

# THE EUROPEAN SPIN-OFF REPORT

December 29, 2008

## Jelmoli Holding AG / Athris Holding AG (Switzerland)

### Proposed Split into Two Companies

- Proposed creation of two separately listed companies set to occur before the end of March 2009
- We anticipate significant value accretion from the restructuring
- We rate Jelmoli a BUY – at least 27% upside to SFr. 2,346 per share

#### **Jelmoli Holding (Current Structure)**

Sector: Real Estate and Investment

Symbol/Price: JEL SW/SFr.1,854

52-Week Range: SFr.1,551 – SFr.3,009

Outstanding Shares: 499 thousand

Market Capitalization: SFr.1,438 million

Exchange: Swiss Stock Exchange

Web Site: www.jelmoliholding.ch/en

Target Price: SFr.2,346

#### **Jelmoli Holding (Real Estate Company)**

Sector: Real Estate

Symbol: JEL SW

Estimated Fair Value Range per Bearer Share: SFr.1,671– SFr.1,986

Outstanding Shares: 813 thousand registered shares / 4.06 bearer share equivalent

Estimated Mkt. Cap.: SFr.1.36 billion– SFr.1.61 billion

Exchange: Swiss Stock Exchange

Web Site: www.jelmoliholding.ch/en

#### **Athris Holding (Investment Company)**

Sector: Investment

Symbol: N/A

Estimated Fair Value Range per Bearer Share: SFr.890 –SFr.1,204

Outstanding Shares: 499 thousand

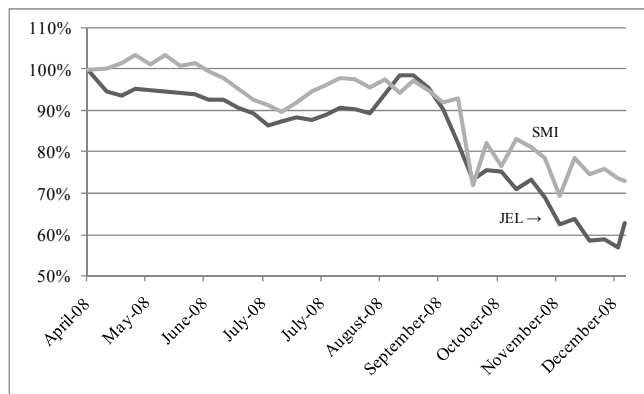
Estimated Mkt. Cap.: SFr.444 million– SFr.601 million

Exchange: Swiss Stock Exchange

Web Site: N/A

Target Date: February/March 2009

### JEL: Share Performance versus the Swiss Market Index (SMI) Since April 9, 2008



Source: Thomson One and Institutional Research Group

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**Institutional Research Group**



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## Summary and Recommendation

After some delay and uncertainty, which has taken its toll on Jelmoli's share price over the past several months, the company's plans to split itself into two separately listed companies on the Swiss Stock Exchange will be presented to shareholders on January 23, 2008. Anticipating broad shareholder support, the creation and listings of a real-estate-focused entity and an investment company are expected to occur in February or March 2009. Our analysis indicates that the corporate restructuring will result in significant value accretion, driven by the unlocking of value of Jelmoli's high-quality and defensive Swiss real estate portfolio. While we prefer the real estate company over the investment company as an investment proposition, we estimate, based on several possible and realistic scenarios, that the combined value accretion from the de-merger could be at least 27% from the current Jelmoli share price of SFr.1,854, implying a target share price for the current entity of SFr.2,346. We rate Jelmoli a BUY, using the current share price weakness as a window of opportunity as execution of the transaction draws nearer.

## The Proposed Split into Two Companies

### Spin-off details and expected timetable

#### Completion of spin-off expected before the end of first quarter 2009

On April 9, 2008, Jelmoli Holding (JEL SW), a leading Swiss investment property and retail group, announced proposals to split itself into two companies – one a real estate company (retaining the Jelmoli name and listing) and the other an investment company (named Athris Holding) – to be listed separately on the Swiss Stock Exchange. Under the de-merger plan, each shareholder of JEL will receive, on a tax-neutral basis, the same number and category of shares in Athris as are owned in JEL on the relevant record date. (Regarding the tax-neutral status, a favorable ruling has already been obtained from the Swiss Federal and Zurich cantonal tax authorities.)

For Jelmoli, the real estate company, the principal assets will be as follows:

- 1) Swiss real estate portfolio – c. 599,000 square meters of mainly prime property located in Geneva and Zurich, with a strong focus on central city locations and prime sales areas for retail companies.
- 2) Development properties – This includes a 44.5% interest in Tivona AG, a company that specializes in the development of large-scale retail trade centers and specialist retail stores in Switzerland.
- 3) Retail department store and credit card operations – Essentially House of Brands,' Switzerland's largest department store, and the 'Bonus Card,' a joint venture with Valartis Group AG (VLRT SW), which issues credit cards as a service to JEL's retail tenants, including House of Brands.

Athris's principal assets will be as follows:

- 1) Cash and financial receivables – Approximately SFr.900 million at listing (pre-buyback of shares, discussed later in this report).
- 2) Investments in hotel and specialty retail operations – Includes an 84.9% stake in the Swiss hotel group, Seiler, plus a restaurant chain and other specialized retailers.
- 3) Participation in international real estate projects – Comprises investments in real estate development projects in Russia and Algeria.

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On October 8, 2008, Jelmoli dispatched the information brochure on its strategic plan to shareholders, inviting them to vote on the proposals at an Extraordinary General Meeting on November 5, 2008. On October 30, 2008, however, the company announced a postponement of the EGM, stating that it needed more time to finalize refinancing arrangements for JEL's current debt facilities. This proved to be only a temporary delay; on December 19, 2008, Jelmoli announced that it will convene the EGM on January 23, 2009, stating that the reason for the initial delay is no longer an impediment to the proposed transaction.

