

*Sal. Oppenheim*

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2<sup>ND</sup> SAL. OPPENHEIM REAL ESTATE CONFERENCE  
LONDON

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# Franconofurt

Real Estate

Buy

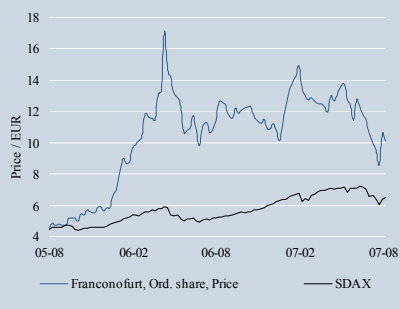
Fair Value EUR16.70

2007-09-06

Price EUR10.09 (Closing price as of 2007-08-31)

Applied disclosures can be found in the appendix

## Price and rel. Performance



## PORTFOLIO CREATION CONTINUES AT HIGH SPEED

Franconofurt (FFM) continues its growth momentum with the creation of regionally focused standing portfolios. The company therewith combines the turnover-driven asset conversion of high-quality apartments in Frankfurt city with the collection of stable rental income. The company's intention is to take the regionally focused portfolios public as done in 2006 with FranconoRheinMain (FRM) invested in the Rhine-Main region. FFM has confirmed its intention to take the entity investing in Western Germany public still in 2007 and we would regard this as important for the share.

### SUCCESSFUL PORTFOLIO GROWTH

The build-up of FRM's standing portfolio in the Rhine-Main region continues at high speed and we regard the intended contracted volume of €200m at the end of the year as realistic. The company's experience and strong network is shown in the fact that the quality of the portfolio remains high at an initial yield of 8%.

### ASSET CONVERSION ON TRACK

FFM's former core business continues as expected and the demand of high-quality apartments is high. While FFM could keep the margin stable at 34% in H1 the company expects accelerated disposals in H2 as it is always a year-end driven business. However, we regard FFM's competitive situation in Frankfurt as outstanding.

### WAITING FOR SUCCESSFUL IPO

The company delivered stable interim figures and depicted an attractive outlook with a DPS07e of €0.80. Consequently the current valuation is attractive. However, markets currently seem to be skeptical if FFM will be able to take its Western German subsidiary public as indicated. We think that this is currently a burden for the share price and positive news is ignored. We do not regard it as critical if the transaction is postponed until 2008, as it is not essential for FFM's future growth.

14

12 month high/low €	14.88/8.56
Rel.% 1m -1.4 3m -18.3 12m -37.8	
Abs.% 1m -5.7 3m -25.3 12m -22.4	

Reuters	FFMG.DE
Bloomberg	FFM GR
Market cap EURbn	0.1
Number of shares m	8.8
Free float %	58.0
Daily turnover shares	6,231

### Next Events

### Rel. Sector

+

## Key Changes

Sven Janssen  
+49 (0) 69/71 34 - 55 40  
sven.janssen@oppenheim.de

Kai Malte Klose, CIIA  
+49 (0) 69/71 34 - 52 35  
kai.klose@oppenheim.de

## Key Data

€ (Yr. end: 12/31)	2005	2006	2007e	2008e	2009e
Revenues m	8.34	26.54	55.21	77.90	92.22
Revaluation result m	0.00	2.63	5.50	7.50	10.50
EBITDA incl. reval. m	1.86	10.14	27.11	37.40	44.22
Net profit adj. m	0.92	7.49	13.50	17.21	20.86
Adj. EPS	0.24	1.07	1.16	1.46	1.64
Dividend/PVR	0.17	0.60	0.80	0.95	1.10
Payout Ratio	71.2	55.9	69.1	65.0	66.9
NAVPS	0.00	0.00	0.00	0.00	0.00
PER	22.2	10.4	8.7	6.9	6.1
Payout Div. yield %	9.4	1.5	5.9	7.9	9.4
EV/EBITDA	15.2	8.7	3.0	2.3	2.0
P/NAV					
ROE %	12.4	21.0	26.0	43.8	42.9
EPS CAGR 06-09e: 15 %				Equity ratio 07e : 62 %	Gearing 07e: 332 %

