

FRANCONOFURT AND FRANCONORHEINMAIN
ONE SECTOR, ONE REGION, TWO STRATEGIES

February 2007



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Franconofurt and FranconoRheinMain

Overweight

20 February 2007



ONE SECTOR, ONE REGION, TWO STRATEGIES

Franconofurt (FFM) and FranconoRheinMain (FRM) cover two different segments among the residential sector in the Frankfurt region. From the operational view FFM is market leader in the asset conversion of high-quality apartments in prime locations in Frankfurt city but has now converted into a holding company initiating local portfolios in selected growth areas. FRM is currently building up a standing portfolio in the outskirts of Frankfurt at an 8% yield to collect stable rental income and capital gains out of selective disposals. We reiterate our **buy** rating for FFM at an increased fair value of €16.70 and initiate coverage for FRM with a **buy** rating and a fair value of €4.13.

STRONG GROWTH

FFM is now an integrated holding company creating local portfolios in selected growth areas. The first one was FRM in the Rhine-Main region and FranconoWest for the Dusseldorf / Cologne-region has already been set-up. FRM's pace in building up a standing portfolio of €70bn at 8% yield over the last seven months is remarkable and is likely to even be accelerated up to €200m by the end of 2007.

LEADING MARKET POSITION

As both companies buy on a frequent basis, they have established a sound network to local brokers, which allows them to get the "first call" or they buy directly from the owner. As the size of these deals is also too small for private equity funds, they buy off-market and can consequently avoid price increases in bidding competitions.

FFM: REALIZING ATTRACTIVE MARGINS

FFM's operational business is more volatile but also with high margins in selling single units of high quality to mainly home occupiers at prime locations in Frankfurt city. The future lies in the creation of local portfolios in selected growth areas as done successfully with FRM.

FRM: GROWTH DRIVER WITH HIGH STABILITY

FRM's target area is the commuter belts of Frankfurt what is a region of economic strength, where the company has invested more than €70m in residential assets since May to rent them out. FRM offers investors a highly predictable income from rents and capital gains from active portfolio management. FRM's targets a portfolio of €500m in 3-5 years.

VALUATION: UPSIDE POTENTIAL

Though both companies are in the same sector, we use different valuation methods due to the different business models. Since FFM's business model focuses on at least stable margins, we use a DCF model as the preferred approach but take a NAV and DDM model for FRM due to the more defensive strategy as asset play. While we see different investors for both companies, also reflected in different peer groups, we come out with €16.70 as fair value for FFM and €4.13 for FRM, rating for both is buy.

Companies	Rating	Fair Value	Companies	Rating	Fair Value
Francono Rhein-Main	Buy	€ 4.1			
Franconofurt	Buy	€ 16.7			

EXECUTIVE SUMMARY

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ONE SECTOR, TWO ATTRACTIVE INVESTMENT CASES

Frankfurt city and region: stable growth rates

Rhine-Main region with attractive fundamentals

The Rhine-Main area with Frankfurt as the hotspot shows attractive economic fundamentals well above the average in Germany: The unemployment ratio lies 3 p.p. below the German average and has started to decrease earlier, while the purchasing power in return is almost 13% above the average. Also, the population is growing due to the diversified mix of industrial and financial companies.

FFM and FRM both benefit from these fundamentals. As the home ownership in Frankfurt is very low in comparison at 16%, and as the potential wealthy client base is large, FFM can cover the demand for high-quality apartments in prime locations. Consequently FFM can realize attractive margins when selling single apartments as the buyers are not that price sensitive.

FFM and FRM cover different groups of tenants and buyers

FRM is focusing on the outskirts and catchment area of Frankfurt. As the properties are predominately located at places with good public infrastructure, the company is benefiting from the stable demand for residential space while the risk for FRM is moderate given the strong experience in real estate. At the same time FRM follows strict investment criteria keeping the quality of the portfolio high what leads in return to attractive capital gains in selective disposals.

FFM's operational business: market leader in asset conversion...

Franconofurt: proven local business model...

FFM has an impressive track record as the specialist in a profitable niche of Frankfurt-based residential properties: buying representative multifamily houses, often in the Wilhelminian style, in prime city locations, running a moderate refurbishment e.g. of the façade and stairways, and selling the apartments afterwards unit-by-unit mainly to owner occupiers. Due to location, quality and client structure, the company realizes a margin >30% while FFM as the "local hero", has an outstanding knowledge of suitable properties and a good reputation. We regard this business as highly attractive on the one hand, but of limited long-

term scalability on the other hand because 1) the number of suitable properties as a whole is limited and 2) this business concept is bound to the local conditions and personal contacts.

...now leveraged into an integrated business model as “asset generator”

...moving now forward as “asset generator” in selected German growth regions

The management of FFM has recognized at an early point of time the possibilities out of the structural change in the German residential markets in selective growth regions. Therefore FFM has been established as a holding company that, as shown in the FRM case, creates local portfolios in selected major German growth areas, provides the equity and appoints the local management. To create critical mass on the one hand and but to focus on quality portfolios on the other hand the target volume of each local unit belongs to a €300-500m multi-tenant portfolio.

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As it is hardly possible in our view to replicate the asset conversion as the former business concept in other cities, because the local knowledge is decisive, we see in the successful build-up of the portfolio in FRM the proof that it is possible to realize value with German residential properties not only as foreign private equity funds and that FFM’s business model is attractive. We therewith regard the creation of FranconoWest as the logical consequence that improves the attractiveness of FFM’s business concept even further.

FRM: Benchmark in creating a standing portfolio regarding quality and speed

FranconoRheinMain: value stock with high stability and growth momentum

Only active since May 2006, FRM has shown a fast pace in building up a portfolio of residential assets in the outskirts of Frankfurt to now approx. €80m. The company requires a yield of 8% for its investments and follows strict investment principles regarding quality and location and prefers fully rented properties. As the strategy also includes disposals as part of an active portfolio management, we highly appreciate the defensive profile focusing on stable rents with an intended investment volume of €120m for 2007 and a potential portfolio of up to €500m within 3-5 years.

FRM is in our view well-positioned as it does not compete against larger foreign investors, mainly private equity funds that are interested in larger portfolios. At the same time, FRM has a higher financial power than retail investors.

Shareholders can participate via FRM in the increasing rent and valuation levels of the Frankfurt region and in an attractive payout ratio of up to 90% of the operational EPS. So it shows high predictability for the direct investors and is at the same time also the earnings driver for FFM.

Success factors: 1) local knowledge and 2) frequent buyer

Outstanding local experience

Two of three board members of FFM are the founders of the company active in the Frankfurt real estate markets for many years, complemented by the CFO with a strong background from the capital markets. The structure of the management of

FRM is similar. As all of them come from the Rhine-Main area with the focus on Frankfurt, they are familiar with the local conditions and can therefore source properties in attractive locations and can react fast to current trends.

“Let’s call the
“Franconos“ first”

FRM and FFM have established a strong relationship to local agents, which are the main source for acquisitions. They generally get the “first call” as they buy frequently, which makes them attractive from the agents’ perspective. As FRM’s and FFM’s financial power is much stronger, the agents receive their fee early, which makes it attractive to offer properties continuously. Because of this, FRM and FFM are the preferred partners instead of a local private person buying one property only.

Exemplary: high transparency and clear corporate governance

While FFM is still the major shareholder in FRM with a 64 % stake, we see clear corporate governance guidelines individually for every company reflected e.g. in at-arms-length-principles for the property management or construction work. The main reasons that we see no material conflict of interest are the different investment criteria for FFM and FRM.

Transparency is a must

Both companies report according to the EPRA standards, which brings a high level of transparency to shareholders. In addition, interim reports are also checked by the auditors, which is still the exception for many listed companies today. Also there are no management fees charged by FFM and/or FRM to each other as both companies operate on a stand-alone basis what will also be the case for future units as FranconoWest and others.

Valuation: different business models require different valuation methods

Different business
models require different
valuation methods

As the stability of the realized margin in selling the single apartments is decisive for FFM, we prefer a DCF valuation method. Those properties that are acquired for asset conversion are accounted as inventories; the stated rental income and investment properties are only due to the full consolidation of FRM. As FFM’s business model is deal-driven on the one hand but more stable at a higher predictability than a portfolio trader on the other hand, we keep the beta of 1.3 unchanged for the time being what is conservative in our view. We have reduced the discount due to small size as FFM maintains its growth momentum by generating local portfolios and taking them public afterwards.

