Equity Research
Midcaps

GFK

Media / Germany

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Update - Midcaps

8 January 2008

Stock vs Sector	**Outperform**
Sector vs Market	**Neutral**
Price (7 January 2008)	**EUR25.0**
Target price	**EUR39.0 (+56%)**

Market cap./Free float (EURm)	887.2/379.7
EV (EURm)	1,281.7
12-month high/low (EUR)	39.6/25.7
Reuters/Bloomberg	GFKG.DE/GFK GY
DJ STOXX50	3,593.6

Per share data (EUR)	**12/06**	**12/07e**	**12/08e**	**12/09e**
EPS restated	2.40	2.48	2.75	3.07
EPS reported	1.86	2.06	2.38	2.71
EPS (IBES)	1.86	2.14	2.44	2.71
CFPS	3.31	3.55	3.91	4.25
Net dividend	0.36	0.40	0.46	0.52

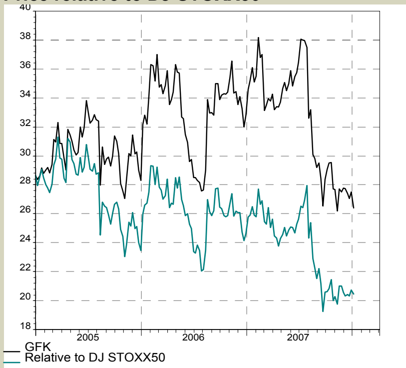
Stockmarket ratios*	**12/06**	**12/07e**	**12/08e**	**12/09e**
P/E (x)	13.8	13.2	9.1	8.1
P/E rel.DJ STOXX50 (%)	124.3	120.9	88.7	86.2
P/CF (x)	10.0	9.2	6.4	5.9
P/BV (x)	2.6	2.3	1.5	1.3
Net yield (%)	1.1	1.2	1.8	2.1
EV/Sales (x)	1.6	1.4	1.1	0.9
EV/EBITDA (x)	9.5	8.8	6.3	5.5
EV/EBIT (x)	11.8	10.7	7.8	6.6

** Yearly average prices for FY to end-12/06, 12/07*

P&L highlights (EURm)	**12/06**	**12/07e**	**12/08e**	**12/09e**
Sales	1,112	1,157	1,206	1,259
Restated EBIT	148	153	165	179
Attrib. net profit (adj.)	85.6	90.5	101	113

Performance (%)	**1w**	**1m**	**3m**	**12m**
Absolute	(4)	(3)	(9)	(23)
Rel. Media	0	(1)	1	(13)
Rel. DJ STOXX50	(1)	0	(1)	(19)

Price relative to DJ STOXX50



Source: Datastream

Please refer to important disclosures at the end of this report.

Catalysts ahead to revamp status

► First Investors' Day on 15 Jan. to shed light on GfK's solid prospects

With macro visibility deteriorating, the event should spotlight GfK's solid fundamentals. GfK has limited exposure to America (24% of EBIT) and boasts defensive characteristics. We expect a particular emphasis on the quality of GfK Retail and Technology (43% of EBIT: fast growth, operating leverage and a monopoly) and the Media business (16% of EBIT: long-term contracts and technological edge). It should also highlight GfK's efforts to reorganise the US Custom Research business and become recognised as a truly global player.

► Good FY07 results and 2008 guidance expected on 28 February

Given the good 9M07 results and strong order book, GfK is on track to deliver, and even to beat, its FY07 guidance (Exane: 5.3% organic growth, 13.4% EBIT margin, EUR100m in FCF). This would definitely be a pleasant surprise after the warning issued in Q2. Moreover, despite a more difficult environment, we still expect reassuring FY08 guidance; we forecast 4.4% organic growth (vs 5.7% previously) and a 13.9% EBIT margin (+50bp yoy, unchanged).

► Attractive valuation: 7.8x FY08e EV/EBIT, 11.6% FY08e FCF yield

After a 28% decline in the past six months (-14% vs DJ Stoxx Media), the stock is trading at historical lows, with an 11.6% FCF yield in FY08e versus a cost of equity at 9.6%. This implies a 2% annual decline in FCF to perpetuity, which seems excessive. In current trading conditions, the share's low liquidity deserves a discount. This in no way changes the appeal of the GfK case: our new target price of EUR39 (15% discount to our unchanged DCF-based value of EUR46) still presents a very comfortable 56% upside.

Delphine Dahirel & Charles Bedouelle

Sami Kassab
London: +44 20 7039 9448
sami.kassab@exanebnpparibas.com

Charles Bedouelle
Paris: +33 1 42 99 24 55
charles.bedouelle@exanebnpparibas.com

Delphine Dahirel
Paris: +33 1 42 99 25 34
delphine.dahirel@exanebnpparibas.com

Nicolas Gindre
Paris: +33 1 42 99 52 66
nicolas.gindre@exanebnpparibas.com

EXANE BNP PARIBAS

Contents

Investment case

In this report, we revisit our investment case on GfK ahead of the company's first ever Investors' Day on 15 January. We advise investors to enter the stock now (rated Outperform, EUR39 target price) for the four reasons outlined below.

First trigger: First ever Capital Market day to be held in Frankfurt on 15 January to shed light on GfK's solid growth prospects

This first Investors' Day is part of the efforts made by management since last summer's share price tumble to improve financial communication and restore investors' confidence. The event is expected to flag the company's growth prospects division by division, and in particular:

1) the improved positioning of Retail and Technology on a market in which it now enjoys a virtual monopoly that should enable the division to maintain its strong organic growth (8%-12%) and further widen its margin (the IT platform has now been rolled out globally and dimensioned to receive much more data);

2) the quality of the Media business (with its long-term audience measurement contracts and technological edge).

We believe management will also emphasise the potential for improvement in Custom Research (in which efforts are being made to become a truly global player and finalise the restructuring of the US business), Healthcare (there is a new management team in the UK) and Consumer Tracking. This should prompt some investors to better differentiate the businesses at GfK and to adopt more of a SOP approach, which should result, in particular, in a better valuation of the Retail and Technology and the Media divisions.

Second trigger: Good FY07 results and 2008 guidance expected on 28 February

The 9M 07 results together with the strong order book announced at the end of October (95.6% of target sales invoiced versus 93% a year ago) bolster our confidence that GfK is well on track to deliver on its FY guidance and could even surprise on the upside when it releases its FY07 results on 28 February. This would be especially welcome news after a bumpy 2007 in which the company lost an automotive contract expected to generate EUR5m of EBIT (shaving the EBIT margin by an estimated 40bp) and was forced to issue a profit warning in Q2. The FY07 publication should confirm the booming performance of the Retail and Technology division and the group's strong cash flow generation (FCF could well exceed EUR100m in FY07). As visibility on the macro side is deteriorating, especially in the US, we stick to our view that market research will gradually emerge as an attractive defensive sector in 2008. GfK has limited exposure to the US, making only 24% its EBIT in America, and is one of the most defensive players, with 70% of its EBIT stemming from the panel business (sales tracking, audience measurement and so on). This should be reflected in reassuring guidance for FY08, which management will also put forward on 28 February. After adjusting for a more cautious macro scenario, we forecast 4.4% organic growth (versus 5.7% previously) and a 50bp rise in the EBIT margin to 13.9% (unchanged), i.e. a 12% increase in restated attributable net income after only 6% in FY07. The main growth drivers in 2008 should be the reorganisation and investments made in 2007 in Custom Research, the non-recurrence of exceptional investments in Media and the fruits of the restructuring in Healthcare in the UK.

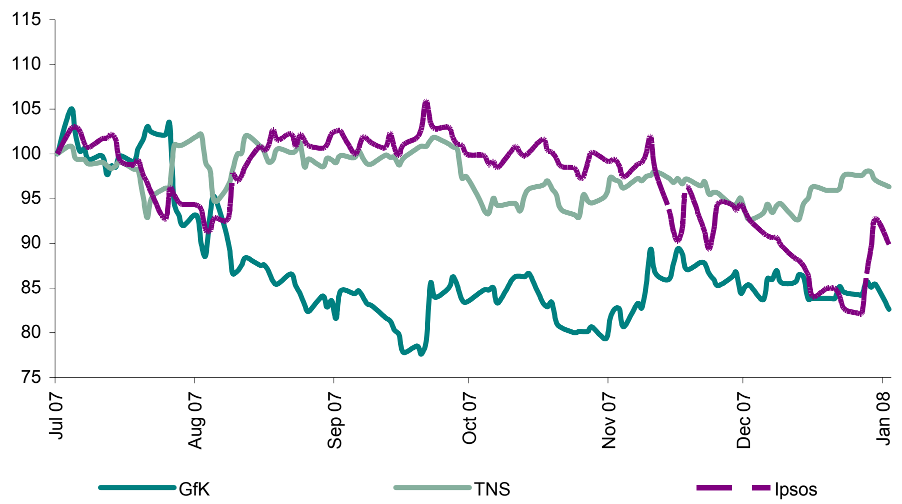
Third trigger: a further improvement in financial communication

One improvement management is likely to make, possibly in the next few months, is to report "clean/cash" EPS, to force investors to take more of a cash flow approach (Ipsos began doing this in March 2007). This would have a significant impact on P/E: our restated diluted EPS FY07 (EUR2.48), which we adjust for exceptional operating items and PPA amortisation[1], is for instance 25% higher than our diluted EPS (EUR2.01), yielding P/Es 07e of 10.1x and 12.5x respectively.

Fourth trigger: confirmation of the group's strong fundamentals should put the spotlight on its very low valuation

With the share price having fallen 28% in the last six months (-14% versus the media sector), we think the stock now looks very cheap. It is trading on 2008e P/E (restated for PPA amortisation, fully diluted) of 9.1x, a c.25% discount to the media sector average of 12.4x. On EV/EBIT, it trades at 7.8x 2008e versus 9.4x for the media sector average, and on FCF yield, at 11.6% 2008e versus 7.5% on average for our universe of media coverage (35% cheaper). We calculate a cost of equity of 9.6% (risk-free rate of 4.36%, equity market risk premium of 4.26%, unleveraged beta of 1.05). A FCF Yield 08e of 11.6% therefore implicitly assumes a 2% decline of the group's FCF to equity to perpetuity! The sharp discount at which GfK trades versus the media sector seems totally unwarranted given the fact that GfK offers a better growth profile and investment opportunities than the bulk of media names. Some investors fear a major acquisition in 2008 and a capital increase, since GfK has now digested NOP (acquired in April 2005) and will be financially ready in 2008 for another deal. We, on the other hand, believe that GfK's management has an excellent track record in terms of external growth and that an acquisition in custom research would make sense from an industrial point of view; GfK is still considerably smaller than Ipsos, TNS and Kantar in this field, at a time when size is growing increasingly critical as preferred supplier lists gradually become the norm. Potential targets for GfK include mid-sized players in the US (c.USD100m of sales), possibly Aegis' Synovate in the case of a takeover bid on the group (by Havas/Vincent Bolloré?). The prospect of an acquisition could actually lead GfK's management (which owns around c.1.5% of the capital) to try to boost its share price in the short term.

Chart 1: Six-month performance relative to the DJ Stoxx Media



Source: Datastream, Exane BNP Paribas

[1] *Amortisation on hidden reserves as part of purchase price allocation (PPA): scheduled amortisation (main part) and necessary impairment of intangible assets such as brands, patents, customer relations or technologies acquired in business combinations.*

We expect good FY07 results

GfK will release its full year 2007 sales and earnings on 28 February 2008. We see very limited room for disappointment.

Organic growth: 4.7%e in Q4, i.e. 5.3%e in FY07

We see little risk to the FY07 guidance of organic growth “above 5%”, which is unchanged since the start of the year. GfK posted 5.5% organic growth in 9M 07e despite a difficult Q2 (3.2% organic growth) which was hit by the loss of a US automotive contract (around EUR5m sales, 100% impact on top line in Q2, 40bp negative impact on FY07 organic growth). Moreover, the order book at the end of October was strong with incoming and existing orders to end-2007 and sales invoiced at end-October covering 95.6% of the group's 2007 sales target; this was 2.6 points up compared to the same time last year (93.0%) and gave pretty good visibility two months before the closing of the year.

Table 1: Quarterly organic growth: our estimates are unchanged

EURm	Q1 06	Q2 06	H1 06	Q3 06	9M06	Q4 06	FY06	Q1 07	Q2 07	H1 07	Q3 07	9M07	Q4 07e	FY07e	
Reported sales															
Custom Research	114.9	134.6	249.5	122.2	371.7	150.8	522.5	118.7	139.6	258.3	126.7	385.0	150.5	535.7	
Retail and Technology	51.9	57.3	109.2	57.3	166.5	61.9	228.4	57.0	65.3	122.3	66.7	189.0	70.8	253.8	
Consumer Tracking	24.5	27.8	52.3	26.5	78.8	27.9	106.7	23.2	26.5	49.7	25.2	74.9	29.3	109.9	
Media	25.5	31.5	57	27	84	33	117.0	29.6	30.0	59.6	29.9	89.5	34.0	123.4	
Health Care	30.4	33.3	63.7	32	95.7	37.3	133.0	31.7	29.9	61.6	30.9	92.5	38.1	130.5	
Other	1.3	1.4	2.7	1	3.7	0.9	4.6	1.1	1.1	2.2	0.8	3.0	1.2	3.6	
Total	**248.5**	**285.9**	**534.4**	**266**	**800.4**	**311.8**	**1,112.2**	**261.3**	**292.4**	**553.7**	**280.2**	**833.9**	**323.8**	**1,157.0**	
Organic growth (%) by activity															**Guidance FY07**
Custom Research	11.5	5.0	7.9	2.5	5.1	3.4	4.5	4.4	4.0	4.2	4.2	4.2	3.5	4.1	4-5
Retail and Technology	9.9	6.3	8.0	8.6	8.2	8.9	8.4	8.2	11.4	9.9	13.7	11.2	11.2	11.2	>8
Consumer Tracking	5.9	12.5	9.3	10.8	9.8	(2.5)	6.3	0.9	1.8	1.4	3.5	2.1	5.5	3.0	>3
Media	7.4	2.6	4.8	4.8	4.8	(4.3)	1.6	19.3	(1.3)	7.9	14.1	9.9	3.2	8.0	≈ 7
Health Care	(10.8)	2.2	(4.4)	9.0	2.3	18.9	8.3	8.4	(8.1)	(0.2)	0.1	(0.1)	0.3	0.0	≈ 0
Other	(25.4)	(31.7)	(28.7)	(44.9)	(33.9)	(53.2)	(38.8)	(13.9)	(20.5)	(17.3)	(15.8)	(16.9)	(32.7)	(20.0)	
Total	**7.1**	**5.4**	**6.2**	**5.1**	**5.7**	**4.7**	**5.4**	**6.8**	**3.2**	**4.9**	**6.7**	**5.5**	**4.7**	**5.3**	>5
Organic growth (%) by region															
Germany	10.2	2.9	2.7	9.9	6.2	5.0	6.3	3.5	6.9	10.6	2.4	5.3	7.1	5.8	
Rest of Western Europe	6.6	4.6	6.2	0.6	5.5	5.8	4.0	3.5	3.9	2.8	6.3	3.7	3.4	4.2	
Central & Eastern Europe	24.0	29.5	16.4	16.5	26.9	23.0	20.9	19.5	5.0	15.2	13.2	11.7	12.9	13.0	
America	(6.1)	6.7	3.2	5.3	0.8	2.3	3.5	13.0	(3.6)	4.1	1.2	4.0	4.0	3.2	
Asia & Pacific	2.6	(2.0)	4.9	0.3	0.3	1.8	1.4	7.8	17.2	29.4	18.0	12.4	18.0	18.0	
Total	**7.1**	**5.4**	**6.2**	**5.1**	**5.7**	**4.7**	**5.4**	**6.8**	**3.2**	**4.9**	**6.7**	**5.5**	**4.7**	**5.3**	

Source: Exane BNP Paribas estimates

Overall we expect 4.7% organic growth for the group in Q4 07, implying 5.3% growth in over the year. We believe these figures to be on the conservative side.

By division, we see upside to our forecasts and the guidance in Retail and Technology (22% group sales), Media (11% group sales) and, to a lesser extent, Custom Research (46% group sales); we see downside risk in Healthcare (11% group sales) and Consumer Tracking (9% group sales):

– Custom Research. We expect 3.5% organic growth in Q4, which we consider a conservative estimate; this is below the 4.2% growth achieved over the first nine months, which was penalised by the loss of the US automotive contract. We forecast 4.1% organic growth over the year, at the bottom end of the guidance range of “4% to 5%”.

