plans to re-invest parts of the proceeds of the Water Care disposal into the Healthcare Continuum[®] with expected higher returns to deliver more shareholder value. Lonza will continue to focus on deleveraging as has already been communicated.

¹ Lonza Mid-Term Guidance for the Group is based on the present business composition, the present macro-economic environment, current visibility and constant exchange rates.
² Lonza Mid-Term Guidance for segments and divisions is based on the 2018 business composition, macro-economic environment, current visibility and constant exchange rates.

« A highlight of 2018 was clearly our Capital Markets Day in September, where we had the chance to discuss our growth trajectory toward and beyond 2022. We emphasized that we are focusing our investments and initiatives on our core markets along the Healthcare Continuum[®]. »

Richard Ridinger, CEO of Lonza

Outlook 2019

In 2019 Lonza will focus on the thorough execution of our growth initiatives in what is expected to be a year of significant investments. Lonza is also factoring into our outlook the continued macro-economic uncertainty and some potential ongoing headwinds in the cyclical categories of our Specialty Ingredients businesses.

Based on these assumptions, Lonza is providing the following outlook for full-year 2019:

- Mid-to-high-single digit sales growth
- Sustained high CORE EBITDA margin level

In addition, Lonza will accelerate the review of its current portfolio to further strengthen the company's position along the Healthcare Continuum[®]. At the same time, Lonza will continue to focus on operational and commercial excellence while investing in innovation and growth, especially in the biologics businesses. Lonza will also be continuing to implement measures to counter the cyclical-exposed businesses. An update on outlook will be provided with the Q1 Qualitative Business Update 2019.

The Outlook for 2019 is based on the present business composition for Lonza continuing operations (excluding the Water Care business unit), the present macro-economic environment, current visibility and constant exchange rates. It is a next step toward achieving our Mid-Term Guidance 2022. After becoming fully operational, all investments previously announced are expected to accelerate top-line growth and profitability to contribute to our mid-term targets.

Combination of medium-term guidance outlining the objectives for the current strategy period and the short-term outlook for the coming financial year on one page of the Lonza Annual Report.

Ziele und Zielerreichung

Swisscom hat sich, abgeleitet aus ihrer Strategie, unterschiedliche kurz- und langfristige Ziele gesetzt, die ökonomische, ökologische und soziale Gesichtspunkte berücksichtigen.

Ziele		Zielerreichung 2018
Finanzielle Ziele		
Nettoumsatz	Konzernumsatz für das Jahr 2018 von rund CHF 11,6 Mrd.	CHF 11'714 Mio.
Operatives Ergebnis vor Abschreibungen (EBITDA)	EBITDA für das Jahr 2018 von rund CHF 4,2 Mrd.	CHF 4'213 Mio.
Investitionen in Sachanlagen und immaterielle Vermögenswerte	Investitionen für das Jahr 2018 von weniger als CHF 2,4 Mrd.	CHF 2'404 Mio.
Operational Excellence	Senkung Kostenbasis 2018 im Schweizer Geschäft um CHF 100 Mio.	CHF 121 Mio.
Übrige Ziele		
Ultrabreitband Schweiz ¹	Abdeckung 90% bis Ende 2021 mit mehr als 80 Mbit/s	64%
Ultrabreitband Schweiz ¹	Abdeckung 75% bis Ende 2021 mit mehr als 200 Mbit/s	35%

¹ Basis: 4,3 Mio. Wohnungen und 0,7 Mio. Geschäfte (Bundesamt für Statistik – bfs).

Rahmenbedingungen

Wirtschaftliches Umfeld

Die drei gesamtwirtschaftlichen Faktoren Konjunktur (Schweiz und Italien), Zinssätze und Währungskurse (EUR und USD) haben einen bedeutenden Einfluss auf die Vermögens-, Finanz- und Ertragslage von Swisscom und damit auf die Finanzberichterstattung.