We regard FRM as a value stock with high predictability. The focus lies on stable rents supplemented by capital gains from disposals up to 15-20% of the portfolio. Consequently we base our valuation on NAV and, as a high payout-ratio on the recurrent EPS of 90 % is intended we use a DDM.

Upside potential for both stocks; which one to buy?

For FFM we derive a fair value of €16.70 and for FRM of €4.13. Offering therewith attractive upside we consequently reiterate our buy rating for FFM and initiate coverage for FRM also with a buy rating. We regard it as justified given the two different business models and risk profiles for each stock.

FRM: Participating in build-up of a portfolio, downside limited

We regard FRM as highly attractive for long-term investors preferring high stability and predictability while participating in the promising regional fundamentals in the Rhine-Main region. While we do not follow the view of FRM to be an alternative to German open-ended funds, it is a liquid and transparent vehicle to German residential properties with attractive growth momentum.

FFM: Ambitious but realistic growth targets

The focus of FFM lies in the expansion and the generation of highly focused standing portfolios in selected growth regions. Asset conversion, which is its traditional core business, is limited in the long run. Consequently the future expansion is highly dependent on the successful build-up and listing of the several units running a standing portfolio. While the upside is attractive and the first transaction with FRM has gone successfully the further expansion could be limited when capital markets have peaked and IPO's could be more difficult.

COMPANY PROFILES

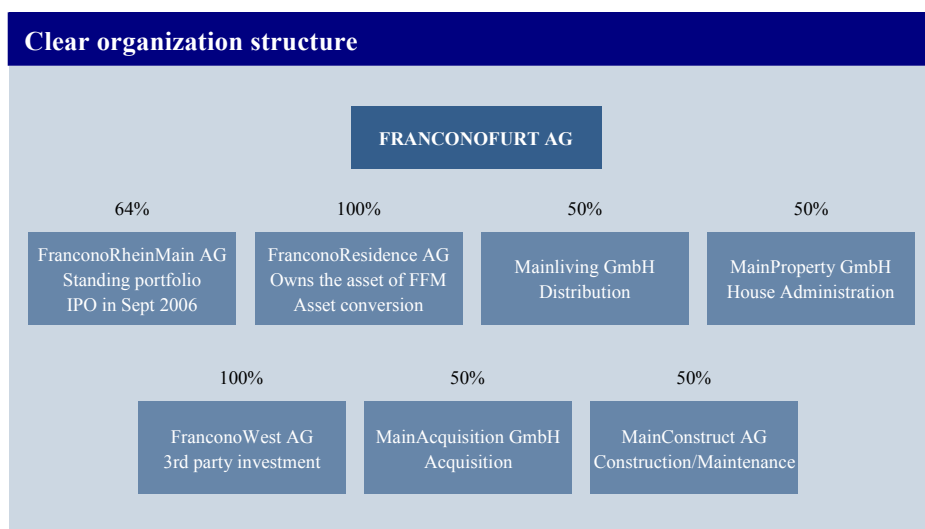
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FRANCONOFURT - INTEGRATED BUSINESS MODEL

FFM was founded in 2000 by Carsten Siegert and Stephan Wolf under the previous name “FRIMAG”. The focus has initially been on residential properties in prime locations of Frankfurt. In order to generate equity for future growth, the company went public in 2005.

FFM follows a clear organizational structure. While the first contact for potential acquisitions is generally done via local agents, FFM has all the relevant activities in-house regarding valuation, construction activities and property management. The buyers very often mandate e.g. MainConstruct to realize the internal fitting of the apartment as FFM generally only intends to do a moderate refurbishment such as painting the corridors or façade or installing new letterboxes.

“One-stop-shop”



Source: Franconofurt

We regard the competence of the management as outstanding, combining long-lasting real estate experience with capital market expertise.

Management team of FFM with strong background and local expertise

High profile management of FFM

Carsten Siegert

- More than 19 years' experience in the marketing, sales and management fields of real estate
- Scope of responsibility: Marketing, Strategy and Expansion

Christian Wolf

- More than fifteen years' experience in the development, restoration, administration and mediation of real estate
- Scope of responsibility: Acquisition, Sales and Law

Metehan Sen

- Scope of responsibility: Speaker of the Board, Finance, Investor Relations, Controlling and Tax
- Long-term experience in Investment Banking

Source: Franconofurt

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FFM’s operational business – outstanding track record and market leadership

Due to FFM’s presence in the Frankfurt markets for a couple of years, the company has built up a stable network to source attractive properties. The focus lies on the acquisition of single assets via agents but also directly from private owners, insurance companies or local housing associations.

FFM as “local hero” profitable from the very beginning

The asset conversion as the operational business is mainly done within the FranconoResidence and describes the acquisition of high-quality residential properties in attractive locations. FFM prefers buildings with a higher vacancy as the disposal of the single units can be done more easily. For the remaining tenants, FFM increases the rents to market levels and sometimes even gives an incentive to move out.

The asset conversion as high-margin business

Step 1

Acquiring houses in prime locations and at above-average quality

Step 2

Splitting houses into apartments

Step 3

Selling apartments individually with a gross margin > 30 %

Source: Franconofurt, Oppenheim Research

We estimate an investment volume of €15m in 2006 after €12m in 2005 increasing to €18m in 2007. As an average acquisition price we use €1,600/sqm incl. acquisition costs and take €2,300/sqm as the disposal price. The disposal of the last apartment normally takes place after four years.

Attractive margins in FFM's asset conversion business

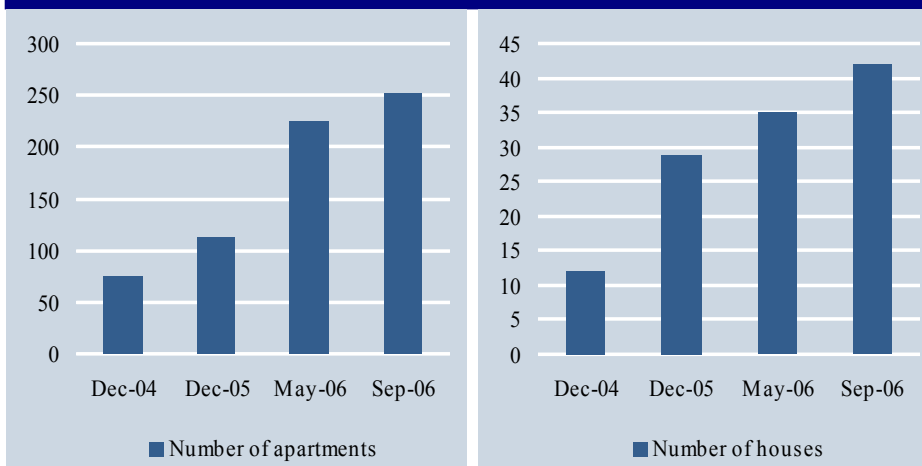
in €	2005	2006e	2007e	2008e	2009e	
Investments	12,000,000	15,000,000	18,000,000	20,000,000	20,000,000	
consisting of						
Units	12	15	18	20	20	
average price per unit	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	
apartments	82	120	144	160	160	
average size per apartment	91	91	91	91	91	
average price/m ²	1,600	1,632	1,665	1,698	1,732	
value creation						
buying at €/m ² incl. acquisition costs	1,600	1,632	1,665	1,698	1,732	
refurbishment €/m ²	100	1,700	1,732	1,798	1,832	
Selling with 35% margin for €/m ²	35%	2,295	2,338	2,382	2,473	
Disposal schedule						
Year 1	15%	12	24	30	36	39.6
Year 2	40%	33	64	80	96	105.6
Year 3	30%	25	48	60	72	79.2
Year 4	15%	12	24	30	36	39.6

Source: Oppenheim Research

FFM reports a rising pricing level given the stable economic development and demand for residential space. We therefore expect a stable margin when selling the apartments also in future, as FFM has acquired some smaller office buildings and intends to convert them into high quality residential units. Consequently the acquisition of properties by FFM continues at a high speed.

High-margin business

Asset conversion business of FFM keeps its high growth level



Source: Company data

Future growth for FFM is the creation of local portfolios

Future growth for FFM: “portfolio generating” – FRM as first successful transaction

While the asset conversion is highly profitable but limited in the mid/long-term perspective as it is based on the outstanding local knowledge of FFM in Frankfurt downtown, the company has decided to grow via the creation of highly focused standing portfolios in selected growth regions with FRM as the first transaction in the Rhine-Main area and to take them public afterwards. With this strategy FFM is one of the few German listed residential companies that can show a growing

portfolio and benefits from the development of the German residential markets that is becoming more liquid and transparent. And because the focus lies on the acquisition of single assets or small portfolios but on a frequent basis, the company does not compete against mainly foreign investors like private equity funds that prefer to buy larger units. The local units benefit therewith from the highly fragmented ownership structure of single properties.

