



25 March 2009

## Investment Research

### Accumulate

Recommendation unchanged

Share price: EUR 48.50

closing price as of 24/03/2009

Target price: EUR 58.00

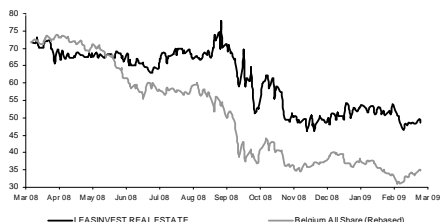
vs Target Price: EUR 62.00

Reuters/Bloomberg LNRE.BR/LEAS BB

Daily avg. no. trad. sh. 12 mth	1,441
Daily avg. trad. vol. 12 mth (m)	0.09
Price high 12 mth (EUR)	78.00
Price low 12 mth (EUR)	46.13
Abs. perf. 1 mth	-6.7%
Abs. perf. 3 mth	-2.0%
Abs. perf. 12 mth	-27.1%

Market capitalisation (EURm)	195
Current N° of shares (m)	4
Free float	33%

Key financials (EUR)	06/07	12/08e	12/09e
Sales (m)	33	49	38
EBITDA (m)	25	39	30
EBITDA margin	75.9%	79.6%	78.7%
EBIT (m)	25	39	30
EBIT margin	75.9%	79.6%	78.7%
Net Profit (adj.)(m)	16	21	19
ROCE	5.7%	7.4%	5.0%
Net debt/(cash) (m)	169	259	318
Net Debt Equity	0.6	1.0	1.2
Net Debt/EBITDA	6.7	6.6	10.6
Int. cover(EBITDA/Fin.int)	3.6	3.4	2.8
EV/Sales	14.4	9.2	13.4
EV/EBITDA	19.0	11.6	17.0
EV/EBITDA (adj.)	19.0	11.6	17.0
EV/EBIT	19.0	11.6	17.0
P/E (adj.)	19.1	9.1	10.3
P/BV	1.2	0.7	0.7
OpFCF yield	4.5%	31.3%	-1.2%
Dividend yield	7.8%	11.8%	8.0%
EPS (adj.)	4.09	5.26	4.72
BVPS	65.31	65.90	68.78
DPS	3.80	5.70	3.90



Shareholders: Ackermans & van Haaren Group 30%;  
AXA Belgium NV 29%; Fortis AG 7%;  
Own shares 0.41%;

For company description please see summary table footnote

## Good FY08 ... FY09 can't go wrong ... What about FY10 & FY11?

On account of strong FY08 results but adverse market data we have updated our scenario for Leasinvest Real Estate (LRE). We reiterate our (strong) Accumulate rating but lower our target price from EUR 62 to EUR 58 per share, still suggesting an upside potential of 19.6% on yesterday's closing price.

- ✓ After taking into consideration adverse data on the overall economic environment, we pencilled in more cautious assumptions into our business model. Our cautious stance towards the real estate market results, by means of a DCF valuation, in a lower **target price of EUR 58** per share, which still suggests an **upside potential of 19.6%** on yesterday's closing price.
- ✓ Yet, LRE came out with **good FY08** (extended FY of 18 months) **results**. Rental income of FY07/08 (18 months) came in at EUR 49.1m (as we expected) vs. EUR 33.2m in FY06/07 (12 months). Operating result before result on the portfolio (~EBITDA) amounted to EUR 39.2m, slightly better than the 38.8m we banked on. Despite some downward revaluations on existing investment properties, LRE recorded a net positive change in portfolio fair value of EUR 13.3m because of the successful redevelopments within its own portfolio.
- ✓ What's more, as we see it, **FY09 can hardly go wrong**. LRE has no excessive leverage, benefits relatively well from the low EURIBOR and has almost no roll-over risk of rental contracts in FY09. In **FY10 and FY11**, however, **20% and 16% of rental income is exposed to a break option**. We believe to be on the cautious side by assuming in our business model that 75% of the tenants that have a break option negotiate new rents at a 5% lower rental level than before.
- ✓ BoD will propose a gross **closing dividend of EUR 1.85 per share** to be paid on May 25, 2009. LRE already paid an interim of EUR 3.85 per share in October 2008, so that **dividend over the whole period totals EUR 5.70 per share** (89% pay-out ratio) or EUR 3.8 per share on annual basis. Considering the modest pay-out ratio and the substantial expected increase in recurrent earnings for FY09, we believe dividend should at least be maintained the coming year, which implies a **minimum dividend yield of 7.7%**.
- ✓ LRE has a **rather comfortable debt ratio of 52%** as on 31/12/2008, which means that the REIT has an additional investment capacity of EUR 213m before reaching the 65% limit. LRE's only covenants demand higher credit margin on debt when leverage surpasses certain levels.
- ✓ As of 31/12/2008, **NAV** amounts to **EUR 66.17** per share (FV). Based on yesterday's closing price, **discount** to NAV amounts to **26.7%**, compared to an average discount of 18.5% for the Belgian REIT universe. To attain a NAV in line with LRE's share price, valuation yield should increase by as much as 100bps (assuming stable rents). In reality, yield should even increase much stronger because LRE expects unrealised cap gains on BIAN and Montimmo of around EUR 15.3m (~EUR 3.8 per share). As a result, we believe **LRE's discount is exaggerated**, which supports our DCF.