– Retail and Technology. We expect 11.2% organic growth in Q4, in line with the performance delivered during the first nine months; we also have 11.2% organic growth for the year. The Q4 basis for comparison is not very difficult and we see no reason for a slowdown. We are therefore comfortable with our full-year forecast, which is quite significantly ahead of the guidance for organic growth "above 8%".

– Media. We expect 3.2% organic growth in Q4 07e, i.e. 8% in FY07; this is above the guidance of "around 7%". The performance was already above expectations in the first nine months driven by 1) new contracts in TV audience measurement in Romania and Ukraine (renewal with extension) and 2) the strong performance of MRI in the USA (magazine audience measurement). MRI successfully launched several new products including weekly data for some specific topics, audience measurement on digital media and a new *Media Day* national survey and also won a major outdoor audience measurement contract.

– Healthcare. We expect the division to deliver on its FY guidance of 0% organic growth over the year, implying 0.3% in Q4 07. The division was held back at the beginning of the year by more difficult market conditions in the USA, which is likely to continue to weighing on the top line, and by management issues in the UK. The situation in the UK is expected to have begun to improve in Q4 (management says that the new solution put in place in September is already bearing fruit) which should help compensate for the difficult comparison basis in Q4 (+18% in Q4 06).

– Consumer tracking. We expect 5.5% organic growth in Q4, implying a 3% increase over the year. This is below the guidance of "above 3%" and translates our disappointment at the division's performance over the first nine months (2.1%). We note that the basis for comparison in Q4 is very easy (-2.5% in Q4 06).

EBIT margin

The company has guided for an EBIT margin of "up to" 13.5% in FY07. We leave our estimate of 13.4% unchanged.

Table 2: Quarterly EBIT margin

EURm	Q1 06	Q2 06	H1 06	Q3 06	9M06	Q4 06	FY06	Q1 07	Q2 07	H1 07	Q3 07	9M07	Q4 07e	FY07e	
Adjusted EBIT															
Custom Research	5.7	14.4	20.1	8.8	28.9	14.9	43.8	5.7	9.3	15.0	10.2	25.2	16.0	41.2	
Retail and Technology	10.2	14.8	25	14.3	39.3	19.8	59.1	11.2	17.0	28.2	17.9	46.1	21.2	67.3	
Consumer Tracking	(0.1)	2.7	2.6	2.7	5.3	2.5	7.8	0.4	2.7	3.1	2.2	5.3	3.1	8.4	
Media	4.6	7.9	12.5	6.3	18.8	6.5	25.3	5.6	6.7	12.3	5.8	18.1	7.2	25.3	
Health Care	1.8	3.8	5.6	3.3	8.9	6.6	15.5	2.7	3.2	5.9	3.1	9.0	5.4	14.4	
Other	(1)	(1.2)	(2.2)	1.2	(1)	(0.1)	(1.1)	(0.8)	(0.3)	(1.1)	(0.2)	(1.3)	0.4	(0.9)	
Total	**21.2**	**42.4**	**63.6**	**36.6**	**100.2**	**50.2**	**150.4**	**24.8**	**38.6**	**63.4**	**39.0**	**102.4**	**53.2**	**155.6**	
Adj. EBIT Margin (%)															**Guidance FY07**
Custom Research	5.0	10.7	8.1	7.2	7.8	9.9	8.4	4.8	6.7	5.8	8.1	6.5	10.7	7.7	>8
Retail and Technology	19.7	25.8	22.9	25.0	23.6	32.0	25.9	19.6	26.0	23.1	26.8	24.4	29.9	26.5	>25
Consumer Tracking	(0.4)	9.7	5.0	10.2	6.7	9.0	7.3	1.7	10.2	6.2	8.7	7.1	10.4	7.6	c. 8
Media	18.0	25.1	21.9	23.3	22.4	19.7	21.6	18.9	22.3	20.6	19.4	20.2	21.2	20.5	c. 22
Health Care	5.9	11.4	8.8	10.3	9.3	17.7	11.7	8.5	10.7	9.6	10.0	9.7	14.1	11.0	>10
Other	(76.9)	(85.7)	(81.5)	120.0	(27.0)	(11.1)	(23.9)	(72.7)	(27.3)	(50.0)	(25.0)	(43.3)	33.0	(25.0)	
Total	**8.5**	**14.8**	**11.9**	**13.8**	**12.5**	**16.1**	**13.5**	**9.5**	**13.2**	**11.5**	**13.9**	**12.3**	**16.4**	**13.4**	<13.5
EBIT margin change (bp)															
Custom Research	75	225	150	(281)	(56)	(262)	(144)	(16)	(404)	(225)	85	(123)	79	(68)	
Retail and Technology	(18)	(65)	(49)	(257)	(123)	376	11	0	20	16	188	79	(211)	62	
Consumer Tracking	(214)	728	288	559	380	57	282	213	48	127	(146)	35	146	29	
Media	1,182	1,217	1,209	444	807	(1,177)	125	88	(275)	(129)	(394)	(216)	151	(112)	
Health Care	(790)	191	(290)	157	(92)	481	47	260	(71)	79	(28)	43	(362)	(65)	
Total	(17)	277	140	14	62	(15)	19	96	(163)	(45)	16	(24)	33	(7)	

Source: Company, Exane BNP Paribas estimates

We now stand below management's guidance for Custom Research, Consumer Tracking and Media and above the guidance for Retail and Technology and Healthcare.

We cautiously expect a 7.7% EBIT margin for Custom Research in FY07 (guidance: above 8%), implying an 80bp improvement in Q4 to 10.7% (Q4 is always the most profitable quarter).

We are above the guidance for Retail and Technology, and still believe that there is further upside potential to our estimate: our forecast of a 26.5% EBIT margin in FY07, versus the guidance of “above 25.0%”, cautiously implies a 210bp margin decline in Q4.

We are also above the guidance in Healthcare. We expect an 11% EBIT margin versus guidance for 10%. Our estimate implies a 360bp yoy decrease in Q4 07, which still looks conservative in our view.

Media should post an EBIT margin of around 20.5% in FY07 (guidance 22%) due to investments in new contracts; our projection implies a 150bp improvement in Q4 (9M07: -220bp).

For Consumer Tracking we expect a margin of 7.6% over the year (guidance around 8%), which implies a 10.4% margin in Q4, a 140bp improvement yoy.

Table 3: Quarterly P&L

EURm	Q1 06	Q2 06	H1 06	Q3 06	9M06	Q4 06	FY06	Q1 07	Q2 07	H1 07	Q3 07	9M07	Q4 07e	FY07e
Sales	**248.5**	**285.9**	**534.4**	**266**	**800.4**	**311.8**	**1112.2**	**261.3**	**292.4**	**553.7**	**280.2**	**833.9**	**324.3**	**1157.4**
Reported growth (%)	54.6	54.5	54.5	3.5	27.5	0.7	18.7	5.2	2.3	3.6	5.3	4.2	4.0	4.1
Organic growth (%)	7.1	5.4	6.2	5.1	5.7	4.7	5.4	6.8	3.2	4.9	6.7	5.5	4.7	5.3
- Cost of sales	(177.3)	(186.8)	(364.0)	(181.8)	(545.8)	(188.6)	(734.4)	(178.3)	(197.9)	(376.2)	(187.7)	(563.8)	(197.7)	(761.6)
= Gross income from sales	**71.2**	**99.1**	**170.4**	**84.3**	**254.6**	**123.2**	**377.8**	**83.1**	**94.5**	**177.6**	**92.5**	**270.1**	**126.5**	**395.9**
Gross margin (%)	28.7	34.7	31.9	31.7	31.8	39.5	34.0	31.8	32.3	32.1	33.0	32.4	39.0	34.2
- SG&A costs	(55.4)	(63.0)	(118.3)	(54.5)	(172.8)	(84.7)	(257.5)	(63.1)	(60.7)	(123.8)	(56.7)	(180.5)	(85.2)	(265.7)
Other income	(0.1)	2.0	1.9	(1.6)	0.3	(2.0)	(1.8)	0.1	(0.9)	(0.8)	(0.9)	(1.7)	(0.3)	(2.0)
= Operating income	**15.8**	**38.2**	**54.0**	**28.1**	**82.1**	**36.4**	**118.5**	**20.1**	**32.9**	**53.0**	**34.9**	**87.9**	**40.3**	**128.1**
- Integration costs	*(0.6)*	*(1.3)*	(1.8)	*(1.0)*	(2.8)	(1.2)	*(4.0)*	*0.0*	*0.0*	0.0	*0.0*	0.0	0.0	*0.0*
- Amortisation & impairment (acquisitions)	*(4.1)*	*(4.5)*	(8.6)	*(4.7)*	(13.3)	(9.9)	*(23.2)*	*(3.9)*	*(3.8)*	(7.7)	*(3.8)*	(11.5)	(11.5)	*(23.0)*
- SO costs	*(0.6)*	*(0.7)*	(1.3)	*(0.9)*	(2.2)	(0.7)	*(2.9)*	*(0.9)*	*(1.1)*	(2.0)	*0.6*	(1.4)	(1.1)	*(2.5)*
- Other operating income	*(0.1)*	*2.0*	1.9	*(1.6)*	0.3	(2.0)	*(1.8)*	*(0.1)*	*(0.6)*	(0.8)	*(0.9)*	(1.7)	(0.3)	*(2.0)*
= Adjusted operating income	**21.1**	**42.7**	**63.8**	**36.4**	**100.2**	**50.3**	**150.5**	**25.0**	**38.4**	**63.4**	**39.0**	**102.46**	**53.2**	**155.6**
Adjusted operating margin (%)	8.5	14.9	11.9	13.7	12.5	16.1	13.5	9.6	13.1	11.5	13.9	12.3	16.4	13.4
Income from associates	0.8	0.7	1.5	0.9	2.4	1.0	3.4	0.7	0.9	1.6	0.7	2.3	1.1	3.4
Other income from participations	0.0	(0.1)	(0.1)	0.0	(0.1)	0.1		0.0	0.1	0.1	0.0	0.1	(0.1)	0.0
= EBIT	**16.5**	**38.9**	**55.4**	**29.0**	**84.4**	**37.6**	**121.9**	**20.8**	**33.9**	**54.7**	**35.60**	**90.3**	**41.3**	**131.5**
Financial income	(5.9)	(6.0)	(11.8)	(8.1)	(20.0)	(8.5)	(28.5)	(5.8)	(6.0)	(11.8)	(6.1)	(17.9)	(2.7)	(20.6)
= Profit before tax	**10.7**	**32.9**	**43.6**	**20.8**	**64.4**	**29.0**	**93.5**	**15.0**	**27.8**	**42.8**	**29.5**	**72.4**	**38.6**	**111.0**
Tax charges	(3.2)	(10.2)	(13.4)	(5.5)	(19.0)	(3.3)	(22.2)	(4.7)	(8.6)	(13.2)	(7.96)	(21.2)	(12.1)	(33.3)
% tax rate	30.2	31.0	30.8	26.6	57.4	11.2	23.8	31.2	30.8	30.9	27.0	57.9	31.3	30.0
= Net profit from ongoing business	**7.5**	**22.7**	**30.2**	**15.3**	**45.4**	**25.8**	**71.2**	**10.3**	**19.3**	**29.6**	**21.6**	**51.2**	**26.5**	**77.7**
- Minority Interests	(1.2)	(1.4)	(2.6)	(2.9)	(5.5)	(0.5)	(6.0)	(1.1)	(1.7)	(2.9)	(1.7)	(4.5)	(0.1)	(4.7)
= Net attributable profit	**6.2**	**21.3**	**27.5**	**12.4**	**40.0**	**25.3**	**65.3**	**9.2**	**17.5**	**26.7**	**19.9**	**46.6**	**26.4**	**73.0**
Restated net attributable profit	**9.6**	**24.0**	**33.6**	**17.5**	**51.1**	**34.4**	**85.6**	**12.0**	**20.6**	**32.6**	**23.2**	**55.8**	**34.7**	**90.5**
Basic EPS	0.18	0.61	0.79	0.35	1.1	0.7	1.86	0.26	0.50	0.76	0.56	1.311	0.75	2.06
Implied basic NOSH	34.7	34.9	34.9	35.5	35.5	35.3	35.2	35.4	35.4	35.4	35.8	35.40	35.8	35.5
Restated basic EPS	0.28	0.69	0.96	0.49	1.44	0.98	2.43	0.34	0.58	0.92	0.65	1.57	0.97	2.55
Yoy change (%)	*(39.9)*	*125.7*		*6.7*		*33.1*	*2.43*	*23.4*	*(15.5)*	*(4.4)*	*31.1*	*8.9*	*(0.7)*	*4.7*

Source: Company, Exane BNP Paribas estimates

We expect net financial charges for FY07 to amount to EUR20.7m, in line with the guidance of around EUR20m. We assume a tax rate of 30% (in line with guidance) and minority interests equal to 6% of net income (after exercise of minority buy outs, as reported by the company).

Overall we expect reported net profit of EUR73m (+12%). Our restated attributable net profit stands at EUR90.5m (adjusted for PPA amortisation and non-recurring operating items), up 5.7% yoy. Our restated basic EPS stands at EUR2.55 per share (EUR2.48 fully diluted). Our reported basic EPS stands at EUR2.06 (EUR2.01 fully diluted).

Scenarios for 2008

GfK is a quite defensive player in a relatively defensive industry: the market research industry has proved much more resilient than the advertising market, growing on average in line with global GDP (including inflation). GfK is one of the industry's top five companies (number 4) and is one of the most diversified players. It has limited exposure to the USA in the business, with only 24% of group EBIT generated in America (versus 60% for Ipsos and 40% for ad agencies on average). It also boasts defensive characteristics, with notably 70% of its EBIT stemming from the panel business (sales tracking, audience measurement, etc.).

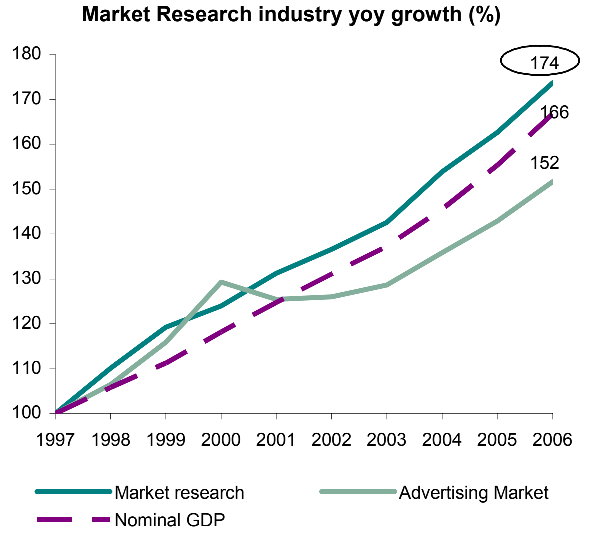
During the last seven years, the company has delivered annual organic growth between 3.5% and 7.3%; we see very little risk that it will post less than 3% organic growth in 2008. Even on a more conservative macroeconomic scenario than we previously applied, we expect 4.4% organic growth in 2008 (versus 5.7% previously and 5.3%e in FY07).

On margins, visibility is provided by several elements. In particular the mix effect is favourable and already guarantees an annual 15bp improvement in the margin while the restructuring of some activities, notably in the US Custom business and the UK healthcare business, should bear fruit in 2008. We expect an EBIT margin of 13.9% in 2008, up slightly from 13.4% in 2007. Overall, we have left our estimates almost unchanged (FY08 EPS -1%) and calculate the maximum downside risk on our estimates at 7% (relatively limited operating leverage).

Market research is more resilient than advertising and more 'late cyclical'

The market research industry is small, accounting for 3.5% of marketing expenditure worldwide (USD24bn); in contrast, advertising accounts for 56.5% (USD400bn) and other marketing services for 40% (USD270bn)[2]. The business entails collecting, analysing and interpreting marketing and media information and using the results to advise clients on their advertising strategies.

Chart 2: The market research industry is less cyclical than the advertising market and has grown in line with nominal GDP



Source: WPP, ESOMAR, Exane BNP Paribas

[2] *Source: WPP*

The industry comprises numerous branches, including classic marketing studies (consumer habits, product tests, advertising efficiency, etc.), which account for 52% of GfK's sales, consumer and physicians panels (15% of GfK's sales), media studies (11% of GfK's sales), opinion surveys (no exposure for GfK) and sales tracking at various points of sale (22% of GfK's sales).

The charts above illustrate the market research sector's strong, steady growth over the past ten years, far outpacing the advertising market and slightly beating average nominal global GDP (1998-2006 CAGR of 6.3% versus 4.7% for the advertising market and 5.8% for global nominal GDP growth).

