**Real Estate**
Germany

Current price	€11.50
Target price	€16.00
Market cap.	€82m
Free float	56%
Average daily trade (shares)	15,000
Derivative(s)	No

Franconofurt

FFMG.F; FFM GR

Buy

(Initiation)

Leveraging experience

Franconofurt (FFM) expanded its business model in 2006, moving from a classical re-seller of residential assets towards an integrated real estate group. FFM aims to leverage its experience in Frankfurt onto new businesses within the Rhein-Main region. This new approach should make FFM's business model less deal dependent and hence more predictable. We welcome this and initiate coverage with a Buy.

Core business remains strong

FFM's core business, the acquisition of entire houses in attractive areas in Frankfurt and the sale of the individual apartments in these houses, remains strong, as low home ownership ratios coupled with high personal income levels play into FFM's hands as the most prominent player in this field. On the sourcing side, FFM benefits from increasing sales by heirs.

New corporate and management structure

FFM formed several new sub-groups, which offer services around the residential real estate business. The most prominent holding is FranconoRheinMain, a quasi-REIT structure, which aims to attract superior yields from higher turnover than likely to be approved for REITs. FFM leverages its acquisition talents through this vehicle, allowing for significantly higher volumes.

FranconoRheinMain (FRM)

The REIT-like investment vehicle FRM invests in market segments which FFM does not cover. With a focus on high yielding apartments and houses, coupled with a clearly defined exit strategy, we believe FRM offers an attractive new business field for FFM. FFM would offer its expertise and services to FRM. FFM itself could therefore be described as a 'portfolio creator'.

Valuation

Franconofurt's core activities are likely to boost its earnings towards €0.61/share for 2006E. However, this would not include any income from FRM's activities, other than those executed for the company currently. However, we could see significant potential for FFM, if the IPO of the FranconoRheinMain is a success. FFM would establish itself as an 'incubator' in the real estate market, allowing the company to reap substantial benefits. Even leaving these value-creating aspects out of the equation, we suggest that the fair value of FFM is close to €16, implying some 40% upside from current levels.

Sector view

German real estate is in demand by German and international investors. Yields are higher than in other European countries. The potential introduction of REITs offers new, liquid real estate investment vehicles. Portfolio creators are likely to become a rare and expensive commodity in the industry. Franconofurt might be in the forefront of such a development.

What's changed

- New management in May 2006
- Announcement of launch of REIT-like structure
- Positive price development in Frankfurt

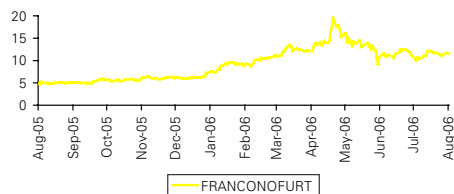
News flow

- FFM Q2 results due end August
- Launch of the investment vehicle in Q3 2006
- Change of market segment for FFM

Company profile

FFM started as a converter of rental buildings into apartments to self-occupancy or to individual investors in the Frankfurt area. The experience of this business allows the company to expand its know how into other businesses. Therefore FFM converted from a deal-driven company into a fully integrated real estate company aiming to create residential portfolios instead of going into costly auctions. The new structure allows FFM to exploit all aspects of the real estate market within its designated local field.

Price performance



Source: Datastream

Analyst

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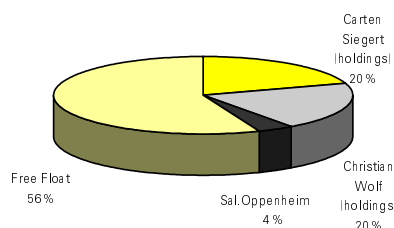
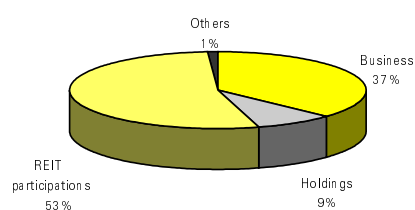
ralf.groenemeyer@commerzbank.com

www.cbksec.com/rsh/real_estate.html

Year end Dec. (€)	2005	2006E	2007E	2008E
Sales	7,377,875.00	25,570,716.73	28,203,459.31	38,532,806.18
Cost of goods sold	(14,262,838.50)	(14,738,266.45)	(19,967,973.90)	(24,864,881.79)
Gross profit	21,640,713.50	40,308,983.18	48,171,433.21	63,397,687.96
Total op. expenses	5,630,435.00	18,849,240.36	19,579,901.81	26,115,589.74
EBITDA	1,747,440.00	6,721,476.37	8,623,557.50	12,417,216.44
Depreciation & amortisation	-	-	-	-
EBIT	1,059,847.00	6,721,476.37	8,623,557.50	12,417,216.44
Pre-tax profit	811,847.00	5,814,726.37	7,455,182.50	10,980,966.44
Income taxes	(341,787.59)	(2,035,154.23)	(2,609,313.87)	(3,294,289.93)
Income tax rate	42.1%	35.0%	35.0%	30.0%
Reported net income (incl IFRS 40)	470,059.41	3,986,548.14	5,266,863.88	8,130,866.85
Net income (excl. IFRS 40)	868,175.76	3,779,572.14	4,845,868.62	7,686,676.51
No. of shares (m)	4,400,000.000	6,600,000.000	6,600,000.000	6,600,000.000
EPS (€) (incl IFRS 40)	0.11	0.60	0.80	1.23
EPS (€) (cash)	0.20	0.57	0.73	1.16

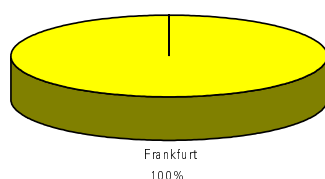
Source: Commerzbank Corporates & Markets

For important disclosure information please see page 22 and 23

Shareholder structure

Sales by division 2006E

Corporate management

Metehan Sen +49 (69) 92 0374105

Reporting	quarterly, IFRS
Buyback programme	yes
Management incentives	yes
Incentive programme	yes
Employee share scheme	yes
CEO and COO in place since	1997
Expiry of CEO contract	2007
Expiry of CFO contract	2007

Sales by region 2006E


Source: Commerzbank Corporates & Markets

Profit & loss account

Year end Dec. (€)	2005E	2006E	2007E	2008E
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EPS (€) (cash)	0.20	0.57	0.73	1.16

Source: Commerzbank Corporates & Markets, Franconofurt AG

Balance sheet

Year end Dec. (€)	2005E	2006E	2007E	2008E
Cash & equivalents	200,000.00	5,625,000.00	5,812,500.00	7,875,000.00
Receivables	-	-	-	-
Inventories	7,900,000.00	17,000,000.00	14,000,000.00	12,100,000.00
Total current assets	10,600,000.00	18,316,426.86	15,398,440.99	14,071,368.82
Total assets	11,300,000.00	70,541,426.86	81,180,940.99	95,310,368.82
Total equity	3,400,000.00	29,469,572.14	30,705,868.62	32,986,676.51
Financial debt	7,500,000.00	31,989,400.00	41,475,000.00	50,750,000.00
Other debt items	400,000.00	9,082,454.72	9,000,072.36	11,573,692.32
Balance sheet total	11,300,000.00	70,541,426.86	81,180,940.99	95,310,368.82

Source: Commerzbank Corporates & Markets, Franconofurt AG

Cash flow

Year end Dec. (€)	2005E	2006E	2007E	2008E
Net profit	470,059.41	3,986,548.14	5,266,863.88	8,130,866.85
Operating cash flow		11,613,688.00	16,615,974.14	18,918,999.63
Investment cash flow		(200,000.00)	(400,000.00)	(800,000.00)
Financing cash flow		47,171,312.00	8,069,848.00	9,494,119.00
Changes in funds at year end		5,425,000.00	187,500.00	2,062,500.00

Source: Commerzbank Corporates & Markets, Franconofurt AG

Key ratios

Year end Dec.	2005E	2006E	2007E	2008E
COGS	193.3%	57.6%	70.8%	64.5%
Tax	42.1%	35.0%	35.0%	30.0%
Gross margin	176.3%	173.7%	169.4%	167.8%
Operating margin	23.7%	26.3%	30.6%	32.2%
Net margin	6.4%	15.6%	18.7%	21.1%
ROCE (%)	1.4%	8.7%	9.8%	13.2%
ROE (%)	13.8%	13.5%	17.2%	24.6%
FCF as % market capitalisation		80.7%	33.5%	38.0%
Equity ratio %	30.1%	41.8%	37.8%	34.6%

Source: Commerzbank Corporates & Markets, Franconofurt AG

Investment summary

Franconofurt (FFM) has become the dominant real estate company in Frankfurt. Its ability to act fast, decide quickly and to have a clear and decisive market approach made it the first call among Frankfurt's realtors and agents. Its ability to acquire entire houses and quickly re-sell them in a unit-by-unit way to investors, who either wish to occupy them or to re-let them after renovation at higher prices, is second to none.