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## Investment Case

### Good FY08 ... FY09 can't go wrong ... What about FY10-FY11?

**Rental income of FY07/08** (18 months) came in at **EUR 49.1m** (as we expected) vs. EUR 33.2m in FY06/07 (12 months). Operating result before result on the portfolio (~EBITDA) amounted to EUR 39.2m, slightly better than the 38.8m we banked on. Despite some downward revaluations of the investment properties, the overall portfolio wrote down a net positive change in fair value of EUR 13.3m. This positive variation can be explained by LRE's successful redevelopments within its own portfolio, e.g. positive impact of EUR 14.4m of redevelopment of the CFM site. After adding the realised cap gain on the disposal of Aubépines, a **positive portfolio result of EUR 16.6m** has been recorded in FY08. Financial result came in at EUR -16.3m, but this includes **EUR -4.4m non-cash hedging instruments marked-to-market (IAS39)**. Therefore, LRE wrote down a net result (share of the group) of EUR 38.3m (vs. EUR 34.9m in FY06/07) and a **recurrent result of EUR 22.1m** (vs. EUR 16.3m in FY06/07) or even **EUR 26.5m excluding IAS39**, as we prefer. As a result, EPS amount to EUR 9.59 (vs. EUR 8.71 in FY06/07), while recurrent EPS amount to EUR 5.52 (vs. EUR 4.07 in FY06/07) or EUR 6.63 per share excluding IAS39. All in all, a **nice set of results for FY08**.

What's more, as we see it, **FY09 can hardly go wrong**. LRE has no excessive leverage, benefits relatively well from the low EURIBOR and has almost no roll-over risk in FY09. And what about a defaulting tenant? First, management confirms that the amount of doubtful debtors is not increasing. LRE is actively assessing the financial health of their tenants and only notices some problems for minor surfaces. Second, **rents are typically paid 3 months in advance**. Finally, LRE retains a **rental guarantee of 6 months for almost 90% of its tenants**. For all these reasons, despite the difficult economic environment, we regard FY09 cash flows as relatively secured. As far as non-cash items are concerned, LRE expects around EUR 15.3m unrealised cap gains (+/-EUR 14m on the redevelopment of BIAN & +/-EUR 1.3m on the redevelopment of Montimmo), which serve (at least partly) as a counterbalancing force against any negative variations on the portfolio due to overall upward yield pressure.

It may seem far away, but what about FY10 and FY11? Now we estimate that **in FY10 and FY11, 20% and 16% of rental contracts have a break option**. As result, LRE's performance in these years will depend to some extent on the recovery of the overall economy which is a factor that introduces a lot of uncertainty. We believe to be on the cautious side by assuming in our business model that 75% of the tenants that have a break option negotiate new rents at 5% lower rental level than before.

## Portfolio

The fair value of the portfolio now stands at EUR 534m, (excl. EUR 29m development projects) valued at a 7.27% yield. Occupancy rate increased from 97.01% at the end of FY06/07 to 97.29% but remained stable qoq.

