

FRANCONOFURT– INVESTOR PRESENTATION



THE GERMAN RESIDENTIAL PORTFOLIO AGGREGATOR

Sal. Oppenheim Dubai Conference

January 2008

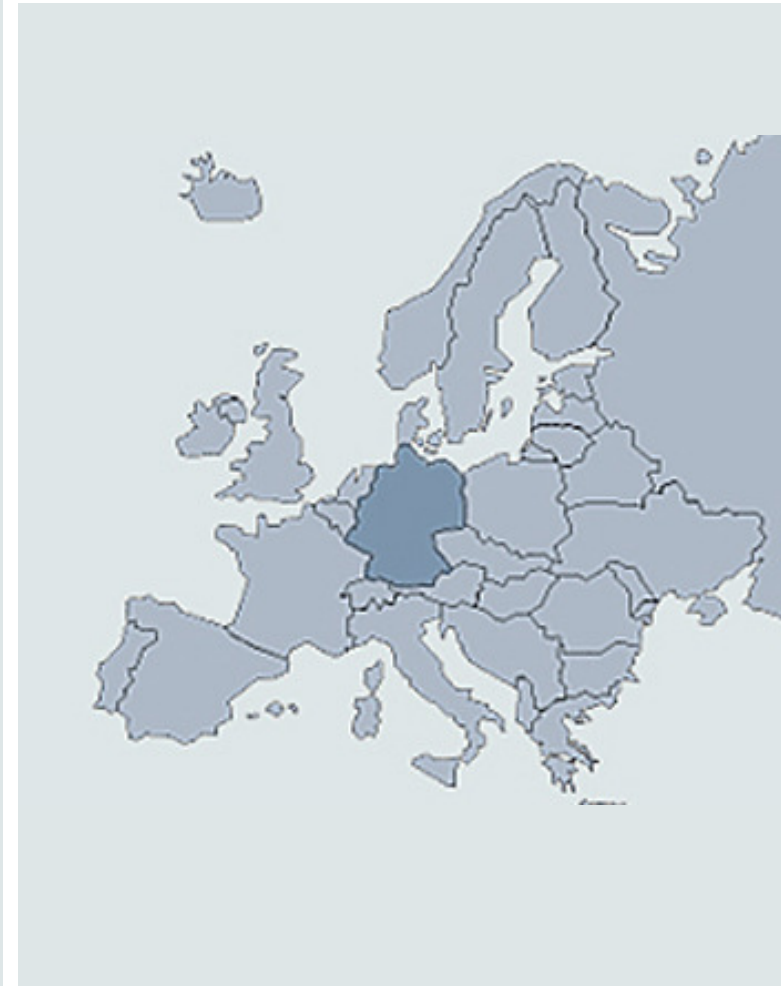
EQUITY STORY FRANCONOFURT (FFM)

- FFM is an investor in German multi-tenant housing
- FFM acquires off-market & below the radar screen of larger players
- FFM acquires from private individuals (small-ticket business)
- 8 % minimum current gross yield at time of acquisition
- FFM is major beneficiary of aging German society (asset meltdown) and wealth transfer to next generation
- Acquisition volume EUR 250m in 2007, equals ca. 300 houses with 3000 apartments
- Group equity of EUR 100m allows for EUR 500m acquisition volume
- Listed since 2005, increasing dividend for each year
- Free float 54 %, Prime Standard Listed, Franklin Templeton 5.7 %
- Current investment volume EUR 300m, potential to go up to EUR 1bn but another EUR 200 million equity needed from investors



GERMAN RESIDENTIAL MARKET

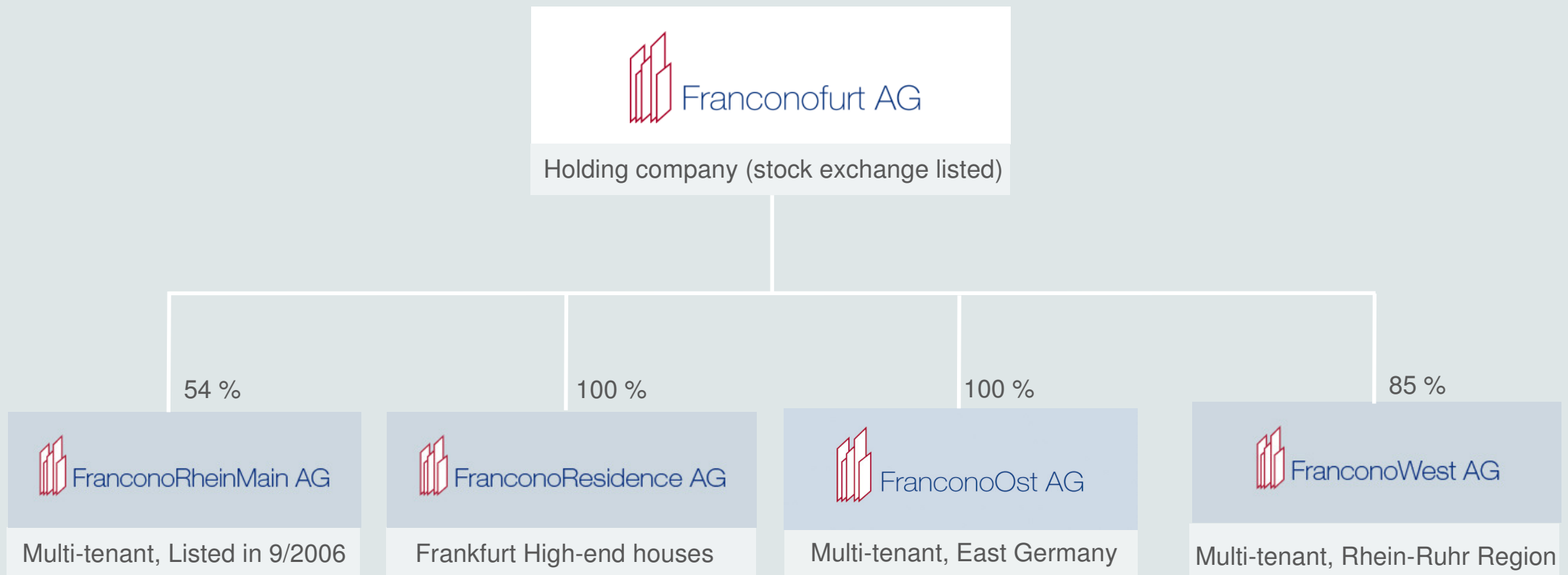
- Germany with c. 82m population is largest economy in the EU, third richest nation in the world
- Worldwide export-champion, Germany benefits from rise of emerging markets
- Population and household numbers likely to grow until 2030
- Residential house prices have not increased over the last 10y
- No bubble tendencies in residential market
- Affordability of housing is given vs. other over-heated markets
- German residential market is safe haven for investors
- German residential market offers a good diversification for real estate investors
- German residential real estate should be essential investment



