



Colonia Real Estate AG

Next Generation Real Estate

*Turning the tide
Company presentation*



Colonia Real Estate AG | October 2009

Agenda



Colonia Real Estate AG

(1)	Market Overview	Page	3
(2)	Business Modell & Highlights 2009	Page	5
(3)	Key Financials	Page	9
(4)	Residential Portfolio	Page	12
(5)	Update Debt Structure	Page	17
(6)	Update Market and Strategy	Page	21
	Outlook	Page	26
	Appendix		

Market Overview

Signs of recovery in German Residential



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- All-time low of new developed apartments with 76,000 units since the German reunification versus medium-term requirement of 400,000 new developed apartments¹ per year
- Transaction market slightly opening up in Q2/Q3 09: Siemens (sold 4,000 units), IMW (sold 4,200 units), Vivacon (sold 2,400 units), Colonia (sold 1,000 units)
- German Pfandbrief market comes back with € 11.6bn in placements in Q1 09³ and € 31bn in April and May alone
- Pick-up in demand for rented multi-family homes in good locations driven by private Investors (IVD just reported 46% increase in demand)
- A string of new Residential Real Estate Funds focusing of Germany entering the market (AXA, Warburg/Henderson, Schroders etc.)

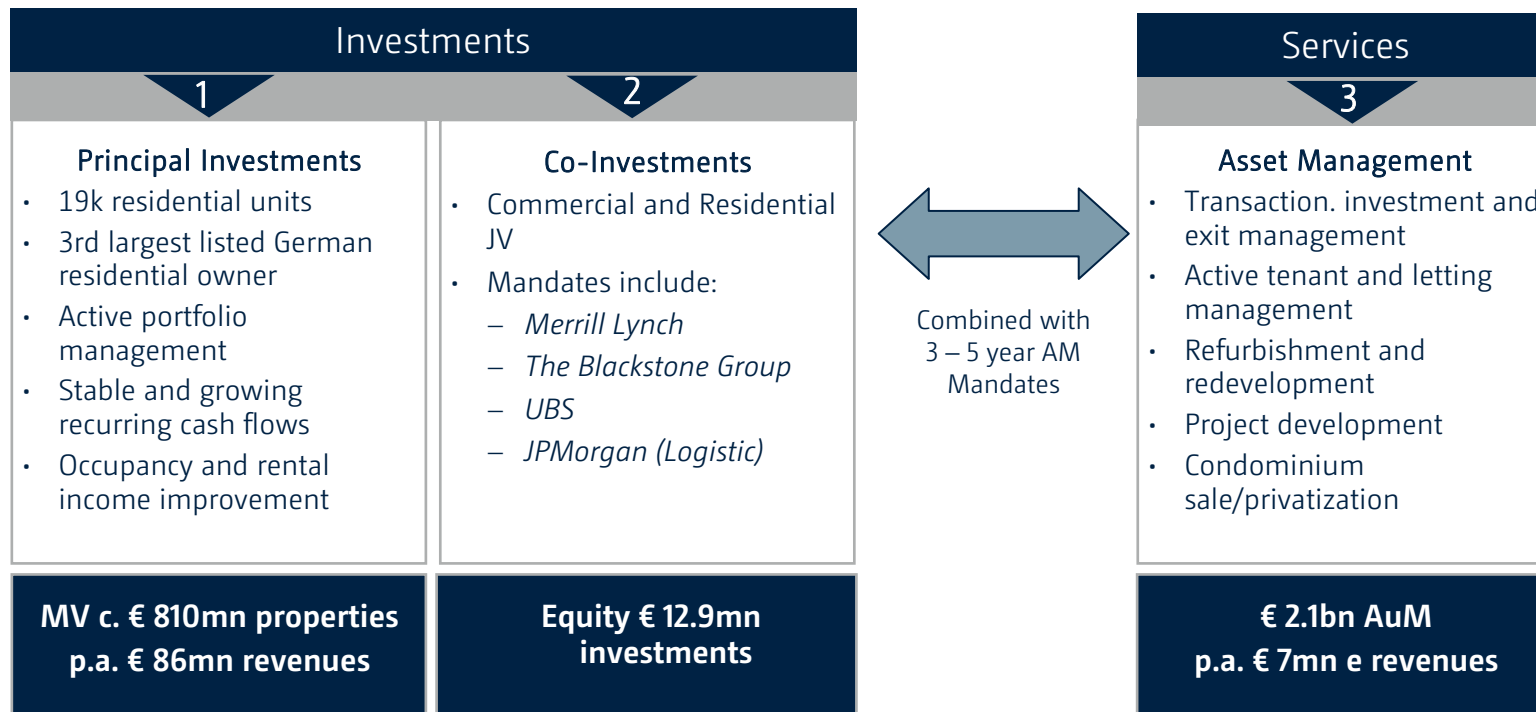
Agenda



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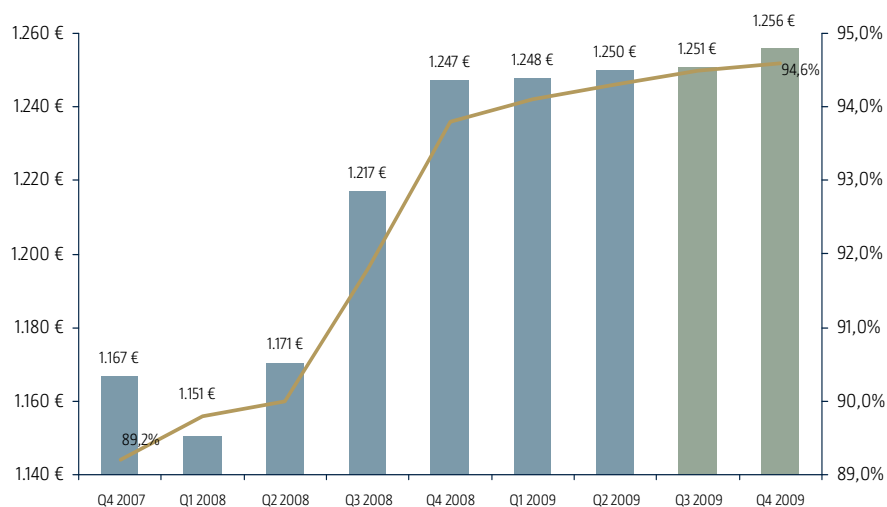
(1)	Market Overview	Page	3
(2)	Business Modell & Highlights 2009	Page	5
(3)	Key Financials	Page	9
(4)	Residential Portfolio	Page	12
(5)	Update Debt Structure	Page	17
(6)	Update Market and Strategy	Page	21
	Outlook	Page	24
	Appendix		