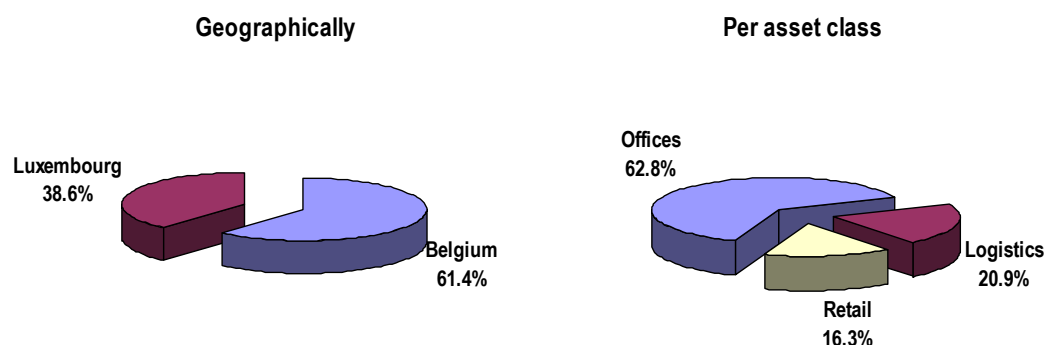
### Portfolio analysis

31/12/2008	Fair value	Investment value	Share in portfolio	Contractual rents	Rental yield based	Rental yield based
			based on fair value		on fair value	on investment value
	(mio EUR)	(mio EUR)	(%)	(mio EUR)	(%)	(%)
<b>Offices Belgium</b>	211.51	216.82	39.6%	15.81	7.47%	7.29%
Offices Brussels	138.81	142.29	26.0%	10.15	7.31%	7.13%
Offices Malines	28.73	29.45	5.4%	2.11	7.34%	7.16%
Offices Antwerp	2.5	2.56	0.5%	0.22	8.80%	8.59%
Offices Ghent	41.47	42.52	7.8%	3.33	8.03%	7.83%
<b>Offices Grand-Duchy of Luxembourg</b>	123.95	127.18	23.2%	8.19	6.61%	6.44%
<b>Offices</b>	<b>335.46</b>	<b>344.00</b>	<b>62.8%</b>	<b>24.00</b>	<b>7.15%</b>	<b>6.98%</b>
<b>Logistics/Semi-industrial Belgium</b>	92.5	94.96	17.3%	8.05	8.70%	8.48%
Logistics/Semi-industrial Luxembourg	19.26	19.75	3.6%	1.36	7.06%	6.89%
<b>Logistics/Semi-industrial</b>	<b>111.76</b>	<b>114.71</b>	<b>20.9%</b>	<b>9.41</b>	<b>8.42%</b>	<b>8.20%</b>
<b>Retail Belgium</b>	23.8	24.39	4.5%	0.83	3.49%	3.40%
Retail Luxembourg	63.19	64.76	11.8%	4.60	7.28%	7.10%
<b>Retail</b>	<b>86.99</b>	<b>89.15</b>	<b>16.3%</b>	<b>5.43</b>	<b>6.24%</b>	<b>6.09%</b>
<b>Grand Total Real Estate</b>	<b>534.21</b>	<b>547.86</b>	<b>100.0%</b>	<b>38.84</b>	<b>7.27%</b>	<b>7.09%</b>

Source: Company data; Degroof research

Major change in the LRE portfolio since our initiating coverage in November 2008 is the acquisition of 3 retail sites in Luxembourg for a total amount of EUR 47.5m at an initial gross yield of 7.68%. The premises are 100% occupied with an average residual duration on leases of 6.5y, generating a total rental income of EUR 3.6m a year. We deem it important that the sites also contain 465 parking spaces, which offer some development potential in the future. The acquisition is entirely financed with newly obtained credit lines (floating EURIBOR3m +200bps spread). EUR 40m has been hedged through 5-6y IRS at a 3% fixed rate. In short, assuming an operating margin of 85%, this deal has a positive impact on net current profit of EUR 0.73m. In addition, this deal enhances the strategic composition of the portfolio. The new portfolio breakdown is presented in the graphs below.

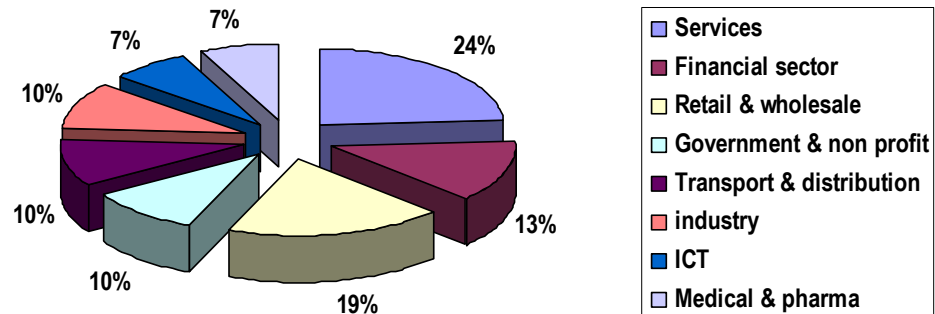
### Breakdown of investment portfolio (by fair value on 31/12/2008)



Source: Company data; Degroof research

**Duration of the rental contracts** amounts to **4.6y** with almost no expiring leases in FY09. In FY10 and FY11, on the other hand, we estimate that around, 20% and 16% of rental contracts have a break option in FY10 and FY11, respectively. Furthermore, the portfolio has a healthy spread concerning tenant's activity as shown in the graph below.

#### Breakdown per tenant (on 31/12/2009)



Source: Company data

#### Capital structure

LRE has a **rather comfortable debt ratio of 52%** as on 31/12/2008, which means that the REIT has an **additional investment capacity of EUR 213m** before reaching the 65% limit. Although LRE looks out for bargains (~the 3 retail sites in Luxembourg), the company already has a nice pipeline that would bring the portfolio value up to EUR +600m at the end of FY09. In other words, the REIT has no problem letting projects pass and can afford to preserve an opportunistic policy.

As of 31/12/2008 debt consists of **73.5% bank loans** and **26.5% CP**, whereas in the past the part CP/bank loans was more about 50/50. Management however suggested that in the meantime the importance of CP increased again. At the moment LRE pays EURIBOR3m +17bps (broker's margin included) on CP. **Around 90% of back-up credit lines** (around EUR 90m) **will have to be renewed in FY09**. Whereas LRE used to pay commitment fees of about 15bps, commitment fees on new back-up lines will probably be more in the range of 40-50bps, resulting in EUR 270k additional financing costs.

Duration of the bank loans (CP back-up lines excluded) amounts to 3.64y with **majority of debt maturing in FY13**. In FY09 only EUR 13.7m matures.

We understand that the only covenants LRE retains are covenants that demand higher credit margin on debt when leverage surpasses certain levels. There are no stricter covenants.

We would like to emphasize that **LRE benefits particularly well from the low EURIBOR**. Almost all debt financing is at floating interest rates and only 68% of this debt is hedged through interest rate collars (with relatively low floors) and IRS 3-7y.

