

Morning Note - Eurozone

21 October 2002

Contents

| Company | Comment | Recommendation | Price (at close) | Target Price |
|------------------------|---|----------------|------------------|--------------|
| Bekaert | Quarterly trading updates | Accumulate | € 41.47 | € 54.00 |
| CMB | Weak third quarter | Buy | € 43.00 | € 54.00 |
| CMG | Positives are reflected in the share price | Reduce | € 1.08 | € 1.00 |
| Crédit Agricole | Acquisition of Finaref | Reduce | € 18.24 | € 21.00 |
| Electrabel | Bidding on Enel unit | Accumulate | € 240.80 | € 280.00 |
| Heineken | Majority stake in Dinal brewery, Kazakhstan | Accumulate | € 39.00 | € 48.00 |
| IntesaBci | Leaving Argentina | Buy | € 1.67 | € 3.00 |
| Rexel | EPS estimates lowered | Reduce | € 33.75 | € 40.00 |
| SOITEC | Q2 sales preview | Buy | € 5.25 | € 5.30 |
| Media | Wolters Kluwer sells KAP for € 600m | | | |

Changes in recommendation

| Company | From | To |
|---------|------|----|
|---------|------|----|

Changes in EPS forecast

| Company | From | | To | |
|-----------|-------|-------|-------|-------|
| | 2002E | 2003E | 2002E | 2003E |
| Rexel (€) | 3.22 | 4.15 | 2.80 | 3.71 |

Key figures

| (at close) | Price | DTD | MTD | YTD |
|-------------|---------|--------|--------|---------|
| AEX | 345.3 | 0.6% | 9.3% | -24.0% |
| BEL20 | 2,031.7 | -0.4% | 0.8% | -22.0% |
| CAC40 | 3,157.0 | -0.8% | 5.2% | -27.3% |
| DAX30 | 3,163.7 | -0.3% | 1.2% | -31.5% |
| FTSE100 | 4,130.5 | -1.0% | 6.9% | -18.5% |
| EUROSTOXX50 | 2,527.4 | -0.4% | 6.1% | -27.4% |
| STOXX50 | 2,606.4 | -0.7% | 7.3% | -24.8% |
| NECI | 2,663.4 | 2.8% | -3.5% | -65.4% |
| DJIA | 8,322.4 | 0.6% | 1.8% | -11.3% |
| S&P500 | 884.4 | 0.6% | 1.7% | -18.8% |
| NASDAQ Comp | 1,287.9 | 1.2% | 2.9% | -24.6% |
| EUR/USD | 0.97 | 0.1% | -0.7% | 7.4% |
| EUR/GBP | 0.63 | 0.4% | -0.4% | 0.5% |
| Bel govt | 4.7% | 0.0 bp | 0.2 bp | -0.2 bp |
| French govt | 4.6% | 0.0 bp | 0.3 bp | -0.1 bp |
| Neth govt | 4.6% | 0.0 bp | 0.2 bp | -0.1 bp |

Source: KBC Securities

Corporate calendar

| | Company | Event |
|----------|-----------------|--------------|
| 21.10.02 | ASMI | Results 3Q |
| 22.10.02 | Business Object | Results 3Q02 |
| | Peugeot S.A. | Sales 3Q02 |
| | Remy Cointreau | Sales 1H02 |
| | ST Micro | Results 3Q02 |
| | Schneider | Sales 3Q02 |
| | UCB | R&D day |
| | UCB | R&D day |
| 23.10.02 | Akzo Nobel | Results 3Q02 |
| | Akzo Nobel | Results 3Q02 |
| | DaimlerChrysler | Results 3Q02 |
| | Dassault Syst. | Results 3Q02 |
| | Gaudriot | Results 1H02 |
| | Glaxosmithkline | Results 3Q02 |
| | Sanofi-Synth. | Sales 3Q02 |
| 24.10.02 | ASF | Sales 3Q02 |
| | AstraZeneca | Results 3Q02 |
| | HVB Group | Results 3Q02 |
| | Memscap | Sales 3Q02 |

Bekaert

BERTt.BR / BEKB BB

Engineering
Belgium

Current price € 41.47
Target price € 54.00
Market cap € 925 m
Free float 60%

| | EPS (€) | P/E |
|-------|---------|-------|
| FY01 | 2.38 | 17.08 |
| FY02E | 3.47 | 11.94 |
| FY03E | 5.05 | 8.21 |

Quarterly trading updates

Bekaert announced on Friday that it will release quarterly trading updates starting on 30 October 2002 (3Q2002).