The industry's performance is strongly correlated to the macroeconomic outlook. Its development is being driven by, for example, intense competition among clients (maturing markets, globalisation), the need for information in the quest for new markets and the increasing complexity of consumer behaviour. At the same time, the professionalisation of the sector is encouraging companies to outsource their research to the various institutes. On the negative side, the migration to online research is trimming growth by an average of one point a year (migration to online has almost finished in the USA but is still in progress in Europe).

These various factors underpin the strong growth in the research market and also its late-cyclical characteristic and resilience. Some factors kick in during periods of crisis, when it is particularly critical to understand client behaviour, and some segments boast "must have" qualities (e.g., multi-annual contracts for audience measurement and tracking at point of sales). Among the different activities, marketing research is the most cyclical as it is linked to product launches, which explains its late cyclical characteristic. Media audience measurement and opinion surveys follow a totally different cycle than global consumer spending (win or renewal of media audience measurement contracts, major elections). Sales tracking and consumer panels are usually seen as defensive, especially for market researchers that benefit from a monopolistic position (concession-like activities).

We cautiously expect the industry to grow by 5.2% in 2008e and 4.7% in 2009e worldwide. This is slightly below nominal GDP, which Exane BNP Paribas's economists estimate at 6.4% in both years.

Table 4: Market research Industry: growth by region at constant currency

%	2001	2002	2003	2004	2005	2006	2007e	2008e	2009e
EUR 15	7.3	3.4	1.5	5.3	4.4	3.8	3.5	3.0	3.0
New member states	8.1	7.1	14.0	10.5	12.0	8.9	8.5	8.0	7.0
Other Europe	11.6	11.8	4.4	9.8	8.0	21.8	15.0	7.0	6.0
Total Market Research Europe	**7.5**	**3.9**	**2.0**	**4.6**	**4.9**	**5.0**	**4.5**	**3.5**	**3.4**
Nominal GDP Europe	***4.2***	***3.6***	***3.3***	***4.8***	***3.9***	***4.8***	***4.9***	***4.2***	***4.0***
Middle East and Africa	1.4	15.1	4.9	10.7	13.2	14.4	15.0	15.0	15.0
Nominal GDP MEA	*15.0*	*10.8*	*12.5*	*13.3*	*12.9*	*13.2*	*12.9*	*12.0*	*12.0*
Total EMEA	**7.3**	**4.2**	**2.1**	**4.8**	**5.1**	**5.3**	**4.8**	**3.9**	**3.9**
North America	4.4	2.1	5.6	5.5	5.7	6.6	4.5	4.0	3.5
Nominal GDP North America	*3.1*	*3.4*	*4.7*	*6.8*	*6.3*	*6.2*	*4.2*	*4.1*	*4.0*
Central and South America	7.4	7.6	15.8	7.6	7.8	17.1	15.0	10.0	10.0
Nominal GDP Central & South America	*6.2*	*11.6*	*9.5*	*4.4*	*6.4*	*7.2*	*7.3*	*7.0*	*7.0*
Total Americas	**4.7**	**2.6**	**6.5**	**5.7**	**7.6**	**7.7**	**5.8**	**4.8**	**4.4**
Total Asia Pacific	**5.4**	**9.6**	**6.4**	**8.9**	**11.0**	**8.7**	**8.0**	**10.0**	**8.0**
Nominal GDP Asia Pacific	*6.2*	*5.0*	*1.5*	*3.4*	*7.2*	*8.4*	*8.6*	*8.2*	*8.1*
Total Market Research World	**5.8**	**4.1**	**4.4**	**7.9**	**6.2**	**6.8**	**5.7**	**5.2**	**4.7**
Global nominal GDP	***5.6***	***5.1***	***4.7***	***6.1***	***6.7***	***7.4***	***6.8***	***6.4***	***6.4***

Source: ESOMAR, Exane BNP Paribas

Growth in Europe is expected to be below nominal GDP (some cyclicality, maturity of the market, competition, increasing weight of online research), and more or less in line with GDP in North America (a somewhat less mature market, more fragmented, less penalised by the migration to online research, as the shift is already virtually complete).

In contrast, growth in emerging countries is expected to remain above nominal GDP: there is a lag effect between the economic development of a country and that of market research. A market has to be quite "developed" to use market research services such as marketing surveys. Consequently, growth in emerging markets should accelerate, or at least remain at the currently high levels, in the years to come. If we make a comparison with the advertising market, China – which is by far the biggest emerging country – is ranked as the world's eighth largest market research market in 2006 accounting for 2% of the MR industry (+20%) whereas it is the fifth-largest advertising market accounting for 3% of the advertising industry (+18%).

Retail and Technology (22% sales, 43% EBIT): the fastest growing and most resilient division

GfK is the most diversified company among the market research leaders, and its various activities operate on very different cycles. We therefore believe that the risk on forecasts must be assessed by division.

GfK Retail and Technology

The Retail and Technology division is the main contributor to group EBIT, accounting for an estimated 43% of total EBIT in 2007. Since the IPO in 1999, the division has been the group's best performer by far. It is also the fastest growing and most resilient business. After a booming 2007 we do not foresee any disappointments in 2008.

Over the last 20 years GfK Retail and Technology has gained a virtual monopoly on tracking sales of "slow-moving consumer goods" (consumer electronics, entertainment, travel, etc.). The company is today almost the sole supplier of point-of-sale data to many of its clients, especially in the consumer electronics sector where it has the most complete network in the business. GfK's data is considered a "must-have" by the bulk of its clients. Its few competitors include VNU's ACNielsen in some countries on some product categories; during the past decade ACNielsen has focused on fast-moving consumer goods and has progressively sold, mostly to GfK, its remaining tracking businesses in SMCG (most recently in lens tracking in Japan, one of ACNielsen's last remaining businesses in SMCG). Other competitors are generally local players (the two main local Chinese providers of sales data for consumer electronics were acquired in Q4). The only major country where GfK does not operate is the USA, where it has a partnership with NPD (number 15 player in the MR industry, c.USD200m of sales).

Table 5: Retail and Technology division*

EURm	1999	2000	2001	2002	2003	2004	2005	2006	2007e	2008e	2009e
Sales	100.9	112.9	119.5	137.3	166.7	187.0	209.6	228.4	253.8	275.5	300.3
Organic growth (%)	9.5	12.0	10.4	8.5	18.0	11.2	7.9	8.4	11.2	7.5	9.0
Operating profit	13.3	15.9	17.5	24.5	36.1	47.1	54.0	59.1	67.3	73.8	81.4
Operating margin (%)	13.2	14.1	14.6	17.8	21.7	25.2	25.8	25.9	26.5	26.8	27.1

** German GAAP 1999–2000; US GAAP 2001–2003; IFRS from 2004*

Source: Exane BNP Paribas

Annual organic growth comes from price inflation (around one third), the increasing number of products covered (the consequence of shorter product lives), the greater frequency of reports, and the increasing number of countries covered. Operating leverage has been quite strong (average incremental margin of 35%) as GfK Retail and Technology has a global communication system and database (S*T*A*R*T*R*A*C*K) that, following intensive upgrading and development in 2002–03, is now capable of processing data on a global scale.

The division has an impressive track record in terms of organic growth (between 8.5% and 18% pa since 1999). Its margin record is even more impressive: the operating margin has improved steadily from 13.2% in 1999 (German GAAP) to 26.5% in 2007e (IFRS).

Estimated 7.5% organic growth in 2008

The year 2007 should prove to have been a strong year for Retail and Technology. We expect organic growth of 11.2%, boosted by many developments, notably in Africa and in the tracking of content (mainly on mobile). The present year should be quieter, in our view. Our forecast of 7.5% organic growth is in the low end of management's indicated range of between 7% and 12% for the coming years.

Thanks to natural operating leverage, we expect a 30bp margin improvement versus the 60bp gain expected in FY07. This will give an EBIT margin of 26.8% (30–35% incremental margin).

Custom Research (46% sales, 27% EBIT): the USA will be in the spotlight in 2008

GfK Custom Research

Custom Research is, since the acquisition of NOP, by far the largest division by sales and the second-largest division in terms of EBIT contribution.

The acquisition of NOP World from UBM in 2005 completely changed the profile of GfK's custom research network, notably adding businesses in key countries such as the USA, the UK and Italy. The deal doubled the division's size versus April 2005. It is therefore not easy to analyse past data, especially as we have very limited information on NOP, which had media (notably MRI) and healthcare activities alongside its custom research business.

Table 6: Custom Research division*

EURm	1999	2000	2001	2002	2003	2004	2005	2006	2007e	2008e	2009e
Sales	128.4	183.5	199.6	224.5	220.8	249.4	416.4	522.5	536.2	555.2	571.8
Organic growth (%)	ND	5.5	6.2	8.0	1.3	4.6	6.5	4.5	4.1	3.5	3.0
Operating profit	4.7	8.5	2.8	12.8	15.4	20.1	40.9	43.8	41.3	44.4	47.5
Operating margin (%)	3.7	4.6	1.4	5.7	7.0	8.1	9.8	8.4	7.7	8.0	8.3

German GAAP 1999–2000; US GAAP 2001–2003; IFRS from 2004

Source: Exane BNP Paribas

Custom research, which at GfK mainly covers marketing surveys (consumer behaviour studies, brand studies, product testing, advertising effectiveness studies) is usually seen as a "late cyclical" business: marketing surveys usually represent a very small portion of marketing expenditure (usually less than 2%) and are not cut immediately. Overall the sector remains more resilient than advertising.

Since 2000, GfK Custom Research division has achieved organic growth between 1.3% (2003) and 6.5% (2005) and grown its margin from 1.4% (US GAAP) to 8.4% (2006, full impact of the integration of NOP).

The only performance indications we have for NOP Custom before 2005 are qualitative comments made by UBM. These suggest that the custom business was quite fragile, being notably penalised by its small scale and its exposure to consumer goods clients and a difficult US market in 2001–03. It notably posted a double digit organic decline in 2002, which was an exceptionally tough year for the US market due to strong pricing pressure with the emergence of online surveys. We believe that many of NOP's issues were solved by the company's integration into the GfK network. Being a global network is now critical with account consolidation (i.e., generalisation of preferred supplier lists) being one of the main trends in the industry and an important growth driver for the leaders.

We estimate that with the acquisition of NOP, GfK Custom Research now makes around 40% of sales in the USA, 50% in Europe (including Eastern Europe) and 10% in Latin America/Asia-Pacific/RoW.

3.5% organic growth expected in 2008

2007 was a year of major investments. The company had to finalise the front office integration of NOP, notably in the USA, and develop the network in emerging countries, in Asia in particular, in order to be able to propose a truly global offer.

At the same time, the division was hit by the loss of a very profitably contract in the automotive industry, which cost about one point at the top line. We expect organic growth of 4.1% at the division in 2007, at the bottom end of the guidance range (4–5%), which has been maintained despite the loss of the automotive contract. We forecast an EBIT margin of 7.7%, versus 8.4% in 2006.

The year 2008 poses a more challenging economic environment, although a scenario with the same pricing pressure as in 2001 and 2002 in the US is very unlikely notably as online already represents 40% of the market. However, the potential impact should be somewhat offset by several positive company-specific elements, especially in the USA (around 40% of sales).

First, the appointment of Debbie Pruent, the head of the division in North America, to the GfK group's executive board is a strong signal of an increased management focus on the US market.

Secondly, the reorganisation of the US business, which began in 2006, should start bearing fruit, with a front office organisation replicating that of Europe.

Thirdly, as from 1 January 2008, the Custom Research, Healthcare and Consumer Tracking divisions all report in one P&L. This measure is intended to release synergies, including the joint use of technological platforms and methodology sharing; management has not yet quantified the synergies and more details should be provided during the year.

Overall, we currently expect a slight slowdown in 2008 (3.5% organic growth vs 4.1% in FY07), although this is probably on the conservative side. We forecast a 30bp improvement in the EBIT margin, which we also believe to be quite cautious (-70bp expected in FY07 due to the loss of the automotive contract, and investments in the reorganisation in the US and product development).

Media (11% sales, 16% EBIT): now more resilient than in the last cycle

The media division consists in MRI, the former NOP media business in the US specialised in print (around EUR50m sales, EUR15m EBIT), long-term TV and radio audience measurement contracts (around EUR45m sales, including EUR20m for the German TV contract), sale of hard- and software and other media studies (around EUR25m sales) in Europe (print, radio, outdoor, Internet, TV, ad hoc media consumption studies).

Table 7: Media division*

EURm	1999	2000	2001	2002	2003	2004	2005	2006	2007e	2008e	2009e
Sales	47.9	53.6	56.5	61.3	58.3	62.2	96.2	117.0	123.4	127.9	133.0
Organic growth (%)	ND	7.7	4.5	(7.9)	(3.8)	7.1	6.7	1.6	8.0	5.0	4.0
Operating profit	3.2	7.1	8.5	6.1	7.5	8.1	19.6	25.3	25.3	26.9	28.6
Operating margin (%)	6.7	13.2	15.0	10.0	12.9	13.0	20.4	21.6	20.5	21.0	21.5

** German GAAP 1999–2000; US GAAP 2001–2003; IFRS from 2004.*

Source: Exane BNP Paribas

The cyclical part of this division is the ad hoc media studies in Europe. This was behind the decline in organic growth in 2002 and 2003. The business mix was considerably improved by the integration of MRI in 2005–2006 and the division will almost certainly prove more resilient in the event of an economic downturn than in the past.

MRI, which contributes the bulk of the division's EBIT, is a fast growing business with an excellent track record since 2001 (no precise figures, qualitative comments from UBM management). The year 2007 was exceptional with the launch of many products and the win of a major outdoor contract. We believe that 2008 will see more of the same, albeit to a lesser extent.

Overall, we forecast 5% organic growth in 2008 (versus 8%e in 2007) driven mainly by MRI and a 50bp improvement in the margin thanks to the non-recurrence of certain investments made in FY07 (launch of new contracts, renewal in Ukraine). No major contracts are due for renewal in 2008.

Healthcare (11% sales, 9% EBIT): still a restructuring story

The Healthcare division (created in 2002) comprises panel research in Germany (doctors, chemists, and consumer panels), France, the UK and Ireland and ad hoc research for the pharma sector in Europe and the USA. There have been several major acquisitions since 2003, including V2 (USA), Martin Hamblin (USA/UK) and, of course, NOP (USA/UK/Italy) in 2005. Consequently, the division's track record in terms of organic growth has little relevance for forecasting.

The strong organic decline in 2003 (-17%) was due to integration issues at Martin Hamblin in the US and in the UK. The zero organic growth in 2007 was due to difficult market conditions in the US (few products launches) as well as management issues in the UK. The company says that the management changes in the UK is already paying off.

Table 8: Healthcare division*

EURm	2002	2003	2004	2005	2006	2007e	2008e	2009e
Sales	35.8	49.3	68.1	107.3	133.0	130.5	132.6	136.6
Organic growth (%)	ND	(17.4)	7.8	4.7	8.3	0.0	3.0	3.0
Operating profit	5.0	6.3	7.8	12.0	15.5	14.4	14.8	15.6
Operating margin (%)	14.0	12.8	11.5	11.2	11.7	11.0	11.2	11.4

** US GAAP 2002–2003, IFRS from 2004.*

Source: Exane BNP Paribas

With the prospect of a continuing difficult environment, notably in the USA, we currently forecast 3% organic growth in 2008 and a 20bp improvement in the EBIT margin. We estimate that the impact of the management issues in the UK in 2007 cost around 2.5pt of organic growth. We also note that the change in business structure (merger of Custom Research, Consumer Tracking and Healthcare in one division) is expected to have a positive impact both at the top and bottom lines (joint use of technological platforms, methodology sharing).

Consumer Tracking (9% sales, 5% EBIT)

The Consumer Tracking division covers in consumer panels in Germany, the Benelux, Italy, Austria, Switzerland, Scandinavia and Eastern Europe (Europanel). TNS operates the other half of the "Europanel" in the other European countries (JV).