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 Streamlined Business model focused on 3 core segments and active portfolio management



- **HY 2009 net profit of € 6.3mn (HY 08: -€ 2.0mn). EBIT increased to 16.6mn (HY 08: € 5.6mn)** mainly driven by improved rents, reduced G&As and extraordinary gains from a refinancing
- **Strong core business with net rental income (NRI) from property € 30.3mn (HY 2008: € 28.9mn)** without rents from Hotel portfolio (€ 2mn per year) which was sold in Q3 2008. **Net operating Income (NOI) strongly increased by 17.4% to € 21.6mn (HY 2008: € 18.4mn)**
- **Compared to HY 2008 average rents improved 2.2% to € 4.63 per sqm and vacancy decreased 9.2 % from 15.2% to 13.8 % (same store basis)**
- **Administrative costs declined by almost 62% to € 5.9mn including restructuring cost of 0.3mn (HY 2008: € 15.6mn)** as a result of the comprehensive restructuring and cost-saving program started in September '08
- **AM net result decreased to € -1.1mn** due to on-off restructuring charges in Q2 09 of € 0.1mn and ongoing low transaction activity in the investment market
- **Capital increase and successful conversion of stock options improved equity ratio up to 26.1%. NAV declined by 14.9% to € 10.15 per share (Q1 2009: € 11.92 per share)**

Berlin Caligula Sale



In September 2009 Colonia Real Estate AG sold 1000-Unit Housing Package in Berlin

- Transaction volume approx. € 67mn
– 7% above IFRS book value as of June 30th 2009
- average sales price of approx. € 875/sqm
- Exit yield > 7%
- convert Immobilien Invest SE (listed austrian real estate group) and Kronberg RE Deutschland GmbH