Approval of the proposals requires at least two-thirds of the vote rights and a simple majority of the capital present at the EGM. The company claims broad shareholder support for the split, suggesting that shareholder approval is a formality. The de-merger and the commencement of trading of the two companies on the Swiss Stock Exchange are expected to occur in February or March 2009.

Complementary with the proposed de-merger are two other important , both of which require attention in order to properly assess the overall benefit to shareholders arising from the split. First, the Jelmoli board is proposing to unify the shareholder structure in the real estate company (i.e., one share, one vote, with no controlling shareholder); second, the board proposes to grant an option to Athris shareholders to sell back shares distributed to them in return for cash.

## Plan to unify share structure in the real estate entity

Currently, Jelmoli has a dual-share class structure, which will be maintained for the investment company, Athris. The two-class share structure comprises bearer shares with a par value of SFr.50 each and registered shares with a par value of SFr.10 each, with each share of either class carrying one vote. This structure has enabled JEL's principal shareholder, Pelham Investments, controlled by German business magnate Georg Von Opel, to control the company's voting rights with only one-quarter of JEL's equity (see Exhibit 1).

## Exhibit 1 Jelmoli Holding: Share Structure and Major Shareholders, Pre-Spin-Off

Shareholder	Bearer (Listed)		Registered		% of Vote	% of Capital
	Par of SFr.50 each		Par of SFr.10 each			
Pelham	0	-	962,381	72.8%	52.9%	25.2%
Walter Fust	1,100	0.2%	259,501	19.6%	14.3%	6.9%
<b>Subtotal</b>	<b>1,100</b>	<b>0.2%</b>	<b>1,221,882</b>	<b>92.5%</b>	<b>67.2%</b>	<b>32.2%</b>
Institutional Investors Group	131,070	26.3%	0	-	7.2%	17.2%
Others	366,638	73.5%	99,472	7.5%	25.6%	50.7%
<b>Total</b>	<b>498,808</b>	<b>100.0%</b>	<b>1,321,354</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company reports and Institutional Research Group

Under the share unification proposals, Pelham will receive 250,000 new registered shares in the real estate company at par value in exchange for giving up voting control of Jelmoli Real Estate Company. Under such proposals, Pelham's equity stake in the real estate company would be 29.8%, rather than the 25.2% stake it would receive simply from a proportional distribution of the capital (see Exhibit 2). This corresponds to a c.18% reverse control premium for Pelham. The proposed premium followed months of discussion with JEL's shareholders about the appropriate level. At the time of the initial announcement of the spin-off plan in April 2008, there had been mention of a premium in the 20%-30% range.

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## Exhibit 2 Jelmoli Real Estate Company: Share Structure and Major Shareholders

Share Structure	Par of SFr.10 each
Registered Shares In Issue	1,321,354
Converted Bearer Shares	2,494,040
<b>Subtotal</b>	<b>3,815,394</b>
New Shares Issued to Pelham	250,000
<b>Total</b>	<b>4,065,394</b>

Major Shareholders	Amount	%
Pelham	1,212,381	29.8%
Walter Fust	265,001	6.5%
<b>Subtotal</b>	<b>1,477,382</b>	<b>36.3%</b>
Institutional Investors Group	655,350	16.1%
Others	1,932,662	47.5%
<b>Total</b>	<b>4,065,394</b>	<b>100.0%</b>

Source: Company reports and Institutional Research Group

### Buyback of Athris shares

For Athris, the investment company, the shareholding structure will initially replicate JEL's current structure (see Exhibit 1). However, under the buyback proposal, Athris shareholders will be given put options enabling them to sell back to Athris a part of the shares distributed to them at a 15% discount to the company's equity book value, up to a total value of SFr.400 million. Using Athris's pro-forma net book value of SFr.1.064 billion as of June 30, 2008, we estimate that up to approximately 337,500 bearer shares or equivalents could potentially be bought back, consequently reducing the investment company's share capital by a maximum of about 44%, with a potentially significant negative impact on free-float and liquidity (see Exhibit 3). Pelham has already declared that it will not participate in the buyback program, which could notionally result in an increase in its shareholding in the investment company to a maximum of 45% of Athris's capital and up to 80% of the voting shares (from 25.2% and 52.9%, respectively).

### Exhibit 3 Athris Holding: Buyback Program

(mn, except per share data)	
Equity Book Value (06/30/08)	SFr. 1,064
Less 15% Discount	SFr. 160
Discount Equity Book Value	SFr. 904
Per Bearer Share	SFr. 1,185
<b>Total Number of Shares</b>	<b>763,079</b>
Maximum Value of Buy-Back Program	SFr. 400
<b>Maximum Number of Buy-Back Shares</b> <b>(44% of initial capital)</b>	<b>337,496</b>

Source: Company reports and Institutional Research Group

## Background of the De-merger

### Latest corporate restructuring reorientation raises questions about strategic direction

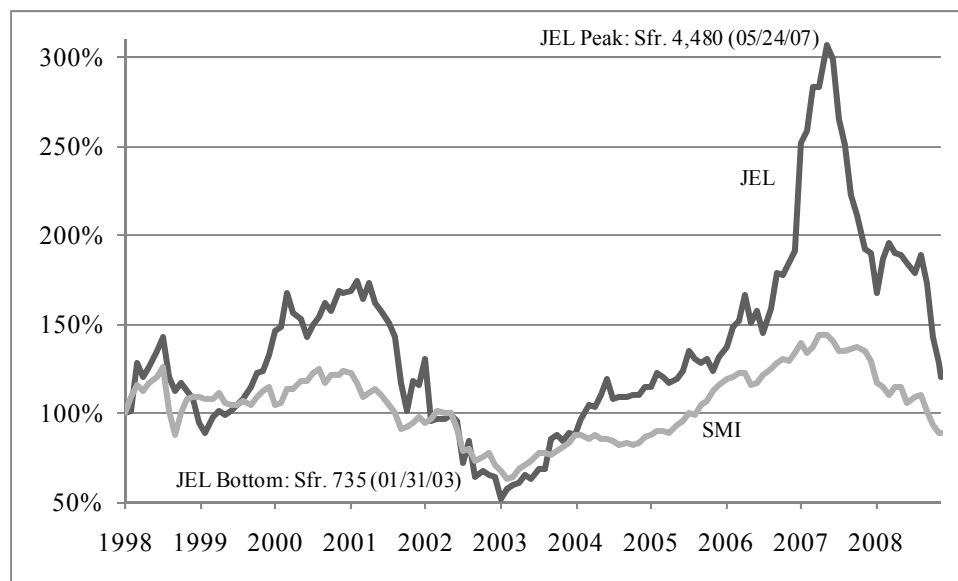
The past 20 years and more have been witness to several shifts in strategic approach to Jelmoli's business structure, but until recently, the company's development had been straightforward. Having first

