

January 2011

BENELUX PROPERTY



ANALYSTS

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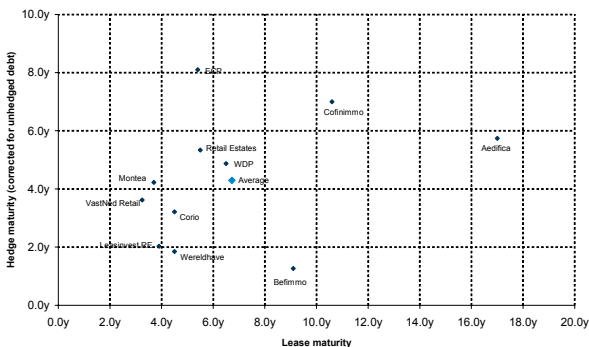
MICRO THEMES

Sustainable cash flow

We still favour value stocks with long duration income and quality hedges as we believe that in the short-term lease maturities will take a toll – especially on office investors – and that in the medium-term some companies will face a normalizing debt cost through higher credit spreads and/or higher base interest rates.

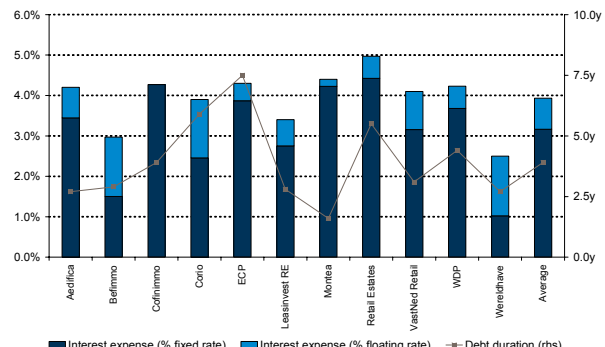
From this perspective, we believe Eurocommercial and Aedifica score the best. Cofinimmo also scores highly, but the hedge is of lesser quality (protected from rising interest rates up to 3.0%). By contrast, Befimmo and Wereldhave are getting the most out of the low rates environment but are increasingly vulnerable to an increase in base rates. Nonetheless, they also have amongst the lowest leverage ratios, which limits earnings volatility to some extent (we believe their dividends are preserved up to a level of Euribor 3M of 3.0% and 3.5% respectively).

ASSET & LIABILITY MATCH



Source: KBC Securities

INTEREST RATES & DEBT DURATION



Source: KBC Securities

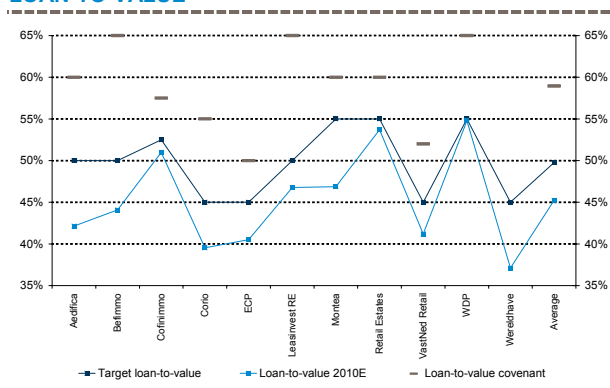
Note that we view the matching of assets and liabilities (both in terms of debt & hedge duration) as crucial and therefore regard the inability to benefit in full from a low interest rate environment as an opportunity cost. In our view income certainty and hence the absence of potential volatility in dividend distributions is a key benefit to the equity holder that is rewarded through a better stock multiple.

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Balance sheet strength

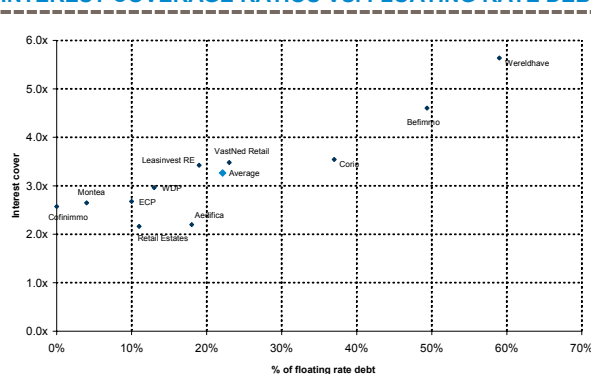
Over the last 2 years quoted property companies have confirmed their solid track record in raising capital through the debt and equity capital markets. This has been the major driver in restoring investor confidence in the sector. And while initial capital raisings were more related to balance sheet repair/improvement, the sector has moved back in to acquisition mode and we expect more deals to materialize in 2011.

LOAN-TO-VALUE



Source: KBC Securities

INTEREST COVERAGE RATIOS VS. FLOATING RATE DEBT



Source: KBC Securities

This might bring momentum to some stocks, but we should also note that few companies have the balance strength that would enable them to close large debt-funded acquisitions. While some companies may have room to manoeuvre compared to their covenants and/or desired capital structure, overall we expect more equity raisings when material transactions are realized. As a consequence, in a world of lower leverage standards and thus a structurally higher equity component, we believe the outperformance will be driven mainly at the operational level instead of through leverage.

SENSITIVITY 2011E LOAN-TO-VALUE TOWARDS INVESTMENTS (AS A % OF PORTFOLIO)

Name	Δ investments (as a % of portfolio)						
	-10%	-5%	0%	5%	10%	15%	20%
Aedifica	35%	39%	42%	45%	47%	50%	52%
Befimmo	37%	40%	44%	47%	49%	52%	54%
Cofinimmo	48%	51%	53%	55%	57%	59%	61%
Corio	36%	39%	42%	45%	47%	50%	52%
ECP	33%	37%	40%	43%	46%	48%	50%
Leasinvest RE	41%	44%	47%	49%	52%	54%	56%
Montea	38%	41%	44%	47%	49%	51%	53%
Retail Estates	46%	49%	52%	54%	56%	58%	60%
VastNed Retail	36%	39%	42%	45%	48%	50%	52%
WDP	50%	53%	55%	57%	59%	61%	63%
Wereldhave	28%	32%	35%	39%	41%	44%	46%

Source: KBC Securities

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SENSITIVITY 2011E LOAN-TO-VALUE TOWARDS CHANGES IN PORTFOLIO VALUE

Name	Δ portfolio value						
	-5.0%	-2.5%	0.0%	2.5%	5.0%	7.5%	10.0%
Aedifica	44%	43%	42%	41%	40%	39%	38%
Befimmo	46%	45%	44%	43%	42%	41%	40%
Cofinimmo	56%	54%	53%	52%	51%	49%	48%
Corio	44%	43%	42%	41%	40%	39%	38%
ECP	42%	41%	40%	39%	38%	37%	36%
Leasinvest RE	49%	48%	47%	46%	45%	44%	43%
Montea	46%	45%	44%	43%	42%	41%	40%
Retail Estates	55%	53%	52%	51%	49%	48%	47%
VastNed Retail	45%	43%	42%	41%	40%	39%	38%
WDP	58%	56%	55%	54%	52%	51%	50%
Wereldhave	37%	36%	35%	35%	34%	33%	32%

Source: KBC Securities

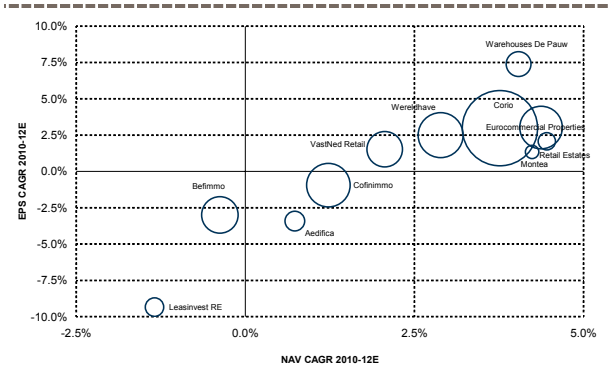
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Earnings growth

2010 has been a year of substantial pressure on recurring EPS as a result of negative indexation in most countries and the dilutive impact of equity raisings. Intriguingly, some companies are likely to publish record earnings on the back of a low rate environment, which has helped to offset the negative impact on operating income. We hope that not too many participants get too complacent of low rates as this may prove delusional.

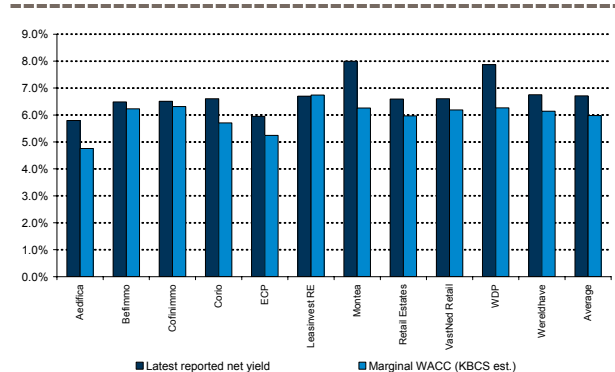
That said, all this is largely captured by the market now and the question begs what will be the drivers for EPS in 2011-12? Inflation is low but positive again which provides some relief. From an operational perspective we expect offices and secondary retail to remain under pressure whereas for quality retail there is still some rental reversion left. The logistic market is slowly opening up, which may lead to increases in occupancy rates. For some companies an increasing debt cost through higher credit spreads and a rising cost of floating rate funding is also an issue.

