

Morning Note

2 August 2004

Contents

Company / Sector	Comment	Recommendation	Price (at close)	Target Price
Bekaert	RECORD EARNINGS!	Outperform	€ 49.95	€ 56.00
CMB - Euronav	RECORD EARNINGS!	Outperform	€ 112.10	€ 135.00
Colruyt	Downgrade from Outperform to Neutral	Neutral	€ 107.60	€ 110.00
Interbrew	Extraordinay general assembly	Outperform	€ 25.15	€ 27.00
M6 - Métropole Tv	Increased forecasts	Neutral	€ 20.89	€ 27.00
Melexis	Second quarter preview	Outperform	€ 8.72	€ 12.30
Sanofi-Synthelabo	Offer period for Aventis expired	Outperform	€ 55.10	€ 61.00
Solvay	Feedback conference call	Outperform	€ 69.50	€ 77.00

Changes in recommendation

Company	From	To
Colruyt	Outperform	Neutral

Changes in EPS forecast

Company	From		To	
	2004E	2005E	2004E	2005E
CMB - Euronav (€)	30.14	11.71	31.71	11.71
M6 - Métropole Tv (€)	0.99	1.27	1.14	1.29
Solvay (€)	5.32	5.90	5.54	5.97

Key figures

(at close)	Price	1D	1M	12M
AEX	329.9	-0.2%	-4.4%	5.9%
BEL20	2,465.1	-0.5%	-0.2%	22.2%
CAC40	3,647.1	0.1%	-2.3%	16.1%
DAX30	3,895.6	0.2%	-3.9%	14.4%
FTSE100	4,413.1	-0.1%	-1.1%	7.6%
EUROSTOXX50	2,720.1	0.1%	-3.2%	10.7%
STOXX50	2,650.2	0.1%	-1.4%	9.9%
DJIA	10,139.7	0.1%	-2.8%	10.4%
S&P500	1,101.7	0.1%	-3.4%	12.1%
NASDAQ Comp	1,887.4	0.3%	-7.8%	10.1%
EUR/USD	1.20	-0.3%	-1.4%	5.5%
EUR/GBP	0.66	-0.4%	-1.5%	-6.0%
Bel govt	3.9%	-0.1 bp	-0.1 bp	0.0 bp
French govt	3.2%	0.0 bp	0.0 bp	0.0 bp
Neth govt	3.9%	-0.1 bp	-0.1 bp	0.0 bp

Source: KBC Securities

Corporate calendar

	Company	Event
02.08.04	Bekaert	Results 1H
03.08.04	Melexis	Results 1H Results 2Q
	Option	Results 1H
04.08.04	BASF	Results 2Q
	Randstad	Results 2Q
05.08.04	BNP Paribas	Results 2Q
	Delhaize	Results 1H
	ING	Results 1H
	Picanol	Ex. General Meeting
	Total	Results 2Q
09.08.04	Ubizen	Results 3Q
11.08.04	BP	Payment div. FY04
	Intervest Office	Analyst Meeting Results 1H
	Intervest Retail	Results 1H
	Wegener	Analyst Meeting Results 1H
12.08.04	AEGON	Results 2Q
	IPTE	Results 1H
13.08.04	Aalberts	Analyst Meeting Results 1H
15.08.04	A Novo	Sales 3Q
16.08.04	Brederode	Results 1H
17.08.04	Boskalis	Results 1H
	Innogenetics	Results 2Q
18.08.04	Vopak	Results 1H

Bekaert

BERTt.BR / BEKB BB

Engineering
Belgium

Current price € 49.95
Target price € 56.00
Market cap € 1,102m
Free float 60%

	EPS*(€)	P/E
FY03	4.80	9.74
FY04E	4.42	11.29
FY05E	5.27	9.47

*Adjusted for goodwill and exceptionals

RECORD EARNINGS!

Bekaert came out this morning with stunning results (really stunning)! We were counting on sales at € 1,026m, an operating result at € 71.6m and net result, group share, at € 53.3m (high end of consensus range). Sales came out at € 1,096.3m (+ 17.5%), result from operations at € 103.3m (margin up from 7.3% to 9.4%!) and the net result, group share, at € 78.75m. **Strong sales growth combined with an impressive improvement in margins** illustrate that Bekaert is successfully priced through increased raw material prices. One important remark is that the operating margin is impacted positively through the **revaluation of stocks**. However, even taking into account this effect, Bekaert still succeeds in slightly improving its best operating margin ever (comparable margin of 7.8% in 1H03) to slightly in excess of 8% now. We will come back in detail on the Bekaert 1H04 results later (Analyst meeting at 3:00, p.m.) but already increase our target price to € 56 per share following these impressive results.