Agenda



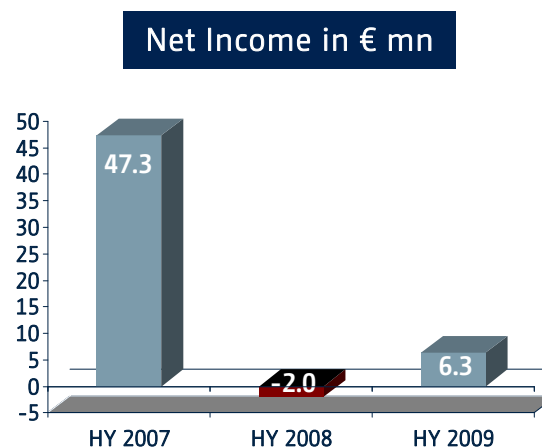
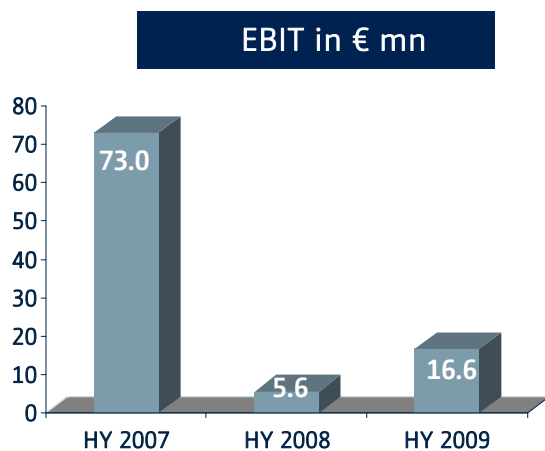
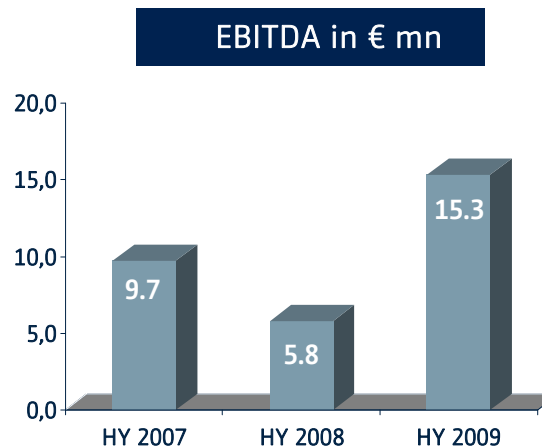
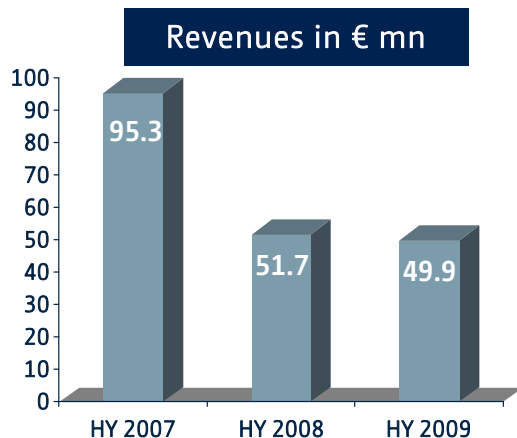
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(1)	Market Overview	Page	3
(2)	Business Modell & Highlights 2009	Page	5
(3)	Key Financials	Page	9
(4)	Residential Portfolio	Page	12
(5)	Update Debt Structure	Page	17
(6)	Update Market and Strategy	Page	21
	Outlook	Page	24
	Appendix		

Key Financials HY 2009 (1/2)



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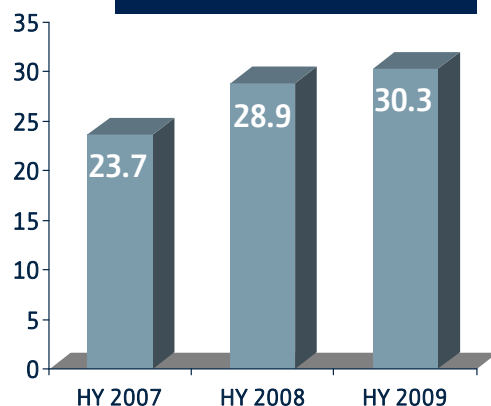
- Positive EBITDA of € 15.3mn underlines turnaround in 2009 and shows better operational performance than 2007
- EBIT increased to € 16.6mn
- Net income came in at € 6.3mn on the back of improved rental income. Slim cost structure and extraordinary gain from successful refinancing activities

Key Financials HY 2009 (2/2)

