

<b>Geberit</b>	<b>Buy</b>
Switzerland	
Building Suppliers	30-04-08

Bloomberg: GEBN SW Reuters:GEBN.VX SEDOL no:B1WGG93 CHF 160.10 on 29-04-08

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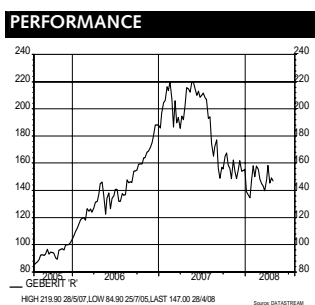
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## Off to a great start – new target price of CHF 185

Geberit has got off to an extremely good start to 2008, with its figures impressing us across the board. Even the most bullish expectations were exceeded. Management has clearly demonstrated that Geberit can achieve high profit margins even in a very tough market environment. The launch of key new products should enable the company to impress the financial community with strong figures once again in 2Q08. The simple fact of more favourable year-earlier comparatives means performance in 2H08 should be good too. Furthermore, the trend in the renovations market seems solid and thus our investment case remains positive. We are leaving our sales estimates for 2008 and 2009 unchanged (growth of 5.1% and 7.3% in CHF), though have slightly increased our earnings estimates by 4% and 5%, respectively. The valuation looks high at first glance, but this needs to be put into context. Drawing a historical comparison, the stock is trading around the same level as in 2002/03. The average valuation between 1999 and 2007 was 14.6x on an adjusted P/E basis and 9.4x on an EV/EBITDA basis. In tandem with the revision of our estimates we have also increased the upside target somewhat, from CHF 175 to CHF 185. Along with Holcim and Schindler, Geberit is one of our favourites in the Swiss construction sector and we confirm our Buy recommendation.

**Cash position growing steadily** Geberit boasts a comfortable financial cushion with its net liquidity position of CHF 52 mns (1Q07A: net debt of CHF 148.2 mns), which according to our estimates could amount to CHF 334 mns as early as 2009. So it is not surprising that the Executive Board has stated that they already have a list of potential takeover candidates.



**PER SHARE DATA**

Price target CHF	185.00
Price GEBN.VX on 29-04-08 CHF	160.10
No. of shares GEBN.VX in '000	41,748
Market cap. GEBN.VX (CHF mns)	6,684
Other market cap. (CHF mns)	0
Total market capitalization (CHF mns)	6,684
Free float %	100
Geberit (voting 5%)	5
Capital Group (voting 5%)	5
MFS Investment Mgmt (voting 3%)	3
Average daily trading volume (12 months)	220,946

**SHARE VALUATION**

CHF	2006	2007	2008E	2009E
EPS	8.53	11.1	11.0	11.9
EPS growth %	33	30	-1	9
P/E	18.8	14.4	14.6	13.4
CEPS	8.53	11.1	11.0	11.9
P/CE	18.8	14.4	14.6	13.4
Dividend	2.50	4.00	5.10	5.40
Dividend yield %	1.6	2.5	3.2	3.4
Book value	25.6	33.6	39.5	46.0
Price/Book	6.3	4.8	4.1	3.5
EV/EBITDA	12.0	10.2	9.5	8.5

**HIGH 12-month LOW**

221.30	129.20
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**BREAKDOWN**

Sales 2007	Share
- by sector	
Installation systems	34.8%
Drainage systems	15.3%
Flushing systems	9.9%
Water supply systems	29.7%
Other	10.3%
- by region	
Germany	33.1%
Italy	11.9%
Switzerland	11.5%
Rest of World	43.5%

**KEY DATA**

CHF mns	2007	2008E	2009E
Sales	2,487	2,615	2,805
EBIT	554	604	656
EBIT margin %	22.3	23.1	23.4
Shareholders' net profit	463	457	498
Return on equity %	33.0	27.7	25.9
Total assets	2,298	2,574	2,835
Equity	1,404	1,648	1,921
Equity ratio %	61.1	64.0	67.8
Interest-bearing debt	274	249	219
Cash	450	372	552
Operating cash flow	500	562	578
Capex	-104	-120	-130

**EXCESS PERFORMANCE**

	SPIX <sup>1</sup>	SMLCPSW <sup>2</sup>
3M	6.1%	0.2%
6M	19.6%	14.5%
12M	-3.6%	-10.3%

<sup>1</sup>SPI ex Div.