First steps done in 2006...

As done for FRM, the strategy of FFM is to source the local units via a capital increase and with the proceeds of the IPO to initiate the next local unit and keep a stake of not more than 50%. The investment volume in the first year for each units lies between €70-100m and should grow afterwards to max. €500m within 3-5 years. Again it has to be noted that the focus is on standing portfolios and not on asset conversion, the former core business of FFM and also not on portfolio trading.

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FFM: "The portfolio generator" of German standing portfolios		
2000-2006	2006	2007 - 2009
Frankfurt City portfolio (asset conversion)	IPO of FranconoRheinMain	IPO of FranconoWest
	Initiation of FranconoWest	Initiation of FranconoSouth
		Initiation of FranconoNorth
		Initiation of FranconoEast

Source: Company data

...and moving forward at high speed in 2007

Already in December FFM has created FranconoWest and closed already the first transactions in Düsseldorf, Wuppertal and Meerbusch. The focus for FranconoWest lies on the Dusseldorf / Cologne / Bonn-region but also includes Aachen and Münster. As the catchment area is much larger than the Rhine-Main area for FRM the portfolio could come out at €1bn in five years. To be involved into the local activities FranconoWest is located in Düsseldorf and headed by a local management team.

We regard the business model of FFM as attractive and realistic as each local unit targets only a market share of 2 – 4% and is therewith not a market dominator. Since the market is very fragmented FFM is the major institutionalized platform for acquiring in off-market transactions. We also appreciate that the focus lies on growth centers and no nationwide exposure is intended. Nor does the company plan portfolio trading, though selective disposals as part of active portfolio management are acceptable.

Successful IPO of FRM proofs attractiveness of FFM's business model

Following this strategy FFM will be one of the few German players among the residential property markets that shows continuous asset growth by keeping the quality high and is not affected by a dilution that has generally be accepted when buying larger portfolios. In addition, the company can benefit on the increasing demand by mainly foreign investors searching exposure to German residential properties on a recurrent basis. After the disposal the new owner can mandate FFM as asset manager afterwards that contributes stable fee income.

However, while the upside is attractive, the risk profile is higher as especially the delay in taking the local units public can jeopardize the growth momentum. We regard the successful IPO of FRM as a proof for FFM's attractive business model but have not yet taken further portfolio creations into our model. However, if the build-up of FranconoWest continues at this speed our forecasts have to be increased significantly.

Risk factors for FFM's strategy as "asset generator"

Increasing competition for residential properties in growth areas
 Build-up of network to local agents decisive (market barriers)
 Execution risk for listing vehicles in difficult capital market environments in general...
 ...only short-time track record of vehicles and size probably too small for some investors...
 ...but future portfolios dependant on successful IPO's and placements
 Competitors can build a portfolio e.g. in the Munich area now and FFM therewith not the first mover

Source: Oppenheim Research

FRANCONO_RHEIN_MAIN – CREATION OF THE LOCAL SHARPSHOOTER

FRM: participating in the build-up of a standing portfolio

FRM has been fully operational since May 2006 and has shown a short, but remarkable track record in building up a portfolio in the Frankfurt region with an average monthly investment volume of approx. €10-12m by keeping strict investment criteria e.g. a gross rental yield of 8%. We therefore regard the fact that FRM was not a blind pool but an existing portfolio as very important for the successful IPO in September, which proves the attractiveness of the business model on the one hand but also the high interest for listed German residential property vehicles on the other.

Handsome portfolio...

FRM's regional focus lies on the Rhine-Main area around Frankfurt as the hotspot, meaning cities such as Wiesbaden, Mainz, Darmstadt, Langen, Offenbach etc., which is a region of economic strength and benefits from the large catchment area of Frankfurt. The clear strategy is to build up a standing portfolio to collect rents combined with active portfolio management and realize capital gains from disposals, though FRM is no portfolio trader. As FRM intends to create a portfolio, the company prefers to buy single assets instead of portfolios, which is more work-intensive but finally does not dilute the investment criteria. At the same time the company avoids bidding competitions against larger mainly foreign private equity funds that prefer to buy existing portfolios. Against retail clients as potential competitors, FRM is in a leading position due to its high frequency in buying properties, which makes the company attractive for the local agents to call FRM first before other potential interested parties.

FRM with clear investment criteria for build-up of portfolio

Yield - 8 % gross rental yield - Fully rented - Upside potential in monthly rents	Diversification - Max. 10 - 17 % in one city - Spread over the relevant city - Little exposure to commercial (small shops)
Quality - Good locations with good infrastructure - External valuation by JLL - Acquiring mainly from private sellers	Repeat offering - Higher frequency in buying and volumes - Outsourcing property management-related services - Fast decision-making process for potential disposal

Source: FranconRheinMain, Oppenheim Research

...with focus on quality.

The focus lies clearly on properties of good quality generating an 8% gross yield and FRM intends not to invest more than 20% for refurbishment or upgrading. Following a property tour end of January, we had a positive impression of the properties. FRM benefits also from a good tenant structure with many commuters working during the week in Frankfurt and going home on Fridays for the weekend.

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No dilution despite of build-up period

Investment process of FranconRheinMain

Step 1: Broker network supplies marketing documents Initial figures on object Hard fact criteria: - Location - Micro structure - P&L of property - Tenant structure 8% rental yield intended but also information on properties with upside potential interesting Full valuation	Step 2: Field trip to property Checking location Validating - Tenant structure - Rental levels Categorizing to - Rent optimization - Disposal or privatization	Step 3: Contacting - Bank surveyor (external appraisal) - House management - Financing bank
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Source: FranconRheinMain

For FRMs investment process it is essential that the company get the “first call” by the local agent. But to be called in general at first it is essential that FRM can provide financing very fast. We thus regard it as important that FRM was able to finalize credit agreement of €200m in total and just has to call the relevant amount of debt. With the current level of €43m equity with an intended LTV of 80%, the company’s financing structure is well-balanced.

Know-how is available in-house

We regard the management competence of FRM as high with years of experience in residential real estate and with a background in law and financing. FRM also has the complete value chain in-house as it can fall back on the FFM platform with property management and potential construction measurements (see chart with organization structure of FFM) but is also free to use third-party services.

Management board of FranconoRheinMain og high quality

Carsten Heinrichs, Lawyer

Responsibilities: Acquisition and Finance

Selection and expansion of the existing portfolio for FranconoRheinMain

Ingrid Rose, Certified Management Assistant

Responsibilities: Sales and Marketing

9 years project management and project development at Wohnbau Sickingen

Over 18 years' experience in real estate, mainly in the residential sector

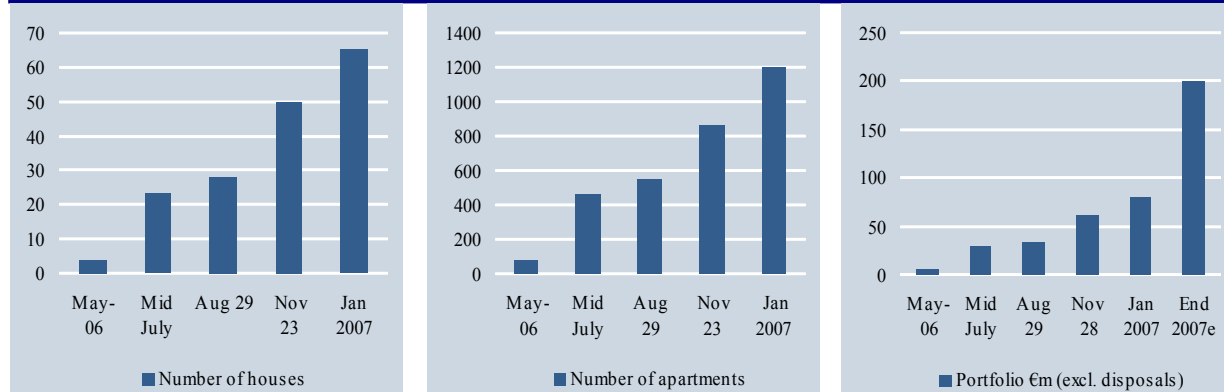
Source: FranconRheinMain

Delivering on promises with focus on 2007

We regard the pace of FRM's development as remarkable and believe it shows the attractiveness of the model. FRM can show a track record of acquisitions and is not a blind pool searching for opportunities; it is even speeding up its momentum due to an attractive pipeline.

