KBC Securities

13 January 2012

BEFIMMO

Solid fundamentals

REAL ESTATE INVESTMENT TRUSTS	CURRENT PRICE	€ 51.15	**ACCUMULATE**
BELGIUM	TARGET PRICE	€ 56.50	RATING UPGRADED

Performance over	1M	3M	12M
Absolute	9%	-11%	-15%
Rel. BEL20	3%	-9%	4%
12m Hi/Lo			€ 64.40/47.11
Bloomberg			BEFB BB
Reuters			BEFB.BR
Market Cap			€ 859m
Next corporate event			
Results FY12: 16 February 2012			
www.befimmo.be			

FY/e 31.12	2010	2011E*	2012E	2013E
Current Result (€ m)	86.9	89.1	75.3	72.8
Portfolio Result (€ m)	-40.1	-11.2	-11.6	4.0
Net Profit (€ m)	46.7	77.9	63.7	76.8
Diluted adj. EPS (€)	5.05	5.08	4.29	4.15
NAV per share	61.7	56.9	61.4	62.0
P/E	11.87	10.07	11.92	12.32
EV / EBITDA	16.34	13.97	16.05	16.37
DPS	3.90	4.93	3.98	4.00
Dividend Yield	6.5%	9.6%	7.8%	7.8%

Source: KBC Securities *15 Months

Befimmo is outperforming the challenging Brussels office market with a vacancy rate of only 7.1% and indexed lease contracts with a maturity of 9 years. With a NAV of € 56.94 and an expected recurring dividend yield of 7.8%, we consider Befimmo's share to be attractively priced and we upgrade our rating from Hold to Accumulate with a new TP of € 56.5. Furthermore, the solid 12M10/11 current result of € 88.3m (vs. € 85.0m in FY09/10) together with the recent successful bond issue demonstrate the success of the active management strategy and suggest that Befimmo will meet its refinancing needs comfortably.

HIGH-QUALITY INCOME STREAM BYPASSES OBSTACLES

- **Solid company:** Befimmo is a solid REIT with a proven track record and a high-quality income stream. With 67% leased to public entities for 10.5 years, Befimmo positions itself as a secure cash generator for the coming years. Moreover, the long-term indexed lease contracts enable the company to achieve good results in a challenging office market.
- **Refinancing skills:** A key challenge for Befimmo is refinancing. No less than € 670m of debt expires over 2012-2013. By successfully raising € 416 in 2011 – two bond issues for a total of € 272m, a bilateral credit line of € 100m and the sale of receivables of € 44m – management has proved its ability to manage debt by anticipation. Furthermore more than 80% of the floating debt is hedged until 2013.
- **Squeezing margins:** Preventing the squeeze on margins will also be difficult for Befimmo in the coming years. With a dropping yield (6.34% 12M10/11) due to the latest transactions and increasing interest rates, management has to be careful.
- **Valuation:** Our valuation is based on an EVA and DCF model. Using a five year forecasting period we attained fair values of respectively € 54.9 and € 57.7. We upgrade our recommendation from Hold to Accumulate and revise our TP to € 56.5 (from € 63.0).

ANALYSTS

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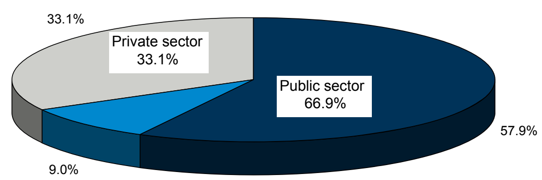
SOLID CASH GENERATION MACHINE

Befimmo is known as a pure player on the office market and more specifically on the Brussels market, which is struggling due to the imbalance caused by oversupply in 2008 and 2009. But the company is less exposed to this situation than certain rivals as its defensive profile enables it to generate stable cash flows.

Public sector entities account for 67% of Befimmo's tenant base. Of this 67%, almost 68% is composed of sale-and-lease back contracts – mainly the Fedimmo portfolio – thus securing future income streams. This stability is certainly an asset. The top 20 tenants represent 89% of rental income and have a weighted average duration of 9.9 years. This highlights another of Befimmo's qualities, namely its dedicated sales team. Thanks to this team, Befimmo is able to increase the duration of its portfolio, thereby significantly reducing risk.