#### Sell-out of Leasinvest Immo Lux

At the end of 2008 Leasinvest Immo Lux (LIL) has finalised a sell-out procedure of the **remaining shares** for a total amount of **EUR 8.6m**. As a result, **LRE holds 100% of LIL** so that 'minority interests' for LIL will disappear from the consolidated balance sheet even as 'minorities' from the P&L.



## Dividend

Board of directors will propose a gross **closing dividend** (for the last 6 months the extended FY07/08) **of EUR 1.85 per share to be paid on May 25, 2009**. LRE already paid an interim dividend (for the first 12 months period of FY07/08) of EUR 3.85 per share in October 2008. Dividend over the whole period therefore amounts to EUR 5.70 per share. Assuming dividend remains constant in FY09, which implies a dividend of EUR 3.8 (5.7/1.5) per share, **dividend yield** would be **7.7%** on yesterday's closing price.

## Upcoming Events Calendar

- 15 May 2009            1Q09 interim statement
- 18 May 2009            AGM
- 25 May 2009            closing dividend payment
- 21 Aug 2009            1H09 results
- 31 Aug 2009            1H09 financial report
- 13 Nov 2009            3Q09 interim statement
- 19 Feb 2010            FY09 results

## Valuation

### DCF valuation

In our DCF valuation we discount the cash flows to the firm based on a two period model. In the first period (up to 31 December 2017) we discount detailed free cash flow projections. In the second period we estimate a residual value.

#### Parameters:

- Cost of equity: 10.9%
- Cost of debt: 3.8%
- Target gearing: 55.0%
- WACC: 7.0%

#### Detailed free cash flow assumptions:

- Sales: We factor in an inflation rate of 1% in FY09, 1.5% in FY10 and 2% further on. As % of rental income is exposed to roll-over risk in FY10 and FY11, we pencil 75% of the tenants that have a break option negotiate new rents at a 5% lower rental level than before.
- CAPEX: We assume the execution of the current pipeline and do not assume additional future investments. Neither do we insert any maintenance CAPEX as we judge LRE's maintenance and renovation program adequate enough to preserve the current value of the buildings.

#### Terminal growth assumptions

The residual value was based on NOPLAT/WACC, meaning that the return of the incremental invested capital equals the cost of capital and hence, growth adds nothing to value.

#### Target price

We arrive at a **target price** of **EUR 58** per share, i.e. an **upside potential of 19.6%** on a EUR 48.5 share price.

CASH FLOW (EUR m)	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Net Sales</b>	<b>38.3</b>	<b>42.0</b>	<b>43.8</b>	<b>44.7</b>	<b>45.6</b>	<b>46.5</b>	<b>47.4</b>	<b>48.3</b>	<b>49.3</b>
% change	-21.8%	9.7%	4.2%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
<b>EBITDA</b>	<b>30.1</b>	<b>33.6</b>	<b>35.2</b>	<b>36.0</b>	<b>36.8</b>	<b>37.6</b>	<b>38.4</b>	<b>39.2</b>	<b>40.1</b>
% margin	78.7%	80.0%	80.4%	80.6%	80.7%	80.9%	81.0%	81.2%	81.3%
% change	-22.7%	11.5%	4.8%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
<b>Depreciation &amp; other provisions</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
% sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBITA</b>	<b>30.1</b>	<b>33.6</b>	<b>35.2</b>	<b>36.0</b>	<b>36.8</b>	<b>37.6</b>	<b>38.4</b>	<b>39.2</b>	<b>40.1</b>
% margin	78.7%	80.0%	80.4%	80.6%	80.7%	80.9%	81.0%	81.2%	81.3%
% change	-22.7%	11.5%	4.8%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
<b>Taxes</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Normative tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>NOPLAT</b>	<b>30.1</b>	<b>33.6</b>	<b>35.2</b>	<b>36.0</b>	<b>36.8</b>	<b>37.6</b>	<b>38.4</b>	<b>39.2</b>	<b>40.1</b>
Depreciation & other provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Gross Operating Cash Flow</b>	<b>30.1</b>	<b>33.6</b>	<b>35.2</b>	<b>36.0</b>	<b>36.8</b>	<b>37.6</b>	<b>38.4</b>	<b>39.2</b>	<b>40.1</b>
Capex	-49.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% sales	129.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Change in Net Working Capital (-=increase; +=decrease)	-21.4	1.5	0.7	0.4	0.4	0.4	0.4	0.4	0.4
<b>Cash Flow to be discounted</b>	<b>-40.73</b>	<b>35.09</b>	<b>35.94</b>	<b>36.35</b>	<b>37.15</b>	<b>37.96</b>	<b>38.78</b>	<b>39.63</b>	<b>40.49</b>