Table 9: Consumer Tracking *

EURm	1999	2000	2001	2002	2003	2004	2005	2006	2007e	2008e	2009e
Sales	82.4	89.4	84.8	86.0	89.8	94.4	100.3	106.7	109.9	111.6	115.0
Organic growth (%)		7.5	1.4	1.1	6.2	5.3	5.9	6.3	3.0	3.0	3.0
Operating profit	1.9	2.6	(0.2)	2.4	3.5	5.8	4.5	7.8	8.4	8.6	9.0
Operating margin (%)	2.3	2.9	(0.2)	2.8	3.9	6.1	4.5	7.3	7.6	7.7	7.8

** German GAAP 1999–2000, US GAAP 2001-2003, IFRS from 2004.*

Source: Exane BNP Paribas

Consumer Tracking is a relatively resilient business, with a high proportion of revenues generated on multi-year contracts. During the last seven years organic growth has varied between 1.1% (2002) and 7.5% (2000). The main growth drivers are the addition of products (i.e., more data tracked), services (data analysis, etc.), and price inflation. On the margin side, GfK has restructured the division regularly during the last 15 years, bringing it to breakeven at the time of the IPO and achieving an operating margin of 6% in 2004. We forecast an operating margin of around 7.6% in 2007e. We expect 3% organic growth in 2008e, and a modest 10bp margin gain.

The following two tables sum up our forecasts by division:

Table 10: Sales and organic growth by division (2000-2009e)

EURm	2000	2001	2002	2003	2004	2005	2006	2007e	2008e	2009e
Custom Research	184	200	225	221	249	416	523	536	555	572
Retail and Technology	113	120	137	167	187	210	228	254	276	300
Consumer Tracking	89	85	86	90	94	100	107	110	112	115
Media	54	57	61	58	62	96	117	123	128	133
Health Care (since 2002)	0	0	36	49	68	107	133	131	133	137
Other	30	22	14	10	8	8	5	4	3	2
Total	**470**	**482**	**559**	**595**	**669**	**937**	**1,112**	**1,157**	**1,206**	**1,259**
Organic growth (%)										
Custom Research	5.5	6.2	8.0	1.3	4.6	6.5	4.5	4.1	3.5	3.0
Retail and Technology	12.0	10.4	8.5	18.0	11.2	7.9	8.4	11.2	7.5	9.0
Consumer Tracking	7.5	1.4	1.1	6.2	5.3	5.9	6.3	3.0	3.0	3.0
Media	7.7	4.5	(7.9)	(3.8)	7.1	6.7	1.6	8.0	5.0	4.0
Health Care	NA	NA	0.0	(17.4)	7.8	4.7	8.3	0.0	3.0	3.0
Other	0.0	6.5	(26.8)	(26.9)	(23.8)	(4.7)	(38.8)	(20.0)	(20.0)	(20.0)
Total	**7.3**	**6.3**	**3.5**	**3.7**	**6.6**	**6.5**	**5.4**	**5.3**	**4.4**	**4.4**

German GAAP 2000, US GAAP 2001–2003, IFRS from 2004.

Source: Company, Exane BNP Paribas estimates

Table 11: Operating income and margin by division

EURm	2000	2001	2002	2003	2004	2005	2006	2007e	2008e	2009e
Custom Research	8.5	2.8	12.8	15.4	20.1	40.9	43.8	41.3	44.4	47.5
Retail and Technology	15.9	17.5	24.5	36.1	47.1	54.0	59.1	67.3	73.8	81.4
Consumer Tracking	2.6	(0.2)	2.4	3.5	5.8	4.5	7.8	8.4	8.6	9.0
Media	7.1	8.5	6.1	7.5	8.1	19.6	25.3	25.3	26.9	28.6
Health Care	0.0	0.0	5.0	6.3	7.8	12.0	15.5	14.4	14.8	15.6
Other	0.0	(0.2)	(2.4)	(1.4)	(6.0)	(6.0)	(1.1)	(0.9)	(0.7)	(0.6)
Total Income	**34.1**	**28.4**	**48.4**	**67.4**	**82.9**	**125.0**	**150.4**	**155.6**	**167.8**	**181.4**
Operating margin (%)										
Custom Research	4.6	1.4	5.7	7.0	8.1	9.8	8.4	7.7	8.0	8.3
Retail and Technology	14.1	14.6	17.8	21.7	25.2	25.8	25.9	26.5	26.8	27.1
Consumer Tracking	2.9	(0.2)	2.8	3.9	6.1	4.5	7.3	7.6	7.7	7.8
Media	13.2	15.0	10.0	12.9	13.0	20.4	21.6	20.5	21.0	21.5
Health Care			14.0	12.8	11.5	11.2	11.7	11.0	11.2	11.4
Other		(0.9)	(16.6)	(13.5)	(75.9)	(80.0)	(23.9)	(25.0)	(25.0)	(25.0)
Total	**7.3**	**5.9**	**8.7**	**11.3**	**12.4**	**13.3**	**13.5**	**13.4**	**13.9**	**14.4**
Chg. in operating Income (%)										
Custom Research	25	10	26	23	24	33	29	27	26	26
Retail and Technology	47	62	51	54	57	43	39	43	44	45
Consumer Tracking	8	(1)	5	5	7	4	5	5	5	5
Media	21	30	13	11	10	16	17	16	16	16
Health Care	0	0	10	9	9	10	10	9	9	9
Other	0	(1)	(5)	(2)	(7)	(5)	(1)	(1)	0	0
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

German GAAP 2000, US GAAP 2001–2003, IFRS from 2004.

Source: Company, Exane BNP Paribas estimates

Trends by region

In 2000 GfK was still making 38% of its sales in Germany and 87% in Europe. The geographical breakdown has since changed as a result of the numerous acquisitions in the USA, Asia and Latin America. Western Europe now contributes 67% of group sales, Eastern Europe 6%, North America 21%, Latin America 2% and the Asia-Pacific region 4%. It should be noted that some global work, notably in the Retail and Technology business, is commissioned from Germany and so invoiced in Germany. We therefore believe that revenues from emerging countries are slightly understated.

Regarding 2008, our forecast of 4.4% organic growth includes 4% organic growth in Germany (vs 5.8% in FY07), 3.5% organic growth in Western Europe (vs 4.2% in FY07), 13% organic growth in Eastern Europe (vs 13% in FY07), 2.5% in America (vs 3.2% in FY07), and 12% in APAC (vs 18% in FY07).

Table 12: Sales by region (% of total)

%	2000	2001	2002	2003	2004	2005	2006	2007e	2008e	2009e
Germany	38	40	37	37	35	27	24	25	25	25
Western & Northern Europe + MEA	46	42	46	43	41	41	41	42	42	42
Central & Eastern Europe	4	5	5	5	6	6	6	6	7	7
America	7	8	7	8	12	22	25	23	22	21
Asia & Pacific	6	6	5	6	6	4	4	4	5	5
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

German GAAP 2000, US GAAP 2001–2003, IFRS from 2004.

Source: Company, Exane BNP Paribas estimates

Table 13: Organic growth by region (2000-2009e)

%	2000	2001	2002	2003	2004	2005	2006	2007e	2008e	2009e
Germany	7.5	6.2	(1.9)	3.5	5.5	6.0	6.3	5.8	4.0	4.0
Western & Northern Europe + MEA	5.6	5.1	4.8	(0.1)	4.2	(7.7)	4.0	4.2	3.5	3.5
Central & Eastern Europe	22.0	15.4	21.8	20.9	26.9	22.3	20.9	13.0	13.0	13.0
America	NA	0.9	8.5	0.2	3.4	3.5	3.5	3.2	2.5	2.5
Asia & Pacific	12.0	13.4	7.7	24.9	17.3	0.3	1.4	18.0	12.0	10.0
Total	**7.3**	**6.3**	**3.5**	**3.7**	**6.6**	**6.5**	**5.4**	**5.3**	**4.4**	**4.4**

German GAAP 2000, US GAAP 2001–2003, IFRS from 2004.

Source: Company, Exane BNP Paribas estimates

Table 14: Adjusted operating income by region

EURm	2000	2001	2002	2003	2004	2005	2006
Germany	14.5	15.1	18.0	22.9	25.1	31.5	38.6
Western & Northern Europe + MEA	16.3	8.3	21.6	30.7	35.0	50.0	59.3
Central & Eastern Europe	1.6	1.3	2.6	3.7	4.5	5.5	9.0
America	1.8	1.5	3.1	4.4	11.3	31.7	36.7
Asia & Pacific	1.6	2.2	3.0	5.6	7.0	6.3	6.9
Total Income	**35.8**	**28.4**	**48.3**	**67.3**	**82.9**	**125.0**	**150.5**
Adjusted Operating margin (%)	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Germany	8.2	7.8	8.8	10.3	10.6	12.4	14.3
Western & Northern Europe + MEA	7.6	4.1	8.4	11.9	12.9	13.0	13.0
Central & Eastern Europe	8.2	5.5	9.1	11.6	11.2	10.4	14.0
America	5.6	4.1	7.7	9.1	13.8	15.3	13.1
Asia & Pacific	6.0	7.5	10.0	16.3	17.8	16.0	17.4
Total	**7.6**	**5.9**	**8.6**	**11.3**	**12.4**	**13.3**	**13.5**

German GAAP 2000, US GAAP 2001–2003, IFRS from 2004.

Source: Exane BNP Paribas estimates

Sensitivity analysis: different scenarios for 2008

The table below presents different scenarios for 2008, from worst- to best-case.

Table 15: Scenarios for 2008

	2001	2002	2003	2004	2005	2006	2007e	2008e				
								Worst	Conservative	Base	Aggressive	Best
Custom Research	8.0	1.3	4.6	4.6	6.5	4.5	4.1	0.0	2.0	3.5	5.0	6.5
Retail and Technology	8.5	18.0	11.2	11.2	7.9	8.4	11.2	6.5	7.0	7.5	8.5	9.5
Consumer Tracking	1.1	6.2	5.3	5.3	5.9	6.3	3.0	0.0	1.5	3.0	4.5	6.0
Media	(7.9)	(3.8)	7.1	7.1	6.7	1.6	8.0	0.0	2.0	5.0	6.5	8.0
Health Care	0.0	(17.4)	7.8	7.8	4.7	8.3	0.0	0.0	1.5	3.0	5.0	7.0
Other	(26.8)	(26.9)	(23.8)	(23.8)	(4.7)	(38.8)	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)
Total	**3.5**	**3.7**	**6.6**	**6.6**	**6.5**	**5.4**	**5.3**	**1.4**	**2.9**	**4.4**	**5.8**	**7.2**

Source: Exane BNP Paribas estimates

Our worst-case scenario (global recession, execution issues) points to flat growth in all divisions except Retail and Technology (6.5%e). This would imply around 1.4% organic growth for the group, which represents 6–7% downside risk to our current EBIT forecasts (see tables below). A conservative scenario gives around 3% organic growth, i.e. 3–5% downside to our EBIT forecasts.

Conversely, an aggressive scenario for 2008, with group organic growth of between 5.5% and 6%, gives 3% to 6% upside to our EBIT forecasts. Our best-case scenario models 7% organic growth and gives 6–8% upside to our current EBIT forecasts.

Table 16: Sensitivity of our FY08 EBIT and EPS forecasts to organic growth (horizontal) and EBIT margin (vertical) assumptions

Adj. EBIT margin (co. def.)	Organic growth: 1.4%	2.9%	4.4%	5.8%	7.2%
13.3%	156	158	161	163	165
13.5%	158	161	163	165	168
13.7%	161	163	166	168	170
13.9%	163	166	168	170	173
14.1%	165	168	170	173	175
14.3%	168	170	173	175	178
14.5%	170	173	175	178	180

Adj. EBIT margin (co. def.)	Organic growth: 1.4%	2.9%	4.4%	5.8%	7.2%
13.3%	2.54	2.58	2.62	2.66	2.70
13.5%	2.58	2.62	2.66	2.70	2.74
13.7%	2.62	2.66	2.70	2.74	2.79
13.9%	2.66	2.71	2.75	2.79	2.83
14.1%	2.70	2.75	2.79	2.83	2.87
14.3%	2.74	2.79	2.83	2.87	2.92
14.5%	2.79	2.83	2.87	2.92	2.96

Adj. EBIT margin (co. def.)	Organic growth: 1.4%	2.9%	4.4%	5.8%	7.2%
13.3%	(8.3%)	(6.9%)	(5.6%)	(4.3%)	(3.0%)
13.5%	(7.0%)	(5.5%)	(4.2%)	(2.9%)	(1.5%)
13.7%	(5.6%)	(4.1%)	(2.8%)	(1.4%)	(0.1%)
13.9%	(4.2%)	(2.7%)	(1.4%)	0.0%	1.4%
14.1%	(2.8%)	(1.3%)	0.1%	1.4%	2.8%
14.3%	(1.5%)	0.1%	1.5%	2.9%	4.3%
14.5%	(0.1%)	1.5%	2.9%	4.3%	5.7%

Adj. EBIT margin (co. def.)	Organic growth: 1.4%	2.9%	4.4%	5.8%	7.2%
13.3%	(9.0%)	(7.4%)	(6.0%)	(4.6%)	(3.2%)
13.5%	(7.5%)	(5.9%)	(4.5%)	(3.1%)	(1.7%)
13.7%	(6.0%)	(4.4%)	(3.0%)	(1.5%)	(0.1%)
13.9%	(4.5%)	(2.9%)	(1.5%)	0.0%	1.5%
14.1%	(3.0%)	(1.4%)	0.1%	1.5%	3.0%
14.3%	(1.6%)	0.1%	1.6%	3.1%	4.6%
14.5%	(0.1%)	1.6%	3.1%	4.6%	6.2%

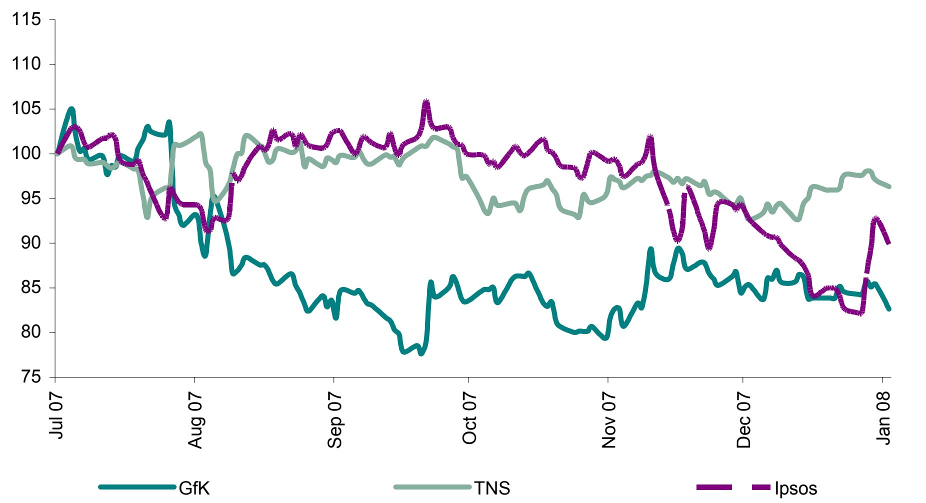
Source: Exane BNP Paribas

Valuation

Attractive multiples: 7.8x EV/EBIT 08e, 9.1x P/E08e, 11.6% FCF Yield 08e

GfK trades at a significant discount to the rest of the media sector despite its superior quality of assets. It fell last summer after the profit warning that followed the loss of a US automotive contract (shaving EBIT by 3%), which turned sentiment negative on peers TNS and Ipsos as well. We believe that the whole European market research segment is markedly undervalued today (see our report on Ipsos published on 30 November: *Best-in-class organic growth at a bargain price*).

Chart 3: Six-month performance relative to the DJ Stoxx Media



Source: Datastream, Exane BNP Paribas

GfK is the most undervalued of the three stocks today, and our top pick in the MR sector. It now trades on 2008e P/E (restated for PPA amortisation, fully diluted) of 9.1x, an unjustified c.25% discount to TNS and the media sector average of 12.4x. On EV/EBIT, it trades at 7.8x 2008e, versus 9.4x for the media sector average, and on FCF yield, at 11.6% 2008e, versus 7.5% on average for our universe of media coverage (35% discount).

