

*Sal. Oppenheim*

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

29 June 2007



# Franconofurt

Real Estate

27 June 2007

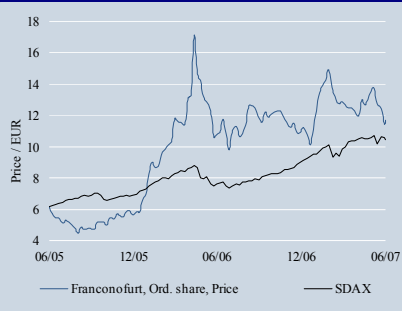
Applied disclosures can be found in the appendix

Buy

Fair Value EUR16.70

Price EUR11.71 (Closing price as of 06/25/2007)

## Price and rel. Performance



## EXPANSION INTO NEW REGIONS AS SCHEDULED

Franconofurt (FFM) can show impressive growth momentum and expansion into new regions. Having started in the city of Frankfurt only with the asset conversion of high-quality residential apartments, FFM changed towards an integrated company with the creation of standing portfolios at a specified region and taking them public. The first transaction with FranconoRheinMain (FRM) has been successful while the company now has already set up subsidiaries in Western and Eastern Germany and has started to invest.

## COVERING TWO SIDES OF THE MARKETS

FFM is benefiting from two developments within the German residential markets: 1) the demand for high-end residential apartments in Frankfurt, which were the former core business of FFM and 2) the mid- to long-term upturn of the rental levels in selected growth regions. FFM has set up the listed subsidiary FRM, which is building up its standing portfolio at a remarkable speed in the Rhine-Main area, yielding at least 8%.

## COMING SOON: IPO OF FRANCONOWEST

According to strategy, FFM has set up Franconowest based in Dusseldorf to cover the economically strong Rhine region incl. Aachen and Munster. Depending on the markets' situation, FFM intends to take the company public in Q3/Q4.

## A MUST: LOCAL KNOW-HOW AND OWN PROFILE

We appreciate that FFM hires local staff for its standing portfolios as the local presence and network to agents is necessary to get "the first call" for attractive properties. This has been successful so far; however, a sharpened profile and equity story for the listed subsidiaries is essential, as different types of investors have to be addressed.

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12 month high/low €	14.88/9.60
Rel.% 1m -12.5 3m -14.3 12m -20.8	
Abs.% 1m -13.3 3m -8.9 12m 9.0	

Reuters	FFMG.DE
Bloomberg	FFM GR
Market cap EURbn	0.1
Number of shares m	8.8
Free float %	58.0
Daily turnover shares	9,613

## Next Events

## Rel. Sector

+

## Key Changes

EBT %	07e:	08e:
EPS %	07e: -20.4	08e: -20.4
FV %		+6.1

## Key Data

€ (Yr. end: 12/31)	2005	2006	2007e	2008e	2009e
Revenues m	8.34	26.54	50.81	75.40	88.72
Revaluation result m	0.00	2.63	3.30	5.00	7.00
EBITDA incl. reval. m	1.86	10.14	22.71	34.90	40.72
Net profit adj. m	0.92	7.49	10.77	15.66	18.52
Adj. EPS	0.24	1.07	0.85	1.29	1.38
Dividend/PVR	0.17	0.60	0.65	0.85	0.95
Payout Ratio	71.2	55.9	76.6	66.1	68.9
NAVPS	0.00	0.00	0.00	0.00	0.00
PER	22.2	10.4	13.8	9.1	8.5
Payout Div. yield %	9.4	1.5	5.1	5.6	7.3
EV/EBITDA	15.2	8.7	4.3	2.9	2.6
P/NAV					
ROE %	12.4	21.0	19.0	38.6	35.9
EPS CAGR 06-09e: 9 %				Equity ratio 07e : 62 %	Gearing 07e: 332 %

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**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	3.3	5.0	7.0
Other income	1.3	8.5	14.5	16.6	18.3
<b>Total income</b>	<b>8.3</b>	<b>26.5</b>	<b>50.8</b>	<b>75.4</b>	<b>88.7</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>22.7</b>	<b>34.9</b>	<b>40.7</b>
<b>EBITDA (excl. revaluation)</b>	<b>1.9</b>	<b>7.5</b>	<b>19.4</b>	<b>29.9</b>	<b>33.7</b>
<b>EBIT</b>	<b>1.9</b>	<b>10.1</b>	<b>22.7</b>	<b>34.9</b>	<b>40.7</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	17.4	25.3	27.6
Taxes	0.7	1.9	6.6	9.6	9.1
Adjusted net profit	0.9	7.5	10.8	15.7	18.5
Net profit	0.9	4.9	7.5	10.7	11.5
Minority	0.1	1.1	3.3	4.3	6.4
Net profit after minorities	0.9	6.4	7.5	11.3	12.1
Total operating income	8.3	23.9	47.5	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	0.85	1.29	1.38
adj. EPS	0.24	1.07	0.85	1.29	1.38
Dividend	0.17	0.60	0.65	0.85	0.95
<b>Growth rates %</b>					
Revenues change	69.0	218.4	91.4	48.4	17.7
EBITDA	137.4	444.4	123.9	53.7	16.7
EBIT	144.2	444.4	123.9	53.7	16.7
EBT change	162.9	494.3	85.7	45.3	9.4
Net profit	108.2	717.6	43.9	45.3	18.3
adj. EPS	-45.7	349.0	-20.9	51.5	7.2
<b>Margins %</b>					
ROE incl. Revaluation effect	12.4	12.4	10.6	21.5	15.2
ROE excl. Revaluation effect	12.4	21.0	19.0	38.6	35.9
<b>Expense ratios %</b>					
<b>Other ratios</b>					
Interest cover	6.0	9.6	4.2	3.6	3.1
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