DCF EVALUATION (EUR m)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Discount Rate	6.96%	6.96%	6.96%	6.96%	6.96%	6.96%	6.96%	6.96%	6.96%	6.96%
Discount Rate factor	0.00	0.95	0.89	0.83	0.78	0.73	0.68	0.63	0.59	0.55
Discounted Cash Flow	0.0	-38.7	31.1	29.8	28.2	26.9	25.7	24.6	23.5	22.4
<b>Cumulated DCF</b>	<b>0.0</b>	<b>-38.7</b>	<b>-7.5</b>	<b>22.3</b>	<b>50.5</b>	<b>77.5</b>	<b>103.2</b>	<b>127.8</b>	<b>151.3</b>	<b>173.7</b>

### WACC & DCF ANALYSIS

<b>Cost of Equity (Ke or COE)</b>	10.9%	<b>Cumulated DCF</b>	<b>173.7</b>	<b>- Net Financial Debt</b>	<b>(261.9)</b>
Cost of Debt (gross)	3.8%	<b>Perpetual Growth Rate (g)</b>	<b>0.0%</b>	- Minorities (estimated value)	0.0
Debt tax rate	0.0%	Normalised Annual CF	40.1	+ Associates	0.0
<b>Cost of Debt net (Kd or COD)</b>	<b>3.8%</b>	Terminal Value @ 12/2017	576.5	- Pension underfunding	0.0
Target gearing (D/(E+D)) or % Kd	55.0%	Disc. Rate of Terminal Value	0.55	- Off-balance sheet commitments	0.0
% Ke	45%	<b>Discounted Terminal Value</b>	<b>319.5</b>	<b>Equity Market Value (EUR m)</b>	<b>231.4</b>
<b>Normative Tax Rate</b>	<b>0.00%</b>	Peripheral assets	-	Number of shares (m)	4.0
<b>WACC</b>	<b>7.0%</b>	<b>Enterprise Value (EUR m)</b>	<b>493.3</b>	<b>Fair Value per share (EUR)</b>	<b>57.89</b>

Source: Degroof research

## NAV analysis

As of 31/12/2008, **NAV** amounts to **EUR 66.17 per share (FV)** or EUR 64.32 per share after closing dividend, which will be paid on 25 May, 2009. Hence, based on yesterday's closing price, **discount to NAV** amounts to **26.7%**, which is a very high discount **compared to** its peers who trade at an **average discount of 18.5%**.

### Discount to NAV based on 23 February 2009 closing price

COFINIMMO	BEFIMMO	INTERVEST OFFICES	LEASINVEST	WERELDHAVE BELGIUM	INTERVEST RETAIL	ASCENCIO	RETAIL ESTATES	WEB	WDP	MONTEA	AEDIFICA	HOME INVEST
(27.3%)	(4.1%)	(15.9%)	(26.7%)	(35.1%)	(22.3%)	(10.8%)	(28.6%)	(5.7%)	(12.1%)	(9.4%)	(22.3%)	(19.8%)
AVERAGE	(18.5%)											
MEDIAN	(19.8%)											

Source: Degroof research

In the table below we present a sensitivity analysis of NAV to a shift in valuation yield and rents. To attain a NAV in line with LRE's share price, yield should increase by another 100bps (assuming stable rents). In reality, yield should shift far more considering that LRE expects unrealised cap gains on BIAN and Montimmo of around EUR 15.3m (~EUR 3.8 per share). Therefore we deem LRE's discount to NAV excessively high, which supports our DCF.

### NAV sensitivity analysis

NAV		Δ Yield					
		-50 bps	0 bps	25 bps	50 bps	100 bps	150 bps
Δ Rents	-6%	67.5	58.2	54.0	50.1	43.0	36.7
	-4%	70.3	60.9	56.6	52.6	45.3	38.9
	-2%	73.2	63.5	59.2	55.1	47.7	41.1
	0%	76.1	66.2	61.8	57.6	50.0	43.3
	+2%	79.0	68.9	64.3	60.1	52.4	45.6
	+4%	81.8	71.6	66.9	62.6	54.7	47.8
	+6%	84.7	74.2	69.5	65.1	57.1	50.0