Frankfurt and the Rhein-Main area continue to be one of the most promising residential real estate segments in Germany. While average GDP growth in the area is above Germany's average, home ownership is well below the average for both Hesse and Germany. In the Frankfurt area, only 16% of households own their homes, against 43% nationwide.

This should not come as a surprise, as Frankfurt has been seen by most young professionals as a first stage, before moving either into other European metropolitan areas or towards the hilly Taunus hills outskirts.

It seems that precisely the latter trend reverses. Inner city quality living space has become 'hip' and a desirable asset. On the one hand, new developments, such as river-side apartment buildings, became fashionable. However, in addition to this trend, existing high-end living areas re-emerged as selected regions for those who want to re-enter the city limits. Franconofurt is here already, helping the new demand to find appropriate apartments.

While this new trend alone would be sufficient to recommend Franconofurt as a vehicle to benefit from such trends, alongside Vivacon's YOO activities, FFM started to leverage its superior local knowledge. With the creation of new business fields alongside the value chain within the real estate market, FFM is likely to exploit each segment successfully. In particular, the initiation of the asset holder FranconoRheinMain (FRM) allows FFM to fully exploit its abilities to source attractive assets.

FFM benefits therefore on the one hand from increased demand for high-end apartments within Frankfurt, and on the other hand from the ability to create portfolios in a wider regional area, mainly through fees and development business.

We believe that FFM entered a new stage of its corporate activities with the launch of FRM in early 2006. This subsidiary allows FFM to acquire and select assets for the creation of a hand-picked portfolio of high yielding houses. Its market knowledge and insight and understanding of the region enables FFM to select investment opportunities fast. In return, FFM gets an even deeper knowledge of the market environment, which should furnish it with important market insights.

Valuation

We believe that the new opportunities FFM receives through its new corporate structure are not yet reflected in the company's share price. On the one hand, the stock still trades well below the highs of the year, on the other hand, the positive development behind the creation of new subsidiaries seems not to be reflected in the share price development yet.

We initiate coverage of Franconofurt with a Buy rating and a target price of €16.00.

We assume that the company should be able to generate EPS of €0.60 in the current fiscal year, rising towards €0.80 in 2007E, without any reconciliation of the assets held within the FRM asset holding unit. These assets and the value of the FRM holding within the Franconofurt group would add, we believe, significantly to the value of the Franconofurt group. However, before the envisaged IPO has been launched, it is difficult to assess the value for FFM shareholders. We therefore base our DCF valuation on the pure business of Franconofurt, using a 9% discount rate:

TABLE 1: DCF model suggests a fair price of €16.00

€	2005	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
											Terminal Growth rate
<i>Sales growth</i>	0.00%	246.59%	10.30%	36.62%	27.53%	19.61%	5.00%	5.00%	5.00%	5.00%	2.00%
Sales	7,377,875.0	25,570,716.7	28,203,459.3	38,532,806.2	49,142,421.6	58,778,404.7	61,717,324.9	64,803,191.1	68,043,350.7	71,445,518.2	72874428.6
Adjusted EBITA	1,747,440.0	6,721,476.4	8,623,557.5	12,417,216.4	16,825,330.8	20,522,016.2	21,548,117.0	22,625,522.9	23,756,799.0	24,944,639.0	25443531.8
- Taxes on EBIT (used 30% tax rate)	(735,672.2)	(2,352,516.7)	(3,018,245.1)	(3,725,164.9)	(5,047,599.3)	(6,156,604.9)	(6,464,435.1)	(6,787,656.9)	(7,127,039.7)	(7,483,391.7)	(7,633,059.5)
- Changes in deferred tax	-	300,000.00	60,000.00	72,000.00	86,400.00	103,680.00	110,000.00	110,000.00	110,000.00	110,000.00	112,200.00
= NOPAT	1,011,767.8	4,668,959.6	5,665,312.4	8,764,051.5	11,864,131.6	14,469,091.4	15,193,681.9	15,947,866.0	16,739,759.3	17,571,247.3	17,922,672.2
+ Depreciation	-	-	-	-	-	-	80,000.0	80,000.0	80,000.0	80,000.0	80,000.0
= Operating CF	1,011,767.8	4,668,959.6	5,665,312.4	8,764,051.5	11,864,131.6	14,469,091.4	15,273,681.9	16,027,866.0	16,819,759.3	17,651,247.3	18,002,672.2
- Incr (Decr) in working capital	-	6,788,026.5	938,050.9	1,535,406.8	1,230,854.3	1,255,471.36	1,318,244.93	1,384,157.18	1,453,365.04	1,526,033.29	1,556,553.95
- CapEx	-	200,000.0	400,000.0	800,000.0	1,200,000.0	1,500,000.0	1,575,000.0	1,653,750.0	1,736,437.5	1,823,259.4	1,859,724.6
- Other changes in cash	-	5,425,000.0	187,500.0	2,062,500.0	246,985.0	317,097.0	300,000.0	300,000.0	300,000.0	300,000.0	300,000.0
- Investments	0.0	200000.0	400000.0	800000.0	1200000.0	1500000.0	1575000.0	1653750.0	1736437.5	1823259.4	1859724.6
= Free cash flow	1,011,767.8	(7,944,066.9)	3,739,761.5	3,566,144.7	7,986,292.3	9,896,523.0	10,505,437.0	11,036,208.9	11,593,519.3	12,178,695.3	12,426,669.2
Cost of capital	9.00%										
Year factor	1.000	0.917	0.842	0.772	0.708	0.650	0.596	0.547	0.502	0.460	0.422
Discounted value of cash flow	1,011,767.76	(7,288,134.77)	3,147,682.41	2,753,718.01	5,657,690.82	6,432,060.91	6,264,048.84	6,037,184.17	5,818,396.40	5,607,409.61	5,249,159.35
Cumulated value of cash flows	45,604,746.02										
Terminal value	70,196,607.37										
Operating value	115,801,353.39										
Debt LT	7,800,000.00										
Equity value	108,001,353.39										
Number of shares	6,600,000.0000										
Fair Value	16.36										

Source: Commerzbank Corporates & Markets

PEG Valuation

We arrive at a fair value of €15/share using our 'PEG' model. This approach assumes that FFM's fair value should merit a PEG ratio of 1.0, i.e. a P/E ratio, which would be similar to the earnings growth in any given year. On this basis, we discount the calculated prices with the same discount factor as applied in our DCF model.

The model suggests a fair value for FFM of around €15/share by 2007, in line with our DCF valuation.