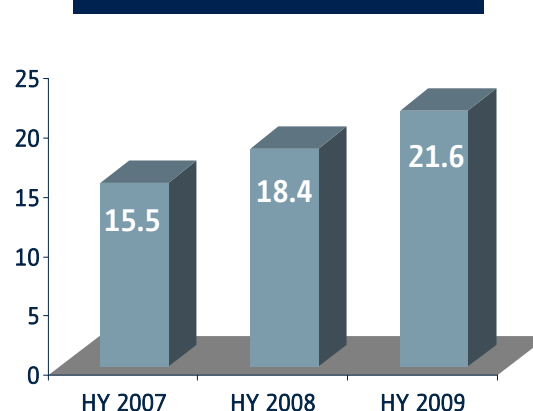


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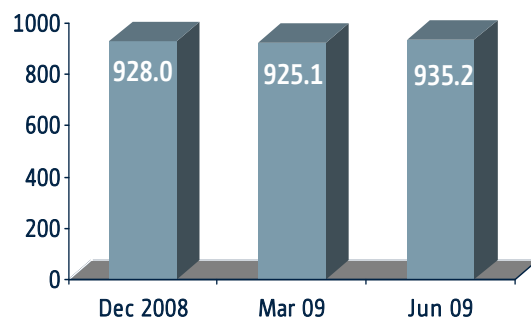
NRI in € mn



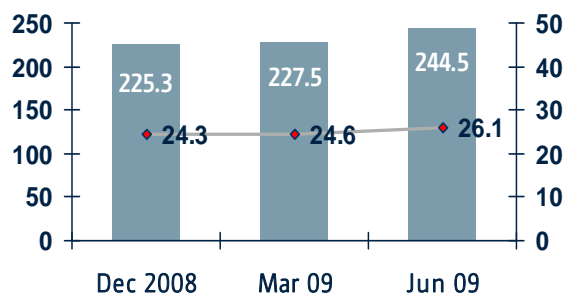
NOI in € mn



Total Assets in € mn



Equity in € mn and Ratio



- Ongoing solid development of Net Rental Income (NRI) to € 30.3mn (+4.8% yoy) and Net Operating Income¹ (NOI) to € 21.6 (+17.4% yoy)
- Group's Equity increased to € 244.5 with Equity ratio at 26.1%. within management long-term target range of 25 – 35%
- As part of the cost-cutting program general administrative cost (G&A) declined to € 5.9mn including restructuring cost of 0.3mn or 38% (HY 2008: € 15.6mn)

¹ Adjusted NOI excluding refurbishment and CAPEX

Agenda



Colonia Real Estate AG

(1)	Market Overview	Page	3
(2)	Business Modell & Highlights 2009	Page	5
(3)	Key Financials	Page	9
(4)	Residential Portfolio	Page	12
(5)	Update Debt Structure	Page	17
(6)	Update Market and Strategy	Page	21
	Outlook	Page	24
	Appendix		

Valuation Profile as of June 2009



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	Units	Fair Value in € mn	Fair Value in €/sm			Annual rate of rent increase		Discont rate		Capitalization rate	
		Q2 2009	New	Old	%	New	Old	New	Old	New	Old
Berlin	5,689	267,795,000 €	712 €	734 €	3.1%	1.88%	2.10%	6.98%	6.75%	5.99%	5.80%
North	12,199	493,038,000 €	650 €	646 €	-0.6%	2.51%	2.00%	7.24%	7.40%	6.21%	6.00%
West	591	37,188,000 €	921 €	838 €	-9.0%	3.22%	2.10%	6.96%	7.05%	6.24%	5.90%
Other	1,072	56,029,000 €	704 €	715 €	1.6%	2.86%	2.10%	7.08%	7.00%	6.48%	6.05%
Total	19,551	854,050,000 €	685 €	684 €	-0.1%	2.40%	2.10%	7.14%	7.05%	6.16%	5.90%

- New Valuation shows a net yield of 7.14% with € 685 per sqm and is very conservative in comparison to other peers in German residential
- Valuation change of € 1.45mn reflects stabilization of residential prices in Germany in the first half of 2009

CRE Residential Portfolio – Ongoing Value Creation



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- CRE owns almost 19.000 residential units of which 50% have been recently modernized investing CAPEX of € 54mn in the last 18 months



- Compared to HY 2008 average rents improved c. 2.2% to € 4.63 per sqm and vacancy decreased by 9.2% from 15.2 % to 13.8 % (same store basis)



