



16 February 2010

Investment Research

Hold

Recommendation unchanged

Share price: EUR 43.65

closing price as of 15/02/2010

Target price: EUR 47.00

Target Price unchanged

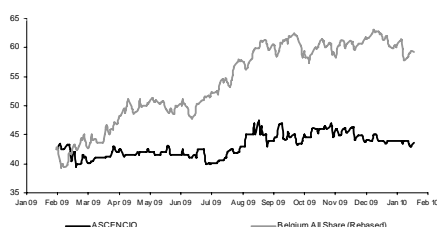
Reuters/Bloomberg

ASCC.BR/ASC.BB

Daily avg. no. trad. sh. 12 mth	171
Daily avg. trad. vol. 12 mth (m)	0.01
Price high 12 mth (EUR)	47.50
Price low 12 mth (EUR)	39.50
Abs. perf. 1 mth	-0.8%
Abs. perf. 3 mth	-5.1%
Abs. perf. 12 mth	-4.3%

Market capitalisation (EURm)	130
Current N° of shares (m)	3
Free float	32%

Key financials (EUR)	09/09	09/10e	09/11e
Sales (m)	18	18	19
EBITDA (m)	14	14	14
EBITDA margin	76.3%	75.2%	75.8%
EBIT (m)	14	14	14
EBIT margin	76.3%	75.2%	75.8%
Net Profit (adj.)(m)	4	10	11
ROCE	5.4%	5.3%	5.6%
Net debt/(cash) (m)	105	103	101
Net Debt Equity	0.7	0.7	0.7
Net Debt/EBITDA	7.5	7.4	7.0
Int. cover(EBITDA/Fin.int)	3.4	3.7	3.8
EV/Sales	12.9	12.7	12.1
EV/EBITDA	16.9	16.9	15.9
EV/EBITDA (adj.)	16.9	16.9	15.9
EV/EBIT	16.9	16.9	15.9
P/E (adj.)	35.7	12.9	12.2
P/BV	0.9	0.9	0.9
OpFCF yield	2.3%	8.2%	8.2%
Dividend yield	6.2%	6.6%	7.0%
EPS (adj.)	1.25	3.38	3.58
BVPS	49.30	49.97	50.66
DPS	2.72	2.88	3.04



Source: Factset

Shareholders: Family Mestdagh 33%; AG Insurance 15%; Group Selma 9%; Group de Meester 6%; Germain Mestdagh 5%;

For company description please see summary table footnote

Flawed, imperfect ... but still a gem

We initiate coverage of Ascencio with a Hold rating and a TP of EUR 47.0 per share based on a DCF valuation and backed by a DDM and NAV analysis.

- ✓ Ascencio is a Belgian REIT with a portfolio of EUR 260m of which 88% is invested in the niche of retail warehouses. These are large stores with parking space that are located outside the city-center, typically close to access roads. Ascencio still has 12% non-retail assets. 67% of the portfolio is located in the Walloon region; 24% in Flanders; 9% in Brussels.
- ✓ Ascencio did an IPO in February 2007 and is listed on both Euronext Brussels and Paris. Being a young REIT Ascencio still has some flaws.
- ✓ Ascencio has a high vacancy rate of 7.7% compared to its peers (only 0.7% for Intervest Retail and 2.0% for Retail Estates). We estimate market vacancy around 3-4%. Therefore, improving its occupancy rate should not pose too many problems.
- ✓ More than 52% of the tenants are active in the defensive though highly competitive food retail sector, Champion accounts for 17.7% of rental income and Carrefour for 17.6%. Champion is in hands of the reference shareholder family Mestdagh and has healthy financials. Carrefour, however, is struggling and has already indicated that it may leave the Belgian market.
- ✓ Ascencio has a solid balance sheet (45.9% debt-to-total assets) but has a rather poor hedging policy. Ascencio is hedged by means of 2 IRSs that are callable by the counterparty. As a result the company is de facto only hedged for EUR 50m (on EUR 105m net debt) at 4.35% until 30 June 2011. These IRSs have a negative value of EUR 7.5m. On the bright side Ascencio has low locked-in bank margins until December 2011.
- ✓ Ascencio is well aware of its current imperfections and we believe the REIT is excellently placed to tackle these issues. Ascencio recruited Marc Brisack as new CEO. As previous head of Fortis Real Estate Asset Management (approximately EUR 4.0bn assets under management) he has an excellent market expertise and has closely monitored Ascencio since its inception.
- ✓ Ascencio is therefore ready for its 2nd growth phase. Management has the ambition to grow the portfolio to EUR 400m preferably by investing in retail parks in France. Ascencio is already listed on Euronext Paris so it can easily apply for the French REIT status (SIIC). With a team of 10 FTEs we believe economies of scale are waiting to be picked up and portfolio growth would automatically reduce the weight of Champion and Carrefour in the portfolio.
- ✓ We expect a gross dividend per share of EUR 2.88 for FY10 (85% pay-out ratio), which corresponds to a dividend yield of 6.6%.
- ✓ Based on a DCF valuation and a DDM we arrive at a TP of EUR 47.0, which implies an upside potential of 7.7% on yesterday's closing price. Ascencio's current discount-to-NAV of 8.4% looks overdone to us. At our fair value of EUR 47 Ascencio would still trade at a light discount. Intervest Retail and Intervest Offices trade at a premium of 3.0% and 4.7%, respectively.

Analyst(s): Preben Bruggeman
Jean-Marie Caucheteux

+32 2 287 95 71
+32 2 287 99 20

preben.bruggeman@degroof.be
jeanmarie.caucheteux@degroof.be



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Investment Case

<p>EUR 260m portfolio value</p>	<p>Ascencio is a Belgian REIT dedicated to retail real estate. The company has a portfolio of EUR 260m of which 88% is invested in the niche of retail warehouses. These are large stores with parking space that are located outside the city-center, typically close to access roads. Ascencio still has 12% non-retail assets. 67% of the portfolio is located in the Walloon region; 24% in Flanders; 9% in Brussels.</p>
<p>IPO in February 2007</p>	<p>Ascencio did an IPO in February 2007 and is listed both on Euronext Brussels and Paris. Being a young REIT Ascencio still has some flaws.</p>
<p>7.7% Vacancy</p>	<p>First, Ascencio has a high vacancy rate of 7.7% compared to its peers that have vacancy rates of only 0.7% (Intervest Retail) or 2.0% (Retail Estates). We estimate market vacancy around 3% to 4% so that Ascencio should be able to improve its occupancy rate without too many problems.</p>
<p>>52% exposure to food retail ...</p> <p>... but 17.7% Champion & 17.6% Carrefour</p>	<p>Second, while more than 52% of the tenants are active in the defensive though highly competitive food retail sector, Champion (17.7%) and Carrefour (17.6%) both account for more than 35% of rental income. Champion is in hands of reference shareholder family Mestdagh and has healthy financials. Carrefour, however, has already indicated that it may leave the Belgian market. The good news is that Ascencio does not have Carrefour hypermarkets in its portfolio but only supermarkets that are far easier to re-let to other retailers. We also estimate that around 1/3 of the Carrefour contracts are ground leases.</p>
<p>Less than 50% debt is hedged</p>	<p>Third, Ascencio is hedged by means of 2 IRSs that are callable by the counterparty. As a result the company is <i>de facto</i> only hedged for EUR 50m (on EUR 106m debt) at 4.35% (without bank margin) until 30 June 2011. These IRSs have a negative value of EUR 8.0m. On the bright side Ascencio has low locked-in bank margins until December 2011.</p>
<p>EUR 400m target portfolio value</p> <p>Looking for French retail parks</p>	<p>Now, Ascencio is well aware of its current imperfections and we believe the REIT is excellently placed to tackle these issues. Ascencio recruited Marc Brisack as fresh CEO. As ex head of Fortis Real Estate Asset Management (approximately EUR 4.0bn assets under management) he has strong market knowledge and has closely watched Ascencio since its inception.</p> <p>Therefore, Ascencio is ready for its 2nd growth phase. Management has the ambition to grow the portfolio to EUR 400m preferably by investing in retail parks in France. Ascencio is already listed on Euronext Paris so it can easily apply for the French REIT status (SIIC). With a team of 10 FTEs we believe advantages of scale are waiting to be picked up and portfolio growth would automatically reduce the weight of Champion and Carrefour in the portfolio.</p>
	<p>We estimate that an improvement of the occupancy rate and the disposal of non-retail assets will enhance the operating margin from 73.5% (2H09) to 75% in FY10 and 78% FY19. We do not pencil-in portfolio expansion which should further boost operating margin into the 80% to 85% regions.</p>
	<p>The current portfolio leaves room for (re)developments which should unlock additional hidden value. We do not take this value into account in our valuation as we do not have enough visibility on the potential. We note that this value may kick in as a welcome extra in future.</p>
<p>Belgian retail sales dropped by only 1.3% yoy</p>	<p>Furthermore, Belgian retail weathers the storm pretty well: between August 2008 and August 2009 total retail sales (in volume) recorded a decrease of 1.3% in Belgium compared to a decrease of 4.1% and 5.5% in Spain and Ireland. Retail sales were down by 2.6% on average in the Euro Area over the same period. Besides, retailers in the periphery predominantly use soft-discount formulas, which should further shield the segment of retail warehouses in a depressed economic environment.</p>

**IRs are worth
EUR -2.5 per share**

Ascencio has a healthy balance sheet with debt ratio of 45.9%. The REIT has a target debt ratio of 50% which leaves room for additional EUR 25m debt-financed acquisitions. Ascencio still has EUR 69m disposable credit lines and has low locked-in bank margins (40bps) until December 2011. Management is working on a clear hedging policy. Today Ascencio is "hedged" by means of 2 non-regular (callable) IRs for an amount of EUR 70m. These instruments have a negative value of EUR 7.5m or EUR 2.5 per share.