FORECAST EPS & NAV GROWTH



Source: KBC Securities

INVESTMENT YIELDS (*) VS. MARGINAL WACC



Source: KBC Securities, (*) Excludes G&A and transfer taxes

As mentioned earlier we also believe external growth will be on the cards and expect quoted companies to keep the deal flow going. From time to time acquisitions will be combined with add-on equity raisings in order to maintain the loan-to-value within an acceptable range.

In this process we believe the quoted sector may have to trade up the risk curve since it is competing with cash investors for the best assets (de facto being priced out of the market). As a result we believe companies will increasingly reload their development pipeline or accelerate/re-initiate projects that were postponed or cancelled during the crisis.

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As a reference, we calculate the average marginal cost of capital for our universe at 6.0% (loan-to-value ~ 50%, cost of debt 4.1% ~ 5y swap + 140bps, cost of equity 7.8% ~ earnings yield at 10% discount to current share price). This gives an idea as to what the net return on investment should be to produce EPS accretion.

SENSITIVITY 2011E EARNINGS PER SHARE TOWARDS INVESTMENTS (*)

Name	Δ investments (as a % of portfolio)						
	-10%	-5%	0%	5%	10%	15%	20%
Aedifica (LTV < 50%)	-8%	-4%	0%	4%	8%	12%	14%
Befimmo (LTV < 50%)	-5%	-3%	0%	3%	5%	6%	6%
Cofinimmo (LTV < 53%)	-7%	-3%	0%	1%	2%	2%	3%
Corio (LTV < 45%)	-6%	-3%	0%	3%	4%	5%	5%
ECP (LTV < 45%)	-5%	-3%	0%	3%	5%	5%	6%
Leasinvest RE (LTV < 50%)	-7%	-3%	0%	3%	5%	5%	6%
Montea (LTV < 55%)	-9%	-4%	0%	4%	9%	13%	18%
Retail Estates (LTV < 55%)	-8%	-4%	0%	4%	6%	7%	7%
VastNed Retail (LTV < 45%)	-7%	-3%	0%	3%	3%	3%	3%
WDP (LTV < 55%)	-8%	-4%	0%	1%	2%	3%	4%
Wereldhave (LTV < 45%)	-6%	-3%	0%	3%	6%	9%	10%

Source: KBC Securities, (*) We assume an equity raise when the loan-to-value would increase above a certain hurdle (see table)

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THEME SCORING

Divergence in portfolio / capital structures allows to play themes

Despite our belief that 2011 will prove to be more of a stock picking market than 2010 as investors are likely to turn their attention to relative earnings growth, the unstable macro environment may cause some themes to become the marginal drivers for stock returns. In that respect, we highlight that the diverse business mix and capital structure of property stocks offers a way to invest in themes regardless of the general outlook of the sector or market. This is in our view beneficial to both specialist and generalist investors who can use property stocks to take a directional view on trends or hedge against specific risks.

INDIVIDUAL STOCK POSITIONING ACCORDING TO PREVAILING INVESTMENT THEMES

Investment theme	Investment ideas	Positive exposure	Negative exposure
Deflation	■ Buy companies with low leverage & high proportion of floating rate debt	☑ Befimmo, Corio, VastNed Retail, Wereldhave	☒ Aedifica, Cofinimmo, Retail Estates, WDP
Double dip	■ Preference for recession-resilient EBITDA profiles	☑ Aedifica, Befimmo, Cofinimmo, ECP, Retail Estates	☒ Atenor, Banimmo, Leasinvest RE, VastNed Retail, WDP, Wereldhave
Inflation	■ Corporates with high leverage, fixed rate debt and/or pricing power (long leases and/or underrented portfolio)	☑ Aedifica, ECP, Retail Estates	☒ Wereldhave
Sustained economic recovery	■ Preference for more cyclical portfolios and developers	☑ Atenor, Banimmo, Leasinvest RE, VastNed Retail, WDP, Wereldhave	☒ Aedifica, Befimmo
CEE exposure	■ Performance geared towards CEE economies & property markets	☑ Atenor	☒ n.r.
Alpha strategies	■ Companies with internal value-add opportunities & a strong track record	☑ Atenor, Banimmo, ECP	☒ n.r.
Sustainability	■ Disclosure & targets on CSR initiatives and use of renewable energy	☑ Befimmo, Corio, WDP	☒ n.r.
Dividend sustainability	■ Buy safe dividends (good quality, low payout), avoid stocks coping with overdistribution	☑ Corio, Retail Estates	☒ Atenor, Banimmo, Cofinimmo
Demographics	■ Companies benefiting from ageing population, which in turn is negative for those exposed to offices	☑ Aedifica, Cofinimmo	☒ Leasinvest RE, Wereldhave
Positioned for renewed growth	■ Own corporates that have already felt most of the effects of the crisis & that are positioned for growth	☑ Corio, ECP, WDP, Retail Estates	☒ Cofinimmo, Leasinvest RE

Source: KBC Securities

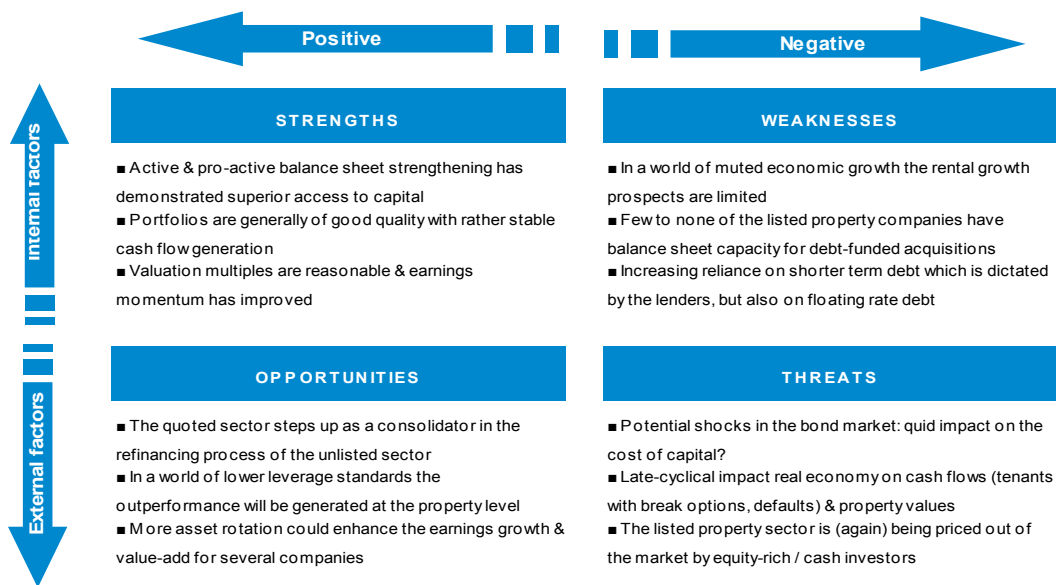
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SECTOR SWOT

Well positioned

We believe that the underlying fundamentals for quoted property are positive: balance sheets are generally in good shape, cash flow generation is fairly stable and valuation multiples are reasonable. The main risk in our view lies in macro issues that could harm relative performance: potential shocks in the bond market and the low projected growth rate compared to general equities.

SECTOR SWOT ANALYSIS



Source: KBC Securities

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INVESTMENT CASES & RATING CHANGES

Target prices on average upped by 2%

We are updating our fair values after incorporating recent news flow on acquisitions / divestments, adjusting our capital value growth assumptions (less for offices, more for retail, status quo for logistics & residential), fine-tuning our cash flow estimates and rolling forward our models. On average we upgrade our EVA-based target prices by 2%.

Our valuation approach implies for an average (unweighted) total return of 5%

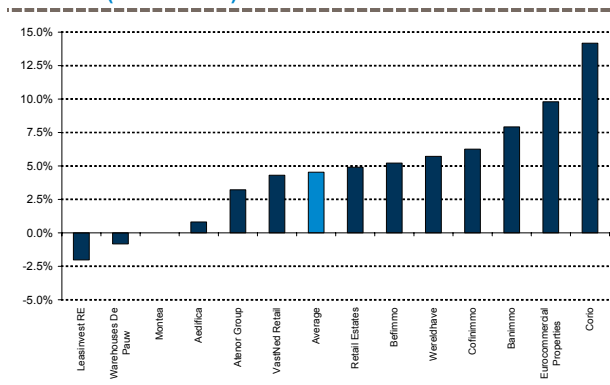
We currently see an average total return potential for Benelux stocks of 5%. We see the most upside for ECP and Corio, which we both upgrade to Buy (from Hold). We upgrade Retail Estates to Accumulate (from Hold) to pronounce our relative preference.