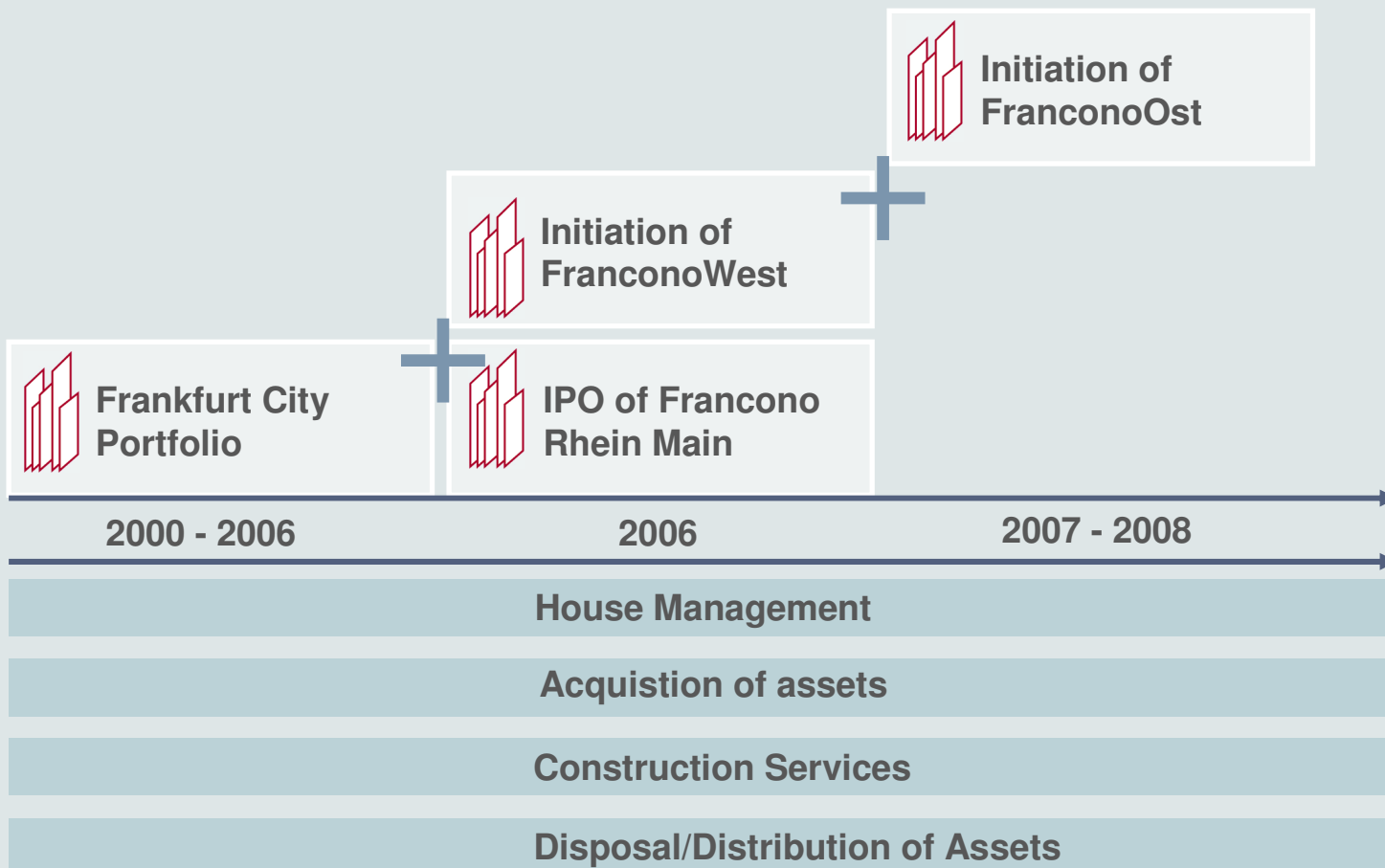
WHAT WE DON'T BUY AND WHAT WE BUY



ORGANIZATIONAL STRUCTURE – FFM ACTIVE ACROSS GERMANY



THE EVOLUTION OF THE FRANCONOFURT BUSINESS MODELL



- In six years coverage of Germany established
 - Present in major growth regions of Germany
 - Full service provider /full value chain
 - Investing only in urban agglomerations/commuter belts with strong infrastructure
 - 2009: EUR 1bn total gross invested volume*
 - EUR 200 million needed for expansion over 2 years to invest another EUR 700m
- *target gross acquisition volume*

WORKING WITH BEST PARTNER APPROACH

- Appraiser Real Estate: Jones Lang LaSalle
- Auditor: KPMG
- SAP infrastructure live since April 2007 by Aareon/Aareal
 - SAP allows group wide scalability
 - Group wide controlling & monitoring
 - Basis for Germany roll-out
- Portfolio Mgt Software from Deloitte Touche/Innova
- Quarterly IFRS reporting, EPRA standards, full notes



SUPPLY & DEMAND DYNAMICS – FRANCONOFURT BENEFITS ON BOTH SIDES

Supply side (small ticket volumes)

Private sellers

- Demographic shift/aging
- Inheritance Trend

Broker's best partner

- First call to FRM
- Strong equity base
- Quick time to signing
- No fee discussion

Franconofurt Group (structuring portfolio)

West
Portfolio
production
engine

East
Portfolio
production
engine

Frankfurt
Portfolio
production
engine

RheinMain
Portfolio
production
engine

Demand side (Recovery of economy)

Increasing asset base

- Germany GDP rebound
- Wage increases/migration
- 10y low in new construction

Institutional investors

- Sale of sub-portfolios
- Fine tuning: 10-15 %
of portfolio p.a.

