

Lafarge

Three items to watch for at next week's analyst day

- **Analyst/investor day** (Thursday 22 June). Lafarge is expected to provide further details on its plans to improve its profitability, first announced on 23 February 2006. In our view, there are three key items to watch for.
- **Any increase in the cost-cutting target.** In February, Lafarge announced that it planned to boost the group's operating margin by one percentage point between 2005 and 2008 through cost cutting. In our view, this only closes the gap vs. key peers that opened in 2004 (Figure 9) and we expect Lafarge to ultimately double the planned saving, but possibly lengthen the time period required.
- **Potential share buy-back.** We expect management to announce that it is proceeding with the €1bn share buy-back approved at last month's AGM. We estimate (Table 2) that at the current share price it would be around 3% accretive to 2007 EPS and increase Lafarge's 2006 year-end net debt to EBITDA to 3.0x.
- **Potential divestments.** At last month's annual general meeting Lafarge announced that it would "rigorously review" its portfolio of assets. Next Thursday, we expect management to indicate the potential size of the divestments, but, in our view, it is unlikely to identify the assets involved.
- **Our €105 DCF-based end-2007 price target** assumes a mid-cycle EBITA margin before exceptionals of 16.2%, 1.4 percentage points higher than in 2005. Therefore, if management were to deliver on the three items above, there would be potential to increase our price target. However, we would need to be confident that Lafarge can achieve its targets after the limited progress made previously on the December 2003 cost-cutting program.

Lafarge (LAFP.PA;LG FP)

	2005A	2006E	2007E
Adj. EPS FY (€)	5.98	6.85	7.16

Source: Company data, Reuters, JPMorgan estimates.

Neutral

€84.30

14 June 2006

Price Target: €105.00

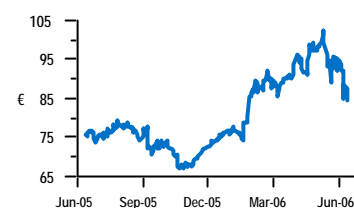
Cement

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Price Performance



	YTD	-3M	-6M	-12M
Absolute	10.7%	-4.7%	14.1%	11.7%

Source: RIMES, Reuters.

Company Data

Price (€)	84.30
Date Of Price	14 June 06
52-week Range	104.9 - 65.75
Mkt Cap (€ bn)	14.7
Fiscal Year End	Dec
Shares O/S (mn)	174

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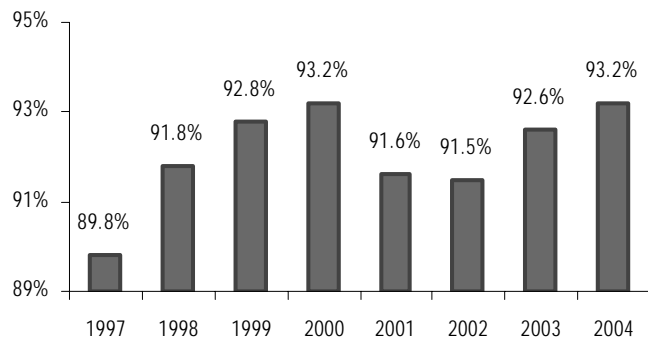
Partial success of December 2003 cost cutting program

On 4 December 2003, Lafarge had an analysts' day on its cement division. It highlighted four major areas that it planned to target to improve the industrial performance of the division. These are summarized in Figure 1 - Figure 4.

Improving kiln reliability (Figure 1). To improve the reliability of the group's cement plants, which was 91.5% in 2002, and was expected to be 92.4% in 2003. The target was to improve the plants' reliability by one percentage point a year, with an ultimate target for its plants to be operating, on average, 96% of the time. Lafarge improved its reliability to 92.6% in 2003, above its target and a 1.1 percentage point improvement over the previous year. In 2004 Lafarge improved its reliability to 93.2%, a further 0.6 percentage point improvement. The data for 2005 has not been published yet.

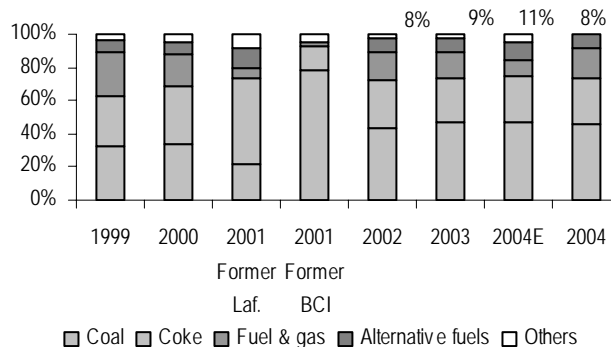
Lowering fuel costs, particularly through the increased usage of alternative fuels (Figure 2). Alternative fuels accounted for 8% of the fuel mix for Lafarge's cement division in 2002. Lafarge increased its usage of alternative fuels by one percentage point in 2003 to 9%. However, it did not achieve its 9 September 2004 target of 11% for 2004. Disappointingly, the outturn was only 8.45%, mainly because of a shortage of alternative fuels in France. The cost of fuel is the key though. Lafarge should switch to a traditional fuel if a cheaper source becomes available. Lafarge increased its usage of alternative fuels to 9% in 2005, but this was still unchanged on 2003.