KBC SECURITIES REAL ESTATE COVERAGE: RATINGS & TARGET PRICES

Name	Market cap	Bloomberg	Latest Price	Rating (new)	Rating (old)	TP (new)	TP (old)	% upside / (downside)
Aedifica	294	AED BB	41.7	Hold	Hold	42.0	41.0	1%
Befimmo	1,005	BEFB BB	59.9	Hold	Hold	63.0	65.0	5%
Cofinimmo	1,432	COFB BB	96.0	Hold	Hold	102.0	100.0	6%
Corio	4,224	CORA NA	46.4	Buy	Hold	53.0	53.0	14%
Eurocommercial Properties	1,360	ECMPA NA	33.7	Buy	Hold	37.0	33.0	10%
Leasinvest RE	262	LEAS BB	65.3	Reduce	Reduce	64.0	63.0	-2%
Montea	135	MONT BB	24.0	Hold	Hold	24.0	23.0	0%
Retail Estates	225	RET BB	46.0	Accumulate	Hold	48.0	44.0	5%
VastNed Retail	946	VASTN NA	51.8	Hold	Hold	54.0	53.0	4%
Warehouses De Pauw	468	WDP BB	37.3	Hold	Hold	37.0	35.0	-1%
Wereldhave	1,522	WHA NA	70.9	Hold	Hold	75.0	72.0	6%
Atenor Group	165	ATEB BB	32.9	Hold	Hold	34.0	36.0	3%
Banimmo	158	BANI BB	13.9	Hold	Hold	15.0	16.0	8%
Average - arithmetic								5%
Average - weighted								8%
Average - REITs								4%

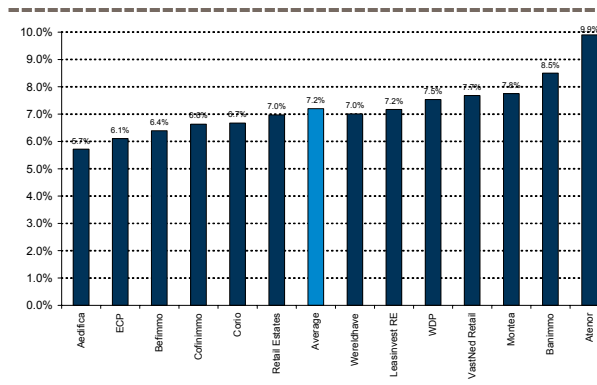
Source: KBC Securities

UPSIDE / (DOWNSIDE) TO TARGET PRICE



Source: KBC Securities

COST OF CAPITAL ASSUMPTIONS



Source: KBC Securities

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KBC SECURITIES REAL ESTATE COVERAGE: THE 2011 ROADMAP

Company	Key events in 2011
Aedifica	<ul style="list-style-type: none"> Further acquisitions in the nursing homes segment? Deploys capital from the rights issue faster than anticipated? Furnished apartments failing to convince? Sells a few apartments in Brussels to test the market? Enters PPP project?
Atenor	<ul style="list-style-type: none"> 2010 profit close to zero and a debate arises concerning by how much the dividend needs to be cut? 'Up-site'-project proves to be a success and evidence on strong profitability emerges? Secures a preletting in CEE? Acquires another development site?
Banimmo	<ul style="list-style-type: none"> 2010 a year of transition and investors are disappointed when they see their dividend cut? Can management realize a few disposals before the FY 10 results publication to maintain profit expectations in 2011? Successfully refinances syndicated credit? Further built-to-suits?
Befimmo	<ul style="list-style-type: none"> Still sub silentio or succeeds in sourcing an acquisition? Renovation works proceed as planned but letting market remains difficult? Further erosion of property values? Improves debt duration?
Cofinimmo	<ul style="list-style-type: none"> Converts PubStone into a REIT at a 10% yield on cost (€50m exit tax vs. €5m annual tax savings)? Convinces its investor base to take the scrip dividend? Uses the proceeds and leverage to acquire nursing homes? Sources a large acquisition (healthcare, PPP, other niche)? Maintains its dividend?
Corio	<ul style="list-style-type: none"> Prime part of the portfolio is subject to some downward yield pressure? Continues its dividend growth policy (min. linked to CPI)? Further acquisitions of large shopping centres? Launches another benchmark bond? Improvements in the investment pipeline?
Eurocommercial Properties	<ul style="list-style-type: none"> Announces solid H11 results with good underlying retail turnover growth and rising capital values? Further details on redevelopments / extensions? Succeeds in sourcing a quality investment? Enters Spain?
Leasinvest RE	<ul style="list-style-type: none"> Posts record recurring result over 2010? Property values remain under pressure due to overrenting? Leases Canal Logistics? Improves debt duration & rolls over hedges? Is able to reinvest the proceeds from the divestment of Axxes Business Park? Details on redevelopment project in Strassen firmed up?
Montea	<ul style="list-style-type: none"> Fully leases site in Liège? Brings back occupancy to a normalized level? Subsequently focuses on acquisitions in France? Renegotiates credit facility? Initiates solar panel programme at an attractive yield?
Retail Estates	<ul style="list-style-type: none"> No surprises: continues to be the predictable real bond proxy? Several add-on acquisitions combined with contributions in kind? Or tries to acquire a large portfolio? Starts some prelet developments?
VastNed Retail	<ul style="list-style-type: none"> Continues the stream of investments and alleviates the income pressure that persists in Spain & France? Belgian, Dutch & Turkish portfolios perform well? Uncertainty over future admin bill as a result of the potential VNOI takeover by NIST?
WDP	<ul style="list-style-type: none"> Secures preletting agreements to start developing sites in the land bank? Further investments in green energy? An optional dividend? Acquisitions in the Netherlands?
Wereldhave	<ul style="list-style-type: none"> Produces solid cash flow growth on the back of recent acquisitions and cheap funding? What about lettings in San Antonio? Further investments in UK shopping centres? Office acquisitions in Madrid and/or Paris? Secures permits for shopping centres in the Wereldhave Belgium development pipeline?

Source: KBC Securities

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Aedifica (Hold, TP € 42) – Action time

The successful equity raising and extension of the syndicated credit facility have strengthened Aedifica's capital structure. As a consequence, the company is positioned to grow earnings through acquisitions. The key challenges are managing the timely execution of the investment programme, improving the yield on the furnished apartments and finding a steady stream of new quality investments. We believe much of this is already priced in. Hold.

Atenor (Hold, TP € 34) – A matter of timing

Our fundamental long-term view on the shares remains positive due to the solid balance sheet, attractive land positions, solid track record and anti-cyclical approach. However, reaping the fruits of the ongoing investments will take some time and in our view the subtrend earnings generation will lead to a dividend cut. This may be disappointing to some investors, and as a result we believe the stock could come under pressure over 1H11, before a new earnings momentum could start to build in 2H11. Hold.

Banimmo (Hold, TP € 15) – Patience is a virtue

Having been a strong net investor at the low end of the cycle and starting off a quality balance sheet, Banimmo has planted the seeds for future earnings generation. However, we also question the expensive cost base and next to that it might take a long time to harvest. In the meantime, investors could end up disappointed with the subpar profitability and may still react negatively when their dividend will be cut. Hold.

Befimmo (Hold, TP € 63) – Cash vs. residual value

Through a number of key qualities like low leverage, high lease duration and high proportion of public sector tenants Befimmo is typically perceived as a stable defensive investment. The current cash flow yield may look enticing, but the company is geared to low interest rates and in the longer term we question the residual value of the portfolio. We need a higher risk premium before taking position and see value emerging at lower levels. Hold.

Cofinimmo (Hold, TP € 102) – Pulling the rabbit out of the hat

The 2011 roadmap: REIT conversion of PubStone, further office disposals, announcement of a major acquisition funded through a stock dividend / book build / convertible. As a consequence the cash flow gap of € 0.50-1.00 to cover the dividend can largely be closed and the uncertainty surrounding the sustainability of the dividend is removed. Feasible? Yes, but some execution risk remains. Hold.

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SECTOR STATS & CHARTS

KBC SECURITIES REAL ESTATE COVERAGE: VALUATION MULTIPLES

Name	Market cap	Bloomberg	Rating	Latest Price	Target Price	% upside / (downside)	Earnings yield		Dividend yield		P/NAV		EBITDA/VE	
							2010E	2011E	2010E	2011E	2010E	2011E	2010E	2011E
Aedifica	294	AED BB	Hold	41.7	42.0	n.r.	4.8%	4.1%	4.4%	4.4%	1.03	1.07	3.9%	4.3%
Befimmo	1,005	BEFB BB	Hold	59.9	63.0	5%	7.7%	6.9%	7.3%	6.6%	0.97	0.98	5.6%	5.4%
Cofinimmo	1,432	COFB BB	Hold	96.0	102.0	6%	7.8%	7.9%	7.7%	6.8%	0.95	0.94	6.2%	6.0%
Corio	4,224	CORA NA	Buy	46.4	53.0	14%	6.3%	6.4%	6.7%	6.1%	0.96	0.92	5.4%	5.5%
Eurocommercial Properties	1,360	ECMPA NA	Buy	33.7	37.0	10%	5.4%	5.5%	5.7%	5.7%	0.99	0.94	5.2%	5.0%
Leasinvest RE	262	LEAS BB	Reduce	65.3	64.0	-2%	8.4%	7.3%	6.9%	6.4%	0.97	0.99	6.2%	5.9%
Montea	135	MONT BB	Hold	24.0	24.0	0%	7.7%	7.4%	7.9%	7.3%	1.05	0.99	5.5%	6.2%
Retail Estates	225	RET BB	Accumulate	46.0	48.0	4%	6.9%	6.9%	7.2%	5.9%	1.03	0.98	6.0%	6.0%
VastNed Retail	946	VASTN NA	Hold	51.8	54.0	4%	7.1%	7.2%	7.3%	7.1%	0.93	0.92	5.7%	5.7%
Warehouses De Pauw	468	WDP BB	Hold	37.3	37.0	-1%	8.0%	8.6%	9.2%	7.9%	1.12	1.06	6.0%	6.8%
Wereldhave	1,522	WHA NA	Hold	70.9	75.0	6%	7.2%	7.5%	7.5%	6.8%	0.88	0.86	5.4%	6.1%
Atenor Group	165	ATEB BB	Hold	32.9	34.0	3%	-0.1%	3.7%	9.3%	6.1%	1.59	1.65	n.a.	n.a.
Banimmoo	158	BANI BB	Hold	13.9	15.0	8%	2.8%	11.2%	10.2%	7.2%	1.16	1.06	2.7%	9.4%
Average - arithmetic						5%	6.2%	7.0%	7.5%	6.4%	1.05	1.03	5.3%	6.0%
Average - weighted						8%	6.6%	6.8%	7.0%	6.3%	0.97	0.95	5.4%	5.6%
Average - REITs						5%	7.0%	6.9%	7.1%	6.4%	0.99	0.97	5.6%	5.7%