THE GERMAN RESIDENTIAL REAL ESTATE MARKET – STRONG FUNDAMENTALS

Favorable Macro-Trends in Germany

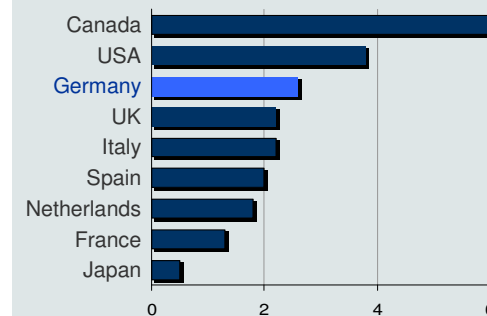
- Unemployment at 14-year low
- Wage increases across the country after 5 years of wage moderation
- New construction volumes in 2007 hit 60-year low
- Migration to Germany and rising house-hold numbers increase demand
- Replacement costs due to scarcity of available land plots and rising construction costs at ca. EUR 1700/sqm

> Medium term rental levels will rise slowly but steadily with effect on rising apartment prices in Germany

The hard numbers

- Unemployment down to 8 % from 10 % 2-years ago
- Wages: IG Metal +4 %, Bahn + 30 %, civil servants +7 %
- Construction: 2007 below 200T new flats (demand: 300-400T p.a.)

Expected net migration (2005 - 2020 per 1000 capita)



Source: UN Population Division

9-MONTH RESULTS CONFIRM CASH PROFITABILITY OF GROUP

- Dividend is strongest signal that FFM is delivering cash-earnings
- 9-months profitability EBT 14m above 2006 9-months results of 4m
- Rental income is steadily growing and stabilizing the P+L
- Sale from Frankfurt conversion Portfolio strong in 2007
- Balance sheet total of EUR 221m vs. EUR 104m vs. end-2006
- Equity at EUR 102m (2006: EUR 67m) leaves room for growth
- Operational profitability results in high dividend yield



FRANCONOFURT P+L - STRONG UNDERLYING EARNINGS BASE

| in '000 Euro (IFRS, EPRA standard)* | 2005 | 9m 2006 | 9m 2007 |
|--|-------------|-------------|--------------|
| Gross rental income | 737 | 1709 | 6168 |
| Net proceeds from assets AfS | 2522 | 807 | 2078 |
| Admin & distr. expenses | 986 | 1666 | 6062 |
| Other income/expenses | 119 | 1101 | 2702 |
| Mark-ups | - | 786 | 13500 |
| Portfolio sale | - | 28 | 197 |
| EBIT | 1863 | 4177 | 16084 |
| Net interest expense | 287 | 519 | 2084 |
| EBT | 1575 | 3658 | 14000 |
| Tax | 659 | 1000 | 3444 |
| Net income bef. minorities | 916 | 2658 | 10556 |
| Net profits after minorities | 856 | 2313 | 7854 |

- Rental income steadily increasing 9m 2007 EUR 6.2m
- Moderate mark-ups: 11 % of financial assets, 9 % of total real estate assets
- P+L will be driven by stable rental income growth
- Cost growth due to infrastructure set up but Q3/Q2 minus 15 %
- Cost side: scale effects to kick in 2008
- Sale of FRM/FRW shares part of ordinary business
- Rental income projection 2008 of EUR 20m minimum

* pre-liminary, subject to change, not audited

FRANCONOFURT BALANCE SHEET – VERY STRONG EQUITY BASE

| in million Euro (IFRS, EPRA standard)* | 2005 | 2006 | 9m 2007 | % chg |
|---|------|-------|------------|-------|
| Total Assets | 22.2 | 104.2 | 221.8 | 2.1x |
| Real estate held as fin.assets | - | 44.1 | 158.3 | 3.6x |
| Real estate AfS | 17.8 | 26.8 | 33.5 | 1.3x |
| Receivables | 2.3 | 13.0 | 3.6 | 0.3x |
| Cash | 1.7 | 15.7 | 13.9 | 0.9x |
| Total Liabilities | 22.2 | 104.2 | 221.8 | 2.1x |
| Group equity total | 10.5 | 67.2 | 102.2 | 1.5x |
| Equity after minorities | 10.4 | 50.9 | 79.1 | 1.6x |
| Long term loans taken | 6.2 | 2.6 | 83.9 | 32x |
| Short term loans taken | 4.9 | 28.3 | 21.2 | 0.7x |

* pre-liminary, subject to change, not audited

- Equity represents c. 45 % of balance sheet total
- FRM + FRW portfolio mark-to-market (c. 10 % mark-up)
- FFM City portfolio AfS
- Receivables strongly reduced, better working capital management
- Cash allows for further growth
- Short term loans swapped into 10y fix contracts
- Riskiness of assets rather low given diversification
- Balance sheet total of EUR 250-300m as of year-end