Table 17: Comparison of media multiples

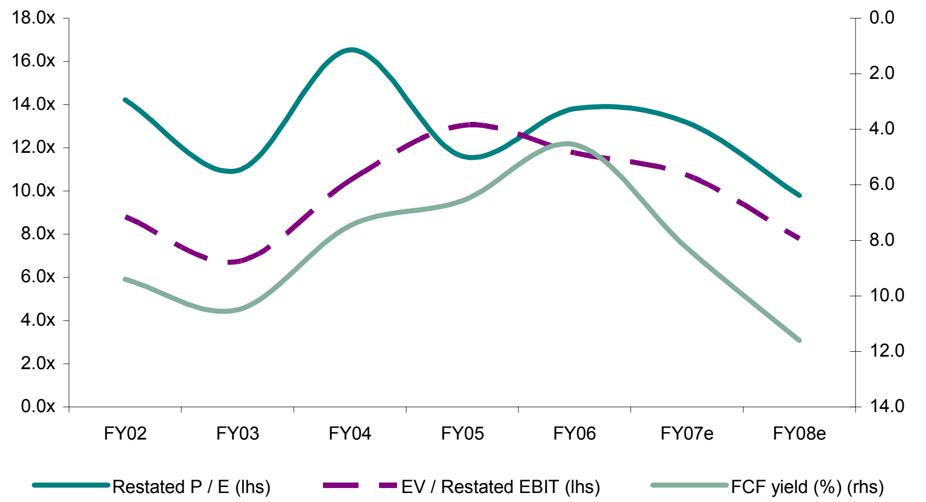
Price at 04 January 2008	Currency	Share price	EV/EBIT (x) 07e	08e	09e	P/E (x) 07e	08e	09e	FCF yield (%)* 07e	08e	09e	EPS growth (%) 07e	08e	09e
Ipsos	EUR	20.5	9.6	8.3	7.1	12.2	11.1	9.7	8.5	9.6	11.0	22.0	10.1	13.7
TNS	GBP	192.8	10.7	9.3	8.2	13.5	12.2	10.8	7.7	9.4	10.8	18.2	9.9	13.0
GfK	EUR	25.0	8.9	7.8	6.6	10.1	9.1	8.1	9.6	11.6	12.7	3.5	10.7	11.8
Market research			**9.7**	**8.5**	**7.3**	**11.9**	**10.8**	**9.6**	**8.6**	**10.2**	**11.5**	**14.6**	**10.2**	**12.8**
Ad agencies			12.3	9.8	9.8	18.0	13.9	13.7	7.0	7.9	7.6	7.6	7.3	9.2
Commercial TV			12.0	8.7	8.1	15.1	12.5	11.8	5.2	7.1	7.4	7.4	0.1	3.3
Professional publishers			13.7	11.6	10.2	18.2	15.3	13.7	5.8	6.6	7.5	12.8	16.5	13.8
Conglomerates			9.1	7.2	6.1	17.4	11.1	9.4	6.0	7.5	8.8	10.0	41.4	17.7
Yellow pages			12.0	8.6	8.3	13.4	9.0	8.5	7.4	11.6	11.7	4.8	12.1	8.2
Media average (%)			**12.0**	**9.4**	**9.1**	**15.9**	**12.4**	**12.2**	**6.2**	**7.5**	**7.9**	**7.6**	**10.0**	**9.2**
Premium (discount) of market research (%)			*(19)*	*(9)*	*(19)*	*(25)*	*(13)*	*(22)*	*(28)*	*(26)*	*(32)*	*7.0pt*	*0.3pt*	*3.7pt*

** Excluding change in working capital.*

Source: Exane BNP Paribas estimates

Compared to its historical average, the chart below shows that the stock is trading at its 2003 levels. This is clearly not justified today, even though there is still a slight negative risk on earnings. First, it should be noted that the multiples below are calculated using the average market capitalisation for the year and the actual earnings figures, which slightly understate the 2002, 2003 and 2004 multiples, a period of gradual upgrades. More importantly, we believe that the group is in **much better** shape now than it was in 2003: 1) the acquisition of NOP has provided the group with key critical mass in the custom business; and 2) the Retail and Technology division has also improved its positioning and now has a quasi monopoly on its market.

Chart 4: Historical multiples



Source: Exane BNP Paribas

Sensitivity of FY08 EV/EBIT and P/E multiples to top-line assumptions

The charts below show the sensitivity of our FY08 EV/EBIT and P/E multiples to different top-line and margin assumptions in FY08. Multiples are so low that, even if we assume a worst-case scenario of 1.4% organic growth next year (6.5% growth in R&T, 0% organic growth in custom research, 0% growth in Healthcare, 0% growth in media, 0% growth in consumer tracking) and a 20bp margin decline versus our 50bpe increase (i.e., around a 13.3% adj. EBIT margin), we still derive very reasonable multiples of around 8.2x 2008e EV/EBIT and around 9.8x P/E.

Table 18: Sensitivity of our FY08e EV/EBIT and restated fully diluted FY08e P/E to organic growth (horizontal) and EBIT margin (vertical) assumptions

FY08e EV/EBIT

		Organic growth				
		1.4%	**2.9%**	**4.4%**	**5.8%**	**7.2%**
Adj. EBIT margin	**13.3%**	8.2x	8.1x	8.0x	7.9x	7.8x
(co. def.)	**13.5%**	8.1x	8.0x	7.9x	7.8x	7.7x
	13.7%	8.0x	7.9x	7.8x	7.7x	7.6x
	13.9%	7.9x	7.8x	7.7x	7.6x	7.5x
	14.1%	7.8x	7.7x	7.6x	7.4x	7.3x
	14.3%	7.7x	7.5x	7.4x	7.3x	7.2x
	14.5%	7.6x	7.4x	7.3x	7.2x	7.1x

Restated fully diluted FY08e P/E

		Organic growth				
		1.4%	**2.9%**	**4.4%**	**5.8%**	**7.2%**
Adj. EBIT margin	**13.3%**	9.8x	9.7x	9.5x	9.4x	9.3x
(co. def.)	**13.5%**	9.7x	9.5x	9.4x	9.2x	9.1x
	13.7%	9.5x	9.4x	9.2x	9.1x	9.0x
	13.9%	9.4x	9.2x	9.1x	9.0x	8.8x
	14.1%	9.2x	9.1x	9.0x	8.8x	8.7x
	14.3%	9.1x	9.0x	8.8x	8.7x	8.6x
	14.5%	9.0x	8.8x	8.7x	8.6x	8.4x

Source: Exane BNP Paribas

A reverse DCF points to unrealistically low assumptions

After factoring in Exane BNP Paribas's risk-free rate of 4.36% and an equity market risk premium of 4.26%, we derive a cost of equity for GfK of 9.6% (unleveraged beta of 1.05). A FY08e FCF yield of 11.6% therefore implicitly assumes a 2% decline in the group's FCF to equity to perpetuity! In other words, to build a proper reverse DCF (cf. table below), we need to assume 1% normative organic growth from 2007 to 2017e (i.e., growth only in Retail and Technology) and EBIT margin declining to 11.3% by 2011 (to perpetuity), 230bp below FY06, to derive today's share price of EUR25.

Table 19: Reverse DCF

Main assumptions		
Org. growth (%)	1.0	versus 2000/2007e average of 5.6%
EBIT margin (%)	11.3	230bp below 2006 level (to perpetuity)
Tax rate (%)	31.0	
Risk-free rate (%)	4.4	
Market risk premium (%)	4.3	
Unleveraged beta (%)	105	
Growth rate to infinity (%)	2.5	
WACC (%)	8.5	

	2007e	**2008e**	**2009e**	**2010e**	**2011e**	**2012e**	**2013e**	**2014e**	**2015e**	**2016e**	**2017e**	**Normative**
Sales	**1,157**	**1,167**	**1,178**	**1,190**	**1,202**	**1,214**	**1,226**	**1,238**	**1,251**	**1,263**	**1,276**	**1,308**
Organic growth (%)	*5.3*	*1.0*	*1.0*	*1.0*	*1.0*	*1.0*	*1.0*	*1.0*	*1.0*	*1.0*	*1.0*	*2.5*
Adjusted EBITDA (bef. SO costs)	**190**	**183**	**179**	**177**	**171**	**172**	**174**	**176**	**178**	**179**	**181**	**205**
as a % of sales	16.4	15.7	15.2	14.9	14.2	14.2	14.2	14.2	14.2	14.2	14.2	15.7
D&A	35	35	35	36	36	36	37	37	38	38	38	59
Adjusted EBIT	**156**	**148**	**144**	**141**	**135**	**136**	**137**	**139**	**140**	**141**	**143**	**146**
as a % of sales	*13.4*	*12.7*	*12.2*	*11.9*	*11.2*	*11.2*	*11.2*	*11.2*	*11.2*	*11.2*	*11.2*	*11.2*
Change in WCR	0	0	0	0	0	0	0	0	0	0	0	0
Capex	(52)	(53)	(53)	(54)	(54)	(55)	(55)	(56)	(56)	(57)	(57)	(59)
Capex as a % of sales	*4.5*	*4.5*	*4.5*	*4.5*	*4.5*	*4.5*	*4.5*	*4.5*	*4.5*	*4.5*	*4.5*	*4.5*
Income Tax	(47)	(46)	(45)	(44)	(42)	(42)	(43)	(43)	(43)	(44)	(44)	(45)
FCFF	**92**	**85**	**82**	**80**	**75**	**76**	**76**	**77**	**78**	**79**	**79**	**101**
Discount rate		1.00	0.92	0.85	0.78	0.72	0.66	0.61	0.56	0.52	0.48	0.48
Discounted FCFF		**85**	**75**	**68**	**59**	**55**	**51**	**47**	**44**	**41**	**38**	**48**

Sum of discounted FCF	561
Final value	804
EV	**1,365**
-Net debt at end-07	(467)
+ Associates	41
Cash from exercise of SOs	43
Value of shareholders' funds	**982**
Revalued minority interests	(56)
Equity value	**926**
Share price (EUR)	**25.0**

Source: Exane BNP Paribas

New DCF-derived target price of EUR39 (+56% upside)

As we do for the majority of the media names we cover, we used to retain as our target price the value derived from our base case DCF, which we have left unchanged at EUR46 per share. We have now decided to apply a 15% liquidity discount to our DCF-based fair value due to more difficult market conditions (the average daily trading volume is c.EUR1.5m). Our new target price, post our new liquidity discount, is thus EUR39 per share (versus EUR46 previously), i.e., still yielding very attractive 56% upside.

Our main FCF assumptions, which we believe are reasonably cautious, are:

– Organic growth of 4.4% in FY08, 4.4% in FY09, 5.8% in FY10 and then a normative rate (2011-17) of 4.0% (which compares with the 2000-07e historical average of 5.6%);

– EBIT margin (company definition, i.e., excluding stock option costs) of 13.9% in FY08, 14.4% in FY09, and 14.8% in FY10 (respectively 13.7%, 14.2% and 14.6% including SO costs: Exane BNP Paribas definition) and then a normative rate (2011-17) of 13.5%;

– 3.5% capex-to-sales ratio; 31% cash tax rate (versus 30% in FY07); and

– No contribution from the change in net working capital (the contribution should be positive in 2007).

Table 20: Core DCF

Main assumptions	Post 2011e
Organic growth (%)	4.0
EBIT margin (%)	13.5
Tax rate (%)	31.0
Risk-free rate (%)	4.4
Market risk premium (%)	4.3
Unleveraged beta (%)	105
Growth rate to infinity (%)	2.5
WACC (%)	8.5

	2007e	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e	2017e	Normative
Sales	**1,157**	**1,206**	**1,259**	**1,332**	**1,386**	**1,441**	**1,499**	**1,559**	**1,621**	**1,686**	**1,753**	**1,797**
Organic growth (%)	*5.3*	*4.4*	*4.4*	*5.8*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*2.5*
Adjusted EBITDA (bef. SO costs)	**183**	**196**	**211**	**228**	**219**	**228**	**237**	**247**	**257**	**267**	**278**	**297**
as a % of sales	15.8	16.3	16.7	17.1	15.8	15.8	15.8	15.8	15.8	15.8	15.8	16.5
D&A	27	28	29	31	32	34	35	36	38	39	41	63
Adjusted EBIT (bef. SO costs)	**156**	**168**	**181**	**197**	**187**	**195**	**202**	**210**	**219**	**228**	**237**	**234**
as a % of sales	*13.4*	*13.9*	*14.4*	*14.8*	*13.5*	*13.5*	*13.5*	*13.5*	*13.5*	*13.5*	*13.5*	*13.0*
Change in WCR	0	0	0	0	0	0	0	0	0	0	0	0
Capex	(41)	(42)	(44)	(47)	(48)	(50)	(52)	(55)	(57)	(59)	(61)	(63)
Capex as a % of sales	*3.5*	*3.5*	*3.5*	*3.5*	*3.5*	*3.5*	*3.5*	*3.5*	*3.5*	*3.5*	*3.5*	*3.5*
Income Tax	(47)	(52)	(56)	(61)	(58)	(60)	(63)	(65)	(68)	(71)	(73)	(72)
FCFF	**95**	**102**	**110**	**120**	**113**	**117**	**122**	**127**	**132**	**137**	**143**	**161**
Discount rate		1.00	0.92	0.85	0.78	0.72	0.66	0.61	0.56	0.52	0.48	0.48
Discounted FCFF		**102**	**102**	**102**	**88**	**85**	**81**	**78**	**75**	**71**	**68**	**77**

Sum of discounted FCFF	852
Final value	1,282
EV	**2,134**
-Net debt at end-07	(467)
+ Associates	41
Cash from SO exercise	43
Value of shareholders' funds	**1,751**
Revalued minority interests	(56)
Equity value	**1,695**
Valuation per share (EUR)	**46**

Source: Exane BNP Paribas

Table 21: Sensitivity of GfK's fair value to normative organic growth and EBIT margin assumptions

EBIT margin (%)	Organic growth (%) 2.0%	3.0%	4.0%	5.0%	6.0%
12.5%	38.0	40.6	43.4	46.3	49.3
13.0%	38.6	41.2	44.0	46.9	50.0
13.5%	39.2	41.8	**44.6**	47.6	50.7
14.0%	39.8	42.4	45.2	48.2	51.4
14.5%	40.3	43.0	45.9	48.9	52.0
15.0%	40.9	43.6	46.5	49.5	52.7

Source: Exane BNP Paribas estimates

Table 22: Upside to current share price of EUR25 (%)

EBIT margin (%)	Organic growth (%) 2.0%	3.0%	4.0%	5.0%	6.0%
12.5%	57	67	78	90	102
13.0%	59	69	80	92	105
13.5%	61	72	83	95	107
14.0%	64	74	85	97	110
14.5%	66	77	88	100	113
15.0%	68	79	90	103	115

Source: Exane BNP Paribas estimates

Table 23: Upside to current share price of EUR25 after applying a 15% liquidity discount (%)

EBIT margin (%)	Organic growth (%) 2.0%	3.0%	4.0%	5.0%	6.0%
12.5%	33	42	51	61	72
13.0%	35	44	53	63	74
13.5%	37	46	56	66	76
14.0%	39	48	58	68	78
14.5%	41	50	60	70	81
15.0%	43	52	62	72	83

Source: Exane BNP Paribas estimates

Chart 5: GfK share price vs our Conservative, Core and Aggressive valuations (after applying the new 15% liquidity discount)

Aggressive Case: valuation EUR43 (+72% upside)

LT organic growth: 5.0%

LT EBIT margin: 14.5%

Core Case: valuation EUR38 (+56% upside)

LT organic growth: 4.0%

LT EBIT margin: 13.5%

Conservative Case: valuation EUR32 (+26% upside)

LT organic growth: 3.0%

LT EBIT margin: 12.5%

Rebased to 100: current share price EUR24.99.

Source: Exane BNP Paribas

DCF-based sum of the parts

In parallel to our consolidated DCF models, we have built divisional DCFs (see Appendix 2) that we add up in the sum of the parts presented in the table below. This approach makes it easier to capture the mix impact and, in particular, highlights the value of the Retail and Technology division.

Table 24: DCF-based SOP

	Value (EURm)	Per share (EUR)	Weight in EV (%)	Comment	WACC (%)	Implied 2008e EV/EBIT (x)
Retail and Technology	1,231	33.2	54	DCF	8.2	16.7
Media	346	9.3	15	DCF	8.2	12.9
Custom	456	12.3	20	DCF	9.3	10.3
Consumer Tracking	102	2.7	4	DCF	8.2	11.8
Healthcare	162	4.4	7	DCF	9.3	10.9
Corporate Costs	(9)	(0.2)				
Total Enterprise Value	**2,288**	**61.7**				13.8
-Net debt at end 07	(467)	(12.6)				
Associates	43					
Cash from exercise of SOs	41					
Revalued minority interests	(56)					
Total equity value	**1,849**					
Number of shares (m)	37.1					
Equity Value per share (EUR)	**50**					

Source: Exane BNP Paribas estimates

We derive a total equity value of EUR50 per share. Retail and Technology itself represents 54% of GfK's total enterprise value in our SOP, the Media business 15% and Consumer Tracking 4%, i.e., a total of 73% of the panel businesses on which visibility is good. In a scenario of an economic downturn, 27% of the enterprise value can be considered "at risk" (custom research and Healthcare).