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Build-up of FRM's standing portfolio on track



Source: Company data

Targets for 2007: investment volume of €120m

Our model depicts strong growth in the build-up of the portfolio. We regard 2007 as the first relevant year, as the company is now fully equipped whereas in 2006 due to the IPO some weeks were blocked from property acquisitions. The company might therefore not have reached its announced target for the last year with an investment volume of €100m; we take €70m into our calculations. However, now the company has again confirmed its monthly investment volume of €10-12m on average, meaning minimum €120m in 2007. It has to be noted that, due to the notary and transfer taxes, the transfer of ownership normally takes 2 – 3 months after the deal is closed. There is consequently also a time lag in collecting the rents. As the real estate business is still a year-end business, the investments are not yet reflected in the published figures at the year end. There is also the possibility that an intended transaction for December could be postponed into January the next year.

Portfolio creation of FranconoRheinMain - strong growth momentum

	2006e	2007e	2008e	2009e
Potfolio volume in €m at the end of the year	70.0	165.0	250.0	350.0
Rental business				
Rental yield in %	8.00%	8.00%	8.00%	8.00%
Average vacancy rate etc. in %	2.00%	1.50%	1.50%	1.50%
Rental income in €m (incl. vacancy)	1.37	9.75	14.78	20.69
Average rent per m ²	8.00	8.16	8.32	8.49
Costs in €m	0.75	3.46	5.47	7.66
Personnel costs €m	0.13	0.59	0.93	1.31
Property management in €m	0.07	0.49	0.74	1.03
Other expenses in €m	0.6	2.4	3.8	5.3
Portfolio trading				
Turnover of portfolio in %	10.0%	20.0%	20.0%	20.0%
Turnover in sales in €m	7.0	29.7	47.5	66.5
Margin on disposals in %	25%	35%	35%	35%
Profit on turnover in € million	1.8	10.4	16.6	23.3
Net financing expenses in €m	0.42	4.63	10.75	14.28
Pre-tax profits in €m				
Taxes in %	38%	40%	40%	40%
Net profit in €m (excl. revaluation gains)	1.2	7.2	9.1	13.2

Source: Oppenheim Research

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Capital gains from disposal as part of an active portfolio management

Although FRM is still in the process of building up the portfolio, the company was already able to sell a sub-portfolio on December 7, 2006, for €7.2m. As the portfolio in total is still relatively small, the impact on profit by disposals is consequently much higher. We appreciate the company's strategy regarding active portfolio management, which means an annual disposal of approx. 20% and to reinvest the proceeds into new investments. The selected quality of FRM's properties with a high yield increases the attractiveness for long-term investors who are searching for exposure to German residential properties even further. Also, tenant privatization could be an interesting option. However, FRM should not be regarded as a property trader. The whole business model is more defensive with high stability but offering attractive growth momentum. Given the track record to date, we see only a few risks for FRM, in particular in an environment of rising interest rates, which is again manageable as the company has now fixed the interest rates for more 10 years via a swap agreement.

Potential risk factors for FranconoRheinMain

- Rising prices for residential properties due to increasing demand
- Increasing vacancy rates in the short-term as tenants move out after rent renewals by FRM
- Rising interest rates lead to higher financing costs for FRM due to the 80 % leverage

Source: Oppenheim Research

VALUATION

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FRANCONOFURT - FOCUS ON TURNOVER OF APARTMENTS SO FAR

FFM with turnover-driven business model so far

Our valuation for FFM is based on a DCF model as the preferred method and a peer group comparison while the different business models are widespread. A NAV approach is not suitable as the focus lies on the turnover of the single apartments from the operational perspective. When FFM has successfully launched several regional portfolios, the focus might change more towards an asset play valued on NAV or sum-of-the-parts-basis but FRM is currently in the build-up period and FFM on the operational side is dominated by the asset conversion.

Conservative DCF-valuation with beta of 1.3

In the DCF model we derive the beta on the basis of weighted fundamental factors. We expect profitable growth in the sale of single apartments with a stable margin still above 30% and use a fundamental factor of cyclicality of 1.3 weighted at 20%. As the company has shown a track record in this business field, we have lowered the weight of the forecast risk to 25% but keep the beta of 1.3 as some disposals can be delayed. We have lowered the beta for the company size to 1.3 but increase the weight to 40% as FFM on the one hand has reached an important size in Frankfurt city but has to compete against other players in the outskirts for FRM. The beta for the financial structure remains unchanged at 1.2 weighted at 15%.

Fair value: €16.70 - buy

In total we regard our valuation as conservative as it describes the status quo of the company. We see further upside if the generation of local standing portfolios is successful but the risk will be higher than for FRM as the local expertise is in-house currently. For the new areas like Dusseldorf/Cologne in Western Germany and Southern Germany, the company will be more dependent on newly hired management members. Based on our adjusted DCF model, we derive a new fair value of €16.70 and reiterate the buy-rating.

Different business models of peers, multiples widespread

For a peer group comparison, we choose PATRIZIA, VIVACON and Colonia, while we regard it as less meaningful as all companies have a different business model. The least common denominator is (except for Colonia) the fact that residential properties are regarded as “short-term assets” to trade afterwards either via a portfolio as VIVACON is doing or unit-by-unit mainly to tenants, which is the core business of PATRIZIA. As all these companies are larger, the shares are more liquid and the potential buyers are different, the comparison is less meaningful; however, it gives an overview of the current multiples and market valuations. Among its peers FFM has the highest payout-ratio that and has guided a dividend payment of €0.60 for 2006 that is expected to be increased significantly given the successful creation and listing of further portfolios following the example of FRM.

We have included Colonia although the company intends to build up a standing residential portfolio and a its nationwide asset management due to its subsidiary Resolution, where Colonia owns 54 %. The business model of Colonia is changing towards an integrated company with own real estate activities, which could be the same structure for FFM in the long run with all the local units in progress.

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Potential peers for Franconofurt					
	Price (€)	Market Cap (€m)	PE07e	PE08e	DY (%)
PATRIZIA Immobilien AG	23.25	1,196	23.4	14.7	0.77
VIVACON AG	28.00	556	10.3	9.5	0
Colonia Real Estate	44.32	688	12.9	12.2	0
<i>Average</i>			<i>15.5</i>	<i>12.1</i>	
<i>Median</i>			<i>16.9</i>	<i>12.1</i>	
Franconofurt	14.80	100	13.3	8.80	3.98

Source: Datastream, Oppenheim Research

FRANCONO_RHEIN_MAIN - HIGH STABILITY, CURRENTLY UNDERVALUED

FRM: Highly predictable income stream

As FRM’s focus lies on collecting rents and capital gains on the disposal out of the active portfolio management but no portfolio trading, we regard the company as a value stock, for which the NAV is still a common valuation method. As the company intends to payout up to 90% of the net profit (excl. revaluation gains), we also regard a DDM as appropriate. Finally we have run a peer group comparison. In general we regard 2007 as the first relevant year.

We have adjusted the value of equity by the expected capital gains the company intends to achieve that lie 10-20% above the latest valuation. We regard this “adjusted NAV” in the residential segment as more useful to provide a better view of the “real” value of the portfolio.

NAV of FRM with attractive growth momentum

€m	2006e	2007e	2008e	2009e
Portfolio at year end	55	130	210	290
Liabilities	12	55	120	200
NAV	43	75	90	90
NAV per share	1.54	2.68	3.21	3.21
Adjusted by realized capital gains	1.75	10.40	16.63	23.28
Adjusted NAV	44.75	85.40	106.63	113.28
Adjusted NAV per share	1.60	3.05	3.81	4.05

Source: Oppenheim Research

“Better than REITS”

As shareholders can participate on the highly predictable income stream from rents, FRM has intended from the very beginning a payout ratio of 90% of the operating net profit for 2007 onwards. The initial idea was to prepare FRM for the introduction of REITS, when it was still possible that residential properties could be included. As this now seems very unlikely, we appreciate the fact that FRM sticks to this dividend policy. Consequently, we regard a DDM as a probable valuation tool.