Figure 1: Improvement in kiln reliability



Source: Company data.

Figure 2: Usage of alternative fuels

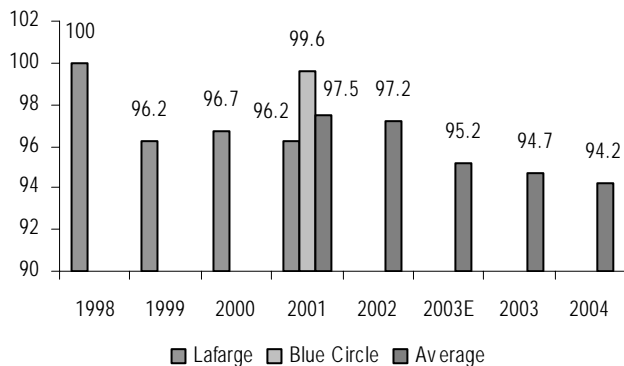


Source: Company data.
 Note: 2004E data was Lafarge's September 2004 estimate. 2004 was the actual number reported.

Reducing fuel consumption (Figure 3). Lafarge aims to significantly reduce the calorific consumption of its cement plants. It estimated that in 2002 it had reduced it to 97.2% of its 1998 level, and expected it to fall to 95.2% of this level in 2003. It exceeded this target, reducing it to 94.7%, a 2.5 percentage point fall during the year. The reduction in 2004 was smaller at 0.5 of a percentage point. The data for 2005 has not yet been published.

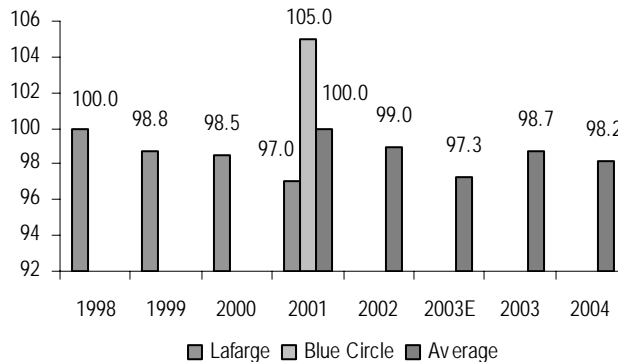
Reducing power consumption (Figure 4) Lafarge estimated that it had reduced its power consumption from 100kWh/t of cement in 2001 to 99 in 2002 and expected it to fall to 97.25 in 2003 (slide 16). The outturn for 2003 was a disappointing 0.3 percentage point reduction to 98.7. This was followed by a further 0.5 percentage point reduction in 2004. The data for 2005 has not yet been published.

Figure 3: Reduced fuel consumption



Source: Company data.
 Note: 2003E was Lafarge's 2003 estimates. 2003 was the actual number reported.

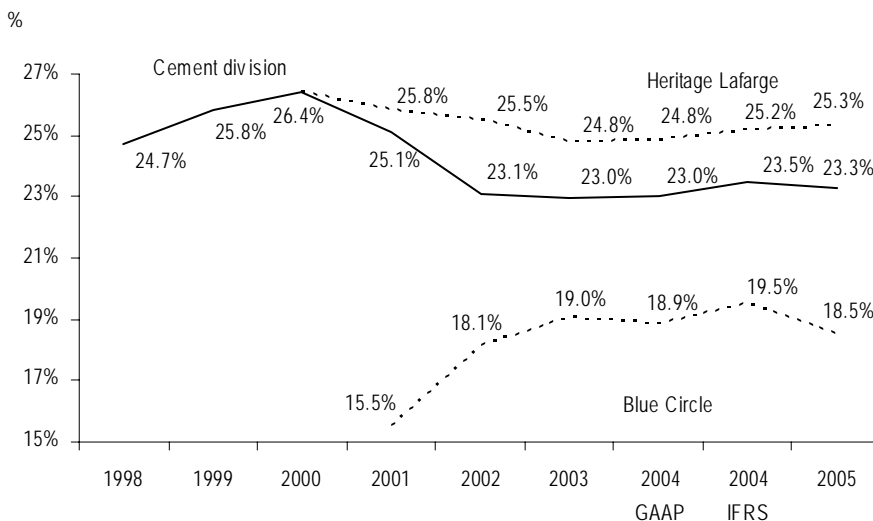
Figure 4: Reduced power consumption



Source: Company data.
 Note: 2003E was Lafarge's 2003 estimates. 2003 was the actual number reported.

