

IRF Study on «Financial Guidance»

Biggest listed Swiss companies communicate clear financial guidelines

- Apart from one exception every company in the SMI Expanded universe mentions forward-looking targets in its annual financial reporting.
- Over 80% of the companies comment on quantitative reference points, notably on expected sales trends.
- Regarding timeframes, the number of companies that chose a mid- or long-term approach increased.

Zurich, September 27, 2017 – Switzerland's largest listed companies recognize the strategic value of financial guidance and provide estimates of their future operating performance when reporting on their annual results. A study conducted by IRF Communications finds that a clear majority of the companies provide financial guidance over a one-year period. The number of companies providing an outlook on their quantitative targets over a longer period of time has clearly increased.

A clear majority of Switzerland's largest listed companies provide qualitative and quantitative guidance, although with different levels of detail. Compared to the preceding year, the focus of the SMI and SMI MID companies shifted toward quantitative financial targets. Four of five companies provide both quantitative and qualitative targets with their annual reports.

Focus on quantitative targets

Compared with the previous year, there was a significant increase in the presentation of quantitative information. The percentage of companies commenting on sales, operating profit (EBIT/EBITA/EBITDA) and earnings/earnings per share has (more than) doubled compared with the preceding year and now exceeds the 50% mark for all three parameters. Furthermore, other figures such as the amount of the dividend, cashflow, costs, or return on equity are increasingly being mentioned.

As a consequence of the more detailed quantitative reference points, the proportion of companies that gave an only vague forecast of sales or profit trends declined significantly. With respect to qualitative guidance, the internal parameters mentioned most frequently were the development of individual business units or product areas. Two-thirds of the analysed companies provide guidance on these two topics. The companies also provided more information on their geographical coverage as well as their operational cost structure and efficiency. Nearly unchanged is the percentage of companies that described their market position or course of business relative to the broader market.

With respect to external factors, which half the companies comment on, a description of general market developments ranks first, also this year. Macroeconomic factors such as economic growth or currency forecasts were mentioned by slightly more companies than last year and reflected the stabilisation and recovery of international markets and exports.

More long-term forecasts

The positive and stabilising economy is probably leading to the observed changes regarding the forecast horizon. While the share of companies commenting on expected economic developments within the next 12 months remains constant, the share of companies giving a long-term forecast has doubled. This is especially the case with SMI companies. Likewise, the proportion of companies that gave an outlook concerning their mid-term expectations has grown. As in the previous year, over 60% of the companies cite other non-financial Key Performance Indicators (KPIs) in their strategic updates. Here the focus has shifted to social and environmental targets.

About IRF Communications

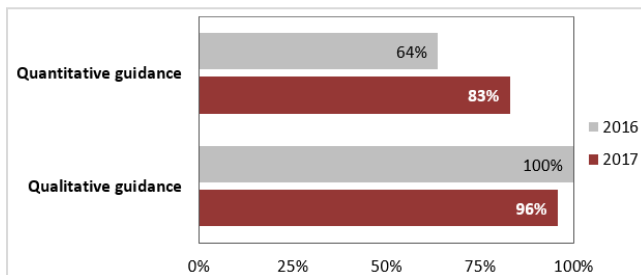
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Method

In August 2017 IRF Communications conducted its fourth 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 2016 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

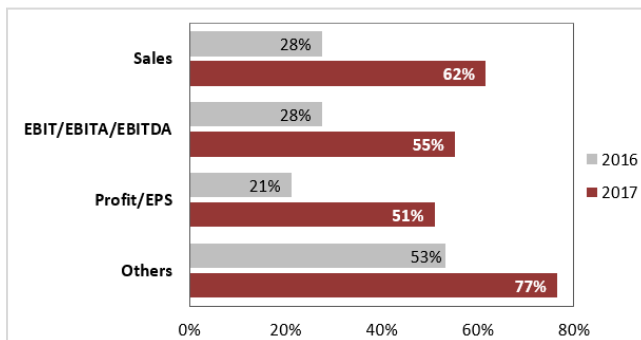
Do SMI Expanded companies provide financial guidance when reporting on full-year results?



With one exception, every company provides financial guidance when reporting on annual results. 96% of the companies provide qualitative target figures. The share of companies which in addition formulate quantitative targets has increased from 64% to 83% in comparison to the preceding year. The tendency of SMI companies to focus less on quantitative targets compared to

SMI MID companies, as detected in the previous report on the financial guidance practices, was not observed.

What financial metrics does the quantitative guidance refer to?

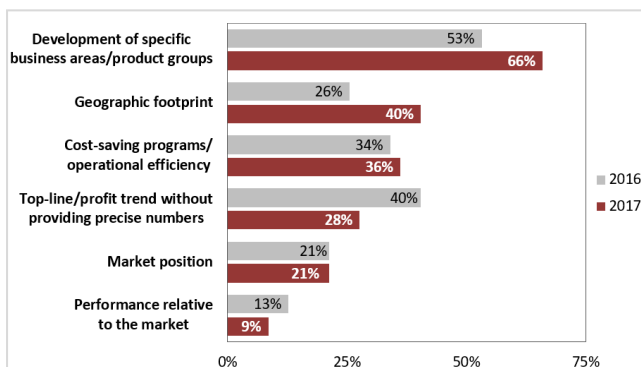


The overall enhanced discussion of quantitative values is also reflected in the individual review of the quantitative figures. The analysed companies most frequently commented on sales (62%) and EBIT/EBITA/EBITDA (55%). The percentage of companies that provide guidance on bottom-line profit and earnings per share rose to 51%.