TABLE 2: PEG

	2003	2004	2005	2006E	2007E	2008E	2009E	2010E
EPS growth				3.06	1.32	1.54	1.39	1.23
EPS			0.20	0.60	0.80	1.23	1.71	2.11
Fair price at PEG=1	0.00	0.00	0.00	18.49	10.54	19.02	23.77	26.09
Year factor	9.00%		1.000	0.917	0.842	0.772	0.708	0.650
Discounted price			0.00	16.96	8.87	14.69	16.84	16.96
Average price			8.48	12.92	11.78	15.76	16.90	
Current P/E at average prices				21.39	14.76	12.80	9.87	
Average discounted price						14.86		

Source: Commerzbank Corporates & Markets, JCF, Bloomberg, Franconofurt

Peer group valuation

We also look at FFM in relation to its peer group. The peer group consists of similarly operating real estate companies with a strong local affinity (Hamburg Immobilien Invest, Patrizia, Deutsche Wohnen), companies with a similar opportunistic trading philosophy (Vivacon, Colonia Real Estate), classical financial broker companies (MLP, AWD).

We use consensus estimates for all peer group companies with the exception of Vivacon and Colonia Real Estate, where we use our own cash EPS estimates.

TABLE 3: Peer group

Company	Last price	Year end 05 or IPO	Performance year-to-date	P/E 05	P/E 06E	P/E 07E	P/E 08E
Patrizia Immobilien	21.49	18.50	16%	52.30	26.69	15.69	13.47
Hanseatische Immobilien	9.90	17.00	-42%	33.00	26.05	10.10	8.84
Colonia Real Estate	33.70	15.25	121%	76.59	24.24	11.31	8.62
Vivacon	19.67	28.59	-31%	13.98	11.53	9.02	8.51
Deutsche Wohnen	259.95	195.3	33%	65.46	47.46	39.96	30.37
MLP	14.03	17.52	-20%	37.71	24.19	19.01	15.29
AWD	26.46	23.45	13%	34.82	19.88	15.86	13.05
Average				44.84	25.72	17.28	14.02
Franconofurt	11.55	6.222	86%	108.11	19.12	14.47	9.38
Franconofurt (at target price)	16.00				26.49	20.05	12.99
German CDAX performance	518.02	479.59	8%	24.47	20.46	18.15	16.39
SDAX performance index	4,689.54	4,248.9	10%	22.72	16.63	13.89	12.05

Source: Commerzbank Corporates & Markets, JCF, Bloomberg

At current prices, Franconofurt trades 25.6% below the peer group average on 2006E earnings and 16.25% below the 2007E P/E average. We recommend buying the stock at current levels. At our estimated fair value price of €16/share, the stock would trade in line with the peer group average on 2006E earnings and at a 16% premium on 2007E earnings, falling again to a discount of 7.4% by 2008E. We assume that the strong market position of the company and the –not accounted for – earnings potential from FRM would justify the estimated target price.

Share price drivers

Business model

ROCE driver: Revenue

- Sales continue to benefit from good housing demand in Frankfurt
- Highly scalable business model
- FRM and potential further vehicles boost throughput and annual revenues
- Individual business remains in place, with potential legislative changes on the back burner
- FFM is becoming the first call buyer for the local agent and realtor network

ROCE driver: Margins

- Rental and administrative fee income boost operating margins in the coming years, doubling between 2006E and 2009E
- Risk of declining sales margins considerably reduced by becoming the key player in the local market
- Faster throughput reduces working capital requirements going forward

ROCE driver: Capital intensity

- Reduction in capital employed on the back of faster throughput increases ROCE from 12% to 24% by 2010E
- ROIC to rise from 8% in 2006E to 17% in 2010E, helped by over proportional rise of EBIT versus employed capital
- Strong de-gearing might result in high dividend or share-buy back programmes

Cash flow

- Positive cash flow throughout the coming years, despite strong revenue growth
- Franconofurt essentially uses its funds to invest at above debt market rates on a consistent basis
- EBITDA is expected to treble in the next five years

Strengths

- Management team strengthened in the past five months to reflect new business opportunities
- Strong local knowledge via individual conversion business helps institutional business
- Management proved to be able to transact mainly off-market, small-sized and hand-picked deals, allowing for better purchase multiples

Weaknesses

- Focus on Frankfurt residential property exclusively
- Strong reliance on off-market transactions to protect exit margins and
- Limited scope to expand business into non-residential and office market
- Risk of new competitors emerging, if large scale transactions become less profitable

Opportunities

- Becoming asset manager for third parties other than FRM
- Becoming a dominant real estate incubator in Germany
- Expanding business idea beyond FRM and own account trading
- 'Synthetic' REIT structure

Threats

- New entrants (UK AIM-listed funds) and new German competitors all aim at non-auction sized residential portfolios and becoming attracted by small-size ticket business
- Higher interest rates might impair margins. In addition, a strong rise in interest rates might result in IFRS 40 impairments
- Highly dependent on current management expertise
- Changes in real estate taxation

Franconofurt (FFM): Core business model

Franconofurt’s ongoing core business model is very clear:

- FFM acquires attractive houses in top locations in Frankfurt , preferably at prices around €1,000-€1,750/sqm before renovation costs
- It then splits them into single apartments, carries out basic renovation – such as new stairways, windows or electric wiring – and sells the single apartments within the houses for about €2,000-€3,000/sqm. FFM is not under pressure to sell the assets quickly, as it acquires rented houses, which provide a return above the cost of financing
- Evidently, FFM enjoys margins the tune of 35% on average

Typical buyers of these apartments would then undertake a thorough renovation of the apartment itself at their own cost, either to become self-occupiers or to let out at more favourable conditions after the renovation.

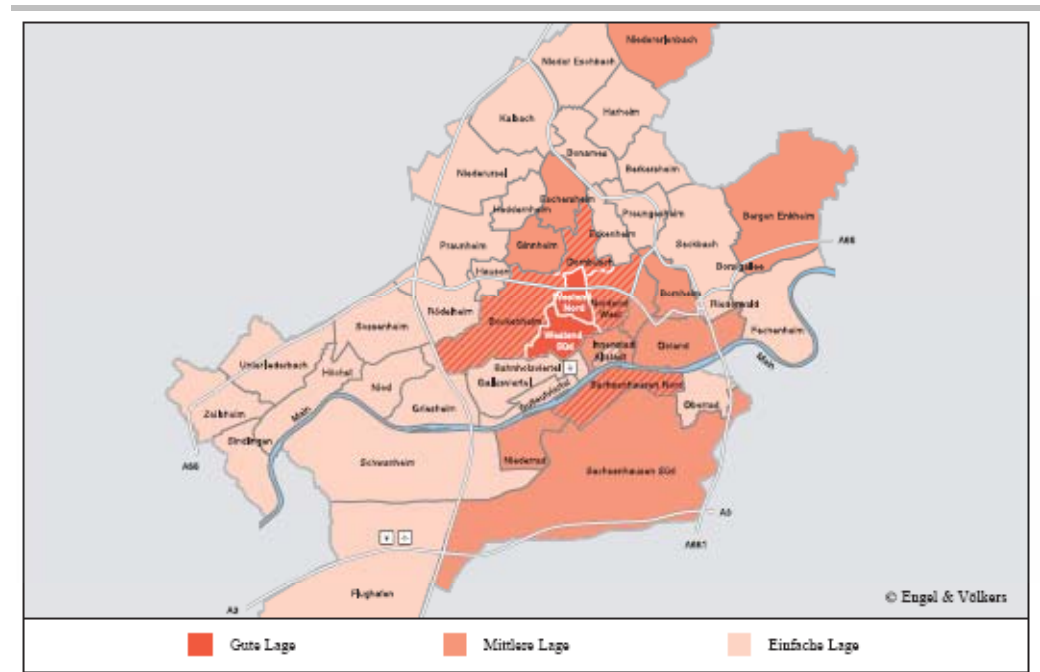
Competitive advantages on the sourcing side

FFM’s typical sellers of individual houses in the designated prime areas are smaller landlords, heirs and individual owners who wish to dispose of their assets. The reasons for selling houses are therefore manifold; hence FFM is not dependent on a single market development to source its assets.

FFM has established a close network of attorneys, lawyers, bank representatives, realtors and real estate agents, who supply FFM with a steady flow of offers. In addition, FFM’s top management itself is very knowledgeable within the designated areas of activities.

