

Report

Changes	Rating	TP	FFO 11e	FFO 12e
Cofinimmo	(-) ▶ (=)	↗ 2%	(4%)	(4%)

We are initiating coverage on Befimmo and Warehouses de Pauw. Cofinimmo is now covered by Simon Fickling

Befimmo (-)

Offices ■ Belgium
Price*: EUR61.0 ■ TP: EUR57 ■ Downside: (6%)
Market cap : EUR1.0bn

	09/10	12/11e	12/12e	12/13e
Diluted FFO (EUR)	4.69	5.06	4.37	4.40
NOPAT yield (%)	5.6	6.3	5.4	5.6
FFO yield (%)	7.8	6.6	7.2	7.2
Dividend yield (%)	6.5	8.1	6.5	6.6
Premium to GAV (%)	0	(4)	(9)	(13)
Premium to NNAV (%)	(1)	(7)	(14)	(20)
Premium to NNNAV (%)	(1)	(7)	(14)	(20)

Cofinimmo (=)

Offices ■ Belgium
Price*: EUR97.3 ■ TP: EUR97 ■ Downside: (0%)
Market cap : EUR1.4bn

	12/10	12/11e	12/12e	12/13e
Diluted FFO (EUR)	8.02	6.97	6.88	7.12
NOPAT yield (%)	5.9	5.5	5.6	5.9
FFO yield (%)	8.2	7.2	7.1	7.3
Dividend yield (%)	6.7	6.7	6.7	6.8
Premium to GAV (%)	(4)	(8)	(12)	(15)
Premium to NNAV (%)	(9)	(16)	(21)	(27)
Premium to NNNAV (%)	0	(8)	(15)	(21)

Warehouses De Pauw (-)

Belgium
Price*: EUR37.9 ■ TP: EUR35 ■ Downside: (8%)
Market cap : EUR500.1m

	12/10	12/11e	12/12e	12/13e
Diluted FFO (EUR)	3.05	2.98	3.04	3.21
NOPAT yield (%)	5.9	5.7	5.9	6.2
FFO yield (%)	8.8	7.8	8.0	8.5
Dividend yield (%)	8.5	7.8	7.8	7.8
Premium to GAV (%)	7	6	1	(9)
Premium to NNAV (%)	17	13	2	(16)
Premium to NNNAV (%)	17	14	2	(15)

* Priced at 28 Jun. 11 - Historical periods use historical prices

Befimmo
Cofinimmo
WdP

Underperform (Target price: EUR57)
↗ to Neutral (Target price: EUR97)
Underperform (Target price: EUR35)

Caution advised

► Strategy and financial structure to differentiate performance

Against a backdrop of difficult market conditions in the Belgian office and (to a lesser extent) industrial markets, we believe operational strategy and financial structure will be the two key drivers of relative performance within the Belgian real estate space. Despite modest recent improvements in the outlook for take-up and completions, we continue to believe that high levels of vacancy (currently 11.7% in Brussels), high negative reversion and high incentives will act as substantial headwinds to rental growth in Belgian offices. We also see limited growth in industrial rents thanks to the lack of constraints to new supply. In this context, we welcome Cofinimmo's continuing diversification into the healthcare segment and WdP's into solar panels.

► Befimmo (Underperform, TP EUR57/share, 6% downside)

We are most cautious on the growth outlook for Befimmo, and do not expect any meaningful growth in FFO/share until 2014, thanks to: (1) its 100% exposure to the troubled office markets; (2) 6% negative reversion in the portfolio; (3) modest development exposure; and (4) sharply rising financial costs (given management's less active hedging strategy).

► Warehouses de Pauw (Underperform, TP EUR35/share, 8% downside)

While we have a number of reasons to like WdP's portfolio, its strategy and its financial structure, the valuation appears demanding at current levels. We support management's strategy of targeting a carbon-neutral portfolio, through the installation of solar panels, and other as yet unidentified renewable energy technologies. Management's hedging policy mitigates the impact of rising short-term rates, although we highlight that its high LTV could limit financial flexibility.

► Cofinimmo (Upgrade to Neutral, TP EUR97/share, 0% downside)

Following EUR131m of (mostly healthcare) acquisitions in H1 2011, we are turning slightly less cautious on Cofinimmo as we believe that investment momentum is building, and we expect investor concerns over the long-term sustainability of the dividend to start to subside, albeit slowly.

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Investment case

We expand our coverage of the Belgian real estate market with a cautious view, initiating with Underperform recommendations on both **Befimmo** (TP EUR57/share, 6% downside) and **Warehouses de Pauw** (TP EUR35/share, 8% downside).

We are more positive on a longer-term horizon on Warehouses de Pauw (WdP), as we expect a better growth profile for FFO/share (2011-13e CAGR of 1.7% for WdP compared to -2.1% for Befimmo) thanks to income from developments and from expanding the renewable energy programme, as well as more hedging against increases in short-term interest rates. However, the current valuation looks demanding and we look for a cheaper entry point in future.

By contrast, we do not expect any meaningful growth in Befimmo's FFO/share until 2014e, thanks to a combination of headwinds to top-line growth (high negative reversion and limited development exposure) and sharply rising financial expenses (due to a lower proportion of its debt being held at fixed rates versus peers).

We have turned slightly less cautious on **Cofinimmo** and we upgrade the stock to Neutral from Underperform (TP EUR97/share, 0% downside). Following EUR131m of (mostly healthcare) acquisitions in H1 2011, we believe that investment momentum is building, and we expect investor concerns over the long-term sustainability of the dividend to start to subside, albeit slowly.

On valuation, Befimmo, Cofinimmo and WdP all trade at slightly above average 2013e NOPAT yields relative to pan-European peers, but this only reflects their lower growth profile in our view. WdP offers the highest dividend yield in our coverage (7.8% for 2013e vs 5.1% for the sector), and Befimmo and Cofinimmo both also offer above average dividend yields.

Strategy and financial structure are the key differentiators of performance

Our detailed analysis of the Belgian office and industrial real estate markets suggests very limited rental growth over the next 1-2 years at least. At the same time as Belgian real estate companies are facing pressure on top-line revenue growth, they are also facing increasing financial costs (from rising short-term interest rates), applying a 'double-squeeze' on FFO.

In this context, we believe that operational strategy and financial structure will be the key differentiators of relative performance between Befimmo, Cofinimmo and WdP.

Figure 1: Summary of companies

	Befimmo	Cofinimmo	WdP
Market cap (EURm)	1,000	1,400	500
Free float (%)	78	94	69
Sector exposure (by FY10 fair value)	Offices (100%)	Offices (56%) Healthcare (30%) Pubs (14%)	Warehouses (87%) Other (5%) Solar panels (8%)
Country exposure (by FY10 fair value)	Belgium (96%) Luxembourg (4%)	Belgium (83%) France (12%) Netherlands (5%)	Belgium (65%) France (19%) Netherlands (10%) Czech Republic (4%) Romania (2%)
Strategy	- Remain pure-play offices, focusing on Brussels and CBD in particular - Long-term leases with good quality tenants (68% of rent from public sector)	- Further diversification away from offices: expand healthcare (to 40% of portfolio by fair value) and possibly invest in new niche segments - Long-term leases (average 12 years to expiry vs 7.3 sector average)	- Grow portfolio through acquisitions and development of EUR36m landbank - Grow renewable energy capacity to a level that would make the portfolio carbon-neutral
Financing	- Limited interest rate hedging (55% of debt at floating rates) leaves FFO highly exposed to rising interest rates (+100bps => -6.1% in FFO on our estimates) - Lowest LTV amongst Belgian peers (46% for 2013e)	- Reasonably well hedged vs rising ST interest rates (+100bps => -1.3% in FFO) - Financial flexibility (and ability to make future investments) could be limited by higher-than-average LTV (51% 2013e)	- Prudent hedging strategy means very low exposure to rising rates (+100bps => -0.8% in FFO) - High LTV (57% in 2013e) mitigated by lack of covenants on this measure

Source: Exane BNP Paribas

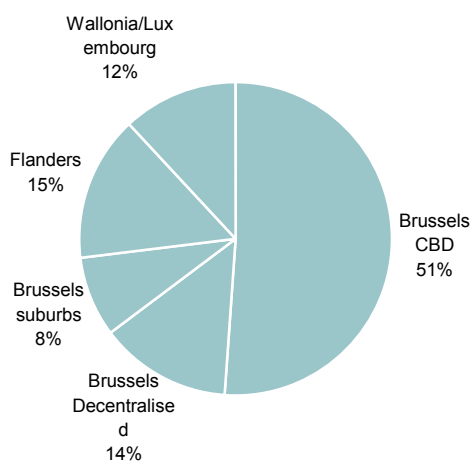
Offices: we prefer Cofinimmo to Befimmo

Cofinimmo is less exposed to the troubled office market...

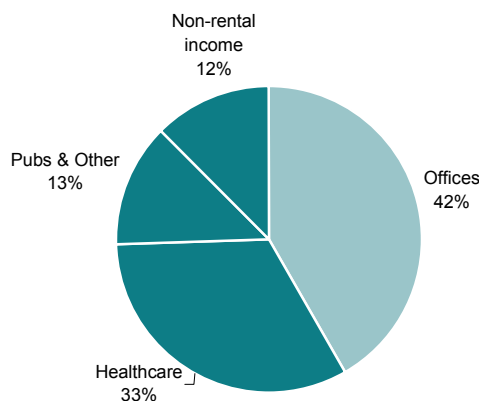
While Befimmo plans to remain 100% exposed to Belgian offices, Cofinimmo is seeking to continue diversifying away from this troubled segment. We expect 42% of 2013e EBITDA to come from offices (down from 50% at FY10) at Cofinimmo, compared to 100% for Befimmo.

Figure 2: 100% of Befimmo's 2013e EBITDA from offices, compared to 42% for Cofinimmo

Befimmo: breakdown of 2013e EBITDA



Cofinimmo: breakdown of 2013e EBITDA



Source: Exane BNP Paribas estimates

Cofinimmo is particularly seeking to grow the healthcare portfolio, and made over EUR100m of investments in nursing homes in H1 2011. We have been long-time supporters of this strategy, as Cofinimmo's healthcare assets continue to be the strongest performing part of the portfolio, although we would highlight that Cofinimmo's higher than average loan-to-value could limit its flexibility to make further wholly debt-funded acquisitions.

...and less exposed to rising ST interest rates

Our sensitivity analysis suggests that Befimmo is the third most exposed stock in our coverage universe to rising short-term interest rates. While management's strategy of hedging a lower proportion of its debt to fixed rates compared to peers (45% vs the sector average of 84%) has allowed it to benefit from a very low cost of debt while rates have been lower, it makes Befimmo's FFO highly exposed to the increases in short-term rates that we (and the consensus) expect.

By contrast, Cofinimmo has a more cautious hedging strategy that protects its FFO as rates rise.

WdP: many attractions, but wait for better value to enter

We support WdP's strategy of seeking to make the portfolio carbon-neutral through the installation first of solar panels on the roofs of selected buildings, to be followed by as yet unidentified other renewable energy sources (eg. wind), as this provides a very useful, diversified, and stable source of secondary income and also increases the company's appeal not only to potential tenants, but also to the growing number of 'sustainable and responsible' investors.

WdP's financial structure offers a mixed bag: a higher-than-average LTV (although no LTV debt covenants so no risk of a breach), but a prudent hedging policy that is a key positive in the current environment of rising short-term interest rates. On our estimates, a 100bps increase in rates would only decrease FFO by 0.8% (vs the 2.5% sector average).

However, while we find plenty of reasons to like WdP's portfolio, strategy and financial structure, the valuation appears demanding at current levels, so we look for a better entry point in the future.

Belgian political instability and the presence of the EU

Two key issues spring to mind when considering investment in Belgian real estate, and their impact on the three stocks covered in this note is considered here:

(1) Political instability

From an investor's point of view, we would play down the significance of Belgium's failure to successfully form a federal government since the general elections in June 2010, due to the political parties' inability to bridge the country's linguistic/geographical differences. While investors may be concerned at this ongoing uncertainty, we would emphasise that the system is still functional, with substantial decision-making powers held by the fully-functional local/regional authorities, and the caretaker federal government successfully passed the 2011 budget (which restricted the deficit to 3.6% of GDP, below the expected Eurozone average of 4.3%).

(2) Dominance of EU institutions in Brussels

In our view, concerns that EU institutions will be looking to downsize their office requirements in order to save money over the next few years are exaggerated. We have spoken to a number of real estate brokers in Brussels who expect take-up from the public sector (which, including the EU, accounts for 25-30% of Brussels take-up) to remain robust, and start to slowly grow over the medium-term.

Of the three stocks covered in this note, Befimmo's high concentration of CBD assets (51% of our 2013e EBITDA) leaves it most exposed to the EU/public sector, both to the upside and downside.

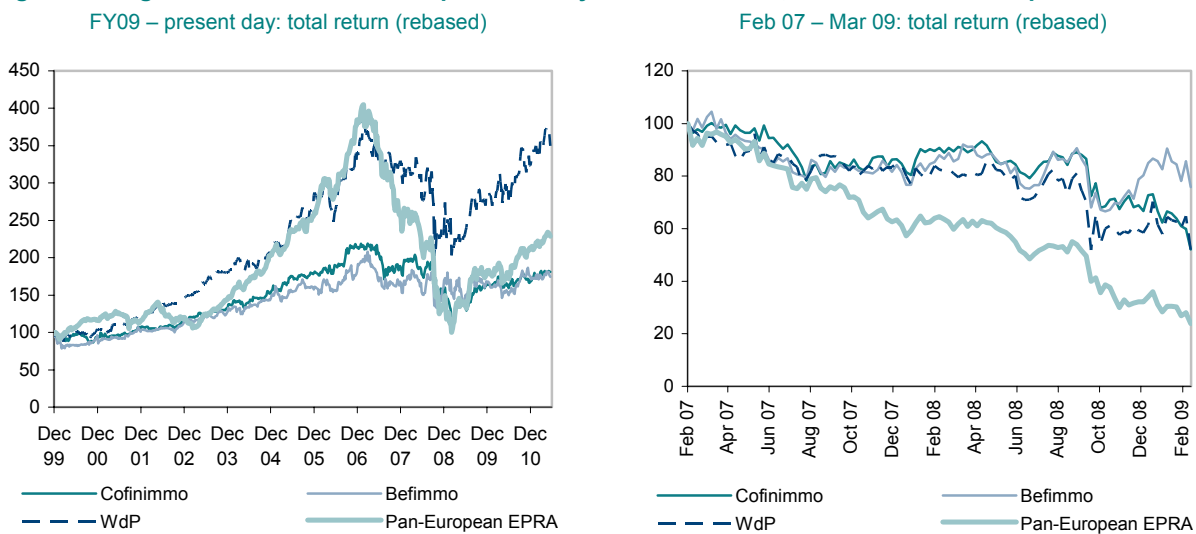
Risks to our rating

The key risk to our cautious view on Belgian real estate would be a significant downturn in the global economy, leading to substantial de-risking across equity markets.

Belgian real estate stocks have historically outperformed the pan-European EPRA index when the market is falling (eg. between Feb-07 to Mar-09 – see right hand chart below), as the low-risk profile of Belgian stocks combined with the stable, defensive characteristics of Belgian real estate markets become key positives for investors.

The flip side has also historically held true: in rising markets, the defensive characteristics of Befimmo and Cofinimmo in particular have generally led to underperformance vs the benchmark index (eg between Dec-03 to Feb-07).

Figure 3: Belgian real estate stocks outperform in cyclical downturns, thanks to lower-risk profile



Source: Datastream, Exane BNP Paribas estimates

One caveat to this is, however, if a downturn is driven by sovereign debt fears, then Belgian stocks (not just those in real estate) could be highly exposed, given the high levels of gross government debt (97% of GDP for 2011e on official EU forecasts vs 88% for the euro area average).

Valuation

On our estimates, WdP is the most attractive of the three Belgian stocks on cash-flow yields, but the most expensive on asset values, both of them reflecting the lower growth profile and higher risks of industrial assets. The stock offers a NOPAT yield of 6.2% (vs 5.5% for the sector, and the highest 2013e dividend yield in our coverage (7.8%). By contrast, on asset values it currently trades at a 15% discount to 2013e NNNAV compared to 20% for the sector, partly explained by the value creation potential of the pipeline, in our view.

Cofinimmo is marginally preferred to Befimmo, offering a 2013e NOPAT yield of 5.9% (note this includes some non-cash items; vs 5.5% for the sector, 5.6% for Befimmo), and a 21% discount to 2013e NNNAV (vs 20% for the sector and for Befimmo).

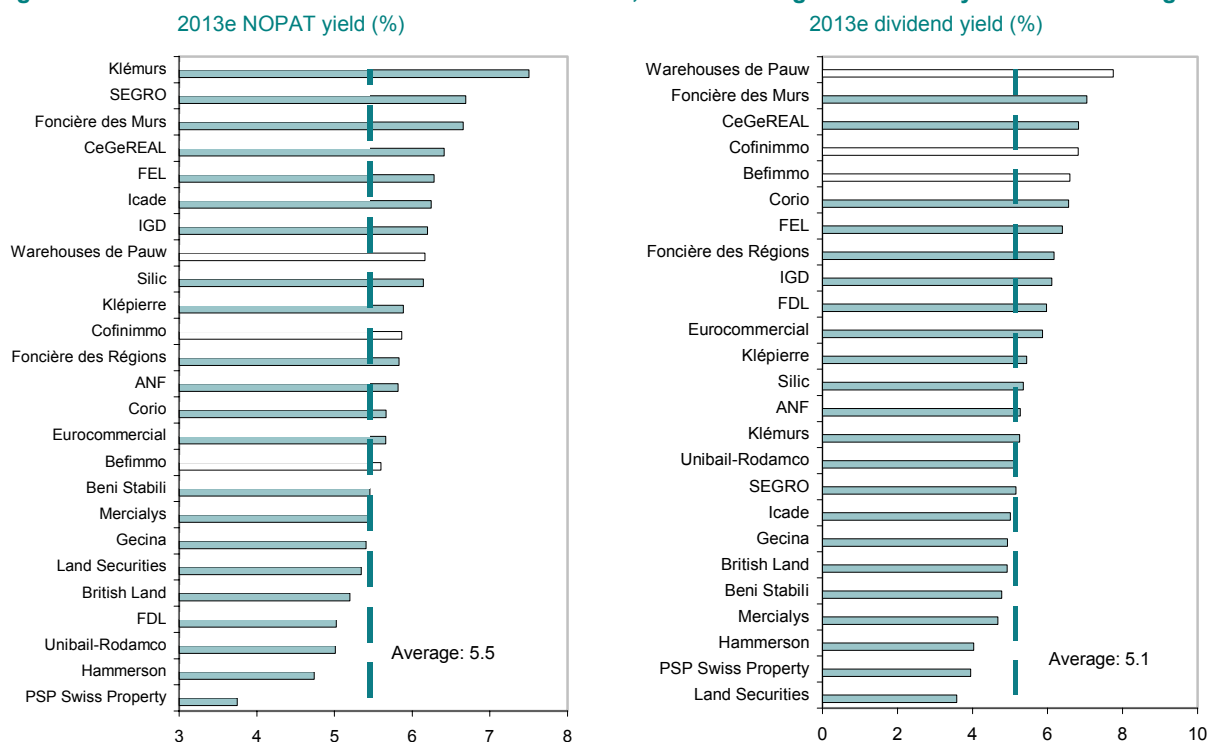
Our analysis shows that the three Belgian stocks have historically offered attractive cash-flow yields but compared to the rest of Europe, largely explained by the lower growth profile of the Belgian market, in our view. By contrast, all three have historically traded at lower discounts (or higher premiums) to asset values, which again reflects the more stable defensive characteristics of Belgian real estate.

Attractive on cash-flow yields...

Befimmo, Cofinimmo and Warehouses de Pauw all trade at above average 2013e NOPAT yields, reflecting their lower growth profiles. WdP offers the highest NOPAT yield of the three (6.2% vs 5.5% for the sector), thanks to the higher yield on its portfolio of industrial assets. Befimmo's NOPAT yield is lower than Belgian peers thanks to its higher concentration of lower-yielding prime CBD assets.

All three stocks also trade at attractive 2013e dividend yields, with WdP offering the highest dividend yield in our coverage (7.8% vs the sector average of 5.1%).

Figure 4: All three stocks are attractive on cash-flow ratios, WdP offers highest dividend yield in our coverage



Source: Exane BNP Paribas estimates

Risks attached to Cofinimmo’s dividend, and to a lesser extent WdP’s

We would highlight however that a high dividend yield only carries full credibility if it is relatively secure, which is not the case for Cofinimmo, as shown in more detail later in this note. If we exclude non-cash items from FFO (in Cofinimmo’s case this relates to an accounting write-back of items sold and discounted), then maintaining Cofinimmo’s dividend at current levels (as we have assumed in our model) implies a pay-out of 115% of its cash FFO (see left hand chart below) – clearly unsustainable, especially given the company’s already high gearing (51% for 2013e, vs 40% for the sector). As a result, company management are actively investing to grow the portfolio and grow FFO so that the current level of dividend is sustainable.

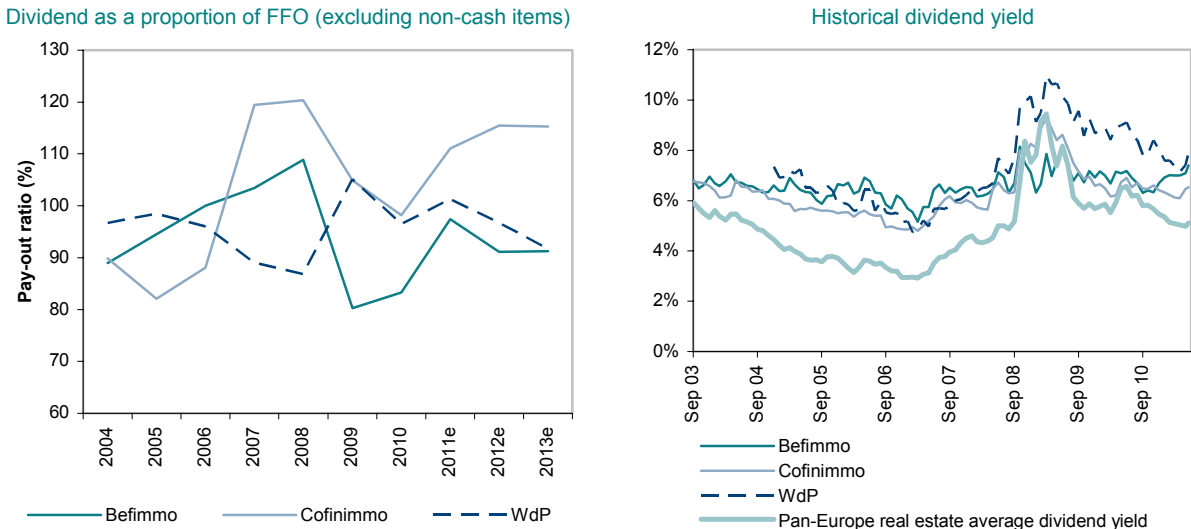
Assuming no growth in WdP’s dividend, the 2013e payout represents 92% of its FFO, and given its high gearing (2013e LTV of 57%), this would also appear at risk if FFO came in much lower than expected. (Please note that in this calculation of 57% 2013e LTV, we have included the value of the renewable energy assets (solar panels) in the property portfolio, as the associated debt is included in total debt for this calculation; whereas the automatic calculation on the Exane BNP Paribas financial grid (67%) includes the value of the debt, but not of the assets, so yields a higher figure for LTV).

Befimmo’s dividend looks the most secure of the three, with a 2013e pay-out ratio of 91%, just above management’s long-term target of 90%.

Belgian real estate stocks have historically offered generous dividend yields

Looking at historical trends, we see that all three Belgian stocks have typically always offered higher-than-average dividend yields. This is consistent with our view that Belgian real estate stocks are seen as more defensive than many peers, offering investors less cyclical income and a relatively high dividend yield.

Figure 5: Cofinimmo's high payout ratio; Belgian stocks historically offering more attractive dividend yields

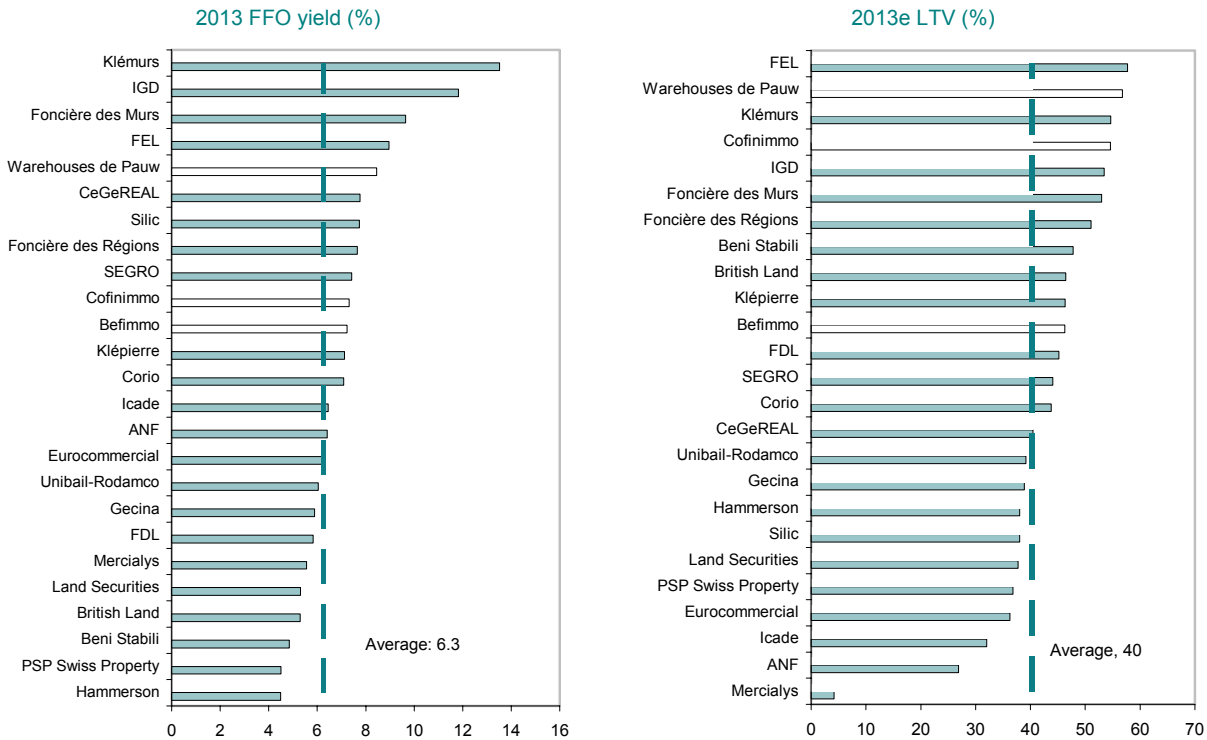


Source: Exane BNP Paribas estimates

Attractive FFO yields explained by higher LTV and lower growth profile

WdP offers a very attractive 2013e FFO yield (8.5% vs 6.3% for the sector), thanks to its higher-than-average gearing. Cofinimmo and Befimmo are also both attractive on FFO yield (7.3% and 7.2% for 2013e respectively), partly explained by a higher loan-to-value than the sector average, but also by the lower FFO growth profile offered by the two stocks.

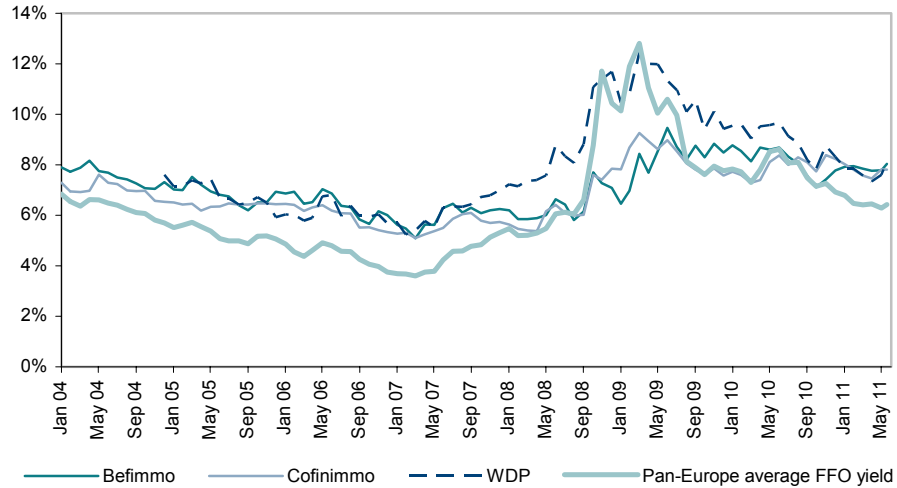
Figure 6: WdP's high FFO yield, thanks to its higher-than-average LTV



Source: Exane BNP Paribas estimates

Again, the attractive FFO yields currently offered by Belgian stocks are not a recent phenomenon. The only period where any Belgian stocks offered lower FFO yields to the sector came at the height of the crisis, when Cofinimmo's and Befimmo's defensive characteristics supported their share prices, while those of more cyclical peers collapsed.

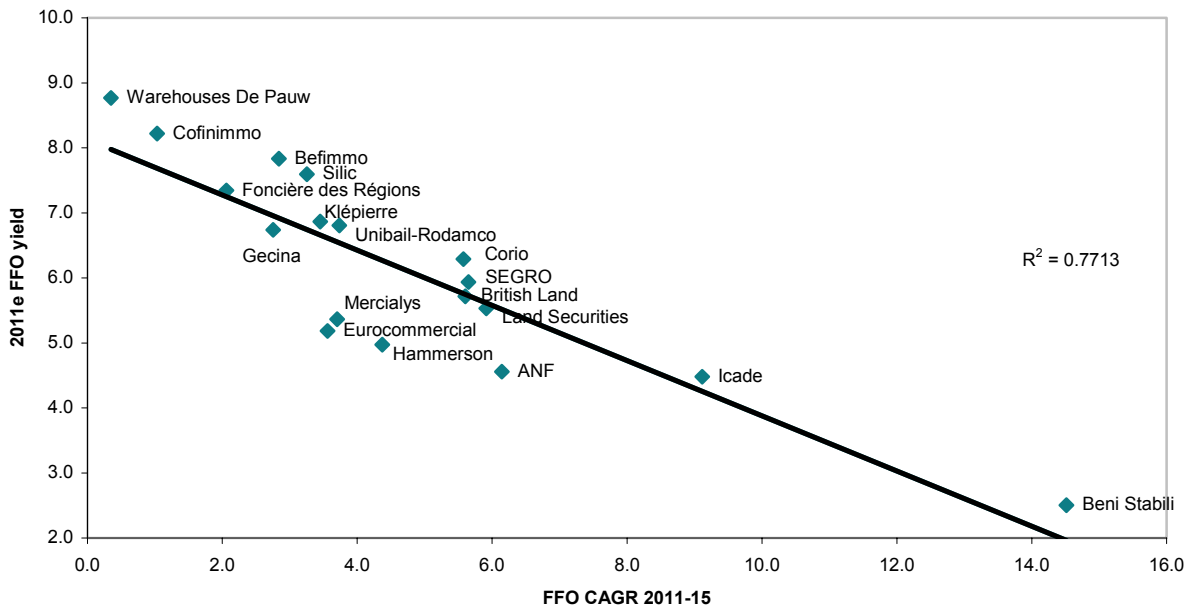
Figure 7: Historical FFO yield



Source: Datastream, Exane BNP Paribas estimates

As already mentioned, the attractive FFO yields of Befimmo, Cofinimmo and WdP are partly explained by their lower growth profile. This relationship is confirmed when we broaden our analysis to include all the main stocks in our coverage: a regression of the 2011e FFO yield on the compound annualised growth rate of FFO 2011-15 yields a correlation coefficient of 0.8.

Figure 8: A reasonably strong negative correlation between FFO yield and FFO forward growth rate



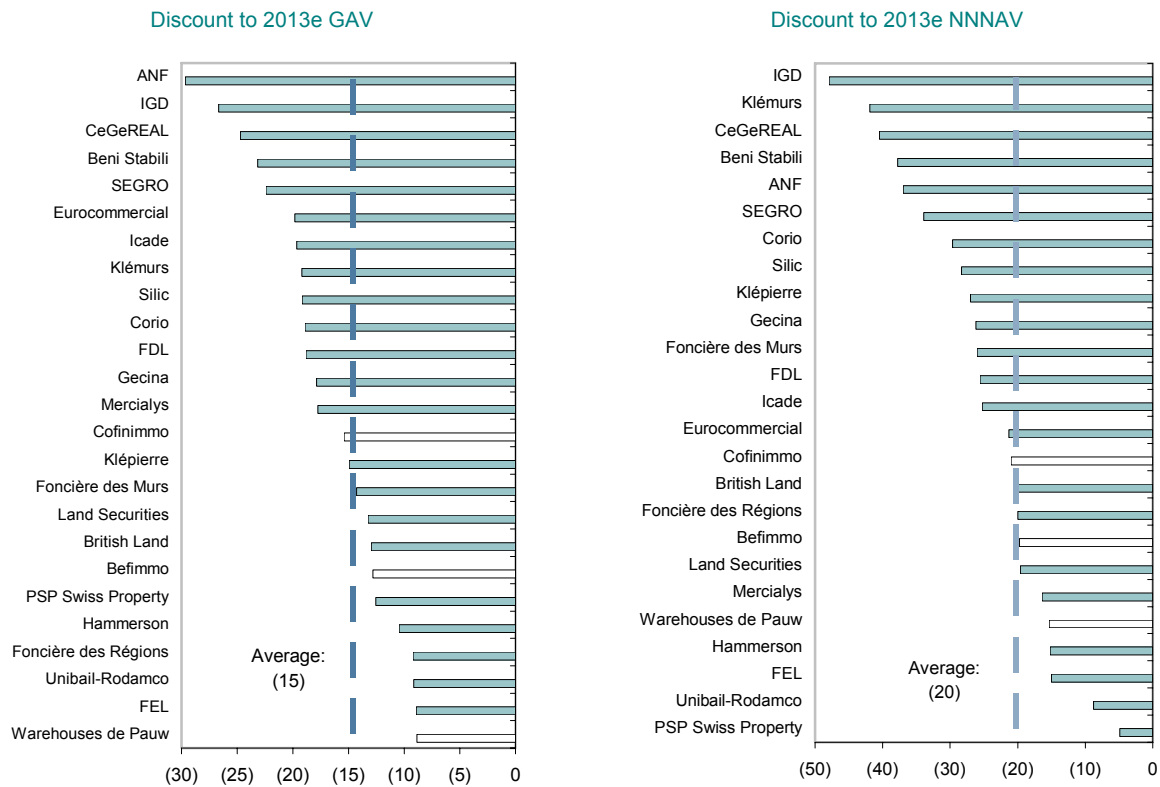
Source: Exane BNP Paribas estimates

...but expensive on discounts to asset value

WdP offers the lowest discount to 2013e GAV in our coverage (9% vs 15% for the sector), and the fifth-lowest discount to 2013e NNNAV (15% vs 20% for the sector). In our view, this is explained by the higher yield on its substantial development pipeline, its strong track record in developments, and its solid management team.