In summary, Lafarge has during the last two and a half years made some progress towards achieving its December 2003 targets. However, as shown in Figure 5, there has been only a small improvement in the cement division's profitability, the majority of which appears to have been due to the introduction of International Financial Reporting Standards (IFRS).

Figure 5: Cement division's EBITA margin: Heritage Lafarge vs Blue Circle



Source: Company data, JPMorgan estimates.
 Note: Pro-forma 2001 data amended to include full year of Blue Circle and for accounting changes in 2002 on depreciation policy and treatment of associates.

Limited progress made towards February 2004 margin targets

When announcing its 2003 results, in February 2004, Lafarge published the EBITA margin targets shown in the second column of Table 1. These were on average 3 percentage points higher than the company achieved in 2003. Lafarge did not specify a precise timeframe for their achievement. However, as can be seen in the last two columns of Table 1 below, good progress has already been achieved in the Gypsum division, whereas margins have declined in roofing. They have improved in aggregates and concrete, but as previously described have only increased slightly in Cement, which accounted for 75% of the group's total EBITA before exceptional items in 2005. Lafarge's EBITA margin before exceptionals increased by only 0.6 percentage points between 2003 and 2005. The restatement of 2004's margins under IFRS increased them by 0.5 percentage points, suggesting that most of the improvement between 2003 and 2005 was probably due to the adoption of these new accounting standards.

Table 1: EBITA margin¹ targets

Division	Company Target	2003	2005	Improvement
Cement	25.0%	21.2%	21.3%	0.1%
Aggregates and concrete	9.0%	6.3%	7.4%	1.1%
Roofing	13.0%	9.4%	6.5%	-2.9%
Gypsum	11.0%	7.0%	10.2%	3.2%

Source: JPMorgan estimates, Company data.

1. On sales before elimination of interdivisional sales.

Latest improvement plan

At its analysts meeting on 23 February of this year, Lafarge's new CEO (since 1 January) announced his main financial targets for the next three years. He is aiming for sustainable EPS growth averaging 8% a year and to improve Lafarge's ROCE from 8.5% last year towards 10%.

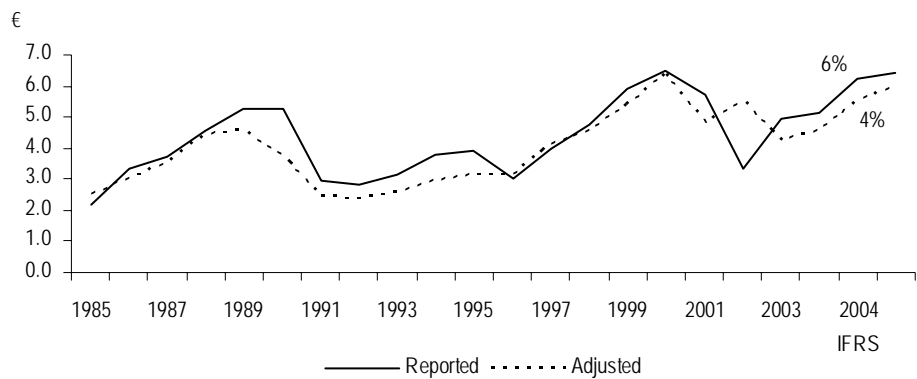
In order to achieve these targets there were five main objectives.

1. Revenue growth averaging 5% per annum.
2. Acquisitions to cover their WACC within 4 years and be consistent with the EPS objective.
3. Boosting the group's operating margin by one percentage point between 2005 and 2008 through cost cutting.
4. Boosting the EBITDA contribution from the roofing division from €22m in 2005 to €35m in 2008.
5. Completing the offer that Lafarge announced on 6 February to purchase the minorities in Lafarge North America. The latter transaction was completed on 17 May 2006.

8% pa EPS growth target

Initially, Lafarge's target of sustainable EPS growth averaging 8% pa between 2005 and 2008 does not appear very challenging, with 2005's EPS of €6.39 still 2% below the 2000 level of €6.50. However, Lafarge has only increased its EPS by an average of 6% pa during the last 20 years, and by 4% if exceptional items are excluded. Lafarge's EPS target also incorporates a potential significant increase in the company's tax rate from 23% in 2005 towards a more normal rate of 30%.