**Low locked-in bank
margins until
December 2011**

All in all, we believe Ascencio will bring a positive story the coming years on the back of portfolio growth & optimisations within its portfolio, decreasing vacancy and operating improvements.

EUR 47.0 TP

Based on a DCF valuation and a dividend discount model we arrive at a TP of EUR 47.0, which suggest a upside potential of 7.7% on yesterday's closing price. This is based on a scenario without expansion. As explained, expansion should result in better operational performance and less concentrated risk.

**8.4% discount-to-
NAV is exaggerated**

We believe Ascencio should trade at a discount to its peers (Interinvest Retail and Interinvest Offices) to reflect its lower operating margin and lower stock liquidity. However, Ascencio's current discount-to-NAV of 5.6% looks slightly overdone to us. At our fair value of EUR 47 Ascencio would still trade at a small discount. Interinvest Retail and Interinvest Offices trade at a premium of 3.0% and 4.7%, respectively.

6.6% dividend yield

Ascencio paid-out a gross dividend of EUR 2.72 in December 2009 at a low pay-out ratio (81.5%). Therefore we believe that the current dividend is more than sustainable. We expect a gross dividend per share of EUR 2.88 for FY10 (85% pay-out ratio), which corresponds to a dividend yield of 6.6%.

Swot Analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> ▪ Pure player in the niche of retail warehouses ▪ Belgian retail weathers the storm pretty well ▪ More than 50% of the tenants are active in the defensive food retail sector ▪ Cheap locked-in bank margins until December 2011 ▪ New and promising CEO with a strong track record ▪ Attractive legal and fiscal framework offered by the Belgian REIT status 	<ul style="list-style-type: none"> ▪ Low free float & low market capitalisation ▪ Lack of tenant diversification (17.7% Champion & 17.6% Carrefour) ▪ Carrefour has indicated the possibility of an exit from the Belgian market ▪ High vacancy rate ▪ Rather poor hedging policy ▪ Contracted rents in line with market rents; no reversionary potential
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> ▪ Further portfolio growth ▪ Disposal of non-core assets in the short run ▪ Divesting from smaller retail sites in the medium to longer run (solid demand from wealthy private investors) ▪ Pushing back the vacancy rate of 7.7% (market vacancy is around 3-4%) ▪ Optimising the debt book (leverage, maturities, credit institutions) and implementation of a hedging policy 	<ul style="list-style-type: none"> ▪ Liberalization of market regulation allows for more developments in the long run with a negative impact on existing premises ▪ EURIBOR rising faster/stronger than expected ▪ Depressed consumer spending may affect tenants' health ▪ Majority of contracts are indexed at the health index without a deflation clause, so Ascencio is exposed to deflation risk ▪ Art 617 of the Belgian Code of Companies may prohibit the distribution of a dividend

Ascencio in a nutshell

Company description & brief history

Ascencio is a Belgian REIT (=SICAFI or vastgoedbevak) dedicated to retail real estate in Belgium. More specifically, Ascencio has invested 88% of its portfolio to the sub-segment of retail warehouses, predominantly in Wallonia (67%), while a smaller stake is invested in Flanders (24%) and Brussels (9%).

The REIT has been created at the initiative of Group Mestdagh, which has developed a real estate pole besides its food retail activities (Champion), and FREAM (=Fortis Real Estate Asset Management), a 100% subsidiary of AG Insurance (=the former Fortis Insurance Belgium). At inception both parties brought in real estate for an amount of EUR 63m and EUR 36m, respectively.

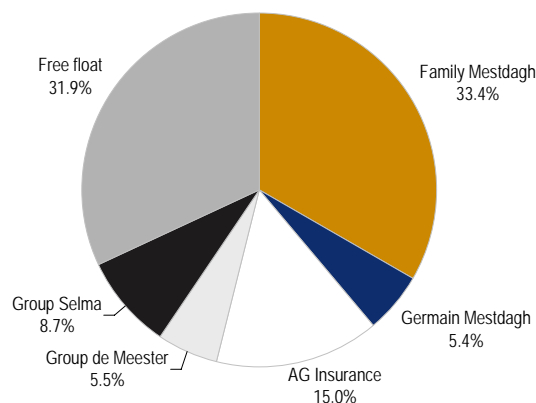
Being headquartered in Gosselies (Charleroi), Ascencio SCA has been created as of 10 May 2006 and 5 months later at the end of October 2006 the co-promoters together with other contributors brought in about EUR 134m real estate against 2,968,625 new issued shares. In February 2007 Ascencio has been introduced to the public via an IPO at EUR 50 per share. On its first trading day the share price immediately jumped 10% higher to EUR 55.5. The stock now trades at EUR 43.99 and is quoted on the double fixing market of Euronext Brussels and Paris.

Shareholder structure

The two co-promoters of Ascencio, family Mestdagh (33.4%) and AG Insurance (15.0%), control almost half of the shares. Group de Meester & Group Selma both represent private investors, *in casu* Family de Meester and Renato Rosetto. They hold respectively 5.5% and 8.7% of the shares. Free float is quite low: 31.9%.

31.9% free float

Shareholder structure



Source: Company data; Degroof research

Management

Marc Brisack
new CEO

In September 2009 Marc Brisack (48yr) has been appointed as new CEO. As the former head of asset management at Fortis Real Estate (almost EUR 4.0bn real estate under management), Marc Brisack has monitored Ascencio closely since the company's inception. It is self-evident that such recruitment makes only sense in an expansion scenario wherein the know-how of the fresh CEO can fully contribute.

Before the appointment of Marc Brisack, it was Carl Mestdagh (family member and co-promoter of Ascencio) who was responsible for the management of the company next to his responsibility as president of the board. Carl Mestdagh remains president of the board.

After the former CFO Jean-Marc Deflandre left Ascencio in November 2009, the company has hired Valéry Autin as new CFO as of January 01, 2010.

Portfolio

EUR 261m
Portfolio FV

Ascencio took off with a portfolio of EUR 171m at the time of the IPO. After careful expansion the **portfolio fair value** stood at **EUR 260m** as at 31 December 2010, i.e. an increase of almost EUR 90m in almost 3 years (or +52%).

A summary of the acquisitions (and divestments) by Ascencio in chronological order:

- **March 2007**: 100% debt-financed acquisition of JYP Immo. The portfolio of JYP Immo consisted of 8 premises mainly located in the region of Liège with a total fair value of **EUR 17.3m**.
- **May 2007**: Cash-financed acquisition of a retail warehouse in Schelle (Boomsesteenweg) with a fair value of **EUR 4.9m** representing a GLA of 5,375sqm of which 5,000sqm let to Decathlon.
- **September 2007**: 100% debt-financed acquisition of a retail park in Hannut (between Brussels and Liège) with a GLA of 9,740sqm and 319 parking spaces representing a fair value of around **EUR 11.6m**. Occupancy rate of the retail park amounted to 79% at the time of the acquisition.
- **November 2007**: 100% debt-financed acquisition of a portfolio that comprised 29 buildings on 19 sites with a GLA of 30,000sqm mainly located around Liège and Hainaut. Fair value was estimated at **EUR 34.9m**.
- **April 2008**: 100% debt-financed sale-and-leaseback (18yr period) of 2 smaller retail warehouses with a GLA of around 1,000sqm each and a total fair value of **EUR 3.4m**.
- **December 2008**: 100% debt-financed acquisition of a retail park in Jemappes from Redevco Retail Belgium. The retail park comprises a GLA of 9,334sqm and 253 parking spaces. Fair value amounted to **EUR 9.5m**.
- **March 2009**: Small divestment of a retail building with a GLA of 2,500sqm for an amount of **EUR 1.6m**.
- **October 2009**: Disposal of a vacant office building in Hoboken with a GLA of 1,500sqm for an amount of **EUR 0.8m**.