Befimmo and Cofinimmo offer asset value discounts that are broadly in line with sector averages (13% and 15% respectively for 2013e GAV, 20% and 21% respectively for 2013e NNNAV).

Figure 9: WdP is expensive on discount to asset values, Befimmo/Cofinimmo are in line with the sector

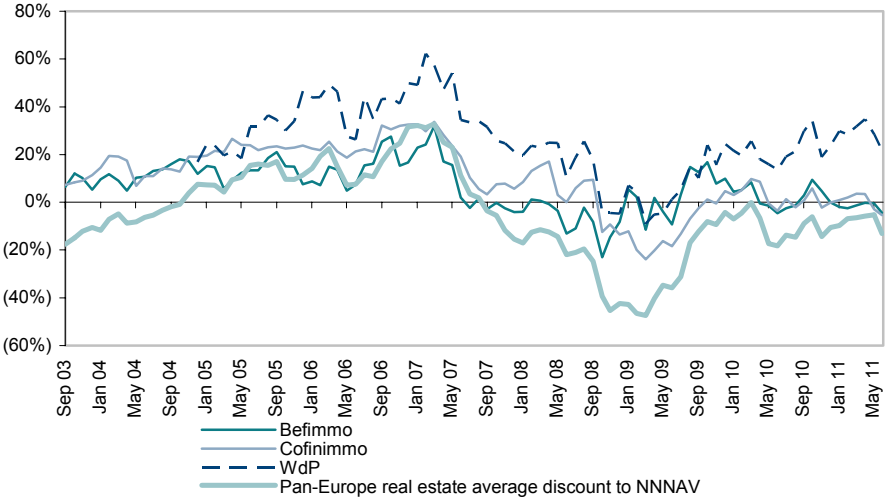


Source: Exane BNP Paribas estimates

Historically, the Belgian stocks have generally been more expensive compared to asset values than the rest of our pan-European real estate coverage. Looking at discounts to spot NNNAV (rather than our estimate of 2013e NNNAV), WdP has traded at a long-term (6-year) average premium of 26%, Befimmo at a premium of 5% and Cofinimmo a premium of 10%, compared to a long-term average discount of 3% for the sector.

In our view, this is explained by the stable, defensive characteristics of the Belgian real estate market.

Figure 10: Historical discount to NNNAV



Source: Datastream, Exane BNP Paribas estimates

Belgian real estate: a troubled environment

Please see Appendices 1 and 2 for more detailed analysis of the office and industrial markets in Belgium.

Figure 11: Exposures to Belgian office / industrial markets (by FY10 rental income)

	Belgian offices	Belgian Industrial	Other
Befimmo	96%	-	4%
Cofinimmo	42%	-	58%
WdP	0%*	59%	41%

Source: Companies, Exane BNP Paribas estimates

* WdP has a very small number of offices (accounting for c3% of total rental income), but these are always adjoining warehouses, and are generally let to the warehouse tenant, so are treated as industrial

Belgian real estate markets have historically been less cyclical compared to other countries in the EU, and we do not expect any real rental growth in either the office or industrial markets in Belgium over the next 12 months at least.

The Brussels office market suffers from structural oversupply, thanks to high levels of development over the past 10 years that is only now being brought under control. As a result, high vacancy (11.7% at Q1 2011) and a high level of incentives have ensured a large amount of 'slack' in the market, which will have to be taken up before rents can be expected to grow.

Industrial real estate is historically a low-growth market, due to limited constraints to new supply and a short lead time to completion, which together mean that developers can quickly respond to higher take-up, limiting the potential for an imbalance of demand and supply that would lead to rental growth. Indeed, at the moment, developers are probably more responsive than ever, with a number of schemes that were put on hold over the crisis ready to re-launch when appetite returns. For this reason, we expect flat growth for the next 12 months.

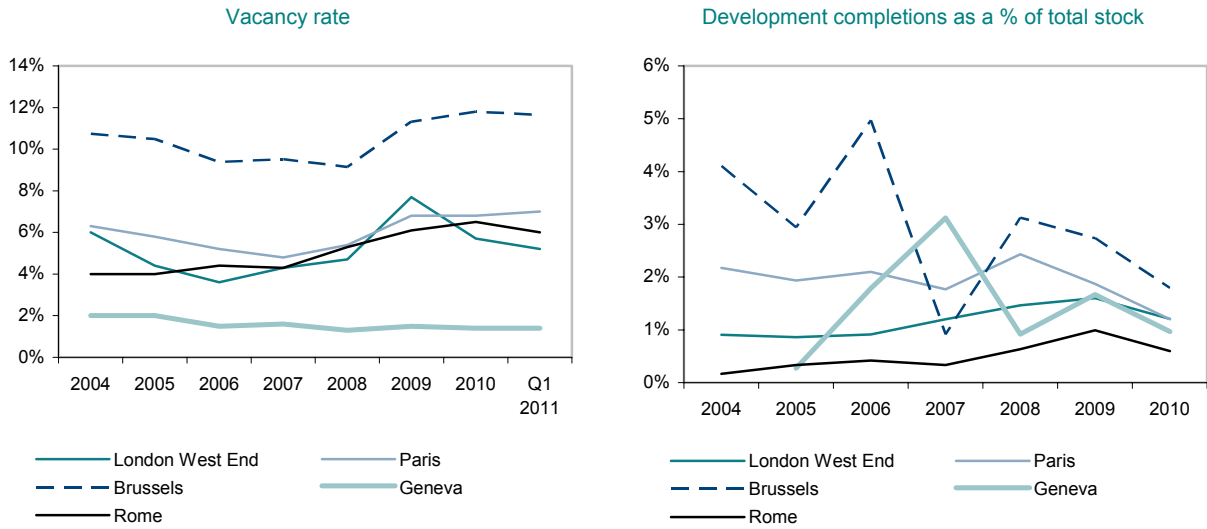
Structural oversupply in the office market limits rental growth

A stable low-growth market

The Brussels office market is characterised by structural oversupply, with a vacancy rate that has exceeded 9% every year since 2003, and currently stands at 11.7% according to CBRE.

High levels of vacancy have been driven by high levels of development – new completions have averaged 3% of total stock between 2000 and 2010, compared to 1.3% in London (West End) and 1.9% in Paris.

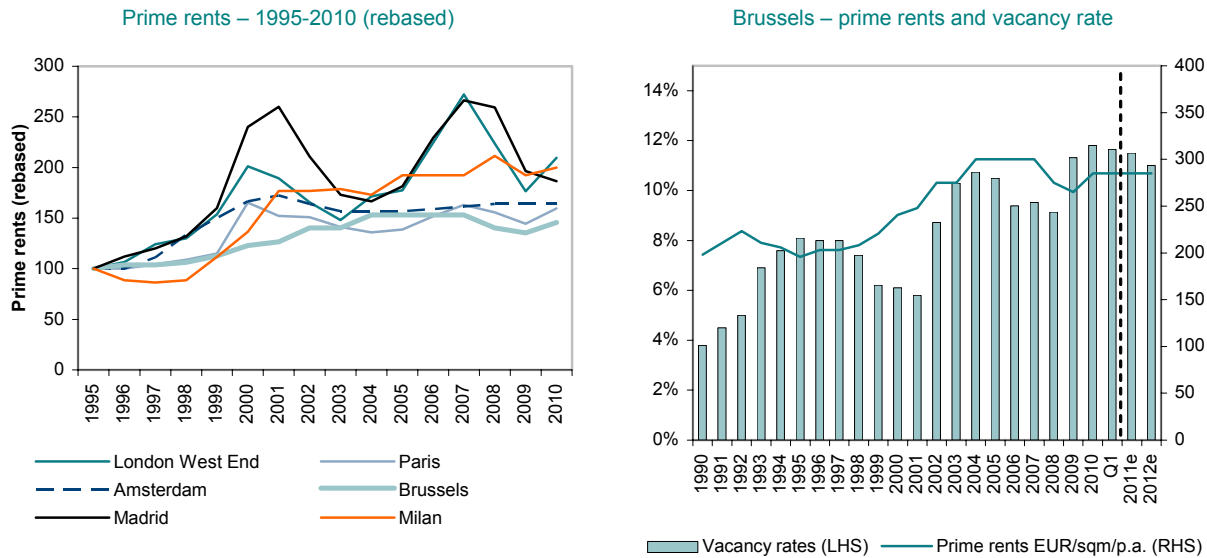
Figure 12: Brussels offices – structurally high vacancy caused by overdevelopment since 2004



Source: CBRE, Jones Lang LaSalle, Exane BNP Paribas estimates

This high level of vacancy has provided a substantial headwind to rental growth in Brussels, and prime rents have actually declined in nominal terms since 2004.

Figure 13: Brussels office prime rents actually declined in real terms over 2004–10



Source: CBRE, Jones Lang LaSalle, Exane BNP Paribas estimates

A cautious outlook

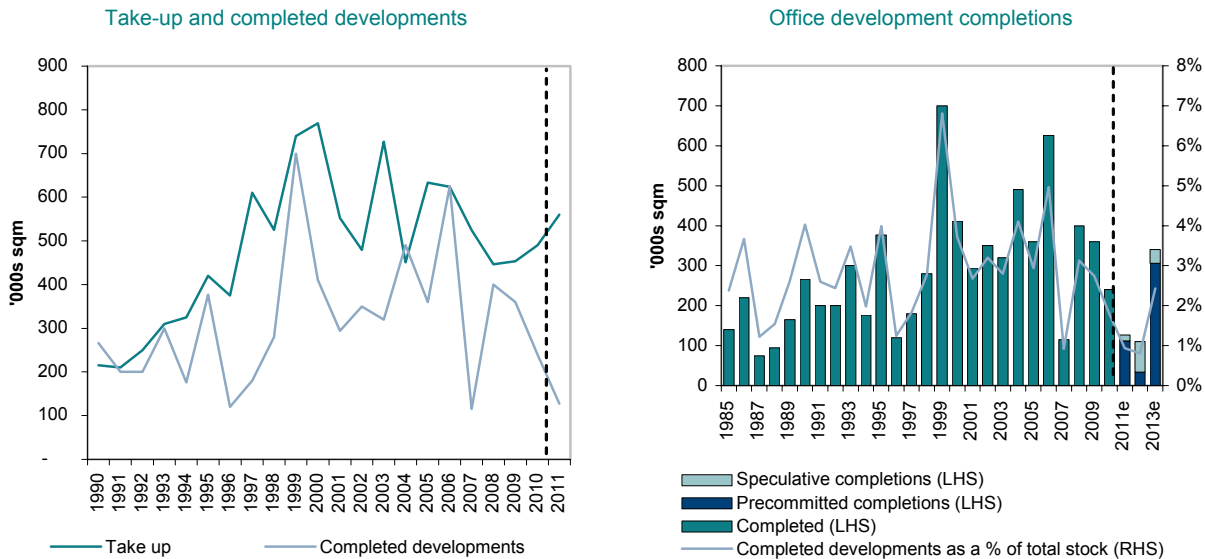
While market fundamentals are moving in the right direction, we do not expect any significant rental growth until late 2012 at the earliest, more likely 2013-14. This is due to the present high vacancy rate and the high level of incentives currently required to attract tenants, both of which will need to come down before landlords will be in a position to push up their rents.

Full year city-wide take-up is expected to be 14% higher than 2010, thanks mainly to a number of expected transactions closing with EU bodies in the Centre region. The largest will probably be the widely-expected announcement of the EU Commission taking up 50,000sqm in Axa's Capital building, but the major property brokers that we have spoken to are expecting a number of other small and medium-sized transactions to complete over the rest of the year. The continuing political uncertainty (no agreement on a governing coalition since general elections over a year ago) is not seen as having any impact on the Brussels office market.

Beyond 2011, further momentum is expected to build in terms of take-up from EU-affiliated bodies, which, along with the Belgian public sector, account for around 25-30% of total take-up. While there has been talk recently of the EU institutions currently based in Strasbourg (primarily the Courts and related bodies) relocating to Brussels, we believe that there is too much political resistance from France for this to happen. Even without this, we still expect healthy and sustained take-up from the public sector over the next few years.

On the supply side, expected completions for 2011e and 2012e have fallen to 0.9% and 0.8% of total stock respectively which is also clearly a positive factor, although such is the level of 'slack' in the market (in terms of vacancy and incentives), this will first need to be taken up before we can expect any rental growth.

Figure 14: Brussels offices – demand and supply fundamentals are improving

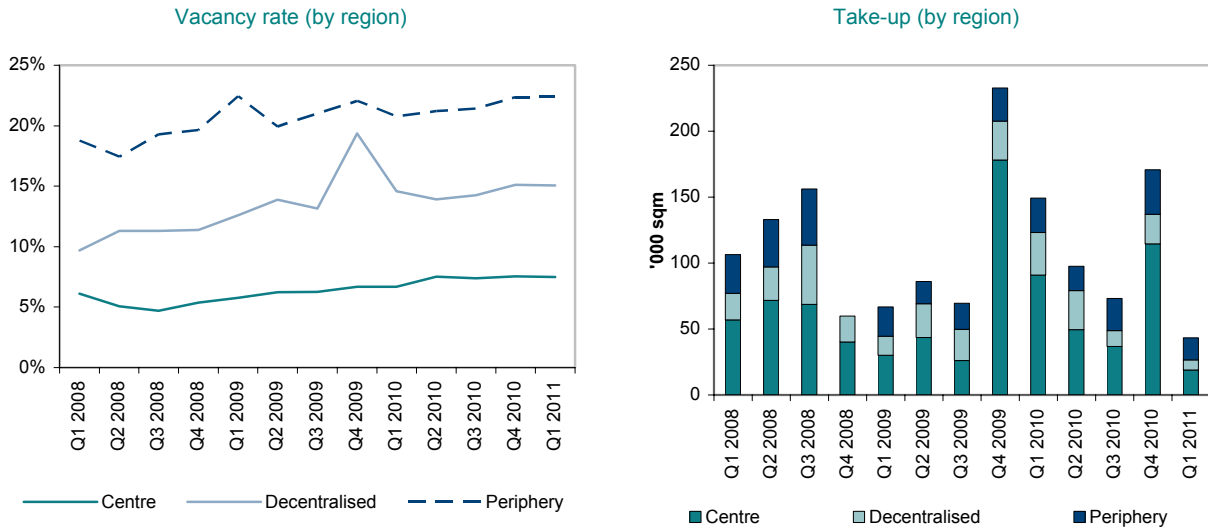


Source: CBRE, Jones Lang LaSalle, Exane BNP Paribas estimates

The regional picture

At the regional level, the picture is much the same in Brussels as it is across nearly all other major European cities: there is a growing divergence between prime central (CBD) regions and the suburbs/periphery. In central Brussels, vacancy rose 140bps between Q1 2008 and Q1 2011, compared to 540bps for the decentralised region and 360bps for the periphery. The CBD remains the main driver of take-up in the city, and we expect the proportion of total take-up that it accounts for to increase over the year with a number of leases agreed with the European Union (and related bodies).

Figure 15: Central Brussels continues to set the pace



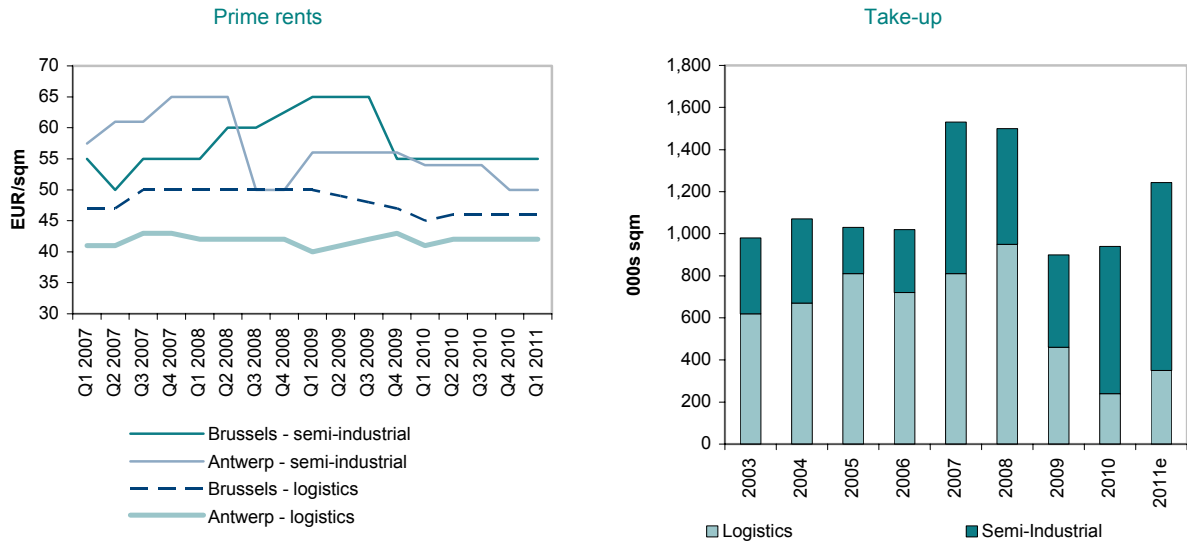
Source: CBRE

Industrial real estate: a low growth market thanks to lack of constraints to new supply

Rents appear to have stabilised since the crisis, but we do not expect any growth over the next 12 months despite improving take-up (driven by a recovery in industrial production and international trade) and next to no speculative development, as the market remains characterised by limited constraints to new supply.

Given the nature of industrial assets, these are generally developed in out-of-town locations where suitable land for development is more widely available than prime plots for office or retail schemes for example. As a result, most industrial developers own landbanks, and many currently have a pipeline of projects (some that are part-complete) that were put on hold over the downturn, but that have the permission, resources and financing all in place to re-start as soon as a pre-let is agreed. Indeed, such is the short time frame required to build a logistics facility or warehouse, developers can quickly respond to increases in demand, meaning that industrial real estate has historically been a low growth market.

Figure 16: Prime rents stabilised, modest growth in take-up expected for 2011e



Source: Cushman & Wakefield, DTZ

Contrasting growth strategies in this difficult environment

In response to these challenging market conditions, Befimmo, Cofinimmo and WdP have come up with very contrasting strategies in order to mitigate the impact on the top line.

Within offices, Befimmo's strategy is to remain 100% exposed to the office market, but increase its focus on prime assets, which are most likely to be found in the Brussels CBD.

By contrast, Cofinimmo is seeking to further diversify away from offices, a process that started back in 2005, first into healthcare, and then, two years later, into pubs. Management is seeking to increase the weighting of healthcare in the portfolio (to 40% by fair value up from 31% at Q1 2011), and is also targeting investments in new 'niche' real estate segments. As a result of this continuing diversification, we expect the proportion of EBITDA coming from offices to fall from 50% in 2010 to 42% in 2013e, on our estimates.

Finally, WdP has also started to diversify away from its core market of logistics and semi-industrial real estate, and now has a useful secondary income stream from solar panels that have been installed on selected buildings within the portfolio. Management has set a target of doubling the capacity of this part of the business, and as a result we expect it to account for 12% of 2013e EBITDA, up from 8% at 2010.

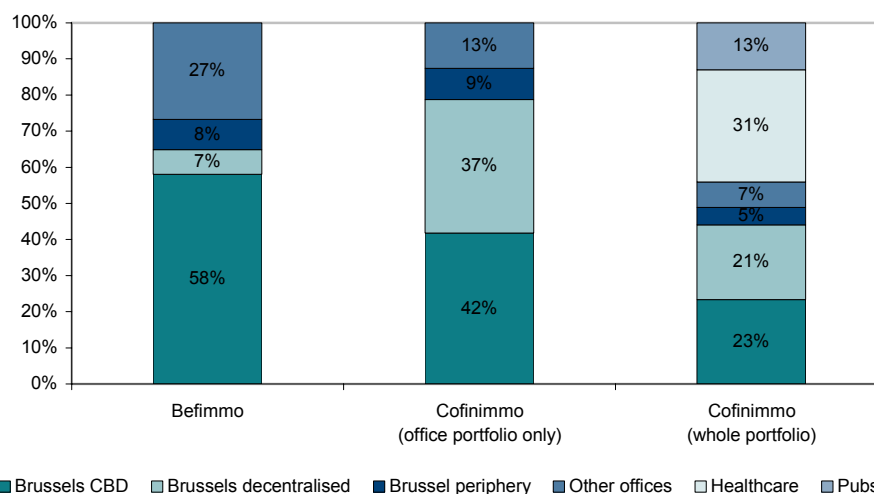
Cofinimmo's diversified portfolio vs Befimmo's pure-play offices

Comparing Cofinimmo and Befimmo's office portfolios, Figure 17, shows that Befimmo's portfolio is significantly more focused on prime assets in the central business district (CBD) of Brussels. Indeed, if we include its building in Luxembourg's CBD (Axento), Befimmo's proportion of prime CBD assets rises to 62%. Befimmo holds very few assets in outer Brussels. Management believe that CBD assets offer greater growth potential, thanks in part to the limited supply and planning constraints that do not exist in the decentralised and periphery districts.

The 27% of 'Other offices' represents the Axento building (in Luxembourg), and around 40 buildings in Flanders and Wallonia in the Befimmo portfolio (acquired for EUR725m through public tender in December 2006) that are fully let to the public sector.

Figure 17: Breakdown of portfolios by fair value as at 31 March 2011

Befimmo has a higher concentration of prime assets



Source: Companies, Exane BNP Paribas estimates

While Cofinimmo still has a substantial portfolio in the Brussels CBD (42% of their office portfolio, 23% overall), it also has a significant number of buildings in the decentralised region. This region (as well as the periphery) was badly hit by the crisis, and Cofinimmo's vacancy rate here shot up from 6% at FY08 to 12% at FY10. Such is the high level of structural vacancy in these out-of-town markets (market vacancy of 15% and 22% in decentralised and periphery respectively, according to CBRE), Cofinimmo is considering conversion of vacant buildings to alternative uses (eg. residential, schools), or sale to a developer for conversion.

A quick comparison of key metrics on the two portfolios confirms that Befimmo's would appear to be the more prime, with a slower decline in like-for-like asset values and rents, a lower yield and a lower vacancy rate.

Figure 18: Summary of portfolios

Key metrics confirm that Befimmo's portfolio is more prime

	Befimmo as at 31/3/11	Cofinimmo (office only) as at 31/12/10
Fair value of portfolio (EURm)	1,921	1,691
Change in FV of LFL portfolio over previous 12m	-1.4%	-3.6%
Change in LFL rents over previous 12m	-1.1%	-3.0%
Portfolio yield	6.92%	7.44%
Vacancy rate	7.03%	7.15%
Tenant profile	68% public sector 32% private sector	40% public sector 60% private sector
Average unexpired lease	9.2	6.7

Source: Companies, Exane BNP Paribas estimates

Befimmo – doomed to a shrinking top-line...

In our view, Befimmo's 100% focus on the troubled office market will lead to a 4% decline in (annualised) like-for-like rental income over 2011, thanks mainly to the continuing deterioration both in vacancy and in negative reversion (the extent to which rents currently being charged exceed market rents).

In the 6 months to end-March 2011, the overall portfolio vacancy rate increased from 6.0% at end-September 2010, to 6.2% at end-December and 7.0% at end-March (rate excluding development properties was up from 4.5% to 5.2% to 6.1% over the same period). Additionally, the negative reversion in the portfolio continued to increase over the 6 months to March 2011 (5.6% to 6%), and management expect further pressure on ERVs to come.

...thanks to 100% focus on troubled office market, and limited short-term development exposure

Befimmo's strategy is to remain 100% exposed to offices, rather than to start diversifying into new sectors that it is not experienced in. In particular, management intends to increase further its focus on prime assets in the Brussels CBD, and will continue to seek long-term leases to strong (often public sector) tenants. Investments in CBD buildings will be partly financed by sales of out-of-town properties in the decentralised/periphery districts.

Befimmo intends to continue disposing of assets that are near the end of their leases and where substantial capex is likely to be required. Additionally, management has stated that it will also consider selling vacant assets to developers for re-conversion (eg. to residential, or to a school), as was the case with the Kattendijkdok building in Antwerp (sold for EUR7.8m in Q1 2011). This is being increasingly looked at by other property owners in the outskirts of Brussels as a way of reducing structural vacancy.

Befimmo has historically not been very active in large-scale property development, and the majority of schemes in the pipeline are relatively low-key low-cost refurbishments. The main exceptions to this are the Finance Centre, Liège (new build, total cost EUR81m), and the renovations of Central Gate (EUR19m) and Tower III of the World Trade Centre in Brussels (EUR17m). The Finance Centre and WTC are both projects relating to government-let buildings from the Fedimmo portfolio.

Figure 19: Befimmo's development pipeline at 30 September 2010

Befimmo's pipeline consists mostly of lower-cost refurbishments/enhancements

	Region	sqm	Completion	Total cost	Spent as of 30 Sept 2010	Cost to completion
Brederode	CBD	19,665	2012/13	2.6	0.2	2.4
Goemaere/Jean Dubrucq/Mons II	Decentralised	Various	2010/11	3.0	0.8	2.2
Triomphe I & II	Decentralised	20,530	2012/13	2.0	0.0	2.0
Science Montoyer	CBD	5,300	Dec-11	9.9	2.2	7.7
Central Gate, Brussels	CBD	33,000	Jun-12	19.3	0.9	18.4
Froissart	CBD	3,200	Oct-10	5.7	5.5	0.2
WTC Tower III	CBD	75,800	Sep-12	17.1	7.1	10.0
Finance Centre (Paradis)	Wallonia (Liège)	39,000	Jan-14	81.0	3.3	77.7
Ikaros	Periphery	46,000	2012/13	4.9	0.1	4.8
Fountain Plaza	Periphery	17,000	2010/11	3.5	0.3	3.2
Triomphe III	Decentralised	11,500	Oct-10	0.5	0.5	0.0
Others	Various	Various	Various	8.5	5.6	2.9
Energy programme	Various	Various	Various	20.1	12.0	8.1
Total				178.1	38.5	139.6

Source: Company, Exane BNP Paribas estimates

Cofinimmo – continuing diversification away from offices...

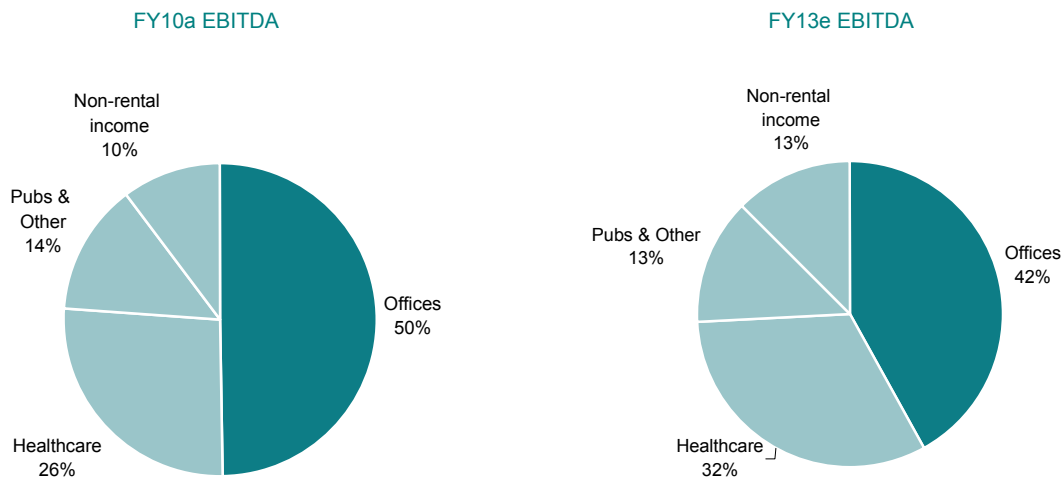
In stark contrast to Befimmo, Cofinimmo’s strategy is to seek further diversification away from the troubled office market, a process that the company started 6 years ago. As we have already argued in previous notes (most recently, in *Substantial investment required*, published 10 March 2011), we support this strategy of rebalancing the portfolio, and in particular, of increasing the weighting of healthcare assets. These have recently been by far the best performing part of the overall portfolio, with like-for-like rents up 2.3% in Belgium and 1.1% in France in the year to March 2011 vs -1.1% for offices.

...and into healthcare, and new niche real estate sub-segments

Management have targeted a portfolio weighting for healthcare of 40% (on fair value), up from 31% at Q1 2011 (nb. weightings on an EBITDA basis, as per Figure 20 below, are lower due to healthcare’s lower yields).

Cofinimmo has already made four investments totalling EUR100m in nursing homes so far in 2011: two portfolios of nursing homes, one single asset and one nursing home development. We expect these acquisitions to provide EUR7m of annualised rental income (including the asset currently under development).

Figure 20: Cofinimmo plans to reduce exposure to offices and increase exposure to healthcare



Note: ‘Other’ includes semi-industrial and retail buildings, and a leisure club, and represents less than 1% of EBITDA in both years

Source: Company, Exane BNP Paribas estimates

Management has also stated that it is looking to invest in a new ‘niche’ real estate sub-segment that offers similar characteristics to the portfolio of pubs it acquired in 2007, most notably leases that provide long-term mainly index-linked cash flows, and assets that offer good capital protection (through location, and a good alternative use). Student housing, banks and restaurants all appear to be suitable candidates. Please refer to our note *Substantial investment required*, published 10 March 2011 for more details on this.

Warehouses de Pauw – a higher growth outlook

We expect WdP to deliver 1.5% pa like-for-like rental growth over 2010-13 (vs 0.2% for Cofinimmo and -0.6% for Befimmo) thanks to the lower levels of negative reversion in industrial real estate compared to offices. WdP intends to remain focused on prime industrial assets (prime firstly in the sense of high technical specifications, and also prime in the sense of location), and we support this strategy.

We believe value creation will come from two main sources:

Leasing and development

WdP has five pre-let development schemes currently in progress, representing a total of 23,900sqm and a total cost of EUR15m. All these schemes are scheduled to complete before the end of 2011, and once operational we expect them to contribute EUR1.4m of rent pa.

In addition to this, the company has four further schemes representing 45,000sqm that are substantially complete, but for which the final stages of development were put on hold over the crisis until a pre-let could be found. We estimate that these schemes should contribute close to EUR2m of rent once complete. We have assumed that work starts on these schemes in H2 2012, with associated rental income starting to come through in 2013.

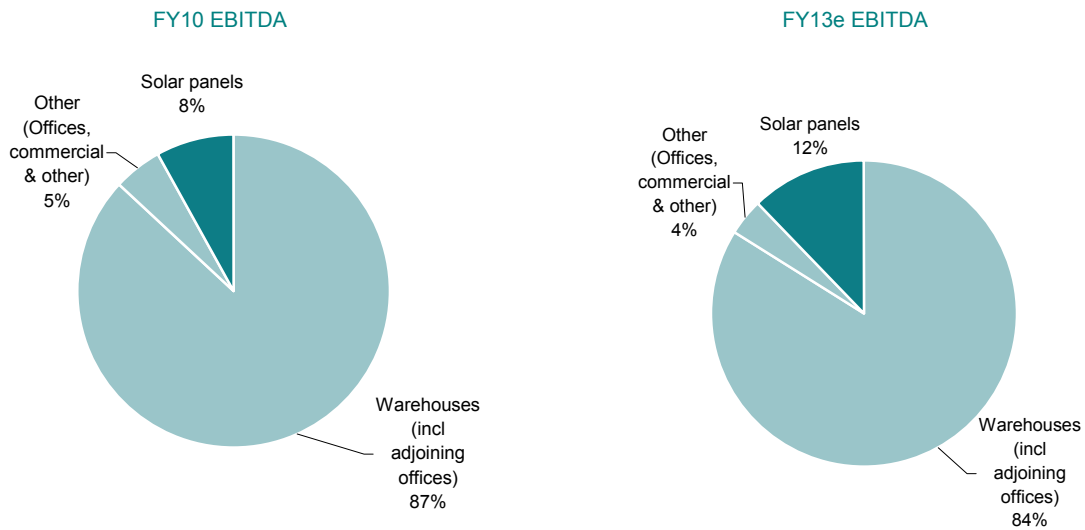
Looking beyond this, WdP has a substantial landbank of c200,000sqm in Belgium/France and 1.6m sqm in Romania, the latter being held in a 51:49 joint venture (ie. WdP's share is 800,000sqm). This offers substantial development potential for the longer-term, although this is only likely to be unlocked after 2014 at the earliest.

As well as leasing new developments, rental growth is also expected to be driven by the leasing of vacant space. WdP reported an overall vacancy rate of 4.3% at FY10, down from 7.7% at FY09. We expect very modest improvement from these levels to 4% by 2013, which will deliver EUR1m of incremental rents on our estimates.