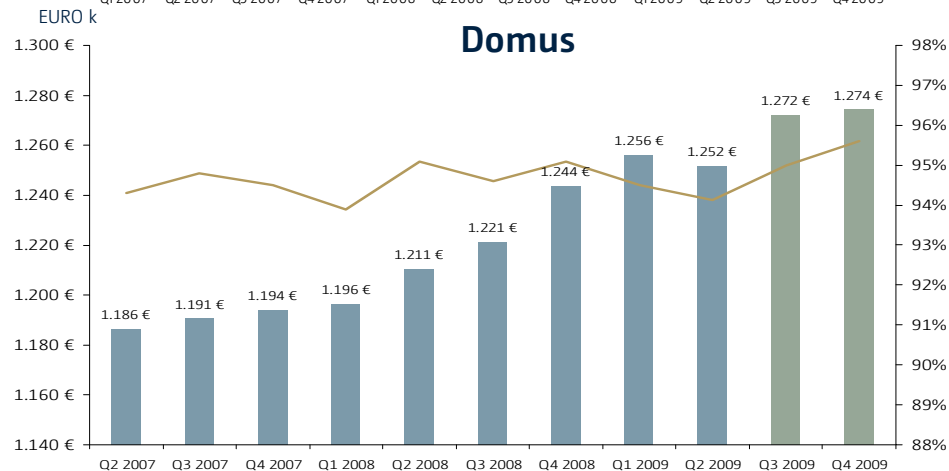
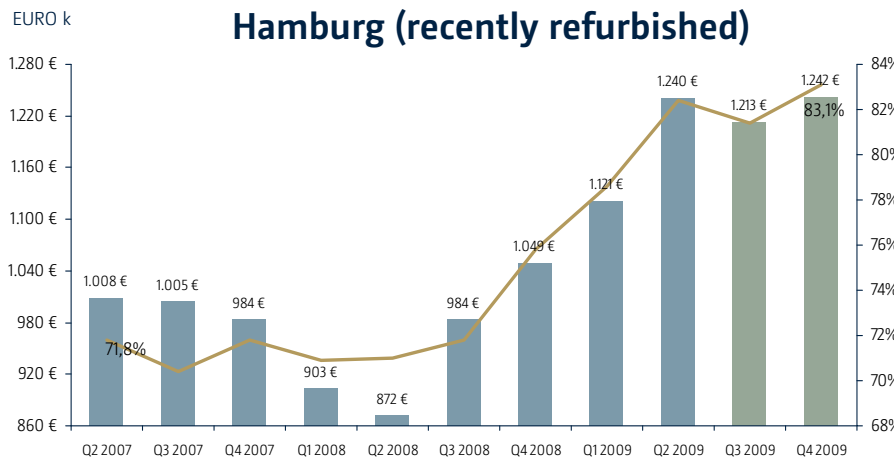
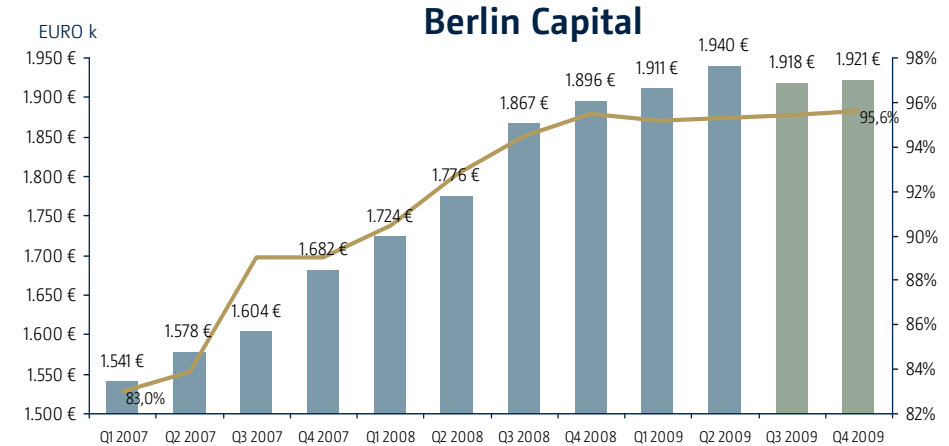
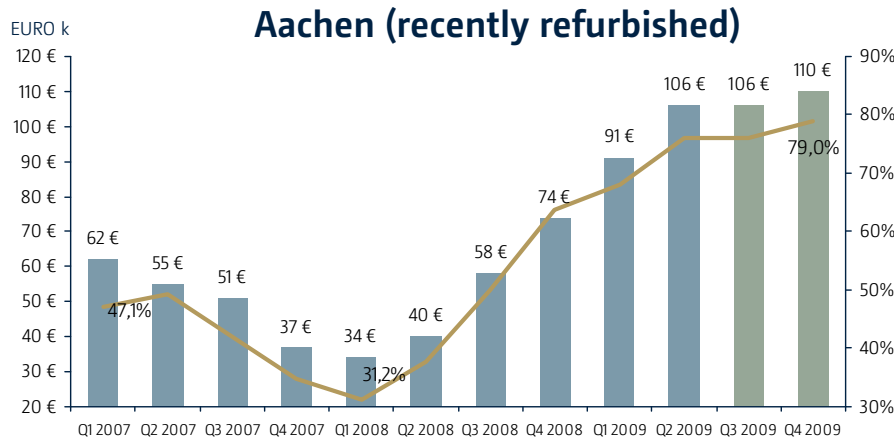
- Average new rents in refurbished areas increased by 19.3% from € 4.50 to € 5.37 per sqm after modernization