PORTFOLIO ANALYSIS	1H07	2H07	1H08	2H08	1H09	2H09	1Q10
(EUR k)	31/03/2007	30/09/2007	31/03/2008	30/09/2008	31/03/2009	30/09/2009	31/12/2009
Portfolio Fair Value	189,858	211,156	248,136	253,021	260,077	260,762	259,963
Contracted rents (incl. rental guarantees)	14,515	15,828	17,343	18,651	18,643	18,204	18,202
Yield (Fair Value)	7.65%	7.50%	6.99%	7.38%	7.17%	6.98%	7.00%
Contracted rents + ERV	14,689	16,069	18,443	19,756	19,969	19,949	19,716
Yield if fully let (Fair Value)	7.74%	7.61%	7.43%	7.82%	7.68%	7.65%	7.58%
GLA (sqm)	214,955	230,999	250,840	252,817	260,688	261,110	/
Occupancy rate	98.8%	98.5%	94.0%	94.4%	93.4%	91.3%	92.3%

Source: Degroof research; Company Data

Rather weak occupancy rate

As at 31 October 2006 the parties that brought in the real estate assets in Ascencio gave the REIT a rental guarantee for the vacant space for a period of 1 year. At that time occupancy rate was more than 96% (excl. the rental guarantees) or 99.5% (incl. the rental guarantees). The table above shows a sharp decline in occupancy rate to 94.0% in 1H08 when the rental guarantees expired. Occupancy further dropped to 91.3% in FY09 mainly due to some defaults of smaller tenants (8 defaults for +/- 2% of rental contracts). We estimate market vacancy to be around 3-4%. Comparables have quasi no vacancy as shown in the table below.

As at 30 September 2009	Ascencio	Intervest Retail	Retail Estates
Occupancy rate	91.30%	99.30%	98.00%
Vacancy rate	8.70%	0.70%	2.00%

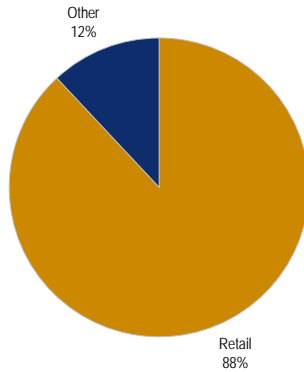
Source: Degroof research

In 1Q10 Ascencio's occupancy rate recovered to 92.3% thanks to the disposal in October 2009 of a small and largely vacant office building in Hoboken (Antwerp) for approximately EUR 800k.

The portfolio is almost entirely invested in Belgian retail premises and more specifically in the sub-segment of retail warehouses. Only 12% of the portfolio could be classified as other real estate assets such as semi-industrial, offices and even a little bit residential. The stake of other (non-core) assets comes from over 20% in early 2007. Management intends to gradually dispose of the remaining non-core assets or redevelop them into retail. The disposal of the office building in Hoboken during 1Q10 underpins this intention.

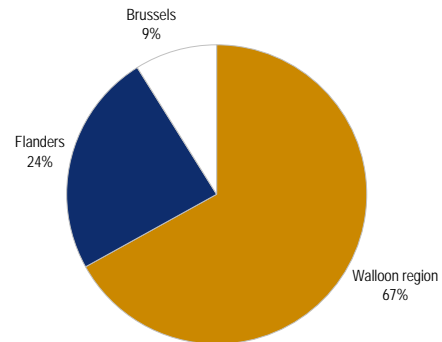
Geographically, Wallonia accounts for 67% of the portfolio, Flanders for 24% and Brussels for a smaller 9%.

Portfolio breakdown by asset class



Source: Company data

Portfolio breakdown by region



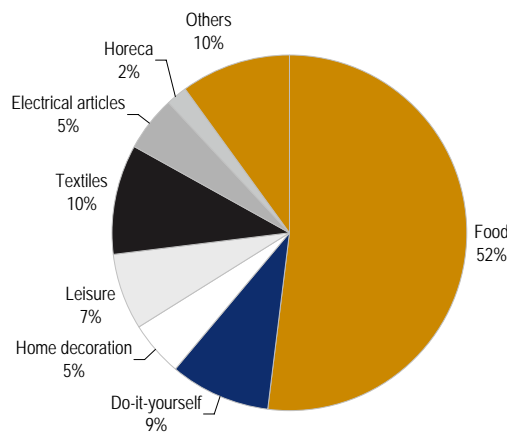
Source: Company data

>52% exposure to food retail

Defensive but highly competitive

Ascencio has more than 52% exposure to food retailers, which we consider a defensive segment. However, Food retail in Belgium is a highly competitive thin margin environment. Two heavy weights Delhaize and Colruyt play hard ball while the middle gets squeezed. Up till now Delhaize and Colruyt mainly gain market share from Carrefour. As a consequence, Carrefour considers an exit from the Belgian market and other retailers, such as the Dutch discounter Albert Heijn, seem ready to pick the place. These new entrants are likely to make Belgian food retail even more competitive.

Breakdown by sector activity of tenants (based on rental income)



Source: Company data

And >35% concentration of Carrefour & Champion

Moreover, Champion and Carrefour account for more than 35% of rental income, so that tenant risk is quite concentrated.

Champion has healthy financials

Ascencio's biggest tenant **Champion (17.7%** of rental income) is a Belgian food retailer under control of the Mestdagh group (75% of Mestdagh & 25% of Carrefour), co-promoter and reference shareholder of Ascencio, with more than 2,200 FTEs and 67 independent stores mainly located in the Walloon region. The weight of Champion in the REIT's portfolio has already been reduced significantly as Champion accounted for 22.9% of the rents at the time of the IPO. Champion is a profitable company with healthy financials (FY08 total turnover of almost EUR 400m; debt-to-total-assets ratio of 54%; almost no financial debt) but the Belgian food retail market is a highly competitive environment and operating conditions are unlikely to enhance. Contracts with Champion are slightly under-rented, which was already the case before the IPO.

Carrefour might leave the Belgian market

Carrefour (17.6% of rental income) as important tenant raises more concerns. The group has already indicated that it considers leaving the Belgian market. If so, the question is whether other retailers are in line to take over Carrefour's space? First, Ascencio does not retain Carrefour hypermarkets (part of the Redevco portfolio), a formula that proves unsuccessful. The Carrefour units in portfolio are supermarkets with GLA's between 1,000sqm and 2,200sqm and we are quite optimistic about demand for this type of premises. So in case of a Carrefour exit from the Belgian market, Ascencio will not be left behind with those "big boxes" for which demand is inexistent. Second, we estimate that around 1/3 of the Carrefour leases are ground leases, the other 2/3 are standard commercial lease agreements with a break option every 3 years.

Apart from the overweight of Carrefour and Champion in the portfolio, Ascencio has a strong tenant base with names such as Delhaize, Krefel or Decathlon and tenants are generally soft-discounters.

In FY09 Ascencio lost around 2% of its rental contracts mainly due to defaults of some smaller tenants. Management does not see problems among other tenants but it is still to be seen whether the shake-out of weaker tenants has fully happened. In any case, the fact that market vacancy is around 3-4% suggests the opportunity for Ascencio to improve its occupancy rate.

Tenant diversification	% of rental income
1. Champion	17.74%
2. Carrefour	17.55%
3. Krefel	4.05%
4. Delhaize	4.01%
5. Blokker	2.27%
6. Euro-traffic	2.18%
7. Decathlon	1.82%
8. Hubo	1.82%
9. Lidl	1.25%
Others	47.31%

Source: Company Data

10% ground leases

Around 90% of the contracts are classic commercial lease agreements (break option each 3yr for the tenant but only each 9yr for the landlord). The remaining 10% of the contracts are ground leases (predominantly without a buy option at the end of the lease), which concern Carrefour and Delhaize (7 to 8 sites with maturity dates between 2022 and 2033). For ground leases the lessee is responsible for all maintenance (including the roof).

Contracted rents in line with market rents

Contracted rents are in line with market rents or only very slightly under-rented, so there is no real upward reversionary potential.

All contracts are indexed by the Belgian health index, an index that basically uses the same basket of goods as the Belgian CPI, with the exception of products that could be detrimental to health, such as cigarettes and petrol. The majority of the contracts does not have a deflation clause so that Ascencio is exposed to deflation risk.

Strategy

2nd growth phase

FY09 has been a quiet year without big investments or disposals due to uncertainty about the credit markets and the direction of the overall economy and a wait-and-see approach of almost all market participants. Now that the world is on its feet again and now that Ascencio has recruited Marc Brisack as new CEO the REIT is ready for its 2nd growth phase.

France

Ascencio has the ambition to grow its portfolio to EUR 400m preferably by investing in retail parks in France. Ascencio is already listed on Euronext Paris so it can easily apply for the French REIT status (SIIC).