Sustainable energy programme

In 2008, WdP started to install solar panels on the roofs of some of its buildings and has since rolled out this project quite extensively such that solar income accounted for 8% of FY10 total income. Management intends to double capacity (from the 14 megawatt peak at FY10 to 30MWp by end-2013), which it estimates would make the portfolio carbon-neutral and which would involve installation of other renewable energy technologies (eg. wind) – something that WdP is currently looking at.

Figure 21: Increasing significance of WdP's solar income



Source: Exane BNP Paribas estimates

We support this strategy for several reasons. Firstly, it provides a second stream of income that helps diversify risk away from a 100% exposure to industrial real estate. Secondly, this second income stream offers similar characteristics to WdP's rental income, as the government subsidies (which currently make up 80% of total income from solar power) are fixed, highly visible and run for 20 years, and income from selling the electricity generated (the remaining 20% of the total) is indexed so offers good protection against inflation.

Finally, we believe this project will make it easier to attract tenants to WdP's buildings, thereby helping to reduce the vacancy rate, since WdP can offer the electricity that the panels generate to the tenant of the building for a cheaper price than the network, thanks to savings in distribution costs (which management have indicated represents around half of the total cost of electricity).

Challenges presented by the financial environment

Not only do all three companies face headwinds to top-line rental growth given the mixed outlook for the markets that they are exposed to, we also wish to highlight a number of challenges stemming from upward pressure on financial costs.

Our analysis suggests that Befimmo has the third highest exposure to rising interest rates in our coverage universe. While its policy of hedging a lower proportion of debt at fixed rates (45% vs the sector average of 84%) has allowed it to benefit from the current low rate environment (2010 cost of debt of 3% vs the sector average of 4.2%), it also means it faces a sharply rising cost of debt over the next few years as rates start to rise.

We would also highlight WdP's and Cofinimmo's higher-than-average LTVs (57% and 51% for 2013e vs 40% for the sector average) which could restrict financial flexibility, particularly to make debt-funded acquisitions.

Risks of a covenant breach and relating to refinancing are relatively low for all three companies, in our view.

Rising cost of debt – Befimmo most exposed

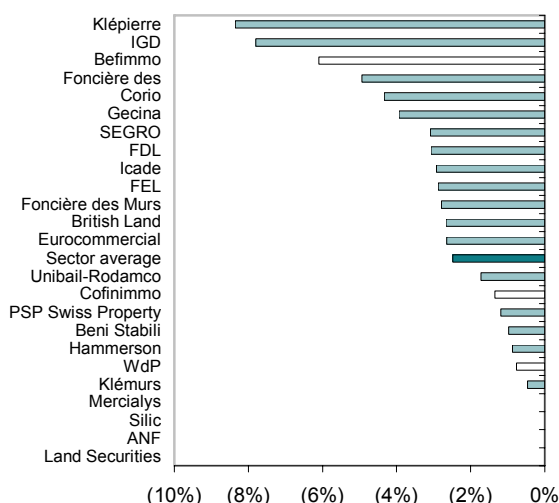
The consensus is expecting the ECB to increase base rates by 25bps next month (July), and by a further 25bps in October, with further hikes expected in 2012. This is currently in line with the view of Exane BNP Paribas' Economics team.

Our sensitivity analysis suggests that Befimmo has the highest exposure to rising interest rates out of the three Belgian stocks, and the third-highest exposure in our pan-European coverage. Taking figures from the last year end, a 100bp increase in interest rates would lead to a 6.1% decline in FFO for Befimmo, compared to declines of only 1.3% for Cofinimmo and 0.8% for WdP.

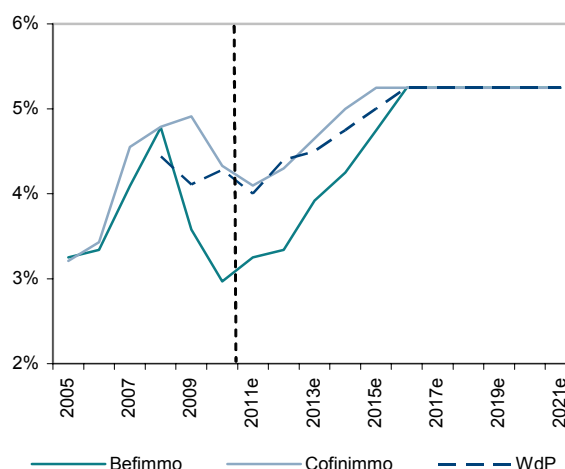
We have reflected this higher sensitivity in our models, which suggests Befimmo's net financial costs will increase by 18% pa over 2011-13, compared to 14% for WdP and 9% for Cofinimmo.

Figure 22: We expect Befimmo to be the worst affected of the Belgian stocks by increasing interest rates

Impact on FFO of a 100bps increase in ST interest rates



Average cost of debt



Source: Companies, Exane BNP Paribas estimates

The main reason for this is that Befimmo hedges a far lower proportion of its debt, locking in a lower proportion at a fixed rate of interest. This has meant Befimmo has enjoyed a substantially lower cost of debt than its two Belgian peers as rates have been low (3.0% for FY10 compared to 4.3% for both Cofinimmo and WdP). However, while this has clearly been a positive factor for the past 3 years, it has already turned into a negative factor now that interest rates have started to creep up.

In fact, while we expect Befimmo's cost of debt to increase by c25bps over 2011, we actually expect Cofinimmo and WdP's cost of debt to fall, by 20bps and 30bps respectively, despite forecast increases in base rates. This is because Cofinimmo and WdP are both reducing the proportion of debt hedged at fixed rates, firstly through not renewing expiring hedging contracts, and secondly by not hedging new debt. Our assumptions on the year on year change in the cost of debt are broadly in line with company forecasts, and are consistent with the net financial costs reported at March 2011, allowing for an element of seasonality to reflect higher rates on floating rate debt for the rest of the year.

Covenant headroom – Cofinimmo the tightest

Our analysis suggests that all three companies are at relatively limited risk of covenant breach on our estimates, but out of the three it is Cofinimmo that has the least headroom.

Figure 23: Limited risk of covenant breach on our estimates

	Befimmo	Cofinimmo*	WdP
LTV covenant	< 65%	< 57.5%	n/a
FY10 LTV	41%	49%	55%
FY13e LTV	46%	51%	57%
% change to breach covenant (in FY13e)	-29%	-12%	n/a
Interest cover covenant	> 2.0x	> 2.0x	> 1.5x
FY10 ICR	4.7	2.8	3.1
FY13e ICR	3.1	2.3	2.6
% change to breach covenant (in FY13e)	-35%	-12%	-43%

Source: Exane BNP Paribas estimates

* Note: Cofinimmo's preference shares are excluded from net debt for the purposes of calculating LTV, consistent with the treatment by the banks for testing for LTV covenant breach.

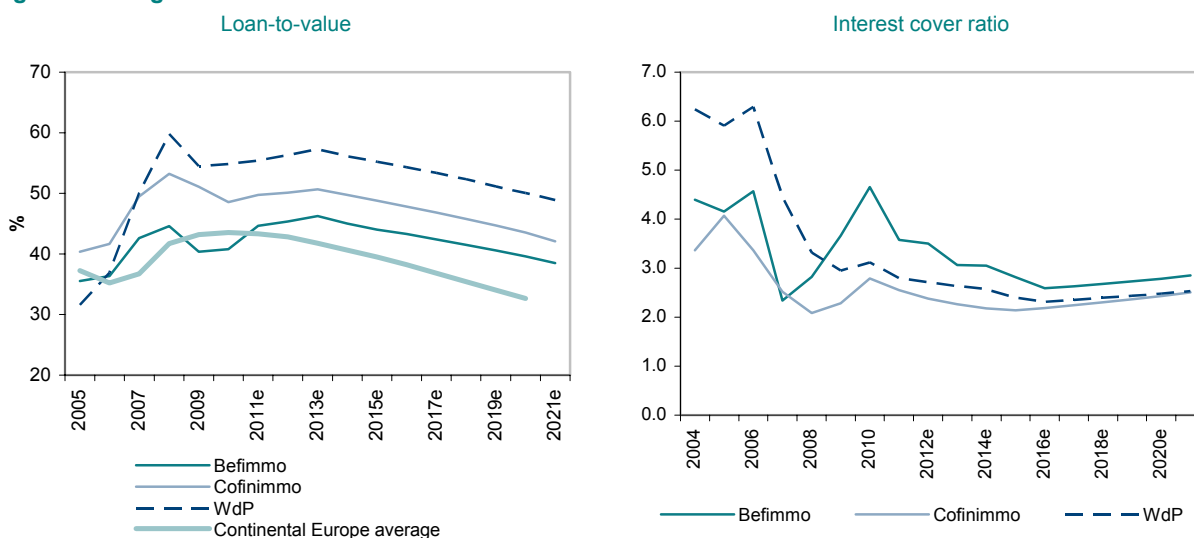
On LTV, as the figure below shows, all three companies have tended to report higher loan-to-value ratios than their counterparts elsewhere on the continent. WdP's LTV is the highest of the three, forecast to peak at 57% in 2013, however, crucially, none of the company's debt has a LTV covenant attached. Strictly speaking, the only technical constraint to WdP increasing its LTV even further is the SICAFI (the Belgian equivalent of a UK REIT or a French SIIQ) rule that debt as a proportion of total assets cannot exceed 65%, and on our estimates for WdP, this ratio peaks at 58% in 2013.

Cofinimmo has the least headroom, with a 12% decline in the value of the portfolio pushing it to its LTV limit. However, reaching a 57.5% LTV does not constitute a breach (or default event), it triggers a requirement to reduce the LTV to below the 57.5% threshold within 6 months. Default is only triggered if 60% LTV is breached, which would require a 16% decline in the value of the portfolio, on our estimates.

A high LTV poses more risks than just that of a covenant breach though. Lenders view companies with a higher LTV as riskier counterparties, and so could refuse to lend on this basis, or agree to lend, but at a higher rate in order to reflect this additional risk. We would therefore highlight that WdP and (to a lesser extent) Cofinimmo, with their higher than average gearings, could find that they are prevented from taking a given course of action by the reluctance of banks to lend to them. This course of action could perhaps be a new investment/acquisition, or (perhaps more relevant for Cofinimmo) it could be maintaining the dividend at its present level rather than cutting it, and financing this through debt.

On interest cover, once again Cofinimmo has the least headroom, although EBITDA can fall by 12% before the covenant is breached, and given Cofinimmo's long leases and high proportion of fixed-rate debt, its income stream is relatively visible and stable in our view.

Figure 24: Belgian stocks: more risks on LTV than interest cover



Source: Companies, Exane BNP Paribas estimates

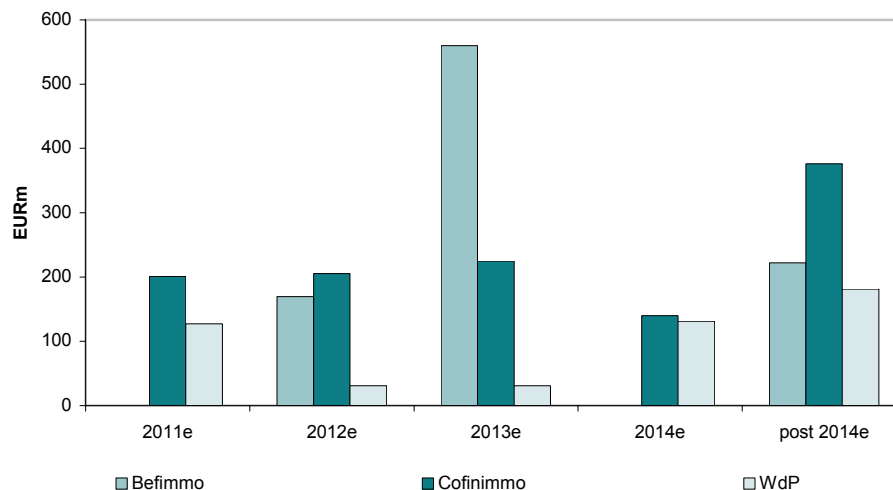
Refinancing – limited risks

A third potential financial challenge would be a significant refinancing requirement in the next 1-2 years. In the immediate term, WdP has the highest proportion of its debt maturing in 2011 (25%), but this is all short-term commercial paper that is rolled over on maturity, and management have indicated that spreads (above EURIBOR) have actually declined since the start of the year: from 50bps to 40-45bps for under 3m maturity, and from 75bps to 60bps for 3-12m maturities. Total commercial paper would be fully covered by available credit lines at end-December 2010 if it all needed buying back for one reason or another in the future (not a scenario we envisage).

Befimmo has 59% of its total debt maturing in 2013e, but given its lower LTV compared to Belgian peers, we do not envisage substantial refinancing risk. Our step-up in the cost of debt for 2012e (to 3.34%, from 3.25%) reflects the early refinancing of 2013e maturities, and our 2013e cost of debt (3.92%) reflects the full year effect of the higher rates that we expect to prevail.

Figure 25: On balance, limited refinancing risk in our view

Debt maturity schedule (at last year end)



Source: Companies, Exane BNP Paribas estimates

On balance, for our three Belgian companies we see only limited refinancing risk, with solid average maturities of 2.9 years, 3.8 years and 3.9 years for Befimmo, Cofinimmo and WdP respectively.

We would however highlight that WdP's (and to lesser extent Cofinimmo's) higher-than-average LTV does increase its refinancing risk, although we do not view this as an immediate threat given the company's relatively even spread of maturities.

Two bond issuances so far in 2011

Befimmo and Cofinimmo both issued bonds in Q1 2011, the terms of which are summarised below.

Figure 26: Befimmo and Cofinimmo both issued bonds in April 2011

Key terms on 2011 bond issues

Company	Date of issue	Amount (EURm)	Coupon (%)	Maturity	Convertible?	Stated use of funds
Cofinimmo	15/04/2011	173	3.125	5 years	Y	"to fund capital expenditure, diversify its sources of funding by refinancing existing or maturing credit lines and for general corporate purposes"
Befimmo	29/04/2011	162	4.5	6 years	N	"contributing to Befimmo's general financing needs"

Source: Companies

We would highlight that Cofinimmo's convertible bond issue was only made possible by a change in the legislation applying to SICAFI's that was passed into law in December 2010. The Royal Decree of 7 December 2010 has given the c15 real estate companies that benefit from the tax-transparent status significantly more financial freedom and flexibility, most notably the ability to issue convertible bonds and scrip dividends, and an accelerated timetable for raising new capital (15 days to 3 days). For more details on this, please see Appendix 3.

Befimmo

Real Estate
Offices

Belgium

Underperform

Target price **EUR57 (-6%)**
Sector rating **Underperform**

Price (28 June 2011) **EUR61.0**
Market cap./Free float (EURbn) 1.0/0.8
EV (EURbn) 2.0
3m avg. volume (EURm) 1.1
Reuters/Bloomberg BEFB.BR/BEFB.BB

Financial data	09/10	12/11e	12/12e	12/13e
Diluted FFO (EUR)	4.69	5.06	4.37	4.40
Net dividend (EUR)	3.91	4.93	3.98	4.02
Diluted NNAV (EUR)	60.27	57.78	58.96	60.06
Diluted NNNAV (EUR)	60.27	57.81	58.90	59.94
Rental income (EURm)	124	157	133	139
EBITDA (EURm)	106	100	109	116
NOPAT (EURm)	105	99	108	116
FFO (EURm)	79	68	73	74

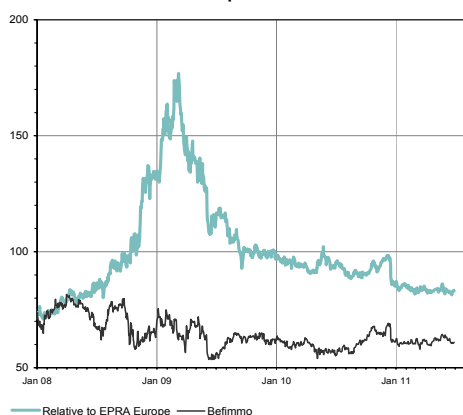
Stockmarket ratios*	09/10	12/11e	12/12e	12/13e
NOPAT yield (%)	5.6	6.3	5.4	5.6
FFO yield (%)	7.8	6.6	7.2	7.2
Dividend yield (%)	6.5	8.1	6.5	6.6
Premium to GAV (%)	0	(4)	(9)	(13)
Premium to NNAV (%)	(1)	(7)	(14)	(20)
Premium to NNNAV (%)	(1)	(7)	(14)	(20)

* Yearly average price for FY ended 09/10

Performance* (%)	1w	1m	3m	12m
Absolute	1	(3)	(1)	11
Rel. Real Estate	2	(0)	(4)	(11)
Rel. MSCI SMID	2	3	3	(1)

* In listing currency, with dividend reinvested

Price relative to EPRA Europe



Headwinds to cash-flow growth

► Limited cash-flow growth on the horizon

We do not expect any meaningful growth in Befimmo's FFO/share until 2014e, thanks to a combination of headwinds to top-line rental growth (high negative reversion and a modest pipeline) combined with growing financial expenses.

► Our cautious outlook for Belgian offices

We question management's strategy of remaining 100% focused on the troubled Belgian office market rather than diversifying into new segments with greater growth potential. Despite slightly improving demand/supply fundamentals, we expect very limited rental growth from Belgian offices (particularly Brussels, which accounts for 73% of Befimmo's 2013e EBITDA), thanks to high levels of vacancy (11.7% in Brussels) and incentives. This has created substantial 'slack' in the market that will have to be taken up before we expect any rental growth.

► High proportion of floating rate debt

Our sensitivity analysis suggests that Befimmo is the third most exposed stock in our coverage universe to rising short-term interest rates. While management's strategy of hedging a lower proportion of debt has allowed it to benefit from the low prevailing rates in Europe since late-2008/early-2009, it makes Befimmo's FFO highly exposed to the increases in short-term rates that we expect.

On a positive note, Befimmo has a lower LTV compared to Belgian peers (46% in 2013e vs 51% and 57% for Cofinimmo and WdP respectively), which suggests greater financial flexibility and lower refinancing risk.

► Underperform, TP EUR57/share, 6% downside

We initiate coverage with an Underperform rating, thanks to the considerable headwinds to FFO/share growth and a lack of short-term catalysts. The stock currently trades on a 2013e NOPAT yield of 5.6%, just above the sector average of 5.5%.

We initiate coverage on Befimmo with an Underperform rating, and a DCF-based target price of EUR57/share, suggesting 6% downside from current levels.

In short, we see many more risks to the downside than to the upside, and we cannot see any significant catalysts on the horizon that could trigger a re-rating of the stock.

Firstly, we expect FFO/share to decline by an average of 2.1% pa over 2011-13 thanks to a 1% decline pa in like-for-like rents, limited development completions and a significant increase in financial costs. In addition, the value of the portfolio still has not stabilised since the crisis (declining by 0.66% in the 6 months to March 2011), and we believe that there could be further unexpected downward revaluations that exceed market expectations, thanks to the ongoing poor health of the Brussels office market and the bond-like profile of Befimmo's portfolio (long indexation-only leases).

Secondly, our analysis suggests that Befimmo, thanks to its flexible hedging policy, is the worst positioned company in our coverage universe in an environment of rising interest rates, so its cash flows will be hit hard if rates rise faster than expected.

In our view, the main risk to the upside (ie. where we could be wrong with our Underperform stance) would be a double-dip in the economic recovery, in which case Befimmo's low risk profile, thanks to its long leases, high exposure to the public sector, and low leverage, could become attractive to investors. That said, if the double dip is driven by sovereign fears, then Belgium's very high level of public indebtedness (97% of GDP for 2011e on official EU forecasts vs the 88% euro area average) could not only deter investors from Belgian stocks, it would also be likely to push up Belgian government bond yields, thereby putting strong downward pressure on Befimmo's asset values.

On valuation, Befimmo offers an attractive 2013e dividend yield of 6.6% (vs 5.1% for the real estate sector), and a higher than average 2013e FFO yield (7.2% vs 6.3% for the sector).

Limited cash-flow growth expected

We expect Befimmo's FFO/share to decline by an average of 2.1% pa over 2011-13, thanks to a combination of downward pressure on top-line rental growth and rising financial costs. The downward pressure on rents comes from a number of substantial headwinds.

Headwinds to rental growth...

As explained earlier in this note, we are cautious on the outlook for rental growth in the Brussels office market, due mainly to the high level of vacancy and incentives, both of which we believe will have to come down before prime rents can be expected to appreciate. As market rents in some parts of Befimmo's portfolio continue to decline, the portfolio's negative reversion increases: 6% at March 2011, up from 5.6% 6 months earlier. We would highlight however that this negative reversion is mitigated by Befimmo's long lease duration (weighted average of 9 years to expiry), as this suggests only around 11% of leases are renegotiated every year.

In addition to the fact that like-for-like rents are not growing, Befimmo has a relatively modest development exposure, at least until 2014 and the delivery of the Finance Centre in Liège (new offices for the staff of the Finance Federal Public Service). Until then, there are only renovations completing, with a total cost representing 5% of the FY10 portfolio compared to 9% for Cofinimmo.

Figure 27: Breakdown of pipeline as at 30 September 2011

	Region	sqm	Type	Completion	Total cost (EURm)
Brederode	CBD	19,665	Renovation	2012/13	2.6
Goemaere/Jean Dubrucq/Mons II	Decentralised	Various	Renovation	2010/11	3.0
Triomphe I & II	Decentralised	20,530	Renovation	2012/13	2.0
Science Montoyer	CBD	5,300	Renovation	Dec-11	9.9
Central Gate, Brussels	CBD	33,000	Renovation	Jun-12	19.3
Froissart	CBD	3,200	Renovation	Oct-10	5.7
WTC Tower III	CBD	75,800	Renovation	Sep-12	17.1
New Finance Centre (Paradis)	Wallonia (Liège)	39,000	New build	Jan-14	81.0
Ikaros	Periphery	46,000	Renovation	2012/13	4.9
Fountain Plaza	Periphery	17,000	Renovation	2010/11	3.5
Triomphe III	Decentralised	11,500	Renovation	Oct-10	0.5
Others	Various	Various	Renovation	Various	8.5
Energy programme	Various	Various	Renovation	Various	20.1
Total					178.1

Source: Company, Exane BNP Paribas estimates

Finally, we highlight that Befimmo's strategy of increasing the focus on the Brussels CBD will reduce the portfolio's overall FFO yield, as higher-yielding out-of-town buildings will be disposed of with proceeds reinvested in lower-yielding prime central assets, but should improve the growth profile in our view.

...and rising interest expense

At the financing level, as shown in an earlier section of this note, Befimmo is also poorly positioned compared to peers in an environment of rising interest rates. Thanks to its high proportion of floating rate debt, we estimate that a 100bp increase in interest rates would translate into a 6.1% decline in FFO (vs 1.3% for Cofinimmo and 0.8% for WdP).

Management's strategy – remain pure-play offices

Befimmo has always been a 100% pure office player, and has repeatedly reiterated its intention to remain this way, rather than diversifying into new real estate segments.

Within offices, management's strategy is summarised in the table below.

Figure 28: Summary of Befimmo's strategy

1	2	3
Location & Timing	Attractiveness	Tenant
Selection of prime CBD locations	High quality and flexible buildings	Strong tenants and lease profile
<ul style="list-style-type: none"> ▪ Lower cyclical demand for office space ▪ Well served by public transport ▪ Added value by scarcity 	<ul style="list-style-type: none"> ▪ Floor space parameters ▪ Not dedicated to specific use ▪ Building renovation programs (sustainability) ▪ Cost efficiency per person employed 	<ul style="list-style-type: none"> ▪ Core of public institutions ▪ Well diversified corporates with good rating

Source: Company, Exane BNP Paribas

Location and timing – improving quality but reducing returns

On the first point, management frequently emphasises its increasing focus on prime CBD assets, where it believes demand (which in Brussels is largely driven by the government and European public sector) is less cyclical, and supply is largely fixed (save for a small handful of developments/refurbishments that are being undertaken at any given point).

In order to increase the weighting of prime assets in the portfolio, Befimmo has outlined a capital recycling strategy whereby proceeds from disposals from the decentralised and periphery districts will be reinvested in prime assets in the centre of town. This strategy was behind the acquisition of the Pavilion complex (in the Leopold sub-region of central Brussels) in January 2011, at a cost of EUR55m.

Attractiveness

Management are not just targeting any office assets located in the prime Brussels CBD, assets must also be prime in terms of quality and offer flexibility in use, in order to appeal to the broadest possible range of tenants.

Sometimes, this requires that buildings undergo renovations whilst in the Befimmo portfolio – see Figure 27 above for a list of assets currently being refurbished. Often however, Befimmo will look to sell assets when they are nearing the end of their leases and when substantial capex is required.

Tenant

Following the acquisition of Pavilion in January (let to the European Commission with 15 years left on the lease), 68% of Befimmo's rents come from public institutions, and leases to public institutions have on average 10.9 years to run.

It is management's intention to remain focused on strong tenants with long leases, as it believes this offers a lower-risk profile and better capital protection. This is consistent with what happened to asset values in the 6 months to March 2011: while the value of buildings let on shorter-term leases to corporates (average 4.1 years to expiry, representing one-third of the total portfolio) fell by 1.58%, the value of assets on longer term leases (average 11.4 years to expiry, remaining two-thirds of the portfolio) only declined by 0.22%.

While it is clear that longer leases offer greater visibility and certainty of future cash flows, which translated into better protected asset values in the half year to March 2011, we would also highlight the risk that the bond-like profile of these leases makes their valuation more exposed to increases in real bond yields. For more on this, please see our note *Navigating through a higher yield environment*, published 7 April 2011.

Financial structure: higher exposure to increasing short-term rates

Although Befimmo has the lowest LTV of the three Belgian stocks (2013e LTV of 46% vs Cofinimmo's 51% and WdP's 57%), its financial structure is certainly not without risk.

The key risk, which we have highlighted a number of times already in this note is the company's high exposure to any increase in short-term interest rates, which stems from its policy of paying floating interest rates on a far higher proportion of its debt (55.5% at March 2011, up from 52% 6 months earlier).

Befimmo: one of the highest exposures to rising ST rates in our coverage

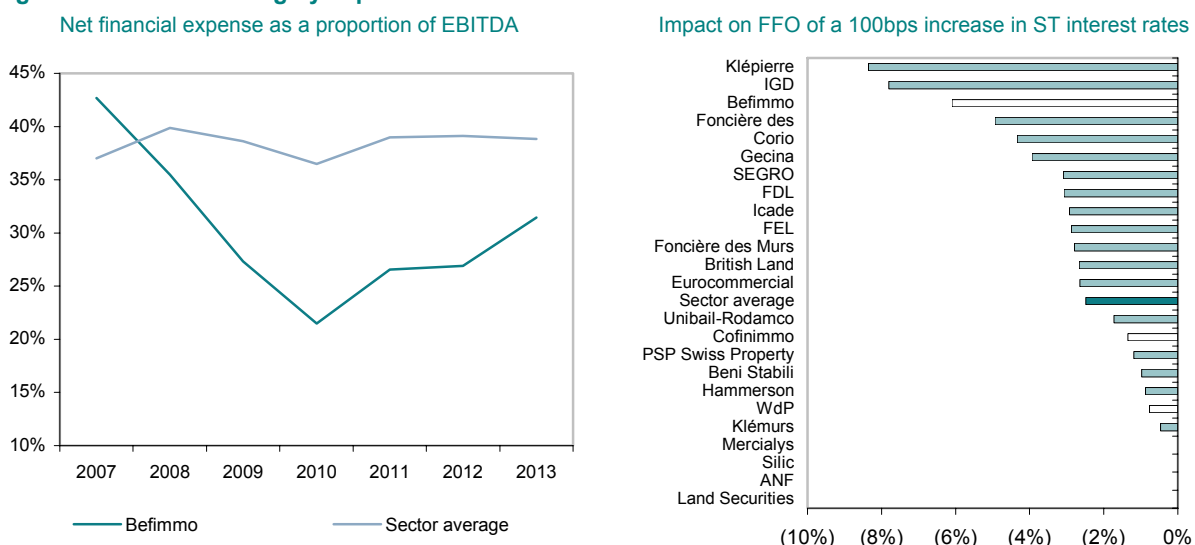
As already discussed, this flexible hedging strategy has allowed Befimmo to benefit from the current low prevailing rates (average cost of debt of 3.0% vs 4.2% for real estate peers), however it also makes it highly exposed as short-term interest rates start to rise.

Indeed, our pan-sector analysis suggests that Befimmo is the third most exposed stock in our coverage to short-term rate hikes. Figure 29 shows that Befimmo's net financial expense as a proportion of EBITDA declined substantially over 2007-10 as its strategy of hedging less debt to fixed interest rates allowed it to take advantage of the low rate environment, unlike most of its more hedged peers.

However, the flip-side of this is shown after 2010, as we expect increases in base rates to continue. Given Befimmo's higher proportion of floating rate debt, this translates through into a more sharply rising average cost of debt, which in turn ensures a substantial increase in interest costs as a proportion of EBITDA: up from 21% in 2010 to 27% in 2011e, compared to an increase from 36% to 39% for the sector. For Befimmo, the figure continues to rise in 2012 and 2013, while the sector average declines slightly.

Our sensitivity analysis shows that Befimmo is the third most exposed stock in our coverage to rising short-term rates. We estimate that an increase of 100bps in short-term rates would lead to a decline of 6.1% in Befimmo's FFO.

Figure 29: Befimmo is highly exposed to increases in short-term interest rates



Source: Companies, Exane BNP Paribas estimates

A three-prong financial strategy

Management has outlined three elements to their financial strategy: diversification, reducing cost, and lengthening average duration.

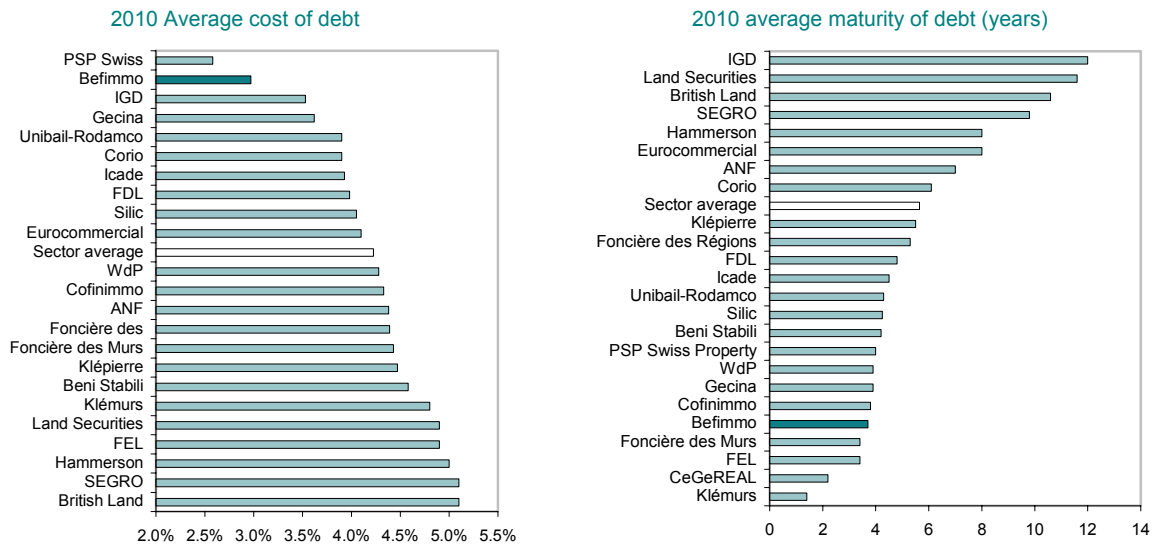
1. Diversifying away from 100% bank finance

At March 2011, Befimmo relied on the banking sector for 100% of its debt. It is actively seeking to diversify its sources of finances to reduce its reliance on private sector banks. Accordingly, in April 2011, the company tapped the capital markets for the first time, issuing a EUR162m 6-year non-convertible bond (4.5% coupon), which on our estimates reduces the reliance on the banking sector to 84%.

2. Minimise cost of debt

Unsurprisingly, management are keen to minimise the interest cost of debt. As we have already shown, Befimmo's less prudent hedging policy has meant that it benefited from the second lowest cost of debt in 2010 of all companies in our coverage. As interest rates increase, clearly management will look to minimise the impact, although as shown by our analysis above, we believe they face substantial challenges in this regard.

Figure 30: Befimmo – lower cost of debt and shorter average maturity compared to peers



Source: Companies, Exane BNP Paribas estimates

3. Lengthen average duration

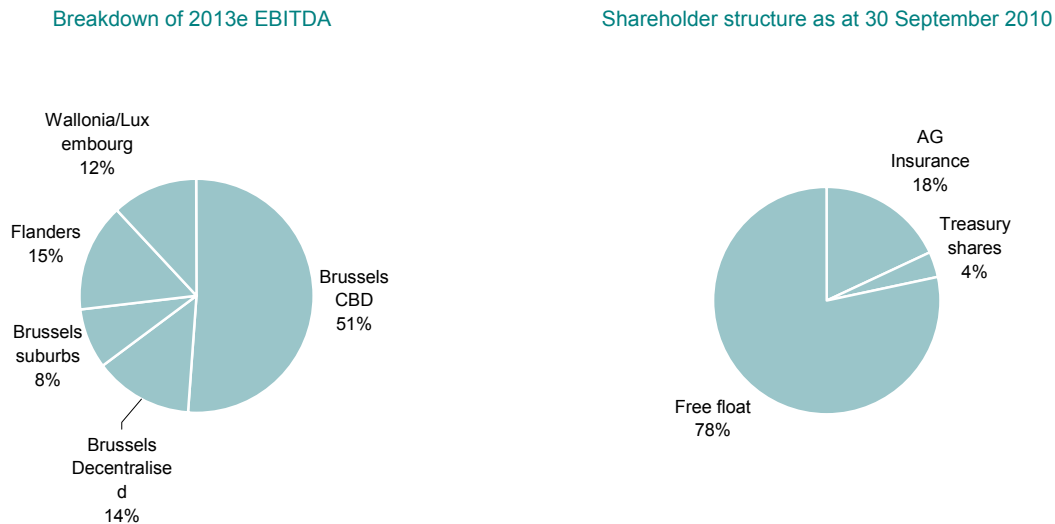
The third element of management's financial strategy is to lengthen the average maturity of their debt (3.7 years, post-April 2011 bond issue), which is short compared to peers (5.7 years), and substantially shorter than the average maturity of the leases (9.2 years). We would however highlight that lengthening the average maturity will result in a higher average cost of debt.