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established itself as Switzerland's leading department store chain, and then later spreading its wings to embrace specialty retail, in the second half of the 1990s Jelmoli began to successfully transform itself into a retail and real estate holding company, with a strong focus on retail real estate. At that point, the company's strategic development was logical and easy to understand, and it was given a strong vote of confidence by investors.

In 2007, however, Jelmoli began to embark on a much more radical and complex metamorphosis, with the intention of turning itself into an investment company. This latest strategic shift, initiated by Pelham (which became JEL's majority shareholder in 2003), has not worked out very smoothly. The sequence of events up to this point, including delays in the de-merger process and uncertainty related to certain elements of the plan, such as the reverse control premium and the lack of transparency about Athris in particular, has resulted in a severe loss of investor confidence in the company, culminating in significant share price underperformance since mid-2007.

## Exhibit 4 JEL: Share Price Performance Since 1998



Source: Thomson One and Institutional Research Group

### The sequence of events – the rocky road to de-merger

**July 2007** – With the initial intention to cash in on its Swiss real estate portfolio, JEL announced an agreement to sell the portfolio to an Israel-based private equity consortium for SFr.3.4 billion (including financial liabilities). JEL also granted the consortium an option to buy its flagship retail operation, House of Brands. However, as the chart in Exhibit 4 clearly demonstrates, investors took no solace in the deal.

**December 2007** – The deal was officially declared dead as Jelmoli commenced legal proceedings against the consortium for breach of contract after the consortium backtracked on its original offer. JEL also announced that it would undertake a strategic review in light of the failed sale. This only added to investor uncertainty about JEL's strategic direction.

**April 2008** – Jelmoli outlined its de-merger and share restructuring intentions, after revealing that the board had initially determined that an offer for the company could be in the interest of shareholders. However, notwithstanding an indication of interest by Pelham in buying out Jelmoli, no offer has materialized.

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**October 2008** – Jelmoli announced a date for an EGM for shareholders to consider the company's restructuring proposals, but the EGM was subsequently delayed from November 5, 2008, to January 23, 2009.

## Valuation Analysis

### Jelmoli Holding

The real estate company will comprise the following assets:

- 1) Swiss investment property portfolio
- 2) Swiss development properties
- 3) House of Brands department store and credit card operations

We derive an NAV estimate (after deferred taxes) for the unbundled Jelmoli Holding of SFr.418 per registered share or SFr.2,091 per bearer share equivalent (see Exhibit 5). Our calculation is largely based on pro forma data contained in the company's information brochure, with the only difference being our valuation on the retail trade business, where we have adopted an earnings-based approach rather than using book value. Consequently, our NAV is c.6% higher than the company's pro forma NAV of SFr.394 per registered share, or SFr.1,972 per bearer share equivalent. The key valuation driver for the unbundled company is the investment property portfolio, accounting for 87% of total asset value. The portfolio is independently valued every six months by Wuest & Partner, one of Switzerland's leading property value assessors. The latest valuation of SFr.3.1 billion is the most up-to-date (as of June 30, 2008) market valuation of Jelmoli's investment property portfolio.

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## Exhibit 5 Jelmoli Holding (Unbundled): Appraised Net Asset Valuation

(Mn, except per share data)	Value	Value Methodology/Assumptions
<u>Swiss Real Estate Portfolio</u>		
Completed Investment Properties	SFr. 3,140	Appraised Value - Implies Gross Rental Yield of 5.6%
Property Under Construction	SFr. 33	Book Value as at June 30, 2008
Tivona AG (44.5%)	SFr. 58	Book Value as at June 30, 2008
Subtotal	SFr. 3,231	
<u>Retail Trade &amp; Other</u>		
House of Brands/Bonus Card	SFr. 150	5x estimated 2008 EBITDA of SFr.30 million
Other assets	SFr. 210	Book Value as at June 30, 2008
Subtotal	SFr. 360	
<b>Total Assets</b>	<b>SFr. 3,591</b>	
<u>Liabilities</u>		
Net Financial Liabilities	SFr. 1,244	Based on mid-2008 pro-forma numbers
Deferred Tax Liabilities	SFr. 436	Based on mid-2008 pro-forma numbers
Other Liabilities	SFr. 207	Based on mid-2008 pro-forma numbers
<b>Total Liabilities</b>	<b>SFr. 1,887</b>	
<u>Total Equity</u>	SFr. 1,704	
Minorities	SFr. 4	
<b>Net Asset Value</b>	<b>SFr. 1,700</b>	
<b>NAV Per Registered Share</b>	<b>SFr. 418</b>	
<b>NAV Per Bearer Share Equivalent</b>	<b>SFr. 2,091</b>	