Figure 6: EPS 1985-2005



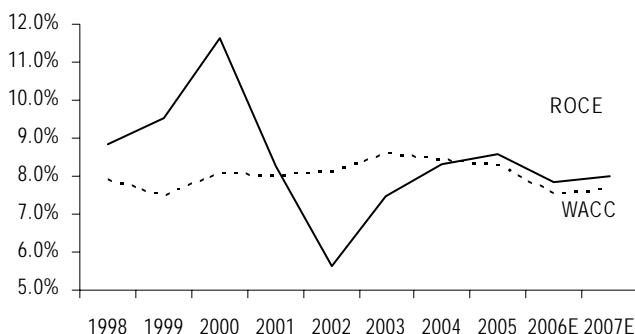
Source: Company reports.

8% per annum growth for three years from a base of €6.39 in 2005 would require 2008 EPS of around €8.05. Restating 2005's EPS for a 30% tax rate, assuming that the minorities account for the same proportion of earnings, reduces 2005's EPS on a fully taxed basis to €5.81. From this base, achieving 2008 EPS of around €8.05 will necessitate an annual growth rate of 12%. The company estimates that the recent acquisition of the minorities in Lafarge North America will increase its EPS by 6% on a pro-forma full year basis. This reduces the three year growth target on an adjusted basis to around 10% a year.

10% ROCE target

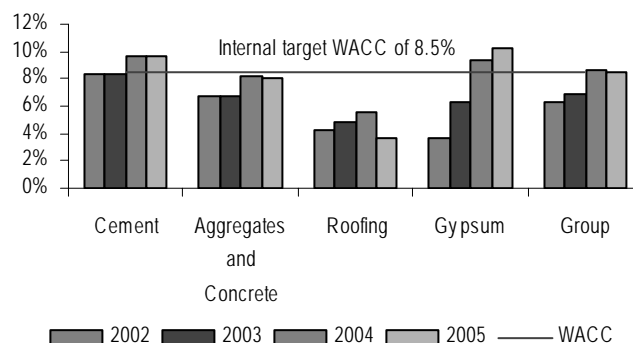
Lafarge reported a post-tax ROCE of 8.5% in 2005. We expect the additional capital employed in 2006, mainly from the acquisition of the North American minorities, to result in a reduction this year to around 8%. Although we are forecasting an improvement in 2007 and 2008, we only expect it to return to around 8.5% in 2008, well short of the company's 10% target, but in line with its internal target WACC.

Figure 7: Total ROCE vs WACC 1998-2007E



Source: Company data, JPMorgan estimates.

Figure 8: Divisional ROCE vs WACC 2002-05

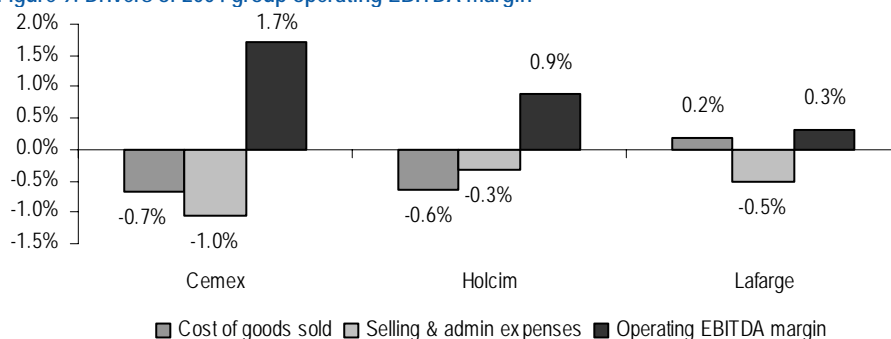


Source: Company data, JPMorgan estimates.

Cost cutting

In our view, whether Lafarge is able to achieve its EPS growth target will be dependent on whether it can control costs better than in the last few years. In 2004 its cost of goods sold as a percentage of sales increased by 0.2 percentage points, whereas for two of its major competitors, Cemex and Holcim they declined by 0.7 and 0.6 percentage points respectively (Figure 9). Lafarge's targeted one percentage point improvement over the next three years would therefore broadly equate to a reversal of 2004's differential performance. In 2005 they increased by another 0.7 percentage point at Lafarge. The data for Holcim and Cemex is, in our view, not comparable for 2005 due to both companies' major acquisitions.

Figure 9: Drivers of 2004 group operating EBITDA margin^{1,2}



Source: Company data.

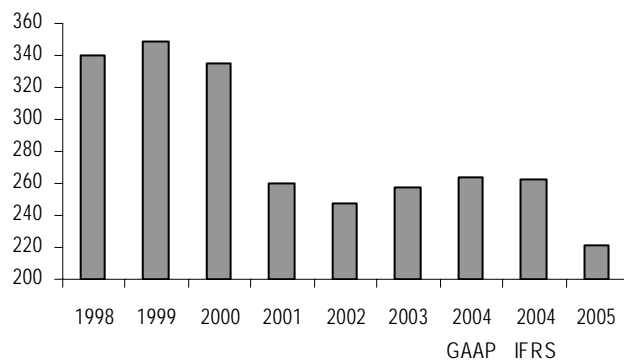
Note: 1. Includes distribution costs (except for Cemex where latter are included in Selling & admin), excludes depreciation and amortisation. 2. Total EBITDA for Cemex.

