



Interinvest Retail

Initiate Coverage

Real Estate / Belgium

Target Price EUR 33.00**Expected performance (12 mth) 12.1%****HOLD EUR 29.45 (Closing price 22-Jan-08)**

About to be orphaned?

23 January 2008

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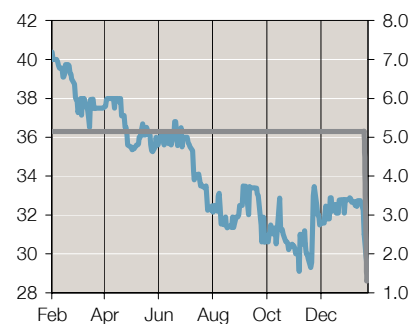
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Opinion on qualitative criteria

Accounting	IFRS 01/01/2005
Quality of track record	High
Solvency	High
Currency risk	Low
Risk of asset write-off	Neutral

Share price performance/EPS revision (EUR)

Price Fortis EPS est. 2007



Source: JCF, Fortis Equity Research

Market capitalisation (EUR m)	149.6
No. of shares (m)	5.1
Free float	28.0%
1/3/12 mth perf. (%)	(10.2)/(3.8)/(28.2)
High/low 52 weeks (EUR)	40.38/29.10
Next results due	19 February 2008
Price/book value (x)	
Volatility (β) (5yrs/)	
Reuters symbol	INTV.BR
Bloomberg symbol	INTV BB
Website	www.intinvest.be

Initiating coverage with Hold

We initiate coverage on Interinvest Retail (INTV) with a Hold recommendation and a target price of EUR 33. Interinvest Retail is the smallest stock in our universe with a free float adjusted market cap of under EUR 50m. Therefore, within the EUR 1.1bn take-over process of parent company VastNed Retail a bid for INTV would be a small transaction. As a result, we believe that a bid is possible, which could offer a floor and some potential upside.

Key points

With loss-making Messancy sold, Interinvest Retail is expected to show strong recovery in the next few years. The Messancy losses were close to EUR 2m per annum, which now will not re-occur. Furthermore, the Tongeren Julianus development project could also offer additional growth.

Valuation

After the more than 10% drop in the share price in the last two days, Interinvest Retail's looks more attractive. It is now trading at a more substantial 18% discount to NAV 08E and is trading down 10% YTD. Based on our DCF model at current interest rates, a potential bid higher than our EUR 33 can be justified, in our view. Nevertheless, we maintain our EUR 33 target price.

Recommendation

At this time potential upside of the shares is some 10%, while there is also an additional chance that a bid higher than EUR 33 per share would occur. Nevertheless, we rate the stock Hold to capture potential upside from the bid, but given its small free floated market cap of below EUR 50m, we would demand upside over 20% to justify the trading costs. Hold.

Year to December	2007e	2008e	2009e	2010e	2011e
Net rental income (EUR m)	12.9	15.4	16.0	16.5	17.1
EBIT (EUR m)	12.0	14.5	15.0	15.5	16.1
Direct result per share (EUR)	1.47	1.84	1.84	1.95	2.06
EPS (EUR)	2.22	1.31	2.32	4.16	4.46
Dividend per share (EUR)	1.47	1.84	1.84	1.95	2.06
NNNAV per share (EUR)	34.45	34.30	34.78	37.09	39.61
P/NNNAV (%)	101.2	85.9	84.7	79.4	74.4
Premium/(Discount) to NNNAV (%)	1.2	(14.1)	(15.3)	(20.6)	(25.6)
FFO multiple (x)	23.8	16.0	16.0	15.1	14.3
Earnings yield (%)	6.4	4.4	7.9	14.1	15.2
Dividend yield (%)	4.2	6.3	6.3	6.6	7.0

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1. Investment case

An up-and-down year

The real estate sector has seen a bumpy ride in 2007, where the beginning of the year was characterised by take-over frenzy by leveraged opportunity funds. When the credit machine stalled, real estate stocks retreated. In our view, the first correction was merely pricing in of higher financing costs and credit spreads, whilst the current one is pricing in a downturn.

Benelux REITs – Discount to High-2007 (EUR) on 22/01/2008

		High-07	Price	Discount (%)		High-07	Price	Discount (%)	
Corio	CORA	71.5	49.3	-31	Cofinimmo	COFIT	157.1	123.5	-21
Eurocommercial Properties	ECP	45.1	30.9	-32	Befimmo	BEFB	95.3	69.0	-28
Nieuwe Steen Investments	NSI	24.5	17.0	-31	Intervest Offices	INTO	32.9	28.3	-14
VastNed Retail	VNR	81.0	59.8	-26	Intervest Retail	INTV	45.0	29.5	-35
Wereldhave	WHA	115.0	72.0	-37	Wereldhave Belgium	WHB	75.0	48.5	-35
VastNed Offices/Industrial	VNOI	31.5	19.8	-37	Warehouses De Pauw	WDP	56.4	44.0	-22
Average (unweighted)				-32				-26	

Source: Fortis, Factset

Fear, hope and base scenario

For a better understanding of the sector we presented three scenarios. As our economists expect a sharp but brief correction rather than a prolonged recession, we have added a fear scenario, i.e. recession, and a hope scenario, i.e. unexpectedly quick recovery. Within the bottom-liquidity segment for Benelux REITs the pecking order would be (not taking into account current valuations).

Bottom-liquidity segment – Fundamental views under different scenarios

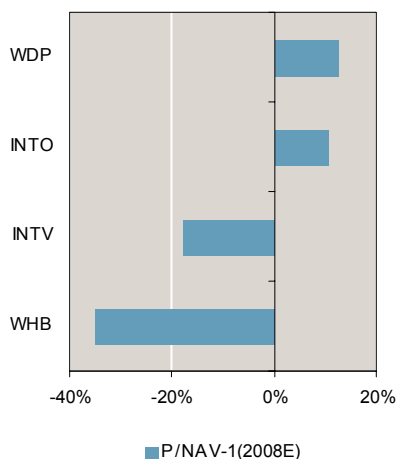
	Most favourite 1	Neutral 2	3	Least favourite 4
Fear	INTV	WHB	WDP	INTO
Hope	WDP	WHB	INTO	INTV
Base	WHB	WDP	INTV	INTO

Source: Fortis

18% discount to NAV

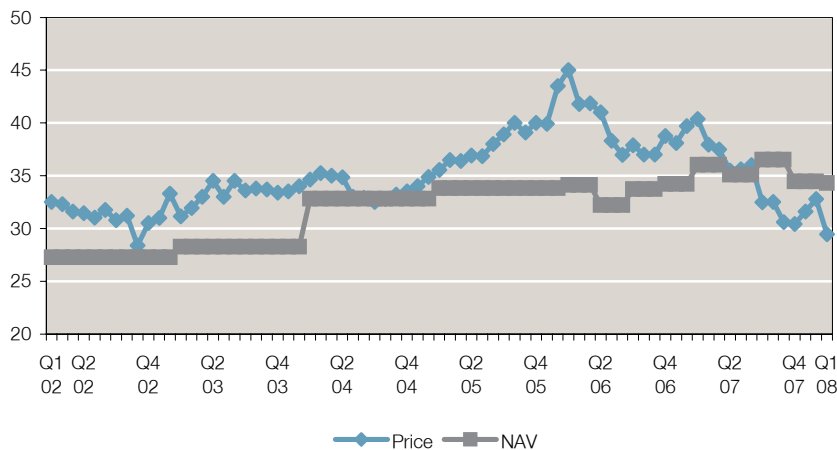
INTV is trading c. 18% NAV 08E, which includes a 30bp yield expansion. Compared to the other bottom-liquidity stocks, INTV is now trading at a discount. As a result there is room for further upside in case of a bid.