Source: Company reports and Institutional Research Group

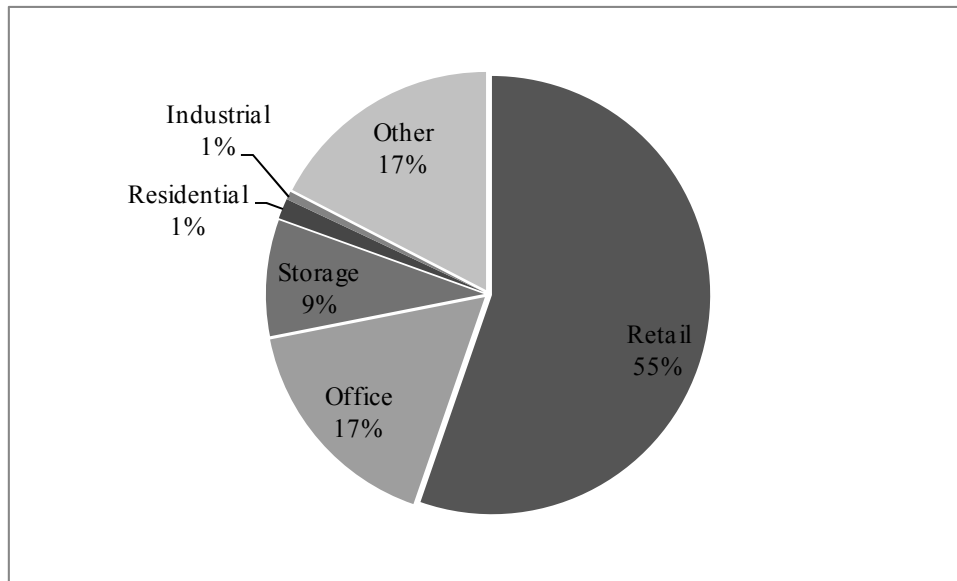
### Swiss investment real estate portfolio - high-quality portfolio with unique defensive qualities

Jelmoli's Swiss investment real estate portfolio comprises 101 properties and almost 600,000 square meters of rented space as of June 30, 2008 (this has been augmented by 8,000 square meters after the opening of a new shopping center in Thonex, Geneva, in September 2008). Since the company's real estate division was established in 1998, it has enjoyed consistent annual rental income growth of c. 12%. Over this period, its rentable retail and office floor space has virtually doubled. Jelmoli can justifiably claim to own a high-quality portfolio, with 90% of its rented space located in areas classified as first class or good. Geographically, about three-quarters of its rented space is located in Geneva and Zurich. The portfolio's original focus was large retail properties in popular central city locations in Zurich, Geneva, and Lausanne, and it continues to be concentrated primarily in those locations.

Based on signed lease agreements as at June 30, 2008, Jelmoli's investment properties generate total annualized rental income of c.SFr.177 million, with c.89% of this total from third-party tenants. More than half this rental income is generated from retail tenants, with the next largest contribution coming from office tenants (see Exhibit 6).

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## Exhibit 6 Jelvoli Real Estate Company: Sources of Rent



Source: Company reports and Institutional Research Group

Owing to its prime locations and tenant mix, Jelvoli has historically been able to manage its property portfolio with low vacancy rates. Vacancy rates across the portfolio have averaged just 3.2% since 2000, and since 2005, vacancies have held below 3%, consistently below other major listed property investors, such as PSP Swiss Property (PSPN SW) and Swiss Prime (SPSN SW). This is primarily because Jelvoli has a uniquely large exposure to retail properties that have tended to be shielded from competition owing to a lack of available sites in its preferred locations. The current vacancy rate in Jelvoli's retail portfolio is less than 1%.

## Exhibit 7 Jelvoli Real Estate Company: Portfolio Overview versus Other Major Listed Swiss Property Investment Companies

(% of Rental Income, 2008)	Property Type			Vacancy Rate		Gross Rental Yield (%)			Loan To Value (%)
	Retail	Office	Other	2008	2007	2008	2007	2008	2007
<b>Jelvoli</b>	<b>55%</b>	<b>17%</b>	<b>28%</b>	<b>2.9%</b>	<b>2.6%</b>	<b>5.6%</b>	<b>6.0%</b>	<b>40%</b>	<b>43%</b>
PSP Swiss Property	14%	66%	20%	10.4%	10.6%	5.2%	5.1%	41%	41%
Swiss Prime	22%	56%	22%		4.9%	5.6%	5.6%	65%	60%

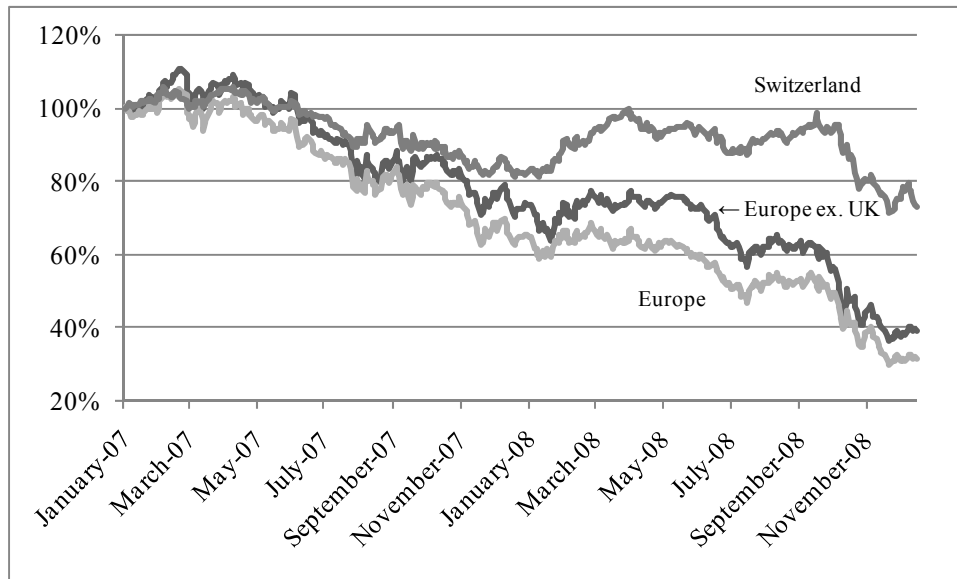
Source: Company reports and Institutional Research Group

### Outlook – Jelvoli retail portfolio appears protected against economic downturn

The Swiss real estate sector has proved relatively resilient, as demonstrated by the significant outperformance of Swiss real estate stocks relative to European real estate stocks during 2008 (in spite of JEL's poor share price performance).