	Einheit	2014	2015	2016	2017	2018
Veränderung BIP Schweiz	in %	2,4	1,2	1,4	1,0	2,6 ¹
Veränderung BIP Italien	in %	0,1	0,8	0,9	1,5	0,1 ²
Rendite Bundesobligationen (10 Jahre)	in %	0,38	(0,04)	(0,14)	(0,07)	(0,24)
Stichtagkurs CHF/EUR	in CHF	1,20	1,08	1,07	1,17	1,13
Stichtagkurs CHF/USD	in CHF	0,99	1,00	1,02	0,98	0,99

¹ Prognose SECO

² Prognose Istat

Konjunktur

Das Wirtschaftswachstum in der Schweiz ist 2018 mit einer prognostizierten Zunahme des BIP um real 2,6% höher als in den Vorjahren ausgefallen. Die Inflation hat leicht zugenommen, ist aber nach wie vor sehr tief. Die konjunkturelle Entwicklung wirkt sich unterschiedlich auf die Kundensegmente aus. Im Segment Privatkunden ist der Umsatzanteil von Produkten mit festen Monatsgebühren hoch und somit das Ausmass konjunkturell bedingter Umsatzenschwankungen gering. Die Umsätze aus dem Roaming können demgegenüber in Abhängigkeit von den getätigten Auslandsreisen (Inbound und Outbound) grösseren Schwankungen unterliegen. Allerdings ist beim Outbound ein grosser, weiterwachsender Anteil der Roaming-Leistungen in den festen Monatsgebühren inkludiert. Einen zyklischeren Geschäftsverlauf verzeichnet das Projektgeschäft im

Segment Enterprise Customers. Bei der italienischen Tochtergesellschaft Fastweb wirken sich die konjunkturellen Schwankungen tendenziell verstärkt auf den Absatz und den Umsatz aus, und zwar bei den Privatkunden wie bei den Geschäftskunden.

Zinsen

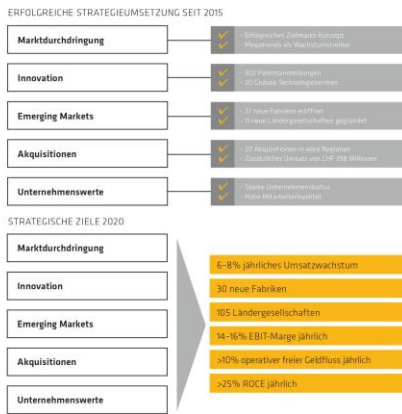
Das Zinsniveau beeinflusst die Höhe der Finanzierungskosten sowie die Bewertung der langfristigen Rückstellungen und der Vorsorgeverpflichtung in der Konzernrechnung. Zudem sind die Zinsen eine Schlüsselannahme für die Werthaltigkeitsbeurteilung des bilanzierten Goodwills und anderer Abschlusspositionen. Die Renditen zehnjähriger Bundesobligationen sind 2018 gesunken. Sie liegen nach wie vor auf einem historisch sehr tiefen Niveau. Swisscom hat dies 2018 ausgenutzt und durch die Aufnahme von Anleihen im Gesamtbetrag von CHF 885 Mio. die

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Concise presentation of Swisscom's financial targets with a clear focus on target achievement, based on KPIs.

STRATEGIE WACHSTUMSKURS

Das Sika Wachstumsmodell steht für langfristigen Erfolg und profitables Wachstum. Mit dem Fokus auf Marktdurchdringung, Innovation, Aufbau der Wachstumsmärkte und Akquisitionen sowie den starken Unternehmenswerten wächst Sika erfolgreich. Dank des positiven Geschäftsverlaufs, der Eröffnung einer weiteren Ländergesellschaft und der Inbetriebnahme von elf neuen Fabriken und vier Akquisitionen ist Sika der Umsetzung der strategischen Ziele 2020 einen grossen Schritt nähergekommen.



NACHHALTIGKEITSSTRATEGIE DER NACHHALTIGKEIT VERPFLICHTET

Mit der Nachhaltigkeitsstrategie verfolgt Sika das Ziel, mit ihren Produkten den langfristigen Nutzen und Mehrwert für alle Anspruchsgruppen zu maximieren und gleichzeitig den Ressourcenbedarf und die Umweltauswirkungen der Produktion zu minimieren.



Comprehensive and well-structured presentation of concrete corporate and sustainability goals, taking into account relevant KPIs in Sika's annual report.

About IRF

In recent years, IRF has established itself as one of the leading Swiss consulting firms for business topics. IRF's established customer base includes about 30 Swiss and international companies. IRF has also made a name for itself in crisis communications and monitoring capital market transactions.

More information at www.irf-reputation.ch

Contact:

Martin Meier-Pfister, Partner, meier-pfister@irf-reputation.ch

Jan Söntgerath, Consultant, soentgerath@irf-reputation.ch

+41 43 244 81 44

www.irf-reputation.ch