FRANCONOFURT P+L PROJECTION 2008 - 2009

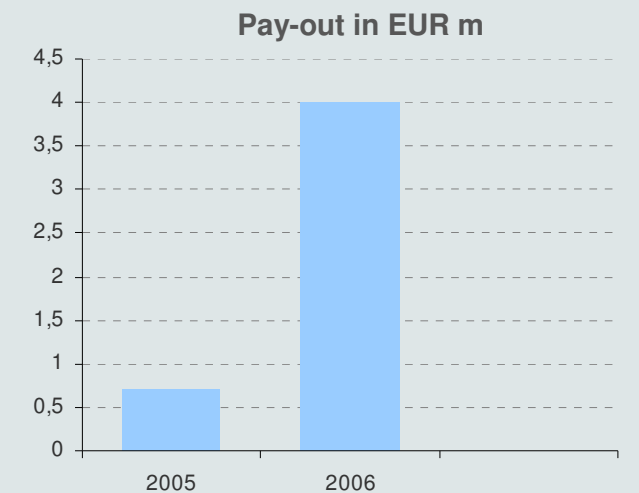
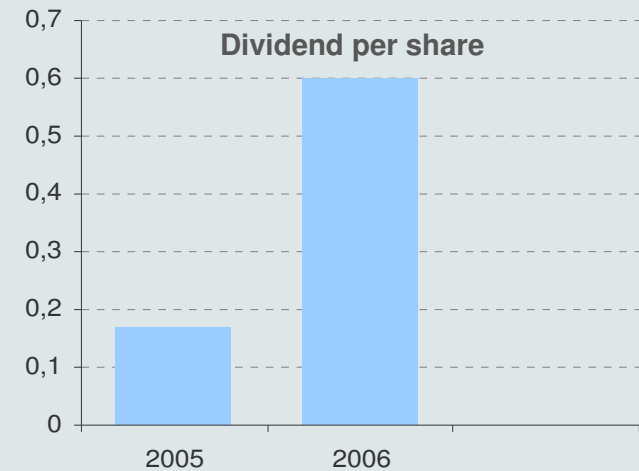
| in '000 Euro (IFRS)* | 2008e | 2009e |
|-------------------------------------|--------------|--------------|
| Gross rental income | 22000 | 23500 |
| Net proceeds from assets AfS | 4500 | 4500 |
| Admin & distr. expenses | 10500 | 11000 |
| Other income/expenses | 0 | 0 |
| Mark-ups | 2000 | 1000 |
| Portfolio sale | 3000 | 4000 |
| EBIT | 21000 | 22000 |
| Net interest expense | 15000 | 15500 |
| EBT | 6000 | 6500 |
| Tax | 2000 | 2200 |
| Net income | 4000 | 4300 |

- Franconofurt is profitable
- Cash generation paramount
- Monthly rental income from 5000-6000 rental units/apartments
- Very granular cash-flow stream
- Top line very stable / secure
- Costs tightly managed
- Profitability can be increased further
- Current projection is very conservative
- Portfolio sale can also generate on top up to 6-10 million in EBT

* forecast, subject to change without notice

ATTRACTIVE DIVIDEND POLICY BY FRANCONOFURT

- High dividend is best signal to investors that cash earnings are produced and not mark-up earnings under IFRS 40
- Franconofurt has established dividend track record
- 2005: EUR 0.17 dividend on 4m shares = EUR 0.7m pay-out
- 2006: EUR 0.60 dividend on 6.6m shares = EUR 4m pay-out
- Dividend is based on German GAAP results = H1 EUR 4.2m
- Franconofurt has been paying dividends since listing in 2005



CURRENT INVESTMENT VOLUMES IN REGIONS AS OF NOVEMBER

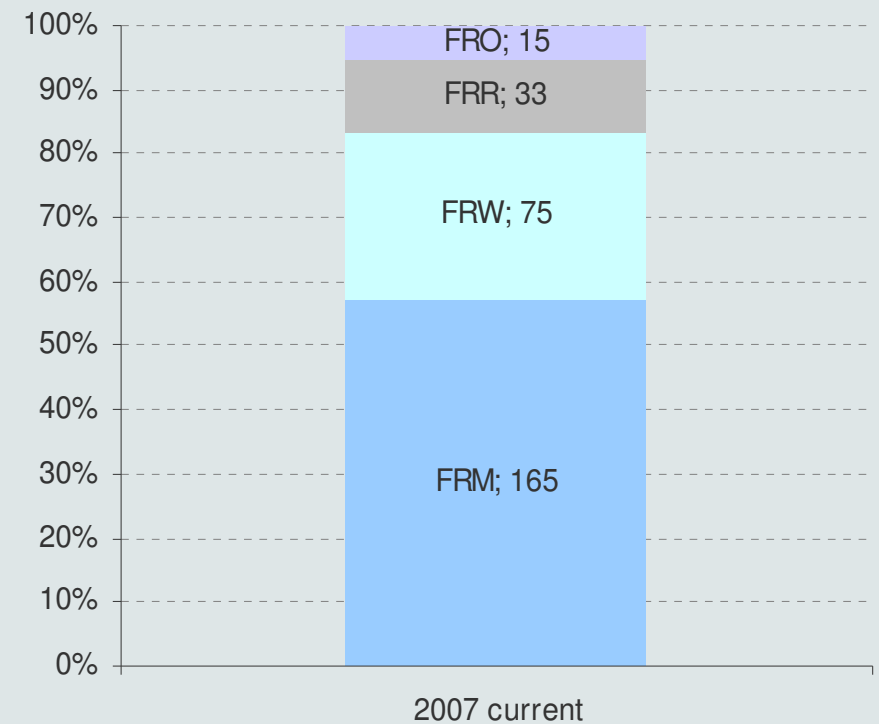
- FranconoRheinMain AG current invested volume at EUR 165m
- FranconoWest AG current invested volume at EUR 75m
- FranconoOst AG current invested volume at EUR 15m
- FranconoResidence AG invested volume at EUR 33m
- Total investment volume c. EUR 290m
- Strong growth track record because the regional portfolios were initiated and are active since:

FRM April 2006

FRW April 2007

FRO May 2007

**Portfolio Volume of Asset Holding
Companies in EUR m as of November 2007**



INVESTMENT DISCIPLINE KEY FOR HIGH QUALITY PORTFOLIO

Step1: the offer

Our broker network
supplies marketing
Documents

Initial figures are
given on object

Hard fact criteria
__ Location
__ Micro structure
__ P+L of house
__ Tenant structure