<sup>2</sup>Vontobel Small Caps Index

## Surprisingly strong profitability

**2008 first quarter earnings significantly above our estimates far exceeds the market consensus**

Our first-quarter estimates entailed a great deal of uncertainty, due not least to a shorter reporting period by two operating days on the one hand, and a great deal of difficulty caused by currency issues on the other, which makes us all the more pleased with the figures presented. Whereas sales were in line with our already high estimate, Geberit has beaten our earnings forecasts and those of the market by a considerable margin. The following table summarises the annual results published:

PUBLISHED RESULTS VERSUS VONTOBEL FORECASTS AND CONSENSUS													
In CHF mn	1Q07	2Q07	1H07	3Q07	9M07	4Q07	2H07	2007	1Q08E	1Q08A	diff%	cons 1Q08E	diff%
<b>Sales</b>	<b>676.2</b>	<b>635.0</b>	<b>1311.2</b>	<b>622.4</b>	<b>1933.6</b>	<b>553.2</b>	<b>1175.6</b>	<b>2486.8</b>	<b>642.2</b>	<b>643.1</b>	<b>0%</b>	<b>633.0</b>	<b>2%</b>
- change (%)	23.2	18.3	20.8	9.4	16.9	4.6	7.1	13.9	-5.0	-4.9		612-660	
- organic change in l.c. (%)	20.5	13.5	17.1	7.7	13.9	3.6	5.8	11.4	-1.5	-1.5			
- currency (%)									-1.9	-1.7			
- M&A (%)									-1.6	-1.7			
- as % FY sales	27.2	25.5	52.7	25.0	77.8	22.2	47.3	100.0	n.m.	n.m.			
<b>Net sales</b>	<b>574.5</b>	<b>536.4</b>	<b>1110.9</b>	<b>526.6</b>	<b>1637.5</b>	<b>466</b>	<b>993.0</b>	<b>2103.9</b>	<b>545.9</b>	<b>545.2</b>	<b>0%</b>		<b>n.a.</b>
- change (%)	23	17	20	10	17	5	8	14	-5	-5.1			
- as % of sales	85.0	84.5	84.7	84.6	84.7	84.3	84.5	84.6	85.0	84.8			
<b>COGS</b>	<b>-208.2</b>	<b>-208.5</b>	<b>-416.7</b>	<b>-200.3</b>	<b>-617.0</b>	<b>-165.9</b>	<b>-366.2</b>	<b>-782.9</b>	<b>-207.4</b>	<b>-191.9</b>	<b>-7%</b>		
<b>Gross profit</b>	<b>366.3</b>	<b>327.9</b>	<b>694.2</b>	<b>326.3</b>	<b>1020.5</b>	<b>300.5</b>	<b>626.8</b>	<b>1321.0</b>	<b>338.4</b>	<b>353.3</b>	<b>4%</b>		
- as % of pv	63.8	61.1	62.5	62.0	62.3	64.4	63.1	62.8	62.0	64.8			
<b>EBITDA</b>	<b>196.0</b>	<b>150.6</b>	<b>346.6</b>	<b>170.3</b>	<b>516.9</b>	<b>121.0</b>	<b>291.3</b>	<b>637.9</b>	<b>172.5</b>	<b>185.7</b>	<b>8%</b>	<b>172.0</b>	<b>8%</b>
- change (%)	26	2	15	7	12	13	9	12	-12	-5.3		155-184	
- as % of sales	29.0	23.7	26.4	27.4	26.7	21.9	24.8	25.7	26.9	28.9		27.2	
Amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
Depreciation	-20.7	-20.6	-41.3	-20.1	-61.4	-22.7	-42.8	-84.1	-20.5	-19.5	-5%		
- as % of sales	-3.1	-3.2	-3.1	-3.2	-3.2	-4.1	-3.6	-3.4	-3.2	-3.0			
<b>Operating profit</b>	<b>175.3</b>	<b>130.0</b>	<b>305.3</b>	<b>150.2</b>	<b>455.5</b>	<b>98.3</b>	<b>248.5</b>	<b>553.8</b>	<b>152.0</b>	<b>166.2</b>	<b>9%</b>	<b>151.0</b>	<b>10%</b>
- change (%)	32	2	17	9	14	18	12	15	-13	-5.2		133-164	
- as % of sales	25.9	20.5	23.3	24.1	23.6	17.8	21.1	22.3	23.7	25.8		23.9	
Financial result	-3.6	-3.5	-7.1	-3.4	-10.5	-0.9	-4.3	-11.4	-3.5	2.6			
Non operating result	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
<b>Pretax profit</b>	<b>171.7</b>	<b>126.5</b>	<b>298.2</b>	<b>146.8</b>	<b>445.0</b>	<b>97.4</b>	<b>244.2</b>	<b>542.4</b>	<b>148.5</b>	<b>168.8</b>	<b>14%</b>	<b>145.0</b>	<b>16%</b>
- change (%)	33	3	19	9.4	15	21	14	16.4	-14	-1.7		132-154	
- as % of sales	25.4	19.9	22.7	23.6	23.0	17.6	20.8	21.8	23.1	26.2		22.9	
Exceptionals	0.0	0.0	0.0	38.6	38.6	10.2	0.0	48.8	0.0	0.0			
Taxes	-41.7	-28.7	-70.4	-37.5	-107.9	-20.0	-57.5	-127.9	-34.9	-38.5			
- tax rate (%)	24.3	22.7	23.6	25.5	24.2	20.5	23.5	23.6	23.5	23.5			
<b>Group profit</b>	<b>130.0</b>	<b>97.8</b>	<b>227.8</b>	<b>147.9</b>	<b>375.7</b>	<b>87.6</b>	<b>235.5</b>	<b>463.3</b>	<b>113.6</b>	<b>130.3</b>	<b>15%</b>	<b>114.0</b>	<b>14%</b>
- change (%)	36	7	21.6	39	28	42	40	31	-13	0.2		100-125	
- as % of sales	22.6	15.4	17.4	23.8	19.4	15.8	20.0	18.6	17.7	20.3		18.0	
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
<b>Shareholder profit</b>	<b>130.0</b>	<b>97.8</b>	<b>227.8</b>	<b>147.9</b>	<b>375.7</b>	<b>87.6</b>	<b>235.5</b>	<b>463.3</b>	<b>113.6</b>	<b>130.3</b>	<b>15%</b>		
- change (%)	36.1	6.5	21.6	39.3	28.0	42	40	30.5	-13	0.2			
- as % of sales	19.2	15.4	17.4	23.8	19.4	15.8	20.0	18.6	17.7	20.3			