COO Wolf claims to know all houses, their owners and the specific situation of the owners in the areas he covers. This, together with the network of suppliers, guarantees a steady flow of opportunities to invest for FFM.

CHART 1: **Various price ranges in Frankfurt**



Source: Commerzbank Corporates & Markets, Engel&Voelkes 2005

The chart above shows the key areas of FFM’s activities. It is obvious that the area is rather small in size, but clearly the most attractive in terms of per sqm price level and price stability.

The areas around the Westend in Frankfurt are the most attractive areas in terms of prices for single apartments. The areas are close to the city centre, although mostly in quiet areas with long standing interconnection between small shops, offices, attorney and lawyer offices, restaurants and – last but not least – attractive apartments, usually in older houses.

This implies that the houses in the area are mostly fully rented, and vacancies are usually quickly filled, allowing for steady and steadily rising rental income to the home owners.

Against this background it appears logical that the houses in this area are kept by owners for decades and are kept as rental income houses as a single unit. Given the demand for rental space in the area, renovations have been kept to low levels, as demand allowed the space to be filled with tenants in almost any case.

It is therefore of paramount importance to get knowledge of potential sellers at a very early stage and to act fast. FFM has built up a reputation as one of the fastest decision makers in Frankfurt. This is based on several factors:

- **Capital.** FFM has sufficient capital to acquire houses without prior negotiation with financing banks. This allows FFM to have a significant advantage over the competition. The average prices paid for houses in the area are around €1m-€3m.
- **Knowledge.** FFM has in-depth market knowledge of houses in the relevant area. This allows FFM to make sound decisions and to avoid investment mistakes. Houses bought by FFM therefore immediately attract buyers' interest.
- **Settlement .** FFM settles its transactions promptly. This means that house sellers receive the value of their asset quickly and securely. Particularly with heirs and lawyers, this is an important argument. Also agents tend to offer attractive assets to FFM, as the swift settlement also allows them to receive their fees without delay.
- **Continuity.** FFM is a consistent buyer of houses. Therefore a positive experience with FFM can result in further business opportunities being presented to FFM through its network. Agents therefore tend to offer an asset to FFM first, instead of trying to achieve potentially higher prices after possibly a lengthy and costly period of advertising.

All of the above create a high level of competitive advantage on the sourcing side compared with the competition, which mainly consist of individual buyers or small landlords. Larger companies are not interested in single-house acquisitions, as the administrative work costs are too high to justify single-house acquisitions. This simply means that FFM is more-or-less the only consistent buyer of houses in the Frankfurt area, and hence the first call for professional sellers. FFM does not acquire portfolios and hence does not participate in lengthy and costly auction processes.

This explains why FFM is able to transact a large number of houses with only a very limited number of people. Essentially, the acquisition department of FFM consists out of COO Wolf and four full-time employees, which speed up the handling process.

TABLE 4: **Acquisitions**

€	2006E	2007E	2008E	2009E	2010E	2011E
Houses acquired	20	22	30	33	30	33
Units/house	8	8	8	8	8	8
Units	160	176	240	264	240	264
Sqm/unit	87	87	87	87	87	87
Price/unit	132,063	134,705	137,399	140,147	142,950	145,809
Acquisition costs/house	1,056,507	1,077,637	1,099,189	1,121,173	1,143,597	1,166,469
Sqm	697	697	697	697	697	697
€/sqm	1,516	1,546	1,577	1,609	1,641	1,674

Source: Commerzbank Corporates & Markets

We assume average acquisition costs per house, which usually includes eight units/apartments, of €1.06m in 2006, rising by an average of 2% annually. At the time of the acquisition, FFM legally splits the houses into single units. These might, in certain cases, then allow the additional building of apartments (usually two) under the roof, which enhances the return of the houses even further.

FFM uses mainly debt for the acquisition of buildings. We estimate that FFM's gearing is about 70% during the acquisition process. However, costs for the acquisition usually include the expected costs for renovation of the so-called 'Gemeineigentum', which consists of the stairway and the façade, amongst other, smaller items.

Attractive offerings for potential buyers

Following the acquisition, FFM immediately starts to separate the houses into single apartments and the selling process begins. FFM might undertake basic renovation, which would significantly enhance the selling value of the apartments.

Usually, FFM does not renovate the apartments themselves, but anything outside the existing apartments. This mainly includes stairways and the façade, in certain cases electric wiring.

Given the fact that the apartments are mostly let to rent paying tenants, FFM is under no pressure to sell the apartments immediately to get back the liquidity invested, which is, however, only 70% of the acquisition costs.

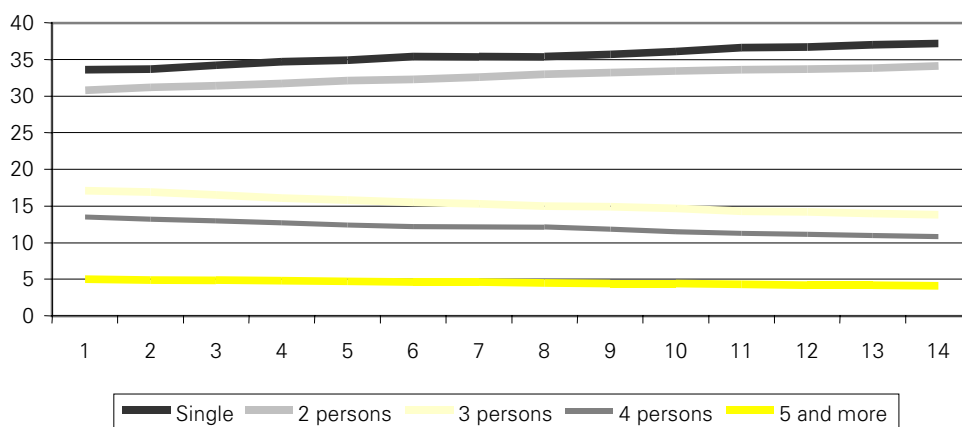
FFM aims to sell the apartments to either self-occupiers or capital investors. Both groups of potential buyers are likely to exceed the income bracket for the so-called housing allowance, which has been abolished by the government. So far, FFM has not been adversely affected by the move as its target customers belong to more affluent segments of German society.

This part currently follows two investment ideas;

- Return to the city
- Invest in real estate

As the larger cities in Germany – Berlin, Hamburg, Duesseldorf, Cologne, Frankfurt, Stuttgart and Munich – are in the process of becoming more important centres within their respective regions, their cultural offerings improve. This starts to attract those households, which initially wanted to move outside the larger cities in the last 20 years. The trend back into the city boundaries is also a function of the demographic development: the number of inhabitants per apartments shrinks, while the number of households rises, at the same time, the average size of apartments rises, increasing the average sqm/inhabitant. This is explained by the fact that older couples and singles value the cultural offerings to be had in the cities more highly than when they were raising children. On the other hand, younger couples and singles favour the cities for the similar reasons.

CHART 2: **Single and two-person households rise**



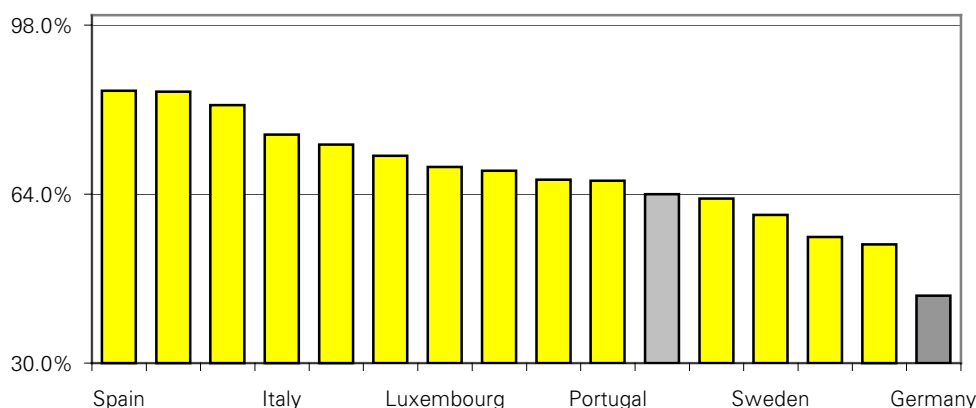
Source: Commerzbank Corporates & Markets, Bulwien Gesa, Destatis

This results in a higher demand for quality apartments within city boundaries. However, building activities and building permits have not risen in the past years. This means that the affluent demand hits a stagnant offering.