INTO - Price to NAV 2008E Peer group



Source: Fortis

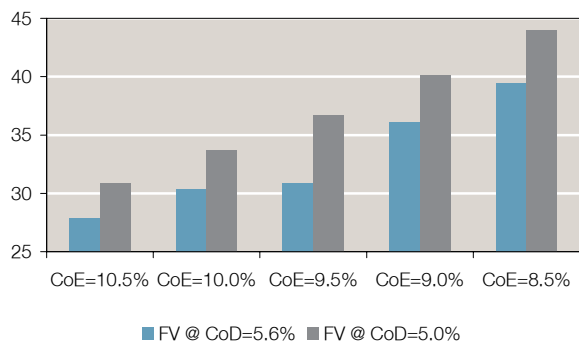
INTV – Price vs. NAV per share (EUR)



Source: Factset

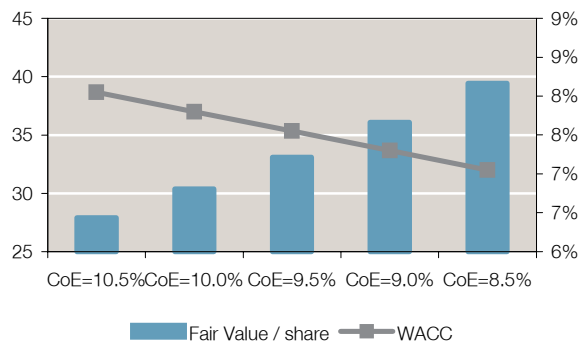
Smallest market cap INTV is the smallest stock in our universe with a portfolio of approx. EUR 275m and only EUR 45m free float adjusted market cap. INTV accounts for c. 13% of VNR's portfolio and only c. 9% if we adjust for minority share. Therefore, making an offer to buy out the minority shareholders is not inconceivable and would be a small part of the estimated EUR 1.1bn VNR deal.

INTV – DCF Fair value at our CoD=5.6% and current CoD 5.0% (EUR)



Source: Fortis

INTV – DCF Fair value at different CoE (EUR)



Source: Fortis

Bid possible We have run our DCF model using both our forecast CoD, which is based on the higher forecast 10y yield by our economists (CoD=5.6%), and the current yield (CoD=5.0%). The outcome demonstrates that there is upside in case of a bid to EUR 35 or higher. The downside may be at around E28, or approx. 20% below NAV 08E.

Recommendation and target price Following our DCF, we set a target price of EUR 33 for Intervest Retail, but recommend to Hold the shares, as the 10% upside is below our 20% benchmark for micro-caps.

Main risks Apart from economic risk, the main risk is that there will be no public offer for INTV and that the current premium will disappear. Additionally, there is risk involved in the Julianus development in Tongeren and the typical sector risk. Leverage is average and between the target range of 40-45% LTV.

2. Company profile

In this section, we describe the company, its management and its investment portfolio in more detail. We begin with a brief history and the most important strategies. Thereafter, we analyse the investment portfolio and the pipeline developments in order to identify investment styles and risk profiles that could affect stock valuations. We find that VastNed Offices/Industrial is the most cyclical exposed stock in our universe.

2.1. Company overview

Company description

Intervest Retail (INTV) was founded in 1987 and filed for a REIT (Bevak/Sicafi) status in 1998. A stock market listing followed in 2002, when Intervest Retail was listed in the Next Prime segment. VastNed Retail (VNR) owns 72%.

Sector fund: retail

Intervest Retail only invests in Belgian retail assets. It holds a portfolio of high street shops, strip stores and factory outlets throughout Belgium. As such, for the purposes of this report, Intervest is classified as a retail sector fund.

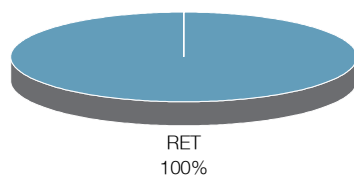
Sector mix

The portfolio comprises high street locations (43%) and retail warehouses (57%). In addition, INTV invests in shopping centres and factory outlets. The pipeline consists of a development of a shopping centre in Tongeren. The total number of properties is 82 and INTV typically will acquire and sell properties to optimize its portfolio.

Geographical spread

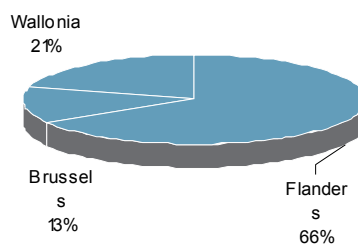
INTV solely invests in Belgian retail real estate. The portfolio tilts towards Flanders, which accounts for 66% of the portfolio value. Within Flanders, the province of Antwerp accounts for about half. Brussels is relatively underweight accounting for only 13%.

INTV – Sector mix (2007E)



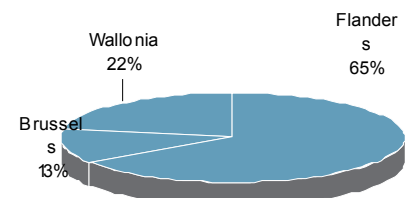
Source: Fortis

INTV – Geographical spread by value (2007E)



Source: Fortis

INTV – Geographical spread by value (2011E)



Source: Fortis

2.2. Strategy & Management

Investment profile

INTV's investment profile is core plus towards the value added segment, in our view. Risks are reduced by primarily investing in assets that do not need much renovation in the short term and are situated in prime locations. On the other hand, transactions are part of the strategy and INTV currently develops the Julianus shopping centre in Tongeren.

Management profile

In April 2006 Jean-Paul Sols was appointed CEO. The management committee further consists of Rudi Taelmans (COO) and Inge Tas (CFO). Reinier van de Gerrevink, CEO of VastNed is a member of the Board too. Like its Dutch parent, the management committee is also responsible for the Intervest Offices activities.

Organizational structure

VastNed Retail owns 72% of Intervest Retail, while its sister company VastNed

Offices/Industrial owns 54% of Intervest Offices. Like the VastNed Groep, Intervest Groep management runs both companies. The Group is headquartered in Berchem, near Antwerp. VastNed Groep management is part of the Intervest management committee. Property management is done in-house.

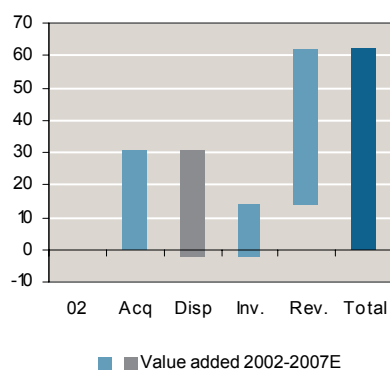
Incentives programmes

The VastNed board members are not paid by Intervest. The other board members are remunerated with a fixed salary and a bonus when operational targets are met. There is no share or share options plan.

2.3. Investment portfolio

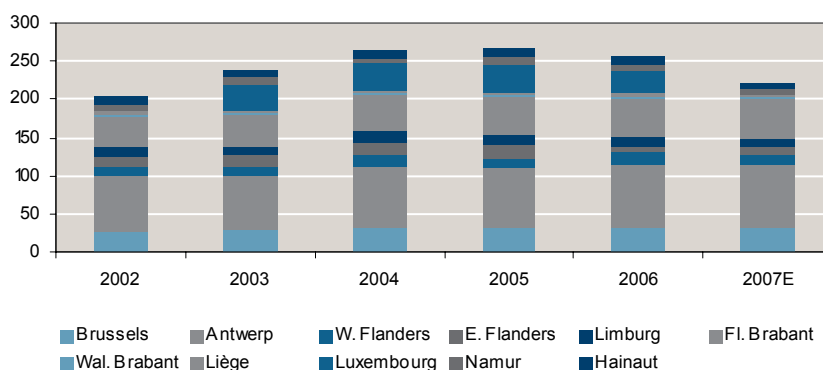
INTV's portfolio has grown from EUR 215.4m in 2002 to a EUR 274.9m forecasted in 2007E. This implies a CARG of almost 5%. Some 20% of the growth comes from the Brussels region, whereas the Walloon region has grown almost 10% and the Flemish part seen a growth of 5%.