We are more optimistic about Lafarge controlling costs in the future. The former three-person Direction Generale, and five-person Executive Committee was replaced at the start of 2006 with a Chief Executive Officer who heads an eight-person Executive Committee. We expect this to speed up decision making and improve accountability. Albert Frere's Goupe Bruxelles Lambert's 10.2% shareholding announced on 31 May 2006 will also, in our view, help to maintain management's concentration on improving profitability.

Improving profitability of roofing division

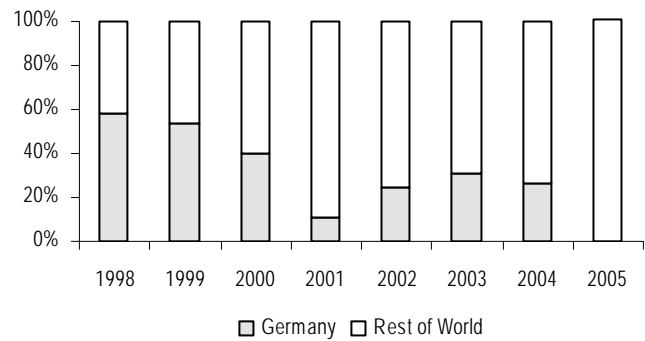
Lafarge is targeting to improve the EBITDA contribution from its roofing division from €222m in 2005 to €350m in 2008. This is optimistic, in our view, requiring a return to the division's level of profitability in 1999, when 54% of its profitability was earned in Germany. Management reported at the February 2006 analysts meeting that its target did not assume a significant improvement in Germany. Last year, Germany accounted for 22% of the Roofing division's sales and incurred a loss of €1m at the EBITA level.

Figure 10: EBITDA of roofing division



Source: Company data.

Figure 11: Declining proportion of division's EBIT from Germany



Source: Company data.

Additional plans detailed at May's AGM

€1bn share buy-back

At this year's annual general meeting, Lafarge increased the size of the potential buy-back that it requested shareholder approval for from €100m last year to €1,000m. Approval was granted and lasts for 18 months. We estimate that if it was exercised at the current share price it would increase our Lafarge EPS estimates by 3%, and its end-2006 gearing to 99% and its end-2006 net debt to 2006 EBITDA to 3.0x.

Table 2: Potential impact of a €1bn share buy-back

€ million	2006E ¹	2007E		2006E ¹	2007E
Profit & loss account			Balance sheet		
Current estimate			Current estimate		
Earnings	1,126	1,182	Net debt (excluding additional acquisitions spend)	9,791	9,404
Shares	174	174	Equity (including minorities)	11,855	12,707
Reported EPS	6.47	6.79	EBITDA (excludes associates)	3,553	3,857
After €1bn share buy-back			Net debt / Equity	83%	74%
Revised earnings	1,086	1,140	Net debt / EBITDA	2.8	2.4
Shares	162	162	After €1bn share buy-back		
Revised EPS	6.69	7.02	Net debt (excluding additional acquisitions spend)	10,791	10,404
% change	3%	3%	Equity (including minorities)	10,855	11,707
			EBITDA	3,553	3,857
			Net debt / Equity	99%	89%
			Net debt / EBITDA	3.0	2.7

Source: JPMorgan estimates.

1. On a pro-forma full year basis

Our €105 DCF-based end-2007 price target

Price target on a DCF-basis of €105, +25%

Our DCF-based valuation for Lafarge is €105, 25% above the current share price.

Table 3: Calculation of Lafarge's current WACC

Debt risk-free rate	3.94%
plus: Credit spread	0.75%
= Cost of debt, pre-tax	4.69%
Tax rate	30%
Cost of debt, post-tax	3.28%
Equity risk-free rate	4.63%
Equity risk premium	5.01%
Beta	1.20
Cost of equity	10.65%
Net debt/Total capital	42%
WACC	7.52

Source: JPMorgan estimates.

Sensitivity analysis

Table 4 shows the sensitivity of our DCF valuation to our estimates of both Lafarge's WACC and the assumed terminal EBITDA margin.

Table 4: Implied share price sensitivity — WACC: Terminal EBITDA margin

		Terminal EBITDA margin				
		21.7%	22.2%	22.7%	23.2%	23.7%
WACC	7.02%	109.0	115.0	121.0	126.0	132.0
	7.27%	101.0	107.0	112.0	118.0	123.0
	7.52%	94.0	99.0	105.0	110.0	115.0
	7.77%	88.0	93.0	98.0	103.0	108.0
	8.02%	82.0	87.0	92.0	96.0	101.0

Source: JPMorgan estimates.