Source: Degroof research

## Leasinvest Real Estate: Summary tables

<b>PROFIT &amp; LOSS (EURm)</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008e</b>	<b>2009e</b>	<b>2010e</b>
<b>Sales</b>	<b>19.7</b>	<b>24.0</b>	<b>33.2</b>	<b>48.9</b>	<b>38.3</b>	<b>42.0</b>
Cost of Sales & Operating Costs (excl. Pers. Expenses)	-5.4	-6.0	-8.0	-10.0	-8.2	-8.4
Personnel Expenses	0.0	0.0	0.0	0.0	0.0	0.0
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>14.3</b>	<b>18.0</b>	<b>25.2</b>	<b>39.0</b>	<b>30.1</b>	<b>33.6</b>
<b>EBITDA (adj.)*</b>	<b>14.3</b>	<b>18.0</b>	<b>25.2</b>	<b>39.0</b>	<b>30.1</b>	<b>33.6</b>
D & A	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>14.3</b>	<b>18.0</b>	<b>25.2</b>	<b>39.0</b>	<b>30.1</b>	<b>33.6</b>
<b>EBIT (adj.)*</b>	<b>14.3</b>	<b>18.0</b>	<b>25.2</b>	<b>39.0</b>	<b>30.1</b>	<b>33.6</b>
Net Financial Interest	-4.4	-2.3	-6.9	-11.4	-10.8	-12.3
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	2.9	8.5	18.1	12.3	-0.4	-0.4
<b>Earnings Before Tax (EBT)</b>	<b>12.8</b>	<b>24.1</b>	<b>36.4</b>	<b>39.9</b>	<b>19.0</b>	<b>20.9</b>
Tax	0.3	-0.8	-0.9	-0.3	0.0	0.0
<i>Tax rate</i>	<i>nm</i>	<i>3.3%</i>	<i>2.4%</i>	<i>0.7%</i>	<i>0.0%</i>	<i>0.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-0.7	-3.6	-0.6	-1.2	0.0	0.0
<b>Net Profit (reported)</b>	<b>12.4</b>	<b>19.7</b>	<b>34.9</b>	<b>38.3</b>	<b>19.0</b>	<b>20.9</b>
<b>Net Profit (adj.)</b>	<b>9.1</b>	<b>10.6</b>	<b>16.4</b>	<b>21.1</b>	<b>19.0</b>	<b>20.9</b>
<b>CASH FLOW (EURm)</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008e</b>	<b>2009e</b>	<b>2010e</b>
Cash Flow from Operations before change in NWC	10.2	14.4	18.5	30.6	19.0	20.9
Change in Net Working Capital	-0.5	-3.2	-4.5	29.8	-21.4	1.5
<b>Cash Flow from Operations</b>	<b>9.7</b>	<b>11.2</b>	<b>14.0</b>	<b>60.4</b>	<b>-2.4</b>	<b>22.4</b>
Capex	-8.1	-178	12.5	-105	-49.5	0.0
Net Financial Investments	-7.4	-174	-14.2	0.0	0.0	0.0
<b>Free Cash Flow</b>	<b>-5.7</b>	<b>-341</b>	<b>12.4</b>	<b>-44.1</b>	<b>-51.9</b>	<b>22.4</b>
Dividends	-10.6	-11.3	-12.4	-30.6	-7.4	-15.6
Other (incl. Capital Increase & share buy backs)	23.7	101	12.0	-16.2	0.0	0.0
<b>Change in Net Debt</b>	<b>7.4</b>	<b>-251</b>	<b>12.0</b>	<b>-91.0</b>	<b>-59.3</b>	<b>6.8</b>
NOPLAT	14.3	18.0	25.2	39.0	30.1	33.6
<b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008e</b>	<b>2009e</b>	<b>2010e</b>
Net Tangible Assets	269	467	450	563	613	613
Net Intangible Assets (incl. Goodwill)	0.0	0.0	0.0	0.0	0.0	0.0
Net Financial Assets & Other	1.2	2.6	4.4	1.0	1.0	1.0
<b>Total Fixed Assets</b>	<b>270</b>	<b>470</b>	<b>454</b>	<b>564</b>	<b>614</b>	<b>614</b>
Net Working Capital	-9.3	-11.4	-10.4	-36.5	-15.2	-16.7
<b>Shareholders Equity</b>	<b>180</b>	<b>238</b>	<b>262</b>	<b>264</b>	<b>276</b>	<b>281</b>
Minorities Equity	8.0	24.7	10.0	0.0	0.0	0.0
<b>Net Debt</b>	<b>70.5</b>	<b>195</b>	<b>169</b>	<b>259</b>	<b>318</b>	<b>312</b>
Provisions	0.0	0.0	1.8	1.1	1.1	1.1
Other Net Liabilities or Assets	2.1	0.8	0.9	3.1	3.1	3.1
<b>Net Capital Employed/Invested</b>	<b>261</b>	<b>459</b>	<b>444</b>	<b>528</b>	<b>599</b>	<b>597</b>
<b>GROWTH &amp; MARGINS</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008e</b>	<b>2009e</b>	<b>2010e</b>
<i>Sales growth</i>	<i>-13.1%</i>	<i>21.5%</i>	<i>38.4%</i>	<i>47.6%</i>	<i>-21.8%</i>	<i>9.7%</i>
<i>EBITDA growth</i>	<i>-13.3%</i>	<i>25.9%</i>	<i>40.1%</i>	<i>54.8%</i>	<i>-22.7%</i>	<i>11.5%</i>
<i>EBITDA (adj.)* growth</i>	<i>-13.3%</i>	<i>25.9%</i>	<i>40.1%</i>	<i>54.8%</i>	<i>-22.7%</i>	<i>11.5%</i>
<i>EBIT growth</i>	<i>-7.5%</i>	<i>25.9%</i>	<i>40.1%</i>	<i>54.8%</i>	<i>-22.7%</i>	<i>11.5%</i>
<i>EBIT (adj.)* growth</i>	<i>-7.5%</i>	<i>25.9%</i>	<i>40.1%</i>	<i>54.8%</i>	<i>-22.7%</i>	<i>11.5%</i>
<i>Net Profit growth</i>	<i>9.2%</i>	<i>15.9%</i>	<i>55.4%</i>	<i>28.4%</i>	<i>-10.1%</i>	<i>10.2%</i>
<i>EPS adj. growth</i>	<i>1.5%</i>	<i>6.5%</i>	<i>28.5%</i>	<i>28.4%</i>	<i>-10.1%</i>	<i>10.2%</i>
<i>DPS adj. growth</i>	<i>-0.3%</i>	<i>0.8%</i>	<i>1.3%</i>	<i>50.0%</i>	<i>-31.6%</i>	<i>10.2%</i>
<i>EBITDA margin</i>	<i>72.4%</i>	<i>75.0%</i>	<i>75.9%</i>	<i>79.6%</i>	<i>78.7%</i>	<i>80.0%</i>
<i>EBITDA (adj.)* margin</i>	<i>72.4%</i>	<i>75.0%</i>	<i>75.9%</i>	<i>79.6%</i>	<i>78.7%</i>	<i>80.0%</i>
<i>EBIT margin</i>	<i>72.4%</i>	<i>75.0%</i>	<i>75.9%</i>	<i>79.6%</i>	<i>78.7%</i>	<i>80.0%</i>
<i>EBIT (adj.)* margin</i>	<i>72.4%</i>	<i>75.0%</i>	<i>75.9%</i>	<i>79.6%</i>	<i>78.7%</i>	<i>80.0%</i>