Source: KBC Securities

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SECTOR STATS & CHARTS

KBC SECURITIES REAL ESTATE COVERAGE: EARNINGS ESTIMATES

Name	Market cap	Bloomberg	Rating	Latest Price	Target Price	% upside / (downside)	Recurring EPS			Dividend			NAV					
							2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E
Aedifica	294	AED BB	Hold	41.7	42.0	1%	2.09	1.99	1.72	1.85	1.80	1.82	1.65	1.82	40.7	40.3	39.0	40.9
Befimmo	1,005	BEFB BB	Hold	59.9	63.0	5%	4.35	4.62	4.15	4.34	4.40	3.90	3.94	3.98	60.0	61.8	61.2	61.3
Cofinimmo	1,432	COFB BB	Hold	96.0	102.0	6%	7.18	7.52	7.57	7.38	6.50	6.50	6.50	6.50	103.2	101.4	101.8	103.9
Corio	4,224	CORA NA	Buy	46.4	53.0	14%	3.02	2.92	2.95	3.09	2.65	2.70	2.75	2.85	47.3	48.4	50.2	52.1
Eurocommercial Properties	1,360	ECMPA NA	Buy	33.7	37.0	10%	1.82	1.82	1.86	1.93	1.78	1.82	1.86	1.93	33.1	33.9	35.7	36.9
Leasinvest RE	262	LEAS BB	Reduce	65.3	64.0	-2%	5.32	5.48	4.77	4.51	4.00	4.10	4.20	4.30	68.9	67.5	66.0	65.7
Montea	135	MONT BB	Hold	24.0	24.0	0%	2.08	1.84	1.78	1.89	2.09	1.84	1.75	1.80	25.8	22.9	24.2	24.9
Retail Estates	225	RET BB	Accumulate	46.0	48.0	4%	3.14	3.19	3.17	3.32	2.54	2.62	2.70	2.78	44.7	44.6	46.9	48.6
VastNet Retail	946	VASTN NA	Hold	51.8	54.0	4%	4.03	3.66	3.72	3.78	4.03	3.66	3.72	3.78	54.8	55.4	56.4	57.7
Warehouses De Pauw	468	WDP BB	Hold	37.3	37.0	-1%	3.10	2.97	3.21	3.43	2.94	2.94	2.94	3.10	32.4	33.4	35.1	36.2
Wereldhave	1,522	WHA NA	Hold	70.9	75.0	6%	4.93	5.09	5.32	5.35	4.65	4.70	4.75	4.80	78.4	80.8	82.5	85.5
Atenor Group	165	ATEB BB	Hold	32.9	34.0	3%	1.45	-0.03	1.21	3.05	2.60	2.00	2.00	2.00	23.4	20.8	20.0	21.0
Banimm	158	BANI BB	Hold	13.9	15.0	8%	1.39	0.40	1.56	1.42	1.00	0.50	1.00	1.00	12.8	12.0	13.2	13.6

Source: KBC Securities

11 January 2011

SECTOR STATS & CHARTS

KBC SECURITIES REAL ESTATE COVERAGE: KEY PERFORMANCE INDICATORS

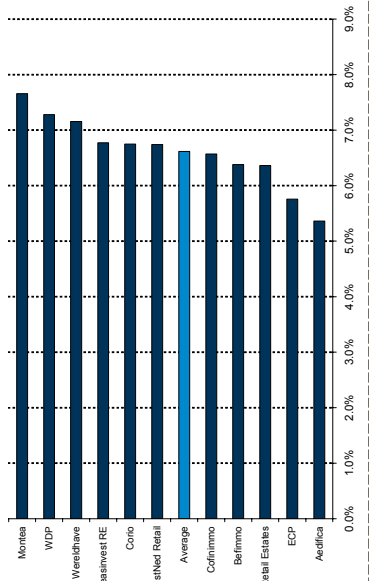
Name	Free float	Volume (€ m)	Total return			YTD	Latest reported yield (net)	Market implied portfolio yield (*)	Δ bps	Lease duration	LTV 2010E	Net debt / EV	Interest expense	Interest cover	Debt duration	Payout ratio
			2008	2009	2010											
Aedifica	72%	0.200	-2%	10%	15%	0%	5.8%	5.4%	-44bps	17.0y	42%	39%	4.2%	2.2x	2.7y	92%
Befimmo	78%	1.445	-3%	4%	4%	-2%	6.5%	6.4%	-11bps	9.1y	44%	44%	3.0%	4.6x	2.9y	84%
Cofinimmo	87%	2.960	-23%	13%	4%	-1%	6.5%	6.6%	6bps	10.6y	51%	52%	4.3%	2.6x	3.9y	105%
Corio	73%	14.361	-38%	57%	7%	-3%	6.6%	6.7%	15bps	4.5y	40%	40%	3.9%	3.5x	5.9y	93%
Eurocommercial Properties	89%	3.264	-27%	28%	26%	-2%	6.0%	5.8%	-19bps	5.4y	41%	41%	4.3%	2.7x	7.5y	100%
Leasinvest RE	34%	0.085	-24%	26%	14%	3%	6.7%	6.8%	8bps	3.9y	47%	48%	3.4%	3.4x	2.8y	75%
Montea	36%	0.042	-12%	-1%	9%	2%	8.0%	7.7%	-33bps	3.7y	47%	45%	4.4%	2.6x	1.6y	100%
Retail Estates	36%	0.042	-9%	30%	15%	0%	6.6%	6.4%	-23bps	5.5y	54%	51%	5.0%	2.6x	5.5y	100%
VastNed Retail	52%	0.093	-42%	42%	23%	0%	6.6%	6.7%	14bps	3.3y	41%	46%	4.1%	2.2x	3.1y	82%
Warehouses De Pauw	100%	2.844	-30%	27%	12%	2%	7.9%	7.3%	-59bps	6.5y	55%	52%	4.2%	3.5x	4.4y	100%
Wereldhave	68%	0.470	-11%	15%	17%	-3%	6.8%	7.2%	41bps	4.5y	37%	42%	2.5%	3.0x	2.7y	99%
Atenor Group	94%	10.148	-4%	-2%	-1%	-2%	n.r.	n.r.	n.r.	n.r.	n.r.	n.a.	6.0%	n.a.	4.5y	n.r.
Banimm	41%	0.059	-24%	6%	-1%	-2%	8.5%	n.r.	n.r.	4.8y	59%	60%	4.4%	0.0x	3.9y	0%

Source: KBC Securities, (*) Calculation based on average between spot NAV and spot NINNAV

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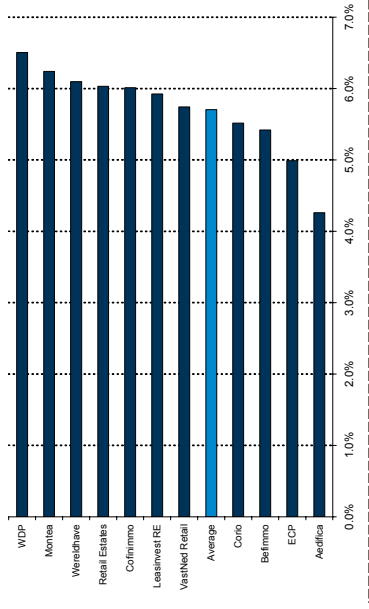
SECTOR STATS & CHARTS