TENANT BASE



Source: Befimmo

TENANT OVERVIEW WITH MATURITY

Ranking	Tenant	Weighted average duration	Portfolio
1	Public sector (federal & regional)		57.90%
2	European institutions & representations		9.00%
1 - 2	**Public sector**	**10.9 years**	**66.90%**
3	Fortis Bank and aff comp		4.50%
4	Linklaters De Bandt		2.60%
5	BGL BNP Paribas and aff comp		2.40%
6	Levi Strauss		2.30%
7	Citibank		2.20%
8	Sheraton Management LCC		1.50%
9	General Electric		0.90%
10	Scarlet Business		0.70%
2 - 10		7.2 years	16.90%
10 - 20		4.3 years	5.10%
1 - 20		**9.9 years**	**89%**
20 - 185		**3.4 years**	**11%**
Total		**9.2 years**	**100%**

Source: Befimmo

Befimmo focuses heavily on qualitative assets in order to create value. First of all, the location of the building and timing are of importance. Buildings well served by public transport and located in areas of scarcity are prime targets, and will benefit from higher demand in the coming years. Moreover, acquiring such buildings with low cyclicality of structural demand at the right moments is crucial. Secondly, Befimmo seeks attractive and flexible buildings that respond to client demand.

Next to this known and successful strategy, Befimmo will consider opportunities to move up the value chain. This means possibly buying well-located buildings with the intention of renovating them in order to increase yields. It would also mean that the company no longer acts as a pure asset manager. Management has emphasized that this is still only an idea and that it would represent a limited activity, but it shows that the company is serious about wanting to generate sustainable and diversified earnings.

Vacancy rates are an issue in the Brussels office market, causing uncertainty on income streams. Befimmo's defensive profile nevertheless enabled it to report decent 4Q10/11 results. Moreover, management informed us that the portfolio is not experiencing structural vacancy problems. More of a headache is the peripheral part of the portfolio, where the 3/6/9 contracts with SMEs require more frequent renewals, which could lead to some structural vacancy. However, management does not expect this vacancy percentage to exceed a few % of the total portfolio.

Debt structure

In our previous comments, we mentioned the uncertainty surrounding the company's relatively short-term debt maturities. However, management has eased these concerns by showing that it is capable of raising money on the market in an efficient and diversified way. Befimmo carried out two successive bond issues in 2011 for € 162m and € 110m. They also sold the receivables of the Pavilion building and took up a new bilateral credit line for a total amount of € 144m. This shows that Befimmo is actively managing its debt which reassures us regarding the € 523m of refinancing needed for 2013, of which at least € 248m still needs to be secured.

Given the fact that most of Befimmo's debt is at floating interest rates, the company uses hedging instruments to limit risk. In periods of rising interest rates it is important to keep the largest cost component – namely interest payable – under control. With this in mind, Befimmo has taken out numerous interest rate swaps and cap options, limiting the floating rate financing to 29.4% as of 30 September 2011.

DEBT OVERVIEW

Current debt	End of 2011	End of 2012	End of 2013
Syndicated loans	650	520	0
Bilateral credit lines	150	250	250
Sale of receivables	71	108	101
Retail bonds	-	272	272
Total (excl. new financing)	871	1150	623
Expiring within 12 months	137	523	7
New financing	416	?	?
Refinance already covered	137	275	0
Refinance need	**0**	**248**	**7**
Total debt	1287	1150	623

Source: KBC Securities

Mastering the covenants

Since end-2010, REITs are allowed to propose an optional dividend to their shareholders. Befimmo used this amended legislation to strengthen its balance sheet rather than weaken it. In this way, the LTV ratio was kept at 45%, providing headroom of € 100m given a 0% change in portfolio value and given the company's LTV target rate of 50% (which is well below the covenant rate of 65%). Furthermore, the choice of an optional dividend gave Befimmo the opportunity to keep € 35m inside the company. While this eases refinancing needs and provides balance sheet flexibility for new investments, the flipside is a dilution of Befimmo's future earnings.

Furthermore, the company generates a substantial EBIT margin to cover interest costs. With an interest cover rate of 3.9x for FY10/11E and above 3x in the coming years, it easily complies with the covenant of 2.25x.

INVESTMENT FLEXIBILITY

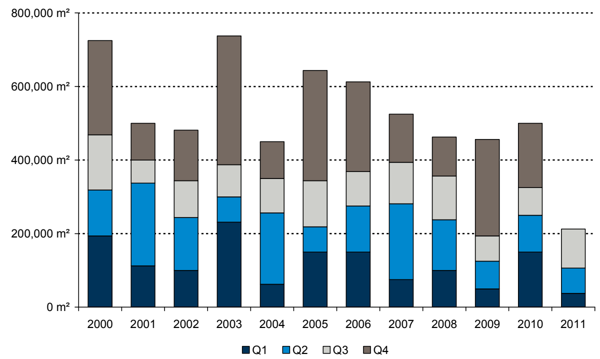
	Δ Investments							
Δ Values	LTV	-150	-100	-50	0	50	100	150
	-7.5%	53%	57%	61%	**64%**	68%	72%	75%
	-5.0%	47%	50%	53%	**56%**	59%	63%	66%
	-2.5%	41%	44%	47%	**50%**	53%	56%	59%
	0.0%	**37%**	**40%**	**42%**	**45%**	**48%**	**50%**	**53%**
	2.5%	34%	36%	39%	**41%**	43%	46%	48%
	5.0%	31%	33%	35%	**38%**	40%	42%	44%
	7.5%	29%	31%	33%	**35%**	37%	39%	41%