Divesting from 12% non-retail

At the same time Ascencio intends to divest from its remaining 12% non-retail assets to become a 100% pure player in the niche in which it has build its expertise: the retail market and more specifically retail warehouses.

It is too soon for an optimisation of the retail portfolio. While wealthy private investors pay good money today for single retail warehouses, disposing of single and isolated units in order to concentrate the focus on clusters of shops is no priority for the time being as this exercise would initially increase the weight of the biggest tenants in the portfolio and have a negative impact on the diversification ratio.

Against the background of this renewed strategy, Ascencio is also working on an optimisation of its debt structure and hedging policy.

Market outlook

Belgian retail weathers the storm relatively well

Consumer spending is under pressure and we see 3 elements that contribute to this issue: (1) the negative wealth effect from asset devaluations, (2) a fiscal overhang from government deficits and (3) increasing real unemployment and perhaps even more important is the psychological fear for unemployment when seeing others losing their jobs. The fallback of consumer spending in Belgium is however far less pronounced than in Spain or Ireland where consumer credit reached much higher levels. Between August 2008 and August 2009 total retail sales (in volume) recorded a decrease of 1.3% in Belgium compared to a decrease of 4.1% and 5.5% in Spain and Ireland. Retail sales were down by 2.6% on average in the Euro Area over the same period.

Soft-discount formulas in retail warehouses

Ascencio is a pure player in the sub-segment of retail warehouses. Retail warehouses or so-called “baanwinkels” are large stores with parking space located outside the city-center and typically close to access roads. Examples are Brantano or IKEA but also Aldi or Colruyt. A cluster of retail warehouses with a common car parking is called a retail park. In Belgium more and more retailers are experimenting with crossing-over from pure inner-city towards retail warehouses because of the much lower rents for large spaces and especially because of the good accessibility by car. Examples are legion: Cassis, Club, Standaard Boekhandel or Damart. Furthermore, today’s depressed macro-economic environment does not hamper “fun shopping” but customers do trade down. From this point of view the fact that a lot of retail warehouses use soft-discount formulas should shield this segment. We mainly see difficulties for car dealers (no exposure for Ascencio), home decoration (6% of portfolio), and to a lesser degree for electronics (5% of portfolio).

CBRE and Cushman & Wakefield report prime retail warehouse rents of EUR 145/sqm to EUR 170/sqm while prime yields are currently standing at 6.25% to 6.75% up by 50bps yoy for top-located and clustered shops. Yields on stand alone shops approach 7.00%-7.25%. However, private investors sometimes offer 5.5% as well. Stand alone retail warehouses typically have values between EUR 1m to EUR 1.5m, which makes these properties very accessible to wealthy private investors.

Street	City	Rents (in EUR/sqm/y)
Rue de Stalle	Drogenbos	165
Bredabaan	Merksem/Schoten	160
Weiveldlaan	Zaventem	160
Kortrijkse Steenweg	Ghent	150
Chaussée de Tongres	Rocourt	150
Chaussée de Louvain	Schaerbeek / Woluwe St-Etienne	150
Chaussée de Mons	St-Pietersleeuw / Anderlecht	150
Chaussée de Bruxelles	Waterloo	150

Source: CBRE (March 2009)

Fragmented
market
segment

DTZ estimates the total Belgian market of retail warehouses at approximately 5.0m.sqm, consisting of +/-2.5m.sqm food retail and again +/-2.5m.sqm non-food retail. In other words, these data suggest that Ascencio has about 4% of the market and we estimate that the Belgian REITs together have less than 20% of the market. This illustrates how fragmented the market of retail warehouses really is.

Total GLA of retail warehouses in Belgium	5,000,000 sqm	100%
Ascencio	210,000 sqm	4.2%
Retail Estates	400,000 sqm	8.0%
Intervest Retail	130,000 sqm	2.6%
Warehouses Estates Belgium	85,000 sqm	1.7%
Leasinvest Real Estate	15,000 sqm	0.3%
Stake of Belgian REITs	840,000 sqm	16.8%

Source: Degroof research

Average take-up is typically between 80k and 100k.sqm p.a. representing 60 to 70 transactions. Indeed, the typical retail transaction comprises 1,000-1,500sqm with an investment value of +/-EUR 1.5m.

This makes out of town retail quite accessible for wealthy private investors who regard retail property as good defensive assets. In the investment market around 65% of the investors are private investors, 15% to 20% are end-users (retailers) and another 15% to 20% are institutional investors.

Prime rents
+3% p.a. past
10 years

When looking at the historical evolution of rents in the Belgian retail warehouses segment, we calculate a CAGR over the last 10 years of more than 3% p.a. composed by a long stable period between 2000 and 2004 followed by a boost in 2004, 2005 and 2006. In 2008 and 2009 prime rents remained more or less flat.

Legal framework

The retail segment of the Belgian real estate market is characterised by some particularities.

Belgian law of
commercial
lease
agreements

First, unlike offices, industrial or residential real estate, retail premises are let under the law of commercial lease agreements which offers more protection to the tenant than conventional rental contracts. The **minimum length of a commercial lease is 9 years and only the tenant (but not the landlord) has a break option every 3 years prior to the end of the contract (term of notice is at least 6 months)**. After a 3 year period both parties have the right to demand the justice of peace for a revision of rents if and only if market rents are more than 15% higher/lower than contracted (indexed) rents. This rigid and asymmetric type of lease contracts effectively protects the tenant at cost of the landlord and permits that market rents are higher than contracted (and indexed) rents for a considerable time period. This is not the case for Ascencio whose contracts are in line with market rents.

Second, The Belgian retail sector used to be highly regulated by a law dating of 1975 which intended to restrict the construction of large shops in the periphery and along feeder roads to protect the local middle class in the city-center. These **protective regulations kept supply of new retail premises low and contributed to the above inflation historical rental growth in the sector**.

IKEA law

In March 2005 the IKEA law relaxed this situation by transferring more responsibility from the national level to the communities. In accordance to the IKEA law the community government can decide by itself on the socio-economic permit of new large (more than 400sqm) retail premises but an advice from a national committee is still required for permits of retail premises of more than 1,000sqm. Perhaps of even more importance the IKEA law enforced shorter approval times. For spaces between 400sqm and 1,000sqm a decision should be taken within 50 days and for larger spaces within 70 days. If no decision is taken by the community within the foreseen time period the request is automatically approved. **The implementation of the IKEA law enabled strong growth of shopping centers and retail warehouses resulting in a more balanced ratio of inner-city to peripheral retail space.**

Bolkenstein
directive ...

... threat or
opportunity?

Today the Bolkenstein directive may give an extra boost to the development of new retail space by further loosening the regulation of socio-economic permits. Basically the **European Bolkenstein directive prohibits authorities to refuse a socio-economic permit on the basis of an expected negative impact of a new project on existing retailers**. Moreover, this directive should have been translated into Belgian law before the end of 2009. On the bright side **the Bolkenstein directive may also facilitate more flexibility for the landlord** by allowing more product ranges in retail warehouses. It might become easier for instance to replace a tenant active in home decoration by a tenant active in textiles.

It is clear that in the long run the more relaxed regulation of new retail constructions will offer new opportunities for developers with a negative impact on existing retail real estate.

Financials

P&L Analysis

P&L (in EUR m)	FY07	FY08	FY09	FY10e	FY11e	FY12e
Net Rental Income	13.7	17.3	18.4	18.4	19.1	19.7
<i>% Growth</i>		25.8%	6.7%	-0.2%	3.8%	3.3%
Operating costs	-3.6	-3.6	-4.4	-4.6	-4.6	-4.7
Operating result before result on the portfolio	10.1	13.6	14.1	13.8	14.5	15.1
Operating margin	73.6%	78.9%	76.3%	75.2%	75.8%	76.4%
<i>% Growth</i>		34.9%	3.1%	-1.7%	4.8%	4.1%
Result on the portfolio	4.0	0.9	-0.9	0.0	0.0	0.0
Operating result	14.1	14.6	13.2	13.8	14.5	15.1
Financial result	-2.0	-6.0	-10.3	-3.7	-3.8	-5.2
Pre-tax result	12.1	8.6	2.9	10.1	10.7	9.9
Taxes	-0.2	-0.2	0.0	0.0	0.0	0.0
Net Result	11.9	8.4	2.9	10.1	10.7	9.9
<i>% Growth</i>		-29.7%	-65.9%	252.6%	5.6%	-7.5%
Net Current Result	8.0	9.2	10.0	10.1	10.7	9.9
<i>% Growth</i>		15.4%	8.2%	1.4%	5.6%	-7.5%
EPS (in EUR)	4.00	2.81	0.96	3.38	3.58	3.31
EPS adjusted (in EUR)	2.67	3.09	3.34	3.38	3.58	3.31

Source: Bank Degroof estimates

■ Rental income

Ascencio recorded a net rental income of EUR 18.4m in FY09, an increase of 6.7% yoy explained by portfolio expansion and indexation. However, as at 30 September 2009 (end of FY09) occupancy rate stood at an all time low (91.3%) and contracted rents were down to EUR 18.2m from EUR 18.7m a year earlier. Although the occupancy rate mainly suffered later in FY09, we expect rental income to remain flat in FY10 on the back of an improvement of the occupancy rate and modest indexation.