The tables below summarises our main assumptions by division. The main differences with our consolidated core DCF concern the 2011-17 forecast period and the terminal value with higher EBIT margin assumptions: this reflects the positive mix effect (we have left our margin stable at 13.5% in our consolidated DCF whereas the increasing weight of Retail and Technology adds around 15bp pa when we combine the divisional DCFs) as well as slightly more bullish normative assumptions for Retail and Technology (28% EBIT margin in 2011/2017). Overall, the sum of our divisional FCFF assumptions is close to the FCFFs of our best-case consolidated DCF.

Table 25: Main DCF assumptions

Organic growth: (%)					
Division	**2008**	**2009**	**2010**	**2011/2017**	**to perpetuity**
Retail and Technology	7.5	9.0	9.0	6.0	2.5
Media	3.6	4.0	5.0	3.0	2.5
Custom	3.5	3.0	5.0	3.0	2.5
Consumer Tracking	3.0	3.0	3.0	2.0	2.5
Healthcare	3.0	3.0	6.0	3.0	2.5
Implied Group (excl. "other")	**4.2**	**4.5**	**5.9**	**3.7**	**2.5**
Exane forecasts	***4.4***	***4.4***	***5.8***		
Adj. EBIT margin (co. def): (%)					
Division	**2008**	**2009**	**2010**	**2011/2017**	**to perpetuity**
Retail and Technology	26.8	27.1	27.4	28.0	25.0
Media	21.0	21.5	21.5	21.5	20.5
Custom	8.0	8.3	8.6	8.5	7.5
Consumer Tracking	7.7	7.8	7.9	8.5	7.5
Healthcare	11.2	11.4	11.6	11.0	10.0
Implied Group (excl. "other")	**14.0**	**14.5**	**14.8**	**15.0**	**14.1**
Exane forecasts	***13.9***	***14.4***	***14.8***		
Capex as % of sales:					
Division	**2008**	**2009**	**2010**	**2011/2017**	**to perpetuity**
Retail and Technology	4.0	4.0	4.0	4.0	4.0
Media	10.0	9.0	8.0	8.0	8.0
Custom	2.0	2.0	2.0	2.0	2.0
Consumer Tracking	4.0	4.0	4.0	4.0	4.0
Healthcare	3.5	3.5	3.5	3.5	3.5
Implied Group (excl. "other")	**3.7**	**3.6**	**3.5**	**3.5**	**3.5**
Exane forecasts	***3.5***	***3.5***	***3.5***		

Source: Exane BNP Paribas estimates

Table 26: WACC by division

Division	WACC (%)	Weight in valuation (%)
Retail and Technology	8.2	54
Media	8.2	15
Custom	9.3	20
Consumer Tracking	8.2	4
Healthcare	9.3	7
Weighted WACC	**8.5**	

Source: Exane BNP Paribas estimates

From our **Retail and Technology** DCF, we derive an implied 2008e EV/EBIT multiple of 16.7x. At first glance, this multiple could look very high, but it reflects the division's strong growth profile (8-12% organic growth on average, strong operating leverage), as well as its excellent risk profile (monopolistic position, strong pricing power, no technological risks). This 16.7x multiple is, for instance, close to that of JCDecaux, which shares many similarities (concession-like businesses). It also compares with a trailing multiple of around 15x for VNU when it was acquired in May 2006 by a consortium of private equity funds. We believe that GfK Retail and Technology deserves higher multiples than the former VNU as it boasts a superior growth profile (8-12% organic growth for GfK R&T versus 4-6% for VNU) and a superior risk profile. A comparison with IMS Health is relevant from a theoretical point of view: it is also a data information provider, specialising in one industry (Healthcare) where it has a dominant market share, and it has a good level of organic growth (7-9% vs 9-11% for R&T). However, IMS Health has undergone a strong derating in the last three months (-25%), following a major profit warning in which it reduced its guidance for organic growth (from 9-11% to 7-9%) and announced that its margin would be under pressure in the coming quarters due to Healthcare sector-specific issues that do not apply to GfK's R&T division. IMS Health is now trading at around 10.5x 2008e EV/EBIT versus a historical average of around 13x.

From our **Media** DCF, we derive an implied 2008e EV/EBIT multiple of 12.9x. There is no relevant listed peer apart from the former VNU (Arbitron's multiples are not relevant).

From our **Custom Research** DCF, we derive an implied 2008e EV/EBIT multiple of 10.3x, which compares with 10x for TNS and 8.1x for Ipsos. We believe that both groups are currently undervalued, especially Ipsos, which has undergone a strong derating in the last three months (-22%) despite the publication of a good Q3, as it was penalised by the departure of two executives (co-CEOs of Ipsos France).

From our **Consumer Tracking** DCF, we derive an implied 2008e EV/EBIT multiple of 11.8x. There is no relevant listed peer.

From our **Healthcare** DCF, we derive an implied 2008e EV/EBIT multiple of 10.9x. We believe the closest peer is Cegedim, a French listed company (EUR762me in sales in FY07, EUR750m market capitalisation), specialising in data information in the Healthcare industry. It should have a c.14% EBIT margin in FY08 (GfK Healthcare: 11.5%) and deliver around 5% organic growth. It is trading at 10.5x FY08e EV/EBIT.

Appendices

Appendix 1: GfK Group P&L (2004-2010e)

P&L, 2004–2010e (IFRS)

EURm	2004	2005	2006	2007e	2008e	2009e	2010e
Revenues	**669**	**937**	**1112.2**	**1157**	**1206**	**1259**	**1332**
% change	***12.4***	***40.1***	***18.7***	***4.1***	***4.2***	***4.4***	***5.8***
Cost of sales	*(447)*	*(626)*	*(734)*	*(762)*	*(792)*	*(826)*	*(873)*
as % of sales	**66.8**	**66.8**	**66.0**	***65.8***	***65.7***	***65.6***	***65.5***
Gross Income	**222**	**311**	**378**	**396**	**414**	**433**	**460**
SG&A	(141)	(189)	(230)	(243)	(248)	(254)	(265)
Adjusted EBIT after SO costs	**80.9**	**122.5**	**147.5**	**153.1**	**165.3**	**178.9**	**194.5**
EBIT margin (%)	**12.1**	**13.1**	**13.3**	**13.2**	**13.7**	**14.2**	**14.6**
Adjusted EBIT company definition	**82.9**	**125.1**	**150.5**	**155.6**	**167.8**	**181.4**	**197.0**
EBIT margin (%)	**12.4**	**13.3**	**13.5**	**13.4**	**13.9**	**14.4**	**14.8**
Impairments	*(6)*	*(16)*	*(23)*	*(23)*	*(23)*	*(23)*	*(23)*
Restructuring costs	*0*	*(16)*	*(4)*				
Other operating items	*2*	*(10)*	*(2)*	*(2)*			
Net other income							
EBIT before income from participations	**77.6**	**80.7**	**118.5**	**128.1**	**142.3**	**155.9**	**171.5**
as % of sales	**11.6**	**8.6**	**10.7**	**11.1**	**11.8**	**12.4**	**12.9**
Income from associates and participations	4.3	28.3	3.4	3.4	3.6	3.7	3.9
EBIT after income from participations	**82.0**	**109.0**	**121.9**	**131.5**	**145.9**	**159.6**	**175.5**
Financial income	4.1	2.3	4.6				
Financial expenses	(4.7)	(19.1)	(33.0)				
Financial income	**(0.6)**	**(16.8)**	**(28.5)**	**(20.6)**	**(16.4)**	**(11.7)**	**(6.6)**
PBIT	**81.4**	**92.2**	**93.5**	**111.0**	**129.5**	**147.9**	**168.9**
Income Tax	(28)	(25)	(22)	(33)	(39)	(44)	(51)
Tax rate	*35*	*27*	*24*	*30*	*30*	*30*	*30*
Net income	**53.1**	**67.5**	**71.2**	**77.7**	**90.7**	**103.5**	**118.2**
Minorities	(11)	(8)	(6)	(5)	(5)	(6)	(7)
Minorities as % of net income	20	12	8	6	6	6	6
Attributable net income	**42.4**	**59.4**	**65.3**	**73.0**	**85.2**	**97.3**	**111.1**
% change	27.1	40.1	10.0	11.9	16.7	14.2	14.2
% sales	6.3	6.3	5.9	6.3	7.1	7.7	8.3
Restated attributable net income	**44.7**	**71.1**	**85.6**	**90.5**	**101.3**	**113.4**	**127.2**
% change	31.5	59.2	20.3	5.8	12.0	11.9	12.2
% sales	6.7	7.6	7.7	7.8	8.4	9.0	9.5

EPS calculation							
Weighted average basic number of shares (m)	31.37	33.49	35.16	35.50	35.85	35.85	35.85
Basic EPS (EUR)	**1.35**	**1.77**	**1.86**	**2.06**	**2.38**	**2.71**	**3.10**
% change	*6*	*31*	*5*	*11*	*16*	*14*	*14*
Restated basic EPS (EUR)	**1.42**	**2.12**	**2.43**	**2.55**	**2.83**	**3.16**	**3.55**
% change	*9*	*49*	*15*	*5*	*11*	*12*	*12*
Number of SO				1.56	1.56	1.56	1.56
Corresponding savings on financial costs				1.36	1.36	1.36	1.36
Weighted avg diluted number of shares (m) [1]	31.68	33.97	35.72	37.06	37.41	37.41	37.41
Diluted EPS (EUR)	**1.34**	**1.75**	**1.83**	**2.01**	**2.31**	**2.64**	**3.01**
% dilution	1.0	1.4	1.6	2.5	2.7	2.9	3.1
% change	*4.8*	*30.7*	*4.6*	*9.8*	*15.4*	*14.0*	*14.0*
Restated diluted EPS (EUR)	**1.41**	**2.09**	**2.40**	**2.48**	**2.75**	**3.07**	**3.44**
% change	*8.4*	*48.5*	*14.5*	*3.5*	*10.7*	*11.8*	*12.0*

[1] *2004-2006: Company definition; 2007e-2010e: Exane BNP Paribas calculation.*

Source: Company, Exane BNP Paribas estimates

Appendix 2: DCF by division

DCF Retail and Technology

DCF Retail and Technology

Main assumptions	%
Organic growth	6.0
EBIT margin	28.0
Tax rate	31.0
Risk free rate	4.4
Market risk premium	4.3
Unleveraged beta	100
Growth rate to infinity	2.5
WACC	8.2

	2007e	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e	2017e	Normative	CAGR 07e/16e
Sales	**254**	**276**	**300**	**327**	**347**	**368**	**390**	**413**	**438**	**464**	**492**	**505**	*6.9*
Organic growth (%)	*11.2*	*7.5*	*9.0*	*9.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*2.5*	
Adj. EBITDA (bef. SO)	**74**	**81**	**89**	**98**	**106**	**113**	**120**	**127**	**134**	**142**	**151**	**146**	
EBITDA margin (%)	29.2	29.5	29.8	30.1	30.7	30.7	30.7	30.7	30.7	30.7	30.7	29.0	
D&A	7	7	8	9	9	10	10	11	12	12	13	20	
Adjusted EBIT	**67**	**74**	**81**	**90**	**97**	**103**	**109**	**116**	**123**	**130**	**138**	**126**	*7.6*
EBIT margin (%)	*26.5*	*26.8*	*27.1*	*27.4*	*28.0*	*28.0*	*28.0*	*28.0*	*28.0*	*28.0*	*28.0*	*25.0*	
Incremental margin (%)		*30.3*	*30.4*	*30.7*	*38.0*	*28.0*	*28.0*	*28.0*	*28.0*	*28.0*	*28.0*		
Capex	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(20)	
Capex as a % of sales	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	
Income Tax	(21)	(23)	(25)	(28)	(30)	(32)	(34)	(36)	(38)	(40)	(43)	(39)	
FCF	**43**	**47**	**52**	**58**	**62**	**66**	**70**	**74**	**79**	**84**	**89**	**87**	
Discount rate		1.00	0.92	0.85	0.79	0.73	0.68	0.62	0.58	0.53	0.49	0.49	
Discounted FCF		**47**	**48**	**49**	**49**	**48**	**47**	**46**	**46**	**45**	**44**	**43**	

Sum of discounted FCF	470
Final value	761
Enterprise value	**1,231**
EV/EBIT 2008e (x)	**16.7**

Source: Exane BNP Paribas estimates

DCF Custom Research

Table 27: DCF Custom Research

Main assumptions	%
Organic growth	3.0
EBIT margin	8.5
Tax rate	31.0
Risk free rate	4.4
Market risk premium	4.3
Unleveraged beta	130
Growth rate to infinity	2.5
WACC	9.3

	2007e	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e	2017e	Normative	CAGR 07e/16e
Sales	**536**	**555**	**572**	**600**	**618**	**637**	**656**	**676**	**696**	**717**	**738**	**757**	*3.3*
Organic growth (%)	*4.1*	*3.5*	*3.0*	*5.0*	*3.0*	*3.0*	*3.0*	*3.0*	*3.0*	*3.0*	*3.0*	*2.5*	
Adj. EBITDA (bef. SO)	**48**	**52**	**55**	**60**	**61**	**63**	**65**	**66**	**68**	**70**	**73**	**72**	
EBITDA margin (%)	9.0	9.3	9.6	9.9	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.5	
D&A	7	7	8	8	8	8	9	9	9	10	10	15	
Adjusted EBIT	**41**	**44**	**47**	**52**	**53**	**54**	**56**	**57**	**59**	**61**	**63**	**57**	*4.4*
EBIT margin (%)	*7.7*	*8.0*	*8.3*	*8.6*	*8.5*	*8.5*	*8.5*	*8.5*	*8.5*	*8.5*	*8.5*	*7.5*	
Incremental margin (%)		*16.5*	*18.3*	*14.6*	*5.2*	*8.5*	*8.5*	*8.5*	*8.5*	*8.5*	*8.5*	*(32.5)*	
Change in WC	(3)	(3)	(3)	(3)	(3)	(4)	(4)	(4)	(4)	(4)	(4)	0	
Capex	(11)	(11)	(11)	(12)	(12)	(13)	(13)	(14)	(14)	(14)	(15)	(15)	
Capex as a % of sales	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	
Income tax	(13)	(14)	(15)	(16)	(16)	(17)	(17)	(18)	(18)	(19)	(19)	(18)	
FCF	**22**	**24**	**26**	**28**	**29**	**30**	**30**	**31**	**32**	**33**	**34**	**39**	
Discount rate		1.00	0.91	0.84	0.76	0.70	0.64	0.58	0.53	0.49	0.45	0.45	
Discounted FCF		**24**	**24**	**24**	**22**	**21**	**19**	**18**	**17**	**16**	**15**	**18**	

Sum of discounted FCF	200
Final value	256
Enterprise value	**456**
EV/EBIT 2008e (x)	**10.3**

Source: Exane BNP Paribas estimates

DCF Media

Table 28: DCF Media

Main assumptions	%
Organic growth	3.0
EBIT margin	21.5
Tax rate	31.0
Risk free rate	4.4
Market risk premium	4.3
Unleveraged beta	100.0
Growth rate to infinity	2.5
WACC	8.2

	2007e	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e	2017e	Normative	CAGR 07e/16e
Sales	**123**	**128**	**133**	**140**	**144**	**148**	**153**	**157**	**162**	**167**	**172**	**176**	*3.4*
Organic growth (%)	*8.0*	*3.6*	*4.0*	*5.0*	*3.0*	*3.0*	*3.0*	*3.0*	*3.0*	*3.0*	*3.0*	*2.5*	
Adj. EBITDA (bef. SO)	**34**	**35**	**36**	**37**	**39**	**40**	**41**	**42**	**43**	**45**	**46**	**50**	
EBITDA margin (%)	27.2	27.0	26.8	26.8	26.8	26.8	26.8	26.8	26.8	26.8	26.8	28.5	
D&A	8	8	7	7	8	8	8	8	9	9	9	14	
Adjusted EBIT	**25**	**27**	**29**	**30**	**31**	**32**	**33**	**34**	**35**	**36**	**37**	**36**	*3.9*
EBIT margin (%)	*20.5*	*21.0*	*21.5*	*21.5*	*21.5*	*21.5*	*21.5*	*21.5*	*21.5*	*21.5*	*21.5*	*20.5*	
Incremental margin (%)		*35.0*	*34.0*	*21.5*	*21.5*	*21.5*	*21.5*	*21.5*	*21.5*	*21.5*	*21.5*	*(19.5)*	
Capex	(12)	(12)	(11)	(11)	(12)	(12)	(12)	(13)	(13)	(13)	(14)	(14)	
Capex as a % of sales	*10.0*	*9.0*	*8.0*	*8.0*	*8.0*	*8.0*	*8.0*	*8.0*	*8.0*	*8.0*	*8.0*	*8.0*	
Income tax	(8)	(8)	(9)	(9)	(10)	(10)	(10)	(10)	(11)	(11)	(11)	(11)	
FCF	**13**	**15**	**16**	**17**	**17**	**18**	**19**	**19**	**20**	**20**	**21**	**25**	
Discount rate		1.00	0.92	0.85	0.79	0.73	0.68	0.62	0.58	0.53	0.49	0.49	
Discounted FCF		**15**	**15**	**15**	**14**	**13**	**13**	**12**	**11**	**11**	**10**	**12**	