Source: KBC Securities

A MARKET IN TROUBLED WATERS

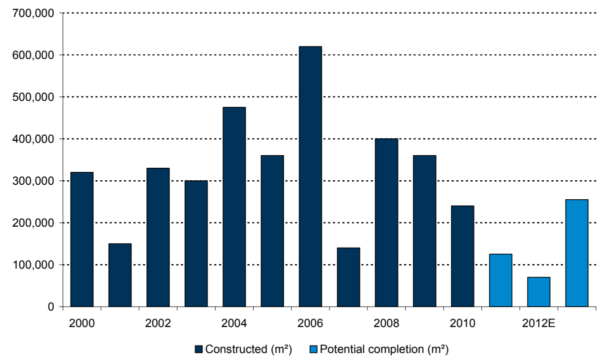
Befimmo focuses primarily on the Brussels' Central Business District. With circa 13m square meters of office stock, Brussels is one of Europe's top office markets. The most important tenants in Brussels are public institutions, both regional and European, which provide stability compared to more volatile city centres such as London, Paris and Frankfurt.

OFFICE DEMAND BRUSSELS



Source: CBRE

OFFICE PROJECT COMPLETIONS BRUSSELS



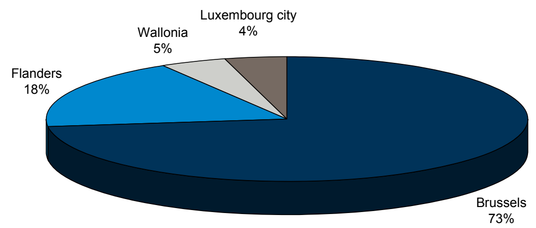
Source: CBRE

Since the imbalance caused by developers in 2008 and 2009, the market has suffered from oversupply resulting in rising vacancy rates and falling rents. A recent study by CBRE of the Brussels office market shows that demand is at a record low of 200,000m². The situation is however expected to improve because of the small development pipeline in 2012. From 2013 onwards, more developments might appear on the market. But the demands of developers for more binding commitments from future tenants will probably lead to some delays, which suggests to us that some of the 255,000m² projected for 2013 might actually come on to the market later.

Vacancy rates

This imbalance between supply and demand has caused higher vacancy rates. September 2011 data shows that the Brussels office market has an average vacancy rate of 11.5%. Befimmo outperforms the market with a rate of 7.1%, primarily thanks to the long lease terms with its tenants. Its core problem is located in the suburbs, where the company suffers from a vacancy rate of 21.7%, as tenants search for more accessible and more sustainable buildings. Befimmo's management is trying to counter this situation by renovating these buildings and offering small concessions to tenants.

GEOGRAPHICAL DISTRIBUTION



Source: Befimmo

OCCUPANCY RATE

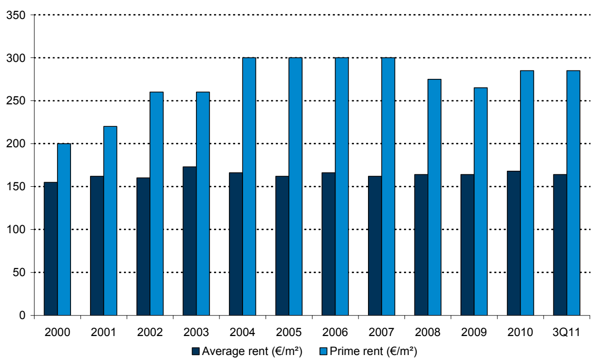
(at 30.09.2011)	Office Market	Befimmo	
		Vacancy rate	% current rent
Brussels centre (CBD)	7.60%	3.60%	56.40%
Brussels decentral.	16.30%	13.00%	6.50%
Brussels suburbs	23.10%	21.70%	8.60%
	11.50%	**7.10%**	**71.50%**
Belgian Provincies	-	-	25.20%
Luxembourg	4.50%	12.90%	3.40%
		5.60%	**100%**

Source: CBRE, Befimmo

In the Brussels prime segment, oversupply has capped the rise in the price per square meter, followed by a decline in prices and a more recent levelling off. The latest research for the Brussels office market shows prime rents of € 285/m², in line with last year. This confirms the demand for prime locations and sustainable buildings, but on the downside, shows the lower willingness to pay from tenants vs. 2004-2007 levels.