Company background

Befimmo was founded in December 1995 with a portfolio valued at EUR132m, and was the first listed fixed-capital SICAFI in Belgium. Its main shareholder is AG Insurance (current stake 18%).

Since then, it has grown in size through acquisitions of individual buildings, portfolios of buildings, and through the share capital of other property owning companies. The portfolio is now worth EUR1.9bn.

Figure 31: Breakdown of 2013e EBITDA and shareholder structure



Source: Company, Exane BNP Paribas estimates

Valuation

Befimmo recently announced that it would be moving its year end from September to December, effective 2011. Thus, the financial year ending 31 December 2011 will have 5 quarters.

DCF-based 12-month target price of EUR57/share

Our DCF-based target price of EUR57/share suggests 6% downside from the current share price, compared to an average of 2% downside for the real estate sector.

According to our estimates, the present value of Befimmo's future cash flows amounts to EUR1,890m. Taking out the value of the minorities (EUR64m), the net debt (EUR803m), and the dividend paid of EUR3.91/share, we arrive at our 12-month target price of EUR57/share.

We use a cost of capital of 7.1%, based on three elements:

- 1) A risk-free rate based on a weighted average of the 10-year government bond yields of the countries that Befimmo operates in (4.0%);
- 2) A spread based on the risk related to the financial structure of Befimmo (0.9%);
- 3) A spread linked to the historical spread between the NOPAT yield of Befimmo and the risk-free rate during trough periods (2.2%).

Figure 32: Befimmo – DCF valuation model

EURm, y/e December	09-10*	2011e**	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e
Rental income like-for-like portfolio	126.7	151.4	121.9	124.4	125.9	127.2	128.5	130.0	131.6	133.2	134.8	136.8
Rental income acquisitions less disposals	-	2.0	3.8	3.9	3.9	4.0	4.0	4.1	4.2	4.2	4.3	4.4
Rental income developments	-	3.2	7.4	10.6	17.9	18.2	18.4	18.7	19.0	19.3	19.6	19.9
Gross rental income	126.7	156.6	133.1	138.8	147.8	149.3	150.9	152.8	154.8	156.7	158.7	161.0
Real estate operating expenses		(15.4)	(13.1)	(11.1)	(8.9)	(9.0)	(9.1)	(9.2)	(9.3)	(9.4)	(9.5)	(9.7)
Other operating income (Certificates)		-	-	-	-	-	-	-	-	-	-	-
Other income		-	-	-	-	-	-	-	-	-	-	-
G&A expenses		(16.1)	(11.2)	(11.4)	(11.6)	(11.8)	(12.0)	(12.2)	(12.4)	(12.5)	(12.7)	(12.9)
EBITDA		125.1	108.8	116.3	127.2	128.6	129.9	131.5	133.1	134.8	136.4	138.4
Non-real estate depreciation		-	-	-	-	-	-	-	-	-	-	-
Cash taxes		(1.2)	(1.1)	(1.1)	(1.2)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.4)
NOPAT		123.9	107.7	115.2	126.0	127.3	128.6	130.2	131.8	133.4	135.1	137.1
Development spending		(49)	(44)	(56)	(2)	-	-	-	-	-	-	-
Acquisitions		(55)	-	-	-	-	-	-	-	-	-	-
Exit tax payments		-	-	-	-	-	-	-	-	-	-	-
Disposals		59	-	-	-	-	-	-	-	-	-	-
FCF		78.7	64.1	59.2	123.8	127.3	128.6	130.2	131.8	133.4	135.1	137.1
NPV		78.7	61.6	53.1	103.7	99.6	94.0	88.8	83.9	79.4	75.0	71.0
Sum		889										
TV		1,001										
Total EV		1,890										
Market value of associates		-										
Market value of minorities		(64)										
Interest bearing debt		(791)										
Marked-to-market adjustment of debt		(18)										
Cash and financial assets		6										
Dividend due/(paid)		(66)										
Net DCF value post dividend		957										
Price target per share (EUR)		57.0										
Number of shares		16.8										
Cost of capital analysis												
Pan-Europe 10-year bond yield (%)		4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Risk premium (%)		3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Cost of Capital (%)		7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1

Source: Exane BNP Paribas estimates

* Annualised at September 30, 2010

** 15-month period

After annualising the 15-month reporting period for 2011, we expect a substantial 14% decline in FFO/share over the year, in line with the 14% decline over 2010. Over 2011, the decline is driven by a combination of pressure on rental income (negative reversion and no market growth), and sharply rising net financial costs. Our FFO forecast of EUR85m for 2011e is 2% below company forecasts.

Figure 33: Befimmo – P&L and funds from operations analysis

EURm, y/e December	07-08	08-09	09-10	2011e*	2012e	2013e	2014e	2015e
Rental income like-for-like portfolio				151.4	121.9	124.4	125.9	127.2
Rental income acquisitions less disposals				2.5	3.8	3.9	3.9	4.0
Rental income developments				2.7	7.4	10.6	17.9	18.2
Rental income	109.5	119.1	124.0	156.6	133.1	138.8	147.8	149.3
Operating expenses	(7.4)	(3.8)	(7.1)	(15.4)	(13.1)	(11.1)	(8.9)	(9.0)
Net Operating Income	102.1	115.3	116.9	141.2	120.0	127.7	138.9	140.4
G&A expenses	(10.6)	(8.0)	(10.8)	(16.1)	(11.2)	(11.4)	(11.6)	(11.8)
EBITDA	91.4	107.3	106.1	125.1	108.8	116.3	127.2	128.6
Associates								
Non-real estate depreciation	-	-	-	-	-	-	-	-
Net financial expenses	(32.4)	(29.3)	(22.8)	(35.0)	(31.1)	(37.9)	(41.7)	(45.6)
Pre-tax recurring profit	59.0	78.0	83.3	90.1	77.7	78.4	85.5	82.9
Current taxation	(0.6)	(0.5)	(0.7)	(0.9)	(0.8)	(0.8)	(0.8)	(0.8)
Minorities	(3.7)	(1.1)	(3.9)	(4.2)	(3.6)	(3.7)	(4.0)	(3.9)
FFO	54.6	76.4	78.8	85.0	73.3	73.9	80.7	78.2
Real estate depreciation	-	-	-	-	-	-	-	-
After-tax unrealised valuation movements	3.6	(109.7)	(38.1)	5.5	15.0	10.8	31.4	20.5
Other items		(1.2)	6.1					
Net income	58.2	(34.5)	46.7	90.5	88.3	84.8	112.0	98.7
Pay-out	59.4	61.3	65.6	82.8	66.8	67.5	68.2	68.9
<i>Net interest coverage (EBITDA) (x)</i>	2.8	3.7	4.7	3.6	3.5	3.1	3.0	2.8
<i>Effective tax rate (%)</i>	1.1	0.6	0.8	1.0	1.0	1.0	1.0	1.0
<i>Pay-out as % of FFO (%)</i>	109	80	83	97	91	91	85	88
Per share data (EUR)								
Dividend	4.55	4.40	3.91	4.93	3.98	4.02	4.06	4.10
FFO	4.18	5.43	4.69	5.06	4.37	4.40	4.80	4.66
Diluted FFO	4.18	5.43	4.69	5.06	4.37	4.40	4.80	4.66
Weighted shares outstanding (m)	13.1	14.1	16.8	16.8	16.8	16.8	16.8	16.8
Diluted weighted shares outstanding (m)	13.1	14.1	16.8	16.8	16.8	16.8	16.8	16.8
<i>Diluted FFO per share growth (%)**</i>	(4)	30	(14)	8	(14)	1	9	(3)
<i>Dividend per share growth (%)**</i>	1	(3)	(11)	26	(19)	1	1	1

Source: Exane BNP Paribas estimates

* 15 month period

** Annualised rates for 2011

We expect Befimmo to be cash flow positive every year between 2011e and 2015e. We have included forecast capex on schemes already in the pipeline, but we do not assume any acquisitions or disposals not yet announced.

Figure 34: Befimmo – cash flow statement analysis

EURm, y/e December	07-08	08-09	09-10	2011e	2012e	2013e	2014e	2015e
FFO total share	58.3	77.5	82.7	89.2	77.0	77.6	84.7	82.1
Other recurring items	-	-	-	-	-	-	-	-
Net cash flow from operations	58.3	77.5	82.7	89.2	77.0	77.6	84.7	82.1
Investments	(144.8)	(123.3)	(34.8)	(104.0)	(43.6)	(56.0)	(2.2)	-
Disposals	64.9	3.9	58.8	58.8	-	-	-	-
Change in working capital	-	-	-	-	-	-	-	-
Net investments	(79.9)	(119.5)	24.0	(45.2)	(43.6)	(56.0)	(2.2)	-
Distributed dividend	(49.8)	(60.6)	(62.7)	(136.0)	(73.7)	(71.0)	(72.0)	(72.6)
Capital increases	-	159.5	-	-	-	-	-	-
Change in borrowings	61.1	(80.0)	(1.7)	105.2	43.6	56.0	2.2	-
Other non-recurring items	9.5	24.6	(45.0)	-	-	-	-	-
Total cash flow	(0.7)	1.5	(2.6)	13.3	3.3	6.6	12.6	9.5

Source: Exane BNP Paribas estimates

We expect a 4% decline in NNAV in 2011, driven by declines in like-for-like rents. We have not assumed any yield expansion or compression from FY10 levels. Our forecast is in line with company forecasts. Beyond 2011, we expect modest growth thanks to the stabilisation then slow improvement in office rents.

Figure 35: Befimmo – net asset value analysis (valuation excluding transfer duties)

EURm, y/e December	07-08	08-09	09-10	2011e	2012e	2013e	2014e	2015e
+ Acquisitions less disposals				(3.5)	-	-	-	-
+ Developments				48.7	43.6	56.0	2.2	-
+ Revaluations				(5.3)	15.4	10.5	34.8	24.3
Property investments	1,886.5	1,922.9	1,922.6	1,962.5	2,021.5	2,087.9	2,124.9	2,149.2
Other fixed assets	0.7	0.6	0.7	0.7	0.7	0.7	0.7	0.7
Net intangibles	16.0	15.9	15.9	15.9	15.9	15.9	15.9	15.9
Other net assets	(42.4)	(97.0)	(54.5)	(54.5)	(54.5)	(54.5)	(54.5)	(54.5)
Capital Employed	1,860.8	1,842.5	1,884.6	1,924.5	1,983.5	2,049.9	2,086.9	2,111.2
Long-term debt	(857.0)	(745.4)	(584.8)	(690.0)	(733.6)	(789.6)	(791.8)	(791.8)
Short-term debt	(15.4)	(47.0)	(206.0)	(206.0)	(206.0)	(206.0)	(206.0)	(206.0)
Cash	4.6	6.1	3.5	16.8	20.0	26.6	39.3	48.7
Financial assets	26.9	10.4	2.8	2.8	2.8	2.8	2.8	2.8
Net debt	(840.9)	(776.0)	(784.5)	(876.4)	(916.7)	(966.1)	(955.7)	(946.2)
Minority interests	(61.7)	(61.6)	(64.4)	(64.1)	(65.0)	(65.6)	(67.5)	(68.9)
NAV	958.2	1,004.9	1,035.7	983.9	1,001.7	1,018.2	1,063.7	1,096.1
Derivatives	8.6	(16.5)	(18.3)	(8.3)	(6.3)	(4.3)	(2.3)	(2.3)
Other marked to market adjustment	(0.7)	(6.2)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)
NNAV	966.0	982.1	1,011.9	970.1	990.0	1,008.4	1,055.9	1,088.3
Tax on latent capital gains	-	-	-	0.5	(1.0)	(2.1)	(5.5)	(8.0)
NNNAV	966.0	982.1	1,011.9	970.7	988.9	1,006.4	1,050.3	1,080.4
<i>Loan-to-value (%)</i>	<i>45</i>	<i>40</i>	<i>41</i>	<i>45</i>	<i>45</i>	<i>46</i>	<i>45</i>	<i>44</i>
Per share data (EUR)								
NAV per share	73.4	59.8	61.7	58.6	59.7	60.6	63.3	65.3
Diluted NAV per share	73.4	59.8	61.7	58.6	59.7	60.6	63.3	65.3
NNAV per share	74.0	58.5	60.3	57.8	59.0	60.1	62.9	64.8
Diluted NNAV per share	74.0	58.5	60.3	57.8	59.0	60.1	62.9	64.8
NNNAV per share	74.0	58.5	60.3	57.8	58.9	59.9	62.6	64.3
Diluted NNNAV per share	74.0	58.5	60.3	57.8	58.9	59.9	62.6	64.3
Year-end shares outstanding (m)	13.1	16.8	16.8	16.8	16.8	16.8	16.8	16.8
Diluted year-end shares outstanding (m)	13.1	16.8	16.8	16.8	16.8	16.8	16.8	16.8
<i>Diluted NNNAV per share growth (%)</i>	<i>4</i>	<i>(21)</i>	<i>3</i>	<i>(4)</i>	<i>2</i>	<i>2</i>	<i>4</i>	<i>3</i>

Source: Exane BNP Paribas estimates

Cofinimmo

Real Estate
Offices

Belgium

Neutral

(Upgraded from
Underperform)

Target price
Sector rating

EUR97 (0%)
Underperform

Rating	TP	FFO 11e	FFO 12e
↗ (=)	↗ 2%	↘ (4%)	↘ (4%)

Price (28 June 2011)	EUR97.3
Market cap./Free float (EURbn)	1.4/1.3
EV (EURbn)	3.1
3m avg. volume (EURm)	3.3
Reuters/Bloomberg	COFB.BR/COFB.BB

Financial data	12/10	12/11e	12/12e	12/13e
Diluted FFO (EUR)	8.02	6.97	6.88	7.12
Net dividend (EUR)	6.50	6.50	6.50	6.63
Diluted NNAV (EUR)	107.2	109.8	113.0	116.1
Diluted NNAV (EUR)	97.50	100.1	103.3	106.8
Rental income (EURm)	195	189	193	205
EBITDA (EURm)	185	178	182	196
NOPAT (EURm)	178	173	179	192
FFO (EURm)	111	102	101	105

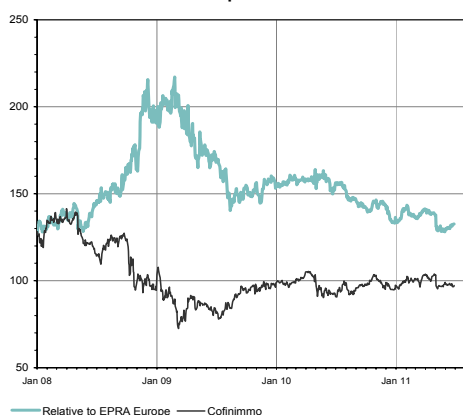
Stockmarket ratios*	12/10	12/11e	12/12e	12/13e
NOPAT yield (%)	5.9	5.5	5.6	5.9
FFO yield (%)	8.2	7.2	7.1	7.3
Dividend yield (%)	6.7	6.7	6.7	6.8
Premium to GAV (%)	(4)	(8)	(12)	(15)
Premium to NNAV (%)	(9)	(16)	(21)	(27)
Premium to NNAV (%)	0	(8)	(15)	(21)

* Yearly average price for FY ended 12/10

Performance* (%)	1w	1m	3m	12m
Absolute	(1)	(0)	(1)	10
Rel. Real Estate	0	3	(4)	(12)
Rel. MSCI SMID	1	6	3	(2)

* In listing currency, with dividend reinvested

Price relative to EPRA Europe



Acquisition momentum building

► Solid acquisitions in FY11, but more is required

Following announcements of investments totalling EUR131m so far in 2011 (4% of the FY10 portfolio), we are turning slightly less cautious on the stock. While this is far from being enough to dispel investor concerns over the sustainability of the dividend at its current level beyond FY11, we believe these investments demonstrate management's ability to consistently source value-enhancing acquisitions in what we understand to be a relatively illiquid market. We also support the fact that all new investments (excluding those pre-agreed) have been in the healthcare segment, which has recently been the strongest-performing part of Cofinimmo's portfolio (Ifl rents up 2.3% in Belgium and 1.1% in France in the year to March 2011 vs -1.1% for offices).

► Financial structure offers a mixed bag

On the one hand, Cofinimmo's relatively cautious hedging strategy substantially mitigates the impact of rising short-term interest rates: our sensitivity analysis suggests that a 100bps increase in interest rates only leads to a 1.3% decline in FFO, below the sector average of 2.5% and well below Befimmo's 6.1%.

On the other hand, Cofinimmo's balance sheet shows a higher-than-average LTV (51% in 2013e vs 41% for office peers), and we estimate that it can only make cEUR230m of wholly debt-funded acquisitions before reaching its 57.5% LTV threshold. Beyond this level, a capital raising or assets for shares transactions will be required.

► New TP of EUR97/share suggests no downside, upgrade to Neutral

Our new DCF-based target price of EUR97/share suggests no downside, ahead of our average 2% downside for the sector. The stock trades on a 2013e NOPAT yield of 5.9%, marginally above the offices average of 5.5%.

We upgrade Cofinimmo to Neutral from Underperform, with a new DCF-based target price of EUR97/share, up from EUR95.5/share, suggesting no downside, marginally above our average of 2% downside for the sector.

We have turned slightly less cautious on the stock following a number of recent acquisitions, which represent a total of EUR131m since the start of the year, or 4% of the FY10 portfolio. Although not substantial enough to fully dispel concerns that the current level of dividend is sustainable, we believe it shows that management have been able to consistently source acquisitions in what we understand to be a relatively difficult investment market. Additionally, all investments (excluding one office acquisition which was pre-agreed in 2007) have been in the healthcare segment, and this strategy of re-balancing the portfolio towards healthcare and away from offices is one which we have for a long time supported.

That said, risks do remain, most notably the higher-than-average LTV (51% in 2013e on our estimates, which excludes preference shares from net debt (in line with the banks' treatment for covenant testing purposes), vs 41% for office sub-sector peers), which we think could slow down the momentum being built up on acquisitions. We estimate that an 8% decline in the value of the portfolio (all other things being equal) pushes Cofinimmo over the 57.5% threshold, above which it has 6 months to bring the LTV back below-threshold. Alternatively, assuming a constant value for the portfolio and no capital raising, Cofinimmo cannot raise more than cEUR230m of debt before the same threshold is breached.

On valuation, following 12% underperformance vs the pan-European EPRA real estate index over the past 12 months, we believe the stock is fairly valued at current price levels. The stock currently trades at a 2013e NOPAT yield of 5.9%, marginally above the offices average (5.5%).

In our view, the major risk to our upgrade would be if sovereign debt fears spread to Belgium, where gross public debt as a proportion of GDP is forecast to reach 97.5% in 2012 compared to 88.5% for the euro area. We would expect this to push up Belgian bond yields, and Cofinimmo would be more exposed to this risk than Befimmo and WdP in our view, given the bond-like characteristics of many of its leases (particularly in healthcare).

Acquisitions gaining momentum...

We believe that management's recent success in sourcing investments, particularly in the healthcare segment, is starting to build momentum, and should start to ease investors' concerns that, following a number of disposals over 2008-09, the current level of dividend (EUR6.50/share) cannot be sustained for FY12 (as a reminder, the FY11 dividend will be covered by gains on disposals already agreed).

Cofinimmo has made five acquisitions so far in 2011, representing a total outlay of EUR131m. One of the acquisitions is a recently-completed office asset that management agreed to buy back in 2007, when the building was being developed. The other four acquisitions are all healthcare assets, underlining the strategy of rebalancing the portfolio away from offices, and increasing the weighting of healthcare to 40% by fair value (from 31% at Q1 11). We support this strategy, as not only has healthcare been the best-performing part of the portfolio (like-for-like rents up 2.3% in Belgium, +1.1% in France in the year to March 2011 vs -1.1% for offices), it also provides low-risk stable long-term cash flows, consistent with the company's stated strategy and risk profile.

Figure 36: Cofinimmo's EUR131m of acquisitions so far in 2011

Date announced	Asset(s)	Category	Size (sqm)	Total cost (EURm)	Assumed yield	Contribution to FY12 rental income
9/5/11	Dexia Immorent portfolio (5 assets)	Healthcare	26,000 (592 beds)	47	6.28%	2.88
9/5/11	Die Nieuwe Seigneurie	Healthcare	3,500 (75 beds)	7.3	6.71%	0.45
16/5/11	AMCA (Avenue Building and London Tower)	Office	13,000	29.2	6.90%	0.76*
20/6/11	Medica (6 assets)	Healthcare	22,000 (475 beds)	44.5	6.51%	2.82
20/6/11	De Abdij**	Healthcare development	6,440 (87 beds)	3	6.35%	0
	Total			131.0		6.15

Source: Company, Exane BNP Paribas estimates

* We have assumed this asset is 50% vacant throughout 2012. Please see section below

** This development is expected to complete in Q2 2013, and should contribute annualised rents of EUR0.9m

EUR131m of investments: good, but still some way to go

While it is clearly a positive factor that the portfolio has grown by EUR131m (or by 4% since FY10), we would highlight that there is still some way to go before we can be entirely comfortable that the dividend will not need to be cut. Taking the annualised rental income on these assets (including De Abdij) and netting off the interest cost (using the 2012e cost of debt of 4.65%), we arrive at a contribution of EUR0.41m, compared to a shortfall of EUR9.6m between the total dividend pay-out and FFO (excluding non-cash items).

This analysis does not take into account the effects of the scrip dividend, which created 330,246 new shares all requiring a dividend in FY12. If we now bring in all the other changes that we have made to our model then our FFO per share (and therefore pay-out ratio) barely move.

Figure 37: Impact of acquisitions on FFO/share and pay-out ratio

	2010	2011e	2012e	2013e	2014e	2015e
Old FFO/share (excluding non-cash items)	6.62	5.88	5.57	5.66	5.71	5.57
New FFO/share (excluding non-cash items)	6.62	5.97	5.63	5.72	5.72	5.58
% change		2%	1%	1%	0%	0%
Old pay-out ratio	98%	111%	117%	115%	114%	117%
New pay-out ratio	98%	109%	116%	114%	114%	117%

Source: Exane BNP Paribas estimates

We estimate that the required level of total investments is around EUR700m (i.e. c.EUR569m still required) assuming a 7% yield and a 5% cost of debt (see our note 'Substantial investment required' (published 10 March 2011)). This is equivalent to almost a quarter of the current portfolio.

AMCA office complex (EUR29.2m) – already in our model

In May 2011, Cofinimmo announced the formal completion of the acquisition of the share capital of AMCA SA, owner of 13,000sqm of recently-completed office space in Antwerp spread over the 'Avenue Building', and the office element of the adjoining 'London Tower' (which also has 119 of residential apartments that have already been sold off).

We visited these assets at an investor day in January (see our feedback note published 20 January 2011). In our view, key positives were the modern design, flexible floorplates, good energy efficiency ratings (BREEAM In-Use "good" certification), and location, which although is not CBD, is well-located between the city centre and the harbour in a fast-growing out-of-town office hub.

Management signed the purchase agreement for this transaction back in May 2007, so we had already included this acquisition in our model, although we have fine-tuned some of our assumptions following confirmation of the transaction. Crucially, the total office space acquired is only 33% let, which was reflected in a reduced acquisition cost of EUR29.2m, substantially below the earlier forecast of EUR38m which was based on the building being 100% let to the Belgian Buildings Agency for 18 years.

Management are actively marketing the vacant floors to potential tenants, and any announcement of a significant letting could act as a catalyst for a re-rating in our view. However, we are cautious on the speed of letting given the difficult conditions in the Belgian office market, and assume the complex remains at 33% for the rest of 2011, then is 50% let from 1 January 2012, then is fully let from 1 January 2013.

Nursing homes (total of EUR101.8m) – good, more is needed

The four other acquisitions so far in 2011 have all been of healthcare assets, for a total of EUR102m. As we have said above, and in previous notes, we support management's strategy of further investment into healthcare, which has recently been the best performing part of Cofinimmo's portfolio. The like-for-like value of the healthcare portfolio was up 0.4% over Q1 2011 (compared to offices which were down 0.7%), and like-for-like rents were up 2.3% in Belgium and 1.1% in France year-on-year at Q1 (compared to -1.1% for offices).

Three of the four assets are operational, and are all let on 'triple-net' leases, meaning that the tenant is responsible for all maintenance costs relating to the building, so Cofinimmo does not face the risk of unexpected maintenance costs that it cannot recover.

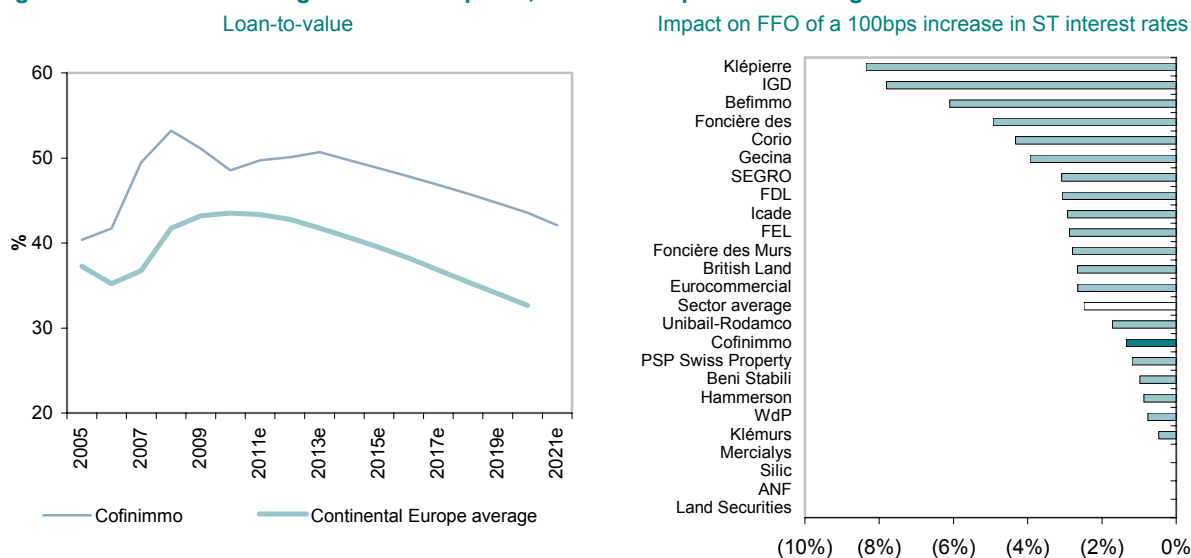
The final healthcare asset is a plot of land on which a 6,440 sqm care home for 87 beds will be built. Planning permission has already been granted, and work will soon start, with a scheduled completion of Q2 2013.

... but higher-than-average LTV could limit flexibility

Cofinimmo has a higher-than-average LTV (51% for 2013e vs 40% for office peers), mainly due to the fact that asset values in Belgium have barely started recovering since the crisis. We believe there is a moderate risk that the LTV covenant 'first threshold' of 57.5% (which triggers a requirement to return to below the threshold within 6 months, it does not constitute a default event) could be exceeded. On our estimates, if asset values decline by 12%, then LTV rises to above the first threshold of 57.5%. Although the most recent data on Cofinimmo's like-for-like asset values shows they appear to be close to stabilising (down 0.3% over Q1 2011) we do not rule out further declines, especially given the bond-like profile of many of Cofinimmo's leases which makes the valuation more exposed to rising bond yields.

This relative lack of headroom on the LTV covenant could prove to be an obstacle to management making further acquisitions. If Cofinimmo does find a substantial value-creating acquisition, then either a capital raising would be required, or the transaction would have to be on an assets-for-shares basis, but we would expect both options to be dilutive to NAV given that the stock is currently trading at a slight discount to the latest published NAV. There is an additional risk that the share price could come under pressure following an announcement of any capital raising, making the discount bigger, and therefore making the capital raising more dilutive.

Figure 38: Cofinimmo: a higher LTV than peers, but lower exposure to rising interest rates



Source: Exane BNP Paribas estimates

Well hedged against increases in interest rates

Cofinimmo mainly uses caps and floors to hedge its interest rate risk, rather than interest rate swaps, but its structure of caps and floors hedges the risk very well, and a 100bps increase in the cost of debt only leads to a 1.3% fall in FFO on our estimates, below the average for the real estate sector (2.5%).

A proactive financial strategy, responsive to recent deregulation

New legislation passed in December (Royal Decree of 7 December 2010 – see Appendix 3 for more details) removed a number of restrictions that had previously applied to SICAFIs in Belgium (equivalent of UK REITs or French SIICs), and management have moved fast to take advantage of the new regulatory landscape.

Firstly, Cofinimmo issued a EUR173m 5-year convertible bond in April (previously not permitted), for the purposes of financing capital expenditure (including new investments – see above), refinancing maturing credit lines and for general corporate purposes. The bonds were issued at EUR116.60, representing a 15% premium to the reference share price (EUR101.39), and will be convertible at a rate of one share for one bond in April 2016. We have updated our model to reflect the impact of this bond on the diluted number of shares and have made a minor adjustment to our cost of debt to reflect the lower coupon on the bond (3.125% vs the company's forecast for FY11 cost of debt of 4.13%).

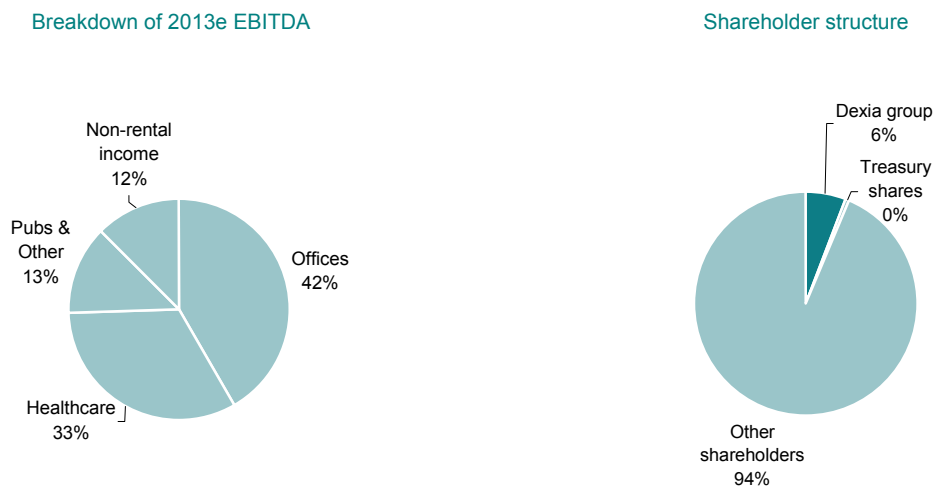
Secondly, investors were offered a scrip option for the FY10 dividend, which was taken up by 37.7% of shareholders, creating 330,246 new shares. We have reflected this in our model. While a scrip dividend does offer cash management advantages (it enabled Cofinimmo to keep EUR31m of cash in its bank account that it otherwise would have had to pay out), we highlight that the pay-out ratio (dividend per share divided by FFO per share) should still be used (in unadjusted form) to analyse long-term cash-flow sustainability.

Upcoming management change

We highlight that Cofinimmo's Chief Operating Officer Jean Franken is to retire at the end of June 2011. At the FY10 results, it was announced that he would be succeeded by Xavier Denis, an internal candidate who first joined Cofinimmo in 2002 as Head of Project Management and Area Manager. Prior to this, Mr Denis was a civil engineer and architect (Catholic University of Louvain), and he has an MBA from Insead.

As this is an internal appointment, we do not envisage this having a major impact on strategy.

Figure 39: Breakdown of 2013e EBITDA and shareholder structure



Source: Company, Exane BNP Paribas estimates

Valuation

We have updated our model, making the following changes. We have:

- Integrated all new acquisitions announced so far in the year;
- Made minor changes to our assumptions on ACMA following confirmation of the acquisition;
- Slightly reduced our cost of debt in FY11 (4.1% from 4.13%) and FY12 (4.3% from 4.35%) in light of the Q1 results; and
- Updated our model for the scrip dividend and the conversion of a very small amount of preference shares.

DCF-based 12-month target price of EUR97/share

Our DCF-based target price of EUR97/share suggests no downside from the current share price, compared to an average of 2% downside for the real estate sector.

According to our estimates, the present value of Cofinimmo's future cash flows amounts to EUR3,119m. Taking out the value of the minorities (EUR7m) and the market value of the net debt (EUR1,693m), and the dividend paid (cash element only) of EUR6.50/share, we arrive at our 12-month target price of EUR97/share.

We use a cost of capital of 7.1%, based on three elements:

- 1) A risk-free rate based on a weighted average of the 10-year government bond yields of the countries that Cofinimmo operates in (3.9%);
- 2) A spread based on the risk related to the financial structure of Cofinimmo (1.0%);
- 3) A spread linked to the historical spread between the NOPAT yield of Cofinimmo and the risk-free rate during trough periods (2.2%).