Outperform

Rating unchanged

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CMB - Euronav

CMBBte.BR / CMB BB

Transport
Belgium

Current price € 112.10
Target price € 135.00
Market cap € 785m
Free float 45%

	EPS*(€)	P/E
FY03	0.41	119.06
FY04E	31.71	3.53
FY05E	11.71	9.57

*Adjusted for goodwill and exceptionals

RECORD EARNINGS!

Friday, CMB reported its best half-year result ever! 1H04 consolidated result came out at € 127m, or a stunning € 18.14 per share. We were looking for € 106m, or € 15.14 per share. One important remark is that the capital gain on the "Mineral Dragon" of € 18m has been taken in the 2Q04 (instead of the 3Q04). Adjusting for that and adding the provision of € 1m related to the Cewal file (one off), the **results exceeded our estimates by € 4m**. Do not count on a "sell on the news" effect today as the 3Q04 will definitely exceed the 2Q04 and the Euronav demerger is still ahead. We stress our 'outperform' recommendation on CMB and EUR 135 price target (which does not seem that aggressive after all). EPS 04 estimate will be upped from € 30.14 to € 31.71. Over the 1Q04, CMB posted a net consolidated result of € 71m, including for € 16m capital gains on the disposal of the Poterne and the Mineral Venture. 2Q04 net consolidated result came out at € 56m, including the € 18m capital gain on the Mineral Dragon. The 1H04 net result of Bocimar amounts to € 62m (€ 3m below estimates) while Euronav posted a net result of € 68m (€ 7m ahead of our estimates). With both Bocimar and Euronav earning higher rates in the 3Q04 compared to the 2Q04 and with the 4 V-Plus' (50.1%) having joined the Euronav fleet over the past days, one should count on better results in the 3Q04 compared to the 2Q04 and start dreaming about the winter months ... CMB expects Bocimar and Euronav to close the second half of the year with an operating result comparable to at least that of the first half. We believe CMB could be the topper on Euronext Brussels today.

Outperform

Rating unchanged

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Colruyt

COLRt.BR / COLR BB

Food&Drug Retailer
Belgium

Current price € 107.60
Target price € 110.00
Market cap € 3,796m
Free float 44%

	EPS*(€)	P/E
FY03	5.59	12.87
FY04E	6.29	17.12
FY05E	7.03	15.32

*Adjusted for goodwill and exceptionals

Downgrade from Outperform to Neutral

Neutral

Downgraded

We are downgrading our stock recommendation on the back of the excellent share price performance (+21%) since 22 June 2004 when we upgraded the stock to Outperform.

Colruyt closed one of its four major distribution centres last Friday following the gas blast in Ghislenghien (30 kilometers southeast of Brussels). None of Colruyt's employees were hurt nor were the premises damaged. The distribution centre (for beverages) was closed on Friday because all traffic was blocked in the neighbourhood. The distribution centre (400,000 m2) will probably be re-opened today. The provisioning of the Colruyt stores for the weekend was already completed when the blast occurred. We therefore do not expect that Colruyt will experience any loss in sales.

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Interbrew

INTB.BR / INTB BB

Beverages
Belgium

Current price € 25.15
Target price € 27.00
Market cap € 10,840m
Free float 24%

	EPS*(€)	P/E
FY03	1.43	13.86
FY04E	1.69	14.86
FY05E	1.86	13.51

*Adjusted for goodwill and exceptionals

Extraordinary general assembly

Outperform

Rating unchanged

Interbrew will hold an extraordinary general assembly on August 27. The shareholders will be asked to approve a capital increase of 141.7 million new shares to be issued to the controlling shareholders of AmvBev as well as a number of changes to the company statutes.

On the same day, Ambev shareholders will be asked approve the merger with Labatt.

We expect the shareholders of both companies to approve the proposed agendas.

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M6 - Métropole Tv

MMTP.PA / MMT FP

Media
France

Current price € 20.89
Target price € 27.00
Market cap € 2,755m
Free float 16%

	EPS*(€)	P/E
FY03	1.06	21.38
FY04E	1.14	18.26
FY05E	1.29	16.18

*Adjusted for goodwill and exceptionals

Increased forecasts

As announced in our previous Daily Morning Note (30-Jul), we have raised our EPS forecasts. We now target € 1.14 (vs. € 0.99) for FY04E and € 1.29 (vs. € 1.27) for FY05E. We have raised our FY04 EPS by 15.1% and our FY05 EPS by 1.6%.