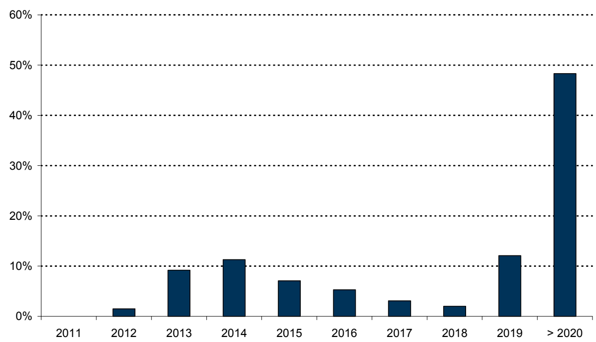
Most of Befimmo's business is done in this prime segment (56.4%), which prompts the question of whether the company is not harmed by this exposure. We conclude that Befimmo benefits from its stronger presence in the prime segment rather than the decentralized zone or suburbs, where vacancy rates amount to respectively 16% and 23%. Moreover, most contracts have long lease maturities and capture inflation, providing Befimmo with a sufficient cushion from this trend. It is worth noting that most of Befimmo's typical lease contracts (which account for around 49% of the total) have a floor that is equivalent to the latest indexed value, providing protection against deflation.

PRIME RENT EVOLUTION



Source: CBRE, Befimmo

MATURITY LEASES



Source: Befimmo

OUTLOOK: SHIELDED FROM A DEPRESSED MARKET

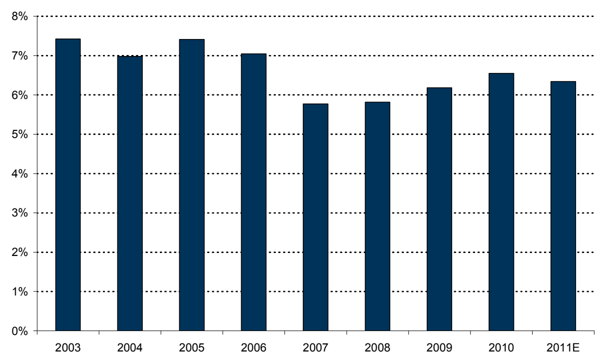
Despite Befimmo's defensive profile, the market punished the company along with all businesses linked to the office market. However, long-term indexed lease contracts together with a secure tenant base limit Befimmo's exposure to the current standstill. Furthermore, its active management of the investment portfolio persuades tenants to lengthen their contracts or find good replacements in time. But we shouldn't be blind to the difficulties the company is facing. The office market is in troubled waters so Befimmo needs to adjust its contracts to market conditions.

Challenges in the office market

1. **Market rent**. One key challenge for Befimmo is the potential rental reversion on its portfolio. Today's market is exerting downward pressure on rents, which for Befimmo could lead to a potential rental reversion of 6.5% from current rental levels. The largest deviation of Befimmo's portfolio can be found in the Central Business District segment. Here, indexed rents of long-term contracts often deviate substantially from current market prices, whereas rents in the periphery – due to the common use of 3/6/9 contracts – tend to correlate more closely with those in the spot market.

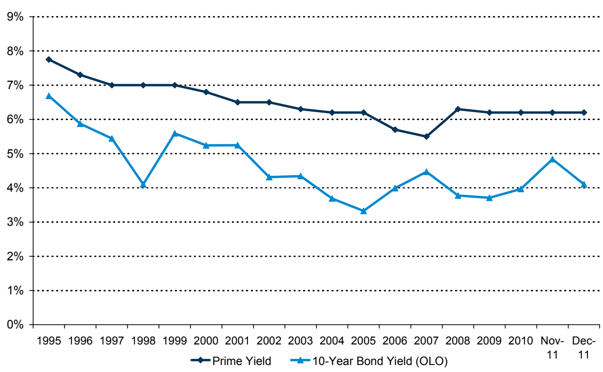
2. **Befimmo's yield is sinking**. Before the Fedimmo acquisition, the company's average valuation yield was in excess of 7%, dropping below 6% after the transaction. While the Fedimmo portfolio provided high visibility in the form of creditworthiness and lease duration, it also pulled the yield down steeply. During 2009 and 2010, impairments on the investment portfolio lifted the yield above 6% again. But e.g. the recent acquisition of the Pavilion building was executed at a yield of 5.12%, which weakened Befimmo's yield even though the transaction itself was executed at arm's length. This situation would be easily controllable were it not for the fact that interest rates are fluctuating wildly in the current macro-economic environment. This could squeeze Befimmo's margin considerably. Management aims for a target yield above the cost of capital.