Obviously this is good news and Bekaert in will hopefully set an example to others. It should increase visibility, which in time should result in more interest from potential investors and more liquidity.

We have an Accumulate rating on the stock with a €54 price target.

Accumulate

Unchanged

[Back to contents](#)

serge.pattyn@kbcsecurities.be

+32 2 417 53 78

CMB

CMBBte.BR / CMB BB

Transport
Belgium

Current price € 43.00
Target price € 54.00
Market cap € 348 m
Free float 47%

| | EPS (€) | P/E |
|-------|---------|------|
| FY01 | 9.38 | 6.81 |
| FY02E | -2.84 | - |
| FY03E | 4.96 | 8.66 |

Weak third quarter

CMB published weak third quarter results on Friday. The net loss amounted to €27m (vs. €54m over the first quarter thanks to the €59m capital gain on the sale of Hesse Noord Natie and €13m net loss over the second quarter of this year). The consolidated result amounts to €11m after 9 months (despite the capital gains).

The dry bulk divisions posted a net loss of €13m. The tankers division was also loss making (€8m). Only Naviga, the insurance arm broke even. The sale of Naviga is to get closed by the end of October. The capital gain of €52 will be accounted for in the 4th quarter.

This poor performance was expected. The shipping business remained in the doldrums during the summer period. Tariffs, particularly in the tanker business, remained extremely low (+/- \$ 12,500 which is about 50% of break even).

Conditions are improving however. Tanker rates jumped again last week, >60% (now +/- \$48,000/day). CMB is no longer loss making in dry bulk either. The fourth quarter could see quite an improvement and the outlook for 2003 is improving.

For these reasons, we recently upgraded to Buy with a €54 price target.

Buy

Unchanged

[Back to contents](#)

serge.pattyn@kbcsecurities.be

+32 2 417 53 78

CMG

CMG.AS / CMG NA

Softw. & IT Services
Netherlands

Current price € 1.08
Target price € 1.00
Market cap € 674 m
Free float 96%

| | EPS (p) | P/E |
|-------|---------|-------|
| FY01 | 5.53 | 78.10 |
| FY02E | 4.32 | 15.70 |
| FY03E | 4.98 | 13.62 |

Positives are reflected in the share price

Reduce
Unchanged

CMG and Logica announced they are in talks to merge their businesses. Although this deal seems to be born out of necessity and weak spots remain, we believe the strategic rationale makes sense. We believe the Combination could better compete in the highly competitive IT services market.

Our DCF value for the Combination points to an equity value of £967m. This translates to a share price for CMG of 62p or €1.00, which is also our new target price (€0.80 previously).

We believe that at the current price of €1.08 or 67p the positives of this deal are largely reflected in the share price. Hence, the current valuation seems a good exit price for CMG shareholders.

A report on the Combination will be published today.

[Back to contents](#)

evertjan.groot@kbcsecurities.nl

+31 20 531 21 82

Crédit Agricole

CAGR.PA / ACA FP

Banks
France

Current price € 18.24
Target price € 21.00
Market cap € 17,733 m
Free float 27%

| | EPS (€) | P/E |
|-------|---------|-------|
| FY01 | 1.63 | 10.81 |
| FY02E | 1.54 | 11.84 |
| FY03E | 1.73 | 10.54 |

Acquisition of Finaref

Reduce
Unchanged

According to a report in Les Echos, Crédit Agricole SA is strongly placed to buy Finaref, the PPR subsidiary. This would be a major acquisition, enabling Sofinco to overtake Cetelem, the BNP Paribas subsidiary and current leader on the French market. The operation would also increase the proportion of retail banking within CASA as a whole.

But the group looks set to pay a high price: between 3 and €4bn for consumer credit outstandings of €5.9bn. Remember that we valued Sofinco at €1.7bn, close to 3x shareholder equity, for outstandings in France of €11.9bn. This would therefore be a very expensive acquisition.