Portfolio growth 2003 – 2007E



Source: Fortis

INTV – Investment Portfolio (open market value – EUR m)



Source: Fortis, Company data

Approx. 50% of the value of the portfolio of Intervest Retail in 2006 came from the top ten assets. Now that Messancy has been sold, we forecast only 40% for 2007E. Intervest Retail does not publish separate occupancy rates, but the average rate in 2006 was below 5% (including Messancy). For 2007E we forecast an occupancy rate of 99% following the sale of Messancy. The tenants of the top ten assets represent almost 48% of the TRI.

Top ten assets & TRI (2006)

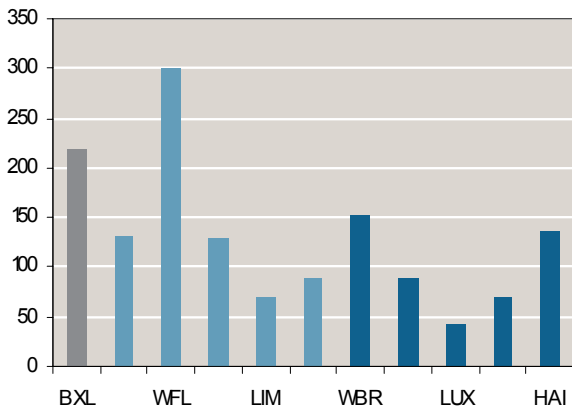
	Value	%	GRI	%
Messancy (LUX)	29.35	11.0%	2529	12.9%
Tielt-Winge (VBR)	17.50	6.6%	1484	7.5%
Brussels - Chaussée d'Ixelles	16.71	6.3%	1263	6.4%
Brugge (WVL)	15.08	5.6%	801	4.1%
Antwerp - Leystraat 28/32	14.02	5.3%	756	3.8%
Leuven (VBR)	9.84	3.7%	549	2.8%
Vilvoorde - Mechelsesteenweg	8.48	3.2%	650	3.3%
Antwerp - Meir 99	7.14	2.7%	415	2.1%
Wilrijk - Boomsesteenweg 666/672	6.87	2.6%	469	2.4%
Gent - Veldstraat 81	6.52	2.4%	439	2.2%
Top ten	131.52	49.3%	9355	47.6%
Total Portfolio	266.99	100%	19674	100.0%

Source: Fortis

2.3.1. Retail portfolio

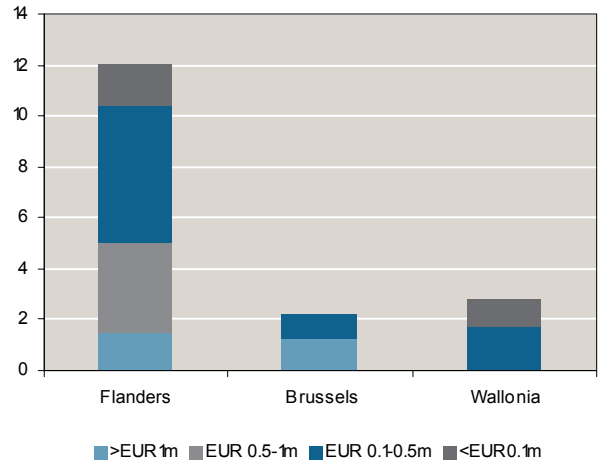
Flanders contributes the bulk of the portfolio, while the portfolio is well spread between high street shops and strip stores. The portfolio comprises 82 properties, which are predominantly smaller assets with annual TRI below EUR 500.000. Only two properties, Chaussée de Ixelles 41/43 in Brussels and Tielst-Winge in Flemish Brabant return TRI above EUR 1m.

INTV – TRI/m2 (2007E) ex Messancy



Source: Fortis

INTV – Annual TRI-size brackets (2006) ex Messancy

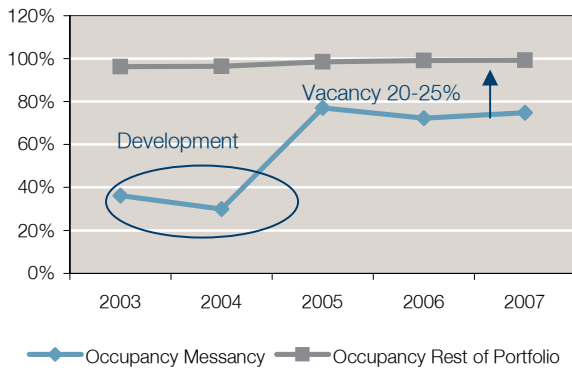


Source: Fortis

Messancy problem finally solved

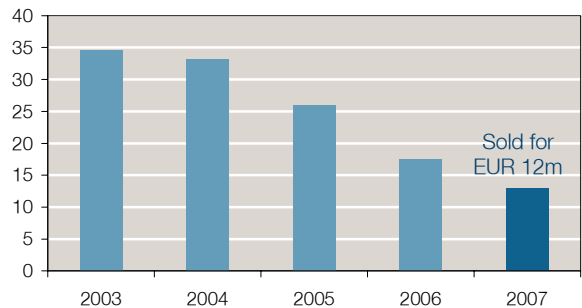
Ever since the acquisition of the development project of the factory outlet in Messancy (Province Luxembourg), the property has been a drag on performance. The vacancy was huge for a retail property at 20-25% after completion. As a result, Messancy had a substantial negative effect on revaluations and a sincere adverse effect on cash flow. On November 20, 2007, INTV finally sold Messancy for EUR 12m taking a EUR 4.0m book loss. In our view, the finalisation of the sale is very positive for the company.

INTV – Messancy occupancy rates (%)



Source: Fortis

INTV – Messancy estimated Book Value (EUR m)



Source: Fortis

2.3.2. Pipeline developments

INTV is currently developing the Julianus shopping centre in the middle of Tongeren. The project is scheduled for completion in 2008 and the estimated cost is c. EUR 22.6m with an expected yield of c. 8%.

2.4. Conclusion

Most offices of INTV portfolio, which is valued at approx. EUR 295m 2007E, are located in Flanders. It is an interesting portfolio and has a mix of inner city shops and strip stores. Currently, INTV is developing a shopping centre in the centre of Tongeren, just across the border from Maastricht.

3. Financials & Models

In this section, we present the assumptions and the results of our cash flow models. Firstly, we take a look at the financing, where we investigate leverage, hedging policies and the potential war chest the company could muster if it was to leverage up to its target leverage. Next we present the underlying assumptions of our net rental income (NRI) growth forecasts and finally, we present the investments included in our forecasts.

3.1. Financing

LTV within 40-45% target range

Currently LTV is within the target range set by VastNed Groep (40-45%). As we do not include future acquisitions in the model, LTV is in line with the parent company, but decreases to the low range of 40% in 2011E.