YIELD BEFIMMO



Source: KBC Securities

PRIME OFFICE YIELDS BRUSSELS



Source: CBRE, KBC Securities

3. **No growth.** Management estimates that it will be difficult to find investment targets within its strategy at reasonable prices in the coming year. The office market will still be in disequilibrium, with buyers and sellers finding it hard to reach agreement. Those buildings that are available will have such a low yield that they are not worth investing in. This weighs on the company's growth potential to the point where no significant investments should be expected this year. Befimmo therefore needs to diversify and find new opportunities to create value.

Financial outlook

Befimmo's decision to align its book year with the calendar year means that the 2010/2011 book year will exceptionally have five quarters. Over the first four, Befimmo presented good results. Net rental income was € 123.8m, only a small increase from the previous year's € 123.5m, but solid given the current impasse in the office market. The current result per share came out at € 5.29 vs. € 5.06 last year. This increase came from the higher-than-expected indexation of rents together with the contribution of the Pavilion building and the gain of approx. € 14.5m on the disposal of the Kattendijkdok building and the Empress Court.

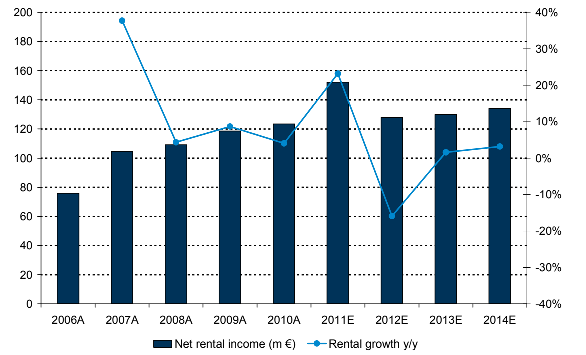
The second most important parameter influencing the result is the interest cost. Concern has risen on this question due to the sharp increase in interest rates provoked by the Euro crisis recently. But over 80% of Befimmo's floating debt is already hedged until 2013 by financial instruments – mainly interest rate swaps. Nevertheless, because of the combination of rising debt and interest rates, we expect the interest charges to increase from € 25m 12M10/11 to € 35m FY14E.

Between 2009 and 2011, appraisers drastically adjusted the portfolio value by € -140m. This revaluation risk is expected to bottom out in the near future. From 2014 onwards we estimate positive revaluations of 1% on a yearly basis.

Befimmo paid out an interim dividend of € 3.94 over 12M10/11. This was an optional dividend, with shareholders being given the choice to receive it either in cash, new shares or a combination of both. 60% of the shareholders chose to receive the dividend in shares. We expect the dividend to grow over the next few years to reach € 4.02 in 2014. This would put the payout ratio above 90% of the net result (group share).

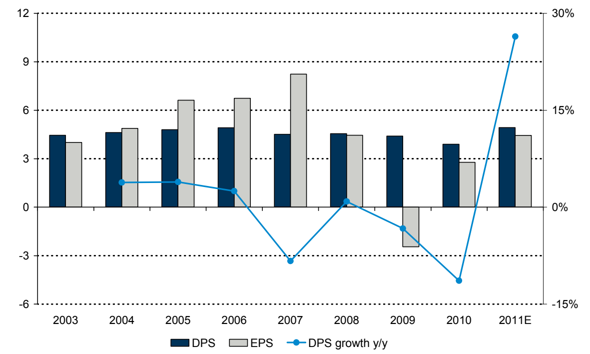
Key attention points are the capital expenditure requirements. A significant part of Befimmo's portfolio consists of tenants locked-in to long-term indexed contracts. However, when these contracts expire, refurbishment will be required in order to keep yields high. An example is the Fedimmo portfolio. If the government decided to vacate some of these buildings and Befimmo agreed to sell them for strategic reasons, we would have doubts about their residual value, given the need for refurbishment. Due to this uncertainty we prefer to remain cautious and not under-estimate the potential for future capex hikes. As a result, cash flow per share will remain stable in the next few years, although earnings will increase.