[Back to contents](#)

pl.martin@kbcsecurities.fr

+33 1 53 05 29 66

Electrabel

ELCBt.BR / ELEB BB

Electricity
Belgium

Current price € 240.80
Target price € 280.00
Market cap € 13,146 m
Free float 52%

| | EPS (€) | P/E |
|-------|---------|-------|
| FY01 | 16.19 | 14.60 |
| FY02E | 16.07 | 14.98 |
| FY03E | 18.20 | 13.23 |

Bidding on Enel unit

Electrabel, Europe's 6th power producer, and four other Italian utilities have jointly submitted the only bid for Enel's Interpower generation unit. Enel did not disclose details on the bid. Enel is selling assets to foster competition. Interpower (2,611 megawatts, three thermoelectric plants which last year accounted for 2.5% of Italy's domestic production) is the third group of assets to be sold. According to the Italian press, the bid would amount between € 800m and 900m. Enel would consider the unit to be worth € 1.4bn.

Accumulate

Unchanged

[Back to contents](#)

stefaan.adriaens@kbcsecurities.be

+32 2 417 47 44

Heineken

HEIN.AS / HEIA NA

Beverages
Netherlands

Current price € 39.00
Target price € 48.00
Market cap € 15,287 m
Free float 50%

| | EPS (€) | P/E |
|-------|---------|-------|
| FY01 | 1.82 | 24.73 |
| FY02E | 2.09 | 18.65 |
| FY03E | 2.22 | 17.55 |

Majority stake in Dinal brewery, Kazakhstan

Heineken announced Friday it has increased its stake in Dinal brewery in Kazakhstan from 28% to 51%. Heineken acquired the 28% stake in 1999 when Dinal started production. The brewery has a capacity of 300,000 hectoliters, expected sales volume for 2002 is 180,000 hectoliters. Dinal has a local market share of 8% in a country with 2.4 million hectoliters annual consumption. The market is characterized by double digit growth. It is again a relatively small expansion for Heineken (€8m sales in FY01), in what is apparently a promising market. Rating and price target maintained.

Accumulate

Unchanged

[Back to contents](#)

marc.leemans@kbcsecurities.be

+32 2 417 31 16

IntesaBci
BIN.MI / IES GR

Banks
Italy

Current price € 1.67
Target price € 3.00
Market cap € 10,769 m
Free float 100%

| | EPS (€) | P/E |
|-------|---------|--------|
| FY01 | 0.05 | 46.84 |
| FY02E | -0.03 | -55.39 |
| FY03E | 0.12 | 14.21 |

Leaving Argentina

IntesaBci has concluded an agreement with Mildesa, which via its subsidiary bank Patagonia will take over Banco Suidaméris Argentine.

The withdrawal of IntesaBci will result in a \$150m charge, probably booked in 2002. IntesaBci will keep a 20% stake in the entity resulting from the merger with Patagonia. Even if IntesaBci only gradually exits Argentina, this is good news as the subsidiary will in any case be deconsolidated.

From the standpoint of Crédit Agricole, this operation is negative in the short term but very positive in the medium term.

The programme to restructure IntesaBci is gradually taking shape. We are confident that it will be successful and thus be profitable for its shareholder, Crédit Agricole.

Buy
Unchanged

[Back to contents](#)

p.ricarte@kbcsecurities.fr

+33 1 53 05 29 37

Rexel
CDME.PA / RXL FP

Support Services
France

Current price € 33.75
Target price € 40.00
Market cap € 1,618 m
Free float 28%

| | EPS (€) | P/E |
|-------|---------|-------|
| FY01 | 4.00 | 17.85 |
| FY02E | 2.80 | 12.05 |
| FY03E | 3.71 | 9.11 |

EPS estimates lowered

The continuing fall in sales over the third quarter and the poor visibility have prompted us to lower our sales estimate for the full year to -7%, down from -5.2% previously.

Given the resulting rise in the proportion of fixed costs as a percentage of sales and the higher financial charges (effectively slowing down debt reduction), we are making a downward revision to our estimates for EPS before goodwill of 13% to €2.80 for 2002 and of 11% to €3.71 for 2003. Our new target price is €50, down from €40.