Source: Vontobel Equity Research

**Asymmetrical sales and earnings trends thanks to stringent cost management and favourable product mix**

### Profit margins maintained at high levels

Despite the decline in sales (-1.5% organic and currency-adjusted), Geberit was able to keep margins at the very high levels of the previous year (EBITDA margins of 28.9% vs. 29.0% in 1Q07A). This was possible thanks to very strict cost management and the continued favourable product mix. Moreover, the company was able to profit from selective price increases carried out in the second half of 2007, which had a positive effect in 1Q08. We had anticipated a positive price effect, though not to this extent. During the period under review, Geberit made no extraordinary price adjustments. On the bottom line, the

positive financial result (CHF 2.6 mn vs. CHF 3.6 mn in 1Q07A) and lower tax rate (22.8% vs. 24.3% in 1Q07A) also had a positive effect on net profit.

**Decline in Europe in line with expectations, performance in the US slightly better than forecasted**

As expected, detailed information about sales in individual countries was not disclosed. Broken down by region, Geberit posted the following growth rates in 1Q08 (adjusted for acquisitions and currency effects):

- European countries -2.3% -> below the medium-term growth target, but in line with our expectations. France and the UK seem to have continued posting high growth. In contrast, Germany and Switzerland turned in negative performances. Central/eastern Europe (especially Poland) is likely to have continued growing at a strong pace.
- US -0.4% -> surprisingly good despite the very unfavourable market environment.
- Far East/Pacific +34.6% -> continued impressive growth in line with our expectations.
- Middle East/Africa +13.4% -> slowing of growth momentum, which is nevertheless not much of a factor.

## Outlook and forecasts

**As expected, no explicit targets for 2008**

**Renovations market surprisingly solid**

As expected, Geberit has not given any explicit guidance for the current year. Thus the medium- to long-term targets continue to apply (sales growth of 4-6%, EBITDA margins of 23-25%). As anticipated, the company confirms that momentum has slowed in certain European countries but that because growth remains high in eastern Europe, the Middle East and Asia, it can compensate for the decline in sales in certain mature markets.