We start from a stand-still scenario so we do not pencil-in portfolio expansion, but we do assume an improvement of the occupancy rate. Occupancy rate now stands at a low 92.3%, while the market occupancy rate stands around 96% to 97%. We see occupancy rate gradually improving to 96% by the end of FY11 and we assume a stabilisation of occupancy afterwards.

Rents are in line with market rents. We assume 1.0% indexation in FY10, 1.5% in FY11 and 2.0% thereafter. Note that market rents increased by +/-3% p.a. the past 10 years. This makes us believe that our 2% assumption is pretty cautious but it is difficult to estimate the long term impact of the Bolkenstein directive on future developments in the periphery. Therefore: "better safe than sorry".

■ Operating margin

After an improvement of the operating margin to 78.9% in FY08 margin fell back to 76.3% in FY09. In the table below we show the evolution of operating margin on a quarterly base, which is quite volatile and more often than not due to the timing of the arrival of the bills.

	4Q08	1Q09	2Q09	3Q09	4Q09
Operating margin*	74.68%	72.03%	84.23%	78.22%	69.28%
* Operating result before result on the portfolio / Net rental income					

Source: Degroof research

Ascencio's operating margin is at the lower end of the Belgian peer group, which has everything to do with its high vacancy rate. The fact that Retail Estates has a higher operating margin than Intervest Retail despite its lower occupancy rate is due to the higher stake of inner-city retail in the Intervest portfolio.

Operating margin*	Ascencio	Intervest Retail	Retail Estates
Last 12 months (30/09/2009 - 30/09/2009)	76.29%	84.43%	86.93%
Last 6 months (31/03/2009 - 30/09/2009)	73.45%	84.16%	87.61%
* Operating result before result on the portfolio / Net rental income			

Source: Degroof research

In the short run we expect a lacklustre letting market due to depressed consumer spending. However, as the vacancy rate on the market is somewhere between 3 to 4%, in the medium term Ascencio should be able to push back vacancy without too many troubles.

We expect that the planned disposal of non-core assets will have a positive impact on the operating margin as management of these assets is relatively labour intensive because Ascencio has no specific business processes in place to support the management of apartments, offices or semi-industrial real estate.

The REIT has 10 FTEs and out-sources a part of the property management (EUR 41k in FY09). To fully reap the benefits of its human resources Ascencio should really gain scale. Indeed, we believe that portfolio growth will trigger significant economies of scale and will have a positive impact on the overall operating margin.

In short we believe Ascencio's operating margin should strongly increase after:

- (1) Pushing back its excessive vacancy rate;
- (2) Disposing of labour-intensive non-retail properties (12% of portfolio);
- (3) Growing the portfolio and picking-up economies of scale.

Based on our assumption of an improving occupancy rate and the disposal of the remaining 12% non-retail assets and replacement by retail assets, we forecast an operating margin of 75% in FY10 that would improve to 78% by FY19.

We do not model-in further portfolio growth which should trigger additional margin expansion to the 80-85% regions.

A better occupancy rate should boost operating margin

Advantages of scale waiting to be picked up

■ Financial result

The average cost of debt in FY09 amounted to 3.50%. Taking into account the current hedging instruments (2 callable IRSs) we expect a rising cost of debt due to:

(1) A rising EURIBOR 3m in line with market expectations

	FY10e	FY11e	FY12e	FY13e	FY14e
Average EURIBOR 3m	1.30%	1.80%	2.90%	3.30%	3.70%

Source: Degroof research

(2) An increase in bank margin from 40bps today (locked-in until December 2011) to 150bps in FY12.

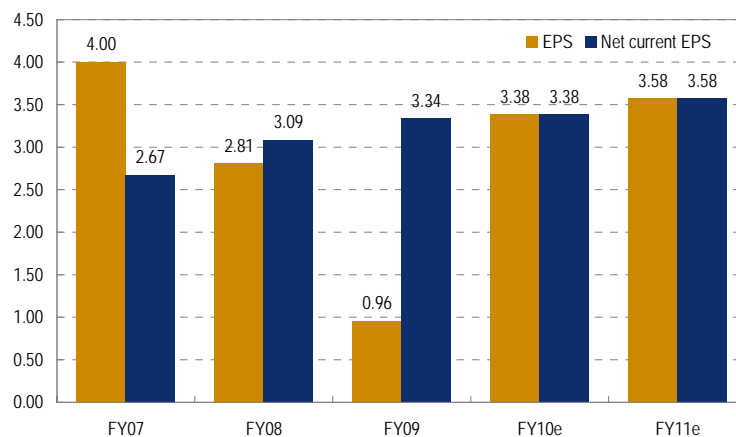
We do not forecast mark-to-markets on hedging instruments.

■ Taxes

Ascencio benefits from the advantageous legal and fiscal Belgian REIT framework. As a result, corporate taxes are negligible.

■ Bottom line

Evolution of EPS & Net current EPS (in EUR per share)



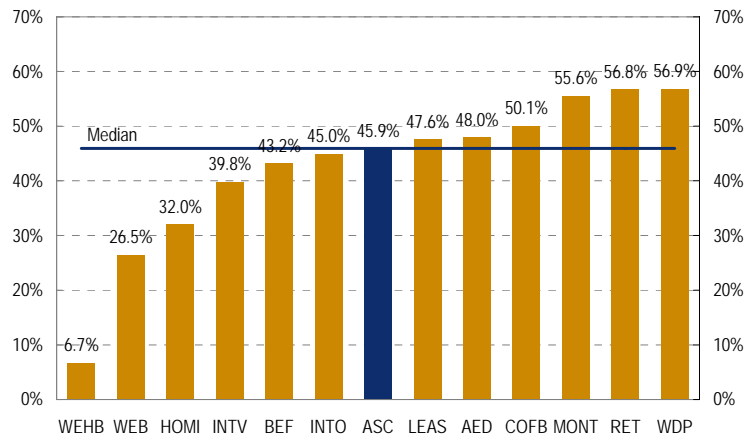
Source: Degroof research

Capital & Credit Analysis

Low leverage
of 45.9%

Ascencio has a healthy balance sheet with **debt ratio of 45.9%** as of 31 December 2009. The REIT has a target debt ratio of 50% which leaves room for additional debt-financed acquisitions for an amount of around EUR 25m. Investment capacity before reaching the legal 65% limit would be EUR 151.6m.

Debt ratio for Belgian REIT universe



Source: Degroof research

Low locked-in
bank margins
until December
2012

As of 31 March 2009 Ascencio has EUR 175m disposable credit lines consisting of 2 roll-overs, one of EUR 150m with maturity date in December 2011 and a smaller one of EUR 25m with maturity date in June 2014. Bank margins are mostly fixed and negotiated before the credit crunch (+/-40bps). No bank covenants; only the maximum threshold of 65% debt-to-total assets ratio.

As of 30 September 2009 Ascencio used EUR 106.4m of the roll-overs in addition to a small financial lease debt of EUR 5.0m and around EUR 1.0m debt assumed in acquisitions. This means that Ascencio has another **EUR 69m disposable credit lines**.

In short, **availability of credit lines and more expensive credit is not an issue until December 2011**. While this is a rather comforting situation maturity dates are quite concentrated.

The **absence of a clear thought-through hedging policy** is striking. As a matter of fact Ascencio is "hedged" by means of 2 non-regular (callable) IRSs for an amount of EUR 70m. Both IRSs entail an option for the bank to cancel the IRS. As a consequence the REIT knows the minimum it will pay but is still exposed to the risk of rising interest rates.

Hedging instrument	Notional amount	Maturity date	Interest rate
IRS (callable as from 01/10/2008)	EUR 20.0m	30/09/2022	3.70%
IRS (callable as from 01/07/2011)	EUR 50.0m	30/06/2018	4.35%

Source: Company data; Degroof research

Hence, Ascencio is *de facto* only hedged for an amount of EUR 50m (+/- 50% of the debt) until 30 June 2011. The value of these derivatives amounts to EUR 7.5m (negative for Ascencio). As a result, the company does not fully capture the low EURIBOR of today while being left unprotected against the possible interest rate hike of tomorrow.

Yet, in every weakness hides an opportunity and management is certainly aware of the issue. In fact Ascencio is brainstorming on a hedging strategy that fits in a more general optimisation exercise of the REIT's entire capital structure. We believe the recruitment of Marc Brisack as new CEO is a leading card in facilitating this process.