Risks to our rating and price target

Changes in our assumptions on cement prices and volumes are the main factors that could cause us to amend our estimate of Lafarge's mid-cycle margins. Other risks include renewed price weakness in US wallboard and a slower than expected recovery in German volumes and prices.

Table 5: Lafarge DCF

€m, year-end 31 December

	2004	2005	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	Terminal
Sales	14,436	15,969	17,074	17,893	18,857	19,921	20,718	21,546	22,407	23,303	24,234	25,203	25,707
% growth	5.7%	10.6%	6.9%	4.8%	5.4%	5.6%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	2.0%
EBITDA (including associates)	2,859	3,333	3,600	3,907	4,254	4,522	4,703	4,891	5,087	5,290	5,502	5,721	5,836
% margin	19.8%	20.9%	21.1%	21.8%	22.6%	22.7%	22.7%	22.7%	22.7%	22.7%	22.7%	22.7%	22.7%
EBITA (including associates)	1,955	2,360	2,535	2,767	3,033	3,207	3,324	3,445	3,572	3,703	3,840	3,983	4,068
% margin	13.5%	14.8%	14.8%	15.5%	16.1%	16.1%	16.0%	16.0%	15.9%	15.9%	15.8%	15.8%	15.8%
less: tax on EBITA	336	541	761	830	910	962	997	1,034	1,071	1,111	1,152	1,195	1,220
% tax rate	17.2%	22.9%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
= NOPAT	1,619	1,819	1,775	1,937	2,123	2,245	2,327	2,412	2,500	2,592	2,688	2,788	2,848
Net PP&E	10,641	12,171	13,022	13,950	15,029	15,764	16,526	17,316	18,137	18,989	19,873	20,202	20,538
Net PP&E % of sales	73.7%	76.2%	76.3%	78.0%	79.7%	79.1%	79.8%	80.4%	80.9%	81.5%	82.0%	80.2%	79.9%
Depreciation	904	973	1,065	1,139	1,221	1,315	1,379	1,446	1,515	1,587	1,662	1,739	1,768
% of previous year net PP&E	8.7%	9.1%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%
(Increase)/decrease in working capital	(123)	(802)	(83)	(9)	(23)	(223)	(167)	(174)	(181)	(188)	(196)	(203)	(106)
Working Capital as % of sales	21.1%	24.1%	23.0%	22.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Cap ex / acquisitions / disposals	(1,219)	(1,589)	(1,916)	(2,068)	(2,299)	(2,050)	(2,141)	(2,237)	(2,336)	(2,439)	(2,546)	(2,068)	(2,104)
% of sales	8.4%	10.0%	11.2%	11.6%	12.2%	10.3%	10.3%	10.4%	10.4%	10.5%	10.5%	8.2%	8.2%
Maintenance Capex	(772)	(790)	(905)	(969)	(1,038)	(1,118)	(1,172)	(1,229)	(1,288)	(1,349)	(1,412)	(1,478)	(1,503)
% of depreciation	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
Growth capex / acquisitions / disposals	(447)	(799)	(1,011)	(1,099)	(1,262)	(932)	(969)	(1,008)	(1,048)	(1,090)	(1,133)	(590)	(602)
Multiple of increase in sales in following year						1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17
= Cash flow	1,181	401	840	999	1,021	1,287	1,397	1,447	1,498	1,552	1,608	2,255	2,405
% margin	8.2%	2.5%	4.9%	5.6%	5.4%	6.5%	6.7%	6.7%	6.7%	6.7%	6.6%	8.9%	9.4%
= Cash flow for discounting			840	999	1,021	1,287	1,397	1,447	1,498	1,552	1,608	2,255	43,541
WACC (%)	7.52%												
Discount factor			1.00	1.08	1.16	1.24	1.34	1.44	1.55	1.66	1.79	1.92	2.07
Discounted cash flow			840	929	883	1,035	1,045	1,007	970	934	900	1,174	21,077
Enterprise value excl. investments	30,795												
plus: mkt. value of investments	481												
= Enterprise value (EV)	31,276												
less: net debt 2005	(7,221)												
less: unfunded pensions and other benefits	(1,359)												
less: minorities	(4,444)												
= Equity value	18,253												
Number of shares (mn)	174.2												
Implied share price (€)	105.0												
Current share price 14 June, 2006	84.3												
Implied price % of current price	125%												

Source: Datastream, Company data, JPMorgan estimates.