IMPLIED NET PORTFOLIO YIELD



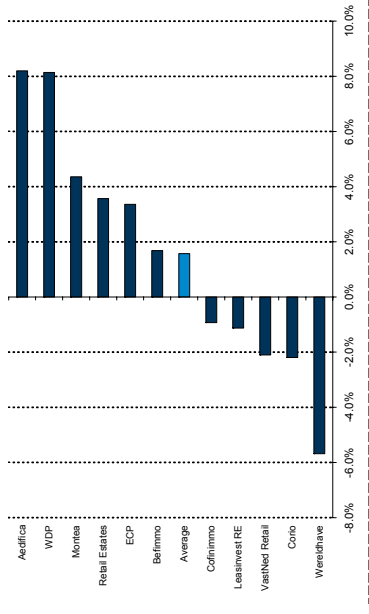
Source: KBC Securities

EBITDA YIELD 2011E



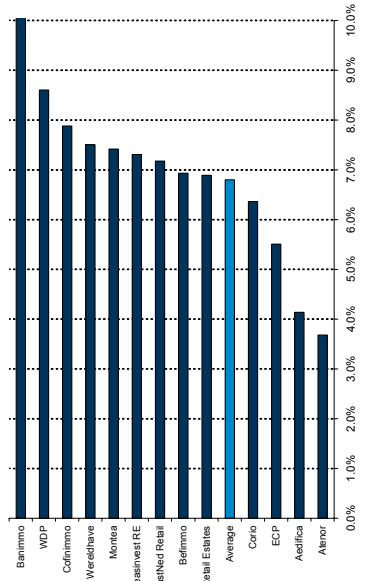
Source: KBC Securities

PREMIUM / (DISCOUNT) TO GROSS ASSET VALUE



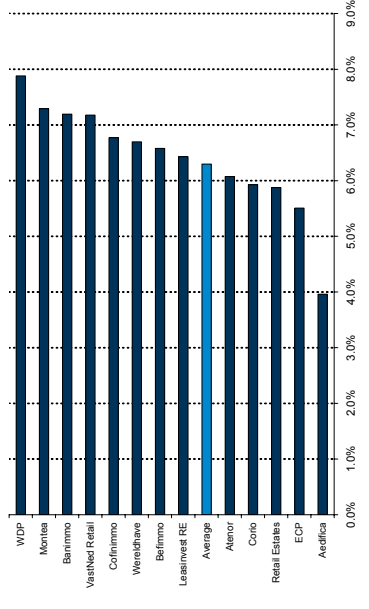
Source: KBC Securities

EARNINGS YIELD 2011E



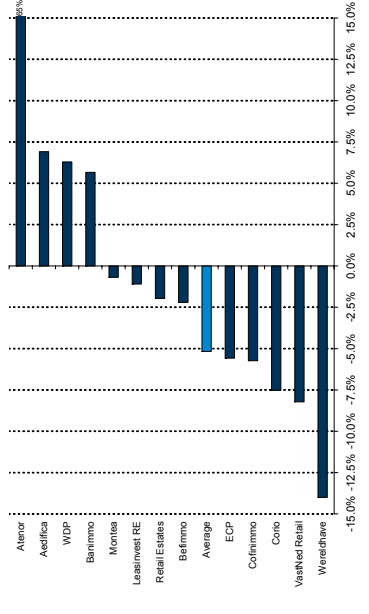
Source: KBC Securities

DIVIDEND YIELD 2011E



Source: KBC Securities

PREMIUM / (DISCOUNT) TO NET ASSET VALUE 2011E



Source: KBC Securities

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SECTOR STATS & CHARTS

TOTAL RETURN 1M

Montea	3.4%
VastNed Retail	2.9%
Aedifica	2.7%
Warehouses De Pauw	-0.2%
Corio	-0.4%
Eurocommercial Properties	-0.5%
Retail Estates	-0.7%
Leasinvest RE	-0.9%
Wereldhave	-1.7%
Cofinimmo	-2.1%
Atenor	-3.1%
Banimm	-4.7%
Befimmo	-7.9%
EPRA Euro	-0.4%
EPRA Belgium	-3.3%
EPRA Netherlands	0.0%
DJ Euro Stoxx	0.5%

Source: Thomson Reuters Datastream

TOTAL RETURN 3M

Aedifica	10.9%
Montea	9.6%
Retail Estates	6.6%
Leasinvest RE	2.1%
VastNed Retail	1.6%
Atenor	1.4%
Eurocommercial Properties	-0.1%
Befimmo	-1.7%
Warehouses De Pauw	-1.8%
Wereldhave	-2.2%
Cofinimmo	-2.6%
Banimm	-3.5%
Corio	-10.3%
EPRA Euro	-2.8%
EPRA Belgium	-1.0%
EPRA Netherlands	-4.7%
DJ Euro Stoxx	3.5%

Source: Thomson Reuters Datastream

TOTAL RETURN YTD

Leasinvest RE	3.1%
Montea	2.2%
Warehouses De Pauw	1.8%
Aedifica	0.4%
Retail Estates	-0.1%
VastNed Retail	-0.4%
Cofinimmo	-1.5%
Atenor	-1.8%
Eurocommercial Properties	-2.2%
Befimmo	-2.3%
Banimm	-2.5%
Wereldhave	-2.9%
Corio	-3.3%
EPRA Euro	-1.6%
EPRA Belgium	-1.2%
EPRA Netherlands	-2.5%
DJ Euro Stoxx	0.7%

Source: Thomson Reuters Datastream

TOTAL RETURN 1Y

Eurocommercial Properties	21.0%
VastNed Retail	19.1%
Leasinvest RE	16.9%
Retail Estates	15.5%
Aedifica	14.1%
Wereldhave	13.1%
Warehouses De Pauw	11.3%
Corio	6.1%
Montea	4.5%
Cofinimmo	1.8%
Befimmo	0.4%
Banimm	-4.3%
Atenor	-6.0%
EPRA Euro	11.1%
EPRA Belgium	4.9%
EPRA Netherlands	9.7%
DJ Euro Stoxx	2.1%

Source: Thomson Reuters Datastream

TOTAL RETURN 3Y

Retail Estates	35.6%
Aedifica	27.0%
Eurocommercial Properties	21.3%
Wereldhave	20.1%
Leasinvest RE	14.1%
Befimmo	8.1%
Warehouses De Pauw	3.5%
Corio	2.6%
VastNed Retail	2.4%
Montea	-2.6%
Atenor	-6.4%
Cofinimmo	-8.5%
Banimm	-20.1%
EPRA Euro	-3.5%
EPRA Belgium	5.4%
EPRA Netherlands	3.2%
DJ Euro Stoxx	-22.3%

Source: Thomson Reuters Datastream

TOTAL RETURN 5Y

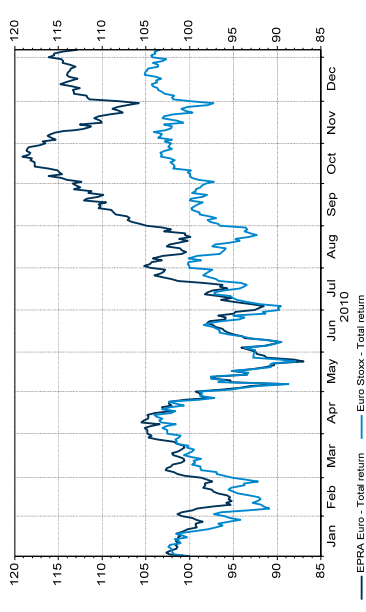
Eurocommercial Properties	53.1%
VastNed Retail	38.6%
Atenor	36.2%
Corio	33.0%
Retail Estates	29.7%
Leasinvest RE	21.4%
Wereldhave	18.7%
Warehouses De Pauw	14.5%
Befimmo	5.8%
Aedifica	0.0%
Montea	0.0%
Banimm	0.0%
Cofinimmo	-7.1%
EPRA Euro	2.4%
EPRA Belgium	9.5%
EPRA Netherlands	24.5%
DJ Euro Stoxx	-2.0%

Source: Thomson Reuters Datastream

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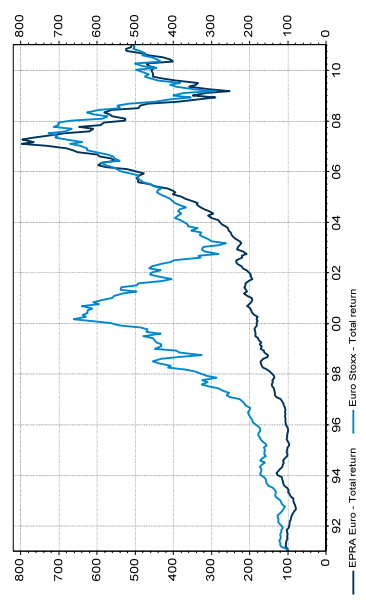
SECTOR STATS & CHARTS