Our brokers are
urged to also
report houses
with rental yields
below 8 %

Full valuation:
__ DCF
__ NAV

Step2: the facts

Field trip to house

Checking the area

Validating
__ tenant structure
__ rental levels

Categorizing accor-
ding to potential of

1. Tenant
privatization
2. Sale to investors
3. Rent optimization

Step3: 3rd party view

Contact to

__ bank surveyor

__ house mgt

__ financing bank

Final step: closing the deal

Important to speak
to bank before
purchase is done

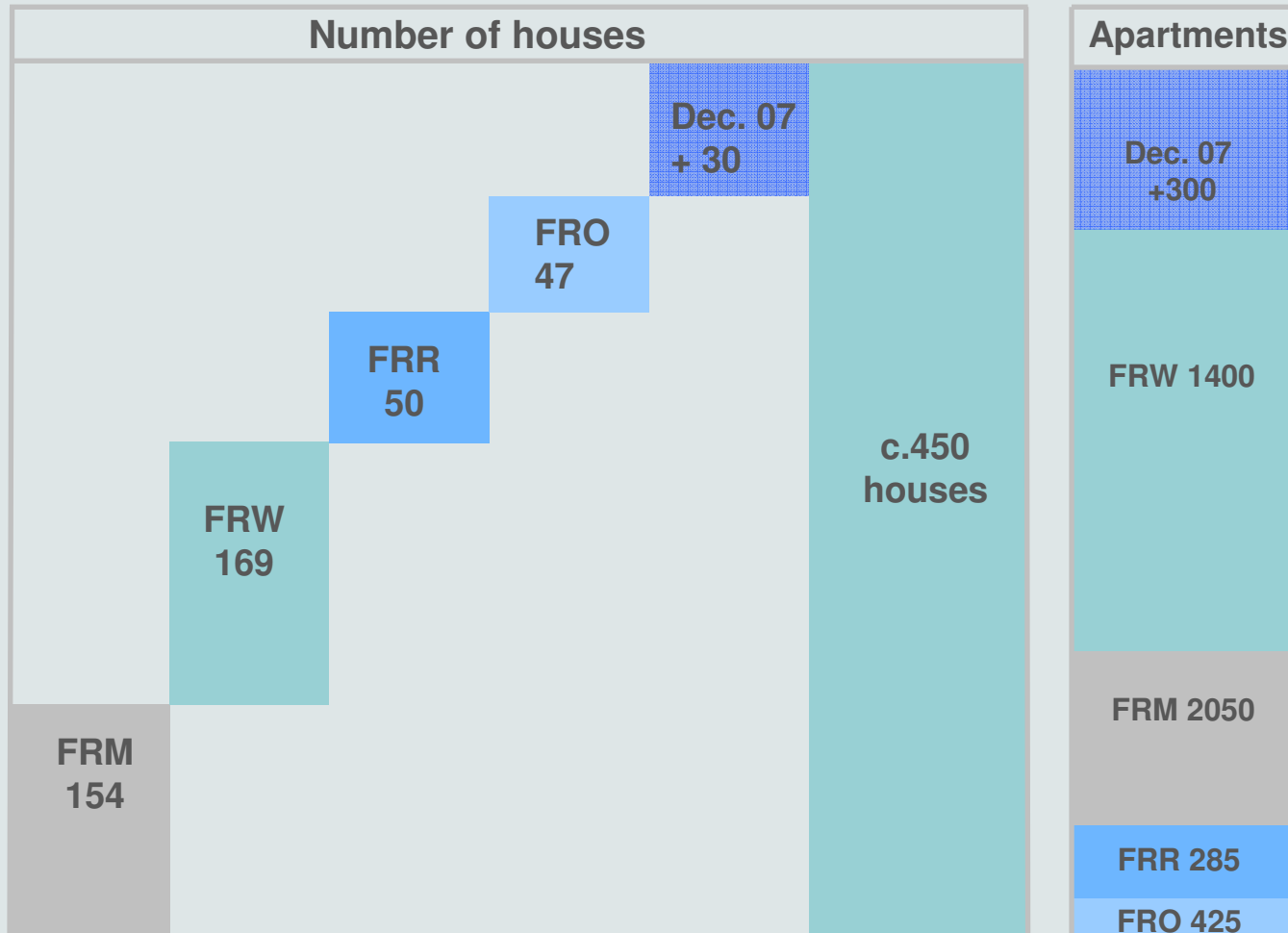
Negotiation of
price: $\geq 8\%$ is must
LTV target: 80 %

Closing the deal

Start of FRM
optimization
process
by co-CEOs
of FRM



CURRENT NUMBER OF HOUSES AND APARTMENTS & END-2007 PROJECTION



- Houses: 450
- Apartments: 4500
- 4500 monthly cash-flow units
- Very stable revenue base
- Regionally diversified
- Each house is handselected
- Quality: 3 stage acquisition due diligence
 1. FFM architects
 2. Bank surveyor
 3. Appraiser/JLL

VOLUME COMPARISON WEST GERMAN PORTFOLIO AND RHEIN MAIN PORTFOLIO

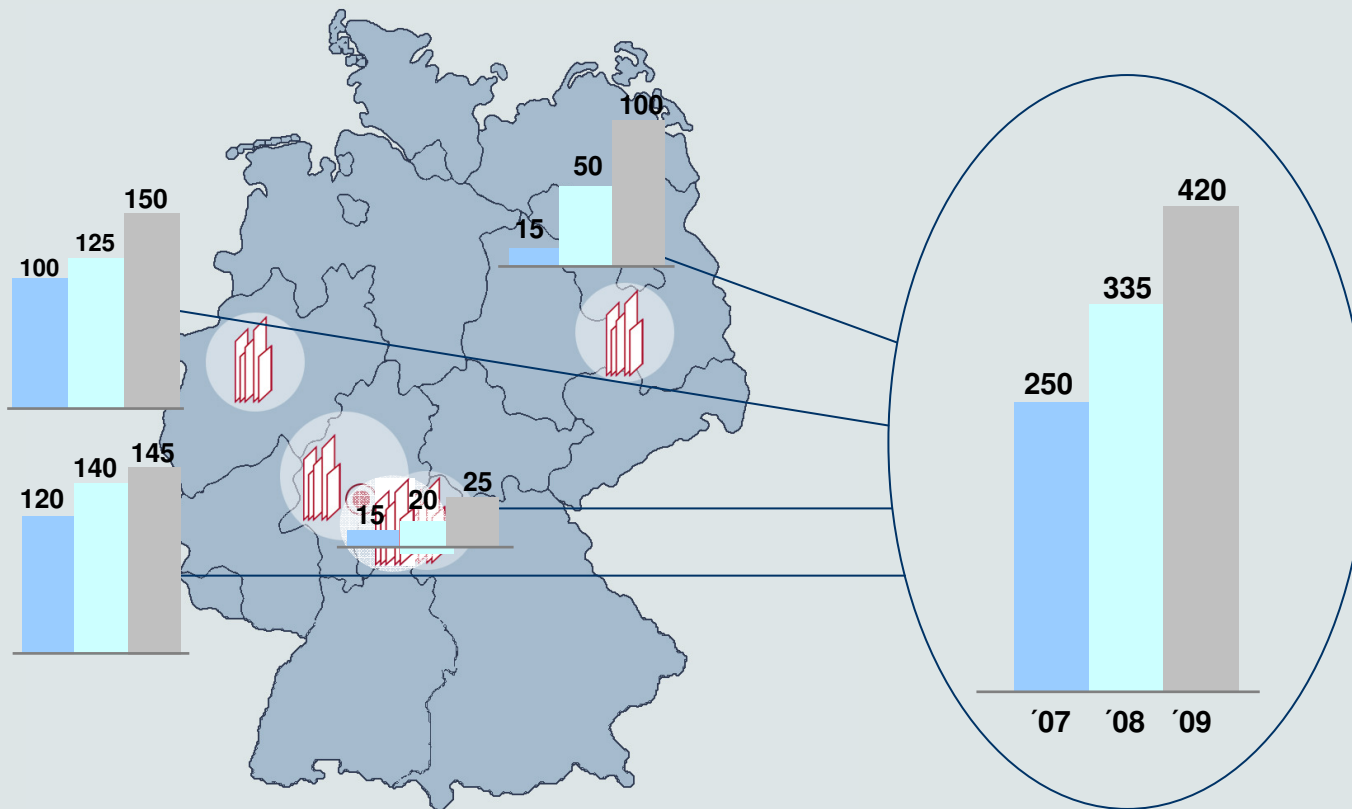
| as of November 2007 | FRM | FRW |
|-------------------------------------|------------------|-----------------|
| Number of houses | 154 | 169 |
| Number of flats | 2,049 | 1,361 |
| Shops | 191 | 57 |
| Total sqm / sq ft | 155,835 | 92,377 |
| Current annual rental income | EUR 11.4m | EUR 6.2m |
| Planned rental income | EUR 11.5m | EUR 8m |
| Currenty rent/sqm/month | EUR 6.09 | EUR 5.55 |
| Current yield | 7.7% | 8.4% |
| Planned yield | 8.4% | 8.5% |
| Vacancy | 6.6% | 3.2% |