RENTAL INCOME



Source: Befimmo, KBC Securities

DIVIDEND AND EPS



Source: KBC Securities

P&L ANALYSIS

€ m	2008	2009	2010	2011E	2012E	2013E	2014E
Gross rental income	109.5	119.1	124.0	152.9	128.5	129.4	133.6
Property operating expenses	(6.2)	(3.1)	0.7	(8.2)	(3.5)	(3.5)	(3.8)
Net rental income	103.3	116.0	124.7	144.7	125.1	125.9	129.8
Administrative expenses	(11.9)	(9.8)	(12.5)	(17.0)	(13.9)	(14.1)	(14.4)
EBITDA	91.4	106.1	112.2	127.7	111.2	111.8	115.3
Net financing expenses	(40.2)	(30.0)	(20.7)	(33.1)	(30.6)	(33.6)	(35.8)
Corporate income tax	(0.6)	(0.5)	(0.7)	(0.8)	(0.7)	(0.7)	(0.7)
Associates	-	-	-	-	-	-	-
Minorities	(3.7)	(3.3)	(3.9)	(4.6)	(4.6)	(4.6)	(4.6)
Direct investment result - group	46.8	72.4	86.9	89.1	75.3	72.8	74.2
Profit (loss) on disposals	8.8	0.2	0.2	14.5	-	-	-
Portfolio revaluations	(6.3)	(75.0)	(34.6)	(30.7)	(11.6)	4.0	15.3
Net other income / (expenses)	-	-	-	-	-	-	-
Revaluation of financial instruments	9.0	(34.3)	(5.9)	5.0	-	-	-
Deferred tax expenses	-	-	-	-	-	-	-
Minorities	-	2.2	0.1	-	-	-	-
Portfolio result - group	11.5	(106.9)	(40.1)	(11.2)	(11.6)	4.0	15.3
Net profit - group	58.3	(34.5)	46.7	77.9	63.7	76.8	89.5
Number of shares	13.1	16.8	16.8	17.5	17.5	17.5	17.5
EPS - direct	3.58	4.31	5.17	5.08	4.29	4.15	4.23
chg y/y		20%	20%	-2%	-16%	-3%	2%
EPS - indirect	0.88	(6.36)	(2.39)	(0.64)	(0.66)	0.23	0.87
chg y/y		-824%	-62%	-73%	4%	-134%	283%
EPS - reported	4.5	(2.1)	2.8	4.4	3.6	4.4	5.1
chg y/y		-146%	-235%	60%	-18%	21%	17%
CFPS	4.9	2.4	4.8	6.7	4.3	4.2	4.2
chg y/y		-51%	101%	39%	-36%	-3%	2%
DPS	4.6	4.4	3.9	4.9	4.0	4.0	4.0
chg y/y		-3%	-11%	26%	-19%	1%	0%
Pay out ratio	107%	183%	77%	97%	93%	96%	95%

Source: KBC Securities

VALUATION

We have valued Befimmo using two models: Economic Value Added (EVA) and Discounted Cash Flow (DCF). The result of both models leads to an average theoretical fair price of € 56.5 per share. At this price, Befimmo would trade at a P/E12E of 15.6x and a P/NAV12E ratio of 0.92x. Investment criteria are: i) a sustainable dividend yield of 7%, ii) long-term indexed lease contracts with a secure tenant base, iii) active management and refinancing skills, iv) an average vacancy rate in Brussels of only 7.1% and v) a solid track record.

We have used a WACC of 6.85% calculated with a target equity/debt ratio of 50/50 and a credit spread of 200bps. Befimmo's beta amounts to 0.75, reflecting the defensive character of the group.

EVA model

We used an explicit forecasting period of 5 years. The outcome defines the fair premium/discount compared to NAV at which the share should trade. The theoretical fair value amounts to € 54.9, implying upside potential of 7.3% vs. the current price.

EVA VALUATION

€ m	2011E	2012E	2013E	2014E	2015E	2016E
NOPLAT	126.8	110.5	111.1	114.6	112.5	112.4
Portfolio result	(11.2)	(11.6)	4.0	15.3	20.9	21.1
Total return	115.6	98.9	115.1	129.9	133.3	133.5
Shareholders' equity	1,008	1,059	1,071	1,095	1,119	1,142
Minorities	64	64	64	64	64	64
Provisions & deferred taxes	1.4	1.4	1.4	1.4	1.4	1.4
Net debt	846	822	868	891	888	886
Other long-term liabilities	15	15	15	15	15	15
Minus: financial assets	(4)	(4)	(4)	(4)	(4)	(4)
Capital invested	1,931	1,958	2,015	2,062	2,083	2,105
ROIC	6.0%	5.1%	5.8%	6.4%	6.4%	6.4%
WACC	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%
Value creation spread	-0.9%	-1.8%	-1.1%	-0.5%	-0.4%	-0.5%
EVA	(16.6)	(34.5)	(21.2)	(9.7)	(8.6)	(9.9)
Discount period		0.50	1.50	2.50	3.50	4.50
Discounting factor		0.97	0.91	0.85	0.79	0.74
Number of shares (m)		17.5	17.5	17.5	17.5	17.5
NPV of EVA per share		(1.9)	(1.1)	(0.5)	(0.4)	(0.4)
NAV adj.	56.9					
Minus 50% deferred taxes	-					
NPV of EVA	(4.3)					
1/2 y forward base rate	2.2					
Fair value per share	**54.9**					
Upside (downside)	7.3%					

Source: KBC Securities

DCF model

We used a 5-year forecasting period and a long-term growth rate of 1.5%.