Figure 40: Cofinimmo – DCF valuation model

EURm, y/e December	2010*	2011e	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e
Rental income		184.9	184.8	188.1	192.0	194.9	196.7	198.5	200.4	202.3	204.2	207.8
Rental income acquisitions less disposals		(0.9)	(1.5)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Rental income developments		5.4	9.5	16.9	21.8	22.3	22.7	23.2	23.6	24.1	24.6	25.1
Gross rental income		189.4	192.8	204.7	213.6	216.9	219.1	221.4	223.7	226.1	228.5	232.5
Real estate operating expenses		(25.4)	(27.3)	(27.5)	(26.9)	(27.4)	(27.6)	(27.9)	(28.2)	(28.5)	(28.8)	(29.3)
Other income		20.5	22.9	25.2	27.5	30.0	32.5	35.4	38.4	41.5	44.9	48.3
G&A expenses		(6.5)	(6.6)	(6.7)	(6.9)	(7.0)	(7.1)	(7.3)	(7.4)	(7.6)	(7.7)	(7.9)
EBITDA		178.0	181.8	195.7	207.3	212.5	216.9	221.6	226.4	231.5	236.8	243.6
Non-real estate depreciation		-	-	-	-	-	-	-	-	-	-	-
Other items		-	-	-	-	-	-	-	-	-	-	-
Cash taxes		(8.9)	(5.5)	(5.9)	(6.2)	(6.4)	(6.5)	(6.6)	(6.8)	(6.9)	(7.1)	(7.3)
NOPAT		169.1	176.3	189.9	201.1	206.1	210.4	214.9	219.7	224.6	229.7	236.3
Development spending		(52)	(79)	(106)	-	-	-	-	-	-	-	-
Acquisitions		(128)	-	-	-	-	-	-	-	-	-	-
Exit tax payments		(55)	-	-	-	-	-	-	-	-	-	-
Disposals		119	-	-	-	-	-	-	-	-	-	-
FCF		53.5	96.8	84.2	201.1	206.1	210.4	214.9	219.7	224.6	229.7	236.3
NPV		53.5	93.6	76.0	169.5	162.2	154.6	147.5	140.7	134.3	128.3	123.2
Sum		1,383										
TV		1,735										
Total EV		3,119										
Market value of associates		-										
Market value of minorities		(7)										
Interest bearing debt		(1,673)										
Marked-to-market adjustment of debt		(85)										
Cash and financial assets		64										
Dividend due/(paid)		(65)										
Net DCF value post dividend		1,353										
Price target per share (EUR)		97.0										
Number of shares		13.9										
Cost of capital analysis												
Risk-free rate (%)		3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Risk premium (%)		3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Cost of Capital (%)		7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1
* Annualised as at December 31, 2010		184.9	184.8	188.1	192.0	194.9	196.7	198.5	200.4	202.3	204.2	207.8

Source: Exane BNP Paribas estimates

We expect Cofinimmo's FFO/share to decline by a substantial 13%, thanks mainly to the full year effect of disposals in 2010. Given Cofinimmo's more cautious hedging policy, the impact of rising rates is not so noticeable – net financial costs only go up by 5% (vs Befimmo's 23%). Our 2011e FFO forecast is in line with management's (EUR102.4m). In 2012e, we expect FFO/share to stabilise, and we are forecasting growth of 1-3% thereafter.

We have assumed no dividend growth until 2013.

Figure 41: Cofinimmo – P&L and funds from operations analysis

EURm, y/e December	2008	2009	2010	2011e	2012e	2013e	2014e	2015e
Rental income like-for-like portfolio				184.9	184.8	188.1	192.0	194.9
Rental income acquisitions less disposals				(0.9)	(1.5)	(0.3)	(0.3)	(0.3)
Rental income developments				5.4	9.5	16.9	21.8	22.3
Rental income	187.8	197.9	195.1	189.4	192.8	204.7	213.6	216.9
Operating expenses	(21.0)	(24.0)	(24.9)	(25.4)	(27.3)	(27.5)	(26.9)	(27.4)
Net Operating Income	166.8	173.9	170.2	164.0	165.4	177.3	186.7	189.5
Other income	11.1	17.7	21.1	20.5	22.9	25.2	27.5	30.0
G&A expenses	(7.3)	(6.4)	(6.3)	(6.5)	(6.6)	(6.7)	(6.9)	(7.0)
EBITDA	170.5	185.2	185.0	178.0	181.8	195.7	207.3	212.5
Associates								
Non-real estate depreciation	-	-	-	-	-	-	-	-
Net financial expenses	(81.8)	(81.2)	(66.3)	(69.8)	(76.5)	(86.4)	(95.2)	(99.4)
Pre-tax recurring profit	88.7	104.0	118.7	108.2	105.2	109.3	112.1	113.1
Current taxation	(6.1)	(7.3)	(7.2)	(5.4)	(3.2)	(3.3)	(3.4)	(3.4)
Minorities	(0.3)	(0.5)	(0.2)	(0.7)	(0.6)	(0.7)	(0.7)	(0.7)
FFO	82.3	96.2	111.2	102.1	101.5	105.4	108.1	109.0
Real estate depreciation	-	-	-	-	-	-	-	-
After-tax unrealised valuation movements	(97.1)	(72.2)	(35.4)	31.4	33.4	33.8	32.5	36.1
Other items								
Net income	(14.9)	24.0	75.8	133.5	134.8	139.2	140.5	145.1
Pay-out	85.7	82.4	88.5	90.6	90.6	92.5	94.3	97.1
<i>Net interest coverage (EBITDA) (x)</i>	<i>2.1</i>	<i>2.3</i>	<i>2.8</i>	<i>2.5</i>	<i>2.4</i>	<i>2.3</i>	<i>2.2</i>	<i>2.1</i>
<i>Effective tax rate (%)</i>	<i>7</i>	<i>7</i>	<i>6</i>	<i>5</i>	<i>3</i>	<i>3</i>	<i>3</i>	<i>3</i>
<i>Pay-out as % of FFO (%)</i>	<i>104</i>	<i>86</i>	<i>80</i>	<i>89</i>	<i>89</i>	<i>88</i>	<i>87</i>	<i>89</i>
Per share data (EUR)								
Dividend	7.80	6.50	6.50	6.50	6.50	6.63	6.76	6.97
FFO	7.56	7.59	8.17	7.38	7.28	7.56	7.75	7.82
Diluted FFO	7.42	7.47	8.02	6.97	6.88	7.12	7.28	7.34
Weighted shares outstanding (m)	10.9	12.7	13.6	13.8	13.9	13.9	13.9	13.9
Diluted weighted shares outstanding (m)	12.4	14.0	14.9	16.6	16.7	16.7	16.7	16.7
<i>Diluted FFO per share growth (%)</i>	<i>0</i>	<i>1</i>	<i>7</i>	<i>(13)</i>	<i>(1)</i>	<i>3</i>	<i>2</i>	<i>1</i>
<i>Dividend per share growth (%)</i>	<i>1</i>	<i>(17)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>2</i>	<i>2</i>	<i>3</i>

Source: Exane BNP Paribas estimates

We expect Cofinimmo to generate positive net cash every year. We have adjusted the FY10 dividend to reflect the scrip option, but do not assume in the model that the scrip option will continue in future.

Figure 42: Cofinimmo – cash flow statement analysis

EURm, y/e December	2008	2009	2010	2011e	2012e	2013e	2014e	2015e
FFO total share	82.6	96.7	111.5	102.8	102.1	106.1	108.7	109.7
Other recurring items	-	-	-	-	-	-	-	-
Net cash flow from operations	82.6	96.7	111.5	102.8	102.1	106.1	108.7	109.7
Investments	(602.5)	(229.1)	(102.0)	(234.6)	(79.5)	(105.6)	-	-
Disposals	228.6	325.1	100.5	119.0	-	-	-	-
Change in working capital								
Net investments	(373.9)	96.1	(1.5)	(115.6)	(79.5)	(105.6)	-	-
Distributed dividend	(77.1)	(86.2)	(82.7)	(65.4)	(91.3)	(91.3)	(93.1)	(95.0)
Capital increases	-	97.0	80.0	-	-	-	-	-
Change in borrowings	269.1	(202.5)	(93.8)	80.6	79.5	105.6	-	-
Other non-recurring items	122.3	(24.2)	(12.6)	-	-	-	-	-
Total cash flow	23.0	(23.1)	0.9	2.4	10.8	14.8	15.6	14.7

Source: Exane BNP Paribas estimates

We expect steady growth of 3% in Cofinimmo's diluted NNNNAV/share from 2011e onwards. We have assumed slight yield compression in healthcare, but the majority of the NAV growth comes from uplifts in like-for-like rents, and development completions.

Figure 43: Cofinimmo – net asset value analysis (valuation excluding transfer duties)

EURm, y/e December	2008	2009	2010	2011e	2012e	2013e	2014e	2015e
+ Acquisitions less disposals				9.0	-	-	-	-
+ Developments				51.6	79.5	105.6	-	-
+ Revaluations				23.8	34.9	35.3	33.8	34.5
Property investments	3,124.6	3,040.7	3,041.9	3,126.3	3,240.7	3,381.6	3,415.4	3,449.9
Other fixed assets	11.1	0.8	0.6	0.6	0.6	0.6	0.6	0.6
Net intangibles	173.5	165.9	165.4	165.4	165.4	165.4	165.4	165.4
Other net assets	(58.2)	(35.9)	(47.2)	7.8	7.8	7.8	7.8	7.8
Capital Employed	3,251.0	3,171.6	3,160.8	3,300.2	3,414.5	3,555.4	3,589.3	3,623.8
Long-term debt	(1,748.4)	(1,522.1)	(1,359.2)	(1,439.8)	(1,519.3)	(1,624.9)	(1,624.9)	(1,624.9)
Short-term debt	(220.8)	(244.7)	(313.7)	(313.7)	(313.7)	(313.7)	(313.7)	(313.7)
Cash	25.4	2.3	3.3	5.7	16.5	31.2	46.8	61.6
Financial assets	112.4	69.7	61.1	61.1	61.1	61.1	61.1	61.1
Net debt	(1,831.4)	(1,694.7)	(1,608.5)	(1,686.8)	(1,755.4)	(1,846.3)	(1,830.7)	(1,816.0)
Minority interests	(8.7)	(8.2)	(7.1)	(7.1)	(7.1)	(7.1)	(7.1)	(7.1)
NAV	1,411.0	1,468.8	1,545.1	1,606.3	1,652.0	1,702.0	1,751.5	1,800.7
Derivatives	(58.8)	(71.7)	(84.7)	(74.7)	(72.7)	(70.7)	(68.7)	(63.7)
Other marked to market adjustment	-	-	-	-	-	-	-	-
NNAV	1,352.1	1,397.1	1,460.4	1,531.6	1,579.2	1,631.3	1,682.8	1,737.0
Tax on latent capital gains	(152.2)	(136.9)	(133.0)	(135.4)	(138.9)	(142.4)	(145.8)	(149.2)
NNNAV	1,200.0	1,260.2	1,327.4	1,396.2	1,440.4	1,488.9	1,537.0	1,587.8
<i>Loan-to-value (%)</i>	<i>53</i>	<i>51</i>	<i>49</i>	<i>50</i>	<i>50</i>	<i>51</i>	<i>50</i>	<i>49</i>
Per share data (EUR)								
NAV per share	128.4	115.8	113.5	115.2	118.5	122.1	125.6	129.1
Diluted NAV per share	126.5	114.9	112.9	114.6	117.4	120.4	123.3	126.3
NNAV per share	123.1	110.2	107.3	109.8	113.2	117.0	120.7	124.6
Diluted NNAV per share	121.8	109.8	107.2	109.8	113.0	116.1	119.2	122.5
NNNAV per share	109.2	99.4	97.5	100.1	103.3	106.8	110.2	113.9
Diluted NNNAV per share	109.2	99.4	97.5	100.1	103.3	106.8	110.2	113.5
Year-end shares outstanding (m)	11.0	12.7	13.6	13.9	13.9	13.9	13.9	13.9
Diluted year-end shares outstanding (m)	12.5	14.0	14.9	16.7	16.7	16.7	16.7	16.7
<i>Diluted NNNAV per share growth (%)</i>	<i>(10)</i>	<i>(9)</i>	<i>(2)</i>	<i>3</i>	<i>3</i>	<i>3</i>	<i>3</i>	<i>3</i>

Source: Exane BNP Paribas estimates

Warehouses De Pauw

Real Estate

Belgium

Underperform

Target price **EUR35 (-8%)**
Sector rating **Underperform**

Many attractions, but expensive at current levels

► We expect 11% growth in FFO by 2013

We think management's target of 20% growth in FFO by 2013e is ambitious, and we have growth of 11% in our model. We expect WdP's pipeline to be a major growth driver, and we see substantial long-term growth potential in the company's landbanks in Belgium, France and the Czech Republic. Modest rental like-for-like growth should come from vacancy reduction, but we do not expect much market rental growth as industrial real estate is historically a low-growth market.

► Renewable energy project offers growth potential

Management have outlined their 'sustainable warehousing' strategy which has the end-goal of making the portfolio carbon-neutral (ie. generating as much electricity from solar panels and other technologies as is consumed by the property portfolio). We support this strategy as we believe it will give WdP a differentiating edge in terms of attracting tenants to its buildings, and will also enhance the appeal of the stock to 'sustainable and responsible' investors. That said, we would also highlight that considerable uncertainties remain on the costs and returns on the further rollout of this strategy.

► Higher-than-average LTV, but prudent hedging policy

WdP has a 2013e loan-to-value of 57% (vs 40% sector average), which, while there are no covenants on LTV, could limit financial flexibility in the future (eg. to make new acquisitions). On the other hand, management's prudent hedging policy means that WdP's FFO is well protected against increases in short-term interest rates.

► Underperform: TP EUR35/share, 8% downside

We initiate coverage of Warehouses de Pauw with an Underperform rating, as, while there are many features of the portfolio, strategy and financial structure that we like, we believe the stock is fully valued at current levels, at a 9% discount to 2013e GAV compared to an average of 15% for the sector.

Price (28 June 2011) **EUR37.9**
Market cap./Free float (EURm) 500.1/343.1
EV (EURm) 1,048.9
3m avg. volume (EURm) 0.4
Reuters/Bloomberg WDPP.BR/WDP BB

Financial data	12/10	12/11e	12/12e	12/13e
Diluted FFO (EUR)	3.05	2.98	3.04	3.21
Net dividend (EUR)	2.94	2.94	2.94	2.94
Diluted NNAV (EUR)	29.77	30.55	31.46	32.57
Diluted NNNAV (EUR)	29.62	30.41	31.32	32.43
Rental income (EURm)	58	61	65	67
EBITDA (EURm)	58	61	65	70
NOPAT (EURm)	57	60	64	69
FFO (EURm)	38	38	40	42

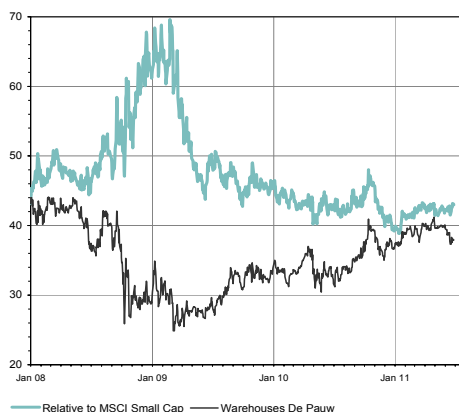
Stockmarket ratios*	12/10	12/11e	12/12e	12/13e
NOPAT yield (%)	5.9	5.7	5.9	6.2
FFO yield (%)	8.8	7.8	8.0	8.5
Dividend yield (%)	8.5	7.8	7.8	7.8
Premium to GAV (%)	7	6	1	(9)
Premium to NNAV (%)	17	13	2	(16)
Premium to NNNAV (%)	17	14	2	(15)

* Yearly average price for FY ended 12/10

Performance* (%)	1w	1m	3m	12m
Absolute	(1)	(5)	0	22
Rel. Real Estate	0	(2)	(3)	(2)
Rel. MSCI Small Cap	1	2	4	6

* In listing currency, with dividend reinvested

Price relative to MSCI Small Cap



We initiate coverage on Warehouses de Pauw with an Underperform rating, and a DCF-based target price of EUR35/share, suggesting 8% downside from current levels.

Management have set out an ambitious target of growing FFO by 20% over 2011-13e, driven by (1) leasing of vacant space and new developments, (2) the solar energy programme, and (3) acquisitions.

We believe that this 20% growth target has largely been priced in by the market, with the stock trading at a 9% discount to our 2013e GAV (vs 15% for the sector average). However, we have identified a number of risks that could potentially undermine this bullish outlook, and we forecast 11% cash flow growth over the three-year period, thanks mainly to our more cautious view on vacancy reduction and on the future path of the cost of debt.

We also highlight the company's high LTV (57% in 2013e vs 40% for peers), and think that this could be a potential stumbling block to further acquisitions.

On valuation, the stock is attractive on cash flow yields (2013e FFO yield of 8.5% compared to 6.3% for the sector) but expensive on asset values (15% discount to 2013e NNAV vs 20% for the sector), reflecting the value creation potential of the pipeline, in our view.

The main risk to our rating would be a quicker than expected economic recovery in Europe, which would kick-start industrial output and trade volumes, and therefore the demand for logistics and warehouse space. Recent data coming out of the Eurozone does not make us attach a high degree of probability to this outcome, and at any rate if the Eurozone did recover faster than expected then investors would likely look to more cyclical markets outside of Belgium.

Three drivers for management's ambitious 20% FFO growth target

In the 2010 Annual Report, WdP set itself a target to grow the net current result per share by 20% over the three years 2011-13. In our model, we are more prudent, forecasting growth of 11%, as we are more cautious on vacancy reduction and on the cost of debt, and do not include any rental income from developments currently 'on hold' until work formally re-starts (ie. when they become 'committed').

Company management have outlined three drivers for this ambitious level of growth: leasing of vacant space and of developments, the CO₂ investment plan, and external acquisitions.

1. Leasing of vacant space and of developments

At last year end, WdP reported an overall vacancy rate of 5.5%, which management have indicated represents EUR2.7m of additional rent. We have assumed a long-term vacancy rate of 4%, which is in line with WdP's average vacancy rate over the past 10 years but ahead of what management is targeting (2-3%). We expect a vacancy reduction from 5.5% to 4% to deliver EUR1m of incremental rent in 2013.

Further rental growth will come from WdP's pipeline, where five projects are currently being worked on, all pre-let and all due to complete end-2011/start-2012. The total cost is expected to be around EUR15m, and we assume a gross yield on cost of 9.3%, so on our estimates, these four schemes will deliver EUR1.4m of additional rent in 2013.

Figure 44: WdP's substantial pipeline

	Country	Size (sqm)	Expected completion
Currently under development			
Merchtem	Belgium	3,000	Q2 2011
Flemalle	Belgium	5,700	Q3 2011
Mollem	Belgium	3,200	Q1 2012
Oarja 1	Romania	5,000	Q4 2011
Oarja 2	Romania	7,000	Q4 2011
		23,900	
Permit granted, on hold awaiting pre-let			
Ternat	Belgium	10,000	
Puurs	Belgium	14,000	
Libercourt (phase 1)	France	6,000	
Venlo	Netherlands	15,000	
		45,000	
Permits pending			
Courcelles	Belgium	10,000	
Nivelles	Belgium	25,000	
Sint-Niklaas	Belgium	28,000	
Trilogiport	Belgium	50,000	
Libercourt (phase 2)	France	24,000	
		137,000	
Total		205,900	

Source: Exane BNP Paribas estimates

Looking beyond the four schemes in progress, WdP is ready to start work on four further schemes representing 45,000sqm as soon as a pre-let is agreed. Some of these schemes are actually partly complete as they were started as speculative developments/redevelopments before the crisis, but were put on hold in response to the deteriorating letting outlook. Following a change in development strategy, management no longer undertake any speculative development, so a pre-let must be agreed before work can be resumed. We have assumed that work starts on these schemes in 2012, completing in 2013, and we estimate that these four projects will generate cEUR2m of rents once let.

Beyond this, WdP has over 137,000sqm of identified schemes in Belgium and France for which the necessary permits are pending, as well as a substantial land-bank in Romania, offering further long-term development potential.

In Romania, the 1.6m sqm land bank is held in a joint venture (WdP 51% stake) with a Belgian individual who is an expert in Romanian real estate. It is hoped that this individual's local knowledge and WdP's development expertise will form a successful partnership. We highlight however that the recent economic crisis has deferred the likely time frame of development in Romania, and management has indicated that it will likely not be until 2014 at the earliest that any greenfield developments are started.

2. CO₂ investment plan

In 2008, WdP started installing solar panels on the rooftops of a handful of its buildings. We support this strategy as not only does it provide a diversified second source of income, the income stream shares similar characteristics to rental income from tenants, since the government subsidies (which represent 80% of total income from solar panels) provide a contractually-guaranteed highly visible income stream over 20 years. Secondly, WdP is able to offer tenants the electricity generated by the panels at a cheaper rate than they would get from the grid, which gives them a clear differentiating edge when seeking lettings.

The solar panel project is the first phase of a wider and longer-term strategy to make the portfolio carbon-neutral. Please see the section below for further details of this strategy.

3. Acquisitions

The final driver of FFO growth is external acquisitions. Management have indicated that target assets must be well-located (in terms of site accessibility by road/rail/waterways/air as well as a strong local market that guarantees future demand), and offer high technical specifications (in terms of headroom, floor carriage capacity, fire safety etc).

WdP acquired a portfolio of six industrial assets in the Netherlands from Wereldhave in Q1 2011, five of which are let to DHL Express (with an average of 3 years to lease expiry) with the last one let to Iron Mountain (9.5 years remaining). The yield of 9.6% is substantially above the current gross portfolio yield of 7.8%, and most likely reflects the vacancy risk on the five assets let to DHL. Lease renegotiations have not started yet, but management has indicated to us that it knows of nothing to suggest that these leases will not be renewed on expiry. Under the terms of the lease, the tenant is required to give at least 12 months notice if they intend to vacate, and no such indications have so far been received.

Management's priority with these assets is to first renew the DHL leases, thereby extending the average lease length and (most likely) enhancing the asset's valuation.

In relation to the financing of acquisitions, we would highlight that WdP's high LTV (which peaks at 57% in 2013e on our estimates (nb. we treat renewable energy assets as part of the property portfolio, as the associated debt is included in total debt), vs the average of 40% for the sector) could prove to be a constraint to raising further debt to fund an acquisition. That said, a capital raising (although not currently planned by management) is certainly feasible given that the stock is currently trading at a premium of 28% to its latest published NAV (EUR29.6/share at FY10).

'Sustainable warehousing' and the solar power business

The solar project is part of a far wider strategy at WdP of 'sustainable warehousing': a policy that, in the company's own words "*is aimed at reducing the carbon emissions of the warehouses in the portfolio while at the same time cutting tenants' energy bills significantly*". The ultimate goal will be to have a carbon-neutral portfolio.

A strategy we support in principle...

We wholeheartedly support this strategy, for two main reasons. Firstly, it goes without saying that being able to offer cost-savings to tenants will help attract them to WdP's buildings, and will also increase the scope for pushing up rents in the future.

Not only this, but a carbon-neutral portfolio would provide a significant selling point to the growing number of investors operating under the banner of 'sustainable and responsible investing' (SRI). Recent Exane BNP Paribas research has estimated that the SRI market in Europe has grown by 85% since 2007, and now represents EUR5,000bn (EUR5 trillion). Europe is the most active market for SRI, accounting for two-thirds of SRI assets under management globally. We estimate that around 40% of European investments now integrate SRI analysis and screening.

...but we also highlight the risks

While we fully support the strategy in principle, due to a number of risks and uncertainties, we are relatively prudent in our assumptions for the growth rate and returns of this part of WdP's business.

The main uncertainty surrounds the fact that solar power alone will not get WdP to its target of a carbon-neutral portfolio, as management expect to stop installing solar panels after this year. This is because Belgian government subsidies for solar panels are declining every year, and company management expects them to fall below its required internal threshold level of profitability. Management is currently looking at other sources of renewable energy (eg. wind) that could provide the capacity required to hit the target (30 Megawatt peak, double FY10 capacity), but since the technology has not been decided upon yet, it is clearly very difficult to confidently forecast the capex, income and costings.

Given these considerable uncertainties, we are prudent in the assumptions that we make in our model relating to the sustainable warehousing project. We have assumed that management do indeed hit their target of 30MWp, but not until 2013. Furthermore, we have assumed that the required capex for an additional MWp of capacity increases by 10% once solar capacity in Belgium is exhausted. We think it is fair to assume that WdP will have chosen the most efficient source (from their point of view) of renewable power first (solar panels), and that sources after this will not be as efficient. All in all, we forecast that total income from renewable energy grows from EUR5m in 2010 to EUR9m by 2013.

Solar power: two distinct income streams

Looking at the solar power division in a bit more detail, there are in fact two distinct associated income streams.

Firstly, once the panels are installed on the rooftops and their power generation capacity can be verified, the Belgian government will issue WdP with a 'green certificate' (effectively to subsidise the capex incurred) which guarantees a fixed payment (calculated on the basis of the output capacity of the panels) each year for 20 years. Around 80% of WdP's total solar income comes from these green certificates – a key positive in our view, as it therefore means that the vast majority of income is long-term with low-volatility.

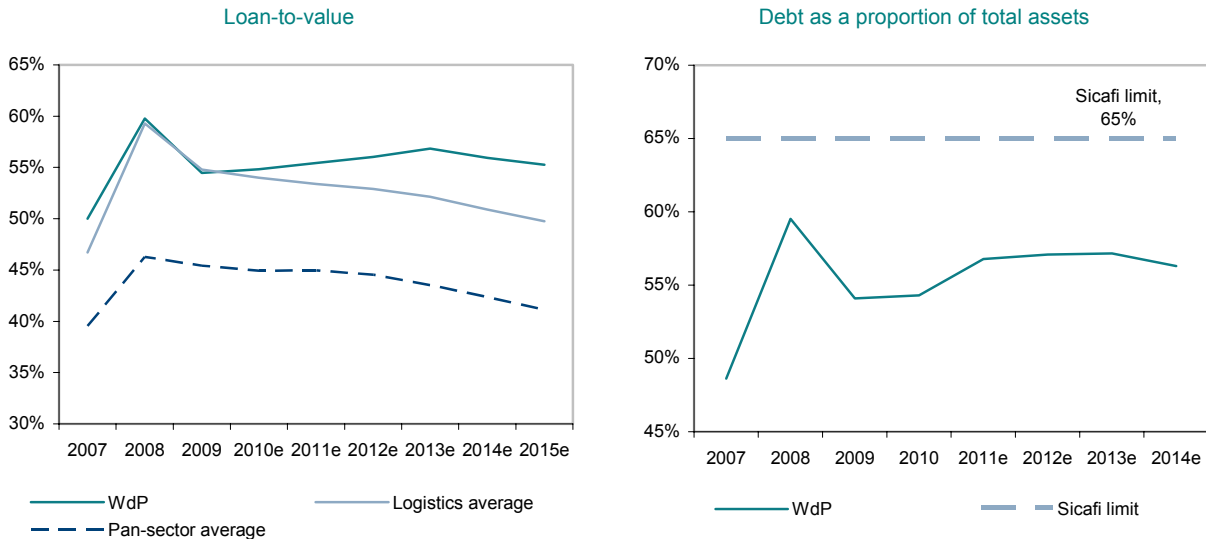
The other 20% comes from selling the actual electricity generated. WdP will first sell the electricity to the tenant of the building, which it can offer at a cheaper rate than the tenant would otherwise pay, thanks to savings on distribution costs (which we understand account for around half of the cost of national grid electricity). This creates a win-win situation whereby WdP can make a profit on selling the electricity at the same time as the tenant makes a cost saving.

Any excess electricity that is not used up by tenants is sold to the national network at the prevailing market price. WdP has indicated that tenants use up just over half (c55%) of total capacity generated, with the remaining 45% sold to the grid.

Financial structure: high LTV, but risks are adequately managed

WdP has a higher-than-average loan-to-value compared to peers, which on our estimates peaks at 57% in 2013e compared to an average of 40% in 2013e for all companies in our coverage. We would highlight however, that the two other logistics companies in our coverage (SEGRO in the UK, and FEL, part of the Foncière des Régions group) also have higher LTVs compared to office and retail peers.

Figure 45: WdP – a higher-than-average LTV, but limited risk of breaching SICAFI rules on our estimates



Source: Exane BNP Paribas estimates

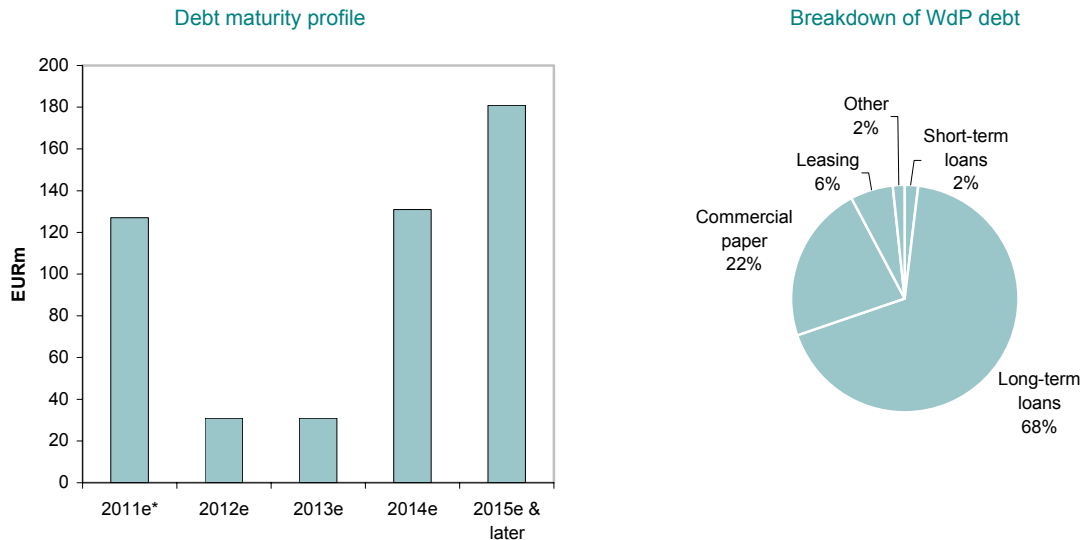
WdP does not have any debt covenants on its LTV ratio (unlike both Befimmo and Cofinimmo, and the majority of other companies in our coverage universe). The only formal balance sheet constraint on debt levels is the SICAFI rule that debt as a proportion of total assets cannot exceed 65%, and on our estimates for WdP, this ratio peaks at 58% in 2013.

That said, a high LTV is not without risks, most notably refinancing risk, as banks are generally more cautious in lending to companies with high LTVs. This risk is mitigated by WdP's even spread of maturities (see below).

Financial strategy: even spread of maturities, and diversified sources of funds

WdP's financial strategy is to ensure an even spread of maturities year to year, and diversification in terms of the sources of funding (bank debt, commercial paper etc). The left hand chart of Figure 46 shows WdP's debt maturity profile, and given that all of the 2011e maturities are short-term commercial paper that is rolled over on maturity, there is only limited refinancing of bank debt required before 2014e. WdP's sources of finance are adequately diversified, in our view.

Figure 46: Majority of 2011 refinancing already agreed, diversified sources of funding



Source: Company, Exane BNP Paribas estimates

* All of 2011 maturities are short-term commercial paper which is just rolled over on maturity

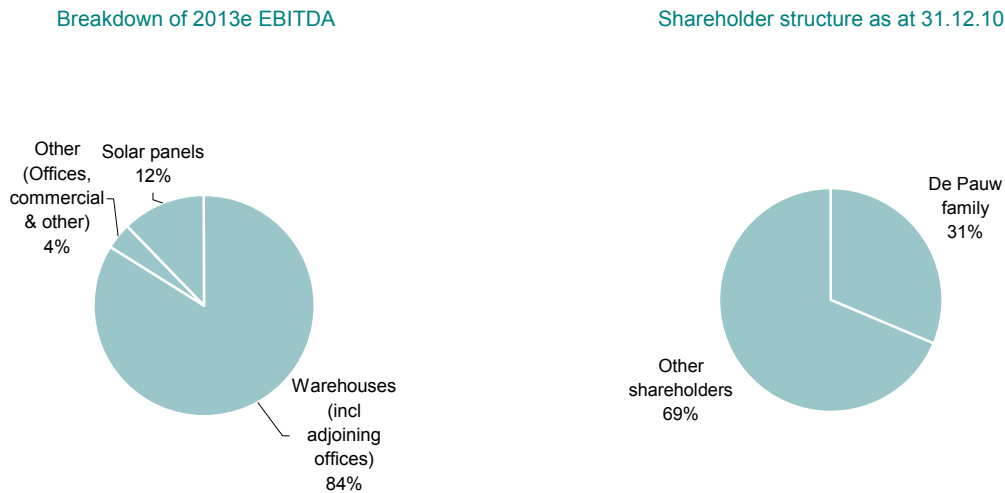
In terms of hedging policy, WdP currently pays fixed rates of interest on around 75% of its debt, down from 84% at the end of 2010, and 88% at end-2009. The decline since December is explained by the fact that the new debt on the Wereldhave acquisition was not hedged, consistent with an explicit strategy of management in order to benefit from the low prevailing market rates of interest. As a direct consequence of this lower hedging ratio, WdP has guided for a FY11e average cost of debt of 4%, down from 4.3% in FY10.

Finally, management offered a scrip alternative for the FY10 dividend for the first time (this was only made possible by the Royal Decree legislation passed in December 2010). The scrip alternative was taken up by over 70% of shareholders, and we understand that management intend to continue to offer the scrip option going forwards. The cash saved provides WdP with significant additional firepower for acquisitions.

Company history

Warehouses de Pauw made its stock market debut in June 1999 with a property portfolio worth around EUR135m. Prior to its listing, the company was part of the diversified portfolio of companies owned by the De Pauw family, from Merchtem in Belgium. The family still owns 31% of the share capital. Since 1999, the portfolio has grown through acquisitions, sale and leaseback transactions and developments, and WdP now has a portfolio worth EUR824m with assets across five countries (Belgium, France, Netherlands, Romania, Czech Republic).

Figure 47: Breakdown of 2013e EBIDA, and shareholder structure



Source: Exane BNP Paribas estimates

Valuation

DCF-based 12-month target price of EUR35/share

Our DCF-based target price of EUR35/share suggests 8% downside from the current share price, compared to an average of 2% downside for the real estate sector.