- Both FRM and FRW have reached criticals scale
- 2007 was year of ramping-up volumes
- 2008 will be year of optimizing portfolio
- Levers: Vacancy reduction & rental increases
- Vacancy reduction of 1.5 % points equals additional income of EUR 0.2m
- Rental increase plan of 2 % results in additional rents of EUR 0.4m
- Rent per SQM is below market average while quality is above market levels

OPTIMIZING THE FRM PORTFOLIO

| Rental income optimization | Financial impact | Comment |
|--|--|--|
| <p>Reduce vacancy Current avg. vacancy c. 5-6 % Good locations, vacancy reduction possible</p> <p>Increase rents Avg. rental level c. 10 % below market rent Immediately possible for ca. 5 % of flats</p> | <p>Reduce vacancy 1.5 %-points reduction equals c. EUR 0.2m additional rental income</p> <p>Increase rents Avg. rental level c. 10 % below market rent Additional EUR 0.2m income for 5 % bracket</p> | <p>Full reduction of vacancy EUR 0.8m in additional income</p> <p>Fully fledged rental increases 10 % increase of rental income yields 2-3m in income</p> <p>Summary: vacancy & rental optimization (blue sky scenario) EUR 3-4m additional pre-tax income vs. one-off capex of EUR 2m</p> |

REGIONAL ACQUISITION VOLUMES FORECAST: REQUIRES C. EUR 200M NEW EQUITY



Francono Rhein-Main

EUR 950/sqm

8 % net cold rent yield

c.EUR 7.25/sqm/m rental income

FranconoWest

EUR 800/sqm

8-9 % net cold rent yield

c.EUR 5.55/sqm/m rental income

FranconoEast

EUR 650/sqm

9-10 % net cold rent yield

c.EUR 4.50/sqm/m rental income

FranconoResidence

EUR 1650sqm

4-5 % net cold rent yield

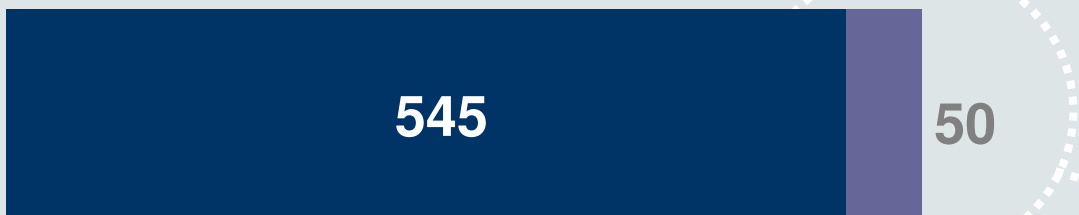
c.EUR 9/sqm/m rental income

GROSS INVESTED VOLUMES IN EUR MILLION – MORE CAPITAL NEEDED (EUR 200M)

2009



2008



2007



IHR WEGWEISER ZU GUTEN ADRESSEN

Wir freuen uns, Ihnen einen unvergleichlichen Portfolio-Plan-Mix präsentieren zu dürfen. Einen sicheren Überblick über unsere Angebote zu erhalten, wenn Sie unser Büro und die Stadt erleben. Dank der wichtigsten Services des Immobilien-zusammenfassend, Informationen zu den einzelnen Objekten und einem Standort-Service für Ihre wichtigsten Partner.

| OBJEKT | NETTO-FLÄCHE (m²) | BRUTTO-FLÄCHE (m²) | VERPACHTUNGSPREIS (€/m²) | INVESTITIONSPREIS (€) |
|-------------------------------|-------------------|--------------------|--------------------------|-----------------------|
| Bismarckstraße 66 | 17 | 200 | 30.000 € | 6.000 |
| Bismarckstraße 67, 69 | 10 | 1.204 | 22.247 € | 264 |
| Friedrichstraße 119 (Eckhaus) | 30 | 1.413 | 20.217 € | 1.300 |
| Friedrichstraße 14 | 15 | 700 | 17.300 € | 260 |
| Georg-Fischer-Straße 26 | 10 | 301 | 30.000 € | 300 |
| Georg-Fischer-Straße 40 | 10 | 200 | 30.000 € | 300 |
| Ludwigstraße 66 | 10 | 1.100 | 10.377 € | 100 |
| Maria-Theresia-Str. | 11 | 200 | 17.000 € | 181 |
| Domstraße 6, 8 | 30 | 1.000 | 10.000 € | 300 |
| Georg-Fischer-Str. | 30 | 2.000 | 20.000 € | 1.400 |
| Gesamtsumme | 208 | 10.117 | 1.907.870 € | 18.000.000 € |