SECTOR TOTAL RETURN 1Y



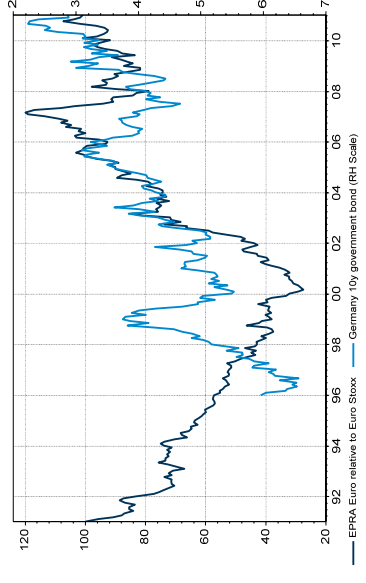
Source: Thomson Reuters Datastream

SECTOR TOTAL RETURN 20Y



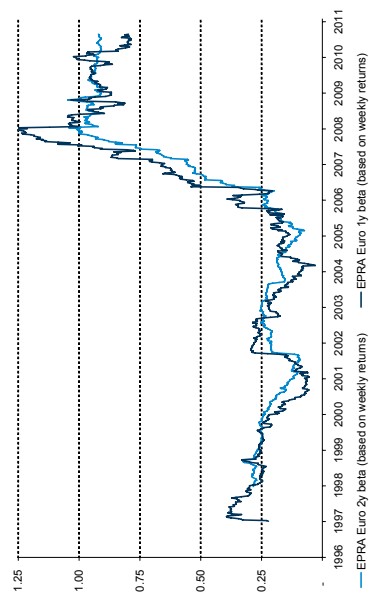
Source: Thomson Reuters Datastream

SECTOR RELATIVE RETURN 20Y



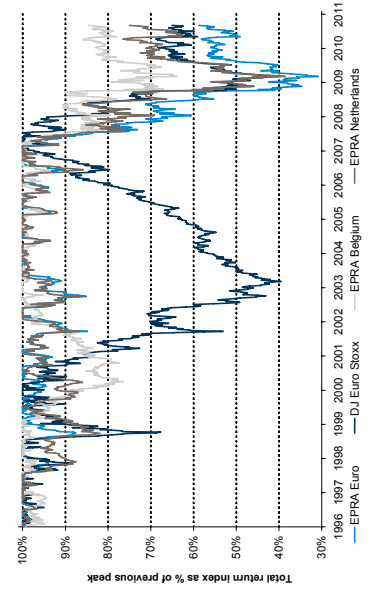
Source: Thomson Reuters Datastream

SECTOR BETA 2Y ROLLING



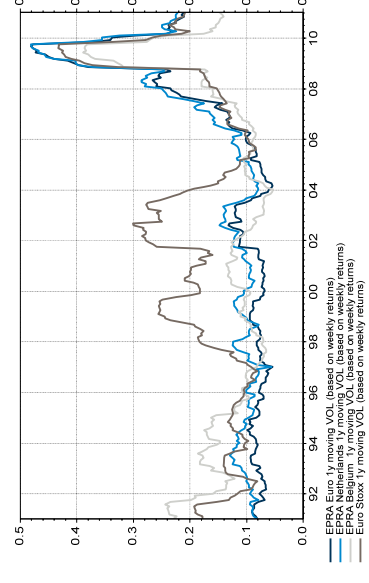
Source: Thomson Reuters Datastream

UNDER WATER / LOSS RECOVERY



Source: Thomson Reuters Datastream

SECTOR VOLATILITY 1Y ROLLING



Source: Thomson Reuters Datastream

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EVENT CALENDAR

KBC SECURITIES REAL ESTATE COVERAGE: EVENT CALENDAR

Date	Company	Event
11 February 2011	Cofinimmo	FY10
11 February 2011	Eurocommercial Properties	1H11
14 February 2011	WDP	FY10
15 February 2011	Aedifica	1H11
17 February 2011	Corio	FY10
17 February 2011	Befimmo	1Q11
18 February 2011	Leasinvest RE	FY10
18 February 2011	Retail Estates	3Q11
21 February 2011	Banimmo	FY10
22 February 2011	WDP	FY10
24 February 2011	Montea	FY10
03 March 2011	VastNed Retail	FY10
03 March 2011	Wereldhave	FY10
04 March 2011	Atenor	FY10
18 April 2011	Wereldhave	AGM
20 April 2011	Wereldhave	Ex-dividend
21 April 2011	Corio	AGM
22 April 2011	Atenor	AGM
26 April 2011	Atenor	Ex-dividend (tbc)
27 April 2011	Corio	Ex-dividend (tbc)
27 April 2011	WDP	AGM
29 April 2011	Atenor	Dividend payment (tbc)
29 April 2011	Cofinimmo	AGM
29 April 2011	Montea	1Q11
29 April 2011	WDP	Ex-dividend (tbc)
02 May 2011	Cofinimmo	Ex-dividend (tbc)
02 May 2011	VastNed Retail	1Q11
03 May 2011	Cofinimmo	1Q11
04 May 2011	WDP	Dividend payment
05 May 2011	Corio	1Q11
06 May 2011	VastNed Retail	Ex-dividend (final)
06 May 2011	Wereldhave	Dividend payment (tbc)
09 May 2011	Cofinimmo	Dividend payment (tbc)
10 May 2011	Montea	AGM
12 May 2011	Wereldhave	1Q11
13 May 2011	Eurocommercial Properties	3Q11
13 May 2011	Leasinvest RE	1Q11
16 May 2011	Banimmo	1Q11
16 May 2011	Leasinvest RE	AGM
16 May 2011	VastNed Retail	Dividend payment (final)
17 May 2011	Banimmo	AGM
17 May 2011	WDP	1Q11
18 May 2011	Aedifica	3Q11
18 May 2011	Leasinvest RE	Ex-dividend (tbc)
19 May 2011	Corio	Dividend payment (tbc)
23 May 2011	Leasinvest RE	Dividend payment
24 May 2011	Banimmo	Ex-dividend (tbc)
26 May 2011	Befimmo	1H11
27 May 2011	Banimmo	Dividend payment
27 May 2011	Montea	Ex-dividend (tbc)
27 May 2011	Retail Estates	FY11
31 May 2011	Montea	Dividend payment (tbc)
27 June 2011	Retail Estates	AGM
30 June 2011	Retail Estates	Ex-dividend (tbc)

Source: Companies

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COMPANY PROFILES

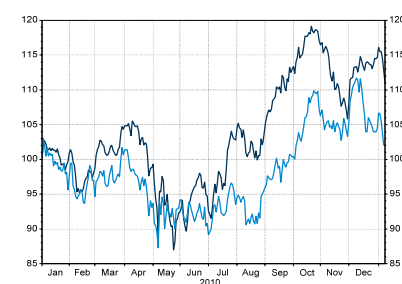
Aedifica	33
Atenor	39
Banimmo	45
Befimmo	51
Cofinimmo	57
Corio	63
ECP	69
Leasinvest RE	75
Montea	81
Retail Estates	87
VastNed Retail	93
WDP	99
Wereldhave	105

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BEFIMMO

Cash vs. residual value

REAL ESTATE INVESTMENT TRUSTS
BELGIUM



Source: Thomson Reuters Datastream

CURRENT PRICE € 59.88
TARGET PRICE € 63.00

HOLD
RATING UNCHANGED

FY/e 30.09	2010	2011E	2012E	2013E
Current Result (€ m)	77.5	69.7	72.9	71.2
Portfolio Result (€ m)	-31.9	-13.7	-5.0	11.0
Net Profit (€ m)	45.7	56.0	67.9	82.2
Adjusted EPS	4.62	4.15	4.34	4.24
NAV	61.8	61.2	61.3	62.3
P/E	12.98	14.43	13.79	14.12
EV / EBITDA	17.70	18.45	18.02	18.01
DPS	3.90	3.94	3.98	4.02
Dividend yield	6.5%	6.6%	6.6%	6.7%

Source: KBC Securities

Bloomberg BEFB BB
Reuters BEFB.BR
www.befimmo.be
Market Cap € 1,005m
Shares outst. 16.8m
Volume (Daily) € 1.45m
Free float 77.58%

Next corporate event

Results 1Q11: 17 February 2011

Performance	1M	3M	12M
Absolute	-13%	-7%	-5%
Rel. BEL20	-12%	-7%	-5%

12-m Hi/Lo € 69.05/53.95

Through a number of key qualities like low leverage, high lease duration and high proportion of public sector tenants Befimmo is typically perceived as a stable defensive investment. The current cash flow yield may look enticing, but the company is geared to low interest rates and in the longer term we question the residual value of the portfolio. We need a higher risk premium before taking position and see value emerge at lower levels. Hold.

- Earnings outlook.** We expect EPS to fluctuate within a range of € 4.00-4.40 over 2010-13 with the impact from renovations and short-term interest rates as the main swing factors. Despite being supported by a defensive income stream, the underlying trend is deflationary due to overrenting and technological evolutions requiring substantial capex to preserve the quality of the portfolio. The low payout ratio of 84% in 2010 makes the dividend nevertheless look sustainable (until a level of Euribor 3M of 3%).
- Risks & catalysts.** To the upside we see the earnings impact from potential acquisitions and a faster reletting of buildings under refurbishment. To the downside we see further erosion in capital values in line with the deflationary backdrop that is characterizing the Brussels office market. Furthermore, a rapid rise in short-term rates represents a medium-term risk.
- Valuation & share rating.** The shares are now trading at a cash flow yield of 6.5%+ and a mild 2% discount to our 2011E NAV. This looks quite reasonable but an investor should probably be looking for a wider discount to account for the capex issue. Hold.

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COMPANY PROFILE

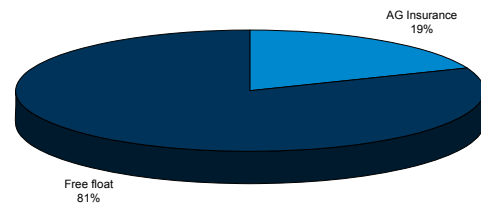
BUSINESS DESCRIPTION

Befimmo is Belgium's second largest REIT and its inception dates back 15 years. The company is structured as a limited partnership and adopts a pure player strategy as an asset manager of offices with Brussels as its core market. Over the last cycle management strengthened the a-cyclical profile by strategically offloading peripheral assets and gearing the portfolio towards the central business district (CBD) and long leases with government bodies through acquisitions. After an opportunistic equity raising in 2Q09 the team is now looking for investment opportunities whereas it is also carrying out a substantial renovation programme in order to modernize its portfolio.

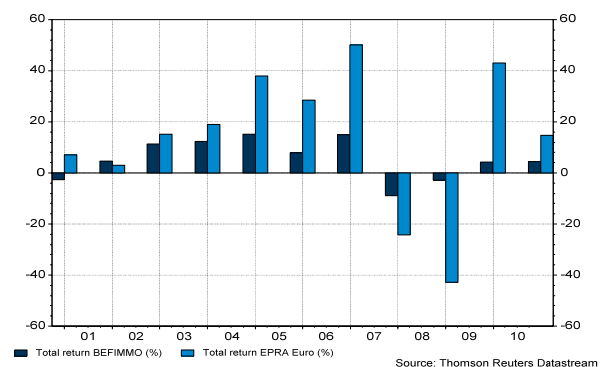
INVESTMENT CASE & VALUATION

Investment arguments: i. defensive EBITDA profile with 2/3 of income derived from public entities, ii. balance sheet flexibility for new investments, iii. strong lease maturity profile, iv. benefiting from low interest rates, v. sustainability efforts. Investment concerns: i. doubts over residual value of the portfolio, ii. positioned at the short-end of the interest rate curve, iii. acquisition risk as pressure rises for reinvesting the proceeds of the rights issue, iv. underlying operating income substantially under pressure, v. short debt duration. Valuation: we value Befimmo on an EVA-model which echoes a fair value of € 63 implying a total return potential of 5%.