INTV – leverage and cover ratios

	2005	2006	2007E	2008E	2009E	2010E	2011E
Balance sheet data (EUR m)							
Total assets	294	287	302	278	281	292	303
Investment properties	280	267	275	272	274	285	296
Net assets	271	277	292	271	273	283	295
Net equity	172	174	175	152	154	165	177
Net debt	99	104	117	119	119	119	118
Leverage ratios (%)							
LTV (net debt/investment properties)	35	39	43	44	43	42	40
Gearing (net debt/net equity)	58	60	67	79	77	72	67
Leverage (net debt/total assets)	34	36	39	43	42	41	39
Interest cover ratios (x)							
Ebit (EUR m)	14	14	12	15	15	16	16
Interest charges (EUR m)	3	4	5	5	6	6	6
Avg interest as % of net debt	3.3	3.9	4.1	4.3	4.7	4.7	4.7
EBIT/interest charges	4.1	3.5	2.6	2.8	2.7	2.8	2.9
Net debt/ebit	7.0	7.5	9.8	8.2	7.9	7.6	7.3

Source: Fortis

60-80% hedged

INTV aims to hedge between 60-80% of outstanding interest rate exposure. The debt structure is predominantly long-term. INTV uses IRSs and other derivative instruments to manage its exposure.

INTV – Interest bearing debt (EUR m)

	2002	2003	2004	2005	2006	2007E
Interest bearing debt	92	108	109	106	105	120
Long-term (%)	21	59	58	69	69	63
Short-term (%)	79	41	42	31	31	38
Floating (%)						
Fixed (%)						

Source: Fortis

Minor war chest

As INTV is within the 40-45% LTV range, the potential war chest at target leverage is only minor. However, as we expect LTV to drop, INTV could temporarily exceed the target range, in our opinion.

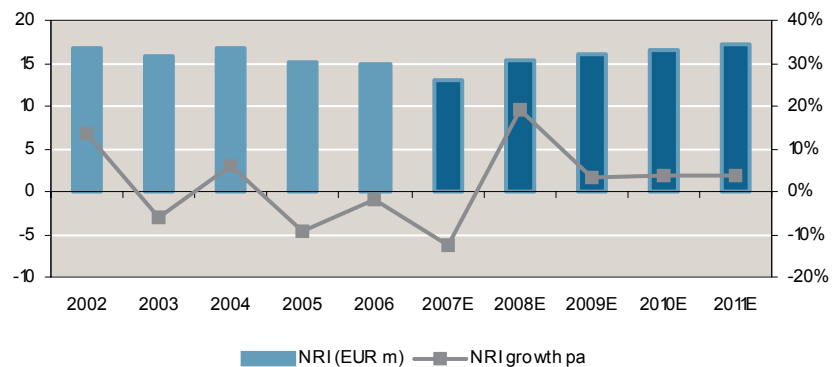
INTV – War chest at target leverage of 40-45% LTV (EUR m)

	2007E	Target	Max
LTV	42.7	45.0	65.0
Investment portfolio	275	275	275
Net debt	117	124	179
Additional debt capacity		6	61
Current development commitments		4	4
War chest		3	58

Source: Fortis

3.2. NRI and Cash flows

Interest Retail has been a net asset seller since 2004, which is reflected in the declining NRI. However, with the Tongeren development expected on stream in 2008, the trend should reverse and we would expect NRI to grow modestly in the absence of further acquisitions.

INTV – NRI growth (2002-11E)

Source: Fortis

3.2.1. LFLs

Our LFL growth is based on annual indexation in line with inflation of 2.0%. Renewals are expected to add some growth.

INTV – NRI growth by category (%)

	2006	2007E	2008E	2009E	2010E	2011E
LFL	3.7	3.1	3.2	3.4	3.6	3.6
NADDOS	-8.6	-1.5	3.0	0.0	0.0	0.0
ΔOC	3.8	-0.1	0.0	0.0	0.0	0.0
ΔConversion	-0.6	-11.9	13.0	0.0	0.0	0.0
NRI growth	-1.1	-10.4	19.2	3.4	3.6	3.6

Source: Fortis

3.2.2. NADDOS

The main effect is the expected completion of the Tongeren Julianus shopping centre in 2008. The 8,900m² centre is forecast to add some EUR 1.3m on an annual basis. This more than offset the negative impact of the sale of Messancy.

3.2.3. NRI effects from occupancy, conversion or forex

The effect of the sale of Messancy on NRI is positive, in our view. VastNed Retail estimated that they were losing c. EUR 2.0m on an annual basis on the asset. This was mainly related to the under performing occupancy of c.75%. As a result, the conversion suffered as property expenses could not be passed on to the tenants. In the table, we have included the positive effects of the sale of Messancy under Δ Conversion.

3.3. Investments

In our cash flow model, we only include commitments as reported by the company in their press releases and quarterly reports.

INTV – Operational cash flows and investments (EUR m)

	2006	2007E	2008E	2009E	2010E	2011E
EBIT	14	12	15	15	16	16
Cash interest	-4	-5	-5	-6	-6	-6
Cash taxes	0	0	0	0	0	0
	10	7	9	9	10	11
Change in current assets	-3	0	0	0	0	0
Change in current liabilities	4	-2	0	0	0	0
Cash flow from Operations	12	5	9	9	10	11
Acquisitions of investment properties	-3	-4	0	0	0	0
Disposals of investment properties	19	0	0	0	0	0
Capex in investment properties	0	0	0	0	0	0
Investments in development pipeline	-11	-5	-4	0	0	0
Disposal of development projects	0	0	0	0	0	0
Investments in financial assets	0	0	0	0	0	0
Disposals of financial assets	0	0	0	0	0	0
Other	0	0	0	0	0	0
Cash flow from investment activities	6	-9	-4	0	0	0

Source: Fortis

3.4. Conclusion

The outlet centre in Messancy has had a very negative impact on INTV's performance since 2002. Now that the centre was finally sold in 2007, we expect cash flow growth to be better. Apart from the Julianus project in Tongeren, there are no developments, so future growth should come from transactions and internal growth.

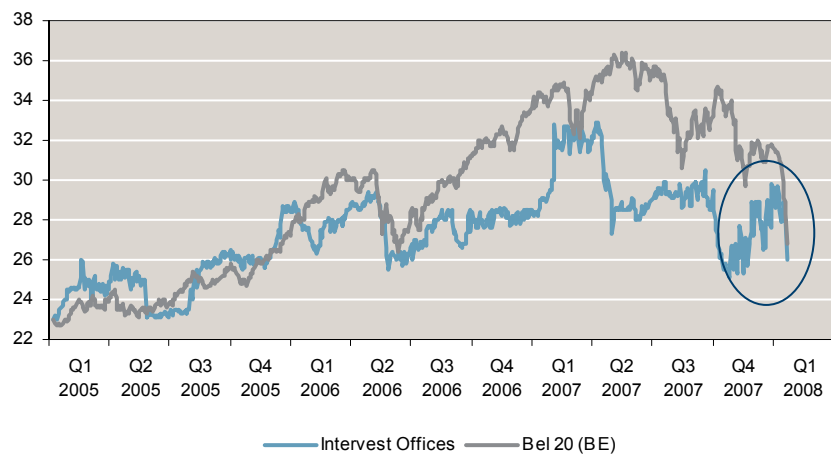
4. Valuation

This section contains our valuation. First, we look back at the company's track record. Then we present our NAV analysis followed by cash flow multiples and dividend yield comparisons. Finally, we calculate fair values based on our DCF model before we present our target price. For Interest Retail, we look at the possibility of a public offer given the indicative bid for parent VastNed Retail.

4.1. Track record

In this section, we briefly describe INTV's recent and longer-term share price performance. First we look at the period 2005-2008 before we calculate the 10 year ROE (including reinvested dividends).