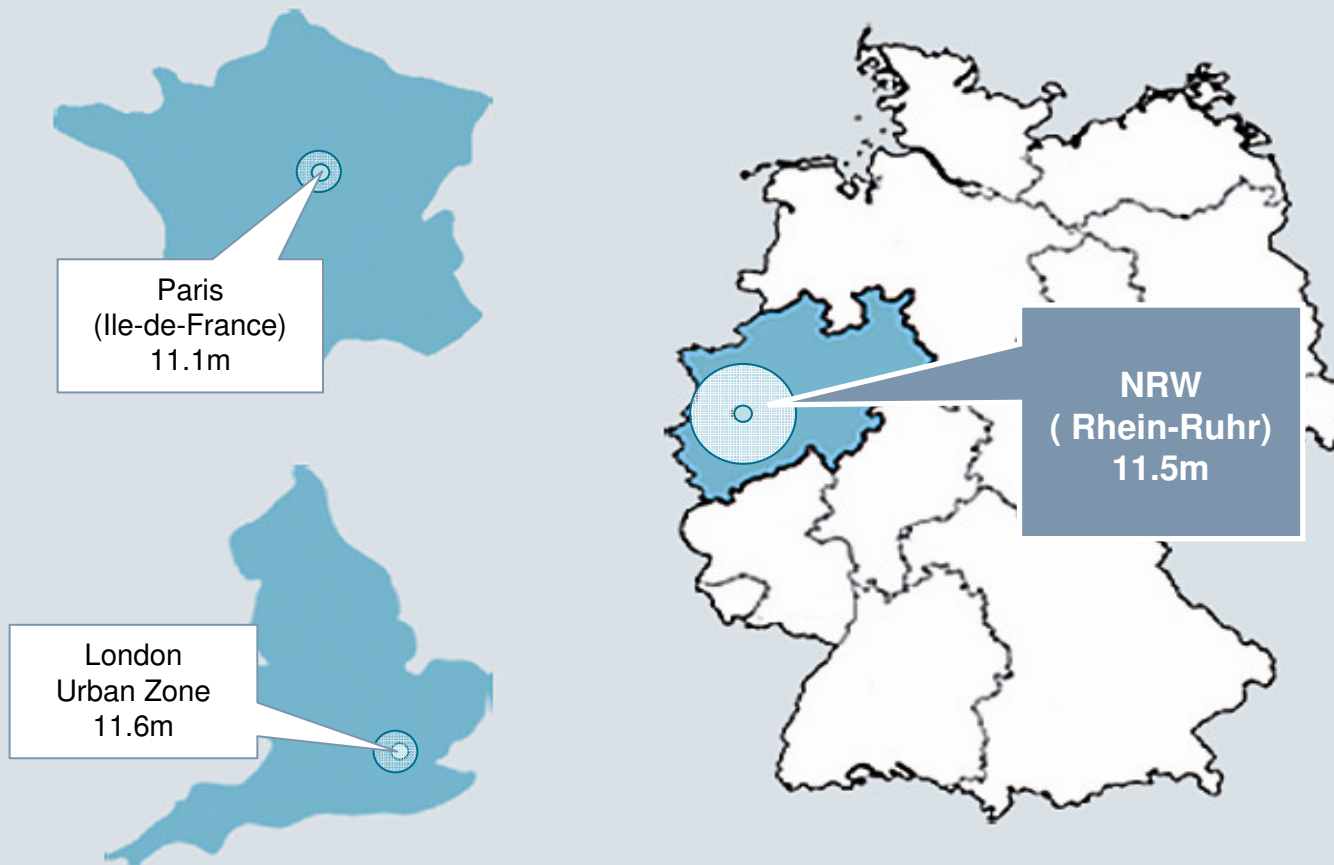


**YOUR PERSONAL CONTACT:
IHR ANSPRECHPARTNER.**

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 info@francofurt.de | www.francofurt.de

FRW – EQUITY STORY

RHEIN-RUHR 2nd LARGEST URBAN AGGLOMERATION IN EUROPE



- **SIZE**
FRW invests in second largest European Urban Agglomeration
- **PRICE ADVANTAGE**
Sqm prices at EUR 850 vs. EUR 2000+ in major EU commuter belts
- **PRICE RISK**
Price risk in FRW portfolio limited since acquisition prices are lowest in EU
- **UPSIDE POTENTIAL**
Upside potential stronger than in major EU hubs due to „missed“ price rally

FRANCONOWEST AG – FULLY INTEGRATED REAL ESTATE PLAYER

Management



Guido Dollhausen, co-CEO



Christiane Möller, co-CEO

- Asset Company

RheinAcquisition GmbH



Dirk Schubert



Team RheinAcquisition

- Acquisition

RheinConstruct GmbH



Christian König



Drazen Propadalo

- Technical Support

RheinProperty GmbH



Carsten Siegert

- Property

FRANCONOWEST AG – PORTFOLIO PRODUCTION

- FranconoWest first „outside“ market
- Transferring FRM/FFM know-how
- Only local expertise
- Learn from experience of FRM

- Major know-how transfer:
- Experienced & big acquisition team
- Infrastructure set-up
- It´s about qualified, local people

- FRW provides much larger market
- Stronger scale effects expected
- Volumes expected to be larger
- IPO done as of Nov. 2007