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## Exhibit 8 Swiss Real Estate Equity Index versus Europe



Source: European Public Real Estate Association and Institutional Research Group

The Swiss economy has been slowing this year, although it has so far escaped the full force of the global financial meltdown. The Swiss government recently warned, however, that it expects the export-driven economy to head into its worst recession since 1991. The government projects the economy to shrink by 0.8% in 2009 after estimated 1.9% growth in 2008 (down from 3.3% in 2007). Although it is reasonable to assume that the Swiss real estate market will not be impervious to such a trend, Jelmoli's investment property portfolio exhibits considerable defensive qualities.

Having been bolstered by high levels of consumer confidence for much of the past year, the outlook for the Swiss retail property market as a whole is currently threatened by weakening consumer sentiment and the prospect of more frugal spending by Swiss consumers. However, this threat appears greatest for retail landlords in areas outside the main city centers, where ongoing floor space expansion will add to a supply/demand imbalance. Jelmoli's retail rental portfolio, by contrast, represents a unique proposition for a variety of reasons:

- **Prime locations:** As we stated above, the company's retail properties are predominantly in prime city center locations, with limited competition and a low level of vacancies.
- **Defensive rental contract structure:** While the company's office and storage floor spaces are rented out on a fixed-price contract basis (with an annual adjustment mechanism linked to the inflation rate), this is true of only about 20% of Jelmoli's retail rent contracts. Eighty percent of retail rental contracts are based on a minimum fixed-rent threshold (providing downside protection), and a variable element, with no fixed ceiling, that is proportionately linked to the sales revenue of tenants if it is above the minimum threshold. In 2007, approximately 95% of retail rental income was based on fixed or minimum rental rates (the company's strategy is to continuously look to raise minimum threshold levels), with c.5% generated from variable rents, a mix that ensures a large degree of stability in Jelmoli's retail rental income profile.
- **Long rental contract maturities:** The average term of rental agreements in the Jelmoli real estate portfolio is around 13 years (mainly reflecting retail tenant agreements), providing another source of stability to the company's rent profile. In terms of rental income, an average of less than 5% per

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year of the existing contracts will mature over the next 10 years. Within the next two years, a total of 17% of Jelmoli's rental contracts across its portfolio are due for renewal. The company has indicated that the bulk of the upcoming lease maturities are related to the retail portfolio. It is true that in the current environment, there may be more resistance to increased rental levels; however, in view of the prime locations of the retail properties and the competitive level of achievable rents in those properties in comparison to the rest of the market (a function of the long maturity of its lease agreements), Jelmoli's management is confident that existing renewal options will be exercised by the main tenants without recourse to negative rental reversions.

Jelmoli's office portfolio is potentially more vulnerable to deteriorating economic conditions, with vacancy rates running at c.8%. However, Jelmoli's low level of office lease contracts due to be rolled over in 2009 and 2010 is a positive factor in the current environment and contrasts favorably with the riskier lease expiry profiles of both PSPN and SPSN (both largely exposed to the office sector). For PSPN and SPSN, lease renewals due in 2009 and 2010 account for 28% and 30%, respectively, of their existing contracts, which would suggest greater vulnerability to a slowing office rental market.

## Key valuation drivers – rent and yield

Given the portfolio's attributes discussed above, we do not believe there is much downside risk to Jelmoli's rental income profile going forward. Our confidence is supported by historical precedent. In 2003, the last time the Swiss economy fell into recession (GDP contracted by 0.2%), Jelmoli actually recorded increases of 5.6% and 3.5%, respectively, on a rent per square meter basis from its retail and office properties, aided by the portfolio's rental reversion cycle. We believe that an increase in property market yields poses the greater risk to our NAV appraisal.

Exhibit 9 illustrates sensitivities of our NAV estimate for the real estate company. While a 5% drop in average rent received cuts our NAV estimate by 8%, a 0.4-percentage-point increase in gross rental yield reduces the NAV by 11%. We estimate that Wuest & Partner's SFr.3.1 billion valuation of Jelmoli's investment property portfolio implies a gross rental yield of 5.6%. Over the past eight years, Jelmoli's gross rental yield has for the most part settled around 6%. By historical standards, the current 5.6% yield is low, driven by the portfolio's high occupancy rates and falling swap rates in Switzerland. However, should the gross yield return to 6%, and assuming no change in rental income, our NAV appraisal falls by 11% to SFr.1,857 per bearer share.

## Exhibit 9 Jelmoli Real Estate Company: NAV per Bearer Share Sensitivities

Yield	-10%	-5%	0%	5%	10%
6.5%	SFr. 1,243	SFr. 1,412	SFr. 1,578	SFr. 1,746	SFr. 1,912
6.0%	SFr. 1,494	SFr. 1,676	SFr. 1,857	SFr. 2,039	SFr. 2,220
5.5%	SFr. 1,728	SFr. 1,924	<b>SFr. 2,091</b>	SFr. 2,312	SFr. 2,505
5.0%	SFr. 2,147	SFr. 2,366	SFr. 2,583	SFr. 2,802	SFr. 3,018
4.5%	SFr. 2,583	SFr. 2,826	SFr. 3,066	SFr. 3,310	SFr. 3,551

Source: Institutional Research Group

## Fair value target range of SFr.1,671 – SFr.1,986 based on 5%-10% discount to NAV range

The next step in deriving a fair value for Jelmoli Holding is to determine the appropriate discount to NAV that the market should attribute to the separated entity. As a reference point, PSPN and SPSN, the two largest real estate companies listed on the Swiss bourse, have traded at a premium to their NAVs for much of 2008. Following recent share price weakness as perceptions about the relatively defensive Swiss real

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estate sector have turned a little more negative, both stocks are currently trading at a c.13% discount to their respective NAVs. In 2003, PSPN's discount to NAV averaged 20%; SPSN's discount averaged just 10% (see Exhibit 10).