**Franconofurt - P&L**

<b>EURm (Yr. end: 12/31)</b>	<b>2005</b>	<b>2006</b>	<b>2007e</b>	<b>2008e</b>	<b>2009e</b>
Rental income	0.7	2.8	13.0	25.8	30.7
Earnings from sale of real estate investments	6.3	12.6	20.1	28.0	32.7
Revaluation of investment properties	0.0	2.6	5.5	7.5	10.5
Other income	1.3	8.5	16.7	16.6	18.3
<b>Total income</b>	<b>8.3</b>	<b>26.5</b>	<b>55.2</b>	<b>77.9</b>	<b>92.2</b>
Real estate operating expenses	0.5	1.2	6.2	8.0	10.5
Real estate maintenance and renovation exp.	0.7	2.6	2.8	3.5	4.1
General and administrative expenses	3.8	8.6	13.5	18.7	22.1
Other operating expenses	1.5	4.0	5.6	10.3	11.3
<b>Total operating expenses</b>	<b>6.5</b>	<b>16.4</b>	<b>28.1</b>	<b>40.5</b>	<b>48.0</b>
<b>EBITDA</b>	<b>1.9</b>	<b>10.1</b>	<b>27.1</b>	<b>37.4</b>	<b>44.2</b>
<b>EBITDA (excl. revaluation)</b>	<b>1.9</b>	<b>7.5</b>	<b>21.6</b>	<b>29.9</b>	<b>33.7</b>
<b>EBIT</b>	<b>1.9</b>	<b>10.1</b>	<b>27.1</b>	<b>37.4</b>	<b>44.2</b>
Interest income	0.0	0.3	0.1	0.1	0.1
Interest expenses	0.3	1.1	5.4	9.7	13.2
EBT	1.6	9.4	21.8	27.8	31.1
Taxes	0.7	1.9	8.3	10.5	10.3
Adjusted net profit	0.9	7.5	13.5	17.2	20.9
Net profit	0.9	4.9	8.0	9.7	10.4
Minority	0.1	1.1	3.3	4.3	6.4
Net profit after minorities	0.9	6.4	10.2	12.9	14.5
Total operating income	8.3	23.9	49.7	70.4	81.7
Operating costs	6.5	16.4	28.1	40.5	48.0

**Key ratios and numbers**

<b>EURm (Yr. end: 12/31)</b>	<b>2005</b>	<b>2006</b>	<b>2007e</b>	<b>2008e</b>	<b>2009e</b>
Number of total shares	3.6	6.6	8.8	8.8	8.8
EPS (reported)	0.24	1.07	1.16	1.46	1.64
adj. EPS	0.24	1.07	1.16	1.46	1.64
Dividend	0.17	0.60	0.80	0.95	1.10
<b>Growth rates %</b>					
Revenues change	69.0	218.4	108.0	41.1	18.4
EBITDA	137.4	444.4	167.3	38.0	18.2
EBIT	144.2	444.4	167.3	38.0	18.2
EBT change	162.9	494.3	132.7	27.4	12.2
Net profit	108.2	717.6	80.3	27.4	21.2
adj. EPS	-45.7	349.0	8.0	26.2	12.5
<b>Margins %</b>					
ROE incl. Revaluation effect	12.4	12.4	12.0	18.3	11.8
ROE excl. Revaluation effect	12.4	21.0	26.0	43.8	42.9
<b>Expense ratios %</b>					
<b>Other ratios</b>					
Interest cover	6.0	9.6	5.0	3.8	3.4
Equity ratio %	47.6	80.1	62.0	44.4	34.0
Gearing %	95.8	31.8	130.2	235.3	331.7
Net financial debt / EBITDA	3.3	0.3	0.1	0.1	0.1
Net yield investment properties	nm	nm	nm	nm	nm