## Leasinvest Real Estate: Summary tables

RATIOS	2005	2006	2007	2008e	2009e	2010e
Net Debt/Equity	0.4	0.7	0.6	1.0	1.2	1.1
Net Debt/EBITDA	4.9	10.9	6.7	6.6	10.6	9.3
Interest cover (EBITDA/Fin.interest)	3.3	7.8	3.6	3.4	2.8	2.7
Capex/D&A	nm	nm	nm	nm	nm	nm
Capex/Sales	41.0%	741.0%	-37.8%	213.7%	129.3%	0.0%
NWC/Sales	-47.1%	-47.7%	-31.5%	-74.7%	-39.7%	-39.7%
ROE (average)	5.5%	5.1%	6.6%	8.0%	7.0%	7.5%
ROCE (adj.)	5.5%	3.9%	5.7%	7.4%	5.0%	5.6%
WACC	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
ROCE (adj.)/WACC	0.8	0.6	0.8	1.1	0.7	0.8

PER SHARE DATA (EUR)	2005	2006	2007	2008e	2009e	2010e
EPS (reported)	4.08	5.94	8.71	9.55	4.72	5.20
EPS (adj.)	2.99	3.18	4.09	5.26	4.72	5.20
BVPS	59.09	71.68	65.31	65.90	68.78	70.10
DPS	3.72	3.75	3.80	5.70	3.90	4.30

VALUATION	2005	2006	2007	2008e	2009e	2010e
EV/Sales	14.1	19.1	14.4	9.2	13.4	12.0
EV/EBITDA	19.5	25.4	19.0	11.6	17.0	15.0
<b>EV/EBITDA (adj.)*</b>	<b>19.5</b>	<b>25.4</b>	<b>19.0</b>	<b>11.6</b>	<b>17.0</b>	<b>15.0</b>
EV/EBIT	19.5	25.4	19.0	11.6	17.0	15.0
<b>EV/EBIT (adj.)*</b>	<b>19.5</b>	<b>25.4</b>	<b>19.0</b>	<b>11.6</b>	<b>17.0</b>	<b>15.0</b>
<b>P/E (adj.)</b>	<b>21.5</b>	<b>20.7</b>	<b>19.1</b>	<b>9.1</b>	<b>10.3</b>	<b>9.3</b>
P/BV	1.1	0.9	1.2	0.7	0.7	0.7
Total Yield Ratio	5.4%	4.7%	15.7%	4.3%	8.0%	
EV/CE	1.1	1.0	1.1	0.9	0.9	0.8
OpFCF yield	4.6%	4.2%	4.5%	31.3%	-1.2%	11.5%
OpFCF/EV	3.5%	2.5%	2.9%	13.4%	-0.5%	4.4%
Payout ratio	91.1%	63.1%	43.7%	59.7%	82.6%	82.6%
Dividend yield (gross)	5.8%	5.7%	7.8%	11.8%	8.0%	8.9%

EV AND MKT CAP (EURm)	2005	2006	2007	2008e	2009e	2010e
Price** (EUR)	64.4	65.9	78.1	48.0	48.5	48.5
Outstanding number of shares for main stock	3.2	4.0	4.0	4.0	4.0	4.0
<b>Total Market Cap</b>	<b>209</b>	<b>264</b>	<b>313</b>	<b>193</b>	<b>195</b>	<b>195</b>
<b>Net Debt</b>	<b>70.5</b>	<b>195</b>	<b>169</b>	<b>259</b>	<b>318</b>	<b>312</b>
o/w Cash & Marketable Securities	2.0	8.1	17.6	5.5	5.5	5.5
o/w Short Term Debt	42.7	109	100	92.0	113	110
o/w Long Term Debt	29.8	94.8	86.3	172	211	207
<b>Other EV components</b>	<b>-1.2</b>	<b>-2.6</b>	<b>-4.4</b>	<b>-1.0</b>	<b>-1.0</b>	<b>-1.0</b>
Enterprise Value (EV adj.)	<b>279</b>	<b>457</b>	<b>478</b>	<b>451</b>	<b>512</b>	<b>505</b>

Source: Company, Bank Degroof estimates.