INTV – Share price performance vs. Bel20

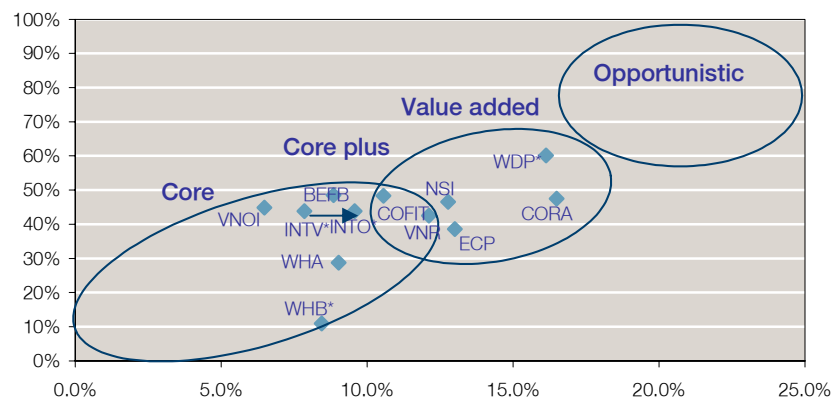


Source: Factset

4.1.1. Recent share price performance

INTV under performed the BEL20 since 2006, as it lowered its cash flow growth forecast due to the sale of properties. At that time, the Messancy project ran into trouble insofar that annual losses amounted to over EUR 2m. Finally, Messancy was sold in November 2007 resulting in a 13% share price rise.

Benelux REITs – Investment style, LTV (2008E) and ROE (CAGR 1998-2007)



Source: Fortis, INREV *CAGR 2000-07E

4.1.2. Longer term ROIs

To get an understanding of INTV’s longer-term performance and investment style, we have calculated the ROE including reinvested dividends for the period 1998-2007. Together with the leverage (LTV), the various investment styles are portrayed in the table below.

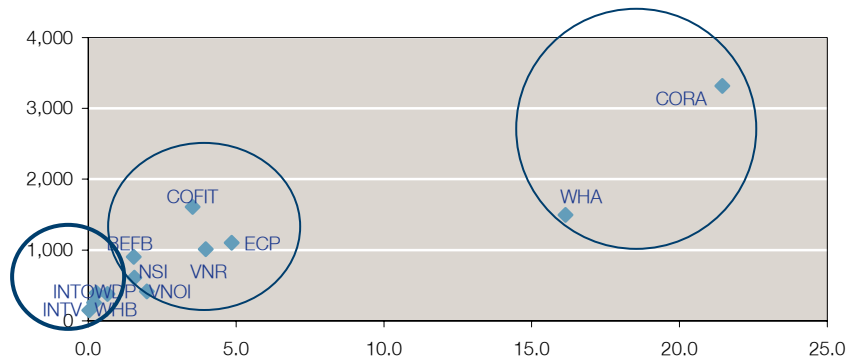
Negative impact Messancy on ROE

INTV’s ROE has been adversely impacted by the troubles at Messancy. If we adjust for the Messancy losses, ROE would have been 9.3% over the 2000-08 period rather than 7.8%. This would imply a core plus to added value investment style, which we find justified.

4.1.3. Liquidity

INTV has the smallest market cap in our universe at only EUR 150m , which dwindles to EUR 45m if we adjust for the 28% free float. This would make INTV a micro-cap rather than a small cap. Average daily volume stands at approx. EUR 32K.

Benelux REITs – Market Cap vs. Avg Daily volume (EUR m)



Source: Factset

4.1.4. Peer grouping

The main segmentation of our universe is based on liquidity. Although Corio and Wereldhave are much more liquid than the other stocks, we put them in the same grouping with the mid-liquidity stocks for pragmatic reasons. The four Belgian small caps make up the bottom-liquidity group.

Benelux REITs – Peer groupings

Top	Liquidity		Bottom
	Mid Retail	Non-retail	
CORA	ECP	BEFB	INTO
WHA	VNR	COFIT	INTV
		NSI	WDP
		VNOI	WHB

Source: Fortis

4.2. NAV analysis

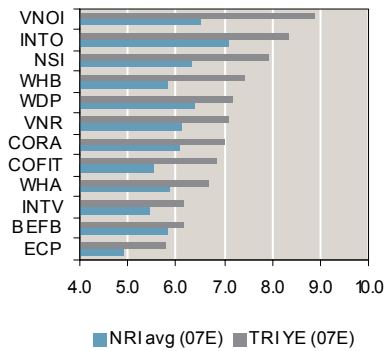
The main assets within REITs are the investment portfolio and the capitalised developments. The properties will be marked to market every quarter by property valuers. The developments are capitalised at cost. Therefore, the first step in NAV analysis is to take a close look on portfolio yields. Thereafter, we introduce the three NAV definitions that we use in this report.

4.2.1. Portfolio yields

Across real estate markets, portfolio yields have been contracting over the last few years. However, we expect this trend to reverse in 2008 and into 2009, as

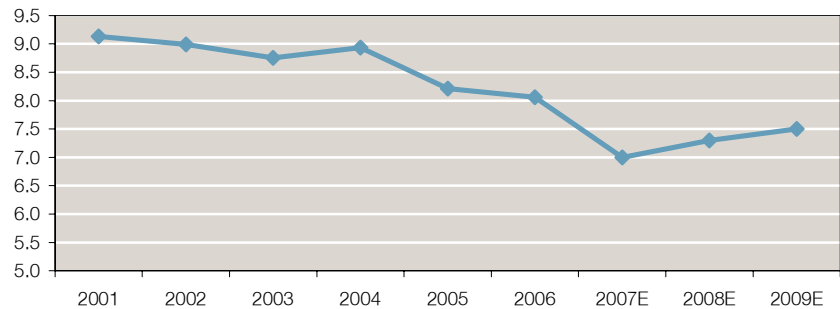
markets adjust to increased financing costs and risk spreads. This is reflected in the reported portfolio yields for INTV, as portrayed in the chart below.

INTV - Portfolio yields peer group



Source: Fortis

INTV - Portfolio Yields (TRI/ Investment Properties) (%)



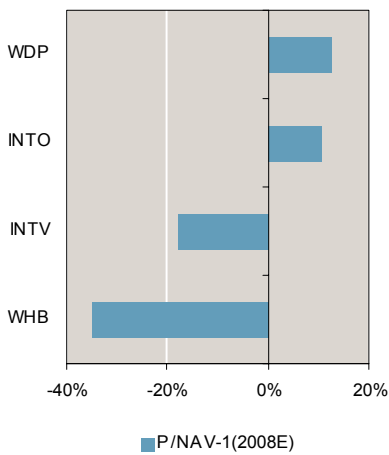
Source: Fortis

The sharp yield contraction in 2007 is not a portfolio-wide phenomenon, but rather a mix effect as high-yielding Messancy was sold and the proceeds reinvested in the Heytens portfolio at 6.7%.

4.2.2. NAV, NNAV and NNNAV

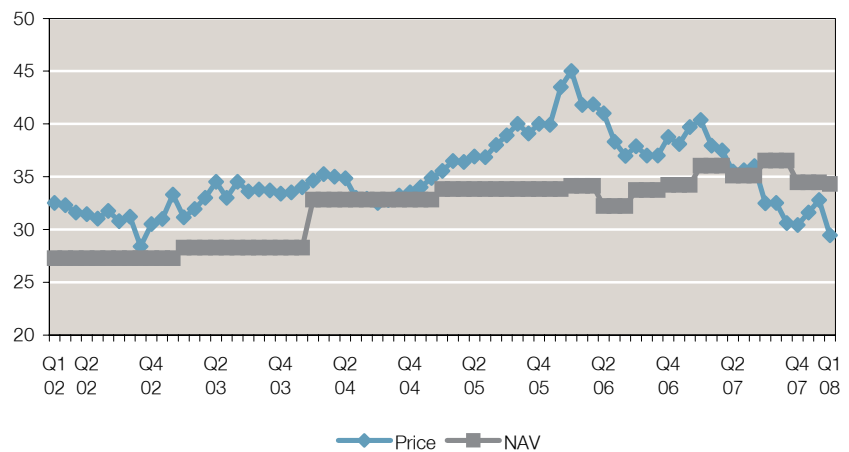
INTV has been trading above NAV since 2004, when the market was incorporating further positive revaluations in the share price. In 2007, this trend was reversed and in a volatile year, INTV traded again close to NAV. For 2008, we expect yields to expand, which adversely affects NAV.