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DDM of FranconRheinMain

Risk rate	8.0%											
Mid-term growth	2.5%											
Terminal growth	0.2%											
	2006e	2007e	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e	Terminal
Dividend per share / terminal value	0.00	0.19	0.23	0.35	0.36	0.37	0.37	0.38	0.39	0.40	0.41	5.30
Year	0	1	2	3	4	5	6	7	8	9	10	11
Discounted dividend / terminal value	0.00	0.18	0.20	0.28	0.26	0.25	0.24	0.22	0.21	0.20	0.19	2.27
Sum	4.49											

Source: Oppenheim Research

For a peer group we have chosen Gagfah, Deutsche Wohnen and TAG Tegnsee, which follow a similar strategy within the residential sector, meaning a standing portfolio to collect stable rents combined with some portfolio disposals or privatization. We have also included Colonia due to its standing portfolio of currently approx. 9,000 units.

Peers with similar business models but multiples widespread

For this business model with a standing portfolio, in general we regard a peer group comparison as much more meaningful as the underlying criteria are comparable. However, the PE multiples are widespread due to company specific factors e.g. the deconsolidation of Deutsche Wohnen from the Deutsche Bank in 2006 and the announced growth momentum regarding the doubling of the portfolio from currently approx. 21,000 units until 2009. For Gagfah we see a premium as marketleader as it is the only German residential company with a standing portfolio on a nationwide basis and with approx. 170,000 units also the largest one by far. TAG Tegnsee can be seen as a turnaround candidate that defines residential properties now as a core sector.

Closest peers of FranconoRheinMain but PE-multiples widespread

Company	Price	Market Cap	PE07e	PE08e	DY07e	P/NAV07e	P/NAV08e
DEUTSCHE WOHNEN	56.4	1050	44.2	36.2	4.2	1.2	1.0
GAGFAH	21.84	4914	21.4	17.6	3.3	1.5	1.2
TAG TEGERNSEEBAHN (XET) IM.	11.2	364.7	52.1	31.1	0.0	1.1	1.0
COLONIA REAL ESTATE	44.32	687.7	12.9	12.2	0.0	0.0	0.0
<i>Average</i>			32.7	24.3	2.5	1.2	1.1
<i>Median</i>			32.8	24.4	3.3	1.2	1.0
FRANCONO RHEIN-MAIN	3.15	88.2	9.6	7.3	6.0	1.0	0.8

Source: Datastream, Thomson Financial, Oppenheim Research

Fair value: €4.13 - buy

Our valuation is therefore based on the DDM and NAV07, leading us to €4.13. We are positive for FRM and will follow the further build-up of the portfolio and regard it as relevant that FRM fulfils its investment targets of €120m for 2007.

Valuation of fair value for FranconoRheinMain

based on	
DDM	4.49
P/NAV07e	3.77
Average	4.13

Source: Oppenheim Research

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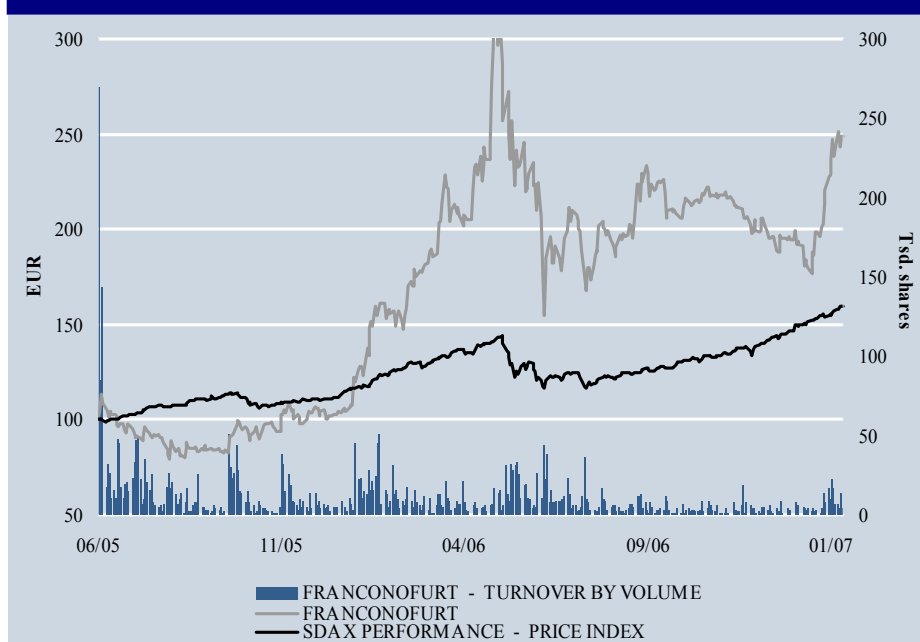
SHARE PERFORMANCE

The Franconofurt-share – attractive performance and on the up again

FFM: Investor relations-activities pay off

Since the IPO in 2005, the FFM share has shown a good move with €19.90 as the all-time high at the beginning of May 2006. Since then the performance has been average as market participants obviously wanted to see the successful IPO of FRM first. With a clear guidance and positive outlook, the interests in FFM has increased again. The market cap is at €100m.

Performance of Franconofurt-share since IPO



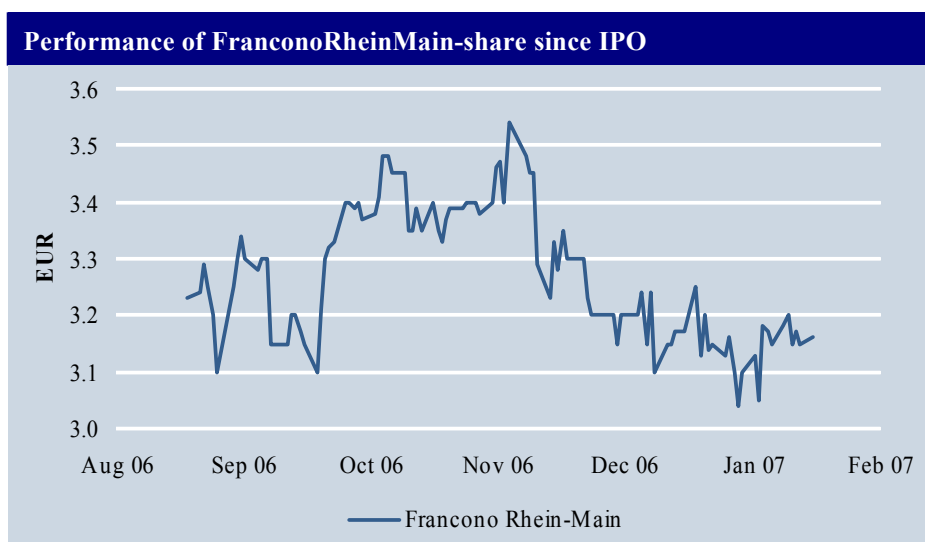
Source: Datastream

FFM has a free float of 56% and the two founders Christian Wolf and Carsten Siegert as the largest shareholders hold 21% and 23% respectively and are locked up until 2009.

FRM: Awareness have to be increased

The FranconoRheinMain-share – successful start and right time to step in now

At the IPO 27% of FRM was floated and the free float increased to 36% via a placement at the beginning of December. FFM currently owns 64% and wants to keep up to 50% also in the future. The current market cap is at €88m.



Source: Datastream

MARKET OVERVIEW

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German residential property markets have awaked

HIGH DEMAND FOR GERMAN RESIDENTIAL PROPERTIES

The German residential market is in the focus of international investors, mirrored by several large transactions and successful capital market transactions. We see a structural change in the ownership structure; the public owners, such as housing associations, cities or still many corporates, continue to reduce their units and many foreign private equity funds have stepped in but also foreign real estate investors with a long-term investment horizon. The following chart reflects this development but it also shows that foreign investors prefer to buy larger portfolios.