According to our estimates, the present value of WdP's future cash flows amounts to EUR997m. Taking out the value of the net debt (EUR522m), and the dividend paid (cash element only) of EUR2.94/share, we arrive at our 12-month target price of EUR35/share.

We use a cost of capital of 7.4%, based on three elements:

- 1) A risk-free rate based on a weighted average of the 10-year government bond yields of the countries that WdP operates in (4.0%);
- 2) A spread based on the risk related to the financial structure of WdP (1.1%);
- 3) A spread linked to the historical spread between the NOPAT yield of WdP and the risk-free rate during trough periods (2.3%).

Figure 48: Warehouses de Pauw – DCF valuation model

EURm, y/e December	2010*	2011e	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e
Rental income		58.1	59.3	60.5	61.4	62.3	63.2	64.2	65.1	66.1	67.1	68.1
Rental income acquisitions less disposals		2.9	3.9	4.0	4.1	4.1	4.2	4.2	4.3	4.4	4.4	4.5
Rental income developments		0.2	1.4	2.4	3.4	3.4	3.5	3.6	3.7	3.7	3.8	3.9
Gross rental income		61.1	64.5	66.8	68.8	69.8	70.9	72.0	73.1	74.2	75.3	76.5
Real estate operating expenses		(1.6)	(1.3)	(1.2)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.4)	(1.4)	(1.4)
Other income		5.6	6.1	8.6	10.2	10.3	10.5	10.6	10.8	10.9	11.1	11.2
G&A expenses		(4.4)	(4.5)	(4.6)	(4.7)	(4.8)	(4.9)	(5.0)	(5.1)	(5.2)	(5.3)	(5.4)
EBITDA		60.8	64.8	69.7	73.1	74.2	75.2	76.4	77.5	78.6	79.8	80.9
Non-real estate depreciation		-	-	-	-	-	-	-	-	-	-	-
Cash taxes		(1.2)	(1.3)	(1.4)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.6)	(1.6)	(1.6)
NOPAT		59.5	63.5	68.3	71.6	72.7	73.7	74.8	75.9	77.0	78.2	79.3
Development spending		(19)	(33)	(43)	-	-	-	-	-	-	-	-
Acquisitions		(42)	-	-	-	-	-	-	-	-	-	-
Exit tax payments		-	-	-	-	-	-	-	-	-	-	-
Disposals		-	-	-	-	-	-	-	-	-	-	-
FCF		(1.1)	30.4	25.0	71.6	72.7	73.7	74.8	75.9	77.0	78.2	79.3
NPV		(1.1)	29.5	22.6	60.3	57.0	53.8	50.9	48.1	45.4	42.9	40.5
Sum		450										
TV		548										
Total EV		997										
Market value of associates		-										
Market value of minorities		-										
Interest bearing debt		(501)										
Marked-to-market adjustment of debt		(34)										
Cash and financial assets		13										
Dividend due/(paid)		(14)										
Net DCF value post dividend		461										
Price target per share (EUR)		35.0										
Number of shares		13.2										
Cost of capital analysis												
Risk-free rate (%)		4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Risk premium (%)		3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Cost of Capital (%)		7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4

Source: Exane BNP Paribas estimates

* Annualised at 31 December 2010

We expect WdP's FFO/share to decline by 2% over 2011e, driven mainly by higher financial costs (up 17%) and a higher number of shares following the scrip dividend. Our FFO forecast of EUR38.3m is slightly below management's guidance of EUR40.8m (adjusted to reflect the Wereldhave acquisition which was not in management's original forecast), as management include more development projects currently on hold, and we are slightly more cautious on like-for-like rental growth.

We expect growth of 2% in 2012e, followed by 5% in 2013e driven mainly by new rental income from development completions, which outweighs the effect of rising financial charges.

We have not assumed any growth in the dividend until 2014e.

Figure 49: Warehouses de Pauw – P&L and funds from operations analysis

EURm, y/e December	2008	2009	2010	2011e	2012e	2013e	2014e	2015e
Rental income like-for-like portfolio				58.1	59.3	60.5	61.4	62.3
Rental income acquisitions less disposals				2.9	3.9	4.0	4.1	4.1
Rental income developments				0.2	1.4	2.4	3.4	3.4
Rental income	46.6	54.1	58.0	61.1	64.5	66.8	68.8	69.8
Operating expenses	(1.2)	(1.1)	(1.3)	(1.6)	(1.3)	(1.2)	(1.3)	(1.3)
Net Operating Income	45.5	53.0	56.7	59.6	63.2	65.6	67.5	68.6
Solar panel income	0.2	3.7	5.0	6.0	6.4	9.0	10.6	10.7
Property management income	(0.0)	(0.1)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
G&A expenses	(3.5)	(3.3)	(3.8)	(4.4)	(4.5)	(4.6)	(4.7)	(4.8)
EBITDA	42.2	53.4	57.5	60.8	64.8	69.7	73.1	74.2
Associates								
Non-real estate depreciation	-	-	-	-	-	-	-	-
Net financial expenses	(12.8)	(18.1)	(18.5)	(21.7)	(23.9)	(26.5)	(28.6)	(31.1)
Pre-tax recurring profit	29.5	35.3	39.1	39.0	40.9	43.1	44.5	43.0
Current taxation	(0.4)	(0.2)	(0.9)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)
Minorities								
FFO	29.1	35.1	38.2	38.3	40.1	42.3	43.6	42.2
Real estate depreciation	-	-	-	-	-	-	-	-
After-tax unrealised valuation movements	(17.9)	(26.8)	(5.5)	5.5	10.7	11.1	14.8	18.0
Other items	(27.0)	(7.8)	(0.1)					
Net income	(15.8)	0.4	32.6	43.7	50.7	53.4	58.4	60.1
Pay-out	25.3	36.8	36.8	38.8	38.8	38.8	39.6	39.6
<i>Net interest coverage (EBITDA) (x)</i>	3.3	3.0	3.1	2.8	2.7	2.6	2.6	2.4
<i>Effective tax rate (%)</i>	1	1	2	2	2	2	2	2
<i>Pay-out as % of FFO (%)</i>	87	105	96	101	97	92	91	94
Per share data (EUR)								
Dividend	2.94	2.94	2.94	2.94	2.94	2.94	3.00	3.00
FFO	3.38	3.20	3.05	2.98	3.04	3.21	3.31	3.20
Diluted FFO	3.38	3.20	3.05	2.98	3.04	3.21	3.31	3.20
Weighted shares outstanding (m)	8.6	11.0	12.5	12.9	13.2	13.2	13.2	13.2
Diluted weighted shares outstanding (m)	8.6	11.0	12.5	12.9	13.2	13.2	13.2	13.2
<i>Diluted FFO per share growth (%)</i>	11	(6)	(5)	(2)	2	5	3	(3)
<i>Dividend per share growth (%)</i>	8	-	-	-	-	-	2	-

Source: Exane BNP Paribas estimates

We expect WdP to be cash flow positive in every year from 2011e-15e. We have included total capex of EUR137m. We have adjusted the 2011e cash flow for the scrip option in the FY10 dividend but have not assumed the scrip dividend is offered for FY11 or beyond.

Figure 50: Warehouses de Pauw – cash flow statement analysis

EURm, y/e December	2008	2009	2010	2011e	2012e	2013e	2014e	2015e
FFO total share	29.1	35.1	38.2	38.3	40.1	42.5	44.0	42.6
Other recurring items	-	-	-	-	-	-	-	-
Net cash flow from operations	29.1	35.1	38.2	38.3	40.1	42.5	44.0	42.6
Investments	(146.7)	(79.6)	(17.9)	(60.7)	(33.1)	(43.3)	-	-
Disposals	-	8.2	20.0	-	-	-	-	-
Change in working capital	-	-	-	-	-	-	-	-
Net investments	(146.7)	(71.4)	2.1	(60.7)	(33.1)	(43.3)	-	-
Distributed dividend	(24.4)	(13.1)	(32.3)	(14.1)	(38.8)	(38.8)	(38.8)	(39.6)
Capital increases		71.0						
Change in borrowings	155.0	17.9	5.4	60.7	33.1	43.3	-	-
Other non-recurring items	(20.7)	(38.4)	(14.5)	-	-	-	-	-
Total cash flow	(7.7)	0.9	(1.0)	24.2	1.3	3.7	5.2	3.0

Source: Exane BNP Paribas estimates

We expect 3-5% growth in diluted NNNNAV/share over the next 5 years, driven by valuation gains on completed developments, and like-for-like rental growth pushing up the value of the current portfolio. We have not assumed any movement in yields from FY10.

Figure 51: Warehouses de Pauw – net asset value analysis (valuation excluding transfer duties)

EURm, y/e December	2008	2009	2010	2011e	2012e	2013e	2014e	2015e
+ Acquisitions less disposals				42.0	-	-	-	-
+ Developments				9.4	2.5	2.5	-	-
+ Revaluations				(4.5)	11.0	11.4	12.9	13.1
Property investments	746.8	829.6	824.3	871.2	884.7	898.6	911.5	924.5
Other fixed assets	32.4	55.2	65.8	75.0	105.6	146.4	146.4	146.4
Net intangibles	0.2	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Other net assets	(23.1)	0.9	4.9	4.9	4.9	4.9	4.9	4.9
Capital Employed	756.2	886.0	895.4	951.6	995.6	1,050.3	1,063.2	1,076.3
Long-term debt	(297.3)	(373.7)	(373.4)	(434.1)	(467.2)	(510.5)	(510.5)	(510.5)
Short-term debt	(180.3)	(121.8)	(127.5)	(127.5)	(127.5)	(127.5)	(127.5)	(127.5)
Cash	1.3	2.2	1.2	25.4	26.7	30.4	35.6	38.6
Financial assets	10.7	11.4	11.6	11.6	11.6	11.6	11.6	11.6
Net debt	(465.7)	(481.9)	(488.1)	(524.6)	(556.4)	(595.9)	(590.7)	(587.7)
Minority interests	-	-	-	-	-	-	-	-
NAV	290.5	404.1	407.3	427.0	439.3	454.4	472.5	488.5
Derivatives	(20.9)	(31.9)	(34.2)	(24.2)	(22.2)	(20.2)	(18.2)	(13.2)
Other marked to market adjustment	-	-	-	-	-	-	-	-
NNAV	269.6	372.2	373.1	402.8	417.1	434.2	454.3	475.3
Tax on latent capital gains	(8.3)	(5.4)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)
NNNAV	261.3	366.8	371.3	400.9	415.2	432.3	452.4	473.5
<i>Loan-to-value (%)</i>	<i>60</i>	<i>54</i>	<i>55</i>	<i>55</i>	<i>56</i>	<i>57</i>	<i>56</i>	<i>55</i>
Per share data (EUR)								
NAV per share	33.8	32.2	32.5	32.4	33.3	34.5	35.8	37.1
Diluted NAV per share	33.8	32.2	32.5	32.4	33.3	34.5	35.8	37.1
NNAV per share	31.4	29.7	29.8	30.6	31.6	32.9	34.5	36.1
Diluted NNAV per share	31.4	29.7	29.8	30.6	31.6	32.9	34.5	36.1
NNNAV per share	30.4	29.3	29.6	30.4	31.5	32.8	34.3	35.9
Diluted NNNAV per share	30.4	29.3	29.6	30.4	31.5	32.8	34.3	35.9
Year-end shares outstanding (m)	8.6	12.5	12.5	13.2	13.2	13.2	13.2	13.2
Diluted year-end shares outstanding (m)	8.6	12.5	12.5	13.2	13.2	13.2	13.2	13.2
<i>Diluted NNNAV per share growth (%)</i>	<i>(16)</i>	<i>(4)</i>	<i>1</i>	<i>3</i>	<i>4</i>	<i>4</i>	<i>5</i>	<i>5</i>

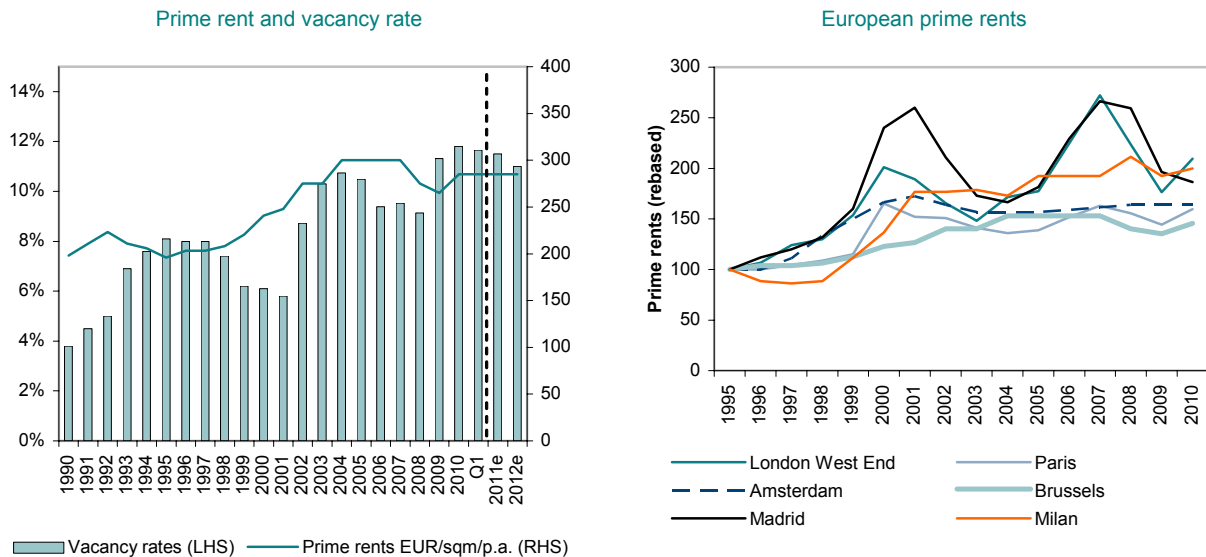
Source: Exane BNP Paribas estimates

Appendix 1: the Belgian office market

Compared to peers, the Brussels office market is characterised by lower rental levels and high vacancy. Prime rents have been stable at EUR285/sqm since Q2 2010. Downward pressure appears to have eased, but incentives remain high. Incentives and vacancy will have to come down before we expect any substantial above-inflation growth in prime rents. Prime rents remain marginally below pre-crisis peaks, -4%, -6% and -3% for Centre, Decentralised and Periphery respectively.

The vacancy rate has been edging downwards for the past 3 consecutive quarters (11.84% at Q2 2010 to 11.65% at Q1 2011), thanks to a weaker pipeline and an increasing trend for long-term vacant offices (particularly in Decentralised Brussels) to be converted into resi/hotels/schools/nursing homes. However, vacancy remains above pre-crisis levels of 9-9.5%. We expect it to continue to slowly decline as these trends continue.

Figure 52: Prime rents and vacancy stabilised post-crisis; Brussels historically a more defensive market



Source: CBRE, Jones Lang LaSalle, Exane BNP Paribas estimates

Brussels is a more stable, defensive market

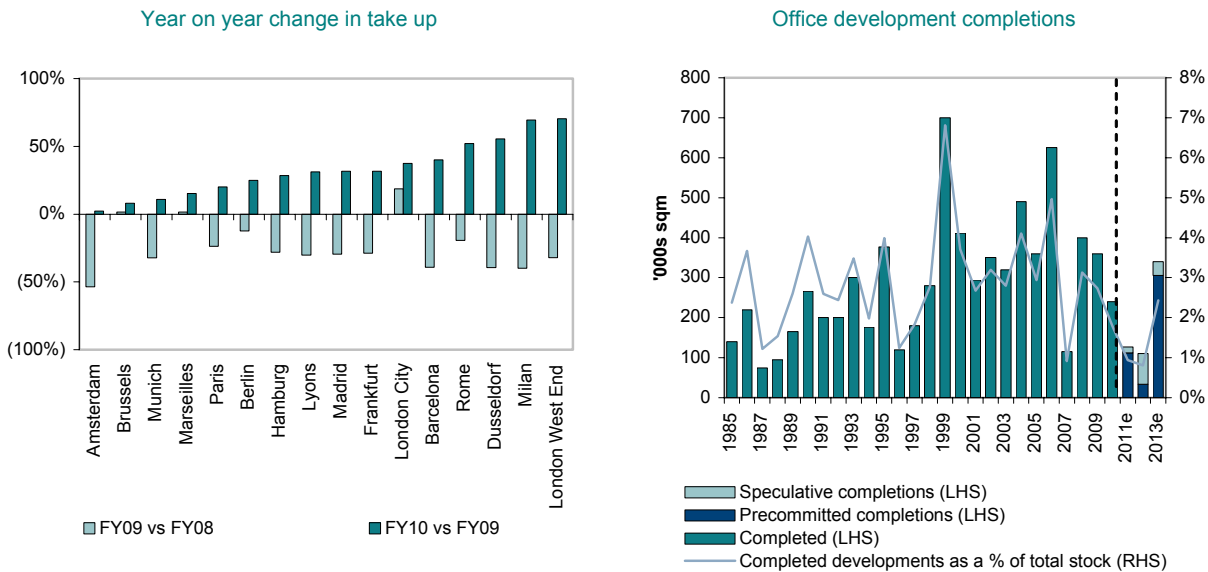
Brussels has historically been a much less cyclical market than most other European city office markets. We believe this is largely due to the relatively high levels of development activity, and to Brussels' high degree of reliance on the generally more stable public sector (including EU affiliated institutions). In the boom years of 2004-07, prime rents in Brussels only grew by 9% compared to 84% in London West End and 15% in Paris. However, rents only fell by 12% peak-to-trough over the crisis, compared to 35% (London West End) and 18% (Paris). This underperformance of prime rents in a rising market and outperformance in a falling market mirrors the story of the share price performance of the Belgian stocks (see Figure 3).

14% rebound in take-up expected over FY11

Despite take up for Q1 being 4% down on Q1 2010, CBRE expects a 14% rebound in take-up for the full year, driven by an improved economic outlook, as well as several large office demands expected to come from the European Commission and European Parliament.

Over the crisis, Brussels has shown itself to be relatively stable in terms of take-up, with less of a decline over 2009 and less of a rebound over 2010 than the majority of other European cities. Again, this is probably due to its reliance on the government/EU sector (which typically accounts for 25-30% of take-up), as well as the fact that demand is typically driven by a large number of small transactions (eg. for EU-affiliated lobbyists, lawyers) and is less reliant on a handful of large transactions from big private sector companies.

Figure 53: Brussels take-up less cyclical, lower level of completions expected in 2011-12



Source: CBRE, Jones Lang LaSalle, Exane BNP Paribas estimates

A shrinking pipeline, and little speculative development

Similarly, on the supply side, both the fundamentals and the outlook have improved. Completions for 2011 are expected to be 93,000sqm (0.6% of total stock), down from 240,000sqm in 2010 (1.8%). This is thanks to schemes that would be completing now being put on hold or cancelled over the financial crisis.

Additionally, there is very little speculative development being undertaken: whereas around 45% of all pre-crisis development was speculative, this figure has dropped to 12% for 2011e.

Figure 54: Limited speculative development compared to pre-crisis

Major planned speculative completions 2011-12

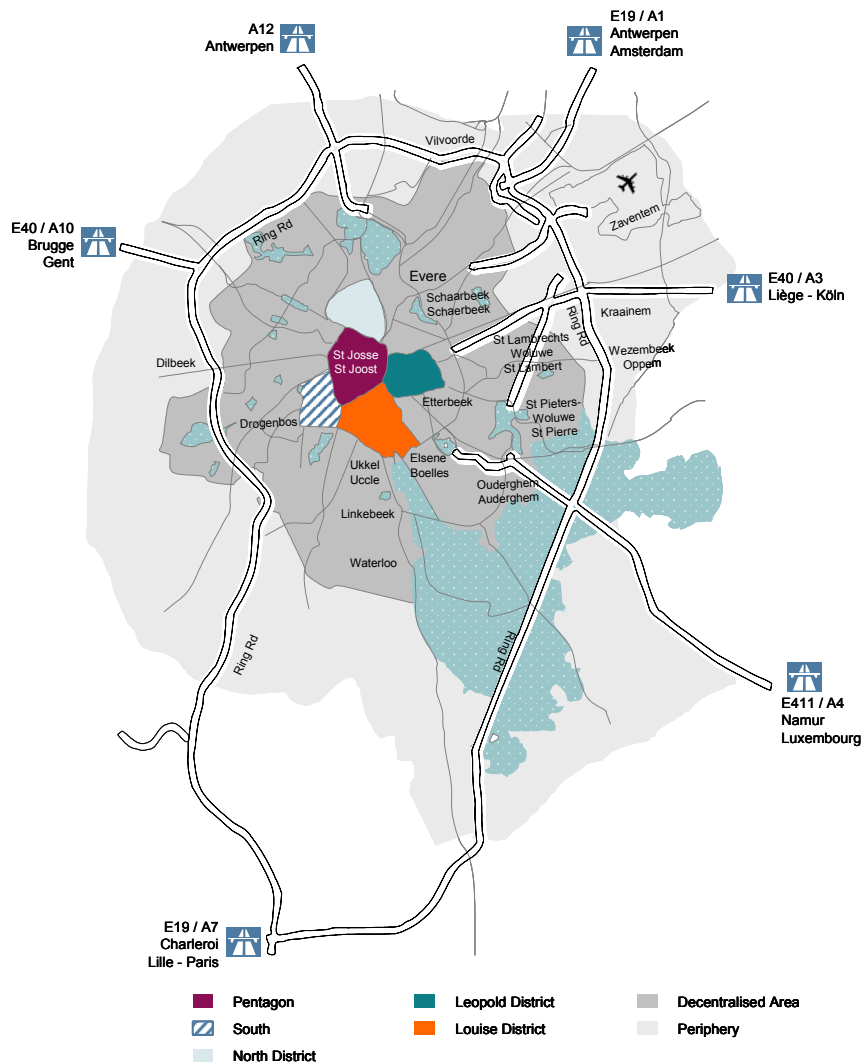
District	Building name	sqm	Expected completion
Leopold	Orban	25,000	H2 2012
Leopold	New Arts - Lux	16,500	H2 2012
North	Upsite	16,300	H2 2012
Leopold	Belliard	5,700	H1 2012
Leopold	Cortenbergh	5,650	Q2 2011
Leopold	Montindu	5,500	H2 2012
Leopold	Science-Montoyer*	5,167	H2 2011
Total		79,817	

* Cofinimmo development

Source: Jones Lang LaSalle

The regional picture – Centre outperforming

Figure 55: Map of the Brussels office market



Source: Jones Lang LaSalle, Exane BNP Paribas

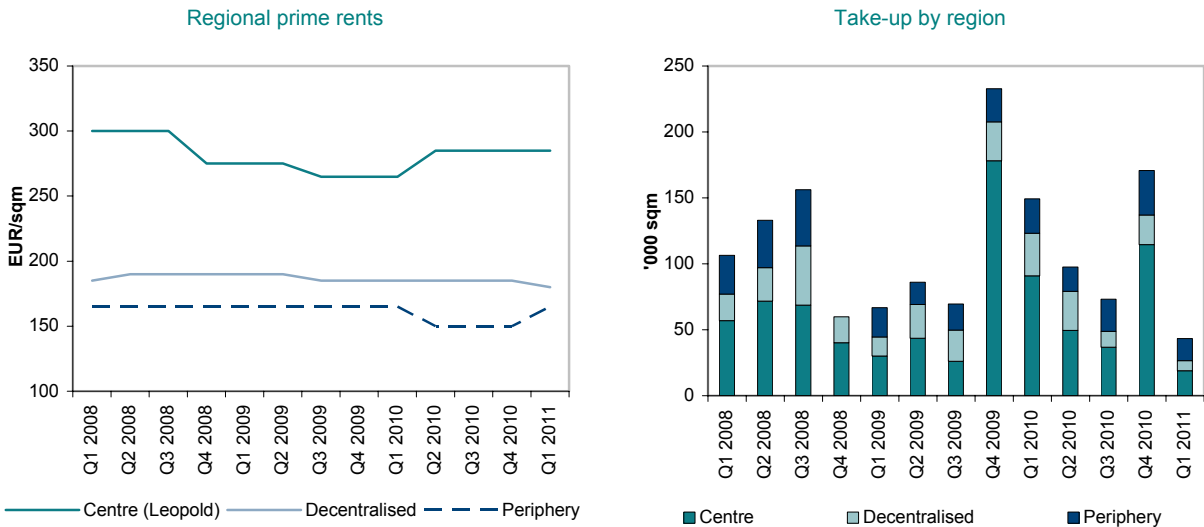
Centre – the best-performing area

As has been the case across Europe, it has been the prime central regions of cities that have outperformed, both during and since the crisis. Prime rents in the 5 sub-regions within the CBD (Centre/Pentagon, Leopold, Louise, North, South) have all been stable for the past three quarters, and have not declined quarter on quarter since Q3 2009.

Historically, the centre has been the most important region for take-up, accounting for over 50% of total city-wide take-up on average since the start of 2009. While Q1 was below average, stronger figures are expected for the full year, including the formal announcement of the EU Commission taking 50,000sqm in the Capital building, which has stood vacant for nearly two years, and which should bring down the vacancy rate by around 60bps.

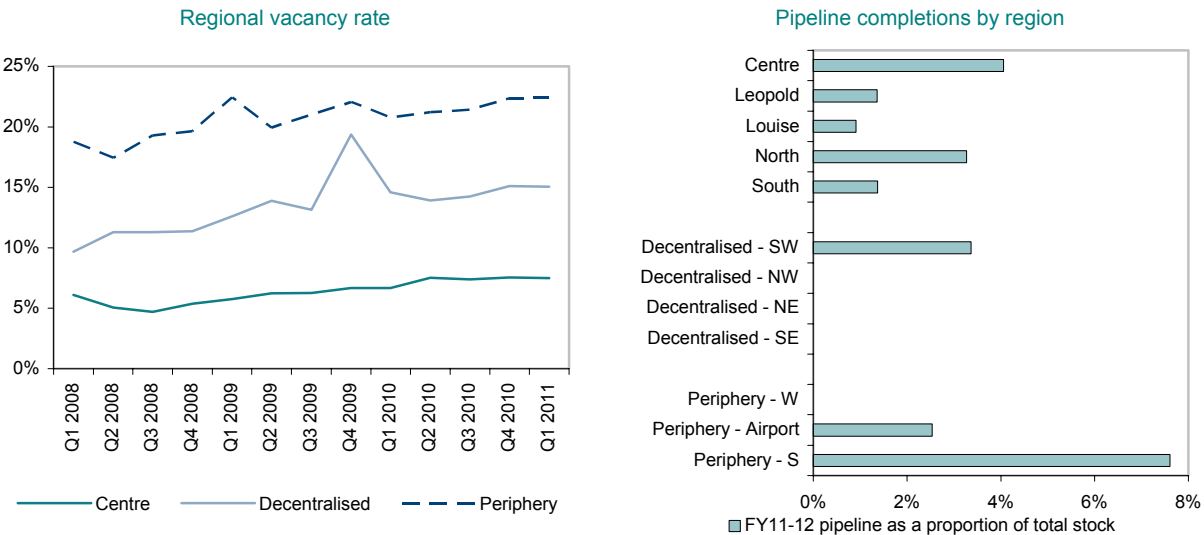
On the supply side, there were no speculative completions in Q1, and only four totalling 21,000sqm are expected to come out of the pipeline by the end of the year. If none of this was absorbed, then we estimate that it would push up the vacancy rate for the Centre (7.5% at Q1 2011) by 20bps.

Figure 56: Regional prime rents and take-up



Source: CBRE, Exane BNP Paribas estimates

Figure 57: Regional vacancy and pipeline



Source: CBRE, Exane BNP Paribas estimates

Decentralised – a turn for the worse in Q1 2011

It was disappointing to see prime rents in all 4 sub-regions within the decentralised district (North-East, North-West, South-East, South-West) fall by an average of 6% over Q1 2011, having been stable for the previous three quarters. There is little new supply coming out of the pipeline, so this deterioration would appear to be take-up driven. Indeed, at just 7,700sqm in Q1 2011, take-up was 76% lower than Q1 2010, and the lowest level recorded since the start of the crisis, and the decentralised district's share of total Q1 2011 take-up was also the lowest it had been for 9 quarters (18% vs 24% long-term average). In DTZ's view, the region "seems to be suffering from a lack of activity on the part of small companies, which usually provide most of the take-up".

On the supply side, one major speculative development was completed in Q1 2011 (Lavoisier, 14,000sqm, in the North-West district), and remains substantially vacant. In our view, vacancy is likely to remain at its current high levels (15%) for the next 12 months at least, given this new delivery, declining take-up, and the fact that, as DTZ has highlighted, 37% of vacant space is located in buildings that are more than 15 years old. We do not expect any meaningful rental growth until the vacancy rate comes down.

Periphery – stabilised, but limited rental growth expected until 22% vacancy reduced

Prime rents appear to have stabilised in the three peripheral sub-regions, with flat growth for over a year in both the Western Periphery and Southern Periphery, and in the Airport sub-region rents grew by 10% over Q1 2011 (EUR150/sqm to EUR165/sqm) having been stable for the previous three quarters, driven by three leasing transactions (2,000sqm, 3,000sqm and 5,000sqm) in the quarter. Overall take-up fundamentals in the periphery are relatively positive: the decentralised region accounted for 39% of Q1 total take-up compared to a long-term average of 24%.

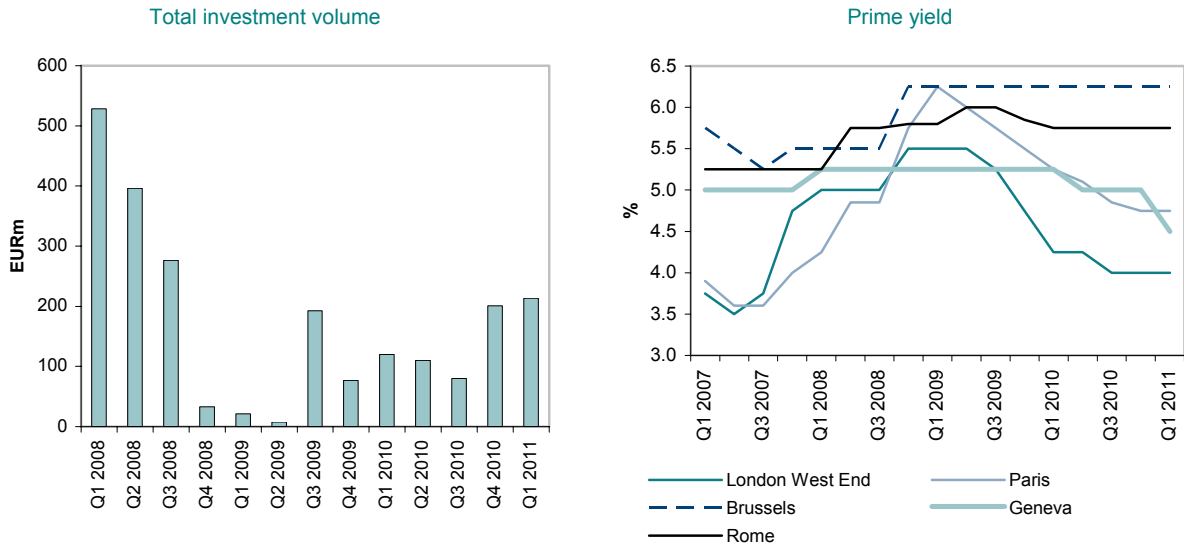
One speculative development of 1,200sqm was delivered in the quarter, and has already been partly let, and only one more completion (Porte du Lion, 4,500sqm) is expected later in the year. A number of projects in the Southern Periphery are scheduled to complete in 2012, and we expect this to put pressure on the already high vacancy rate. We do not rule out modest rental declines if take-up cannot absorb this new supply.

Investment market

A total of EUR213.5m was invested in the Brussels office market in Q1 2011, representing growth of 77% on Q1 2010. Investors are showing a clear preference for newer buildings with long-term leases in place, and the spread between yields on prime central assets and out-of-town buildings with shorter and less secure leases continues to widen.

As the right-hand chart below shows, there has been no yield compression since the end of the crisis. As such, we do not rule out modest yield compression for the very best prime assets over H2, but beyond 2011, yields are unlikely to compress as bond yields start to climb.

Figure 58: Investor appetite cautiously returning, but not translating into yield compression



Source: Jones Lang LaSalle, CBRE

Appendix 2: the Belgian industrial market

Despite continually improving fundamentals on both take-up and supply, we have not seen any rental growth in Belgian industrial real estate over the past year, and we expect this flat growth to continue for the immediate future.

Industrial real estate has historically always been a low-growth market because it offers limited constraints to new supply. This is mainly due to the very short time frame for development (an industrial asset can typically be built in 6 months to a year), which means that developers can quickly respond to any imbalance of demand and supply, limiting the potential for rental growth.

As a result, despite a strong outlook for take-up, and next to no speculative development since the crisis, we do not expect any meaningful growth in industrial rental values over the next 1-2 years.