EQUITY

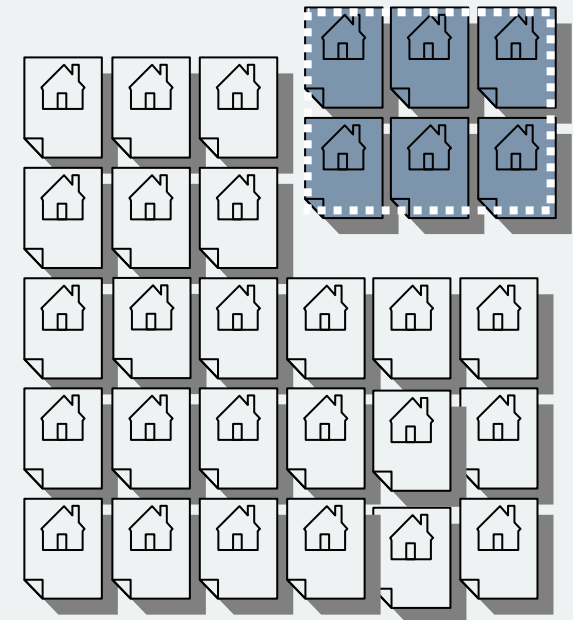
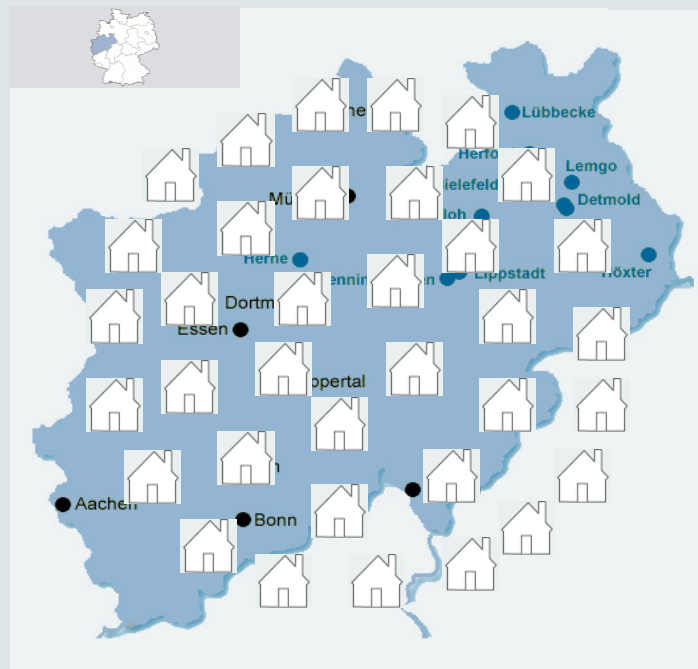
MANAGEMENT



G.Dollhausen CEO



Ch. Möller CEO

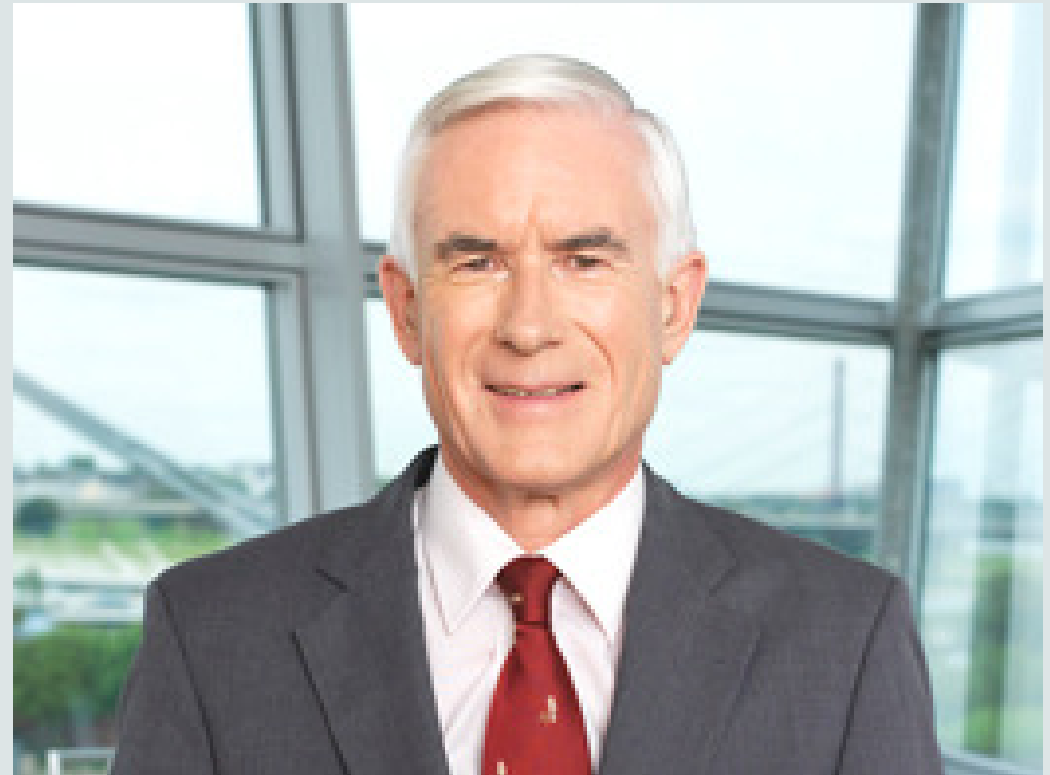


NEW HIGH CALIBRE SUPERVISORY BOARD MEMBER

Dr. Karsten von Köller,

Supervisory board member of FranconoWest

- 20-years experience in mortgage banking
- One of most respected German senior banker
- Former CEO of Eurohypo
- Chairman of Lone Star Germany
- Non-executive board member of WP Carey, US Real estate investment company



SUMMARY OF FRANCONOFURT EQUITY STORY

- German residential investments very lucrative (risk/return profile appealing), low set-back potential, upside chances
- German economic recovery very dramatic and unparalleled in upside swing (record low unemployment, migration)
- Prices for residential housing should continuously rise, no bubble
- Franconofurt is **growth** company and **value** company
- **Growth:** EUR 250m acquisition volume 2007, EUR 1bn until 2009e
- Equity needed is around EUR 200m to continue growth and establish Franconofurt as a leading residential investor in Germany
- **Value:** Handselected houses & strong equity base
 - Equity EUR 77m = 8.8 Euro book value/share
 - Share price EUR 8.20, NAV per share c. EUR 12*



REFERENCES OF HOUSES ACQUIRED IN FRANCONOWEST (WESTERN GERMANY)



REFERENCES OF HOUSES ACQUIRED IN FRANCONORHEINMAIN (CENTRAL GERMANY)



REFERENCES OF HOUSES ACQUIRED IN FRANCONOOST (EAST GERMANY)