Sum of discounted FCF	128
Final value	218
Enterprise value	**346**
EV/EBIT 2008e (x)	**12.9**

Source: Exane BNP Paribas estimates

DCF Consumer Tracking

Table 29: DCF Consumer Tracking

Main assumptions	%
Organic growth	2.0
EBIT margin	8.5
Tax rate	31.0
Risk free rate	4.4
Market risk premium	4.3
Unleveraged beta	100
Growth rate to infinity	2.5
WACC	8.2

	2007e	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e	2017e	Normative	CAGR 07e/16e
Sales	**110**	**112**	**115**	**118**	**121**	**123**	**126**	**128**	**131**	**133**	**136**	**139**	*2.2*
Organic growth (%)	*3.0*	*3.0*	*3.0*	*3.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.5*	
Adj. EBITDA (bef. SO)	**11**	**12**	**12**	**13**	**13**	**14**	**14**	**14**	**15**	**15**	**15**	**16**	
EBITDA margin (%)	10.3	10.4	10.5	10.6	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.5	
D&A	3	3	3	3	3	3	3	3	3	4	4	6	
Adjusted EBIT	**8**	**9**	**9**	**9**	**10**	**10**	**11**	**11**	**11**	**11**	**12**	**10**	*3.5*
EBIT margin (%)	*7.6*	*7.7*	*7.8*	*7.9*	*8.5*	*8.5*	*8.5*	*8.5*	*8.5*	*8.5*	*8.5*	*7.5*	
Incremental margin (%)		*14.0*	*11.1*	*11.2*	*38.5*	*8.5*	*8.5*	*8.5*	*8.5*	*8.5*	*8.5*	*(32.5)*	
Capex	(4)	(4)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(6)	
Capex as a % of sales	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	
Income Tax	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(4)	(4)	(3)	
FCF	**4**	**4**	**5**	**5**	**5**	**6**	**6**	**6**	**6**	**6**	**6**	**7**	
Discount rate		1.00	0.92	0.85	0.79	0.73	0.68	0.62	0.58	0.53	0.49	0.49	
Discounted FCF		**4**	**4**	**4**	**4**	**4**	**4**	**4**	**3**	**3**	**3**	**4**	

Sum of discounted FCF	39
Final value	63
Enterprise value	**102**
EV/EBIT 08e (x)	**11.8**

Source: Exane BNP Paribas estimates

DCF Healthcare

Table 30: DCF Healthcare

Main assumptions	%
Organic growth	2.0
EBIT margin	11.0
Tax rate	31.0
Risk free rate	4.4
Market risk premium	4.3
Unleveraged beta	130
Growth rate to infinity	2.5
WACC	9.3

	2007e	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e	2017e	Normative	CAGR 07e/16e
Sales	**131**	**133**	**137**	**145**	**149**	**154**	**158**	**163**	**168**	**173**	**178**	**182**	*3.2*
Organic growth (%)	*0.0*	*3.0*	*3.0*	*6.0*	*3.0*	*3.0*	*3.0*	*3.0*	*3.0*	*3.0*	*3.0*	*2.5*	
Adj. EBITDA (bef. SO)	**17**	**18**	**19**	**20**	**20**	**20**	**21**	**22**	**22**	**23**	**24**	**25**	
EBITDA margin (%)	13.3	13.5	13.7	13.9	13.3	13.3	13.3	13.3	13.3	13.3	13.3	13.5	
D&A	3	3	3	3	3	4	4	4	4	4	4	6	
Adjusted EBIT	**14**	**15**	**16**	**17**	**16**	**17**	**17**	**18**	**18**	**19**	**20**	**18**	*3.2*
EBIT margin (%)	*11.0*	*11.2*	*11.4*	*11.6*	*11.0*	*11.0*	*11.0*	*11.0*	*11.0*	*11.0*	*11.0*	*10.0*	
Incremental margin (%)		*23.8*	*18.1*	*14.9*	*(9.0)*	*11.0*	*11.0*	*11.0*	*11.0*	*11.0*	*11.0*	*(30.0)*	
Capex	(5)	(5)	(5)	(5)	(5)	(5)	(6)	(6)	(6)	(6)	(6)	(6)	
Capex as a % of sales	*3.5*	*3.5*	*3.5*	*3.5*	*3.5*	*3.5*	*3.5*	*3.5*	*3.5*	*3.5*	*3.5*	*3.5*	
Income tax	(4)	(5)	(5)	(5)	(5)	(5)	(5)	(6)	(6)	(6)	(6)	(6)	
FCF	**8**	**9**	**9**	**10**	**10**	**10**	**10**	**10**	**11**	**11**	**11**	**13**	
Discount rate		1.00	0.92	0.85	0.79	0.73	0.68	0.62	0.58	0.53	0.49	0.49	
Discounted FCF		**9**	**8**	**8**	**8**	**7**	**7**	**7**	**6**	**6**	**6**	**6**	

Sum of discounted FCF	72
Final value	91
Enterprise Value	**162**
EV/EBIT 2008e (x)	**10.9**

Source: Exane BNP Paribas estimates

Sum of the divisional DCFs

Table 31: Sum of the divisional DCFs

	2007e	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e	2017e	Normative	CAGR 07e/16e
Sales	**1,154**	**1,203**	**1,257**	**1,331**	**1,379**	**1,430**	**1,482**	**1,537**	**1,595**	**1,654**	**1,716**	**1,759**	*4.1*
Organic growth (%)		*4.2*	*4.5*	*5.9*	*3.6*	*3.7*	*3.7*	*3.7*	*3.7*	*3.7*	*3.8*	*2.5*	
Adj. EBITDA (bef. SO costs)	**185**	**197**	**211**	**228**	**239**	**249**	**260**	**271**	**283**	**296**	**309**	**309**	
EBITDA margin (%)	16.0	16.4	16.8	17.2	17.3	17.4	17.5	17.7	17.8	17.9	18.0	17.6	
D&A	28	28	29	31	32	33	34	36	37	38	40	61	
Adjusted EBIT	**157**	**169**	**182**	**197**	**207**	**216**	**226**	**236**	**246**	**257**	**269**	**248**	*5.7*
EBIT margin (%)	*13.6*	*14.0*	*14.5*	*14.8*	*15.0*	*15.1*	*15.2*	*15.3*	*15.4*	*15.5*	*15.7*	*14.1*	
Incremental margin (%)		*24.5*	*24.9*	*21.0*	*20.2*	*17.9*	*18.0*	*18.1*	*18.2*	*18.4*	*18.5*	*(48.9)*	
Capex	(42)	(43)	(43)	(46)	(48)	(50)	(51)	(53)	(55)	(58)	(60)	(61)	
Capex as a % of sales	*(3.7)*	*(3.6)*	*(3.5)*	*(3.5)*	*(3.5)*	*(3.5)*	*(3.5)*	*(3.5)*	*(3.5)*	*(3.5)*	*(3.5)*	*(3.5)*	
Income tax	(49)	(52)	(56)	(61)	(64)	(67)	(70)	(73)	(76)	(80)	(83)	(77)	
FCF	**94**	**102**	**111**	**121**	**127**	**133**	**139**	**145**	**151**	**158**	**165**	**171**	
Discount rate		1.00	0.92	0.85	0.78	0.72	0.67	0.61	0.57	0.52	0.48	0.48	
Discounted FCF		**102**	**102**	**103**	**100**	**96**	**92**	**89**	**86**	**83**	**80**	**82**	

Sum of discounted FCF	932
Final value	1,376
EV	**2,308**
-Net debt (+cash) at end-2007	(467)
Cash from SO exercise	43
Value of s'holders funds	**1,884**
Revalued minority interests	(56)
Equity value	**1,828**
Valuation per share (EUR)	49.3
Current share price	27.3
Discount to current price (%)	80

Source: Exane BNP Paribas estimates

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Rating definitions

Stock Rating (vs Sector)
Outperform: The stock is expected to outperform the industry large-cap coverage universe over a 12-month investment horizon.
Neutral: The stock is expected to perform in line with the industry large-cap coverage universe over a 12-month investment horizon.
Underperform: The stock is expected to underperform the industry large-cap coverage universe over a 12-month investment horizon.

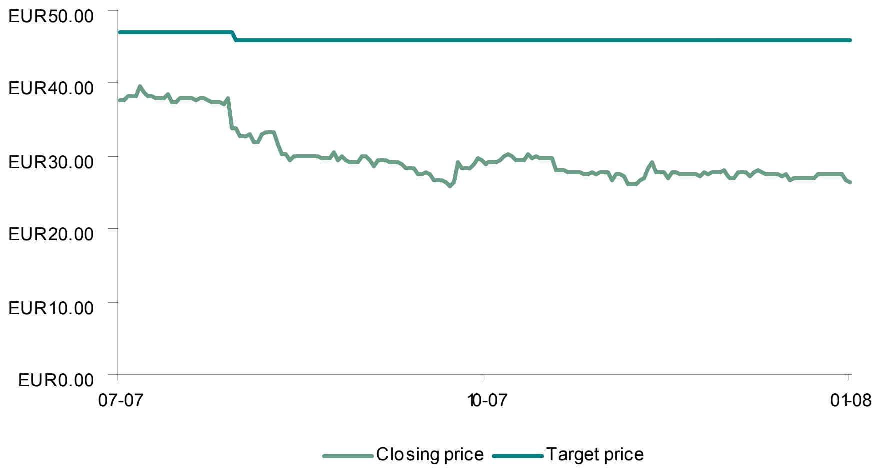
Sector Rating (vs Market)
Outperform: The sector is expected to outperform the DJ STOXX50 over a 12-month investment horizon.
Neutral: The sector is expected to perform in line with the DJ STOXX50 over a 12-month investment horizon.
Underperform: The sector is expected to underperform the DJ STOXX50 over a 12-month investment horizon.

Key ideas
BUY: The stock is expected to deliver an absolute return in excess of 30% over the next two years. Exane BNP Paribas' Key Ideas Buy List comprises selected stocks that meet this criterion.

Distribution of Exane BNP Paribas' equity recommendations

As at 10/10/2007 Exane BNP Paribas covered 424 stocks. The stocks that, for regulatory reasons, are not accorded a rating by Exane BNP Paribas are excluded from these statistics. For regulatory reasons, our ratings of Outperform, Neutral and Underperform correspond respectively to Buy, Hold and Sell; the underlying signification is, however, different as our ratings are relative to the sector.
43% of stocks covered by Exane BNP Paribas were rated Outperform. During the last 12 months, Exane acted as distributor for BNP Paribas on the 4% of stocks with this rating for which BNP Paribas acted as manager or co-manager on a public offering. BNP Paribas provided investment banking services to 12% of the companies accorded this rating*.
39% of stocks covered by Exane BNP Paribas were rated Neutral. During the last 12 months, Exane acted as distributor for BNP Paribas on the 5% of stocks with this rating for which BNP Paribas acted as manager or co-manager on a public offering. BNP Paribas provided investment banking services to 11% of the companies accorded this rating*.
18% of stocks covered by Exane BNP Paribas were rated Underperform. During the last 12 months, Exane acted as distributor for BNP Paribas on the 1% of stocks with this rating for which BNP Paribas acted as manager or co-manager on a public offering. BNP Paribas provided investment banking services to 7% of the companies accorded this rating*.
** Exane is independent from BNP Paribas. Nevertheless, in order to maintain absolute transparency, we include in this category transactions carried out by BNP Paribas independently from Exane. For the purpose of clarity, we have excluded fixed income transactions carried out by BNP Paribas.*

GFK – historical closing price & target price (as of 04/01/2008)



Date	Closing price	Target price	Rating	Changes
02/08/2007	EUR33.86	EUR46	Outperform	Target price

Source: Exane BNP Paribas

Commitment of transparency on potential conflicts of interest

Complete disclosures, please see www.exane.com/compliance

Exane

Pursuant to Directive 2003/125/CE and NASD Rule 2711(h)

Questions	Answers
1. Investment banking and/or Distribution	
- Has Exane managed or co-managed in the past 12 months a public offering of securities for the subject company/ies?	**NO**
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- Has Exane received compensation for investment banking services from the subject company/ies in the past 12 months or expects to receive or intends to seek compensation for investment banking services from the subject company/ies in the next 3 months?	**NO**
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- At the date of distribution of this report, does Exane act as a market maker or has Exane signed a liquidity provider agreement with the subject company/ies?	**NO**
3. Corporate links	
- Does the research analyst principally responsible for the preparation of this report or a member of his/her household serve as an officer, director or advisory board member of the subject company/ies.	**NO**
4. Analyst's personal interest	
- Does the research analyst principally responsible for the preparation of this report own a financial interest in the subject company/ies?	**NO**
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- Does Exane own a stable shareholding in the subject company, above the legal threshold defined in article L 233-7 of the French Commercial Code?	**NO**
6. Disclosure to Company	
- Has a copy of this report; with the target price and/or rating removed, been presented to the subject company/ies prior to its distribution, for the sole purpose of verifying the accuracy of factual statements?	**NO**
- Have the conclusions of this report been amended following disclosure to the company/ies and prior to its distribution?	**NO**
7. Additional material conflicts	
- Is Exane aware of any additional material conflicts of interest with regard to the distribution of the research?	**NO**

Source: Exane

BNP Paribas

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Potential conflicts of interest: As of 30/11/2007 BNPP owns 1,34% of GFK AG FRA

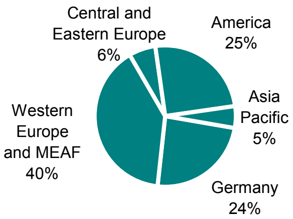
Source: BNP Paribas

GFK profile

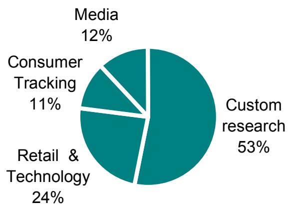
Business

Since the acquisition of NOP World in 2005, GfK group is the number four market research player worldwide (FY06 sales of EUR1.16bn) with operations in more than 70 countries. The group's activities cover both syndicated research (70% of EBIT) and custom (30%), and remain mainly exposed to Europe (70% of EBIT). The company has successfully completed the integration of NOP World (bulk of the synergies in 2007) and now focuses on better integrating and developing its custom business globally, especially in emerging countries.

