

Morning Note - Eurozone

3 December 2002

Contents

Company	Comment	Recommendation	Price (at close)	Target Price
Bekaert	Expansion in China	Accumulate	€ 41.52	€ 48.00
Interbrew	Majority of shares Brauergilde tendered	Accumulate	€ 20.87	€ 27.00
Total Fina Elf	Investment in cyclical trough	Buy	€ 133.30	€ 170.00
UCB	Expanding in specialty chemicals	No recommendation	€ 27.31	€ n.a.
Electronics	Widespread upgrades in Q4 outlook			

Changes in recommendation

Company	From	To
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Changes in EPS forecast

Company	From		To	
	2002E	2003E	2002E	2003E

Key figures

(at close)	Price	DTD	MTD	YTD
AEX	361.2	-0.2%	6.5%	-26.7%
BEL20	2 075.0	0.0%	5.4%	-20.1%
CAC40	3 298.8	-0.8%	6.1%	-27.2%
DAX30	3 380.2	1.8%	6.8%	-32.6%
FTSE100	4 154.3	-0.4%	3.9%	-20.3%
EUROSTOXX50	2 662.5	0.2%	7.0%	-27.9%
STOXX50	2 664.3	0.1%	5.6%	-26.1%
NECI	3 063.1	3.5%	9.0%	-60.2%
DJIA	8 862.6	-0.4%	4.0%	-10.4%
S&P500	934.5	-0.2%	3.7%	-18.3%
NASDAQ Comp	1 484.8	0.4%	9.1%	-24.4%
EUR/USD	0.99	0.0%	-0.4%	10.8%
EUR/GBP	0.64	-0.1%	0.1%	1.6%
Bel govt	4.5%	0.0 bp	-0.1 bp	-0.3 bp
French govt	4.4%	0.0 bp	-0.1 bp	-0.2 bp
Neth govt	4.5%	0.0 bp	0.0 bp	-0.2 bp

Source: KBC Securities

Corporate calendar

	Company	Event
03.12.02	Almanij	Results 3Q02
04.12.02	ERIKS Group	Analyst Meeting
05.12.02	Bekaert	Analyst Meeting
	Dexia	Results 3Q02
06.12.02	Artwork Systems	Results FY02
09.12.02	Ubizen	General Assembly
10.12.02	Befimmo	General Assembly
11.12.02	Remy Cointreau	Results 1H02
13.12.02	Corp. Mapfre	Payment div. IN02
19.12.02	Dolmen	Results 1H
	Befimmo	Payment div. FY02

Bekaert

BERTt.BR / BEKB BB

Engineering
Belgium

Current price € 41.52
Target price € 48.00
Market cap € 926 m
Free float 60%

	EPS*(€)	P/E
FY01	2.38	17.08
FY02E	2.27	18.25
FY03E	4.51	9.21

*Adjusted for goodwill and exceptionals

Expansion in China

Bekaert is holding its annual analysts' day on Thursday. The group may well focus on China (now less than 3% of Sales). CEO De Wilde has announced in an interview that the group intends to double its investments in China in the next three years (now € 150-200m invested). Bekaert has recently decided to build a new steel cord plant there (demand grows 25% p.a.). Demand for steel wire is on the rise too as China builds new roads and railways and sells more cars.

The fast growing Chinese economy clearly offers tremendous opportunities for Bekaert. But it is rather strange that the focus has once again turned to expansion in steel cord and wire whereas in previous months the group was focused mainly on growth in Advanced Materials. This suggests a change is in the air. Bekaert is also in talks to buy a business involved in steel wire and steel cord.

Visibility low. Bekaert also said that visibility is quite low at present (6-8 weeks). The CEO repeated that operating results should gain 10% excluding one-time costs (in total € 58m we expect amongst others for a restructuring of the Handling unit).

See our recent company note for more details.

Accumulate

Unchanged

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Interbrew

INTB.BR / INTB BB

Beverages
Belgium

Current price € 20.87
Target price € 27.00
Market cap € 8 950 m
Free float 23%

	EPS*(€)	P/E
FY01	1.44	20.32
FY02E	1.40	14.87
FY03E	1.67	12.47

*Adjusted for goodwill and exceptionals

Majority of shares Brauergilde tendered

Interbrew announced yesterday that 82.9% of the shares of Brauergilde Hannover have been tendered to its offer. This includes neither the 10.1% owned by the City of Hannover nor the 3.8% own shares held by Brauergilde. So all in all, it is highly likely that Interbrew will soon own 96.8% of the Brauergilde Hannover shares. The offer has been extended to 13 December 2002, in order to give the remaining shareholders the opportunity to tender their shares. The closing of the transaction remains subject to the clearance of the competition authorities. The offer for the 15% in Gilde Brauerei that are not owned by Brauergilde Hannover, will start after approval of all regulatory authorities (competition, but also approval of prospectus). All in all, the acquisition of the brewery is not likely to be completely finalized before the end of January of next year. Rating and price target maintained.