INTO - Price to NAV 2008E Peergroup



Source: Fortis

INTV - Price vs. NAV per share (EUR)



Source: Fortis

INTV is trading at a small discount to NAV, which is justified in our view. However, it is cheaper than Interinvest Offices, which we find remarkable.

Definition NAV and NNAV

In this report, NAV equals net equity according to IFRS. To get to NNAV, half of the nominal value of the Deferred Tax Provision (DTP) is added back to NAV. The explanation is that these 'tax costs' on the property is supposed to be split equally between buyer and seller on average.

And NNNAV

The triple net NAV (NNNAV) is an adjusted NAV, which has been created by EPRA. The main adjustment is that now a discounted value of the DTP is deducted from assets rather than the nominal value. This would better reflect the longer-term holding period of the asset. In addition, adjustments to short-term financing and market values of loans are added back, as these do not adequately

reflect the long-term character of the REIT. In this report, we only adjust for the NPV of the DTP for pragmatic reasons and a lack of details.

Benelux REITs – NAV, NNAV and NNAV (EUR) (Price per 22/01/08)

	Price	NAV	P/NAV-1 (%)	2007E		NNAV	P/NNAV-1 (%)
				NNAV	P/NNAV-1 (%)		
Corio	49.29	53.7	(8)	55.9	(12)	59.0	(16)
Wereldhave	72.02	88.3	(18)	91.9	(22)	96.8	(26)
Eurocommerical Properties	30.85	34.5	(10)	36.5	(15)	38.6	(20)
VastNed OI	19.75	24.7	(20)	24.7	(20)	24.7	(20)
VastNed Retail	59.75	68.7	(13)	70.3	(15)	72.6	(18)
Nieuwe Steen Investments	16.97	18.8	(10)	18.8	(10)	18.8	(10)
Cofinimmo	123.54	143.4	(14)	143.4	(14)	143.4	(14)
Befimmo	69.00	71.4	(3)	71.4	(3)	71.4	(3)
Interinvest Offices	28.32	24.6	15	24.6	15	24.6	15
Internvest Retail	29.45	34.5	(15)	34.5	(15)	34.5	(15)
Wereldhave Belgium	48.50	68.7	(29)	68.7	(29)	68.7	(29)
Warehouses De Pauw	44.00	36.1	22	36.5	21	36.9	19
				2008E			
		NAV	P/NAV-1 (%)	NNAV	P/NNAV-1 (%)	NNAV	P/NNAV-1 (%)
Corio		52.6	(6)	54.6	(10)	57.3	(14)
Wereldhave		91.3	(21)	94.8	(24)	99.5	(28)
Eurocommerical Properties		36.9	(16)	39.0	(21)	41.1	(25)
VastNed OI		24.5	(20)	24.5	(20)	24.5	(20)
VastNed Retail		70.5	(15)	72.1	(17)	74.4	(20)
Nieuwe Steen Investments		19.1	(11)	19.1	(11)	19.1	(11)
Cofinimmo		153.2	(19)	153.2	(19)	153.2	(19)
Befimmo		71.6	(4)	71.6	(4)	71.6	(4)
Interinvest Offices		25.6	11	25.6	11	25.6	10
Internvest Retail		35.8	(18)	35.8	(18)	35.8	(18)
Wereldhave Belgium		74.5	(35)	74.5	(35)	74.5	(35)
Warehouses De Pauw		39.1	13	39.4	12	39.8	11

Source: Fortis, Factset

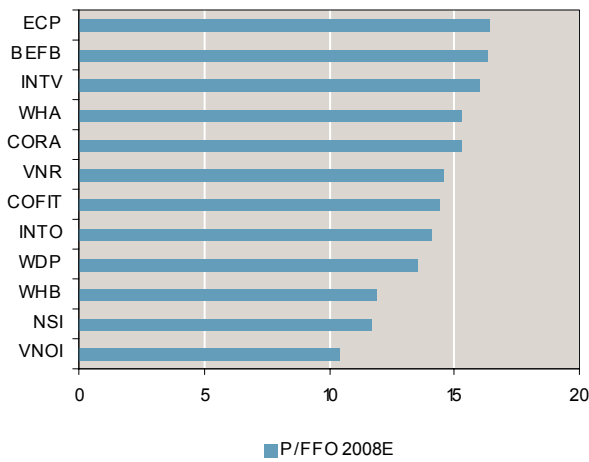
4.3. FFO & DPS analysis

The second valuation tool is cash flow multiple analysis. There are various cash flow definitions available, but we confine ourselves to three in this report: (1) funds from operations (FFO), (2) direct investment result per share (DRPS), and (3) dividend per share (DPS). As Benelux REITs tend to distribute 90-100% of cash earnings to shareholders these three definitions are quite similar.

4.3.1. FFO, DRPS and recurring cash flow from operations

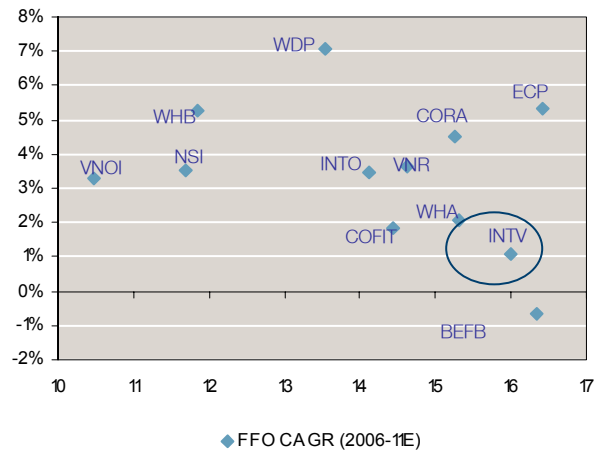
In our forecast recurring cash flows, FFO and Direct investment result are similar. FFO is often used in US reporting, while the Europeans use Direct investment result.

Benelux REITs – P/FFO 2008E (x)



Source: Fortis, Factset

Benelux REITs – P/FFO 2006 (x) and DRPS CAGR 2006-11E (%)



Source: Fortis, Factset

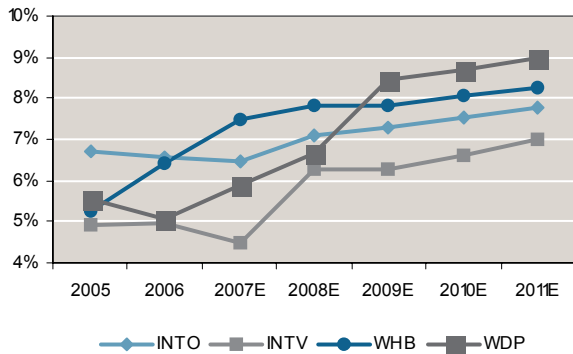
Messancy again

INTV’s low cash flow growth is substantially impacted by the Messancy losses. The quality of the portfolio, expected recovery after the sale of Messancy and maybe a take-over premium following the bid on parent company VNR, could explain the relative high P/FFO in spite of the lower growth, in our opinion.