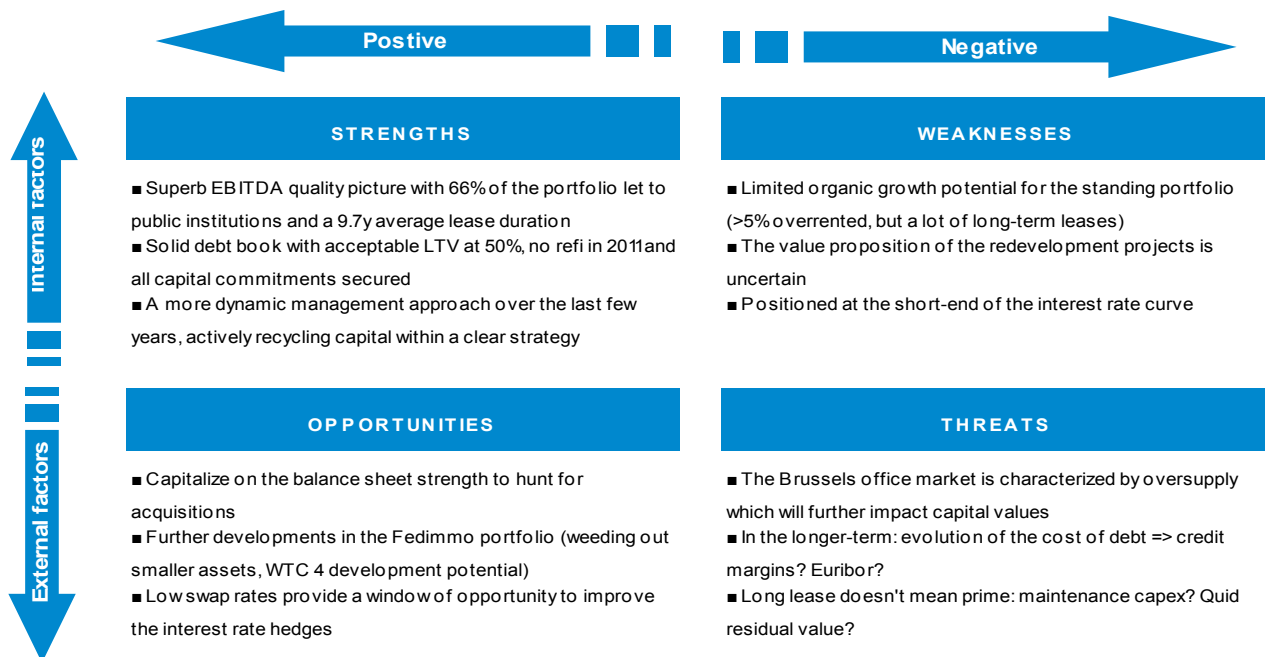
SHAREHOLDER STRUCTURE



HISTORICAL TOTAL RETURN PROFILE



SWOT ANALYSIS

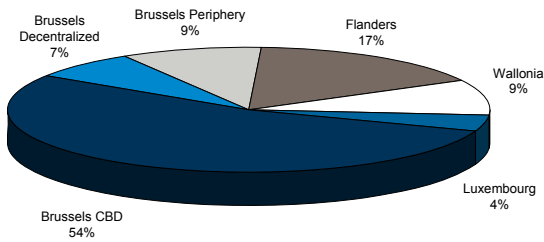


Source: KBC Securities

11 January 2011

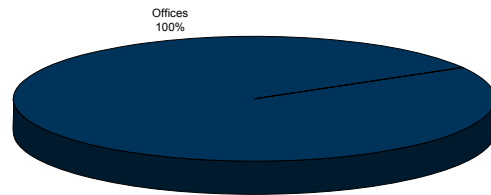
PORTFOLIO

PORTFOLIO – GEOGRAPHIC BREAKDOWN



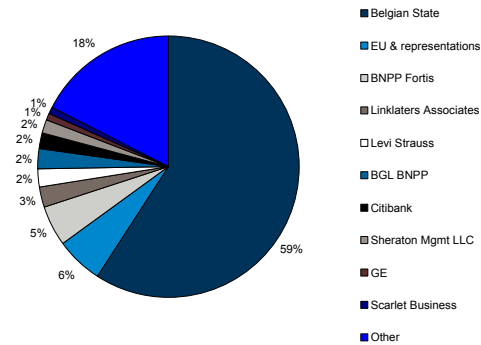
Source: Befimmo

PORTFOLIO – BREAKDOWN BY TYPE



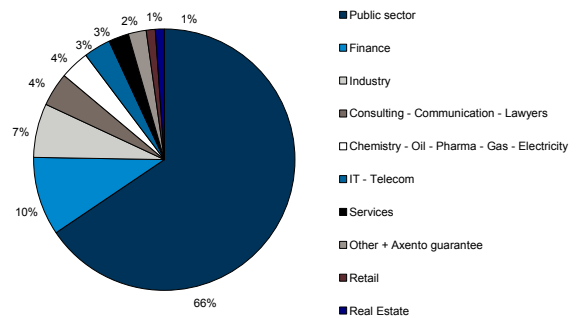
Source: Befimmo

PORTFOLIO – KEY TENANTS



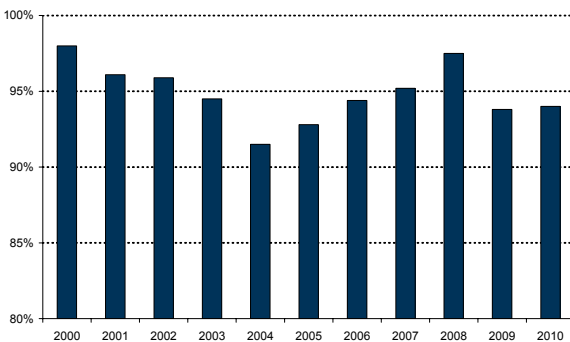
Source: Befimmo

PORTFOLIO – TENANTS BY SECTOR



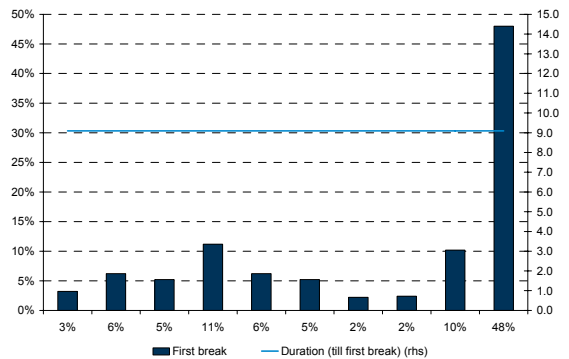
Source: Befimmo

PORTFOLIO – HISTORICAL OCCUPANCY RATE



Source: Befimmo

PORTFOLIO – LEASE MATURITY PROFILE



Source: Befimmo

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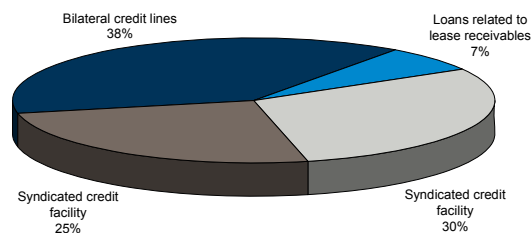
BALANCE SHEET

BALANCE SHEET ANALYSIS

€ m	2007	2008	2009	2010	2011E	2012E	2013E
Investment property	1,816	1,887	1,923	1,923	1,898	1,903	2,008
Investments in associates	-	-	-	-	-	-	-
Financial assets	35	34	5	4	4	4	4
Other non current assets	16	16	17	17	17	17	17
WCR	(59)	(30)	(87)	(53)	(52)	(52)	(51)
Shareholders' equity	932	967	988	1,017	1,008	1,010	1,025
Minorities	65	62	62	64	68	72	76
Net debt	806	868	786	787	769	769	855
Other non current liabilities	5	10	21	22	22	22	22
Net deferred tax liabilities	-	-	-	-	-	-	-
Capital invested	1,808	1,907	1,858	1,891	1,866	1,872	1,977
Number of shares (m)	13.1	13.1	16.8	16.8	16.8	16.8	16.8
NNNAV (IFRS)	71.4	74.0	58.9	60.6	60.0	60.1	61.1
chg y/y	6%	4%	-20%	3%	-1%	0%	2%
NAV (EPRA)	71.4	74.0	60.0	61.8	61.2	61.3	62.3
chg y/y	6%	4%	-19%	3%	-1%	0%	1%
Loan-to-value	47%	47%	45%	44%	44%	44%	46%
Net debt / equity	81%	84%	75%	73%	71%	71%	78%
Interest cover	4.5x	2.5x	3.6x	4.6x	3.9x	4.1x	3.4x
ROCE (recurring)	4.8%	4.8%	5.7%	5.5%	5.3%	5.4%	5.4%
ROCE (total)	6.9%	4.5%	-0.2%	3.8%	4.6%	5.2%	6.0%
ROE (recurring)	7.0%	5.2%	7.4%	7.6%	6.9%	7.2%	6.9%
ROE (total)	11.1%	4.7%	-3.5%	4.5%	5.6%	6.7%	8.0%
Rental income (% of portfolio)	5.8%	5.8%	6.2%	6.5%	6.4%	6.5%	6.4%
G&A (% of capital invested)	49bps	62bps	53bps	66bps	72bps	73bps	71bps
EBITDA margin	84%	83%	89%	85%	83%	83%	84%