2006 sales breakdown by region



2006 sales breakdown by sector



Management

CEO	Prof Dr Klaus L Wübbenhorst
CFO	Christian Weller von Ahlefeld
Investor Relations	Gérard Wolf

Shareholders (%)	Stake
Gfk-Nürnberg e.V.	56.1
Management	1.1
Free float	42.8

Sector ratings

	Rating	Price (EUR)	Target price (EUR)	Upside/ (downside) (%)
▶ Big caps (Priced at 7 January 2008)				
Antena 3 Television	(-)	10.0	10.7	7
Informa	(+)	436.3p	580.0p	33
JCDecaux	(-)	25.0	25.7	3
Lagardère	(+)	51.2	71.0	39
M6	(=)	16.5	20.8	26
Mediaset	(=)	6.6	9.5	43
PagesJaunes Groupe	(=)	13.4	16.0	19
Pearson	(=)	687.0p	890.0p	30
ProSiebenSat.1	(+)	15.0	30.0	100
Publicis Groupe	(=)	24.0	29.5	23
Reed Elsevier NV	(-)	13.2	13.5	2
Reed Elsevier plc	(-)	660.5p	640.0p	(3)
Reuters	(+)	624.0p	720.0p	15
Seat Pagine Gialle	(=)	0.2	0.4	42
Telecinco	(-)	17.0	17.0	
TF1	(-)	16.7	18.2	9
Vivendi	(+)	30.8	37.0	20
Wolters Kluwer	(+)	21.9	28.0	28
WPP	(-)	598.5p	615.0p	3
Yell	(+)	343.0p	520.0p	52
▶ Midcaps (Priced at 7 January 2008)				
AdenClassifieds	(=)	25.4	40.0	57
Aegis	(+)	109.0p	145.0p	33
Dada	(=)	16.2	18.0	11
Eniro	(=)	SEK56.5	SEK76.0	35
GFK	(+)	25.0	39.0	56
Havas	(-)	3.2	3.2	()
Il Sole 24 Ore	Restricted	5.4		
Infogrames	(=)	0.1	0.1	17
Ipsos	(+)	20.5	30.0	46
Meetic	(+)	26.0	38.0	46
NextRadioTV	(+)	23.5	30.2	29
NRJ Group	(=)	7.3	9.2	26
OL Groupe	(+)	21.4	26.0	22
SeLoger.com	(+)	40.0	49.5	24
Spir Communication	(-)	69.2	85.0	23
Taylor Nelson Sofres	(=)	193.0p	260.0p	35
Teleperformance	(+)	23.6	34.0	44
Ubisoft	(=)	61.0	57.0	(7)

Recent Exane publications

Date	Company	Type	Title	Pages
4 Jan. 2008		Update	Impact of the R&D tax credit reform in France	10
19 Dec. 2007	Telecom Operators	Update	A Vivendi/Neuf Cegetel deal - Better late than never	36
19 Dec. 2007	Media	Report	What if recession bites?	39
11 Dec. 2007	Media	Report	Directories revisited	72

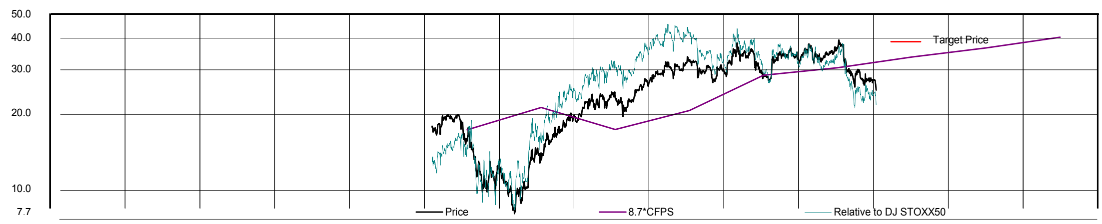
Diary

Date	Event
28 Feb. 2008	FY 2007 Results
15 May 2008	Q1 2008 Results
14 Aug. 2008	H1 2008 Results
14 Nov. 2008	Q3 2008 Results

Price at 07/01/08: EUR 25.0 **Stock rating vs Sector: Outperform**
Target price: EUR 39.0 / + 56.1% **Sector rating vs Market: Neutral**

GFK
Media - Germany

Enterprise value (EURm)			1,282
Mkt cap. / Free float (EURm)			887 / 380
3m average volume (EURm)			1.13
12-mth high / low (EUR)			39.6 / 25.7
Performance	**1mth**	**3mths**	**12mths**
Absolute	(3%)	(9%)	(23%)
Rel. (Sector)	(1%)	1%	(13%)
Rel. (DJ STOXX50)	0%	(1%)	(19%)
Reuters/Bloomberg			GFKG.DE / GFK GY
Analyst: Delphine Dahirel			
CAGR	**2003/2007**		**2007/2010**
EPS restated (*)	17%		12%
CFPS	9%		10%



PER SHARE DATA (EUR)	**Dec. 02**	**Dec. 03**	**Dec. 04**	**Dec. 05**	**Dec. 06**	**Dec. 07e**	**Dec. 08e**	**Dec. 09e**	**Dec. 10e**
No of shares year end, basic, (m)	26.122	36.120	31.475	35.048	35.502	35.502	35.502	35.502	35.502
Average no of shares, diluted, excl. treasury stocks (m)	26.122	26.122	31.680	33.966	35.716	37.064	37.412	37.412	37.412
EPS reported	*0.98*	*1.28*	*1.35*	*1.77*	*1.86*	*2.06*	*2.38*	*2.71*	*3.10*
EPS restated	1.08	1.30	1.41	2.61	2.40	2.48	2.75	3.07	3.44
% change	*NS*	*20.4%*	*8.4%*	*85.1%*	*(8.2%)*	*3.5%*	*10.7%*	*11.8%*	*12.0%*
CFPS	2.01	2.47	2.02	2.40	3.31	3.55	3.91	4.25	4.69
Book value (BVPS) (a)	6.9	5.7	7.6	11.5	12.6	14.3	16.3	18.6	21.2
Net dividend	0.20	0.21	0.30	0.33	0.36	0.40	0.46	0.52	0.60
STOCKMARKET RATIOS — YEARLY AVERAGE PRICES for end Dec. 02 to Dec. 07	**Dec. 02**	**Dec. 03**	**Dec. 04**	**Dec. 05**	**Dec. 06**	**Dec. 07e**	**Dec. 08e**	**Dec. 09e**	**Dec. 10e**
P / E (P/ EPS restated)	14.2x	10.9x	16.5x	11.6x	13.8x	13.2x	9.1x	8.1x	7.3x
P / E relative to DJ STOXX50	64%	69%	118%	88%	124%	121%	89%	86%	
P / CF	7.6x	5.8x	11.6x	12.6x	10.0x	9.2x	6.4x	5.9x	5.3x
FCF yield	9.4%	10.5%	7.5%	6.6%	4.6%	8.3%	11.7%	12.8%	14.3%
P / BVPS	2.21x	2.52x	3.08x	2.63x	2.62x	2.28x	1.53x	1.34x	1.18x
Net yield	1.3%	1.5%	1.3%	1.1%	1.1%	1.2%	1.8%	2.1%	2.4%
Payout	18.5%	16.1%	21.3%	12.7%	15.0%	16.1%	16.6%	17.0%	17.3%
EV / Sales	0.74x	0.76x	1.27x	1.70x	1.56x	1.42x	1.06x	0.94x	0.81x
EV / Restated EBITDA	5.8x	4.9x	8.1x	10.8x	9.5x	8.8x	6.3x	5.5x	4.6x
EV / Restated EBIT	8.8x	6.7x	10.5x	13.0x	11.8x	10.7x	7.8x	6.6x	5.5x
EV / OpFCF	7.7x	6.2x	9.3x	18.0x	17.9x	10.9x	7.9x	6.8x	5.6x
EV / Capital employed (incl. gross goodwill)	1.4x	1.4x	3.0x	1.6x	1.6x	1.5x	1.2x	1.1x	1.0x
ENTERPRISE VALUE (EURm)	**416**	**452**	**848**	**1,597**	**1,736**	**1,643**	**1,282**	**1,184**	**1,075**
Market cap	401	372	731	1,014	1,163	1,159	887	887	887
+ Adjusted net debt	20	6	12	485	502	427	333	230	115
+ Other liabilities and commitments	19	19	28	38	40	42	45	47	49
+ Revalued minority interests	52	93	129	98	72	56	60	65	71
- Revalued investments	77	37	52	38	41	41	43	45	47
P & L HIGHLIGHTS (EURm) — Switch to IFRS data from FY ended 12/04	**Dec. 02**	**Dec. 03**	**Dec. 04**	**Dec. 05**	**Dec. 06**	**Dec. 07e**	**Dec. 08e**	**Dec. 09e**	**Dec. 10e**
Sales	**559.4**	**595.3**	**669.1**	**937.3**	**1,112.2**	**1,157.4**	**1,205.6**	**1,258.9**	**1,332.4**
Restated EBITDA (b)	**71.6**	**92.1**	**105.3**	**147.4**	**182.6**	**186.8**	**201.9**	**216.3**	**234.5**
Depreciation	(24.4)	(24.8)	(24.4)	(25.0)	(35.1)	(33.7)	(36.5)	(37.4)	(40.0)
Restated EBIT (b) (*)	**47.3**	**67.3**	**80.9**	**122.5**	**147.5**	**153.1**	**165.3**	**178.9**	**194.5**
Reported operating profit (loss)	43.6	66.4	77.6	80.7	118.5	128.1	142.3	155.9	171.5
Net financial income (charges)	(4.7)	(3.2)	(0.6)	(16.8)	(28.5)	(20.6)	(16.4)	(11.7)	(6.6)
Affiliates	6.4	3.1	4.3	28.3	3.4	3.4	3.6	3.7	3.9
Other									
Tax	(15.3)	(25.2)	(28.2)	(24.7)	(22.2)	(33.3)	(38.9)	(44.4)	(50.7)
Minorities	(4.3)	(7.7)	(10.8)	(8.2)	(6.0)	(4.7)	(5.4)	(6.2)	(7.1)
Goodwill amortisation	0.0	0.0	-	-	-	-	-	-	-
Net attributable profit reported	25.7	33.3	42.4	59.4	65.3	73.0	85.2	97.3	111.1
Net attributable profit restated (c)	**28.2**	**34.0**	**44.7**	**88.6**	**85.6**	**90.5**	**101.3**	**113.4**	**127.2**
CASH FLOW HIGHLIGHTS (EURm)	**Dec. 02**	**Dec. 03**	**Dec. 04**	**Dec. 05**	**Dec. 06**	**Dec. 07e**	**Dec. 08e**	**Dec. 09e**	**Dec. 10e**
EBITDA (reported)	**68.0**	**91.1**	**102.0**	**105.6**	**153.6**	**161.8**	**178.9**	**193.3**	**211.5**
EBITDA adjustment (b)	**3.6**	**0.9**	**3.3**	**41.8**	**29.0**	**25.0**	**23.0**	**23.0**	**23.0**
Other items	0.1	10.9	1.3	(42.9)	(15.0)	0.5	2.5	2.5	2.5
Change in WCR	8.9	(10.2)	6.6	18.4	(32.3)	10.0	0.0	0.0	0.0
Operating cash flow	**80.7**	**92.8**	**113.1**	**122.9**	**135.3**	**197.3**	**204.4**	**218.8**	**237.0**
Capex	(26.9)	(20.2)	(21.7)	(34.2)	(38.0)	(46.3)	(42.2)	(44.1)	(46.6)
Operating free cash flow (OpFCF)	**53.8**	**72.7**	**91.5**	**88.7**	**97.3**	**151.0**	**162.2**	**174.7**	**190.4**
Net financial items + tax paid	(11.2)	(23.8)	(27.2)	(15.6)	(41.1)	(50.5)	(51.7)	(52.4)	(53.3)
Free cash flow	**42.6**	**48.8**	**64.3**	**73.1**	**56.2**	**100.5**	**110.5**	**122.4**	**137.1**
Net financial investments	(46.3)	(22.6)	(60.9)	(619.3)	(13.9)	(10.0)	0.0	0.0	0.0
Other	0.0	(3.5)	1.3	(4.5)	(56.0)	0.0	0.0	0.0	0.0
Capital increase (decrease)	0.0	0.0	2.6	95.0	10.3	0.0	0.0	0.0	0.0
Dividends paid	(6.1)	(8.2)	(13.2)	(17.2)	(14.1)	(15.2)	(16.8)	(19.5)	(22.2)
Increase (decrease) in net financial debt	**9.8**	**(14.5)**	**5.9**	**472.9**	**17.5**	**(75.4)**	**(93.7)**	**(102.9)**	**(114.9)**
Cash flow, group share	**52**	**64**	**64**	**81**	**118**	**130**	**145**	**158**	**174**
BALANCE SHEET HIGHLIGHTS (EURm)	**Dec. 02**	**Dec. 03**	**Dec. 04**	**Dec. 05**	**Dec. 06**	**Dec. 07e**	**Dec. 08e**	**Dec. 09e**	**Dec. 10e**
Fixed operating assets, incl. gross goodwill	274	297	310	1,085	1,098	1,121	1,126	1,133	1,140
WCR	25	25	(24)	(84)	(39)	(49)	(49)	(49)	(49)
Capital employed, incl. gross goodwill	**300**	**322**	**286**	**1,001**	**1,059**	**1,072**	**1,077**	**1,084**	**1,091**
Shareholders' funds, group share	182	204	238	404	449	509	580	661	754
Minorities	18	25	19	22	18	20	23	26	29
Provisions/ Other liabilities	70	75	41	62	66	91	117	142	168
Net financial debt (cash)	20	6	12	485	502	427	333	230	115
FINANCIAL RATIOS (%)	**Dec. 02**	**Dec. 03**	**Dec. 04**	**Dec. 05**	**Dec. 06**	**Dec. 07e**	**Dec. 08e**	**Dec. 09e**	**Dec. 10e**
Sales (% change)	NS	6.4%	12.4%	40.1%	18.7%	4.1%	4.2%	4.4%	5.8%
Organic sales growth	3.5%	3.7%	6.6%	6.5%	5.4%	5.3%	4.4%	4.4%	5.8%
Restated EBIT (% change) (*)	NS	42.4%	20.2%	51.4%	20.5%	3.8%	8.0%	8.2%	8.7%
Restated attributable net profit (% change) (*)	NS	20.4%	31.5%	98.4%	(3.4%)	5.8%	12.0%	11.9%	12.2%
Personnel costs / Sales	70.6%	67.6%	66.8%	66.8%	66.0%	65.8%	65.7%	65.6%	65.5%
Restated EBITDA margin	12.8%	15.5%	15.7%	15.7%	16.4%	16.1%	16.7%	17.2%	17.6%
Restated EBIT margin	8.4%	11.3%	12.1%	13.1%	13.3%	13.2%	13.7%	14.2%	14.6%
Tax rate	33.7%	38.0%	34.7%	26.8%	23.8%	30.0%	30.0%	30.0%	30.0%
Net margin	5.4%	6.9%	7.9%	7.2%	6.4%	6.7%	7.5%	8.2%	8.9%
Capex / Sales	4.8%	3.4%	3.2%	3.6%	3.4%	4.0%	3.5%	3.5%	3.5%
OpFCF / Sales	9.6%	12.2%	13.7%	9.5%	8.7%	13.0%	13.5%	13.9%	14.3%
WCR / Sales	4.5%	4.2%	(3.6%)	(9.0%)	(3.5%)	(4.2%)	(4.1%)	(3.9%)	(3.7%)
Capital employed (excl. gross goodwill) / Sales	17.0%	15.3%	6.2%	(0.4%)	3.7%	4.6%	4.9%	5.2%	5.4%
ROE (before goodwill)	15.5%	16.6%	18.8%	21.9%	19.1%	17.8%	17.5%	17.2%	16.9%
Gearing	10%	3%	5%	114%	108%	81%	55%	34%	15%
EBITDA / Financial charges	15.2x	28.8x	177.2x	8.8x	6.4x	9.1x	12.3x	18.4x	35.7x
Adjusted financial debt / EBITDA	0.3x	0.1x	0.1x	3.3x	2.7x	2.3x	1.6x	1.1x	0.5x
ROCE, excl. gross goodwill	34.8%	51.6%	NS	NS	NS	NS	NS	NS	NS
ROCE, incl. gross goodwill	11.0%	14.6%	19.8%	8.6%	9.8%	10.0%	10.7%	11.6%	12.5%
WACC	9.8%	10.4%	10.6%	7.6%	7.6%	7.8%	8.2%	8.2%	8.2%
Average number of employees									

(a) Intangibles: EUR977.58m, or EUR28 per share. (b) adjusted for capital gains/losses, impairment charges, exceptional restructuring charges, capitalized R&D, pension charge replaced by service cost
(c) adj.for capital gains losses, imp.charges, capitalized R&D, exceptional restructuring , (*) also adjusted for goodwill for pre IFRS years

EXANE BNP PARIBAS

Important notice: Please refer to our complete disclosure notice available on www.exane.com/compliance

PARIS
Exane S.A.
16 Avenue Matignon
75008 Paris
France
Tel: (+33) 1 44 95 40 00
Fax: (+33) 1 44 95 40 01

FRANKFURT
Branch of Exane S.A.
Bockenheimer Landstrasse 23
60325 Frankfurt am Main
Germany
Tel: (+49) 69 42 72 97 300
Fax: (+49) 69 42 72 97 301

GENEVA
Branch of Exane S.A.
Cours de Rive 10
1204 Geneva
Switzerland
Tel: (+41) 22 718 65 65
Fax: (+41) 22 718 65 00

LONDON
Exane Ltd
20 St. James's Street
London SW1A 1ES
UK
Tel: (+44) 20 7039 9400
Fax: (+44) 20 7039 9432 / 9433

MILAN
Branch of Exane S.A.
Via dei Bossi 4
20121 Milan
Italy
Tel: (+39) 02 89631713
Fax: (+39) 02 89631701

NEW YORK
Exane Inc.
640 Fifth Avenue
15th Floor
New York, NY 10019
USA
Tel: (+1) 212 634 4990
Fax: (+1) 212 634 5171

SINGAPORE
Branch of Exane Ltd
20 Collyer Quay
08-01 Tung Center
Singapore 049319
Tel: (+65) 6210 1909
Fax: (+65) 6210 1982

ZURICH
Representative office of Exane S.A.
Lintheschergasse 12
8001 Zurich
Switzerland
Tel: (+41) 1 228 66 00
Fax: (+41) 1 228 66 40

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