CRE Residential Portfolio – Case Studies for Value Creation

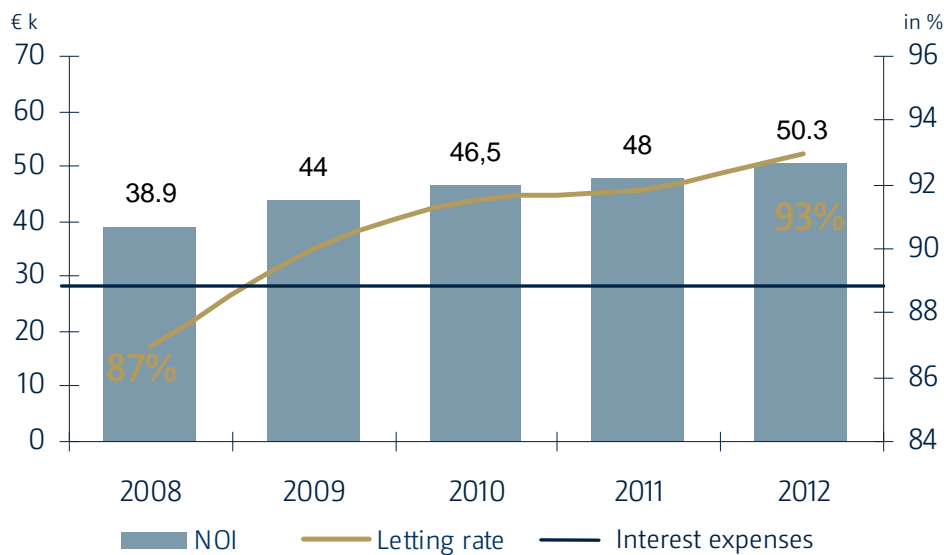


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■ NRI/actual rent — Occupancy rate

Anticipated NOI Development



- On the back of strong H1 2009 NOI of € 21.6mn company is on track to reach € 44mn NOI in FY 2009
- Average new rents increased by 19.3% to € 5.37 sqm after modernization
- € 54mn modernization program in 07 and 08 supports strong reletting rate in 2009
- On a like-for-like basis compared to HY 2008 overall vacancy decreased 9.2% from 15.2% to 13.8% and average rents per sqm increase by 2.2% to € 4.63