Anyhow the starting point for a new hedging policy is to get rid of both **IRSS** which would **cost EUR 7.5m or EUR 2.5 per share**.

Dividend policy

(in EUR)	FY07	FY08	FY09	FY10e
Gross dividend per share	2.48	2.94	2.72	2.88
Net current result per share	2.67	3.09	3.34	3.38
Pay-out ratio	92.7%	95.3%	81.5%	85.0%

Source: Company data; Degroof research

For FY09 Ascencio has paid a gross dividend per share of EUR 2.72 as of 23 December 2009, a dividend cut of 7.5% vs FY08. However, underlying cash generation is up by 8.1% to EUR 3.34 per share, which means that Ascencio retains more earnings by lowering its pay-out ratio from 95.3% in FY08 to 81.5% in FY09. We recall that Belgian REITs are legally required to distribute at least 80% of the current profit.

The low pay-out ratio makes us believe that the **current dividend is more than sustainable**. We expect a **gross dividend per share of EUR 2.88 for FY10 (85% pay-out ratio)**, which corresponds to a **dividend yield of 6.6%**. In its 1Q10 trading update management stated to be confident that the FY10 dividend will be equal or higher than FY09 dividend.

Today there is contradiction in Belgian law between the Royal decree of June 2006 which states that a Belgian REIT is required to distribute at least 80% of its net current result (~cash flow result) and article 617 of the Belgian Code of Companies which prohibits the distribution of a dividend if the net asset value has dropped below (or would drop below due to the distribution of the dividend) the value of capital and undisposable reserves. Being hit by negative mark-to-markets both on the hedging products (IAS39) and the portfolio of investment properties (IAS40) Ascencio's available reserves are under pressure. While the dividend for FY09 is secured, the issue might pop-up in the near future as a result of further negative non-cash elements.

Let it be clear that we believe that Ascencio will generate more than sufficient cash flows to cover future dividends, but unpredictable non-cash elements may distort the picture. As of 30 September 2009 Ascencio had available reserves of EUR 7.8m and EUR 2.9m non-distributed profits (before profit distribution). After subtracting the dividend payment at 23 December of EUR 2.72 gross per share (~EUR 8.1m in total) and adding the net profit realised in 1Q10 of EUR 3.1m, available reserves should be around EUR 5.7m. This means that the cushion to absorb possible additional negative mark-to-markets remains limited and thus the problem remains on the table. According to a preliminary draft of the new royal decree concerning Belgian REITs, variations of hedging instruments passed by the P&L (IAS39) will also be included in the undisposable reserves. In case of Ascencio this would add EUR 7.5m to the buffer. However, it is only a preliminary version that has not been approved yet.

Upcoming Corporate Events Calendar

20-May-10	1H10 results
18-Aug-10	3Q10 interim statement
16-Nov-10	FY10 results
16-Dec-10	AGM
23-Dec-10	FY10 dividend payment

Source: Company data; Degroof research

Valuation

We value the company by using a discounted cash flow valuation backed by a dividend discount model and a NAV analysis.

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 2018) we discount detailed free cash flow projections. In the second period we estimate a residual value.

Parameters:

- Cost of equity: 8.97%
- Cost of debt: 5.00%
- Target gearing: 50.0%
- WACC: 6.99%

Free cash flow assumptions:

- Financials: We highlighted our assumptions in the discussion of the financials.
- CAPEX: We do not model in expansion CAPEX, nor do we assume any maintenance CAPEX as all maintenance passes through the P&L.

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 47.0** per share, i.e. a modest upside-potential of 7.7% on yesterday's EUR 43.65 closing price.

CASH FLOW (EUR m)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net Sales	18.4	18.4	19.1	19.7	20.1	20.5	20.9	21.3	21.8	22.2	22.7
% change		-0.2%	3.8%	3.3%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EBITDA	14.1	13.8	14.5	15.1	15.4	15.8	16.2	16.6	17.0	17.4	17.7
% margin	76.3%	75.2%	75.8%	76.4%	76.8%	77.1%	77.4%	77.7%	77.9%	78.2%	78.2%
% change		-1.7%	4.8%	4.1%	2.5%	2.5%	2.5%	2.3%	2.3%	2.3%	2.0%
Depreciation	0.0	0.0	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%	0.0%	0.0%
EBITA	14.1	13.8	14.5	15.1	15.4	15.8	16.2	16.6	17.0	17.4	17.7
% margin	76.3%	75.2%	75.8%	76.4%	76.8%	77.1%	77.4%	77.7%	77.9%	78.2%	78.2%
% change		-1.7%	4.8%	4.1%	2.5%	2.5%	2.5%	2.3%	2.3%	2.3%	2.0%
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Normative tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NOPLAT	14.1	13.8	14.5	15.1	15.4	15.8	16.2	16.6	17.0	17.4	17.7
Depreciation	0.0	0.0	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%	0.0%	0.0%
Gross Operating Cash Flow	14.1	13.8	14.5	15.1	15.4	15.8	16.2	16.6	17.0	17.4	17.7
Capex	-8.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% sales	46.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Change in Net Working Capital	-6.8	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash Flow to be discounted	-1.33	14.41	14.50	15.09	15.45	15.83	16.22	16.60	16.98	17.38	17.72
DCF EVALUATION (EUR m)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
WACC	6.99%	6.99%	6.99%	6.99%	6.99%	6.99%	6.99%	6.99%	6.99%	6.99%	6.99%
Discount Rate factor	0.00	0.96	0.90	0.84	0.78	0.73	0.68	0.64	0.60	0.56	0.52
Discounted Cash Flow	0.00	13.80	12.98	12.62	12.08	11.57	11.08	10.60	10.13	9.69	9.24
Cumulated DCF	0.0	13.8	26.8	39.4	51.5	63.1	74.1	84.7	94.9	104.6	113.8

Source: Bank Degroof estimates

WACC & DCF ANALYSIS			
Cost of Equity (Ke or COE)	8.97%	Cumulated DCF	113.8
Cost of Debt (gross)	5.00%	Perpetual Growth Rate (g)	0.00%
Debt tax rate	0%	Normalised Annual CF	17.7
Cost of Debt net (Kd or COD)	5.00%	Terminal Value @ 09/2019	253.5
Target gearing (D/(E+D)) or % Kd	50%	Disc. Rate of Terminal Value	0.52
% Ke	50%	Discounted Terminal Value	132.1
Normative Tax Rate	0%	Peripheral assets	0.0
WACC	6.99%	Enterprise Value (EUR m)	245.9
		- Net Financial Debt	(105.3)
		- Minorities (estimated value)	0.0
		+ Associates	0.0
		- Pension underfunding	0.0
		- Off-balance sheet commitment:	0.0
		Equity Market Value (EUR m)	140.6
		Number of shares (m)	3.0
		Fair Value per share (EUR)	47.17

Source: Bank Degroof estimates

Dividend Discount Model (DDM)

In our DDM we discount the expected gross dividends from 2010 up to 2020 using a required rate of return of 8.97%. We estimate a terminal value based on a constant growth assumption of 2.94% p.a. Finally, we discount the terminal value to present value, which we add to the discounted dividends.

Our DDM suggest a fair value of EUR 47.34 per share, almost perfectly in line with our DCF valuation.

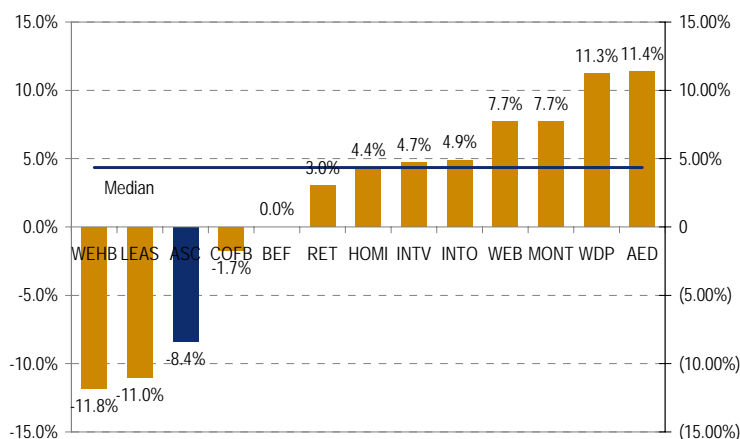
Year	EPS adj.	POR	Gross DPS	time	Actualisation
1	3.38	85.0%	2.88	0.87	2.67
2	3.58	85.0%	3.04	1.87	2.59
3	3.31	85.0%	2.81	2.87	2.20
4	3.41	85.0%	2.90	3.87	2.08
5	3.54	85.0%	3.01	4.87	1.98
6	3.71	85.0%	3.15	5.87	1.90
7	3.87	85.0%	3.29	6.87	1.82
8	4.04	85.0%	3.43	7.87	1.74
9	4.21	85.0%	3.58	8.87	1.67
10	4.37	85.0%	3.71	9.87	1.59
Gordon-Shapiro			3.82	9.87	27.10
				SUM	47.34

Source: Company data; Degroof research

NAV analysis

As at 31 December 2009 Ascencio has a **NAV of EUR 47.64 per share**, which is after paying out its dividend in December.