**Solid renovation market as primary support**

Interestingly, the management confirmed that in the key Italian market the new residential building market segment is still in decline in 2008, though the renovation market is likely to post a stable or even positive performance. This indication is in line with Euroconstruct forecasts, which anticipate further growth in the renovation market for residential housing in all European countries for 2008 – a particularly important market for Geberit. However, new residential building in Germany, the UK, Ireland, Spain and Scandinavia is likely to decline. This is also in line with our expectations. No positive trend reversal is likely in North America.

**5% growth in 2008 entirely realistic, according to our estimates**

**Earnings forecasts raised slightly**

We leave our earnings estimates unchanged. We forecast total revenues on the order of CHF 2.61 bn in 2008, which would amount to 5.1% growth in CHF. We are expecting sales growth of 7.3% up to CHF 2.81 bn for 2009. On the other hand we have slightly raised our earnings estimates. The new products currently being introduced on a broad basis have met with strong interest in the various sales markets. The feedback received to date has been very positive. This is likely to have a positive impact on both sales and earnings. In addition, the

company appears to have the rising costs of raw materials under control. Further price increases on the existing product range could be implemented if prices of raw materials do not ease. Higher input costs can be passed onto customers within 4 to 5 months.

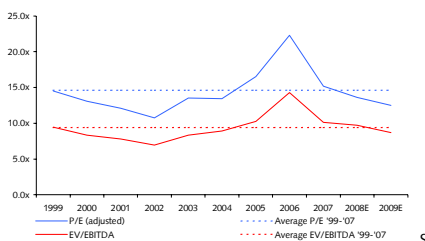
ESTIMATES REVISION			
CHFmn	2007	2008E	2009E
<b>Sales</b>			
Old	2487	2615	2805
New	2487	2615	2805
Diff. %	0.0	0.0	0.0
<b>EBIT</b>			
Old	554	587	630
- margin	22.3	22.4	22.5
New	554	604	656
- margin	22.3	23.1	23.4
Diff. %	0.0	3.0	4.1
<b>Net profit</b>			
Old	463	440	475
New	463	457	498
Diff. %	0.0	3.8	4.9
<b>Op. cash flow p.s.</b>			
Old	12.0	13.1	13.3
New	12.0	13.5	13.8
Diff. %	0.0	3.1	4.2
<b>Cash</b>			
Old	450	356	513
New	450	372	552
Diff. %	0.0	4.7	7.8

Source: Vontobel Equity Research

The strategy pursued in 2007 of lowering prices to increase market share (which negatively impacted margins) will not be implemented in 2Q08. Management is therefore confident that margins can be kept at a high level, even if it was expressly mentioned that the cost structure was already very lean and margin improvements unlikely. We have therefore raised our EBIT forecasts for 2008 and 2009 by 3% and 4%. This is equivalent to a margin of 23.1% and 23.4% of sales. Based on a tax rate of 23% this results in an increase in our earnings forecasts of 3.8% and 4.9% for 2008 and 2009 respectively.

Geberit boasts a comfortable financial cushion in its net liquidity position of CHF 52 mn (1Q07A: net debt of CHF 148.2 mn), which according to our estimates could amount to CHF 334 mn as early as 2009. So it is not surprising that the Executive Board has stated that they already have a list of potential takeover candidates. The combination of a strategically relevant acquisition (despite possible dilution effects) and a share buyback program would be best from an investor point of view, and as announced, the latter is already being carried out. Overall, Geberit has bought back shares amounting to about 60% (i.e. around 1,250,000 shares) of the target volume of 5% of equity capital through this program to date.

#### HISTORICAL VALUATION



Source: Vontobel Equity Research

Management will probably provide explicit guidance for the full business year on 12 August 2008 in the interim results for the first half. Until then we are confident that Geberit will perform well and thus confirm our Buy recommendation. The average valuation between 1999 and 2007 was 14.6x on an adjusted P/E basis and 9.4x on an EV/EBITDA basis. This means that with an adjusted P/E 09E of 12.5x (13.4X unadjusted) and EV/EBITDA 09E of 8.5x, Geberit is more attractively priced than at any time since 2002/2003. An investment in Geberit is also very appealing in light of an ROE of 27.9%, ROCE of 38.3% and FCF yield of 6.7% on 09E basis.