## Exhibit 10 JEL, PSPN, and SPSN: Price/NAV

	2003	2004	2005	2006	2007	2008	2003-2008
Jelmoli	-18%	14%	20%	45%	87%	-28%	20%
SPSN	-8%	4%	17%	22%	26%	6%	11%
PSPN	-20%	-9%	8%	21%	18%	1%	3%

Source: Thomson One and Institutional Research Group

Given, as we have argued, that Jelmoli Holding offers a superior risk profile relative to both PSPN and SPSN, and in view of the fact that Jelmoli will not be burdened by the uncertainties that have dogged it in its current structure since mid-2007, we would expect the unbundled Jelmoli Holding to command a narrower discount than its peers. As shown in Exhibit 11, our fair value estimate assumes a price discount of 5%-10% to our assumed NAV range of SFr.1,857 - SFr.2,091 per share (we cannot discount the possibility that yields will revert to Jelmoli's long-term average of 6%), implying a fair price range of SFr.1,671 - SFr.1,986.

## Exhibit 11 Jelmoli Holding: Fair Value – Price/NAV Sensitivity Analysis

NAV	Discount / Premium				
	-20%	-15%	-10%	-5%	0%
SFr. 2,091	SFr. 1,673	SFr. 1,777	<b>SFr. 1,882</b>	<b>SFr. 1,986</b>	SFr. 2,091
SFr. 1,857	SFr. 1,486	SFr. 1,578	<b>SFr. 1,671</b>	<b>SFr. 1,764</b>	SFr. 1,857

Source: Institutional Research Group

### Athris Holding

The investment company will comprise the following assets:

- 1) Cash and financial receivables
- 2) 84.9% equity holding in Seiler Hotels (group of five- and four-star hotels plus other properties used for residential and commercial purposes)
- 3) Specialty retail companies, including Molino (restaurants), Beach Mountain (specialized retailer for skateboarders and snowboarders), and Fundgrube (clothing in the lower price segment)
- 4) Participation in property development projects in Russia and Algeria

Our estimated NAV for Athris Holding (before the buyback program) is SFr.306 per registered share, or SFr.1,483 per bearer share (see Exhibit 12). Our calculation is based on pro forma data contained in Jelmoli's information brochure plus our own value estimates for Athris's hotel and specialty retail businesses. Our NAV is c.6% above the published pro forma net book value of SFr.279 per registered share, or SFr.1,394 per bearer share equivalent.

The buyback program increases the intrinsic value per share. If 50% of the SFr.400 million buyback option is taken up, our estimated NAV per share rises by c.6%. If the maximum number of shares under the program is bought back by Athris, then the NAV per share enhancement is c.12%.

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## Exhibit 12 Athris Holding: Appraised Net Asset Valuation

(Mn except per share data)	Value	Value Methodology/Assumptions
Cash and Financial Receivables	SFr. 878	Book Value as at June 30, 2008
Seiler Hotels	SFr. 234	Wuest & Partner valuation of Selier real estate (SFr.189 mn) plus 5x 2008e EV/EBITDA for hotel business (SFr.45 mn)
Specialty Retail Businesses	SFr. 85	5x 2007 EV/EBITDA
Russia Projects	SFr. 64	Book Value as at June 30, 2008
Algeria Project	SFr. 10	Book Value as at June 30, 2008
<b>Total Assets</b>	<b>SFr. 1,271</b>	
Financial Liabilities	SFr. 57	Book Value as at June 30, 2008
Deferred Tax Liabilities	SFr. 25	Book Value as at June 30, 2008
Other Liabilities	SFr. 22	Book Value as at June 30, 2008
<b>Total Liabilities</b>	<b>SFr. 104</b>	
<b>Total Equity</b>	<b>SFr. 1,167</b>	
Minorities	SFr. 35	
<b>Net Asset Value</b>	<b>SFr. 1,132</b>	
<b>NAV Per Registered Share</b>	<b>SFr. 306</b>	
<b>NAV Per Bearer Share Equivalent</b>	<b>SFr. 1,483</b>	

### After Share Buy-Back

Assumption: 50% of buy-back option taken up	SFr. 1,568
NAV Per Bearer Share Equivalent	
Assumption: 100% of buy-back option taken up	SFr. 1,720
NAV Per Bearer Share Equivalent	

Source: Company Reports and Institutional Research Group

## Athris likely to trade at deep discount

We regard Athris as the less attractive investment proposition to emerge from the restructuring of Jelmoli. Outside of Athris's cash pile, we opine that there is little to excite investors about the company's other assets – to the extent that the market might well attach little or no value to them. If we assume that Athris is valued at net cash, then the stock would be valued in the 27%-42% discount to NAV range. The key variable here is the take-up by minority shareholders of the buyback option. The greater the take-up, the wider the discount, which could become even more pronounced as a consequence of the reduced liquidity/free-float.

## Exhibit 13 Athris Holding: Valued at Net Cash

	At net cash	NAV	Discount
Pre-Buyback NAV	SFr. 1,076	SFr. 1,483	-27%
50% Buyback	SFr. 1,045	SFr. 1,568	-33%
100% Buyback	SFr. 989	SFr. 1,720	-42%

Source: Institutional Research Group

Another concern at this point is that there are scant details about Athris's investment strategy, other than that it aims to have long-term participations in five to fifteen undervalued companies in Europe and North America with a sustainable business model and plans to maintain a conservative leverage strategy.