The demand, however, would not increase the low home ownership level in Germany dramatically. The investors described above have mostly been home owners before, when owning their houses out of town. These might be rented out to new families, when they move back into the city. The situation, however, improves if the household seeking a new apartment within the city sells its previous home to a new home owner. In any case, the issue of home ownership is clearly one driving force behind the increasing demand in the city centres.

Here, the home ownership level is potentially less than half of the German average of 43%, which is the lowest in Europe.

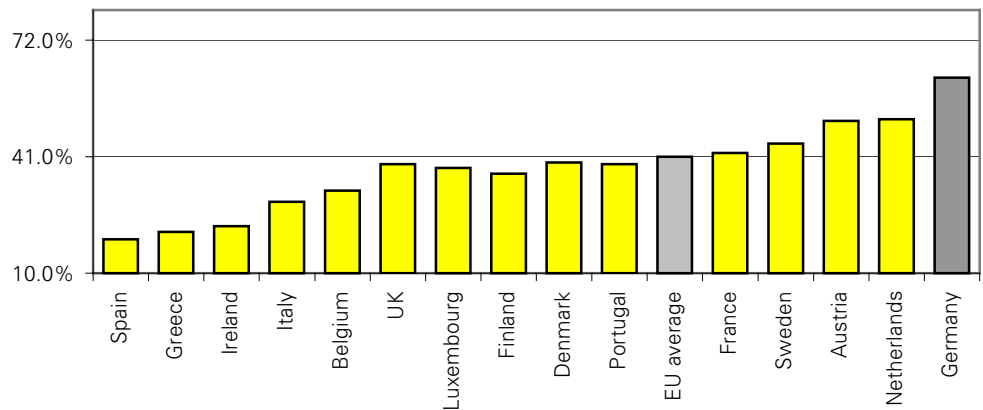
CHART 3: **Home ownership in Europe**



Source: Commerzbank Corporates & Markets, IFO Institute 2004

Therefore, the more important question is how the tenant structure might change. A move back into cities should support the home ownership ratio in Germany. More than 50% of Germans live in the seven metropolitan areas described above. And here, tenant ratios are much higher, as city houses are being held by small landlords – the source of acquisitions for FFM.

CHART 4: **Tenant households as % of total number of households**



Source: Commerzbank Corporates & Markets, IFO Institute 2004

FFM is in a key position to benefit from these trends:

In Frankfurt, the home ownership ratio is just 16%, well below the German average and also one of the lowest levels in Germany (Berlin is at 12%, the ‘tenant capital’ of Germany). The move into the cities by affluent investors and households who aim to live in the city is creating demand precisely in the areas covered by FFM. Lower income groups continue to rent apartments in the outskirts of the city.

The situation allows FFM to achieve strong margins in its ‘parcelling’ business, which divides houses into single apartments. FFM’s ability to sell these apartments selectively allows the firm to sell high margin, vacant apartments immediately to self-occupiers, but maintain and develop rented apartments until its desired prices can be achieved.

The strong demand has allowed FFM to swap about 20% of an acquired house annually, at margins of around 35% on average. As FFM continues to acquire houses at the same pace as before, its rental income stream is increasing during the next years, providing the company with a steady and reliable income stream.

We assume that rental income would cover up to 80% of the group’s interest expense on average over the next five years. In addition FFM achieves a steady flow of fee income (see below in the section FranconoRheinMain-FRM). Both income streams together already cover 75% of FFM’s operational and interest costs.

TABLE 5: **Rental and Fee income levels**

€	2005	2006E	2007E	2008E	2009E	2010E
Fee income	-	1,182,720.0	2,405,687.2	2,961,268.9	4,066,744.8	4,437,795.8
Rental income		1,126,996.8	1,280,678.2	1,690,495.2	2,041,913.3	2,221,208.2
Total		2,309,716.8	3,686,365.4	4,651,764.1	6,108,658.0	6,659,004.0
Operating costs		3,574,548.4	3,775,141.8	4,673,790.5	5,580,240.3	6,465,118.8
Interest costs	308,587.0	1,288,000.0	1,659,000.0	2,030,000.0	2,251,900.0	2,333,100.0
Total		4,862,548.4	5,434,141.8	6,703,790.5	7,832,140.3	8,798,218.8
Coverage ratio		48%	68%	69%	78%	76%

Source: Commerzbank Corporates & Markets, Franconofurt AG

In other words, before any revenues and income from its high margin apartment selling activities, FFM’s costs are almost covered.

This comfortable position is clearly an advantage for FFM as it allows the company the financial flexibility to be selective in making attractive apartment sales and achieve top yields.

TABLE 6: Margin development

€	2006E	2007E	2008E	2009E	2010E	2011E
Houses acquired	20	22	30	33	30	33
Units/house	8	8	8	8	8	8
Units	160	176	240	264	240	264
Sqm/unit	87	87	87	87	87	87
Price/unit	132,063	134,705	137,399	140,147	142,950	145,809
Acquisition costs/house	1,056,507	1,077,637	1,099,189	1,121,173	1,143,597	1,166,469
Sqm	697	697	697	697	697	697
€/sqm	1,516	1,546	1,577	1,609	1,641	1,674
Renovation/sqm	125	129	133	137	141	145
Total costs/sqm	1,641	1,675	1,710	1,745	1,782	1,819
Selling price/sqm	2,225	2,269	2,315	2,361	2,408	2,457
Margin	35.6%	35.5%	35.4%	35.3%	35.2%	35.1%

Source: Commerzbank Corporates & Markets, Franconofurt AG

The table above complements the previous 'acquisition table' showing the disposal side. FFM expects to dispose of around 20% of its average portfolio on an annual basis. We assume that the selling efforts are more successful in the beginning of the process and tailing off towards the end. The reason for this assumption is that we assume that FFM would find more buyers, if it can offer the entire range of apartments within a building. The selling success is likely to be more difficult, if only one of the apartments is left within a building. However, as FFM would also continue to acquire houses during the disposal process, its asset holdings would increase during the next years. We assume the following development for house disposals (assuming eight units per house) until 2012.

TABLE 7: Asset disposal plan

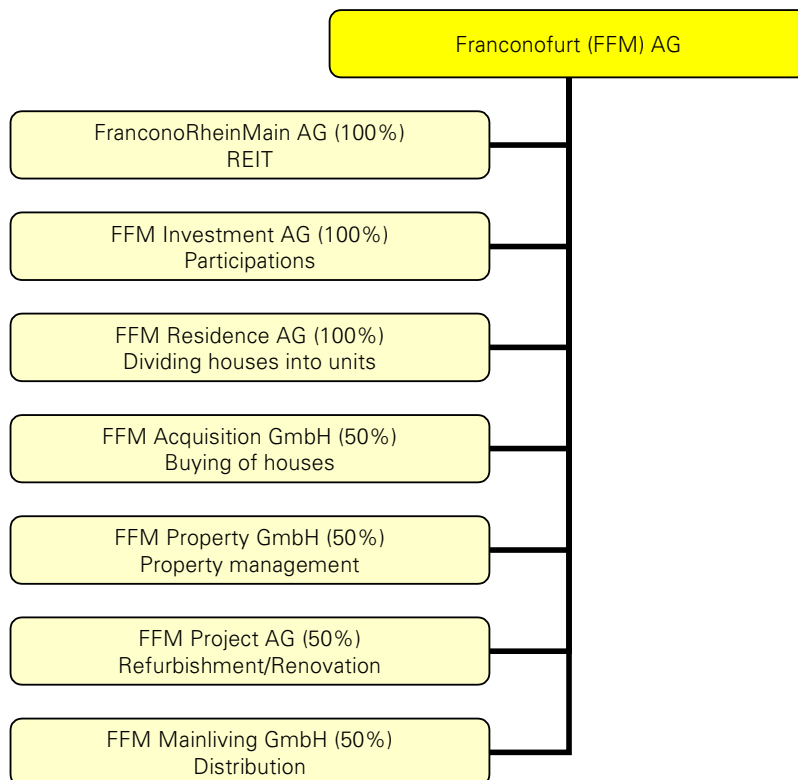
	New units	Existing units	Year 1	Year 2	Year 3	Year 4	Year 5	
Rate of disposals			25%	25%	20%	15%	15%	100%
2006E	20	40	10	10	8	6	6	
2007E	22	52		6	6	4	3	3
2008E	30	67			8	8	6	5
2009E	33	79				8	8	7
2010E	30	82					8	8
2011E	33	84						8
			10	16	21	26	31	30