After the 10.2% rise in net income over the first half of FY04, M6 is hopeful to that the growth in net income for the full year will be positive. A lot depends however of the ad spending market over the second half of the year, which continued to perform strongly at least until the end of July.

We target a growth in net income of +11.6% for the full year, compared to +10.2% over the first half of FY04. We have taken into account the € 4.5m expected loss on the recent acquisition of the Paris Première channel. Paris Première is expected to be profitable only in FY06.

We keep our ratings and price target unchanged.

Neutral

Rating unchanged

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Melexis

MLXS.BR / MELE BB

Electronics
Belgium

Current price € 8.72
Target price € 12.30
Market cap € 398m
Free float 40%

	EPS*(€)	P/E
FY03E	0.56	15.67
FY04E	0.65	13.50
FY05E	0.76	11.44

*Adjusted for goodwill and exceptionals

Second quarter preview

Tomorrow morning, Melexis will publish its second quarter results. We expect sales of € 37.116m, a gross margin of 42.6%, an EBIT of € 7.88m (an EBIT-margin of 21.2%), a net income of € 6.944m resulting in an EPS of € 0.15. We expect Hall devices to represent 26% of sales and SOC 25%.

We are maintaining our 'Outperform' rating with a target price of € 12.3.

Outperform

Rating unchanged

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Sanofi-Synthelabo

SASY.PA / SAN FP

Pharma & Biotech
France

Current price € 55.10
Target price € 61.00
Market cap € 39,114m
Free float 51%

	EPS*(€)	P/E
FY03	2.92	17.92
FY04E	3.51	15.69
FY05E	3.60	15.32

*Adjusted for goodwill and exceptionals

Offer period for Aventis expired

Sanofi-Synthelabo announced that the tender period for its offers for Aventis expired, as expected, on Friday 30 July. The French Autorité des marchés financiers (AMF) is expected to publish the final results by 12 August. Sanofi-Synthelabo expects that the AMF will publish provisional results prior to publishing the final results, if the minimum tender condition has been met. Approximately 93% of the Aventis ADSs outstanding and approximately 3.2% of Aventis' share capital was tendered in the US offer. Because of French centralization procedures, the number of Aventis ordinary shares tendered in and not withdrawn from the offers cannot be known at this time and will be announced by the AMF by 12 August. We expect that the take-over is successful as also Kuwait Petroleum Corporation, Aventis' largest shareholder with 13.5%, tendered its shares.

Outperform

Rating unchanged

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Solvay

SOLBt.BR / SOLB BB

Chemicals
Belgium

Current price € 69.50
Target price € 77.00
Market cap € 5,751m
Free float 73%

	EPS*(€)	P/E
FY03	5.01	12.29
FY04E	5.54	12.55
FY05E	5.97	11.64

*Adjusted for goodwill and exceptionals

Feedback conference call

Pharmaceuticals : wholesalers have reduced their inventories from about 4 months to approximately 2 months. As inventories are expected to remain at this 2 month level, we will see no pick-up in 2H sales y-o-y but the turnover should gradually return to normal. Note that the guidance of a REBIT in pharma to be in line for the full year 2004 vs 2003 means a decline in pharma REBIT margin of approximately 2 percentage points in 2H04 vs 2H03. This is comparable to the underlying pharma REBIT margin evolution the company said to witnessed said to witnessed in 1H04 (and wich was approximately 8% vs the 1H03 figure of 10.1%) but includes instalments from Barr a rato of USD10m per quarter.

Chemicals and Plastics : upbeat tone, chemicals' volumes improved over the last few months and are healthy overall. Important is that demand/supply balances seem to have tightened and this is now leading to improved pricing conditions. For Specialty polymers, volumes improved by +10-15% depending on the product type during 1Q. Overall, Mr Michielsen expects the better market could potentially be maintained for the remainder of 2004 and into 2005.

Conclusion : We will issue a flash today with upgraded earnings to take into account the faster than expected recovery in Plastics and Chemicals. These will offset reduced estimates for the Pharma division. We continue to believe in the potential of the pipeline and reconfirm our Outperform rating with € 77 share price target.

Outperform

Rating unchanged

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