4.3.2. Dividend yields

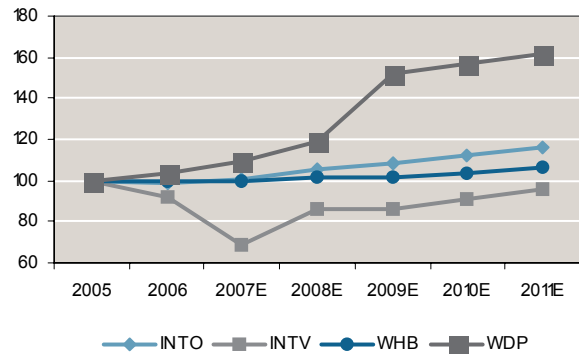
As cash flows are relatively predictable for quality portfolios, dividend yields are a good tool to compare REIT valuations. In our view, INTV has a good quality portfolio with reliable rental income streams. DPS growth was flat during 2006-08E as Messancy losses impacted results and we only expect a pick up as of 2008-09, as the impact of higher financing costs should ease.

INTV - Dividend yields Peer Group 2005 -2011E



Source: Fortis

INTV - Dividend growth Peer Group 2005 - 2011E



Source: Fortis

4.4. Target price

In this subsection, we briefly discuss the pros and cons of investing in INTV under our three scenarios. It would provide a fundamental basis, which could aid in understanding INTV’s relative valuation.

Bottom-liquidity segment – Fundamental views under different scenarios

	Most favourite 1	Neutral 2	3	Least favourite 4
Fear	INTV	WHB	WDP	INTO
Hope	WDP	WHB	INTV	INTO
Base	WHB	WDP	INTO	INTV

Source: Fortis

Fear scenario

Fear: safest Under the fear scenario, we expect a flight to safety. Within the bottom-liquidity segment, the choice would then be INTV with its retail portfolio and potential take-over premium. Cheaper WHB with its 60% retail exposure would be our second choice, despite the claim. Finally, we believe that the higher valuation of INTO may cause it to fall further than WDP.

Hope scenario

Hope: fewer upside Under the hope scenario, we expect the market to buy growth and priced-down-risk. The best choice would then be WDP as expected growth forecasts could be exceeded. We also favour WHB, but as it is only exposed to Belgian it is likely to grow less than WDP. INTO is more cyclical than INTV, so would be a better choice under the hope scenario.

Base scenario

Bid speculation The most difficult choice as we expect things to get worse before they get better. However, on a 12-month view we would see the most upside to WHB, where its current low valuation and retail exposure should offer relatively more protection. In our view, lot of the potential upside to INTV is already priced in, so we go for WDP as our second choice. INTO is relatively expensive with potential downside as it is trading at a 50% premium over VNOI's Dutch assets.

4.4.1. M&A analysis

Although currently the credit crisis and the write-downs have all but forced out leverage opportunity buyers, core funds may re-appear, as inflation is expected to rise. These buyers would use equity rather than debt and buy inflation-indexed cash flows with a high level of security.

Examples, of these funds would be pension funds or inflation derivatives sellers such as IEF Capital, which has made an indicative bid for VastNed retail. That this is a realistic assumption, is demonstrated by the rumoured eleven parties seriously looking at ABP's KFN portfolio, which was recently acquired by ING RE.

For WDP and WHB, we do not expect much support from M&A activities, but the current situation with parent VastNed could lead to a change in ownership for Intervest.

4.4.2. DCF model

How we calculate DCF In order to calculate our target prices, we use a DCF model. The advantage of the DCF model is that it includes an estimate of the fair value of the pipeline developments rather than the capitalised cost. A disadvantage is that DCF models are sensitive to changes in WACC and terminal growth rate assumptions. Therefore, we have included a sensitivity analysis to show the impact of small changes in our assumptions.

In our free cash flow (FCF) calculations, we assume that depreciation more or less equals maintenance capex, which is included in the property expenses, which are partly passed on to tenants. Capex, therefore, is included in our ebit line rather than in the cash flow from investments, which is typical for ordinary companies. The line "Investments" in our DCF model encompasses the

announced pipeline development cash outflows, which reflect expansion capex rather than maintenance capex.

The WACC calculation is based on the target gearing, which is typically announced in the annual reports. For our universe this varies between 40-60 to 50-50 debt-to-equity. The cost of debt (CoD) is calculated using the forecast 5.10% Euro-zone 10y bond plus a credit spread, which due to the limited leverage we put between 50-80bp. Our Benelux companies reported a 10-20bp increase following the subprime crisis, while high-leverage companies (90% LTV) told us they saw spreads expand by some 20-40bp to 150bp.

A broad range for required ROEs or the cost of equity (CoE) would put unleveraged core investors at 6% and high-leverage opportunity funds towards 18%. For our universe we use a 9-11% range in line with vintage year returns over the last ten years.

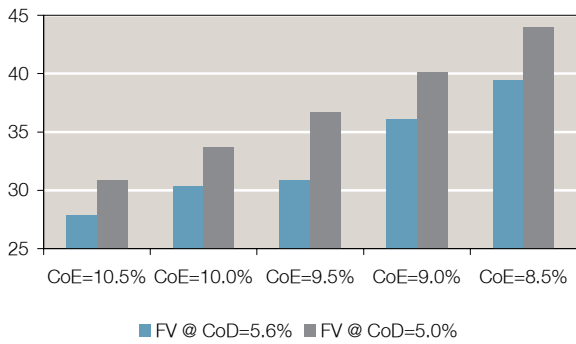
INTV – DCF model (EUR m)

	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2015E	2016E	TV
EBIT	14.5	15.0	15.5	16.1	16.6	17.0	17.6	18.1	18.6	19.2	
Change in working cap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Investments	-3.7	0.0	0.0	0.0	0.0						
Free CashFlow	10.7	15.0	15.5	16.1	16.6	17.0	17.6	18.1	18.6	19.2	389.4
Discount factor	0.93	0.87	0.81	0.75	0.70	0.65	0.60	0.56	0.52	0.48	0.45
NPV FCFs	10.0	13.0	12.5	12.1	11.5	11.1	10.6	10.1	9.7	9.3	175.5
% per annum		39.6%	3.6%	3.6%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	2.5%
COD	5.60%	50%									
COE	9.50%	50%									
Target gearing	100%										
WACC	7.55%										
Terminal growth rate	2.50%										
Cumulative NPV	285.4										
(a) Market value debt	117.4										
(b) Minority interest	0.0										
(c) Financial Assets/Associates	0.0										
Fair value (NPV-(a)-(b)+(c))	168.0										
NOSH	5.1										
DCF Fair Value / share (EUR)	33.1										xx

Source: Fortis

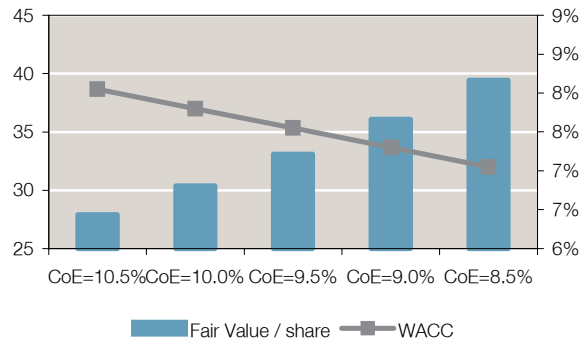
Upside potential: EUR 36 Our DCF model suggests fair value for INTV of EUR 33, which is close to its current price. However, if we calculate with current CoD of 5.0% instead of the higher forecast from our economist that we use in our model, there might be further upside. In other words, the EUR 33 current share price does not look too demanding and there might be room for a higher public offer if parent company VNR is acquired.

INTV – DCF Fair value at our CoD=5.6% and current CoD 5.0% (EUR)



Source: Fortis

INTV – DCF Fair value at different CoE (EUR)



Source: Fortis

4.4.3. Main risks

Apart from economic risk, the main risk is that there will be no public offer for INTV and that the current premium will disappear. Additionally, there is risk involved in the Julianus development in Tongeren and the typical sector risk. Leverage is average and between the target range of 40-45% LTV.