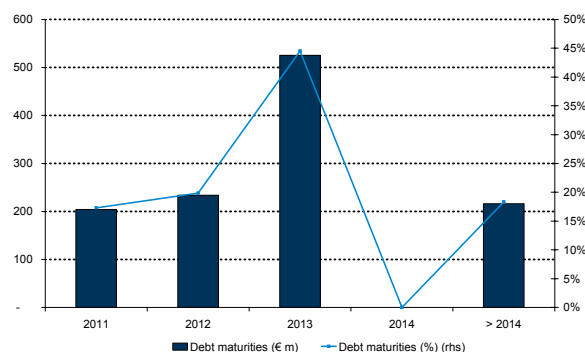
Source: KBC Securities

DEBT COMPOSITION



Source: Befimmo

DEBT MATURITY PROFILE



Source: Befimmo

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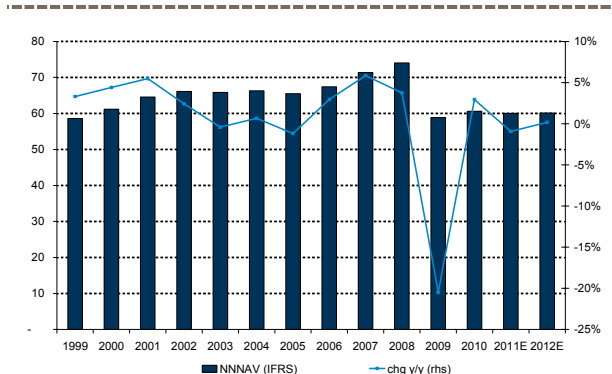
FINANCIAL OUTLOOK

P&L ANALYSIS

€ m	2007	2008	2009	2010	2011E	2012E	2013E
Gross rental income	104.9	109.5	119.1	124.0	120.7	122.9	128.6
Property operating expenses	(8.0)	(6.2)	(3.1)	(6.5)	(7.5)	(6.8)	(7.1)
Net rental income	96.9	103.3	116.0	117.5	113.2	116.1	121.5
Administrative expenses	(8.8)	(11.9)	(9.8)	(12.5)	(13.4)	(13.7)	(13.9)
EBITDA	88.1	91.4	106.1	105.0	99.8	102.5	107.5
Net financing expenses	(19.7)	(36.4)	(29.3)	(22.8)	(25.8)	(25.1)	(31.9)
Corporate income tax	(0.6)	(0.6)	(0.5)	(0.7)	(0.7)	(0.7)	(0.7)
Associates	-	-	-	-	-	-	-
Minorities	(2.7)	(3.7)	(3.3)	(4.0)	(3.7)	(3.7)	(3.7)
Direct investment result - group	65.1	50.6	73.1	77.5	69.7	72.9	71.2
Profit (loss) on disposals	1.3	8.8	0.2	7.4	14.3	-	-
Portfolio revaluations	38.0	(6.3)	(75.0)	(35.6)	(28.0)	(5.0)	11.0
Net other income / (expenses)	-	-	-	-	-	-	-
Revaluation of financial instruments	(1.1)	(8.1)	(35.0)	(3.8)	-	-	-
Deferred tax expense	-	-	-	-	-	-	-
Minorities	-	-	2.2	0.1	-	-	-
Portfolio result - group	38.1	(5.6)	(107.6)	(31.9)	(13.7)	(5.0)	11.0
Net profit - group	103.2	45.0	(34.5)	45.7	56.0	67.9	82.2
Number of shares (m) (avg)	13.1	13.1	16.8	16.8	16.8	16.8	16.8
EPS - direct result	4.66	3.88	4.35	4.62	4.15	4.34	4.24
chg y/y	-4%	-17%	12%	6%	-10%	5%	-2%
EPS - indirect result	3.01	(0.43)	(7.65)	(1.90)	(0.82)	(0.30)	0.66
chg y/y	59%	-114%	1686%	-75%	-57%	-64%	-320%
EPS - reported	7.67	3.45	(3.30)	2.72	3.33	4.05	4.90
chg y/y	14%	-55%	-196%	-182%	23%	21%	21%
CFPS (total)	4.79	5.07	5.92	5.58	5.01	4.36	4.25
chg y/y	-2%	6%	17%	-6%	-10%	-13%	-2%
DPS	4.51	4.55	4.40	3.90	3.94	3.98	4.02
chg y/y	-8%	1%	-3%	-11%	1%	1%	1%
Payout	97%	117%	101%	84%	95%	92%	95%

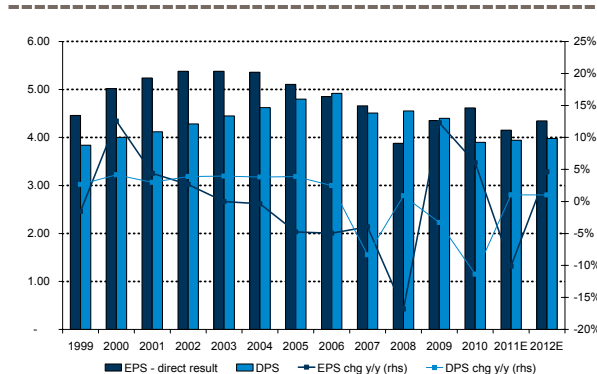
Source: KBC Securities

NAV TRACK RECORD



Source: Befimmo, KBC Securities

EPS & DPS TRACK RECORD



Source: Befimmo, KBC Securities

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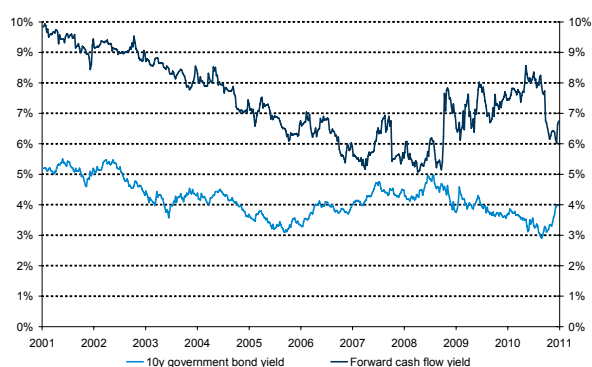
VALUATION

EVA ANALYSIS

€ m	2010	2011E	2012E	2013E	2014E	2015E
NOPAT	104.3	99.1	101.8	106.8	112.2	114.3
Portfolio result	(28.1)	(13.7)	(5.0)	11.0	18.2	19.9
Total return	76.2	85.4	96.8	117.8	130.4	134.2
Shareholders' equity	1,017	1,008	1,010	1,025	1,047	1,037
Minorities	64	68	72	76	79	76
Provisions & deferred taxes	1	1	1	1	1	1
Net debt	787	769	769	855	851	859
Other long-term liabilities	20	20	20	20	20	20
Minus: project debt	(25)	(25)	(25)	-	-	-
Minus: financial assets	(4)	(4)	(4)	(4)	(4)	(4)
Capital invested	1,861	1,837	1,842	1,973	1,994	1,989
ROIC		4.6%	5.3%	6.2%	6.6%	6.7%
WACC		6.4%	6.4%	6.4%	6.4%	6.4%
Value creation spread		-1.8%	-1.1%	-0.2%	0.2%	0.4%
EVA		(32.8)	(20.8)	(4.1)	3.7	7.0
Discount period		-	1	2	3	4
Discounting factor		1.00	0.94	0.88	0.83	0.78
Number of shares (m)		16.8	16.8	16.8	16.8	16.8
NPV of EVA per share		(2.0)	(1.2)	(0.2)	0.2	0.3
NAV adj.	61.8					
Minus 50% deferred taxes	-					
NPV of EVA	(2.8)					
1y forward base return	4.4					
Fair value per share	63					
Upside (downside)	2.3%					

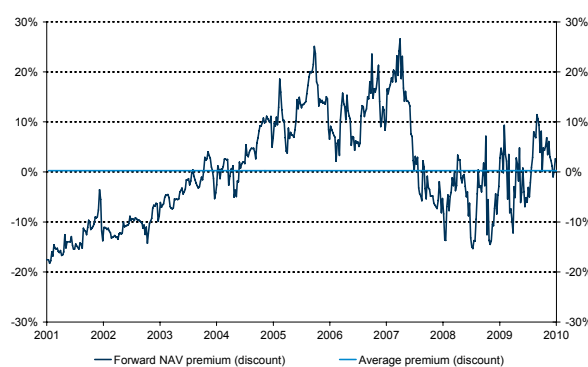
Source: KBC Securities

FORWARD CASH FLOW YIELD VS. 10Y GOV. BOND YIELD



Source: Thomson Reuters Datastream, KBC Securities

FORWARD NAV PREMIUM / (DISCOUNT)



Source: Thomson Reuters Datastream, KBC Securities

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ACCUMULATE	Expected total return (including dividends) between 0% and 15% over a 6-month period
HOLD	Expected total return (including dividends) between -5% and 5% over a 6-month period
REDUCE	Expected total return (including dividends) between -15% and 0% over a 6-month period
SELL	Expected total return (including dividends) of -10% or worse over a 6-month period

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ACCUMULATE	37%	0%
HOLD	32%	0%
REDUCE	1%	0%
SELL	0%	0%

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