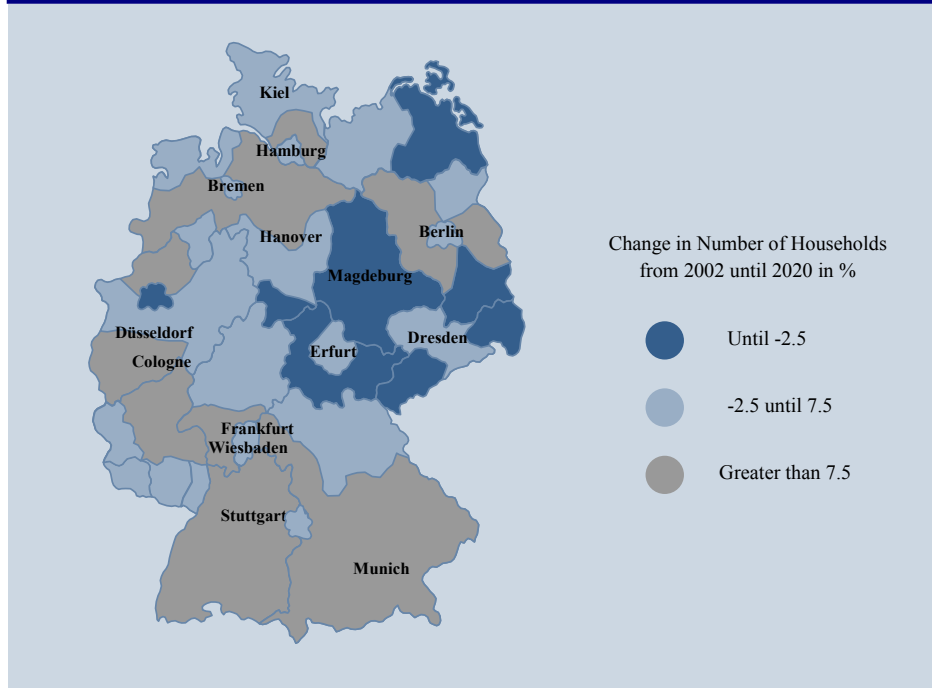
Transaction overview of German residential portfolios 1999 - H1 2006*					
Owner	Disposals		Purchases		Balance
	Units	Ratio	Units	Ratio	Units
Total	1,255,000	100%	1,255,000	100%	0
Total Public Authorities	723,000	58%	280,000	22%	-443,000
<i>Municipal Housing Associations</i>	330,000	26%	93,000	7%	-237,000
<i>Housing Associations owned by private Investors with a Municipal Majority Interest</i>	5,000	0%	45,000	4%	40,000
<i>Governmental Housing Associations</i>	267,000	21%	18,000	1%	-249,000
<i>Housing Associations owned by private Investors with a Governmental Majority Interest</i>	121,000	10%	124,000	10%	3,000
Privat	523,000	42%	961,000	77%	438,000
Others	10,000	1%	14,000	1%	4,000

*minimum disposal volume: 800 units
 Source: IfS, Oppenheim Research,

“Location, location, location”

As FRM and FFM focus primarily on single-unit acquisitions, they do not compete in bidding processes where the prices have already increased while the difference regarding location and quality is remarkable. We regard it as even more important to take the significant migration development in Germany into account, where we see a significant move from Eastern to Western Germany.

Significant future household migration in Germany until 2020



Source: BBR, Oppenheim Research

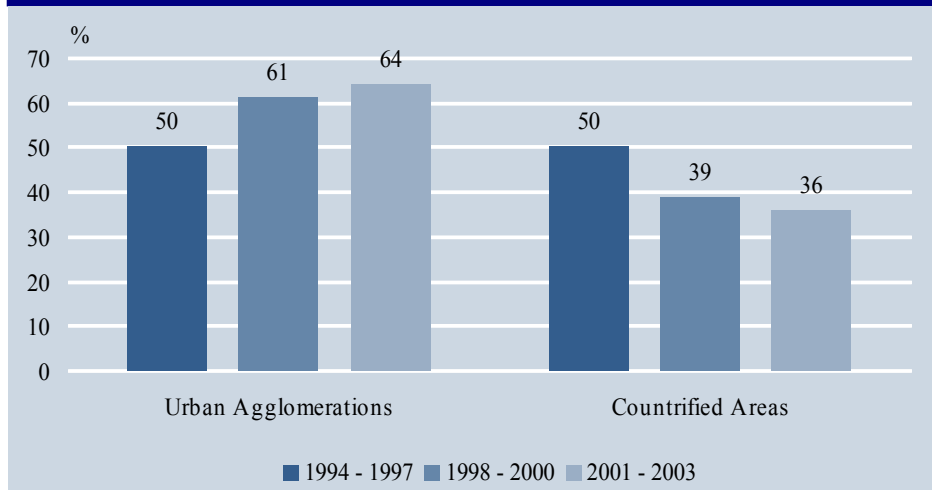
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Rhine-Main area with attractive fundamentals

There are 5.2m inhabitants living in the Rhine-Main area, which shows above-average GDP growth compared to the whole of Germany, while unemployment is 3 p.p. lower than the German average. Remarkable for Frankfurt is the large catchment area helping FRM to benefit from stable demand for rental space. FFM in return benefits from the wealthy clients who want to have high-quality apartments in prime locations in Frankfurt city.

In addition to the different growth momentum in selected areas, we see a stable trend “back to the city”. This benefits both companies, FFM and FRM, due to the high concentration of larger and mid-size cities in the Rhine-Main region.

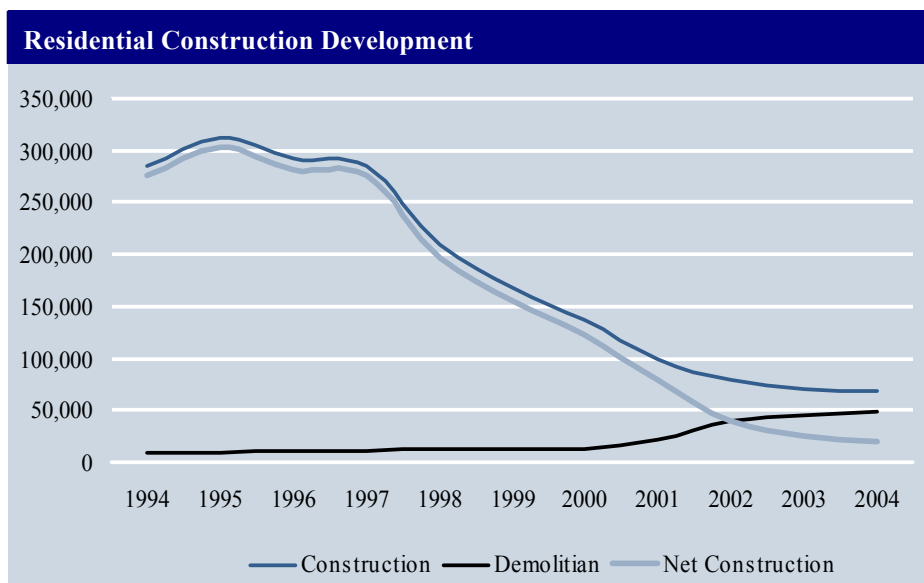
Move towards urban agglomerations



Source: TNS Emnid / LBS Research

Low supply of new residential properties

A potential risk can be seen in the continuing decrease of new apartments in Germany, which is a consequence of the former dominance of public owners. Public housing associations or local authorities were on the whole not able to build new apartments because of deficits and industrial corporates preferred to invest into their core business and wanted to therewith to sell their residential assets. Due to the restrictive rental law the German market was not very attractive for private developers either.



Source: Federal Bureau of Statistics

In the case of FRM and potential new local portfolios as FranconoWest or – South, we do not regard this as high risk as they do not intend to become a “local giant”. With a portfolio volume of max. €500m over the next 5 years, always intending a rental yield of 8%, they target a market share of only 2 - 4%. As shown by FRM, the local expertise, a strong network to agents strengthened via frequent acquisitions and a fast decision-making process are important success factors.

COMPANY OVERVIEW

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Companies	Rating	Fair Value	Page
Francono Rhein-Main	Buy	EUR4.13	26
Franconofurt	Buy	EUR16.70	29

Francono Rhein-Main

Buy

Real Estate

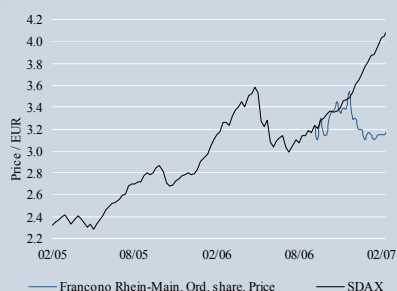
Fair Value 4.13

20 February 2007

Price 3.15 (Closing price as of 02/16/2007)

Applied disclosures can be found in the appendix

Price and rel. Performance



BUILDING UP THE STANDING PORTFOLIO AT HIGH SPEED

FranconoRheinMain (FRM) has initiated the build-up of a standing portfolio in the catchment area of Frankfurt in 2006 at a remarkable speed: With an average monthly acquisition volume of €10m we expect a portfolio of €165m at the end of 2007 adjusted by disposals. The company has evolved a strong market position and does not compete against larger private equity funds due to its single-asset acquisition. FRM follows a defensive strategy with the focus on stable rents and selective disposals as part of active portfolio management. We expect attractive growth for FRM and initiate coverage with a **buy** rating and a fair value of €4.13 per share.