4.5. Conclusion

Intvest Retail does not look cheap, but the take-over speculation could return further upside if as we believe a parent VNR is acquired. A further premium of at least 10% is not excessive in our view.

P & L Statement (EUR m)	2002	2003	2004	2005	2006	2007e	2008e	2009e	2010e	2011e
Gross rental income	19.1	18.9	18.7	18.4	18.4	17.7	16.8	17.3	18.0	18.6
Direct property expenses	(3.2)	(3.2)	(2.0)	(3.3)	(3.7)	(4.8)	(1.3)	(1.4)	(1.4)	(1.5)
Net rental income	16.7	15.7	16.7	15.1	14.8	12.9	15.4	16.0	16.5	17.1
General costs	(1.7)	(1.8)	(1.0)	(0.8)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.1)
Other income/expenses	0.0	1.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	15.0	15.6	15.7	14.2	13.8	12.0	14.5	15.0	15.5	16.1
Net financial result	(2.9)	(3.0)	(2.9)	(3.4)	(3.9)	(4.5)	(5.1)	(5.6)	(5.6)	(5.6)
Associates (pretax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income taxes	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NOPAT	12.5	12.6	12.8	10.8	9.9	7.4	9.4	9.4	9.9	10.5
Extra ordinaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct result	12.5	12.6	12.8	10.8	9.9	7.4	9.4	9.4	9.9	10.5
Valuation results	(1.1)	4.0	(0.0)	8.4	3.5	3.8	(2.7)	2.4	11.2	12.2
Realised results disposals	(0.7)	0.3	(0.6)	(0.5)	(1.2)	0.0	0.0	0.0	0.0	0.0
Valuation result fin. assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other indirect results	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities indirect result	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indirect investment result	(1.8)	4.3	(0.6)	7.9	2.4	3.8	(2.7)	2.4	11.2	12.2
Net profit	10.6	16.9	12.3	18.7	12.3	11.3	6.7	11.8	21.1	22.7

Cash Flow Statement (EUR m)	2002	2003	2004	2005	2006	2007e	2008e	2009e	2010e	2011e
EBIT	15.0	15.6	15.7	14.2	13.8	12.0	14.5	15.0	15.5	16.1
Cash interest	(2.9)	(3.0)	(2.9)	(3.4)	(3.9)	(4.5)	(5.1)	(5.6)	(5.6)	(5.6)
Cash taxes	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in current assets/liabilities	3.2	0.8	4.9	0.0	1.8	(2.2)	0.0	0.0	0.0	0.0
Cash flow from operations	15.4	13.7	17.8	10.8	11.8	5.3	9.4	9.4	9.9	10.5
Acquisitions of investment properties	(29.3)	(20.0)	(6.0)	(6.8)	(2.6)	(4.3)	0.0	0.0	0.0	0.0
Disposals of investment properties	2.1	2.0	2.1	8.1	19.1	0.2	0.0	0.0	0.0	0.0
Net investments	(41.5)	(18.6)	(5.5)	(0.1)	5.7	(9.1)	(3.7)	0.0	0.0	0.0
Net investments in financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	(0.1)	(0.1)	(0.3)	(0.1)	0.0	0.0	0.0	0.0	0.0
Cash flow from investments	(41.5)	(18.7)	(5.6)	(0.4)	5.6	(9.1)	(3.7)	0.0	0.0	0.0
Dividends	(12.2)	(12.3)	(12.9)	(12.9)	(10.9)	(10.0)	(7.4)	(9.4)	(9.4)	(9.9)
Change in equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in debt	32.4	15.8	1.5	7.4	(12.0)	15.4	0.0	0.0	0.0	0.0
Cash flow from financing	20.2	3.5	(11.4)	(5.5)	(22.9)	5.4	(7.4)	(9.4)	(9.4)	(9.9)
Net cash flow/Change in cash	(5.9)	(1.5)	0.7	4.9	(5.5)	1.5	(1.8)	0.0	0.5	0.6

Balance Sheet (EUR m)	2002	2003	2004	2005	2006	2007e	2008e	2009e	2010e	2011e
Investment properties	215.4	250.5	272.4	280.1	267.0	274.9	294.8	297.2	308.4	320.7
Development pipeline	17.1	3.7	4.6	4.6	13.9	18.9	(0.0)	(0.0)	(0.0)	(0.0)
Other fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (FFA)	0.0	0.1	0.1	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Total fixed assets	232.5	254.3	277.1	285.2	281.3	294.2	295.2	297.7	308.9	321.1
Receivables	3.3	5.3	3.7	2.6	5.1	5.1	5.1	5.1	5.1	5.1
Cash	2.5	1.0	1.7	6.6	1.1	2.6	0.8	0.8	1.3	1.9
Total current assets	5.7	6.3	5.4	9.1	6.1	7.7	5.8	5.9	6.4	7.0
Total assets	238.2	260.6	282.5	294.3	287.4	301.9	301.1	303.5	315.3	328.0
Shareholders equity	138.5	143.5	166.6	171.7	173.7	175.0	174.2	176.6	188.4	201.1
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total group equity	138.5	143.5	166.6	171.7	173.7	175.0	174.2	176.6	188.4	201.2
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other LT liabilities	0.3	5.8	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4
LT interest bearing debt	19.1	63.8	63.5	72.8	71.9	75.0	75.0	75.0	75.0	75.0
Total LT liabilities	19.4	69.6	64.0	73.3	72.3	75.4	75.4	75.4	75.4	75.4
ST interest bearing debt	72.8	43.9	45.6	32.7	32.7	45.0	45.0	45.0	45.0	45.0
Other current liabilities	7.5	3.6	6.2	16.5	8.7	6.5	6.5	6.5	6.5	6.5
Total current liabilities	80.3	47.4	51.8	49.3	41.4	51.5	51.5	51.5	51.5	51.5
Total liabilities	238.2	260.6	282.5	294.3	287.4	301.8	301.0	303.5	315.2	328.0

Important disclosures

Issuer	Ticker	Price (EUR)
Interinvest Retail	INTV.BR	29.45

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Category	Fortis Rating	Definition	% companies under coverage with this rating	% companies for which Fortis has provided Investment Banking services
BUY	BUY	The stock belongs to the favourites of the local Fortis Bank S.A./N.V. universe. Expected performance: > +15%	52%	59%
HOLD	HOLD	The stock does not belong to the current favourites. The investment case is not appealing for the time being. However, it's worth to keep the stock. Expected performance: > +5%, < +20%	32%	35%
	REDUCE	The stock belongs to the less attractive ones within the Fortis Bank S.A./N.V. local universe. While the outlook is uncertain, the stock does not deserve an outright Sell. Expected performance: > -5%, < +10%	12%	4%
SELL	SELL	The investment case is definitively negative. Investors should sell the stock at any conditions. Expected performance: negative	3%	2%

23 January 2008

Fortis Bank S.A./N.V. Primary Equity Research Coverage: 326

Historical equity recommendations and target price for Interinvest Retail (EUR)**History of Target Prices**

Date	Recommendation	Target Price
21-01-08	HOLD	EUR 33.10
20-02-07	NO OPINION	EUR
16-01-07	HOLD	EUR 37.40
23-11-06	BUY	EUR 36.60
12-09-06	HOLD	EUR 35.20

History of Recommendations

Date	Recommendation	Target Price
21-01-08	HOLD	EUR 33.10
20-02-07	NO OPINION	EUR
14-12-06	HOLD	EUR 36.60
23-11-06	BUY	EUR 36.60
12-09-06	HOLD	EUR 35.20

Source: Fortis Equity Research, JCF

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