## Notes

\* Where EBITDA (adj.) or EBIT (adj.) = EBITDA (or EBIT) +/- Non Recurrent Expenses/Income

\*\*Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

## Company Description:

Leasinvest Real Estate is a Belgian REIT (= SICAFI or Vastgoedbevak) that invests in offices (62.8%), retail (16.3%) and logistics (20.9%) premises located in Belgium (20.9%) and the Grand Duchy of Luxembourg (38.6%). As of 31 December 2008, the fair value of the consolidated real estate portfolio amounts to EUR 534m, excluding developments at cost. The REIT aims at further diversifying the portfolio into a mix of offices, warehouses and retail in Belgium and Luxembourg, while focus remains on redevelopments within the current portfolio in order to release important capital gains and keeping tenants in the portfolio to maintain its excellent occupancy rate.

## ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.

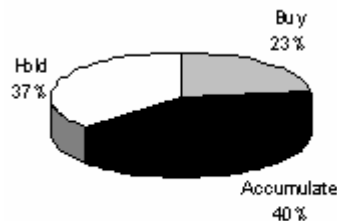
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

### Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 20%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **10% to 20%** during the next 12 months time horizon
- **Hold:** the stock is expected to generate total return of **0% to 10%** during the next 12 months time horizon.
- **Reduce:** the stock is expected to generate total return of **0% to -10%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -10%** during the next 12 months time horizon
- **Rating Suspended:** the rating is suspended due to a capital operation (take-over bid, SPO, ...) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved or to a change of analyst covering the stock
- **Not Rated:** there is no rating for a company being floated (IPO) by the issuer of the document (a partner of ESN) or a related party of the issuer

Bank Degroof Ratings Breakdown

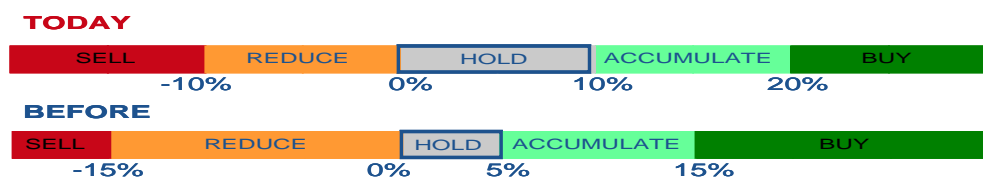


### History of ESN Recommendation System

**Since 18 October 2004**, the Members of ESN are using an Absolute Recommendation System (before was a Relative Rec. System) to rate any single stock under coverage.

**Since 4 August 2008**, the ESN Rec. System has been amended as follow.

- Time horizon changed to 12 months (it was 6 months)
- Recommendations Total Return Range changed as below:



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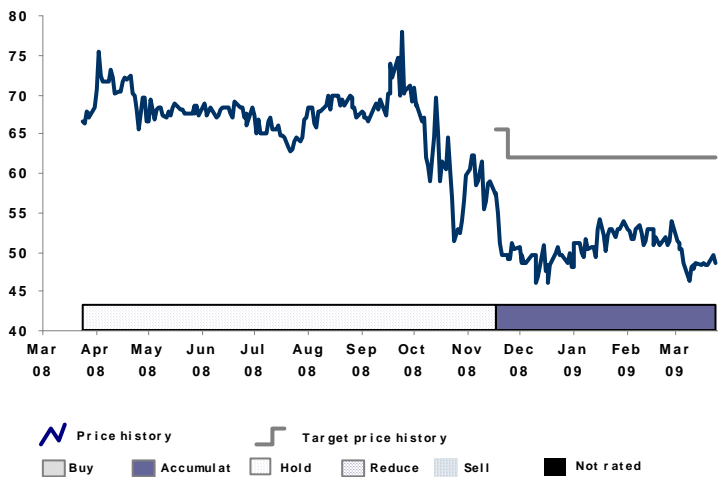


## Recommendation history for LEASINVEST REAL ESTATE

Date	Recommendation	Target price	Price at change date
25-Mar-09	Accumulate	58.00	48.50
24-Nov-08	Accumulate	62.00	49.54
17-Nov-08	Accumulate	65.45	57.30
02-Jul-07	Hold		77.50
01-Jul-07	Not rated		78.10

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows Bank Degroof continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Preben Bruggeman (since 22/09/2008)



### Bank Degroof acts as liquidity provider for:

Aedifica, Atenor, Banimmo, Bois Sauvage, Duvel, Ecodis, Evadix, Floridienne, GIMV, IBt, Intervest Retail, IPTE, I.R.I.S., Kinapolis, Leasinvest, Luxempart, Mitiska, Montea, NewTree, Pinguin, Realco, Resilux, Sapec, Ter Beke, Tessengerlo and Van de Velde.

### Bank Degroof holds a significant stake in:

Aedifica, Fountain and Proximedia.

### Bois Sauvage holds a significant stake in Bank Degroof

### Bank Degroof board members and employees hold mandates in the following listed companies:

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