Accumulate

Unchanged

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Total Fina Elf

TOTF.PA / FP FP

Oil & Gas
France

Current price	€ 133.30
Target price	€ 170.00
Market cap	€ 94 472 m
Free float	93%

	EPS*(€)	P/E
FY01	11.44	13.77
FY02E	9.67	13.79
FY03E	11.08	12.03

*Adjusted for goodwill and exceptionals

Investment in cyclical trough

Buy
Unchanged

The group is forming a 50/50 JV with Samsung General Chemicals (South Korea), which will contribute a plant complex that produces ethylene, styrene, paraxylene and plastics. Total Fina Elf will put in \$750m in cash, but reaffirmed that capital allocated to chemicals is to remain stable.

In this field, the group is reducing its investment in intermediate products and speciality chemicals to focus on petrochemicals (e.g. divestment of the paint branch).

The Korean investment occurs as the petrochemicals cycle is reaching a low point. This move will give Total Fina Elf an opening into the high-growth market of Southeast Asia, a region that the group can also supply from Qatar, once construction of its petrochemicals units there has been completed.

This policy may turn out to be less costly than the approach adopted by BP and Shell, which are setting up in China via direct investment entailing building ultra-high-capacity units from scratch.

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UCB

UCBBt.BR / UCB BB

Pharma & Biotech
Belgium

Current price	€ 27.31
Target price	€ n.a.
Market cap	€ 3 986 m
Free float	59%

	EPS*(€)	P/E
FY01		
FY02E		
FY03E		

*Adjusted for goodwill and exceptionals

Expanding in specialty chemicals

No recommendation
Unchanged

UCB has reached an agreement with Solutia to acquire its resins, additives & adhesives activity for \$500m (+ \$10m exclusivity fee). The new entity will become a global player in resins for industrial and specialty coatings, graphic arts and adhesives, focused on environmentally friendly technologies. The acquisition will include approximately 1,700 employees, and 10 production sites (situated in Europe, the Americas and Asia). The acquisition is a next step in reinforcing UCB's position in surface treatment technologies. UCB will take advantage of the opportunity offered by the acquisition to integrate its film with its chemical unit into a new unit called Surface Specialties. This will combine all UCB's non-pharmaceutical activities in one entity.

The activities taken over by UCB from Solutia are complementary to UCB Chemical Specialties' activities. They cover liquid coating resins (including waterborne and high-solids), technical resins, additives and adhesives. These activities are mainly geared towards high-end industrial coating applications, with a particular focus on metal and automotive. Combining the two businesses will allow UCB to bring a superior product, application and solutions offering to the customers, to realize new innovation and globalization opportunities, and to reach the scale to be truly globally effective.

The transaction is expected to close early in 2003, and is subject to regulatory approval. The activities will be consolidated as of the closing date.

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Electronics

Widespread upgrades in Q4 outlook

Newsflow

Texas Instruments has revised up its Q4 02 revenue and EPS estimates (previous group estimates in brackets). It now projects -7% sequential sales (-10%) and -2% sales by its semiconductor branch (-5%). Management now expects \$0.03 EPS (\$0.01).

Chartered Semiconductor, n°3 global foundry, also upgraded its Q4 estimates slightly and now expects -12% sequential sales in Q4 (-15%) and capacity utilisation close to 40% (35%).

Intel will hold its mid-quarter update on Thursday. The US giant may also revise up its projections towards the upper forecast range, i.e. zero to +6% sales.

Our reaction

These upgrades are all **minor in scope** and are disappointing in view of the expected seasonal upswing.

Most of these changes reflect the strong Wireless market, further confirmation of our forecast for a rebound in the sale of cell phones in 2003.

However, this Q4 'effervescence' cannot be considered the foundation of a structural improvement in 2003.

The sector is maintaining its momentum, especially STMicroelectronics, but the valuation multiples are still too high.

*Adjusted for goodwill and exceptionals

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