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If current listed European investment company vehicles are anything to go by, then we would expect Athris to trade a deep discount to its NAV. Investment holding companies of various quality are currently trading between a 25% (Investor AB) and 55% (CIR) discount relative to NAV. While Athris will start with an enviably strong net cash position (c.73% of our NAV estimate), we do not subscribe to the view that this will guarantee that Athris will trade at the narrow end of the prevailing European investment holding company discount to NAV range. The lack of a value creation track record suggests that the company will start trading at deep discount. This would be no bad thing for the controlling shareholder (Pelham), which might consider taking Athris private. Assuming a 30%-40% discount range would imply, based on various scenarios, a share price range for the stock of SFr.890 - SFr.1,204 (see Exhibit 14).

## Exhibit 14 Athris Holding: NAV Discount Sensitivities

	NAV	Discount to NAV			
		20%	30%	40%	50%
Pre-Buyback NAV	SFr. 1,483	SFr. 1,186	SFr. 1,038	SFr. 890	SFr. 742
50% Buyback	SFr. 1,568	SFr. 1,254	SFr. 1,098	SFr. 941	SFr. 784
100% Buyback	SFr. 1,720	SFr. 1,376	SFr. 1,204	SFr. 1,032	SFr. 860

Source: Institutional Research Group

## Conclusion

Overall, we see significant value accretion potential from splitting Jelmoli into two separate entities, driven by the unlocking of value of Jelmoli's high-quality Swiss real estate portfolio. Upon consideration of several realistic scenarios (using our range of NAV estimates shown in Exhibits 15 and 16), we estimate that the combined value accretion from the de-merger could be at least 27% from the current Jelmoli share price of SFr.1,854.

## Exhibit 15 Value Accretion Possibilities A

(Million)	Jelmoli *	Athris **	Jelmoli Combined
NAV Per Bearer Share	SFr. 2,091	SFr. 1,483	SFr. 3,574
Current Jelmoli Share Price			SFr. 1,854
Discount to NAV			-48%

Price Target Assumptions						
Discount to NAV	Jelmoli (Real Estate)	Discount to NAV	Athris (Investment)	Implied Jelmoli (Combined) Share Price	Implied discount to NAV	Value Accretion
5%	SFr. 1,986	30%	SFr. 1,038	SFr. 3,025	-15%	63%
10%	SFr. 1,882	40%	SFr. 890	SFr. 2,772	-22%	49%
20%	SFr. 1,673	50%	SFr. 742	SFr. 2,414	-32%	30%

\* Base case value

\* Indicates pre-buyback value

Source: Institutional Research Group

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## Exhibit 16 Value Accretion Possibilities B

(Million)	Jelmoli *	Athris **	Jelmoli Combined
NAV Per Bearer Share	SFr. 1,857	SFr. 1,720	SFr. 3,577
Current Jelmoli Share Price			SFr. 1,854
Discount to NAV			-48%

### Price Target Assumptions

Discount to NAV	Jelmoli (Real Estate)	Discount to NAV	Athris (Investment)	Implied Jelmoli (Combined) Share Price	Implied discount to NAV	Value Accretion
5%	SFr. 1,764	30%	SFr. 1,204	SFr. 2,968	-17%	60%
10%	SFr. 1,671	40%	SFr. 1,032	SFr. 2,703	-24%	46%
20%	SFr. 1,486	50%	SFr. 860	SFr. 2,346	-34%	27%

\* Jelmoli value applying 6% gross rental yield

\*\* Indicates full buyback value

Source: Institutional Research Group

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## Appendix

### Jelmoli Holding (Real Estate Company): Pro Forma P&L and Projections

(Million)	2007A	H1 2008A	2008E*	2009E*
<b>Sales</b>				
Real Estate - Rental Income	SFr. 152	SFr. 81	SFr. 165	SFr. 173
Retail Trade	SFr. 178	SFr. 85	SFr. 230	SFr. 220
Total	SFr. 330	SFr. 166	SFr. 395	SFr. 393
<b>EBITDA</b>				
Real Estate	SFr. 114	SFr. 54	SFr. 114	SFr. 133
Retail Trade	SFr. 21	SFr. 11	SFr. 30	SFr. 26
Total	SFr. 135	SFr. 66	SFr. 144	SFr. 160

\*IRG Estimate

Source: Company Reports and Institutional Research Group

### Jelmoli Holding (Real Estate Company): Pro Forma Balance Sheet

(Million)	2007A	H1 2008A
<b>Fixed Assets</b>		
Investment properties	SFr. 2,826	SFr. 3,140
Buildings under construction	SFr. 192	SFr. 33
Other property, plant and equipment	SFr. 40	SFr. 41
Financial assets	SFr. 57	SFr. 58
Other non-current assets	SFr. 13	SFr. 12
<b>Total</b>	<b>SFr. 3,128</b>	<b>SFr. 3,284</b>
<b>Current Assets</b>		
Trade account receivables	SFr. 107	SFr. 122
Inventories	SFr. 20	SFr. 18
Other current assets	SFr. 111	SFr. 70
Cash	SFr. 88	SFr. 47
<b>Total</b>	<b>SFr. 326</b>	<b>SFr. 257</b>
<b>Liabilities</b>		
Financial liabilities	SFr. 1,313	SFr. 1,291
Deferred tax liabilities	SFr. 410	SFr. 436
Other liabilities	SFr. 205	SFr. 207
<b>Total</b>	<b>SFr. 1,928</b>	<b>SFr. 1,934</b>
Total Equity	SFr. 1,526	SFr. 1,607
Minorities	SFr. 3	SFr. 4
<b>Net Equity</b>	<b>SFr. 1,523</b>	<b>SFr. 1,603</b>

Source: Company Reports and Institutional Research Group

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## Athris Holding (Investment Company): Pro Forma Balance Sheet