<b>INCOME STATEMENT</b>									
In CHF mn	FY to Dec. 31	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Revenues (gross)</b>		<b>1,273.0</b>	<b>1,403.9</b>	<b>1,906.8</b>	<b>1,922.9</b>	<b>2,183.5</b>	<b>2,486.8</b>	<b>2,614.6</b>	<b>2,805.4</b>
Discounts		-167.3	-194.3	-253.4	-282.7	-334.8	-382.9	-402.6	-432.0
<b>Production value (PV)</b>	=	<b>1,105.7</b>	<b>1,209.6</b>	<b>1,653.4</b>	<b>1,640.2</b>	<b>1,848.7</b>	<b>2,103.9</b>	<b>2,212.0</b>	<b>2,373.4</b>
Cost of goods sold		-362.9	-396.8	-570.9	-580.3	-634.5	-782.9	-805.2	-859.2
<b>Gross profit</b>	=	<b>742.8</b>	<b>812.8</b>	<b>1,082.5</b>	<b>1,059.9</b>	<b>1,214.2</b>	<b>1,321.0</b>	<b>1,406.9</b>	<b>1,514.3</b>
Payroll expenses		-325.9	-346.0	-441.1	-418.5	-442.3	-467.4	-488.9	-522.2
Other operating expenses		-121.2	-137.0	-188.0	-185.5	-202.8	-215.7	-227.8	-242.1
<b>Total operating expenses</b>	=	<b>-447.1</b>	<b>-483.0</b>	<b>-629.1</b>	<b>-604.0</b>	<b>-645.1</b>	<b>-683.1</b>	<b>-716.7</b>	<b>-764.2</b>
<b>EBITDA</b>	=	<b>295.7</b>	<b>329.8</b>	<b>453.4</b>	<b>455.9</b>	<b>569.1</b>	<b>637.9</b>	<b>690.2</b>	<b>750.0</b>
Depreciation & amortization		-109.4	-123.4	-147.9	-89.0	-86.9	-84.1	-85.9	-93.7
-Depreciation		-73.2	-83.8	-84.5	-75.8	-76.9	-75.1	-76.9	-84.7
-Goodwill amortization		-36.2	-39.6	-63.4	-13.2	-10.0	-9.0	-9.0	-9.0
<b>EBIT</b>	=	<b>186.3</b>	<b>206.4</b>	<b>305.5</b>	<b>366.9</b>	<b>482.2</b>	<b>553.8</b>	<b>604.3</b>	<b>656.3</b>
Associates		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest income/expenses (net)		-22.9	-23.4	-30.0	-17.2	-16.3	-11.4	-10.1	-8.4
-Interest income		3.0	2.2	1.6	4.1	4.8	7.8	7.5	7.8
-Interest expenses		-20.7	-18.7	-26.6	-21.1	-17.0	-14.7	-13.1	-11.7
Other income/expenses		-5.2	-6.9	-5.0	-0.2	-4.1	-4.5	-4.5	-4.5
<b>EBT recurring</b>	=	<b>163.4</b>	<b>183.0</b>	<b>275.5</b>	<b>349.7</b>	<b>465.9</b>	<b>542.4</b>	<b>594.2</b>	<b>647.9</b>
Nonrecurring items (net)		0.0	0.0	0.0	2.5	0.0	48.8	0.0	0.0
<b>Pretax profit</b>	=	<b>163.4</b>	<b>183.0</b>	<b>275.5</b>	<b>352.2</b>	<b>465.9</b>	<b>591.2</b>	<b>594.2</b>	<b>647.9</b>
Taxes		-43.7	-34.1	-81.1	-89.7	-110.9	-127.9	-137.3	-149.7
<b>Net Group profit</b>	=	<b>119.7</b>	<b>148.9</b>	<b>194.4</b>	<b>262.5</b>	<b>355.0</b>	<b>463.3</b>	<b>457.0</b>	<b>498.3</b>
Minority interests		-1.6	-1.9	-0.7	0.0	0.0	0.0	0.0	0.0
<b>Net profit</b>	=	<b>118.1</b>	<b>147.0</b>	<b>193.7</b>	<b>262.5</b>	<b>355.0</b>	<b>463.3</b>	<b>457.0</b>	<b>498.3</b>
Adjusted net profit		154.3	186.6	257.1	273.2	365.0	423.5	466.0	507.3

<b>Growth</b>		2002	2003	2004	2005	2006	2007	2008E	2009E
Revenues (net)	%	9.1	9.4	36.7	-0.8	12.7	13.8	5.1	7.3
Gross profit	%	8.8	9.4	33.2	-2.1	14.6	8.8	6.5	7.6
EBITDA	%	13.0	11.5	37.5	0.6	24.8	12.1	8.2	8.7
EBIT	%	18.6	10.8	48.0	20.1	31.4	14.8	9.1	8.6
Net profit (adjusted)	%	20.8	20.9	37.8	6.3	33.6	16.0	10.0	8.9