Source: Commerzbank Corporates & Markets

Franconofurt (FFM) : Corporate structure

FFM has built up a corporate structure, which allows the company to operate like a fully integrated real estate firm. In addition to the trading activities (described in the previous section), which represents the bulk of its 'core' business, it now offers all services and activities around the real estate business. These are in detail.

CHART 5: **Corporate structure**



Source: Commerzbank Corporates & Markets, Franconofurt AG

As seen by the organisation chart above, FFM has basically all relevant services in-house to offer to both sellers and buyers. In addition the 50/50 ownership structure guarantees that the interest of each partner in the service unit is aligned with the interest of FFM.

Houses are being bought by the FFM Akquisition GmbH, which is owned equally by FFM and the responsible partner for FFM Acquisition Mr. Schmidt. The houses acquired are then sold to FFM Residence AG, which is fully owned by FFM. This company undertakes the division of single houses into apartments, which covers the legal side. At the same time, the FFM Property Management GmbH takes over the facility management from the previous management company.

The selling of the individual apartments is carried out by the FFM Mainliving GmbH. Any kind of renovation is done by FFM Project AG. This company operates as a general contractor for FFM. It basically manages those renovations.

In addition, the company offers construction and renovation services to investors in apartments, after these have been sold. FFM does not execute renovation of single apartments. This refurbishment is usually carried out by firms engaged by the buyer of an apartment. The construction business is a very profitable, albeit small business within FFM's set of companies. We assume that the business operates with margins close to 40%. Other revenue providing activities are those which carry out acquisition and management services to third parties. A main business currently carried out is purchasing houses for FranconoRheinMain AG.

FranconoRheinMain AG (FRM)

Note: FranconoRheinMain AG is going to become an independently listed company, in which Franconofurt intends to hold a 50% stake, as announced in the ad-hoc statements as of 7 May, 2006. The following section is important to understand the earnings dynamics for Franconofurt itself, based on the assumptions for the FRM AG business model.

Franconofurt has announced on 7 May, 2006 that it is creating a new investment vehicle. The company should be launched initially on the German Entry Standard market segment in Q3 2006. FRM is expected to issue 7m new shares (25% of the announced nominal capital of 28m shares) FRM's business model is to acquire 'profitable' residential buildings in Frankfurt and surrounding centres, which would be managed by FRM itself. Franconofurt would act as a broker for FRM on request and offer facility management at favourable terms to FRM.

FRM

FRM intends to invest up to €105m in houses in the Rhein-Main area, as announced at the date of FFM's AGM on 3 July. FRM has very strict investment criteria, of which the most important is the yield bracket. FRM would only invest in houses with a rental yield of 8% or more. The other differentiating aspects of FRM are:

- Deciding on the exit strategy at the time of the purchase, i.e. tenant privatisation, disposing to small investors or portfolio optimisation with an exit of small, well structured and high yielding portfolios to institutional investors
- Using an 80/20 debt/equity ratio on average
- Aiming to dispose of up to 20% of assets held at the beginning of each year, and up to 10% of assets acquired during a year
- Clear focus on the Rhein-Main region, where its market knowledge is very deep, investing no more than 15% of the portfolio volume in one city to enhance diversification and reduce cluster risk
- Creating portfolios instead of acquiring portfolios

The Rhein-Main area basically consists of the core cities of Frankfurt and Offenbach in the east, Darmstadt in the south and Wiesbaden and Mainz in the west. The area has about 5.2m inhabitants, and represents the second largest conurbation in Germany after the Rhein Ruhr region which has more than 15m inhabitants.

The area is growing in terms of number of households, helped by higher than average income levels and lower than average unemployment rates. The latter is clearly a function of a higher than average level of employees in the service sector.

In this region, FRM would hand-pick single houses and very small portfolios to create its own portfolio of assets with initial rental yield of 8%. Here, we see the main difference between other asset gatherers and FRM: other groups acquire pre-structured portfolios, which they need to re-structure to fit to their overall needs.

FRM, instead, starts one step earlier, creating a suitable portfolio out of single houses itself. As a result, the portfolio acquired suits the exit need of FRM from the start, which reduces asset management requirements and allows FRM to concentrate on value enhancing tenant structuring and exit strategies.

FRM uses the services offered by FFM on an arms' length agreement. There are no legal restrictions for FRM, i.e. it could and would use third party offerings, if these were more suitable to fulfil its goals.

Currently, FRM is in the process of building up a portfolio worth €105m by the end of the year, as FFM reported at the presentation of its Q1 2006 results on 30 May, 2006. FFM is FRM's key acquirer, as it is able to pre-select its offerings fast.

Through the investment appetite of FRM, FFM's attraction for realtors and real estate agents increased further, allowing the company to have a greater pool of offerings to select its investments from. There is no direct conflict of interests between FFM and FRM, as FFM typically acquires houses with rental yields of less than 5%, while FRM requires a yield of at least 8%.

FFM currently owns 100% of FRM, but has announced to IPO parts of FRM in Q3 2006. FRM would increase its capital by 7m shares to 28m shares, while FFM aims to reduce its holdings to 50%, i.e. allowing for a free float of 50%.

We have not included any benefits from the placements or from the holding of FRM shares in our current earnings model. Instead, we have included the fees received from the acquisition services for FRM into our model. We believe that FRM would be able to contribute substantially to FFM valuation in the future.

FFM would be able to use the successful creation of FRM to position itself as an 'incubator' for REIT-like structures, also in other regions of Germany. In depth local market knowledge and the strategy of acquiring single, high yielding houses to build up a portfolio rather than acquiring portfolios is a unique offering.

FFM is expected to 'export' this REIT-like structure to other German regions, working together with 'local heroes' in these regions. In other words: FFM would become the prime source of quasi-REITs in the coming years for those real estate assets gatherers, which aim to avoid the restrictions of REITs, as they have been indicated by the German government.

So far, we have not included these prospects into our FFM model.

Financials

P&L

As mentioned before, we have not included effects from the consolidation of FRM into FFM's accounts. While these effects could be significant, given FRM's already invested asset base of €23m and the envisaged short term pipeline of €40m, we regard our current P&L as conservative and our base case scenario.

We have included only the ongoing business of FFM, i.e. its apartment sale business and fees resulting from activities to third parties. As FRM is classified as such a third party, fee income has been recognised in our accounts.

Overall, we expect FFM to achieve a turnover with its core business of €23.2m in 2006, resulting from sales of 120 apartments in the city of Frankfurt. As shown above, we estimate an average margin of around 35%, which the company has historically achieved. First indications from sales at FRM indicate that the margins might even rise. This has also been indicated by recent surveys, which suggest that prices in city areas for apartments increase faster than the average price development for homes for the first time in years. We have analysed this situation, which is a function of demographics and income trends, earlier in this report. Hence, we feel comfortable with an assumed 35% margin going forward. For 2007, we expect a slight rise in sales for FFM, as we assume that resources would be bound to build up the business volume of FRM. As this should have seen the peak by the end of 2007, we assume that trading volumes are set to rise again by 2008 and thereafter.