Premium/ (discount) to NAV in the Belgian REIT universe



Source: Degroof research

Some investors prefer looking at a NAV adjusted for IAS39. The value of the IRSs amounts to EUR -2.5 per share. We do not agree however to leave out this negative value. We prefer estimating the NAV by subtracting an estimated market value of the entire debt book from the assets that are valued at market value as well. Market value of debt includes the negative value of the hedging products (IAS39) but should also include the positive value of the low locked-in bank margins. Based on a rough on-the-back-of-an-envelope calculation we estimate the value of the negotiated bank margins somewhere around EUR 0.7 per share. Therefore, **NAV adjusted** should be **+/- EUR 48.3 per share**.

Ascencio trades at a discount of 8.4% compared to a median premium of 4.4% for Belgian REITs or a premium of 3.0% and 4.7% for comparables Retail Estates and Intervest Retail. In our view Ascencio should trade at a discount to its comparables to reflect its lower operating margin and the lower stock liquidity, but **Ascencio's current discount of 8.4% looks overdone to us. At our target price of EUR 47.0 Ascencio would still trade at a slight discount.**

Comparables (as of 31 December 2009)	Ascencio	Intervest Retail	Retail Estates
Portfolio Value (EUR m)	260.7	329.9	414.8
Portfolio yield	6.98%	6.58%	7.16%
Operating Margin	76.29%	84.43%	86.93%
Debt ratio	45.3%	39.8%	57.8%
Avg. daily trading volume last 12 months (EUR k)	100	300	600

Source: Company data; Degroof research

In the table below we present an analysis of NAV sensitivity to a shift in valuation yield and rents.

NAV sensitivity analysis

NAV		Δ Yield					
		-50 bps	-25 bps	0 bps	25 bps	50 bps	100 bps
Δ Rents	-6%	48.7	45.4	42.4	39.6	36.9	32.1
	-4%	50.6	47.3	44.1	41.2	38.5	33.6
	-2%	52.5	49.1	45.9	42.9	40.2	35.2
	0%	54.4	50.9	47.6	44.6	41.8	36.7
	+2%	56.3	52.7	49.4	46.3	43.4	38.2
	+4%	58.2	54.5	51.1	48.0	45.1	39.7
	+6%	60.0	56.3	52.9	49.7	46.7	41.3

Source: Bank Degroof estimates

Ascencio: Summary tables

PROFIT & LOSS (EURm)	2007	2008	2009	2010e	2011e
Sales	13.7	17.3	18.4	18.4	19.1
Cost of Sales & Operating Costs	3.6	3.6	4.4	4.6	4.6
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0
EBITDA	10.1	13.6	14.1	13.8	14.5
EBITDA (adj.)*	10.1	13.6	14.1	13.8	14.5
Depreciation	0.0	0.0	0.0	0.0	0.0
EBITA	10.1	13.6	14.1	13.8	14.5
EBITA (adj)*	10.1	13.6	14.1	13.8	14.5
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0
EBIT	10.1	13.6	14.1	13.8	14.5
EBIT (adj.)*	10.1	13.6	14.1	13.8	14.5
Net Financial Interest	-2.0	-4.2	-4.1	-3.7	-3.8
Other Financials	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	-1.7	-6.2	0.0	0.0
Earnings Before Tax (EBT)	12.1	8.6	2.9	10.1	10.7
Tax	-0.2	-0.2	0.0	0.0	0.0
<i>Tax rate</i>	<i>1.4%</i>	<i>2.4%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit (reported)	12	8	3	10	11
Net Profit (adj.)	8	7	4	10	11
CASH FLOW (EURm)	2007	2008	2009	2010e	2011e
Cash Flow from Operations before change in NWC	6.9	9.7	9.8	10.1	10.7
Change in Net Working Capital	0.2	3.0	-6.8	0.6	0.0
Cash Flow from Operations	7.1	12.7	3.0	10.7	10.7
Capex	-41.0	-41.0	-8.6	0.0	0.0
Net Financial Investments	0.0	0.0	0.0	0.0	0.0
Free Cash Flow	-33.9	-28.3	-5.6	10.7	10.7
Dividends	0.0	-7.4	-8.8	-8.1	-8.6
Other (incl. Capital Increase & share buy backs)	-21.3	-0.4	0.4	0.0	0.0
Change in Net Debt	-55	-36	-14	3	2
NOPLAT	10	14	14	14	14
BALANCE SHEET & OTHER ITEMS (EURm)	2007	2008	2009	2010e	2011e
Net Tangible Assets	212	254	261	261	261
Net Intangible Assets (incl. Goodwill)	0.5	0.0	0.0	0.0	0.0
Net Financial Assets & Other	0.6	0.6	0.3	0.3	0.3
Total Fixed Assets	213	254	262	262	262
Net Working Capital	-4.6	-7.6	-0.8	-1.4	-1.4
Net Capital Invested	208	247	261	260	260
Group Shareholders Equity	152	153	147	149	151
<i>o/w own Shareholders Equity</i>	<i>152</i>	<i>153</i>	<i>147</i>	<i>149</i>	<i>151</i>
Net Debt	55.3	91.4	105	103	101
Provisions	0	0	0	0	0
Other Net Liabilities or Assets	1	2	9	9	9
Net Capital Employed	208	247	261	260	260
GROWTH & MARGINS	2007	2008	2009	2010e	2011e
<i>Sales growth</i>		<i>25.8%</i>	<i>6.7%</i>	<i>-0.2%</i>	<i>3.8%</i>
EBITDA (adj.)* growth		34.9%	3.1%	-1.7%	4.8%
<i>EBITA (adj.)* growth</i>		<i>34.9%</i>	<i>3.1%</i>	<i>-1.7%</i>	<i>4.8%</i>
<i>EBIT (adj)*growth</i>		<i>34.9%</i>	<i>3.1%</i>	<i>-1.7%</i>	<i>4.8%</i>
<i>Net Profit growth</i>		<i>-6.4%</i>	<i>-50.3%</i>	<i>171.9%</i>	<i>5.6%</i>
EPS adj. growth		-6.4%	-50.3%	171.9%	5.6%
<i>DPS adj. growth</i>		<i>18.5%</i>	<i>-7.5%</i>	<i>5.8%</i>	<i>5.6%</i>
EBITDA margin	73.6%	78.9%	76.3%	75.2%	75.8%
<i>EBITDA (adj)* margin</i>	<i>73.6%</i>	<i>78.9%</i>	<i>76.3%</i>	<i>75.2%</i>	<i>75.8%</i>
<i>EBITA margin</i>	<i>73.6%</i>	<i>78.9%</i>	<i>76.3%</i>	<i>75.2%</i>	<i>75.8%</i>
<i>EBITA (adj)* margin</i>	<i>73.6%</i>	<i>78.9%</i>	<i>76.3%</i>	<i>75.2%</i>	<i>75.8%</i>
<i>EBIT margin</i>	<i>73.6%</i>	<i>78.9%</i>	<i>76.3%</i>	<i>75.2%</i>	<i>75.8%</i>
<i>EBIT (adj)* margin</i>	<i>73.6%</i>	<i>78.9%</i>	<i>76.3%</i>	<i>75.2%</i>	<i>75.8%</i>