<b>Margin analysis</b>		2002	2003	2004	2005	2006	2007	2008E	2009E
Cost of goods sold	%	32.8	32.8	34.5	35.4	34.3	37.2	36.4	36.2
Gross margin	%	67.2	67.2	65.5	64.6	65.7	62.8	63.6	63.8
Payroll expenses/PV	%	29.5	28.6	26.7	25.5	23.9	22.2	22.1	22.0
Other op. expenses/PV	%	11.0	11.3	11.4	11.3	11.0	10.3	10.3	10.2
<b>EBITDA margin</b>	%	<b>23.2</b>	<b>23.5</b>	<b>23.8</b>	<b>23.7</b>	<b>26.1</b>	<b>25.7</b>	<b>26.4</b>	<b>26.7</b>
Depreciation/net fixed assets	%	14.9	17.1	15.7	14.3	14.4	14.2	14.2	14.2
Amortization/goodwill	%	7.1	8.4	7.2	1.6	1.2	1.1	1.1	1.1
<b>EBIT margin</b>	%	<b>14.6</b>	<b>14.7</b>	<b>16.0</b>	<b>19.1</b>	<b>22.1</b>	<b>22.3</b>	<b>23.1</b>	<b>23.4</b>
Adjusted tax rate	%	22.5	15.8	24.3	24.7	23.5	23.4	23.1	23.1
<b>Net profit margin (adjusted)</b>	%	<b>14.0</b>	<b>15.4</b>	<b>15.5</b>	<b>16.7</b>	<b>19.7</b>	<b>20.1</b>	<b>21.1</b>	<b>21.4</b>

Quelle: Vontobel Equity Research

PER SHARE DATA									
Per-share data		2002	2003	2004	2005	2006	2007	2008E	2009E
EPS (reported)	CHF	2.8	3.5	4.7	6.3	8.5	11.1	10.9	11.9
EPS (adjusted)	CHF	3.7	4.5	6.2	6.3	8.4	10.2	11.7	12.8
EBITDA	CHF	7.1	7.9	10.9	11.0	13.7	15.3	16.5	18.0
EBIT	CHF	4.5	5.0	7.3	8.8	11.6	13.3	14.5	15.7
Cash flow	CHF	5.8	6.4	8.7	8.7	10.3	13.2	12.8	13.9
Op. cash flow	CHF	6.2	6.6	8.9	8.7	10.1	12.0	13.5	13.8
Op. free cash flow	CHF	4.8	5.0	6.8	6.8	8.1	9.5	10.6	10.7
BVPS (reported)	CHF	15.1	17.8	19.6	23.0	25.6	33.7	39.5	46.0
BVPS (adjusted)	CHF	2.9	6.5	-1.5	3.4	5.6	13.9	15.8	22.9
Average financial position	CHF	-7.1	-2.8	-10.9	-5.1	-3.4	4.2	3.0	8.0
Enterprise value	CHF	49.4	66.3	97.1	112.5	195.3	155.3	160.9	155.9
Dividend	CHF	11.0	14.0	17.0	22.0	25.0	4.0	5.1	5.4
Payout	%	38.7	39.6	36.5	34.9	29.3	36.0	46.6	45.2