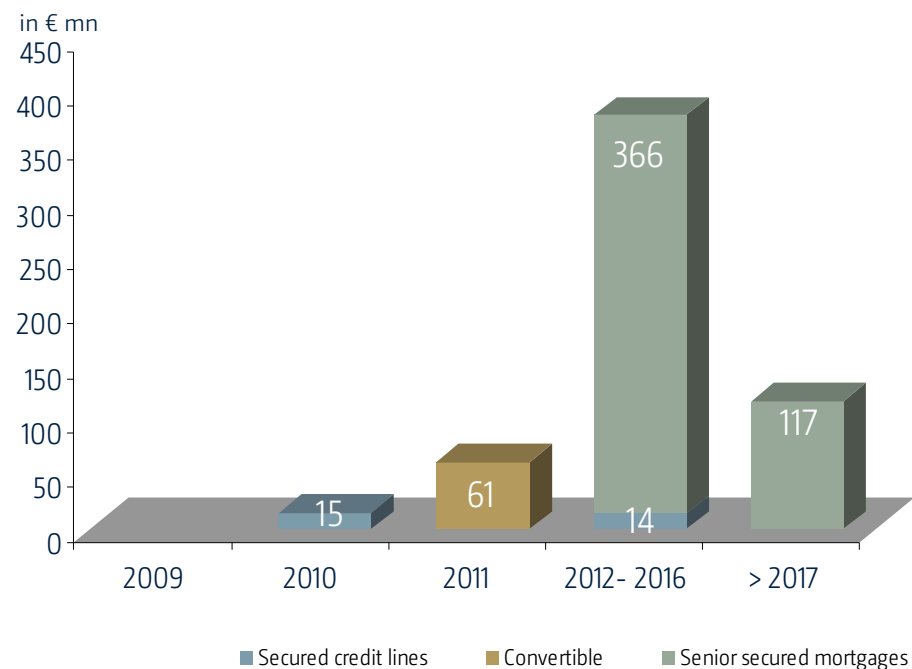
Agenda



Colonia Real Estate AG

(1)	Market Overview	Page	3
(2)	Business Modell & Highlights 2009	Page	5
(3)	Key Financials	Page	9
(4)	Residential Portfolio	Page	12
(5)	Update Debt Structure	Page	17
(6)	Update Market and Strategy	Page	21
	Outlook	Page	24
	Appendix		

Debt Duration Profile



- Total debt volume: € 573mn
Long term debt: € 558mn
Short term debt: € 15mn
- Avg. interest rate: 4.6% p.a.
Average duration: 8.4 years
Hedging ratio: 96%
- No refinancing needs in 2009!

Agenda



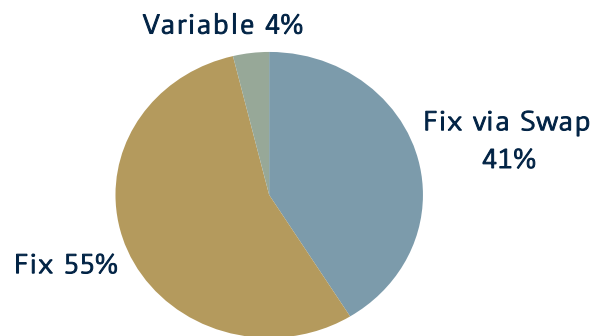
Colonia Real Estate AG

(1)	Market Overview	Page	3
(2)	Business Modell & Highlights 2009	Page	5
(3)	Key Financials	Page	9
(4)	Residential Portfolio	Page	12
(5)	Update Debt Structure	Page	17
(6)	Update Market and Strategy	Page	21

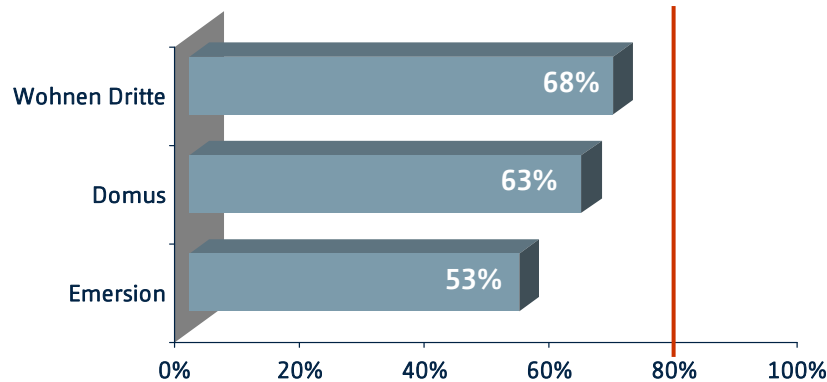
Outlook	Page	24
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Appendix

Interest rate profile



LTV covenants trigger¹



- Fixed rate financings in 2008 have improved from 36% to 55%
- 3 out of 9 subportfolios have LTV covenants at 80% LTV. All 3 have high comfort zones before they trigger 80%.
- Other important covenants for the overall residential portfolio:
ICR: 165% (covenants 115 - 135%)
DCR: 126% (covenants 110 - 120%)