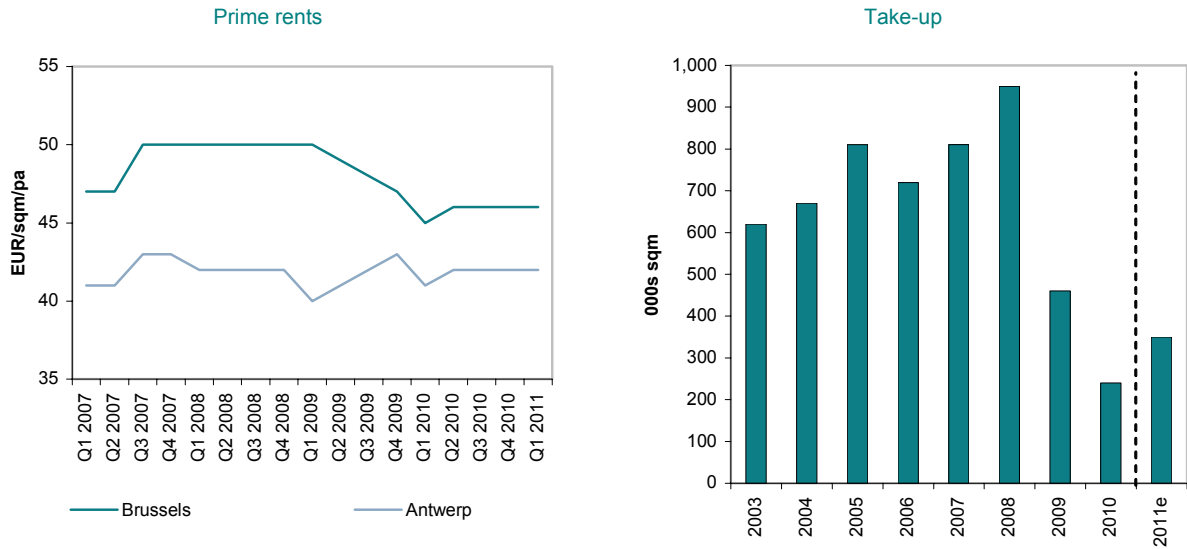
There are two distinct sub-markets within industrial real estate: logistics and semi-industrial. Logistics assets are designed to facilitate the transport distribution of goods, so need to have good access to major motorways, have numerous bays and machinery for loading/unloading lorries, and are generally larger (> 5,000sqm). By contrast, semi-industrial premises are more straightforward warehouses, so tend to have fewer (if any) loading docks, do not need to be located near motorways and are generally also smaller.

Logistics

Prime rents for logistics premises in Brussels fell by 10% between March 2009 and March 2010, but appear to have stabilised at EUR46/sqm for the last three quarters, according to data collected by Cushman & Wakefield. In Antwerp, prime rents actually went up by 8% over 2009, before correcting downwards by 5% over Q1 2010, and have now stabilised at EUR42/sqm for the last three quarters. However, we would highlight that given the historically low levels of take-up recorded over the period the data could be slightly misleading, only reflecting a handful of transactions at the prime end of the market, and not average rents across the board.

Going forward, we expect logistics rents in Belgium to remain broadly stable over the next 12 months, as although we expect an improvement in take-up, we also expect developers to respond quickly to this by launching new schemes that have previously been put on hold.

Figure 59: Belgian industrial prime rents stabilised, take-up recovering



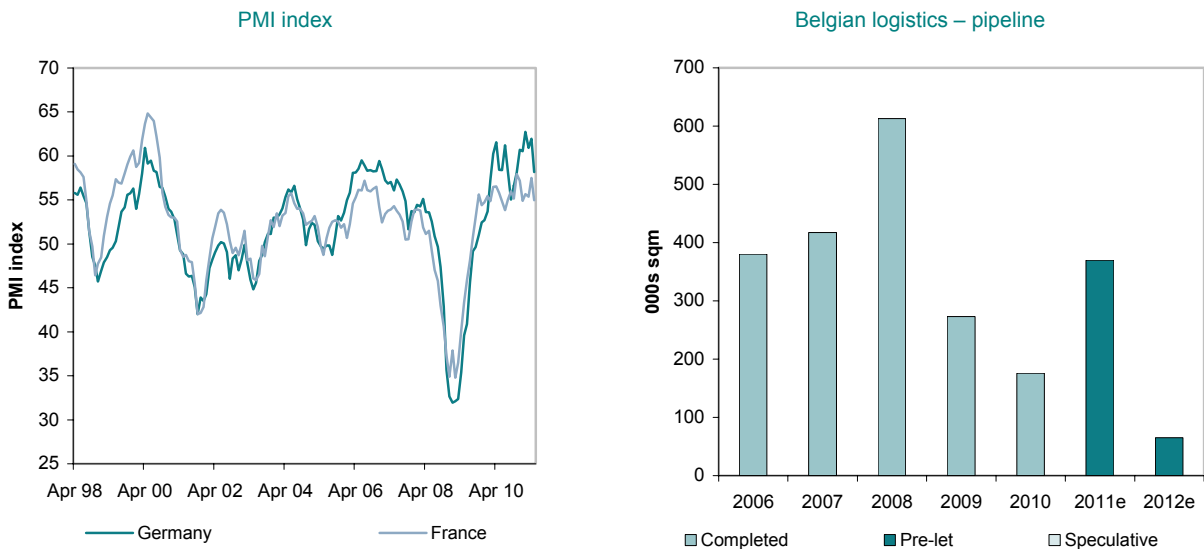
Source: Cushman & Wakefield, Jones Lang LaSalle

Take-up to rebound

Demand for logistics space is highly correlated to the macroeconomy, particularly manufacturing output and trade, with the Belgian logistics market principally driven by the economies of neighbouring Germany and France. As economic activity and international trade collapsed over the financial crisis, take-up of industrial space in Belgium more than halved over 2009, sharply reversing an 8-year trend of steady growth, and almost halved again in 2010.

We expect a rebound in take-up over 2011 from these very low levels, driven by the recovery in industrial output. Although the most recent manufacturing purchasing managers index (PMI) data for Germany and France has shown a slight slowdown, this was always likely following the very strong Q1 data (+1.5% q/q for Germany, and +1.0% for France). Furthermore, our economists still expect good growth over Q2, albeit coming in slightly lower than Q1.

Figure 60: Positive momentum in German/French industrial production, no speculative development



Source: Statistische Bundesamt, INSEE, Jones Lang LaSalle, Exane BNP Paribas estimates

No speculative development visible in pipeline

Thanks to the shorter time frame required to build industrial real estate (compared to offices for example), landlords were able to react quickly to the collapse in take-up over the crisis by cutting their pipelines of new supply. As a result, new completions of logistics space fell by 55% in 2009, and a further 36% in 2010.

Since the crisis, speculative development has all but completely dried up (good news for rental levels), and Jones Lang LaSalle has not identified any speculative completions in Belgium in either 2011 or 2012. While developers often have large landbanks and schemes already planned and approved, they are invariably waiting for a pre-let to be agreed before pulling the trigger.

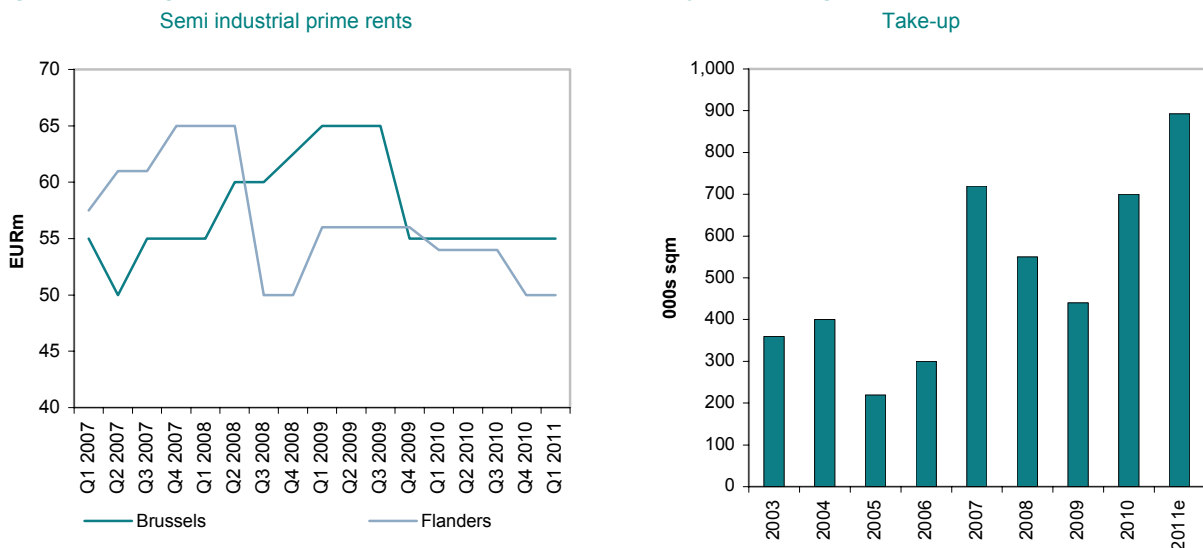
Semi-industrial

In Brussels, prime rents for semi-industrial real estate fell by 15% over the crisis, plummeting from EUR65/sqm to EUR55/sqm over Q4 2009, and have stabilised at this level ever since.

Some interesting trends were observed in Flanders, where prime rents fell by 23% (from EUR65/sqm to EUR50/sqm), with the decline coming 5 quarters earlier than in Brussels (Q3 2008 vs Q4 2009). Rents in Flanders had rebounded to EUR56/sqm 6 months later, but have since fallen back down to EUR50/sqm, and were stable at this level over Q1 2011.

Going forward, we expect rents in both regions to stay broadly stable, given that, as is the case for the logistics market, new supply is highly responsive to changes in take-up, limiting the potential for an imbalance of demand and supply that would drive rental growth.

Figure 61: Flat growth in prime rents expected; flexible supply to meet higher take-up



Source: DTZ, Jones Lang LaSalle

Recovery in take-up to continue

Take-up increased by nearly 60% over 2010, as corporate re-stocking and a recovery in private consumption boosted industrial activity following the crisis. We expect a continuation of this positive trend, in line with our expectation of a continuing economic recovery in the EU (our economists are forecasting +2.3% GDP growth over 2011e). The key risk to this view would be a double dip in the Eurozone (likely driven by sovereign fears), that would be likely to hit industrial production.

All development on pre-let basis

Limited data is available on the pipeline of future supply for semi-industrial real estate. We understand however that, mirroring the logistics market, very little (if any) speculative development is taking place. Developers have pipelines of schemes with planning permission, funding and resources all in place, but are waiting for a pre-let to be agreed before starting work on site. This limits the downward pressure on rents deriving from the pipeline.

Appendix 3: Royal Decree and the Belgian SICAFI regime

Legislation that was introduced last December (Royal Decree of 7 December 2010) has created a new regulatory framework for companies that benefit from the tax-transparent SICAFI status in Belgium (equivalent to UK REIT or French SIIQ system).

The primary rationale behind the changes was to enhance flexibility in order to keep the regime competitive and attractive in the light of the very different post-crisis market conditions.

We believe the following key points in the legislation are the most significant:

Broader range of securities to issue

This allows SICAFIs to issue securities other than shares (eg. convertible bonds, warrants). Nb profit sharing certificates are specifically excluded. Existing shareholders must be given preferential rights.

Increased speed and flexibility on capital increases

A capital increase can now be done via an accelerated (1 day) book-building process, as long as existing shareholders who wish to subscribe are offered a 3-day clawback period ('priority allocation right'). Previously, SICAFIs had to offer a 15-day subscription period, implying a higher exposure to volatility and discounts.

Scip alternative to dividend

Dividends can now be offered with a stock option, allowing shareholders to elect to receive their dividend partly/wholly in shares.

Debt-to-assets ratio

A SICAFI's debt-to-assets ratio is not allowed to go above 65%, and management are required to present a financial plan if the ratio goes above 50%. Additionally, finance costs cannot go above 80% of revenue. The same limits applied previously, but companies now have to comply at consolidated level as well as statutory level. The limits apply at the time of issuance of new debt, not on an ongoing basis (ie. cannot breach due to decline in the fair value of portfolio, as was the case before the new Royal Decree). SICAFIs are also prevented from making a distribution if the debt-to-assets ratio exceeds 65% (or takes ratio above 65%).

Governance and investor protection

Several changes to corporate governance requirements and best practices designed to enhance investor protection. For example, the scope of conflict of interest rules was broadened, requiring minimum of 3 independent board members.

Independence of the real estate expert

Independence of the real estate valuer has been increased: remuneration cannot be linked to the value of the portfolio; valuers must be rotated every three years and must wait three years if rotated off to be eligible to be rotated back.

Institutional SICAFIs

The new legislation allows for the possibility of creating 'institutional' SICAFIs. This allows 'public' SICAFIs (ie. the 'classic' listed collective investment undertakings) to create a special vehicle for specific projects that involve institutional investors (eg. public entities (under PPP), investment firms, insurance companies). Institutional SICAFIs are generally subject to the same new rules as public SICAFIs (re. securities other than shares, capital increases etc).

Belgian SICAFI system

Belgian REITs are known as SICAFIs (société d'investissement en immobilier à capital fixe). According to EPRA, as at September 2010 there were 14 companies registered as SICAFIs, representing a total market capitalisation of cEUR4.5bn. The three companies covered in this note are the three largest SICAFIs in Belgium by market capitalisation.

Figure 62: Comparison of Belgian, French and UK tax regimes

	Belgium	UK	France
Local REIT status name	SICAFI	REIT	SIIC
Year of introduction	1995	2007	2003
Pay-out on FFO requirement	80% of net profit	90% of tax-exempt profits	85% of tax-exempt profits
Pay-out on capital gain requirement	Not included in the distribution obligation, if reinvested within a four-year time period	Not included in the distribution obligation	50% of capital gains
Tax treatment - corporation tax	Eligible rental income excluded from the taxable basis	Income from property rental income is tax-exempt	Eligible income is tax-exempt
Tax treatment - capital gains tax	Tax-exempt	Gains on disposals of property are tax-exempt	Tax-exempt
Exit tax	Real estate assets are to be assessed at market value. 16.995% tax on capital gains	Conversion charge of 2% of the gross market value of property rental business assets	Exit tax payment 19% (up from 16.5% in 2009). Tax losses carried forward are deductible from exit tax basis. Remaining losses are cancelled.

Source: EPRA, Exane BNP Paribas estimates

Analyst location

As per contact details, analysts are based in the following locations: London, UK for telephone numbers commencing +44; Paris, France +33; Brussels, Belgium +32; Frankfurt, Germany +49; Geneva, Switzerland +41; Madrid, Spain +34; Milan, Italy +39; New York, USA +1; Singapore +65; Stockholm, Sweden +46; Zurich, Switzerland +41

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 04/04/2011 Exane BNP Paribas covered 605 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.

40% of stocks covered by Exane BNP Paribas were rated Outperform. During the last 12 months, Exane acted as distributor for BNP Paribas on the 2% 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 9% of the companies accorded this rating*.

38% of stocks covered by Exane BNP Paribas were rated Neutral. 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 4% of the companies accorded this rating*.

22% 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 5% 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.

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)

Unless specified, Exane is unaware of significant conflicts of interest with companies mentioned in this report.

Company	Investment banking	Distributor	Liquidity provider	Corporate links	Analyst's personal interest	Equity stake US Law	Equity stake French Law	Amended after disclosure to company	Additional material conflicts
Befimmo	NO	NO	NO	NO	NO	NO	NO	NO	NO
Cofinimmo	NO	NO	NO	NO	NO	NO	NO	NO	NO
Warehouses De Pauw	NO	NO	NO	NO	NO	NO	NO	NO	NO

Source: Exane

See www.exane.com/disclosureequitiesuk for details

BNP Paribas

Exane is independent of BNP Paribas (BNPP) and the agreement between the two companies is structured to guarantee the independence of Exane's research, published under the brand name "Exane BNP Paribas". Nevertheless, to respect a principle of transparency, we separately identify potential conflicts of interest with BNPP regarding the company/(ies) covered by this research document.

Potential conflicts of interest:

Cofinimmo: BNP acted as BNP P Fortis is acting as joint global coordinator and joint bookrunner for the convertible bond issue (04/2011)

Source: BNP Paribas

Funding Analysis

Befimmo					
Gross cash position at 30 Sep. 10	3				
EURm	Dec. 11	Dec. 12	Dec. 13	Dec. 14	Dec. 15
FCF	71	77	78	85	82
Gross debt reimbursements ¹	0	(170)	(560)	0	0
New funds (debt, capital, divestment)	162				
Other cash outflows (acquisitions etc)					
Dividend base case	(109)	(74)	(71)	(72)	(73)
Net investment	(36)	(44)	(56)	(2)	0
SURPLUS/(SHORTFALL)					
Annual	59	(210)	(609)	10	9
Cumulative	59	(136)	(745)	(735)	(725)
Annual if div is 0 from Dec. 11	na	(136)	(538)	82	82
Cumulative if div is 0 from Dec. 11	na	(63)	(600)	(518)	(436)
Available credit lines	390				
Covenant(s):	ICR > 2.0x LTV < 65% Unsecured assets > higher of EUR1.2bn and 75% of portfolio value				
Loan-to-value ²	36%	45%	46%	45%	44%
Minimum Asset value threshold	1,348	1,410	1,486	1,470	1,456
% change to breach covenants	(31%)	(30%)	(29%)	(31%)	(32%)
EBITDA coverage of interests ²	2.9x	3.5x	3.1x	3.0x	2.8x
Minimum EBITDA threshold	70	62	76	83	91
% change to breach covenants	(44%)	(43%)	(35%)	(34%)	(29%)

¹ Gross debt reimbursement post Dec.15: EUR222m

² Ratio based on our estimates

► Befimmo has a slightly higher-than-average LTV compared to peers (45% for 2013e vs 41% for the sector), although this is lower than the two other Belgian stocks in our coverage. On our estimates, Befimmo is at limited risk of breaching its covenants. Our funding analysis suggests a cumulative shortfall of EUR136m at y/e 2012e, well-covered by available credit lines of EUR390m at Sept-2010. (Comment updated on 28 Jun. 11)

Warehouses De Pauw				
Gross cash position at 31 Dec. 10	1			
EURm	Dec. 11	Dec. 12	Dec. 13	Dec. 14
FCF	38	40	42	44
Gross debt reimbursements ¹	(127)	(31)	(31)	(131)
New funds (debt, capital, divestment)				
Other cash outflows (acquisitions etc)				
Dividend base case	(14)	(39)	(39)	(39)
Net investment	(61)	(33)	(43)	0
SURPLUS/(SHORTFALL)				
Annual	(162)	(63)	(71)	(126)
Cumulative	(162)	(225)	(296)	(422)
Annual if div is 0	na	(24)	(32)	(87)
Cumulative if div is 0	na	(186)	(218)	(306)
Available credit lines	135			
Covenant(s):	ICR > 1.5x Net debt / total assets > 65% (nb SICAFI rule, not bank covenant)			
EBITDA coverage of interests ²	2.8x	2.7x	2.6x	2.6x
Minimum EBITDA threshold	33	36	40	43
% change to breach covenants	(46%)	(45%)	(43%)	(41%)
Loan-to-value ²	60%	63%	67%	65%
Minimum Asset value threshold	807	856	917	910
% change to breach covenants	(19%)	(18%)	(17%)	(19%)

¹ Gross debt reimbursement post Dec.14: EUR181m

² Ratio based on our estimates

► If we include the value of the solar panels in the value of the portfolio, then WdP's LTV is 57% (down from 67% excluding solar assets). We highlight that WdP do not have any banking covenants on LTV, only the SICAFI requirement that net debt does not exceed 65% of total assets, which is at very limited risk of breach on our estimates. We expect WdP to face a financing shortfall of EUR225m, 60% covered by available credit lines of EUR135m. (Comment updated on 30 Jun. 11)

Source: Exane BNP Paribas estimates

Cofinimmo				
Gross cash position at 31 Dec. 10	3			
EURm	Dec. 11	Dec. 12	Dec. 13	Dec. 14
FCF	103	102	106	109
Gross debt reimbursements ¹	(201)	(236)	(391)	(341)
New funds (debt, capital, divestment)	173			
Other cash outflows (acquisitions etc)				
Dividend base case	(65)	(91)	(91)	(93)
Net investment	(116)	(79)	(106)	0
SURPLUS/(SHORTFALL)				
Annual	(103)	(305)	(482)	(325)
Cumulative	(103)	(407)	(889)	(1,215)
Annual if div is 0	na	(213)	(391)	(232)
Cumulative if div is 0	na	(316)	(707)	(939)
Available credit lines	425			
Covenant(s):	ICR > 2.0x LTV < 57.5%			
EBITDA coverage of interests ²	2.5x	2.4x	2.3x	2.2x
Minimum EBITDA threshold	140	153	173	190
% change to breach covenants	(22%)	(16%)	(12%)	(8%)
Loan-to-value ²	54%	54%	55%	54%
Minimum Asset value threshold	2,934	3,053	3,211	3,184
% change to breach covenants	(6%)	(6%)	(5%)	(7%)

¹ Gross debt reimbursement post Dec.14: EUR958m

² Ratio based on our estimates

► Over 2010 the balance sheet was strengthened by a sale of treasury shares (raising EUR69m) and the issue of a 3-year non-convertible bond for EUR50m, and further strengthened in 2011 by the issues of a EUR173m convertible bond. Our funding analysis suggests cumulative financing needs of EUR407m by 2012e, just covered by available credit lines of EUR425m. We note that Cofinimmo has already renegotiated its 2011 maturities. (Comment updated on 28 Jun. 11)

BEFIMMO (Underperform)

Offices | Real Estate (Underperform) - Belgium

Price at 28 Jun. 11 / Target Price

EUR61.0 / EUR57 -6%

Business

Befimmo is one of the leading players in the Belgian real estate market, with a portfolio consisting wholly of offices that was valued at EUR1.9bn at last year end (Sept 2010). During the 2006/07 fiscal year, the company acquired a 90% shareholding in Fedimmo SA, owners of a portfolio of 62 buildings all occupied by federal public services, valued at EUR725.5m at the time of the transaction. Befimmo now derives 59% of its revenues from the Belgian public sector. Befimmo benefits from the tax-transparent Sicafi status.

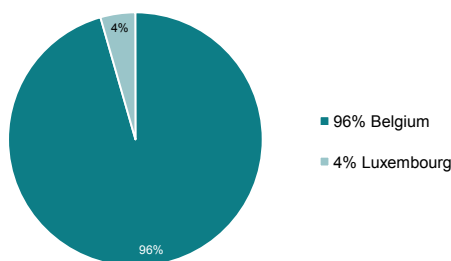
Management

Benoit De Blicq, CEO
Alain Devos, Chairman

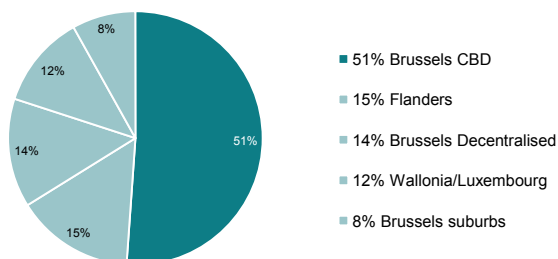
Shareholders

AG Insurance	18.1%
Treasury shares	3.6%
Other Shareholders	78.2%

Geographical breakdown of 2013e EBITDA



Breakdown by activity of 2013e EBITDA



Analyst

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Peer group YTD performance

Stock	Price (28 Jun. 11)	YTD performance in EUR (%)	
		Abs.	Rel. Sector
FEL (=)	EUR 3.75	28.9	21
Land Securities (+)	p 834	20.9	14
Gecina (-)	EUR 95.2	20.8	14
Fo. des Murs (-)	EUR 21.2	19.3	12
PSP (-)	CHF 78.5	16.2	9
IGD (=)	EUR 1.64	15.9	9
Icade (+)	EUR 83.8	14.3	7
CeGeREAL (+)	EUR 24.9	12.2	6
Beni Stabili (=)	EUR 0.69	11.5	5
Unibail-Rodamco (=)	EUR 155.9	10.9	4
Silic (+)	EUR 98.0	10.7	4
Hammerson (=)	p 471	10.5	4
FDL (=)	EUR 18.7	10.4	4
British Land (+)	p 589	10.4	4
WdP (-)	EUR 37.9	10.0	3
ANF (+)	EUR 32.2	8.8	2
Klépierre (+)	EUR 27.7	7.7	1
SEGRO (=)	p 309	6.8	0.5
Mercialys (+)	EUR 29.0	6.0	(0)
Fo. des Régions (-)	EUR 72.0	5.3	(1)
Cofinimmo (=)	EUR 97.3	4.9	(1)
Befimmo (-)	EUR 61.0	(0.6)	(6)
Eurocommercial (=)	EUR 34.1	(1.1)	(7)
Nexity (+)	EUR 31.6	(1.9)	(8)
Corio (-)	EUR 44.1	(3.6)	(9)

Sector calendar

30 Jun. 11	Gecina: Investor Day (Paris)
12 Jul. 11	Castellum: H1 2011 Results
13 Jul. 11	Citycon: Q2 2011 Results (09:00 CET)
15 Jul. 11	British Land: AGM Land Securities: Investor Day (Leeds)
19 Jul. 11	Fo. des Murs: H1 2011 Results Land Securities: Q1 2011/2012 Interim Management Statement
20 Jul. 11	FDL: H1 2011 Results Unibail-Rodamco: H1 2011 Results
21 Jul. 11	Beni Stabili: H1 2011 Results Land Securities: AGM
22 Jul. 11	CeGeREAL: H1 2011 Results
25 Jul. 11	Klépierre: H1 2011 Results Klépierre: H1 2011 Sales and Results
26 Jul. 11	Icade: Q2 2011 Results
27 Jul. 11	Fo. des Régions: H1 2011 Results Gecina: H1 2011 Results Silic: H1 2011 Results
28 Jul. 11	Nexity: H1 2011 Results Realia Business: H1 2011 Results Tour Eiffel: H1 2011 Results
29 Jul. 11	FEL: H1 2011 Results
01 Aug. 11	Cofinimmo: H1 2011 Results
04 Aug. 11	British Land: Q1 2011/2011 Results Hammerson: H1 2011 Results VastNed O I: H1 2011 Results VastNed Retail: H1 2011 Results Wereldhave: Interim statement 2011
12 Aug. 11	IVG Immobilien: Q2 2011 Results
16 Aug. 11	PSP: H1 2011 Results

Price at 28 Jun. 11 / Target Price

EUR61.0 / EUR57 -6%

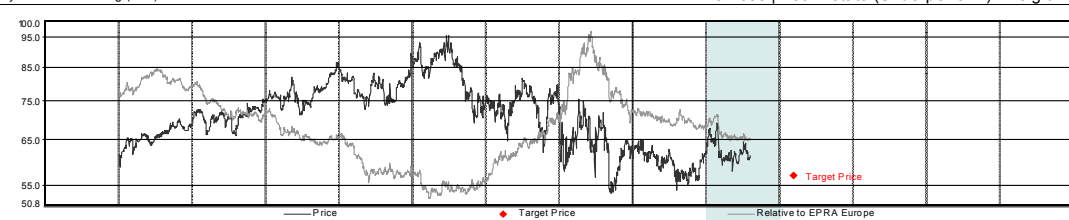
Reuters / Bloomberg: BEFB.BR / BEFB.BB

Analyst: Simon Fickling (+44) 207 039 9542

BEFIMMO (Underperform)

Offices | Real Estate (Underperform) - Belgium

Company Highlights		EURm	
Enterprise value		1,978	
Market capitalisation		1,023	
Free float		831	
3m average volume		1	
Performance (*)			
Absolute	1m (3%)	3m (1%)	12m (11%)
Rel. Sector	(0%)	(4%)	(11%)
Rel. MSCI SMID	3%	3%	(1%)
12m Hi/Lo (EUR) : 69.1 -12% / 55.1 +11%			
CAGR			
Diluted FFO PS	2004/2011 (3%)	2011/2015 (4%)	
Diluted NNAV PS	(1%)	3%	



	Sep. 03	Sep. 04	Sep. 05	Sep. 06	Sep. 07	Sep. 08	Sep. 09	Sep. 10	Dec. 11e	Dec. 12e	Dec. 13e	Dec. 14e	Dec. 15e
Price (yearly avg from Sep. 03 to Sep. 10)	65.9	70.9	77.2	79.0	83.7	74.0	63.9	59.9	61.0	61.0	61.0	61.0	61.0
PER SHARE DATA (EUR)													
No of shares year end, basic, (m)	9,794	9,794	9,794	9,794	13,059	13,059	16,790	16,790	16,790	16,790	16,790	16,790	16,790
Average no of shares, diluted, excl. treasury stocks (m)	9,794	9,794	9,794	9,794	10,823	13,059	14,061	16,790	16,790	16,790	16,790	16,790	16,790
Diluted FFO	5.38	5.19	5.08	4.92	4.36	4.18	5.43	4.69	5.06	4.37	4.40	4.80	4.66
Net dividend	4.45	4.62	4.80	4.92	4.51	4.55	4.40	3.91	4.93	3.98	4.02	4.06	4.10
Diluted NAV	61.40	61.77	68.28	67.38	70.75	73.38	59.85	61.68	58.60	59.66	60.64	63.35	65.28
Diluted NNAV	61.30	61.65	67.59	67.13	71.32	73.98	58.49	60.27	57.78	58.96	60.06	62.89	64.82
Diluted NNAV	61.30	61.65	67.59	67.13	71.32	73.98	58.49	60.27	57.81	58.90	59.94	62.56	64.34

	Sep. 03	Sep. 04	Sep. 05	Sep. 06	Sep. 07	Sep. 08	Sep. 09	Sep. 10	Dec. 11e	Dec. 12e	Dec. 13e	Dec. 14e	Dec. 15e
STOCKMARKET RATIOS	YEARLY AVERAGE PRICES for end Sep. 03 to Sep. 10												
NOPT yield	8.2%	5.4%	5.6%	5.3%	5.0%	4.9%	6.1%	5.6%	6.3%	5.4%	5.6%	6.2%	6.3%
FFO yield	8.2%	7.3%	6.6%	6.2%	5.2%	5.6%	8.5%	7.8%	6.6%	7.2%	7.2%	7.9%	7.6%
Dividend yield	6.8%	6.5%	6.2%	6.2%	5.4%	6.1%	6.9%	6.5%	8.1%	6.5%	6.6%	6.7%	6.7%
Premium/(Discount) to GAV	4%	8%	9%	11%	10%	0%	9%	(0%)	(4%)	(9%)	(13%)	(18%)	(23%)
Premium/(Discount) to NNAV	7%	15%	14%	18%	17%	0%	18%	(1%)	(7%)	(14%)	(20%)	(27%)	(32%)
Premium/(Discount) to NNAV	7%	15%	14%	18%	17%	0%	18%	(1%)	(7%)	(14%)	(20%)	(26%)	(31%)

	Sep. 03	Sep. 04	Sep. 05	Sep. 06	Sep. 07	Sep. 08	Sep. 09	Sep. 10	Dec. 11e	Dec. 12e	Dec. 13e	Dec. 14e	Dec. 15e
ENTERPRISE VALUE (EURm)	1,113	1,225	1,168	1,168	1,737	1,861	1,759	1,878	1,978	2,016	2,064	2,051	2,042
Market cap	645	694	756	773	906	967	898	1,005	1,023	1,023	1,023	1,023	1,023
+ Net debt	467	529	405	392	773	841	776	784	876	917	966	956	946
+ Minority interests	0	0	0	0	65	62	62	64	64	64	64	64	64
+ Derivatives	1	1	1	(0)	(8)	(9)	16	18	8	6	4	2	2
+ Other debt marked to market adjustment	0	0	6	3	1	1	6	6	6	6	6	6	6

	Sep. 03	Sep. 04	Sep. 05	Sep. 06	Sep. 07	Sep. 08	Sep. 09	Sep. 10	Dec. 11e	Dec. 12e	Dec. 13e	Dec. 14e	Dec. 15e
P & L HIGHLIGHTS (EURm)	Switch to IFRS data from FY ended 09/05												
Rental income	78.3	78.5	79.5	76.3	104.9	109.5	119.1	124.0	156.6	133.1	138.8	147.8	149.3
Operating expenses	(4.2)	(5.6)	(6.8)	(5.9)	(7.9)	(7.4)	(3.8)	(7.1)	(15.4)	(13.1)	(11.1)	(8.9)	(9.0)
Other operating income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
G&A expenses	(5.5)	(6.2)	(6.3)	(7.8)	(8.9)	(10.6)	(8.0)	(10.8)	(16.1)	(11.2)	(11.4)	(11.6)	(11.8)
EBITDA	68.6	66.7	66.4	62.5	88.1	91.4	107.3	106.1	125.1	108.8	116.3	127.2	128.6
Associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-real estate depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial expenses	(15.8)	(15.2)	(16.0)	(13.7)	(37.6)	(32.4)	(29.3)	(22.8)	(35.0)	(31.1)	(37.9)	(41.7)	(45.6)
Pre-tax recurring profit	52.8	51.5	50.4	48.8	50.5	59.0	78.0	83.3	90.1	77.7	78.4	85.5	82.9
Current taxation	(0.1)	(0.7)	(0.7)	(0.6)	(0.6)	(0.6)	(0.5)	(0.7)	(0.9)	(0.8)	(0.8)	(0.8)	(0.8)
Minorities	0.0	0.0	0.0	0.0	(2.7)	(3.7)	(1.1)	(3.9)	(4.2)	(3.6)	(3.7)	(4.0)	(3.9)
FFO	52.7	50.9	49.7	48.2	47.2	54.6	76.4	78.8	85.0	73.3	73.9	80.7	78.2
Real estate depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
After-tax unrealised valuation movements	(7.5)	(5.8)	14.5	17.8	41.8	3.6	(109.7)	(38.1)	5.5	15.0	10.8	31.4	20.5
Other items	(0.1)	(1.1)	0.0	0.0	0.0	0.0	(1.2)	6.1	0.0	0.0	0.0	0.0	0.0
Net income	45.1	43.9	64.2	66.0	89.1	58.2	(34.5)	46.7	90.5	88.3	84.8	112.0	98.7
NOPT	68.5	66.0	65.7	61.8	87.5	90.8	106.8	105.5	124.2	108.0	115.6	126.4	127.7

	Sep. 03	Sep. 04	Sep. 05	Sep. 06	Sep. 07	Sep. 08	Sep. 09	Sep. 10	Dec. 11e	Dec. 12e	Dec. 13e	Dec. 14e	Dec. 15e
CASH FLOW HIGHLIGHTS (EURm)													
FFO total share	52.7	50.9	49.7	48.2	49.9	58.3	77.5	82.7	89.2	77.0	77.6	84.7	82.1
Other recurring items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash flow from operations	52.7	50.9	49.7	48.2	49.9	58.3	77.5	82.7	89.2	77.0	77.6	84.7	82.1
Investments	(4.3)	(72.7)	(38.4)	(0.2)	(718.3)	(144.8)	(123.3)	(34.8)	(104.0)	(43.6)	(56.0)	(2.2)	0.0
Disposals	0.6	3.7	0.0	2.8	22.4	64.9	3.9	58.8	58.8	0.0	0.0	0.0	0.0
Change in working capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net investments	(3.7)	(69.0)	(38.4)	2.6	(695.8)	(79.9)	(119.5)	24.0	(45.2)	(43.6)	(56.0)	(2.2)	0.0
Distributed dividend	(43.6)	(45.3)	(45.3)	(47.0)	(48.2)	(49.8)	(60.6)	(62.7)	(136.0)	(73.7)	(71.0)	(72.0)	(72.6)
Capital increases	0.0	0.0	0.0	0.0	256.3	0.0	159.5	0.0	0.0	0.0	0.0	0.0	0.0
Change in borrowings	0.0	45.2	(116.0)	(11.0)	402.5	61.1	(80.0)	(1.7)	105.2	43.6	56.0	2.2	0.0
Other non-recurring items	(2.4)	7.0	160.1	9.4	25.6	9.5	24.6	(45.0)	0.0	0.0	0.0	0.0	0.0
Total cash flow	3.1	(11.2)	10.1	2.2	(9.7)	(0.7)	1.5	(2.6)	13.3	3.3	6.6	12.6	9.5

	Sep. 03	Sep. 04	Sep. 05	Sep. 06	Sep. 07	Sep. 08	Sep. 09	Sep. 10	Dec. 11e	Dec. 12e	Dec. 13e	Dec. 14e	Dec. 15e
BALANCE SHEET HIGHLIGHTS (EURm)													
Property investments	1,055	1,125	1,140	1,078	1,815	1,887	1,923	1,923	1,962	2,021	2,088	2,125	2,149
Other fixed assets	0	0	0	0	1	1	1	1	1	1	1	1	1
Working capital	0	0	0	0	0	0	0	0	0	0	0	0	0
Net intangibles	0	0	0	0	16	16	16	16	16	16	16	16	16
Other net assets	13	9	(66)	(27)	(70)	(42)	(97)	(55)	(55)	(55)	(55)	(55)	(55)
Capital employed	1,068	1,134	1,074	1,052	1,762	1,861	1,842	1,885	1,924	1,983	2,050	2,087	2,111
Long-term debt	(116)	(186)	(116)	(91)	(149)	(87)	(745)	(585)	(690)	(734)	(790)	(792)	(792)
Short-term debt	(373)	(350)	(304)	(317)	(663)	(15)	(47)	(206)	(206)	(206)	(206)	(206)	(206)
Cash	14	3	13	15	5	5	6	3	17	20	27	39	49
Financial assets	10	4	2	2	33	27	10	3	3	3	3	3	3
Net debt	(467)	(529)	(405)	(392)	(773)	(841)	(776)	(784)	(876)	(917)	(966)	(956)	(946)
Minority interests	0	0	0	0	65	62	62	64	64	64	64	64	64
NAV	601	605	669	660	924	958	1,005	1,036	984	1,002	1,018	1,064	1,096
Derivatives	(1)	(1)	(1)	0	8	9	(16)	(8)	(8)	(6)	(4)	(2)	(2)
Other marked to market adjustment	0	0	(6)	(3)	(1)	(1)	(6)	(6)	(6)	(6)	(6)	(6)	(6)
NNAV	600	604	662	658	931	966	982	1,012	970	990	1,008	1,056	1,088
Net deferred tax liabilities	0	0	0	0	0	0	0	0	1	(1)	(2)	(6)	(8)
NNNAV	600	604	662	658	931	966	982	1,012					

COFINIMMO (Neutral)

Offices | Real Estate (Underperform) - Belgium

Price at 28 Jun. 11 / Target Price

EUR97.3 / EUR97 +0%

Business

Cofinimmo is a Belgian real estate company with a portfolio of c.EUR3bn, most heavily weighted towards Brussels offices (43% of 2012e EBITDA). More recently, the company has diversified into healthcare assets in Belgium and France (30% of 2012e EBITDA) and Pubs (14% of 2012e EBITDA). The company tends to invest in low-risk assets with long-leases.