Quelle: Vontobel Equity Research

CASH FLOW STATEMENT									
In CHF mn	FY to Dec. 31	2002	2003	2004	2005	2006	2007	2008E	2009E
Net profit before minority interests		119.7	148.9	194.4	262.5	355.0	463.3	457.0	498.3
Depreciation		73.2	83.8	84.5	75.8	76.9	75.1	76.9	84.7
Amortization of goodwill		36.2	39.6	63.4	13.2	10.0	9.0	9.0	9.0
Inc. (+)/dec. (-) in deferred taxes		12.9	-5.7	19.0	9.1	-12.2	1.4	-10.0	-10.0
<b>Cash flow</b>		<b>242.0</b>	<b>266.6</b>	<b>361.3</b>	<b>360.6</b>	<b>429.7</b>	<b>548.8</b>	<b>532.8</b>	<b>581.9</b>
Inc. (-)/dec. (+) in NWC		15.4	9.2	8.4	1.9	-10.1	-49.1	29.3	-4.4
<b>Operating cash flow</b>		<b>257.4</b>	<b>275.8</b>	<b>369.7</b>	<b>362.5</b>	<b>419.6</b>	<b>499.7</b>	<b>562.1</b>	<b>577.5</b>
Maintenance capital expenditure (-)		-59.6	-69.8	-87.8	-79.5	-81.3	-103.5	-120.0	-130.0
<b>Operating free cash flow</b>		<b>197.8</b>	<b>206.0</b>	<b>281.9</b>	<b>283.0</b>	<b>338.3</b>	<b>396.2</b>	<b>442.1</b>	<b>447.5</b>
Invest. (-)/disp. (+) of fixed assets		-14.5	-2.6	-574.2	69.9	-0.9	-14.7	-12.0	-12.0
Invest. (-)/disp. (+) of goodwill		-11.1	1.7	9.2	6.3	2.6	13.6	0.0	0.0
Invest. (-)/disp. (+) of associates							103.2	0.0	0.0
Invest. (-)/disp. (+) of non-core assets		1.9	0.2	2.6	2.8	2.4	12.7	0.0	0.0
<b>CF from (used for) investing activities</b>		<b>-23.7</b>	<b>-0.7</b>	<b>-562.4</b>	<b>79.0</b>	<b>4.1</b>	<b>114.8</b>	<b>-12.0</b>	<b>-12.0</b>
Dividend paid (-)		-41.0	-56.6	-69.6	-90.3	-101.5	-159.0	-212.9	-225.4
Inc. (+)/dec. (-) in short-term debt			-10.0	-0.7	45.5	-48.1	0.0	0.0	0.0
Inc. (+)/dec. (-) in long-term debt		-10.0	-60.0	270.3	-214.5	-17.5	-23.4	-25.0	-30.0
Inc. (-)/dec. (+) of mark. securities					-14.5	-188.1	-15.4	-270.0	0.0
<b>CF from (used for) financing activities</b>		<b>-51.0</b>	<b>-126.6</b>	<b>200.0</b>	<b>-273.8</b>	<b>-355.2</b>	<b>-197.8</b>	<b>-507.9</b>	<b>-255.4</b>
Translation difference/other items				-19.2	7.8	15.2	-45.5	0.0	0.0
<b>Increase (+)/decrease (-) in cash</b>		<b>123.1</b>	<b>78.7</b>	<b>-99.7</b>	<b>96.0</b>	<b>2.4</b>	<b>267.7</b>	<b>-77.8</b>	<b>180.1</b>

#### Cash flow Analysis

Cash flow margins		2002	2003	2004	2005	2006	2007	2008E	2009E
Cash flow margin	%	21.9	22.0	21.9	22.0	23.2	26.1	24.1	24.5
Operating cash flow margin	%	23.3	22.8	22.4	22.1	22.7	23.8	25.4	24.3
Operating free cash flow margin	%	17.9	17.0	17.0	17.3	18.3	18.8	20.0	18.9
Capex/revenues	%	5.4	5.8	5.3	4.8	4.4	4.9	5.4	5.5
Capex/depreciation	%	81.4	83.3	103.9	104.9	105.7	137.8	156.1	153.5

Quelle: Vontobel Equity Research

**BALANCE SHEET**

In CHF mn FY to Dec. 31	2002	2003	2004	2005	2006	2007	2008E	2009E
Cash and cash equivalent	137.5	181.3	81.6	180.0	182.4	450.1	372.3	552.4
Inventories	125.3	117.0	197.9	177.3	199.8	226.3	236.4	253.6
Trade and other receivables	111.6	122.3	158.5	153.0	167.8	178.9	206.1	221.1
<b>Current assets</b>	<b>374.4</b>	<b>420.6</b>	<b>438.0</b>	<b>510.3</b>	<b>550.0</b>	<b>855.3</b>	<b>814.7</b>	<b>1,027.1</b>
Net fixed assets	492.0	490.9	538.8	528.3	533.9	529.3	584.4	641.7
Goodwill	510.3	469.7	878.8	812.4	825.1	828.8	819.8	810.8
Associates	123.5	126.6	81.5	95.6	101.7	84.9	84.9	84.9
Non-core assets	0.0	0.0	0.0	0.0	0.0	0.0	270.0	270.0
<b>Long-term assets</b>	<b>1,125.8</b>	<b>1,087.2</b>	<b>1,499.1</b>	<b>1,436.3</b>	<b>1,460.7</b>	<b>1,443.0</b>	<b>1,759.1</b>	<b>1,807.4</b>
<b>Total assets</b>	<b>1,500</b>	<b>1,508</b>	<b>1,937</b>	<b>1,947</b>	<b>2,011</b>	<b>2,298</b>	<b>2,574</b>	<b>2,835</b>