On the cost side, the main increase in 2006 results from a trebling in personnel expenses. The key reason are the employment of additional people on the acquisition and distribution side, in order to furnish the higher volumes expected to be put through by FRM and its own core business.

FFM suggests that the current level of staff of 32 is sufficient to handle the expected volume in the coming years.

On this basis, we expect the group's EPS to more than double in the next two years and to more than treble until 2010E. Again, these estimates did not include the consolidation of FRM at this stage.

It should be noted that we have not included any IFRS 40 valuation adjustments into our calculation. The company, however, is likely to amass a number of apartments during the next years as a result of its increased buying activities, while keeping its selling pace almost unchanged, at least for the next three years, we believe. Consequently, rental income would rise. Assuming an average increase in rental income by 2% annually, the value of the assets held for sale would need to be adjusted accordingly. This might have a significant positive impact on FFM's reported EPS.

We assume the number of apartments held by FFM to develop as follows over the next years:

TABLE 8: Apartments held and rental income

Rental income	2006E	2007E	2008E	2009E	2010E	2011E	2012E	
Average units	28	31	41	50	54	55	51	
Average number of apartments	220	250	330	399	434	438	407	
Average occupancy rate 70%	154	175	231	279	304	306	285	
SQM	13,417	15,246	20,125	24,308	26,443	26,699	24,809	
Average rent SQM 7.00 €/Month	93,916	106,723	140,875	170,159	185,101	186,894	173,660	
Average holding period, €	12 months	1,126,997	1,280,678	1,690,495	2,041,913	2,221,208	2,242,724	2,083,920

Source: Commerzbank Corporates & Markets

TABLE 9: P&L

€			2005	2006E	2007E	2008E	2009E	2010E
Fee income	80% of FRM t/o	5.8%	-	657,720	1,705,687	2,511,269	3,691,745	4,362,796
Fee income	1% of FRM invest	50.0%		525,000	700,000	450,000	375,000	75,000
Rental income				1,126,997	1,280,678	1,690,495	2,041,913	2,221,208
Asset sales & share deals			6,904,082.0	23,261,000	24,517,094	33,881,042	43,033,764	52,119,401
Change in assets			-	0	0	0	0	0
Other group sales			473,793.0	0	0	0	0	0
Group performance			7,377,875.0	25,570,716.7	28,203,459.3	38,532,806.2	49,142,421.6	58,778,404.7
Costs of goods sold			3,695,101	14,262,838.5	14,738,266.5	19,967,973.9	24,864,881.8	29,524,075.7
Personnel costs	15 FTE (€100K)	2.5%	476,711	1,500,000.0	1,537,500.0	1,575,937.5	1,615,335.9	1,655,719.3
Distribution Costs	75.0% of sales	5.8%	-	1,011,853.5	1,066,493.6	1,473,825.3	1,871,968.7	2,267,193.9
Administrative costs	3.0% of sales		-	767,121.5	846,103.8	1,155,984.2	1,474,272.6	1,763,352.1
Others and other taxes			-	-	-	-	-	-
Other/Renovation			1,458,623	1,307,426.9	1,391,538.0	1,941,868.8	2,490,631.7	3,046,047.3
Operating costs			5,630,435.0	18,849,240.4	19,579,901.8	26,115,589.7	32,317,090.8	38,256,388.4
Margin			76.3%	73.7%	69.4%	67.8%	65.8%	65.1%
EBITDA			1,747,440.0	6,721,476.4	8,623,557.5	12,417,216.4	16,825,330.8	20,522,016.2
Margin			23.7%	26.3%	30.6%	32.2%	34.2%	34.9%
Depreciation on capex	not on assets	0.0%	-	-	-	-	-	-
As % of Sales			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Goodwill amortisation			-	-	-	-	-	-
As % of Sales			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of other intangibles			-	-	-	-	-	-
As % of sales			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT			1,747,440.0	6,721,476.4	8,623,557.5	12,417,216.4	16,825,330.8	20,522,016.2
EBIT margin			23.7%	26.3%	30.6%	32.2%	34.2%	34.9%
Non-recurring items			(687,593.0)	-	-	-	-	-
EBIT after non-recurring items			1,059,847.0	6,721,476.4	8,623,557.5	12,417,216.4	16,825,330.8	20,522,016.2
Margin			14.4%	26.3%	30.6%	32.2%	34.2%	34.9%
Share of net profits from associates			-	100,000.0	200,000.0	200,000.0	200,000.0	200,000.0
Interest expense			308,587.0	1,288,000.0	1,659,000.0	2,030,000.0	2,251,900.0	2,333,100.0
Other financial income/(expense)			-	-	-	-	-	-
Investment & interest income			60,587.0	281,250.0	290,625.0	393,750.0	490,312.5	582,187.5
Net interest expense			(248,000.0)	(906,750.0)	(1,168,375.0)	(1,436,250.0)	(1,561,587.5)	(1,550,912.5)
IFRS 40 adjustment (assets)			-	-	-	-	-	-
IFRS 39 adjustment (participations)			-	-	-	-	-	-
Pre tax income			811,847.0	5,814,726.4	7,455,182.5	10,980,966.4	15,263,743.3	18,971,103.7
Taxes			(341,787.6)	(2,035,154.2)	(2,609,313.9)	(3,294,289.9)	(4,579,123.0)	(5,691,331.1)
Tax rate			42.1%	35.0%	35.0%	30.0%	30.0%	30.0%
Net income			470,059.4	3,779,572.1	4,845,868.6	7,686,676.5	10,684,620.3	13,279,772.6
Minority interest	50.0%		-	206,976.0	420,995.3	444,190.3	610,011.7	665,669.4
As % of continuing net income			0.0%	(5.5)%	(8.7)%	(5.8)%	(5.7)%	(5.0)%
booked as capital			-	-	-	-	-	-
Net income to common shareholders			470,059.4	3,986,548.1	5,266,863.9	8,130,866.8	11,294,632.1	13,945,442.0
Margin			6.37%	15.59%	18.67%	21.10%	22.98%	23.73%
Weighted average shares outstanding (m)			4,400,000	6,600,000	6,600,000	6,600,000	6,600,000	6,600,000
EPS (before minorities and IFRS)			0.20	0.57	0.73	1.16	1.62	2.01
EPS (reported, incl. IFRS adjustments)			0.11	0.60	0.80	1.23	1.71	2.11

Source: Commerzbank Corporates & Markets

Balance sheet

We assume that FFM's business continues as it has started in 2006. Asset volumes held are set to improve according to the asset acquisitions and as the consequent build up of a tradable portfolio of apartments.

Again, we have not included any IFRS 40 adjustments into our balance sheet estimates. These would, if they did occur, have basically three major effects:

- The asset base would rise
- As a consequence, deferred tax liabilities would rise as a function of the valuation uplift, but as no realisation happened, deferred tax liabilities would need to be built up to reflect the net asset increase on the balance sheet
- Equity would rise as a function of the difference between IFRS 40 adjustments and deferred tax liabilities. IFRS 40 adjustments would need to be passed through the P&L and therefore would be reflected as retained earnings on the balance sheet.

Even without any IFRS 40 adjustments, we assume that the NAV of FFM would rise towards €6.46 in 2006E and to €8.95 by 2010E, representing about 80% of the current share price.