The DCF valuation suggests a fair price of € 57.6.

DCF VALUATION

€ m	2011E	2012E	2013E	2014E	2015E	2016E
EBIT	128	111	112	115	113	113
- operating tax	-0.9	-0.7	-0.7	-0.7	-0.7	-0.7
NOPLAT	127	110	111	115	112	112
+D&A	0	0	0	0	0	0
- Δ in WCR	44.2	-0.4	-0.4	-0.5	-0.5	-0.5
OCF	171	110	111	114	112	112
-Capex	-119.8	-38.2	-52.6	-31	0	0
FOCF	51	72	58	83	112	112
Discount period		0.50	1.50	2.50	3.50	4.50
Discounting factor		0.97	0.91	0.85	0.79	0.74
Discounted value		70	53	70	89	83
Total discounted value	364					
Terminal value	1555					
Total DCF Value	1920					
- Net financial debt	-846					
- Minorities	-64					
- Provisions	-1.4					
+ Financial Assets	4.2					
Equity value	1012					
N° of shares	17.5					
Per share	**57.7**					
Upside/Downside	12.6%					

Source: KBC Securities

FINANCIAL DATA

Income statement (€ m)	2009	2010	2011E	2012E	2013E	2014E
Gross Rental Income (GRI)	119.1	124.0	152.9	128.5	129.4	133.6
Other Income	-	-	-	-	-	-
Property & Development Costs	-3.1	0.7	-8.2	-3.5	-3.5	-3.8
Other Costs	-9.8	-12.5	-17.0	-13.9	-14.1	-14.4
EBITDA	106.1	112.2	127.7	111.2	111.8	115.3
Depreciation & Amortization	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**106.1**	**112.2**	**127.7**	**111.2**	**111.8**	**115.3**
Financial Result	-30.0	-20.7	-33.1	-30.6	-33.6	-35.8
Taxes	-0.5	-0.7	-0.8	-0.7	-0.7	-0.7
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Discontinued / Other	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-3.3	-3.9	-4.6	-4.6	-4.6	-4.6
Net current result (Group's share)	**72.4**	**86.9**	**89.1**	**75.3**	**72.8**	**74.2**
Changes in FV of investment properties	-75.0	-34.6	-30.7	-11.6	4.0	15.3
Gains/losses on real estate divestments	0.2	0.2	14.5	0.0	0.0	0.0
Minorities	2.2	0.1	0.0	0.0	0.0	0.0
Portfolio Result	-106.9	-40.1	-11.2	-11.6	4.0	15.3
Net Profit (Group's share)	**-34.5**	**46.7**	**77.9**	**63.7**	**76.8**	**89.5**
Adjusted Net Profit (Group's share)	73.1	86.9	72.5	75.3	71.6	73.0

Cash flow statement (€ m)	2009	2010	2011E	2012E	2013E	2014E
Cash Flow from Operations	82.8	93.8	94.0	79.9	77.5	78.8
Change in Working Capital	4.8	-6.1	44.2	-0.4	-0.4	-0.5
Cash Flow from Operating Activities	87.6	87.7	138.2	79.5	77.0	78.4
Cash Flow from Investments	-29.4	-26.0	-105.3	-38.2	-52.6	-31.0
Free Cash Flow	58.2	61.7	32.9	41.3	24.4	47.4
Dividend Payments	-60.6	-62.7	-91.9	-17.4	-69.8	-70.2
Share issues	159.5	0.0	0.0	0.0	0.0	0.0
New borrowings / reiumbursements	-155.5	-1.7	176.1	-110.0	50.0	0.0
Other cash flow from financing	-	-	-	-	-	-
Cash Flow from Financing	-56.7	-64.3	84.2	-127.4	-19.8	-70.2
Fx and changes in consolidation scope	-	-	-	-	-	-
Change in Cash & Equivalents	1.5	-2.6	117.0	-86.1	4.6	-22.8