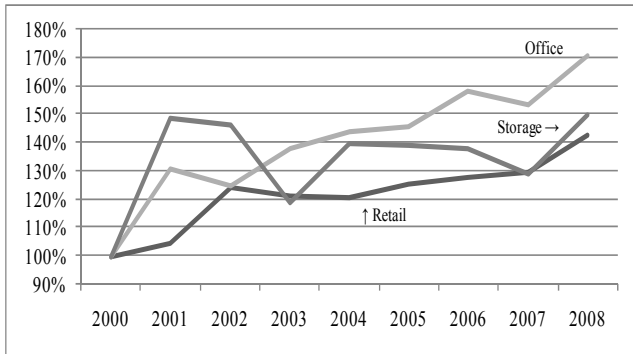
(Million)	2007A	H1 2008A
<b>Fixed Assets</b>		
Investment properties	SFr. 41	SFr. 41
Buildings under construction	-	SFr. 1
Other property, plant and equipment	SFr. 176	SFr. 175
Financial assets	SFr. 65	SFr. 74
Other non-current assets	SFr. 1	SFr. 1
<b>Total</b>	<b>SFr. 283</b>	<b>SFr. 292</b>
<b>Current Assets</b>		
Trade account receivables	SFr. 2	SFr. 1
Inventories	SFr. 10	SFr. 9
Other current assets	SFr. 19	SFr. 3
Financial receivables	SFr. 268	SFr. 268
Cash	SFr. 616	SFr. 610
<b>Total</b>	<b>SFr. 915</b>	<b>SFr. 891</b>
<b>Liabilities</b>		
Financial liabilities	SFr. 56	SFr. 57
Deferred tax liabilities	SFr. 25	SFr. 25
Other liabilities	SFr. 43	SFr. 22
<b>Total</b>	<b>SFr. 124</b>	<b>SFr. 104</b>
Total Equity	SFr. 1,074	SFr. 1,079
Minorities	SFr. 16	SFr. 15
<b>Net Equity</b>	<b>SFr. 1,058</b>	<b>SFr. 1,064</b>

Source: Company Reports

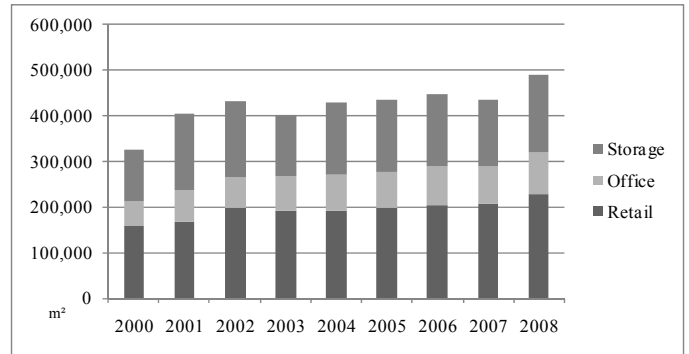
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## Jelmoli Rental Floor Space

**Growth**

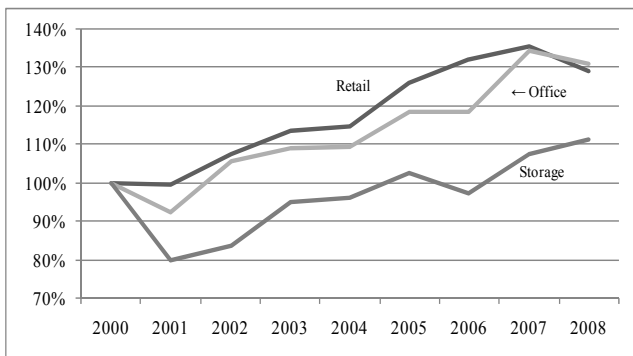


**Actual**

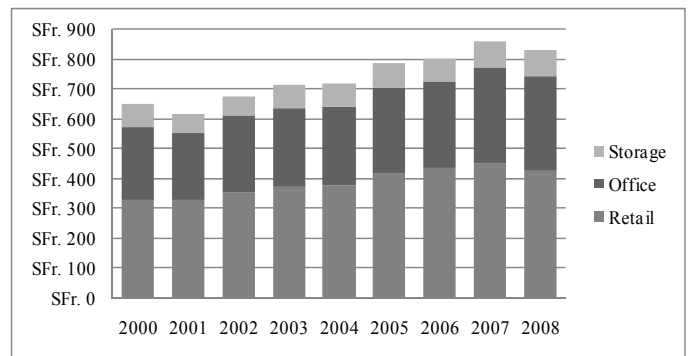


## Jelmoli Rental Income

**Growth**

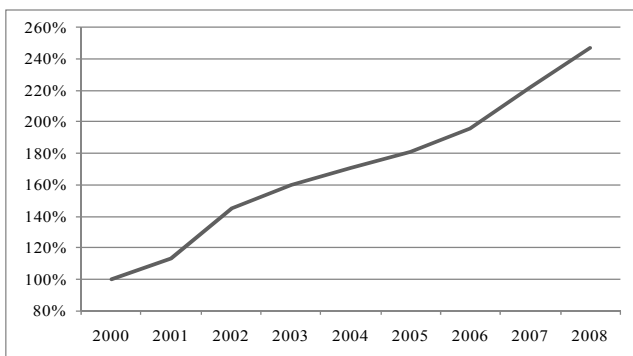


**Actual (mn)**

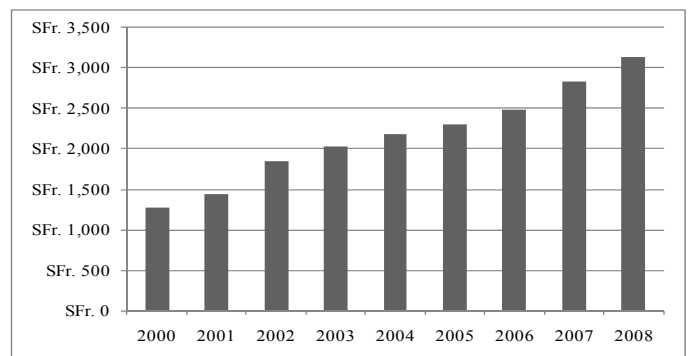


## Jelmoli Value of Investment Properties

**Growth**



**Actual (mn)**



Source: Company reports and Institutional Research Group