LOCAL SHARPSHOOTER IN RHINE-MAIN REGION

FRM targets the Rhine-Main area with Frankfurt as the hotspot that shows attractive economic fundamentals and a stable demand for residential space. Also the population is growing from a diversified mix of various industries.

ATTRACTIVE PORTFOLIO AND PIPELINE

FRM targets a gross yield of 8% for its portfolio and is currently even above that level. The company avoids bidding processes as it focuses on single-asset acquisitions but is buying frequently and has therewith established a sound market position compared to local retail investors.

STABLE GROWTH AND HIGHLY PREDICTABLE

FRM's clear target is on collecting and increasing rents based on a high-quality portfolio. This includes disposals of assets or privatizations as part of active portfolio management but no portfolio trading, so we see FRM as a value stock with highly predictable but attractive growth momentum.

UPSIDE POTENTIAL - BUY

We feel FRM is well-positioned and expect it to deliver on its targets while it has to be taken into account that FRM is still in the build-up phase. We derive the fair value from a DDM and NAV methodology and come out at €4.13, and we initiate coverage on FRM with a buy rating.

12 month high/low €	3.54/3.04
Rel.% 1m -4.6 3m -19.8 12m -23.5	
Abs.% 1m 0.6 3m -6.5 12m -2.5	

Reuters	F7RG.DE
Bloomberg	F7R GR
Market cap EURbn	0.1
Number of shares m	28.0
Free float %	36.0
Daily turnover shares	8,890

Next Events

Rel. Sector

+

Key Changes

EBT %	06e:	07e:
EPS %	06e:	07e:
FV %		

Key Data

EUR (Yr. end: 12/31)	2004	2005	2006e	2007e	2008e
Revenues m	0.00	0.00	4.55	23.45	36.40
Revaluation result m	0.00	0.00	1.43	3.30	5.00
EBITDA incl. reval. m	0.00	0.00	3.79	19.99	30.93
Net profit adj. m	0.00	0.00	2.02	9.21	12.11
Adj. EPS	0.00	0.00	0.07	0.33	0.43
Dividend/PVR	0.00	0.00	0.00	0.19	0.23
Payout Ratio	nm	nm	0.0	57.8	52.8
NAVPS	0.00	0.00	1.60	3.05	3.81
PER			45.9	9.6	7.3
Payout Div. yield %			0.0	0.0	6.0
EV/EBITDA			23.7	6.7	6.6
P/NAV			2.1	1.0	0.8
ROE %		nm	6.9	12.9	13.5
EPS CAGR 04-08e: 0 %		Equity ratio 06e : 82 %		Gearing 06e: 125 %	

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SWOT PROFILE

Francono Rhein-Main

Company

Strengths

- Build-up of standing portfolio at remarkable speed
- Clear focus on residential properties
- Strong network to local agents due to high frequency of acquisitions
- Avoiding bidding competitions by focusing on single-asset acquisitions
- Rhine-Main area of economical strength

Weaknesses

- Residential prices could increase with rising competition
- Capacities in-house have to be adjusted

Future opportunities for investment

- Benefiting from the increase in rents and valuations in Rhine-Main area
- Selected disposals and privatizations lead to additional earnings
- Offering high-quality properties to foreign investors and being mandated as asset manager afterwards
- Shareholders benefit via attractive payout ratio

Future risks for investment

- Increasing interest rates lead to higher financing costs
- “Deal pressure”: Diluting the quality in case of too aggressive acquisitions

Industry

Average Score
Scoring range 1-10 (high score is good)

Power of suppliers
Residential property market becoming more liquid as former owners sell their units

Limited

New entrants
Market entry barriers low but FRM has evolved a strong market position and network

Limited

Rivalry
Larger players prefer complete portfolios, retail competitors do not buy frequently as FRM

Limited

Substitute products
Properties at 8% rental yield limited

Limited

Power of customers
Little volume of new construction activities for residential properties

Low

Source: Oppenheim Research

Francono Rhein-Main - P&L

EURm (Yr. end: 12/31)	2004	2005	2006e	2007e	2008e
Rental income	0.0	0.0	1.4	9.8	14.8
Earnings from sale of real estate investments	0.0	0.0	1.8	10.4	16.6
Revaluation of investment properties	0.0	0.0	1.4	3.3	5.0
Total income	0.0	0.0	4.5	23.4	36.4
Real estate operating expenses	0.0	0.0	0.1	0.5	0.7
Personnel expenses	0.0	0.0	0.1	0.6	0.9
Other operating expenses	0.0	0.0	0.6	2.4	3.8
Total operating expenses	0.0	0.0	0.8	3.5	5.5
EBITDA	0.0	0.0	3.8	20.0	30.9
EBITDA (excl. revaluation)	0.0	0.0	2.4	16.7	25.9
EBIT	0.0	0.0	3.8	20.0	30.9
Interest expenses	0.0	0.0	0.4	4.6	10.7
EBT	0.0	0.0	3.4	15.4	20.2
Taxes	0.0	0.0	1.3	6.1	8.1
Adjusted net profit	0.0	0.0	2.0	9.2	12.1
Net profit	0.0	0.0	0.6	5.9	7.1
Net profit after minorities	0.0	0.0	2.0	9.2	12.1
Total operating income	0.0	0.0	3.1	20.1	31.4
Operating costs	0.0	0.0	0.8	3.5	5.5

Key ratios and numbers

EURm (Yr. end: 12/31)	2004	2005	2006e	2007e	2008e
Number of total shares	0.0	0.0	28.0	28.0	28.0
EPS (reported)	0.00	0.00	0.07	0.33	0.43
adj. EPS	0.00	0.00	0.07	0.33	0.43
Dividend	0.00	0.00	0.00	0.19	0.23
Net asset value per share	0.00	0.00	1.60	3.05	3.81
Growth rates %					
Revenues change			nm	415.5	55.2
EBITDA			nm	426.9	54.7
EBIT			nm	426.9	54.7
EBT change			nm	355.2	31.4
Net profit			nm	355.2	31.4
adj. EPS			nm	355.2	31.4
Margins %					
ROE incl. Revaluation effect		nm	2.1	8.3	7.9
ROE excl. Revaluation effect		nm	6.9	12.9	13.5
Expense ratios %					
Personnel Costs to Revenues	nm	nm	9.2	6.1	6.3
Other ratios					
Interest cover	nm	nm	9.0	4.3	2.9
Equity ratio %	nm	nm	81.8	59.6	43.4
Gearing %	nm	nm	-3.5	57.2	125.1
Net financial debt / EBITDA	nm	nm	0.0	0.0	0.0
Net yield investment properties		nm	nm	nm	nm

Franconofurt

Real Estate

20 February 2007

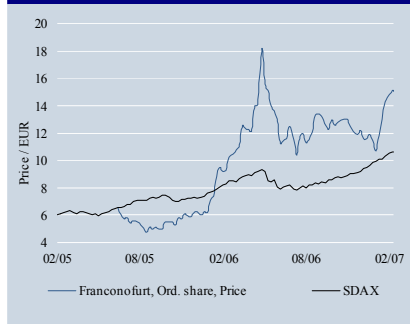
Applied disclosures can be found in the appendix

Buy

Fair Value EUR16.70

Price EUR15.09 (Closing price as of 02/16/2007)

Price and rel. Performance



PORTFOLIO GENERATION CONTINUES AT HIGH SPEED

Franconofurt (FFM) can show strong growth momentum and the successful development towards an integrated company. FFM's background is in the sale of high-quality apartments in Frankfurt after having acquired the complete building. As this business generates an attractive margin > 30% and continues but is limited in the long-run, FFM has successfully created FranconoRheinMain (FRM), the first standing portfolio in the Rhine-Main area, and took it public in December 2006. We appreciate the strategy to create local portfolios in selected German growth areas, reiterate our **buy** rating and increase the fair value to €16.70.

ASSET CONVERSION DOING WELL

While FFM reports rising price levels, we see strong demand for high-quality apartments in Frankfurt city, where the company is market leader. The company has an attractive pipeline of new acquisitions.