25% undervalued, 4 percentage points less than the sector

This 25% undervaluation is 4 percentage points less than our estimate of the average 29% upside for the 12 building materials companies followed by the author. As the upside is less than 10 percentage points below the sector average upside, we are retaining a Neutral rating on Lafarge.

Table 6: Summary of valuations/target prices and ratings

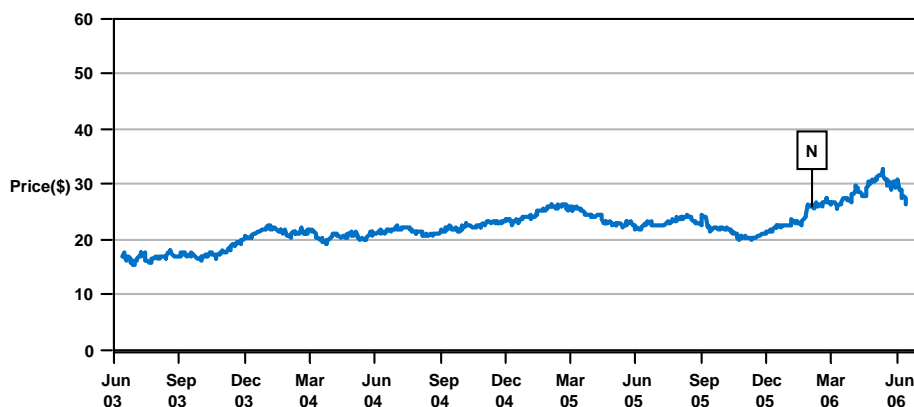
Sector/Company	Sector rec. ¹	Current price	Market Cap. (\$ mm)	2005E		2006E		2007E		Valuation ² / target price	Prem/Disc to current price	EV at valuation ³ / mid-cycle EBITDA
				P/E	EV/EBITDA	P/E	EV/EBITDA	P/E	EV/EBITDA			
Aggregates												
CRH	OW	€23.3	15,767	12.5	8.0	10.9	6.9	10.3	6.5	€30.0	29%	8.1
Hanson	UW	621p	8,230	12.6	8.1	11.7	7.1	11.3	7.2	643p	4%	7.4
Martin Marietta	OW	\$77.89	3,562	19.2	9.5	13.4	7.4	11.7	6.5	\$115.0	48%	9.5
Vulcan	OW	\$71.46	7,169	19.0	10.3	15.2	7.5	13.3	6.7	\$94.0	32%	9.1
Weighted average⁴				14.5	8.6	12.2	7.1	11.3	6.7		25%	8.3
Cement												
Buzzi Unicem Ords	N	€16.0	3,118	14.2	5.4	9.7	4.9	9.1	4.8	€21.5	34%	5.7
Buzzi Unicem Savings	N	€10.6	542	14.2	5.4	9.7	4.9	9.1	4.8	€14.3	35%	5.7
Cemex	OW	\$49.54	17,139	9.7	7.2	8.3	6.3	8.0	6.1	\$72.00	45%	8.2
Ciments Français	UW	€119.7	5,751	10.8	6.9	11.2	6.4	10.7	6.4	€120.0	0%	6.6
Holcim	OW	SF 86.4	17,605	12.4	7.6	10.7	7.0	10.5	6.4	SF 120.0	39%	7.9
Italcementi Ords	N	€17.8	3,906	11.2	6.9	10.3	6.0	9.2	5.7	€22.5	26%	7.0
Italcementi Savings	N	€11.9	1,576	11.2	6.9	10.3	6.0	9.2	5.7	€14.9	26%	7.0
Lafarge	N	€84.3	18,529	14.1	7.6	12.3	6.8	11.8	7.0	€105.0	25%	8.2
Titan Common	UW	€34.7	3,365	13.8	8.6	11.9	7.6	12.4	7.5	€39.6	14%	7.8
Titan Preference	UW	€32.5	310	13.8	8.6	11.9	7.6	12.4	7.5	€37.0	14%	7.8
Weighted average				12.1	7.3	10.6	6.6	10.2	6.4		31%	7.8
Glass												
Saint-Gobain	OW	€51.4	21,848	14.0	6.0	11.4	6.1	10.5	5.7	€66.0	28%	6.7
Building materials weighted average				13.2	7.5	11.2	6.7	10.6	6.4		29%	7.8

Source: Company data, Datastream, JPMorgan estimates.

1. Based on expected share price performance over the next 18 months relative to the sector. 2. Valuation is where, in current price terms, we would expect the shares to trade on average over the cycle. We are also using these valuations to establish our 18 month target prices. 3. No adjustment made for unfunded pension liabilities or asbestos. 4. By market capitalisation.

Note: Prices as of COB 14 June, 2006.