Cofinimmo operates under the tax-transparent SICAFI structure.

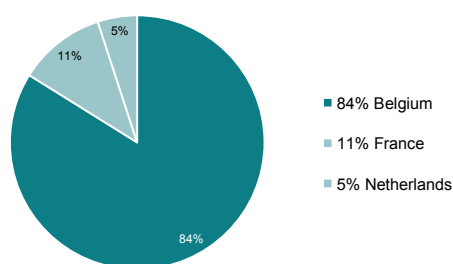
Management

Serge Fautré, CEO
Jean Franken, COO
Jean-Edouard Carbonnelle, CFO

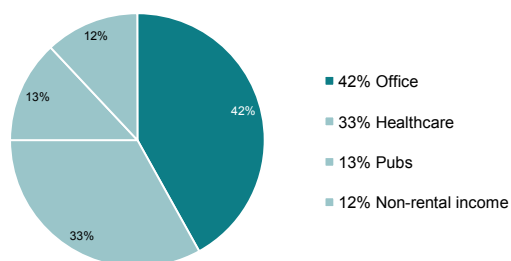
Shareholders

Dexia Group	6.0%
Treasury Stock	0.4%
Other Shareholders	93.7%

2013e EBITDA by region



2013e EBITDA by activity



Analyst

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simon.fickling@exanebpnbparibas.com

Peer group YTD performance

Stock	Price (28 Jun. 11)	YTD performance in EUR (%)	
		Abs.	Rel. Sector
FEL (=)	EUR 3.75	28.9	21
Land Securities (+)	p 834	20.9	14
Gecina (-)	EUR 95.2	20.8	14
Fo. des Murs (-)	EUR 21.2	19.3	12
PSP (-)	CHF 78.5	16.2	9
IGD (=)	EUR 1.64	15.9	9
Icade (+)	EUR 83.8	14.3	7
CeGeREAL (+)	EUR 24.9	12.2	6
Beni Stabili (=)	EUR 0.69	11.5	5
Unibail-Rodamco (=)	EUR 155.9	10.9	4
Silic (+)	EUR 98.0	10.7	4
Hammerson (=)	p 471	10.5	4
FDL (=)	EUR 18.7	10.4	4
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Klépierre (+)	EUR 27.7	7.7	1
SEGRO (=)	p 309	6.8	0.5
Mercialys (+)	EUR 29.0	6.0	(0)
Fo. des Régions (-)	EUR 72.0	5.3	(1)
Cofinimmo (=)	EUR 97.3	4.9	(1)
Befimmo (-)	EUR 61.0	(0.6)	(6)
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Sector calendar

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21 Jul. 11	Beni Stabili: H1 2011 Results Land Securities: AGM
22 Jul. 11	CeGeREAL: H1 2011 Results
25 Jul. 11	Klépierre: H1 2011 Results Klépierre: H1 2011 Sales and Results
26 Jul. 11	Icade: Q2 2011 Results
27 Jul. 11	Fo. des Régions: H1 2011 Results Gecina: H1 2011 Results Silic: H1 2011 Results
28 Jul. 11	Nexity: H1 2011 Results Realia Business: H1 2011 Results Tour Eiffel: H1 2011 Results
29 Jul. 11	FEL: H1 2011 Results
01 Aug. 11	Cofinimmo: H1 2011 Results
04 Aug. 11	British Land: Q1 2011/2011 Results Hammerson: H1 2011 Results VastNed O I: H1 2011 Results VastNed Retail: H1 2011 Results Wereldhave: Interim statement 2011
12 Aug. 11	IVG Immobilien: Q2 2011 Results
16 Aug. 11	PSP: H1 2011 Results

Price at 28 Jun. 11 / Target Price

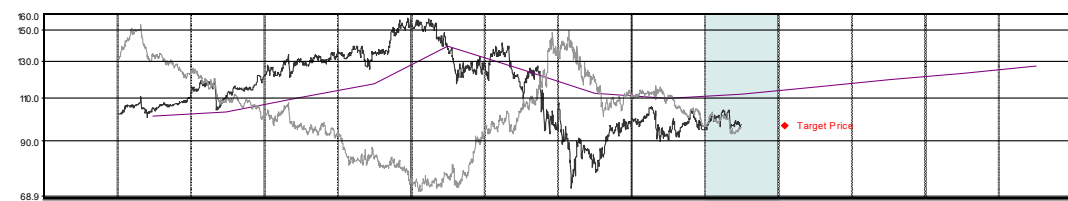
EUR97.3 / EUR97.0%

Reuters / Bloomberg: COFB.BR / COFB.BB Analyst: Simon Fickling (+44) 207 039 9542

COFINIMMO (Neutral)

Offices | Real Estate (Underperform) - Belgium

Company Highlights				EURm
Enterprise value				3,125
Market capitalisation				1,357
Free float				1,270
3m average volume				3
Performance (*)				
Absolute	1m	3m	12m	
	(0%)	(1%)	10%	
Rel. Sector	3%	(4%)	(12%)	
Rel. MSCI SMID	6%	3%	(2%)	
12m Hi/Lo (EUR) : 103.9 -6% / 90.6 +7%				
CAGR				
	2004/2011	2011/2015		
Diluted FFO PS	(2%)	1%		
Diluted NNAV PS	1%	3%		



	Price (yearly avg from Dec. 03 to Dec. 10)											Price		10'nnavps		Relative to EPRA Europe					
	105.5	114.4	128.3	138.9	138.7	120.5	89.5	97.5	97.3	97.3	97.3	97.3	97.3	97.3	97.3	97.3	97.3				
PER SHARE DATA (EUR)	Dec. 03	Dec. 04	Dec. 05	Dec. 06	Dec. 07	Dec. 08	Dec. 09	Dec. 10	Dec. 11e	Dec. 12e	Dec. 13e	Dec. 14e	Dec. 15e								
No of shares year end, basic, (m)	8,865	9,128	9,720	9,872	9,909	10,988	12,683	13,614	13,945	13,945	13,945	13,945	13,945								
Average no of shares, diluted, excl. treasury stocks (m)	8,865	10,365	11,220	11,220	11,372	12,384	14,009	14,864	16,570	16,680	16,680	16,680	16,680								
Diluted FFO	8.31	7.87	8.61	8.13	7.38	7.42	7.47	8.02	6.97	6.88	7.12	7.28	7.34								
Net dividend	7.25	7.30	7.35	7.40	7.75	7.80	6.50	6.50	6.50	6.50	6.63	6.76	6.97								
Diluted NAV	98.91	101.43	109.89	114.28	131.79	126.49	114.88	112.86	114.63	117.36	120.36	123.33	126.28								
Diluted NNAV	98.91	101.17	107.95	114.85	133.25	121.78	109.76	107.16	109.83	113.00	116.12	119.21	122.46								
Diluted NNAV	98.91	101.17	107.95	114.85	121.84	109.21	99.37	97.50	100.12	103.29	106.77	110.22	113.51								
STOCKMARKET RATIOS	YEARLY AVERAGE PRICES for end Dec. 03 to Dec. 10											Dec. 07	Dec. 08	Dec. 09	Dec. 10	Dec. 11e	Dec. 12e	Dec. 13e	Dec. 14e	Dec. 15e	
NOPAT yield	6.2%	5.1%	5.1%	4.8%	4.3%	5.1%	6.1%	5.9%	5.5%	5.6%	5.9%	6.3%	6.4%								
FFO yield	7.9%	6.9%	6.7%	5.9%	5.3%	6.2%	8.3%	8.2%	7.2%	7.1%	7.3%	7.5%	7.5%								
Dividend yield	6.9%	6.4%	5.7%	5.3%	5.6%	6.5%	7.3%	6.7%	6.7%	6.7%	6.8%	7.0%	7.2%								
Premium/(Discount) to GAV	4%	6%	9%	10%	1%	(1%)	(6%)	(4%)	(8%)	(12%)	(15%)	(19%)	(23%)								
Premium/(Discount) to NNAV	7%	13%	19%	21%	4%	(1%)	(14%)	(9%)	(16%)	(21%)	(27%)	(31%)	(35%)								
Premium/(Discount) to NNAV	7%	13%	19%	21%	14%	10%	(4%)	0%	(8%)	(15%)	(21%)	(26%)	(31%)								
ENTERPRISE VALUE (EURm)	1,707	2,023	2,289	2,470	2,922	3,211	2,910	3,028	3,125	3,192	3,281	3,263	3,243								
Market cap	936	1,014	1,247	1,350	1,369	1,312	1,136	1,328	1,357	1,357	1,357	1,357	1,357								
+ Net debt	694	1,006	1,023	1,126	1,548	1,831	1,695	1,609	1,687	1,755	1,846	1,831	1,816								
+ Minority interests	78	0	0	0	21	9	8	7	7	7	7	7	7								
+ Derivatives	0	2	19	(6)	(17)	59	72	85	75	73	71	69	64								
+ Other debt marked to market adjustment	0	0	0	0	0	0	0	0	0	0	0	0	0								
P & L HIGHLIGHTS (EURm)	Switch to IFRS data from FY ended 12/04											Dec. 06	Dec. 07	Dec. 08	Dec. 09	Dec. 10	Dec. 11e	Dec. 12e	Dec. 13e	Dec. 14e	Dec. 15e
Rental income	127.8	132.1	144.2	137.5	146.6	187.8	197.9	195.1	189.4	192.8	204.7	213.6	216.9								
Operating expenses	(19.0)	(19.4)	(21.5)	(21.9)	(20.6)	(21.0)	(24.0)	(24.9)	(25.4)	(27.3)	(27.5)	(26.9)	(27.4)								
Other operating income	1.2	0.0	2.6	9.2	10.1	11.1	17.7	21.1	20.5	22.9	25.2	27.5	30.0								
G&A expenses	(3.6)	(6.8)	(6.1)	(4.6)	(5.5)	(7.3)	(6.4)	(6.3)	(6.5)	(6.6)	(6.7)	(6.9)	(7.0)								
EBITDA	106.4	105.9	119.2	120.1	130.6	170.5	185.2	185.0	178.0	181.8	195.7	207.3	212.5								
Associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0								
Non-real estate depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0								
Net financial expenses	(28.0)	(31.5)	(29.3)	(35.7)	(51.8)	(81.8)	(81.2)	(66.3)	(69.8)	(76.5)	(86.4)	(95.2)	(99.4)								
Pre-tax recurring profit	78.4	74.4	89.9	84.4	78.8	88.7	104.0	118.7	108.2	105.2	109.3	112.1	113.1								
Current taxation	(0.8)	(2.4)	(2.9)	(2.8)	(4.2)	(6.1)	(7.3)	(7.2)	(5.4)	(3.2)	(3.3)	(3.4)	(3.4)								
Minorities	(3.9)	0.0	0.0	0.0	(0.2)	(0.3)	(0.5)	(0.2)	(0.7)	(0.6)	(0.7)	(0.7)	(0.7)								
FFO	73.7	72.0	87.0	81.7	74.4	82.3	96.2	111.2	102.1	101.5	105.4	108.1	109.0								
Real estate depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0								
After-tax unrealised valuation movements	0.0	(5.7)	2.5	51.8	68.1	(97.1)	(72.2)	(35.4)	31.4	33.4	33.8	32.5	36.1								
Other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0								
Net income	73.7	66.3	89.5	133.4	142.5	(14.9)	24.0	75.8	133.5	134.8	139.2	140.5	145.1								
NOPAT	105.6	103.5	116.3	117.4	126.4	164.5	177.8	172.6	172.6	178.6	192.4	203.9	209.1								
CASH FLOW HIGHLIGHTS (EURm)	Dec. 03	Dec. 04	Dec. 05	Dec. 06	Dec. 07	Dec. 08	Dec. 09	Dec. 10	Dec. 11e	Dec. 12e	Dec. 13e	Dec. 14e	Dec. 15e								
FFO total share	77.6	72.0	87.0	81.7	74.6	82.6	96.7	111.5	102.8	102.1	106.1	108.7	109.7								
Other recurring items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0								
Net cash flow from operations	77.6	72.0	87.0	81.7	74.6	82.6	96.7	111.5	102.8	102.1	106.1	108.7	109.7								
Investments	(116.5)	(289.0)	(412.2)	(193.8)	(793.6)	(602.5)	(229.1)	(102.0)	(234.6)	(79.5)	(105.6)	0.0	0.0								
Disposals	17.9	50.2	330.3	63.6	404.0	228.6	325.1	100.5	119.0	0.0	0.0	0.0	0.0								
Change in working capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0								
Net investments	(98.6)	(238.9)	(81.8)	(130.2)	(389.6)	(373.9)	96.1	(1.5)	(115.6)	(79.5)	(105.6)	0.0	0.0								
Distributed dividend	(53.8)	(64.3)	(64.7)	(71.4)	(72.2)	(77.1)	(86.2)	(82.7)	(65.4)	(91.3)	(91.3)	(93.1)	(95.0)								
Capital increases	73.6	29.3	75.1	0.0	0.0	0.0	97.0	80.0	0.0	0.0	0.0	0.0	0.0								
Change in borrowings	0.8	308.2	76.4	106.7	354.5	269.1	(202.5)	(93.8)	80.6	79.5	105.6	0.0	0.0								
Other non-recurring items	(4.6)	(106.1)	(76.1)	12.3	19.9	122.3	(24.2)	(12.6)	0.0	0.0	0.0	0.0	0.0								
Total cash flow	(4.9)	0.3	15.8	(1.0)	(12.8)	23.0	(23.1)	0.9	2.4	10.8	14.8	15.6	14.7								
BALANCE SHEET HIGHLIGHTS (EURm)	Dec. 03	Dec. 04	Dec. 05	Dec. 06	Dec. 07	Dec. 08	Dec. 09	Dec. 10	Dec. 11e	Dec. 12e	Dec. 13e	Dec. 14e	Dec. 15e								
Property investments	1,812	1,976	2,117	2,297	2,790	3,125	3,041	3,042	3,126	3,241	3,382	3,415	3,450								
Other fixed assets	1	15	11	11	11	11	1	1	1	1	1	1	1								
Working capital	0	0	0	0	0	0	0	0	0	0	0	0	0								
Net intangibles	0	0	0	0	137	174	166	165	165	165	165	165	165								
Other net assets	(164)	(59)	(36)	(52)	(33)	(58)	(36)	(47)	8	8	8	8	8								
Capital employed	1,649	1,932	2,092	2,257	2,905	3,251	3,172	3,161	3,300	3,415	3,555	3,589	3,624								
Long-term debt	(11)	(847)	(818)	(978)	(1,319)	(1,748)	(1,522)	(1,359)	(1,440)	(1,519)	(1,625)	(1,625)	(1,625)								
Short-term debt	(843)	(315)	(421)	(368)	(382)	(221)	(245)	(314)	(314)	(314)	(314)	(314)	(314)								
Cash	0	0	16	15	2	25	2	3	6	16	31	47	62								
Financial assets	160	156	199	204	149	112	70	61	61	61	61	61	61								
Net debt	(694)	(1,006)	(1,023)	(1,126)	(1,548)	(1,831)	(1,695)	(1,609)	(1,687)	(1,755)	(1,846)	(1,831)	(1,816)								
Minority interests	78	0	0	0	21	9	8	7	7	7	7	7	7								
NAV	877	926	1,068	1,131	1,335	1,411	1,469	1,545	1,606	1,652	1,702	1,751	1,801								
Derivatives	0	(2)	(19)	6	17	(59)	(72)	(85)	(75)	(73)	(71)	(69)	(64)								
Other marked to market adjustment	0	0	0	0	0	0	0	0	0	0	0	0	0								
NNAV	877	924	1,049	1,137	1,352																

WAREHOUSES DE PAUW (Underperform)

Real Estate (Underperform) - Belgium

Price at 28 Jun. 11 / Target Price

EUR37.9 / EUR35 -8%

Business

Warehouses de Pauw is the market leader in Belgian logistics/distribution and semi-industrial real estate. Since its IPO in 1999, the company has grown its portfolio to EUR820m at end-2010, mostly concentrated in Belgium but with assets also in the Netherlands, France, and the Czech Republic. WdP also owns a landbank in Romania valued at EUR36m (FY10) that it is seeking to develop as soon as it can secure pre-lets with tenants. In 2008, the company began installing solar panels on the roofs of some of its buildings, and we expect this line of business to account for 12% of WdP's 2013e EBITDA.

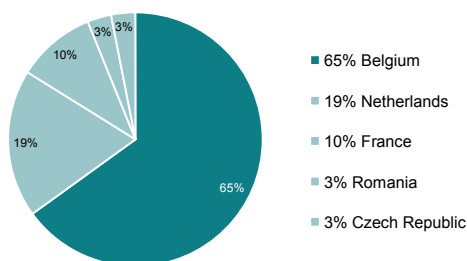
Management

Tony De Pauw, CEO
Joost Uwents, CEO
Mark Duyck, Chairman

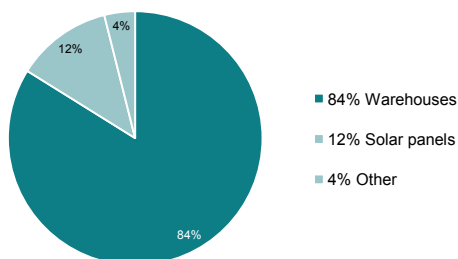
Shareholders

De Pauw family 31.4%
Other Shareholders 68.6%

2013e EBITDA by country



2013e EBITDA by activity



Analyst

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	Unibail-Rodamco: H1 2011 Results
21 Jul. 11	Beni Stabili: H1 2011 Results
	Land Securities: AGM
22 Jul. 11	CeGeREAL: H1 2011 Results
25 Jul. 11	Klémurs: H1 2011 Results
	Klépierre: H1 2011 Sales and Results
26 Jul. 11	Icade: Q2 2011 Results
27 Jul. 11	Fo. des Régions: H1 2011 Results
	Gecina: H1 2011 Results
	Silic: H1 2011 Results
28 Jul. 11	Nexity: H1 2011 Results
	Realia Business: H1 2011 Results
	Tour Eiffel: H1 2011 Results
29 Jul. 11	FEL: H1 2011 Results
01 Aug. 11	Cofinimmo: H1 2011 Results
04 Aug. 11	British Land: Q1 2011/2011 Results
	Hammerson: H1 2011 Results
	VastNed O I: H1 2011 Results
	VastNed Retail: H1 2011 Results
	Wereldhave: Interim statement 2011
12 Aug. 11	IVG Immobilien: Q2 2011 Results
16 Aug. 11	PSP: H1 2011 Results

Price at 28 Jun. 11 / Target Price

EUR37.9 / EUR35 -8%

Reuters / Bloomberg: WDPB.BR / WDP.BB

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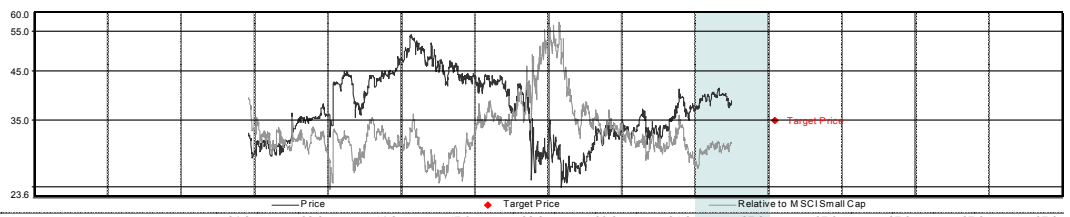
WAREHOUSES DE PAUW (Underperform)

Real Estate (Underperform) - Belgium

Company Highlights				EURm
Enterprise value				1,049
Market capitalisation				500
Free float				343
3m average volume				0

Performance (*)			
	1m	3m	12m
Absolute	(5%)	0%	22%
Rel. Sector	(2%)	(3%)	(2%)
Rel. MSCI Small Cap	2%	4%	6%

12m Hi/Lo (EUR) : 41.2 -8% / 31.2 +22%			
CAGR	2005/2011	2011/2015	
Diluted FFO PS	3%	2%	
Diluted NNAV PS	1%	4%	



	31.2	32.9	41.8	47.0	38.2	30.3	34.8	37.9	37.9	37.9	37.9	37.9	37.9
	Dec. 04	Dec. 05	Dec. 06	Dec. 07	Dec. 08	Dec. 09	Dec. 10	Dec. 11e	Dec. 12e	Dec. 13e	Dec. 14e	Dec. 15e	
Price (yearly avg from Dec. 04 to Dec. 10)	31.2	32.9	41.8	47.0	38.2	30.3	34.8	37.9	37.9	37.9	37.9	37.9	37.9
PER SHARE DATA (EUR)													
No of shares year end, basic, (m)	7.885	7.885	8.593	8.593	8.593	12.534	12.534	13.184	13.184	13.184	13.184	13.184	13.184
Average no of shares, diluted, excl. treasury stocks (m)	7.885	7.885	8.121	8.593	8.593	10.967	12.534	12.859	13.184	13.184	13.184	13.184	13.184
Diluted FFO	2.55	2.51	2.72	3.05	3.38	3.20	3.05	2.98	3.04	3.21	3.31	3.31	3.20
Net dividend	2.47	2.47	2.47	2.72	2.94	2.94	2.94	2.94	2.94	2.94	3.00	3.00	3.00
Diluted NAV	29.27	28.82	32.12	36.75	33.81	32.24	32.50	32.39	33.14	34.10	35.43	36.61	36.61
Diluted NNAV	29.27	28.82	32.47	37.41	31.37	29.70	29.77	30.55	31.46	32.57	34.05	35.61	35.61
Diluted NNAV	28.76	28.83	31.97	36.10	30.41	29.27	29.62	30.41	31.32	32.43	33.91	35.47	35.47

STOCKMARKET RATIOS													
YEARLY AVERAGE PRICES for end Dec. 04 to Dec. 10													
	Dec. 04	Dec. 05	Dec. 06	Dec. 07	Dec. 08	Dec. 09	Dec. 10	Dec. 11e	Dec. 12e	Dec. 13e	Dec. 14e	Dec. 15e	
NOPAT yield	8.8%	6.5%	5.3%	4.8%	5.1%	6.3%	5.9%	5.7%	5.9%	6.2%	6.5%	6.7%	
FFO yield	8.2%	7.6%	6.5%	6.5%	8.9%	10.6%	8.8%	7.8%	8.0%	8.5%	8.7%	8.4%	
Dividend yield	7.9%	7.5%	5.9%	5.8%	7.7%	9.7%	8.5%	7.8%	7.8%	7.8%	7.9%	7.9%	
Premium/(Discount) to GAV	4%	10%	18%	13%	8%	5%	7%	6%	1%	(9%)	(14%)	(20%)	
Premium/(Discount) to NNAV	6%	14%	29%	26%	22%	13%	17%	13%	2%	(16%)	(23%)	(30%)	
Premium/(Discount) to NNAV	8%	14%	31%	30%	26%	15%	17%	14%	2%	(15%)	(23%)	(29%)	

ENTERPRISE VALUE (EURm)													
	352	368	495	707	815	846	958	1,049	1,079	1,116	1,110	1,102	
	Dec. 04	Dec. 05	Dec. 06	Dec. 07	Dec. 08	Dec. 09	Dec. 10	Dec. 11e	Dec. 12e	Dec. 13e	Dec. 14e	Dec. 15e	
Market cap	246	260	340	404	328	332	436	500	500	500	500	500	500
+ Net debt	106	108	159	309	466	482	488	525	556	596	591	589	589
+ Minority interests	0	0	0	0	0	0	0	0	0	0	0	0	0
+ Derivatives	0	0	(3)	(6)	21	32	34	24	22	20	18	13	13
+ Other debt marked to market adjustment	0	0	0	0	0	0	0	0	0	0	0	0	0

P & L HIGHLIGHTS (EURm)													
Switch to IFRS data from FY ended 12/04													
	Dec. 04	Dec. 05	Dec. 06	Dec. 07	Dec. 08	Dec. 09	Dec. 10	Dec. 11e	Dec. 12e	Dec. 13e	Dec. 14e	Dec. 15e	
Rental income	26.8	27.0	29.9	38.3	46.6	54.1	58.0	61.1	64.5	66.8	68.8	69.8	69.8
Operating expenses	(0.5)	(1.0)	(1.1)	(1.4)	(1.2)	(1.1)	(1.3)	(1.6)	(1.3)	(1.2)	(1.3)	(1.3)	(1.3)
Other operating income	(0.2)	(0.2)	(0.0)	(0.1)	0.2	3.6	4.7	5.6	6.1	8.6	10.2	10.3	10.3
G&A expenses	(2.0)	(1.8)	(2.0)	(2.7)	(3.5)	(3.3)	(3.8)	(4.4)	(4.5)	(4.6)	(4.7)	(4.8)	(4.8)
EBITDA	24.1	23.9	26.8	34.2	42.2	53.4	57.5	60.8	64.8	69.7	73.1	74.2	74.2
Associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-real estate depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial expenses	(3.9)	(4.1)	(4.3)	(7.7)	(12.8)	(18.1)	(18.5)	(21.7)	(23.9)	(26.5)	(28.6)	(31.1)	(31.1)
Pre-tax recurring profit	20.2	19.9	22.5	26.5	29.5	35.3	39.1	39.0	40.9	43.1	44.5	43.0	43.0
Current taxation	(0.1)	(0.1)	(0.4)	(0.3)	(0.4)	(0.2)	(0.9)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)	(0.9)
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FFO	20.1	19.8	22.1	26.2	29.1	35.1	38.2	38.3	40.1	42.3	43.6	42.2	42.2
Real estate depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
After-tax unrealised valuation movements	2.7	9.7	17.9	27.3	(17.9)	(26.8)	(5.5)	5.5	10.7	11.1	14.8	18.0	18.0
Other items	0.1	(0.5)	2.0	(0.3)	(27.0)	(7.8)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	23.0	28.9	42.0	53.2	(15.8)	0.4	32.6	43.7	50.7	53.4	58.4	60.1	60.1
NOPAT	24.0	23.8	26.4	33.9	41.8	53.1	56.7	60.0	64.0	68.8	72.2	73.3	73.3

CASH FLOW HIGHLIGHTS (EURm)													
	Dec. 04	Dec. 05	Dec. 06	Dec. 07	Dec. 08	Dec. 09	Dec. 10	Dec. 11e	Dec. 12e	Dec. 13e	Dec. 14e	Dec. 15e	
FFO total share	20.1	19.8	22.1	26.2	29.1	35.1	38.2	38.3	40.1	42.3	43.6	42.2	42.2
Other recurring items													
Net cash flow from operations	20.1	19.8	22.1	26.2	29.1	35.1	38.2	38.3	40.1	42.3	43.6	42.2	42.2
Investments	(16.7)	(30.3)	(121.1)	(146.7)	(146.7)	(79.6)	(17.9)	(60.7)	(33.1)	(43.3)	0.0	0.0	0.0
Disposals	25.3	12.8	4.4	0.0	8.2	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in working capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net investments	8.6	(17.5)	(116.6)	(146.7)	(71.4)	2.1	(60.7)	(33.1)	(43.3)	0.0	0.0	0.0	0.0
Distributed dividend	(28.3)	(23.7)	(18.2)	(24.4)	(13.1)	(32.3)	(14.1)	(38.8)	(38.8)	(38.8)	(38.8)	(39.6)	(39.6)
Capital increases	0.0	29.4	0.0	0.0	71.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in borrowings	3.1	50.0	159.7	155.0	17.9	5.4	60.7	33.1	43.3	0.0	0.0	0.0	0.0
Other non-recurring items	(2.1)	(61.9)	(45.1)	(20.7)	(38.4)	(14.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total cash flow	20.1	1.2	(1.5)	6.0	(7.7)	0.9	(1.0)	24.2	1.3	3.5	4.8	2.6	2.6

BALANCE SHEET HIGHLIGHTS (EURm)													
	Dec. 04	Dec. 05	Dec. 06	Dec. 07	Dec. 08	Dec. 09	Dec. 10	Dec. 11e	Dec. 12e	Dec. 13e	Dec. 14e	Dec. 15e	
Property investments	340	343	430	617	747	830	824	871	882	894	907	920	920
Other fixed assets	0	1	1	1	32	55	66	75	106	146	146	146	146
Working capital	0	0	0	0	0	0	0	0	0	0	0	0	0
Net intangibles	0	0	0	0	0	0	0	0	0	0	0	0	0
Other net assets	(4)	(8)	4	7	(23)	1	5	5	5	5	5	5	5
Capital employed	337	336	435	625	756	886	895	952	993	1,046	1,058	1,071	1,071
Long-term debt	(88)	(3)	(2)	(202)	(297)	(374)	(373)	(434)	(467)	(510)	(510)	(510)	(510)
Short-term debt	(22)	(110)	(161)	(120)	(180)	(122)	(128)	(128)	(128)	(128)	(128)	(128)	(128)
Cash	3	5	3	9	1	2	1	25	27	30	35	38	38
Financial assets	0	0	1	5	11	11	12	12	12	12	12	12	12
Net debt	(106)	(108)	(159)	(309)	(466)	(482)	(488)	(525)	(556)	(596)	(591)	(589)	(589)
Minority interests	0	0	0	0	0	0	0	0	0	0	0	0	0
NAV	231	227	276	316	291	404	407	427	437	450	467	483	483
Derivatives	0	0	3	6	(21)	(32)	(34)	(24)	(22)	(20)	(18)	(13)	(13)
Other marked to market adjustment	0	0	0	0	0	0	0	0	0	0	0	0	0
NNAV	231	227	279	321	270	372	373	403	415	429	449	470	470
Net deferred tax liabilities	(4)	0	(4)	(11)	(8)	(5)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
NNNAV	227	227	275	310	261	367	371	401	413	428	447	468	468

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