Other quantitative reference points are being mentioned more frequently during the reporting

of annual results. 34% of the companies formulate goals regarding the dividend, 23% regarding the cash flow and one of five companies comment on operating costs or indicators related to the equity ratio.

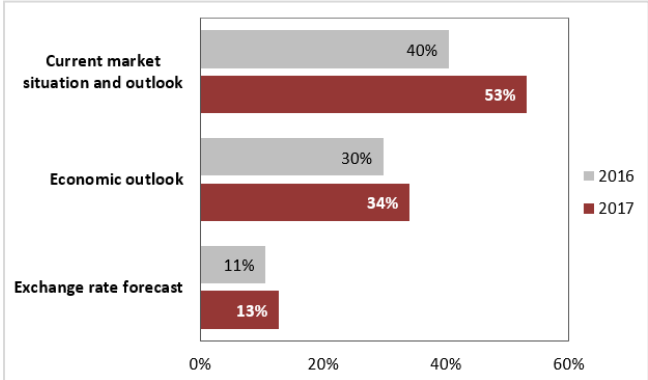
What internal performance parameters are included in the qualitative guidance?



As in the previous year companies giving qualitative guidance most frequently mentioned the development of business areas or product groups. Two-thirds of the companies analysed provided such guidance. The share of companies that make statements on geographical coverage rose to 40%. References to cost-savings programs or efforts to improve efficiency (36%), market position (21%) or course of business relative to the broader market (9%) were nearly unchanged. The

share of companies giving an only vague description of expected sales or profit trends experienced a significant decrease to 28%. However, this has been more than offset by the increase in the number of companies providing quantitative guidance for their sales or profits.

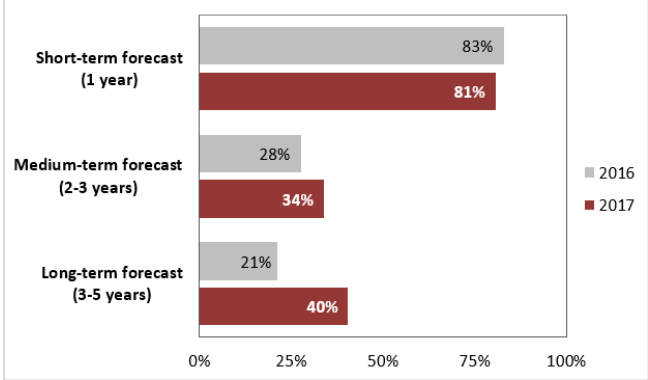
What general external factors are addressed in the qualitative guidance?



With regard to the general external factors addressed in qualitative terms, the share of companies that provide detailed information on their market outlook is 72%. In contrast to the preceding year, when SMI MID were more likely to comment on this topic, in the current study there was no difference between the two index segments.

The share of companies giving a detailed economic outlook increased to 53% this year. There was also a slight increase in the number of companies that presented an economic outlook (34%) or a currency forecast (13%).

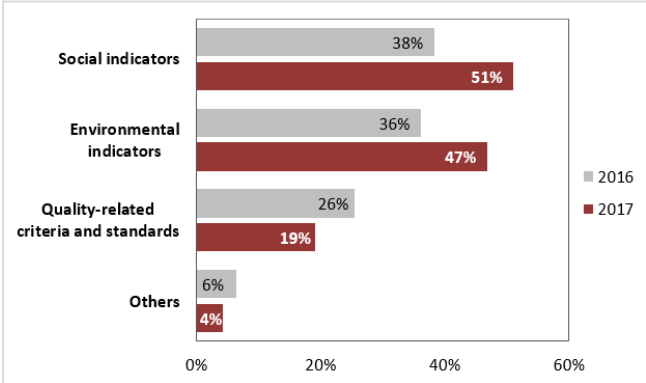
What time frame is given with the guidance?



With regard to the time horizon, in comparison to the preceding year, there was a tendency to give longer-term forecasts. About one-third of the analysed companies comment on the expected mid-term development of the company.

The percentage of companies that provide a long-term forecast has increased to 40%, and SMI listed companies are more likely to do so (45%) than SMI MID (33%). Short-term forecasts are given most frequently, by four of five companies.

Are non-financial KPIs discussed in commentary on strategy or the outlook? If so, in what areas?



More than 60% of the companies comment on non-financial performance indicators when presenting their annual results.

The most commonly discussed social indicators are employee training or workplace safety (51%). Companies mentioning environmental indicators such as the consumption of natural resources and air pollution emissions increased to 47%, while the number of companies mentioning quality-related criteria and standards in their projections decreased slightly to 19%.