TABLE 10: **Balance sheet**

€	2005	2006E	2007E	2008E	2009E	2010E
Assets						
Balance sheet total (assets)	11,300,000.0	70,541,426.9	81,180,941.0	95,310,368.8	103,432,311.7	106,808,538.0
Intangible assets	300,000.00	600,000.0	720,000.0	864,000.0	1,036,800.0	1,244,160.0
Property	0.00	46,000,000.0	59,250,000.0	72,500,000.0	80,425,000.0	83,325,000.0
Investments in associated comp.	200,000	-	-	-	-	-
Capital assets	500,000.0	46,600,000.0	59,970,000.0	73,364,000.0	81,461,800.0	84,569,160.0
<i>Percent of total B/S</i>	4.4%	66.1%	73.9%	77.0%	78.8%	79.2%
Receivables (long term)	0.000	-	-	-	-	-
Property held for sale	7,900,000.00	17,000,000.0	14,000,000.0	12,100,000.0	11,353,965.0	10,750,220.7
IFRS 40 adjustments	0.000	-	-	-	-	-
<i>Percent of total B/S</i>	69.9%	24.1%	17.2%	12.7%	11.0%	10.1%
Work-in-process	2,700,000.0	1,307,426.9	1,391,538.0	1,941,868.8	2,490,631.7	3,046,047.3
Receivables (current, for rents, leases)	-	-	-	-	-	-
Receivables (current, from sales, comms)	-	-	-	-	-	-
Total receivables	2,700,000.0	1,307,426.9	1,391,538.0	1,941,868.8	2,490,631.7	3,046,047.3
<i>Total receivables percent of sales</i>	36.6%	5.1%	4.9%	5.0%	5.1%	5.2%
Other assets	-	9,000.0	6,903.0	29,500.0	3,930.0	4,028.0
Current assets (excl. cash)	10,600,000.0	18,316,426.9	15,398,441.0	14,071,368.8	13,848,526.7	13,800,296.0
Cash and equivalents	200,000.0	5,625,000.0	5,812,500.0	7,875,000.0	8,121,985.0	8,439,082.0
Total current assets	10,800,000.0	23,941,426.9	21,210,941.0	21,946,368.8	21,970,511.7	22,239,378.0
Liabilities						
Balance sheet total (debt&equity)	11,300,000.0	70,541,426.9	81,180,941.0	95,310,368.8	103,432,311.7	106,808,538.0
Base capital	1,000,000.0	6,600,000.0	6,600,000.0	6,600,000.0	6,600,000.0	6,600,000.0
Capital reserves	2,400,000.0	20,900,000.0	20,900,000.0	20,900,000.0	20,900,000.0	20,900,000.0
Retained earnings	-	1,469,572.1	2,205,868.6	4,386,676.5	6,064,620.3	7,339,772.6
Minorities	-	500,000.0	1,000,000.0	1,100,000.0	1,210,000.0	1,331,000.0
Shareholders Equity	3,400,000.0	29,469,572.1	30,705,868.6	32,986,676.5	34,774,620.3	36,170,772.6
Deferred tax liabilities	-	300,000.0	360,000.0	432,000.0	518,400.0	622,080.0
Bank loans (long-term)	75%	7,500,000.0	23,939,400.0	31,106,250.0	38,062,500.0	42,223,125.0
Other long-term liabilities		300,000.0	1,981,912.0	906,160.0	1,306,010.0	336,023.0
Long-term debt		7,800,000.0	26,221,312.0	32,372,410.0	40,347,779.0	44,047,535.0
Tax provisions	10%	-	203,516.2	260,931.9	329,429.0	457,912.8
Other provisions (short-term)		-	-	-	-	-
Bank loans (short-term)	25%	-	8,050,000.00	10,368,750.00	12,687,500.00	14,074,375.00
Advances (received cash)	8.0%	-	5,040,000.0	5,860,000.0	6,768,000.0	7,342,317.2
<i>Advances percent of sales</i>		0.0%	19.7%	20.8%	17.6%	14.9%
Accounts payable (short term, trade)	10%	100,000.0	1,557,026.5	1,612,980.4	2,190,984.3	2,735,551.3
Other liabilities against associated comp		0.0	0.0	0.0	0.0	0.0
Short-term debt		100,000.0	14,850,542.7	18,102,662.4	21,975,913.3	24,610,156.4

Source: Commerzbank Corporates & Markets

Cash flow

FFM is expected to show consistently high free cash flows in the coming years.

In 2006, the company benefited from capital increases.

TABLE 11: **Cash flow**

€	Notes	Position	2005	2006E	2007E	2008E	2009E	2010E
Net profit	<i>Cons PL</i>	1	470,059.4	3,779,572.1	4,845,868.6	7,686,676.5	10,684,620.3	13,279,772.6
Depreciation (+)/Appreciation(-)	<i>Cons PL</i>	2	0.0	0.0	0.0	0.0	0.0	0.0
Loss (+)/Profit(-) on asset sales		3	0.0	0.0	0.0	0.0	0.0	0.0
Loss (+)/Profit(-) on asset valuation	<i>from</i>	4	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash adds on land (-)		5	0.0	0.0	0.0	0.0	0.0	0.0
Share programme (+)		6	0.0	0.0	0.0	0.0	0.0	0.0
Increase (+)/Decrease(-) in minorities	<i>BalSh</i>	7	0.0	500,000.0	500,000.0	100,000.0	110,000.0	121,000.0
Increase (+)/Decrease(-) in def tax liab.	<i>BalSh</i>	8	0.0	300,000.0	60,000.0	72,000.0	86,400.0	103,680.0
Cash flows		9	0.0	4,579,572.1	5,405,868.6	7,858,676.5	10,881,020.3	13,504,452.6
Increase (+)/Decrease(-) in other tax liab.	<i>BalSh</i>	10	0.0	203,516.2	57,415.7	68,497.1	128,483.8	111,219.6
Increase (+)/Decrease(-) in other prov	<i>BalSh</i>	11	0.0	0.0	0.0	0.0	0.0	0.0
Increase (+)/Decrease(-) in inventories	<i>BalSh</i>	12	0.0	(7,716,426.9)	2,917,985.9	1,327,072.2	222,842.1	48,230.7
Increase (+)/Decrease(-) in acc payable	<i>BalSh</i>	13	-	14,547,026.5	8,234,703.9	9,664,753.8	9,273,759.3	8,554,978.6
Cash flows from operations		14	0.0	11,613,688.0	16,615,974.1	18,918,999.6	20,506,105.5	22,218,881.5
Receipts from asset sales (+)		15	-	-	-	-	-	-
Payment rel to acquisitions (-)		16	0.0	0.0	0.0	0.0	0.0	0.0
Payments for investments in cap assets (-)		17	-	200,000.0	400,000.0	800,000.0	1,200,000.0	1,500,000.0
Cash flows from investing activities		18	0.0	(200,000.0)	(400,000.0)	(800,000.0)	(1,200,000.0)	(1,500,000.0)
Increase in long-term borrowings (+)		19	-	18,421,312.0	6,151,098.0	7,975,369.0	3,699,756.0	656,193.0
Long-term debt repayments (-)	<i>BalSh</i>	20	-	8,050,000.0	2,318,750.0	2,318,750.0	1,386,875.0	507,500.0
Net inflow from cap increases (+)	<i>Report</i>	21	-	20,900,000.0	-	-	-	-
share buy-backs(+)	<i>Report</i>	22	-	-	-	-	-	-
Cash Flow from financing		23	-	47,171,312.0	8,069,848.0	9,494,119.0	3,886,631.0	(336,307.0)
FCF	<i>Sum</i>		-	58,585,000.0	24,285,822.1	27,613,118.6	23,192,736.5	20,382,574.5
Funds at start of year	<i>BalSh</i>		-	200,000.0	5,625,000.0	5,812,500.0	7,875,000.0	8,121,985.0
Funds at end of year	<i>BalSh</i>		200,000.0	5,625,000.0	5,812,500.0	7,875,000.0	8,121,985.0	8,439,082.0
Change of funds			200,000.0	5,425,000.0	187,500.0	2,062,500.0	246,985.0	317,097.0

Source: Commerzbank Corporates & Markets

TABLE 12: **Stock rating allocation**

	Buy	Hold	Sell
No. of companies under coverage with this rating	50	21	3
% of companies under coverage with this rating	68%	29%	3%

Source: Commerzbank Corporates & Markets

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