In CHF mn FY to Dec. 31	2002	2003	2004	2005	2006	2007	2008E	2009E
Trade and other payables	67.3	76.1	91.2	94.3	102.4	93.3	121.2	130.1
Short-term interest-bearing debt	64.5	3.6	3.6	49.4	14.7	2.9	2.9	2.9
Other current liabilities	127.1	143.0	222.2	204.2	212.6	222.0	260.6	279.6
<b>Current liabilities</b>	<b>258.9</b>	<b>222.7</b>	<b>317.0</b>	<b>347.9</b>	<b>329.7</b>	<b>318.2</b>	<b>384.7</b>	<b>412.6</b>
Long-term interest-bearing debt	367.5	293.6	531.7	344.0	308.4	271.0	246.0	216.0
Pension provisions	91.9	102.0	125.4	141.9	152.8	156.9	156.9	156.9
Deferred taxes	120.2	102.7	98.3	98.3	88.8	80.1	70.1	60.1
Other provisions	19.4	36.4	47.9	56.5	65.1	67.7	67.7	67.7
<b>Long-term liabilities</b>	<b>599.0</b>	<b>534.7</b>	<b>803.3</b>	<b>640.7</b>	<b>615.1</b>	<b>575.7</b>	<b>540.7</b>	<b>500.7</b>
<b>Shareholders' equity</b>	<b>630.2</b>	<b>739.0</b>	<b>816.5</b>	<b>958.0</b>	<b>1,065.9</b>	<b>1,404.4</b>	<b>1,648.4</b>	<b>1,921.3</b>
Minority interests	12.1	11.4	0.3	0.0	0.0	0.0	0.0	0.0
<b>Equity &amp; l.t. liabilities</b>	<b>1,241.3</b>	<b>1,285.1</b>	<b>1,620.1</b>	<b>1,598.7</b>	<b>1,681.0</b>	<b>1,980.1</b>	<b>2,189.1</b>	<b>2,422.0</b>
<b>Total liabilities &amp; equity</b>	<b>1,500</b>	<b>1,508</b>	<b>1,937</b>	<b>1,947</b>	<b>2,011</b>	<b>2,298</b>	<b>2,574</b>	<b>2,835</b>

**Balance Sheet Analysis**

Working capital analysis		2002	2003	2004	2005	2006	2007	2008E	2009E
Net working capital (NWC)	CHF mn	42.5	20.2	43.0	31.8	52.6	89.9	60.6	65.0
NWC/revenues	%	3.8	1.7	2.6	1.9	2.8	4.3	2.7	2.7
Working capital	days	14	6	9	7	10	15	10	10
Inventory	days	41	35	43	39	39	39	39	39
Receivables	days	36	36	35	34	33	31	34	34
Payables	days	22	23	20	21	20	16	20	20
Other current liabilities	days	41	43	48	45	41	38	43	43

Capital structure		2002	2003	2004	2005	2006	2007	2008E	2009E
Average equity	CHF mn	588.5	684.6	777.8	887.3	1,012.0	1,235.2	1,526.4	1,784.9
Financial position	CHF mn	-294.5	-115.9	-453.7	-213.4	-140.7	176.2	123.4	333.5
Average financial position	CHF mn	-349.2	-205.2	-284.8	-333.6	-177.1	17.8	329.0	672.5
Capital employed	CHF mn	1,028.7	968.3	1,395.9	1,313.3	1,359.4	1,385.1	1,681.9	1,744.7
Average capital employed	CHF mn	1,035.9	998.5	1,182.1	1,354.6	1,336.4	1,372.3	1,533.5	1,713.3
Equity/total assets	%	42.8	49.8	42.2	49.2	53.0	61.1	64.0	67.8
Net debt/equity (year-end)	%	46.7	15.7	55.6	22.3	13.2	-12.5	-7.5	-17.4
Return on financial position	%	4.4	5.1	6.4	4.5	4.7	4.9	5.0	5.0

Quelle: Vontobel Equity Research

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## Vontobel Research

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