Lafarge (LR) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
31-Jan-06	N	25.91	-

Source: Reuters and JPMorgan; price data adjusted for stock splits and dividends.
This chart shows JPMorgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. As of Aug. 30, 2002, the firm discontinued price targets in all markets where they were used. They were reinstated at JPMSI as of May 19th, 2003, for Focus List (FL) and selected Latin stocks. For non-JPMSI covered stocks, price targets are required for regional FL stocks and may be set for other stocks at analysts' discretion.
JPMorgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

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Table 7: Summary financials

Profit & loss statement

(€, million)	FY03	FY04	FY05	FY06E	FY07E
Sales	13,658	14,436	15,969	17,083	17,905
EBITDA	2,942	3,178	3,333	3,601	3,908
Depreciation	(886)	(1,030)	(1,058)	(1,065)	(1,139)
Amort. of goodwill	(135)	0	0	0	0
EBIT	1,921	2,148	2,275	2,536	2,769
Net interest	(568)	(547)	(427)	(583)	(721)
Pre-tax profit	1,353	1,601	1,848	1,953	2,048
Tax	(425)	(267)	(424)	(586)	(614)
Associates	37				
Minority interests	(237)	(288)	(328)	(240)	(250)
NPAT before excep.	641	943	1,031	1,197	1,253
NPAT after excep.	728	1,046	1,096	1,127	1,183

Cash flow statement

(€, million)	FY03	FY04	FY05	FY06E	FY07E
Operating profit	2,056	1,955	2,237	2,489	2,719
Interest	(568)	(517)	(448)	(583)	(721)
Tax	(410)	(434)	(526)	(586)	(614)
Depreciation	886	904	1,058	1,065	1,139
Change in working capital	290	(377)	(352)	(85)	(10)
Other	0	0	(51)	0	0
Cash flow from ops	2,254	1,531	1,918	2,300	2,513
Capital expenditure	(864)	(1,133)	(1,454)	(1,597)	(1,595)
Dividends	(369)	(484)	(524)	(501)	(530)
Free cash flow	1,021	(86)	(60)	201	388
Acquisitions	(320)	(424)	(441)	(3,089)	(474)
Divestments	304	533	117	0	0
Cash (needed)/available	1,005	23	(384)	(2,889)	(86)
Change in equity	1,438	252	391	0	0
Exchange adjustments	668	111	(317)	0	0
Other	44	176	(412)	0	0
Dec/(inc) in net debt	3,155	562	(722)	(2,889)	(86)
Net debt at year-end	7,061	6,499	7,221	10,110	10,196

Balance sheet

(€, million)	FY03	FY04	FY05	FY06E	FY07E
Current assets	5,787	6,259	7,352	7,437	7,447
Tangible assets	10,402	10,587	12,171	13,021	13,951
Other fixed assets	8,646	7,654	8,372	9,852	9,852
Total assets	24,835	24,500	27,895	30,310	31,250
Short-term debt	(1,325)	(1,387)	(1,974)	(1,974)	(1,974)
Other current liabilities	(2,919)	(3,139)	(3,694)	(3,694)	(3,694)
Current liabilities	(4,244)	(4,526)	(5,668)	(5,668)	(5,668)
Long-term debt	(6,070)	(6,959)	(6,856)	(9,745)	(9,831)
Other long-term liabilities	(4,027)	(3,114)	(3,042)	(3,042)	(3,042)
Total liabilities	(14,341)	(14,599)	(15,566)	(18,455)	(18,541)
Total equity	10,494	9,901	12,329	11,856	12,709
Outside equity interests	(2,309)	(2,119)	(2,571)	(1,279)	(1,279)
Ordinary S/H Funds	8,185	7,782	9,758	10,576	11,430

Valuation ratios

(x)	FY03	FY04	FY05	FY06E	FY07E
P/E multiple	11.50	13.14	12.47	12.31	11.76
Price to book value	1.19	1.41	1.34	1.40	1.29
Price to cash flow	4.92	9.87	8.66	7.75	7.08
EBITDA multiple	6.0	7.3	6.9	6.8	7.0
EBIT multiple	8.6	10.7	10.3	9.8	10.1

Per share ratios

(€)	FY03	FY04	FY05	FY06E	FY07E
Normalised EPS	4.22	5.55	5.98	6.85	7.17
Normalised EPS pre-goodwill	5.07	5.55	5.98	6.85	7.17
Cash flow per share	15.23	9.10	11.18	13.20	14.42
Net tangible assets per share	53.07	53.81	61.65	67.55	72.43

Leverage

	FY03	FY04	FY05	FY06E	FY07E
Net debt/equity	67%	70%	59%	85%	80%
EBITDA/interest (x)	5.18	5.53	7.81	6.18	5.42
Payout ratio	55%	43%	43%	39%	40%

Source for all: Company reports and JPMorgan estimates.