NOW: PLATFORM FOR PORTFOLIO CREATION...

FFM has been established as a holding company that creates local portfolios in selected major German growth areas and that provides equity and appoints the local management. While the long-term portfolio volume for the relevant local entity is €0.5-1bn over 3-5 years, the focus lies on single asset-acquisition of high quality with a gross rental yield of 6-8%.

... FRM AS FIRST PRODUCT BUT MORE TO COME

The successful IPO of FRM proves the attractiveness of FFM's business model. The company has already set up FranconoWest for Western German - Düsseldorf/Aachen - and the first acquisitions have already been taken.

VALUATION UPSIDE

We value FFM on a stand-alone basis via a DCF model that comes out at €16.70 as the new fair value. We want to stress the conservative approach as the creation of new portfolio is not yet included. We remain positive for FFM and strongly reiterate our buy recommendation.

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12 month high/low €	18.29/8.70
Rel.% 1m	27.3
3m	3.5
12m	26.2
Abs.% 1m	34.3
3m	20.7
12m	60.9

Reuters	FFMG.DE
Bloomberg	FFM GR
Market cap EURbn	0.1
Number of shares m	6.6
Free float %	58.0
Daily turnover shares	17,755

Next Events

Rel. Sector

+

Key Changes

EBT %	06e:	07e:	
EPS %	06e: -12.4	07e: +16.7	
FV %			+6.4

Key Data

EUR (Yr. end: 12/31)	2004	2005	2006e	2007e	2008e
Revenues m	4.93	7.38	20.51	37.31	56.70
Revaluation result m	0.00	0.00	2.53	3.30	5.00
EBITDA incl. reval. m	0.79	1.04	8.71	22.71	34.90
Net profit adj. m	0.44	0.45	5.70	10.77	15.66
Adj. EPS	0.44	0.11	0.71	1.13	1.71
Dividend/PVR	0.50	0.17	0.60	0.80	1.25
Payout Ratio	113.6	149.8	84.8	70.7	72.9
NAVPS					
PER		49.5	16.7	13.3	8.8
Payout Div. yield %		8.9	1.4	4.0	5.3
EV/EBITDA		30.6	10.6	8.0	7.5
P/NAV					
ROE %		6.6	12.2	11.2	16.3
EPS CAGR 04-08e: 0 %		Equity ratio 06e : 87 %	Gearing 06e: 159 %		

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SWOT PROFILE

Franconofurt

Company

Strengths

- Leading market position in asset conversion of high-quality residential properties in Frankfurt city...
- ...realizing margins > 30% due to wealthy and less price-sensitive clients
- Successful move towards an integrated company with the IPO of FranconoRheinMain as standing portfolio
- Strong growth momentum with the creation of local units in selected growth areas as Munich, Hamburg and Düsseldorf/Cologne/Aachen
- Management team of high quality
- Earnings predictability increases due to stable income stream from rents

Weaknesses

- Further expansion is based on local knowledge by newly hired staff
- Further growth dependent on successful listing of subsidiaries and/or capital increase by FRM
- Management capacities have to be adjusted in case of further growth
- Dependent on "first call" by local agents

Future opportunities for investment

- Benefiting from the increase in rents and valuations in selected German growth regions
- Buying off-market leads to upside potential for local properties
- Earnings quality increases due to rental income and capital gains from selected disposals
- Realizing attractive earnings when taking local units public

Future risks for investment

- Increasing competition for German residential properties
- Access to new markets take some time and could delay the growth momentum
- High interest for standing portfolios in southern and northern Germany where FFM wants to enter 2008 and beyond

Industry

Average Score
Scoring range 1-10 (high score is good)

Power of suppliers
Supply of residential properties still increasing

Limited

Substitute products
Market leader in Frankfurt city / substitute properties for a standing portfolio

Low / Limited

Rivalry
Demand for German residential properties is rising

Limited but rising

New entrants
For asset conversion limited / for the build-up of a standing portfolio new players can enter the markets

Limited but rising

Power of customers
Little volume of new construction activities for residential properties in general

Low

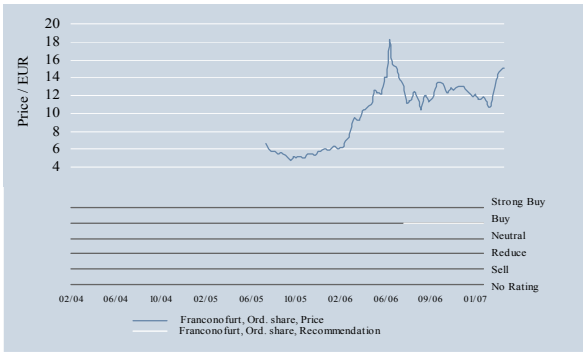
Source: Oppenheim Research

Franconofurt - P&L

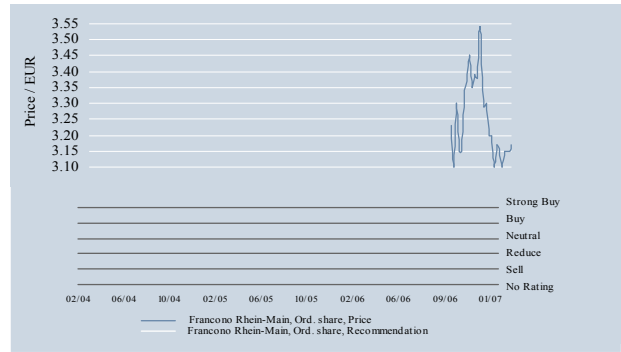
EURm (Yr. end: 12/31)	2004	2005	2006e	2007e	2008e
Rental income	0.0	0.0	2.7	13.0	25.8
Revaluation of investment properties	0.0	0.0	2.5	3.3	5.0
Other income	4.9	7.4	15.3	21.1	25.9
Total income	4.9	7.4	20.5	37.3	56.7
Real estate operating expenses	2.8	0.0	1.2	6.2	8.0
Personnel expenses	0.5	0.0	2.3	2.8	3.5
General and administrative expenses	0.0	4.2	0.6	1.1	1.8
Other operating expenses	0.9	2.2	7.7	4.5	8.5
Total operating expenses	4.1	6.3	11.8	14.6	21.8
EBITDA	0.8	1.0	8.7	22.7	34.9
EBITDA (excl. revaluation)	0.8	1.0	6.2	19.4	29.9
Depreciation	0.0	0.0	0.0	0.0	0.0
EBIT	0.8	1.0	8.7	22.7	34.9
Interest income	0.1	0.1	0.4	0.1	0.1
Interest expenses	0.3	0.3	1.2	5.4	9.7
EBT	0.6	0.8	7.9	17.4	25.3
Taxes	0.2	0.3	2.2	6.6	9.6
Adjusted net profit	0.4	0.5	5.7	10.8	15.7
Net profit	0.4	0.5	3.2	7.5	10.7
Minority	0.0	0.0	1.0	3.3	4.3
Net profit after minorities	0.4	0.5	4.7	7.5	11.3
Total operating income	4.9	7.4	18.0	34.0	51.7
Operating costs	4.1	6.3	11.8	14.6	21.8

Key ratios and numbers

EURm (Yr. end: 12/31)	2004	2005	2006e	2007e	2008e
Number of total shares	1.0	4.0	6.6	6.6	6.6
EPS (reported)	0.44	0.11	0.71	1.13	1.71
adj. EPS	0.44	0.11	0.71	1.13	1.71
Dividend	0.50	0.17	0.60	0.80	1.25
Growth rates %					
Revenues change		49.5	178.1	81.9	52.0
EBITDA		32.9	735.4	160.7	53.7
EBIT		36.7	735.4	160.7	53.7
EBT change		32.7	895.3	119.6	45.3
Net profit		3.2	1,154.9	89.1	45.3
adj. EPS		-74.2	523.5	59.9	51.5
Margins %					
ROE incl. Revaluation effect		6.6	5.6	6.2	9.1
ROE excl. Revaluation effect		6.6	12.2	11.2	16.3
Expense ratios %					
Personnel Costs to Revenues	nm	nm	86.1	21.6	13.6
Other ratios					
Interest cover	3.0	3.4	7.3	4.2	3.6
Equity ratio %	30.5	47.6	86.7	66.1	50.2
Gearing %	222.3	95.8	20.8	88.9	159.1
Net financial debt / EBITDA	0.0	5.9	0.8	0.3	0.2
Net yield investment properties		nm	nm	nm	nm



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