We now expect 2002 sales of €7.40bn and attributable net profit before exceptionals of €98m (down respectively 7% and 38%).

Reduce
Unchanged

[Back to contents](#)

je.pierre@kbcsecurities.fr

+33 1 53 05 29 35

SOITEC

SOIT.LN / SOIT FP

IT Hardware
France

Current price € 5.25
Target price € 5.30
Market cap € 294 m
Free float 31%

| | EPS (€) | P/E |
|-------|---------|--------|
| FY01 | 0.07 | 357.61 |
| FY02E | 0.39 | 13.38 |
| FY03E | 0.26 | 20.33 |

Q2 sales preview

Soitec will publish Q2 sales after the market closes this evening. We expect €29m, +7% vs Q1 2002/03.

H1 revenue should post a 1% gain vs H2 2001/02. In the second half of the fiscal year, we look for €129.9m sales, +31% sequentially and +39% vs H1 2001/02.

These projections reflect our expectation of accelerating sales after the growth trough in H1. We do not expect the delayed launch of the AMD processor to have a significant impact.

It is true that the share price is approaching our target of €5.40, but it is based on very conservative assumptions: a 33% market share for Soitec in five years vs 85% at present. Consequently we in fact consider this target a minimum, and we continue to rate the shares a Buy.

Buy
Unchanged

[Back to contents](#)

j.ramel@kbcsecurities.fr

+33 1 53 05 29 63

Media

Wolters Kluwer sells KAP for € 600m

Wolters Kluwer announced it has sold its Science division called KAP (Kluwer Academic Publishers) for a total enterprise value of € 600m. The buyers are private equity funds Candover and Cinven. The price is in line with recent press reports and represents a good deal for Wolters Kluwer. We estimate it has received 4 times sales and 12 times EBITA for KAP.

The deal is in line with Wolters Kluwer's strategy, and the proceeds will be used to strengthen the core businesses in the Legal, Medical and Education segments.

Accumulate rating and € 19 price target on Wolters Kluwer are maintained.

[Back to contents](#)

peter.bouw@kbcsecurities.nl

+31 20 531 21 81

This publication has been prepared by KBC Securities NV or one of its European subsidiaries (together "KBC Securities"). This publication is provided for informational purposes only and is not intended to be an offer, or the solicitation of any offer, to buy or sell the securities referred to herein. No part of this publication may be reproduced in any manner without the prior written consent of KBC Securities. The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable, but neither KBC Securities nor its affiliates represent that it is accurate or complete, and it should not be relied upon as such. All opinions, forecasts, and estimates herein reflect our judgement on the date of this publication and are subject to change without notice. From time to time, KBC Securities, its principals or employees may have a position in the securities referred to herein or hold options, warrants or rights with respect thereto or other securities of such issuers and may make a market or otherwise act as principal in transactions in any of these securities. Any such persons may have purchased securities referred to herein for their own account in advance of the release of this publication. KBC Securities and principals or employees of KBC Securities may from time to time provide investment banking or consulting services to, or serve as a director of a company being reported on herein. This publication is provided solely for the information and use of professional investors who are expected to make their own investment decisions without undue reliance on this publication. Investors must make their own determination of the appropriateness of an investment in any securities referred to herein based on the merits and risks involved, their own investment strategy and their legal, fiscal and financial position. Past performance is no guarantee for future results. By virtue of this publication, none of KBC Securities or any of its employees shall be responsible for any investment decision. In the United States this publication is being distributed to U.S. Persons by KBC Securities, Inc., which accepts responsibility for its contents. Orders in any securities referred to herein by any U.S. investor should be placed with KBC Securities, Inc. and not with any of its foreign affiliates. This publication is for distribution in or from the United Kingdom only to persons who are authorised persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom or any order made thereunder or to investment professionals as defined in Section 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 and is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. This publication is for distribution in Canada only to pension funds, mutual funds, banks, asset managers and insurance companies. The distribution of this publication in other jurisdictions may be restricted by law, and persons into whose possession this publication comes should inform themselves about, and observe, any such restrictions. In particular this publication may not be sent into or distributed, directly or indirectly, in Japan or to any resident thereof.