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Subject: Petercam: Befimmo (EUR 92.35 - Add) - Our confidence is reinforced, Add reiterated

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Facts

- Befimmo released its Q1 07 key figures and, more important, gave us an updated picture of the portfolio.
- Rental income came in at EUR 20m, while we expected EUR 19.1m (EUR 19m in Q1 06). Befimmo did not release detailed figures. Net cash-flow was much better than expected, at EUR 1.21 per share (vs. EUR 1.00/share expected and EUR 1.28/share in 2005). The difference between our estimate and reported figure was due to the capitalization of the costs related to the acquisition Fedimmo and the lower level of one-off expenses.
- A very positive sign was the "sharp" increase of the portfolio value. Befimmo registered an impressive EUR 20.2m revaluation result, while "only" EUR 18.5m was booked as latent capital gain in FY 06. The portfolio value increased by 1.85% on average, Brussels CBD enjoying the most significant growth (+2.47% vs. +1.2% in the Decentralized, +0.41% in the Periphery and -0.01% in Wallonia). It represented an indirect result of EUR 2.04 per share (we expected EUR 0.51/share), which resulted in a NAV at 31/12/06 of EUR 65.79 per share (EUR 62.17 per share one year ago). Leverage amounted to 62% at 31/12/06, leaving EUR 176m for acquisitions. Befimmo confirmed its dividend forecast for 2007 (EUR 4.45/share).
- Befimmo did not publish any details concerning the coming capital increase. However, they mentioned that the operation should be closed by the end of June 2007. Befimmo intends to lower its leverage to approximately 50% (corresponding to EUR 200m new equity). In addition, the Sicafi is considering the re-financing of the EUR 576m bridge loan used to acquire Fedimmo. Finally, Befimmo enhanced its hedging by acquiring IRS (callable) at 3.73% for a notional amount of EUR 200m.
- Befimmo published for the first time the impact of the Fedimmo acquisition on the profile of the portfolio. The main characteristics (more details below) of the "new" portfolio are, in our view, the improved vacancy (96.8% at 31/12/06 from 94.7%), the increased weight of the public sector (65.6% from 48.5%) and the extended maturity of the lease contracts (from 5.6 years to 8.8 years). In addition, in terms of location, 58% of the assets are situated in Brussels CBD (46% for Cofinimmo), while 19% are located in Flanders and Wallonia (and 23% in Brussels Decentralized and Periphery). Obviously the average net yield on the portfolio declined from 7.15% to 6.47%, as a consequence of the lower risk of the portfolio. Unfortunately, one

of the tenants, Basel, has left 5,000 m² in Woluwe Garden in January 2007, implying a current occupancy rate of 96.1%.

- Some additional details were provided concerning the Fedimmo portfolio. 7 buildings will be vacated over the coming 3 years. One of them, the Tocopro on Avenue Louise (24,000 m²), should be divested in the coming weeks. For the remaining 6 assets, a decision will be taken on a case per case basis but we understand that the "residential-oriented" assets could be sold as well. EUR 50m will be invested into the Fedimmo portfolio over the coming 3 years for renovations purposes, which will imply a 6.5% rental increase of the concerned buildings (6.5% yield on costs).
- The acquisition in Luxembourg, Axento, should be followed by some others since Befimmo appreciates the market for its healthy fundamentals.

Our View

We were positively surprised by the (summarized) set of results published by Befimmo. Top line came in slightly higher than expected, while net current profit was significantly better than our forecast. Last but not least, the portfolio was revalued significantly (EUR 20m). This sudden, but welcomed, value increase is, in our view, fully justified and reflects the good quality of the Befimmo portfolio.

The updated picture of the portfolio makes us confident that Befimmo has now the appropriate portfolio to face the current difficult letting conditions of the Brussels market. Its defensive profile should protect it from reversion and high vacancy rate. In addition, the average net yield of the portfolio (6.5%) remains attractive for its risk level.

We see that the Fedimmo portfolio is managed in a proactive way (sale of the Tocopro). Thanks to its new size (critical mass), Befimmo is now able to create a real estate dynamic in the portfolio (sale of mature/non-strategic assets, acquisition of portfolios with arbitrages...). The (first) move to Luxembourg is a positive sign as well.

All in all, the published results and the analyst's meeting reinforced our confidence in the Befimmo investment case. We believe that the strategy followed by Befimmo (acquisition of well-located assets, leased to AA tenants on the basis of long-term, indexed contracts) is appropriate to the Brussels market. Therefore we increase our target price from EUR 92 to EUR 96.

Conclusion

The acquisition of Fedimmo and the purchase of a project in Luxembourg are key steps in the Befimmo story.The company has been regarded as inactive and not aggressive for more than 3 years. We believe that the picture is now fully changed and that Befimmo offers an attractive opportunity in the Sicafi universe. Although its risk profile is lower than average, dividend yield remains at a high level (4.8% expected for 2007). In addition, we are convinced that Befimmo will create value by the renovation of 4 of its assets (Brederode II, Extention Justice, Central Gate and WTC II).

Hence we stick to our Add rating and would recommend the investor looking for some exposure to the Belgian office market to enter into the stock.

Details

	30/09/2006	31/12/2006
Total surface	523,000 m²	902,000 m²
# buidlings	40	> 100
Portfolio value	EUR 1,078m	EUR 1,805m
Occupancy rate	94.70%	96.80%
Public sector proportion	48.50%	65.60%
Total rent	EUR 79m	EUR 119m
Net portfolio yield	7.15%	6.47%
Average duration	5.6 years	8.8 years

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