Balance sheet (€ m)	2009	2010	2011E	2012E	2013E	2014E
Investment Properties	1,918.3	1,885.0	1,959.6	1,986.2	2,042.8	2,089.1
Development Projects	-	-	-	-	-	-
Other Fixed Assets	21.4	20.8	20.8	20.8	20.8	20.8
Total Fixed Assets	1,939.7	1,905.7	1,980.4	2,006.9	2,063.5	2,109.9
Assets held for Sale	4.6	37.6	0.0	0.0	0.0	0.0
Receivables	23.5	19.5	20.2	20.9	21.5	22.2
Other current assets	15.5	18.7	18.5	18.3	18.1	17.9
Cash and Cash Equivalents	6.1	3.5	120.5	34.4	39.0	16.2
Total Current Assets	49.7	79.4	159.3	73.6	78.7	56.4
TOTAL ASSETS	**1,989.4**	**1,985.1**	**2,139.7**	**2,080.6**	**2,142.2**	**2,166.2**
Shareholders' Equity	988.4	1,017.4	1,008.1	1,059.0	1,070.6	1,094.7
Minority Interest	61.6	64.4	64.4	64.4	64.4	64.4
Total Equity	1,050.0	1,081.9	1,072.5	1,123.4	1,135.1	1,159.1
LT Financial Debt	745.4	584.8	824.4	714.4	764.4	764.4
Other LT Liabilities	18.9	20.1	15.1	15.1	15.1	15.1
Total LT Liabilities	764.3	604.9	839.5	729.5	779.5	779.5
ST Financial Debt	1.9	206.0	142.5	142.5	142.5	142.5
Other Current Liabilities	173.3	92.3	85.2	85.2	85.2	85.2
Total ST Liabilities	175.1	298.3	227.6	227.6	227.6	227.6
TOTAL LIABILITIES	**1,989.4**	**1,985.1**	**2,139.7**	**2,080.6**	**2,142.2**	**2,166.2**

Per share data (€)	2009	2010	2011E	2012E	2013E	2014E
Basic EPS (€)	-3.97	2.66	4.44	3.63	4.38	5.11
Adjusted EPS (€)	2.40	5.05	5.08	4.29	4.15	4.23
Diluted EPS (€)	-3.97	2.66	4.44	3.63	4.38	5.11
Diluted Adjusted EPS (€)	2.40	5.05	5.08	4.29	4.15	4.23
Net Current Result Per Share (€)	2.40	5.05	5.08	4.29	4.15	4.23
Portfolio Result Per Share (€)	-6.36	-2.39	-0.64	-0.66	0.23	0.87
DPS (€)	4.40	3.90	4.93	3.98	4.00	4.02
NAV Per Share (€)	59.85	61.68	56.94	61.35	62.02	63.39

Source: KBC Securities

*Historic valuation data are based on historic prices

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The company disclosures can also be consulted on our website http://www.kbcsecurities.be/disclosures.

KBC Securities uses an absolute rating system including terms such as Buy, Accumulate, Hold, Reduce and Sell (see definitions below).

	Definition
BUY	Expected total return (including dividends) of 10% or more over a 6-month period
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

Due to external factors and in exceptional cases, KBC Securities allows the use of ratings such as Accept the Offer, Black Out, No Recommendation or Suspended.
Our analysts assign one of those ratings based on their investment outlook and valuation for the concerned stock. The valuation can be based on different methodologies such as DCF (discounted cash flow), absolute multiples, peer group multiples, sum-of-parts or NAV (Net Asset Value). The valuation is reflected in a 6-month target price. Occasionally, the expected total return may fall outside of these ranges because of price movement and/or volatility. Such deviations will be permitted but will be closely monitored. Investors should carefully read the definitions of all ratings used in each research report. In addition, since the report contains more complete information concerning the analyst's view, investors should carefully read the entire report and not infer its contents from the rating alone. KBC Securities discloses the recommendations of its reports to the issuers before their dissemination. In case the recommendation has been amended following this disclosure, such amendments will be indicated in the concerned report.

Stock rating	% of covered universe	% of covered universe with investment banking relationship during last year
BUY	33.10%	37.50%
ACCUMULATE	38.00%	50.00%
HOLD	26.40%	12.50%
REDUCE	2.50%	0.00%
SELL	0.00%	0.00%

Befimmo is an office REIT focussing on prime assets let on long-term to public entities.
The price target for Befimmo is based on following parameters: Absolute Multiples, Peer Group Multiples, Estimated Equity Value (NAV), Dividend Discount Model (DDM)
The risks which may impede the achievement of our price target are: Access to capital (debt & equity), evolution of interest rates and credit spreads, real estate investment market, impact real economy on portfolio vacancy and rental values

Below is an overview of the stock ratings and target price history in the last 12 months for the stock described in this report.

Date	Rating	Target price
13-JAN-12	Accumulate	€ 56.50

KBC Securities will provide periodic updates on companies/industries based on company-specific developments or announcements, market conditions or any other publicly available information.

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