Ascencio: Summary tables

RATIOS	2007	2008	2009	2010e	2011e
Net Debt/Equity	0.4	0.6	0.7	0.7	0.7
Net Debt/EBITDA	5.5	6.7	7.5	7.4	7.0
Interest cover (EBITDA/Fin.interest)	5.1	3.2	3.4	3.7	3.8
Capex/D&A	nm	nm	nm	nm	nm
Capex/Sales	299.0%	237.5%	46.7%	0.0%	0.0%
NWC/Sales	-33.5%	-44.1%	-4.5%	-7.7%	-7.5%
ROE (average)		4.9%	2.5%	6.8%	7.1%
ROCE (adj.)	4.9%	5.5%	5.4%	5.3%	5.6%
WACC	7.0%	7.0%	7.0%	7.0%	7.0%
ROCE (adj.)/WACC	0.7	0.8	0.8	0.8	0.8
PER SHARE DATA (EUR)***	2007	2008	2009	2010e	2011e
Average diluted number of shares	3.0	3.0	3.0	3.0	3.0
EPS (reported)	4.00	2.81	0.96	3.38	3.58
EPS (adj.)	2.67	2.50	1.25	3.38	3.58
BVPS	50.85	51.27	49.30	49.97	50.66
DPS	2.48	2.94	2.72	2.88	3.04
VALUATION	2007	2008	2009	2010e	2011e
EV/Sales	15.5	14.1	12.9	12.7	12.1
EV/EBITDA	21.1	17.8	16.9	16.9	15.9
EV/EBITDA (adj.)*	21.1	17.8	16.9	16.9	15.9
EV/EBITA	21.1	17.8	16.9	16.9	15.9
EV/EBITA (adj.)*	21.1	17.8	16.9	16.9	15.9
EV/EBIT	21.1	17.8	16.9	16.9	15.9
EV/EBIT (adj.)*	21.1	17.8	16.9	16.9	15.9
P/E (adj.)	19.8	20.3	35.7	12.9	12.2
P/BV	1.0	1.0	0.9	0.9	0.9
Total Yield Ratio	4.7%	5.8%	6.2%	6.6%	
EV/CE	1.0	1.0	0.9	0.9	0.9
OpFCF yield	4.5%	8.4%	2.3%	8.2%	8.2%
OpFCF/EV	3.3%	5.2%	1.3%	4.6%	4.6%
Payout ratio	62.0%	104.5%	nm	85.0%	85.0%
Dividend yield (gross)	4.7%	5.8%	6.2%	6.6%	7.0%
EV AND MKT CAP (EURm)	2007	2008	2009	2010e	2011e
Price** (EUR)	53.0	50.9	44.5	43.7	43.7
Outstanding number of shares for main stock	3.0	3.0	3.0	3.0	3.0
Total Market Cap	158	152	133	130	130
Net Debt	55.3	91.4	105	103	101
<i>o/w Cash & Marketable Securities (-)</i>	<i>3.9</i>	<i>6.3</i>	<i>6.5</i>	<i>6.5</i>	<i>6.5</i>
<i>o/w Gross Debt (+)</i>	<i>59.2</i>	<i>97.7</i>	<i>112</i>	<i>109</i>	<i>107</i>
Other EV components	0	0	0	0	0
Enterprise Value (EV adj.)	213	243	238	233	231

Source: Company, Bank Degroof estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) or EBIT (adj.) = EBITDA (or EBITA 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

***EPS (adj.) diluted = Net Profit (adj.) / Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported / Avg DIL. Ord. (+ Ord. equivalent) Shs.

Sector: Real Estate/

Company Description: Intervest Retail is a Belgian REIT (=SICAFI or vastgoedbevak) that invests solely in Belgian retail premises. The portfolio has a fair value of EUR 328.1m, representing a gross lettable area (GLA) of 162,564sqm. The portfolio breaks down to 55% retail warehouses & shopping centers and 45% inner-city shops with a strong geographical concentration in Flanders (71%) while a smaller stake is invested in Brussels (14%) and Wallonia (15%). More than 72% of the shares are under control of the Dutch REIT VastNed Retail NV.

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**.

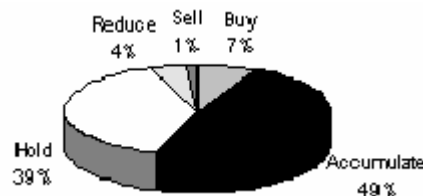
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

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
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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:

TODAY



BEFORE



Institutional equity sales team

Damien Crispiels	+32 2 287 96 97
Bart Beullens	+32 2 287 91 80
Laurent Goethals	+32 2 287 91 85
Pascal Magis	+32 2 287 97 81
Peter Rysselaere	+32 2 287 97 46
Stéphane Van Nimmen*	+32 2 287 97 72

Real Estate coordinator

Jean-Baptiste Van Ex	+32 2 287 91 27
----------------------	-----------------

Institutional Bond Sales Team

Peter Deknopper	+32 2 287 91 22
Fabrice Faccenda	+32 2 287 91 81
Charles Feiner*	+32 2 287 91 83

Structured products

Jeroen De Keer	+32 2 287 93 54
Gaëtan De Vliegheer	+32 2 287 91 88
Sebastian Fraboni	+32 2 287 92 56
Eduard Nouvellon	+32 2 287 93 23

Fund Services

Oliver Gigounon	+32 2 287 91 84
Thomas Palmblad	+32 2 287 93 27
Fabio Ghezzi Morgalanti	+32 2 287 92 72
Sven Van den Bogaert	+32 2 287 93 06

* authorised agent

Mail: firstname.lastname@degroof.be

Equity brokerage

John Paladino	+32 2 287 96 40
Laurent Delante	+32 2 287 91 90
Tanguy del Marmol	+32 2 287 96 13
Frederic Lebrun	+32 2 287 97 62
Robin Podevyn	+32 2 287 91 82
Christian Saint-Jean	+32 2 287 97 80

Derivatives brokerage

Mohamed Abalhossain	+32 2 287 95 10
Olivier-Pierre Morrot	+32 2 287 96 18

Treasury

Alain Strapart	+32 2 287 95 16
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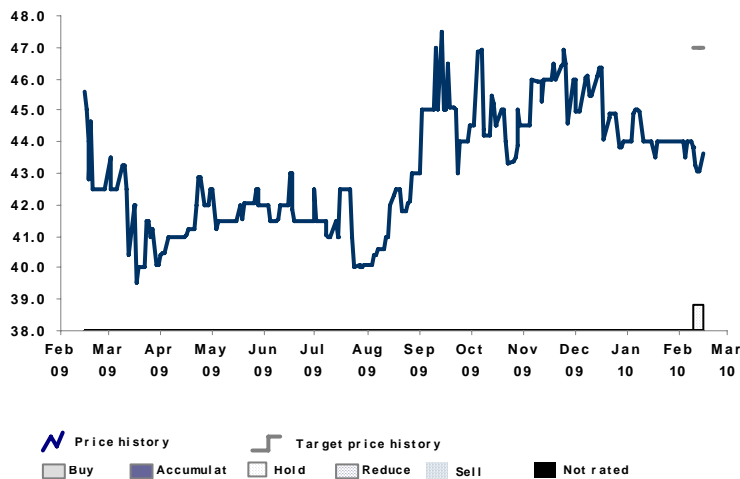
Preben Bruggeman	+32 2 287 95 71
Jean-Marie Caucheteux	+32 2 287 99 20
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Bernard Hanssens	+32 2 287 96 89
Siddy Jobe	+32 2 287 92 79
Ivan Lathouders, CFA	+32 2 287 91 76
Marc Leemans, CFA	+32 2 287 93 61
Thibaud Rutsaert, CFA	+32 2 287 94 28

Recommendation history for ASCENCIO

Date	Recommendation	Target price	Price at change date
09-Feb-10	Hold	47.00	43.80

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 00/00/0000)



Bank Degroof acts as liquidity provider for:

Aedifica, Atenor, Banimmo, Bois Sauvage, D'Ieteren, Duvel, Elia, Floridienne, GIMV, IBt, Intervest Retail, IPTE, I.R.I.S., Kinopolis, Leasinvest, Luxempart, Montea, PinguinLutosa, Realco, Resilux, Sapec, Ter Beke 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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Members of ESN (European Securities Network LLP)



Banca Akros S.p.A.
Viale Eginardo, 29
20149 Milano
Italy
Phone: +39 02 43 444 389
Fax: +39 02 43 444 302



Bank Degroof
Rue de l'Industrie 44
1040 Brussels
Belgium
Phone: +32 2 287 91 16
Fax: +32 2 231 09 04



Caixa-Banco de Investimento
Rua Barata Salgueiro, 33-5
1269-050 Lisboa
Portugal
Phone: +351 21 389 68 00
Fax: +351 21 389 68 98



Caja Madrid Bolsa S.V.B.
Serrano, 39
28001 Madrid
Spain
Phone: +34 91 436 7813
Fax: +34 91 577 3770



CM-CIC Securities

CM - CIC Securities
6, avenue de Provence
75441 Paris
Cedex 09
France
Phone: +33 1 4016 2692
Fax: +33 1 4596 7788



Danske Markets Equities
Holmens Kanal 2-12
DK-1092 Copenhagen K
Denmark
Phone: +45 45 12 00 00
Fax: +45 45 14 91 87



Equinet AG
Gräbstraße 97
60487 Frankfurt am Main
Germany
Phone: +49 69 - 58997 - 410
Fax: +49 69 - 58997 - 299



Investment Bank of Greece
24B, Kifisias Avenue
151 25 Marousi
Greece
Phone: +30 210 81 73 000
Fax: +30 210 68 96 325



NCB Stockbrokers Ltd.
3 George Dock,
Dublin 1
Ireland
Phone: +353 1 611 5611
Fax: +353 1 611 5781



SNS Securities N.V.
Nieuwezijds Voorburgwal 162
P.O.Box 235
1000 AE Amsterdam
The Netherlands
Phone: +31 20 550 8500
Fax: +31 20 626 8064



European Securities Network LLP
Registered office c/o Withers LLP
16 Old Bailey - London EC4M 7EG