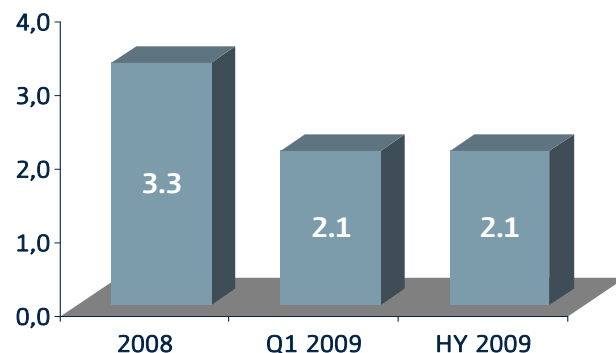
(1) After revaluation as of 31/12/2008

Key Financials – Asset Management HY 2009

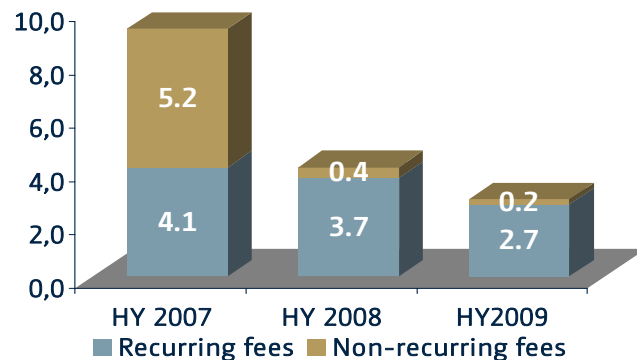


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Assets under Management (in € bn)



Fee Income Split by Type (in € mn)



- AM revenues declined by 24% to € 2.9mn yoy
- Restructuring charges of € 0.6mn due to the closing of D'dorf office and further layoffs
- New acquisitions (€ 470mm in 2009) and new work-out platform just started
- With transaction market slowly opening we expect higher transaction H2 09 and 2010ff

Agenda



Colonia Real Estate AG

(1)	Market Overview	Page	3
(2)	Business Modell & Highlights 2009	Page	5
(3)	Key Financials	Page	9
(4)	Residential Portfolio	Page	12
(5)	Update Debt Structure	Page	17
(6)	Update Market and Strategy	Page	21

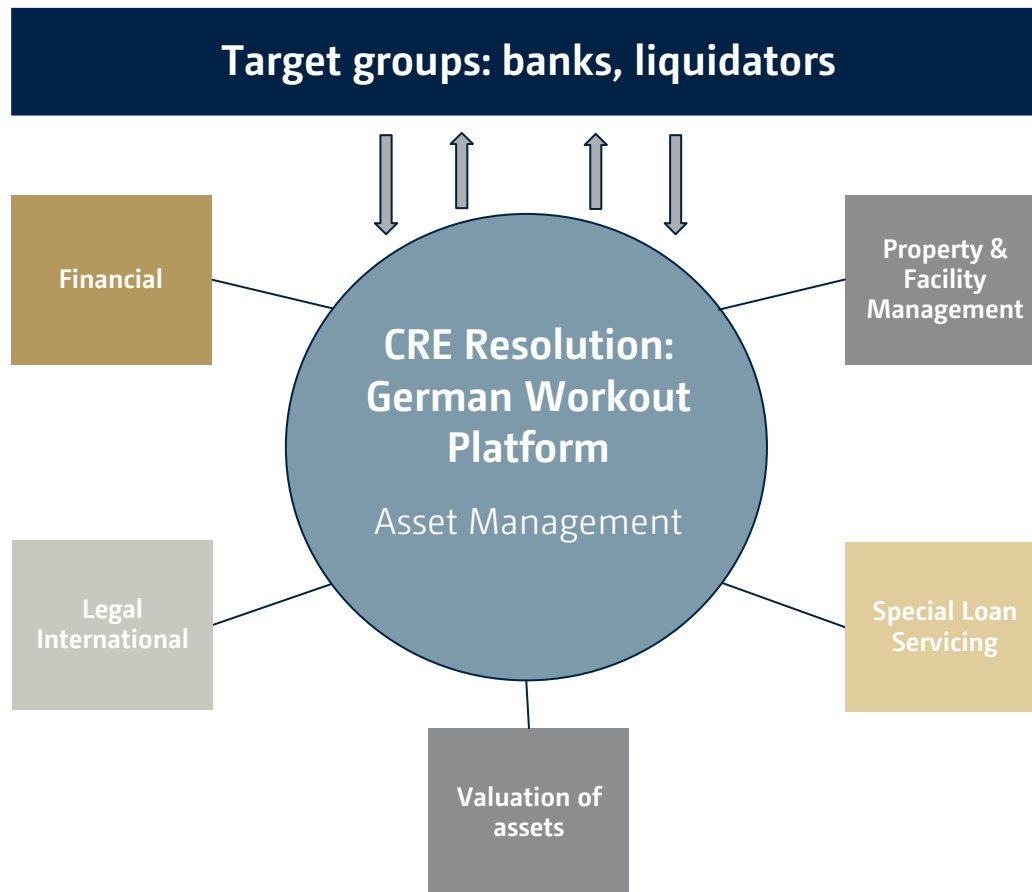
Outlook Page 24

Appendix

German Workout Platform completed



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The number of Non Performing Loans/ Workout Portfolios is rising and thus the banks involved can choose between three scenarios:

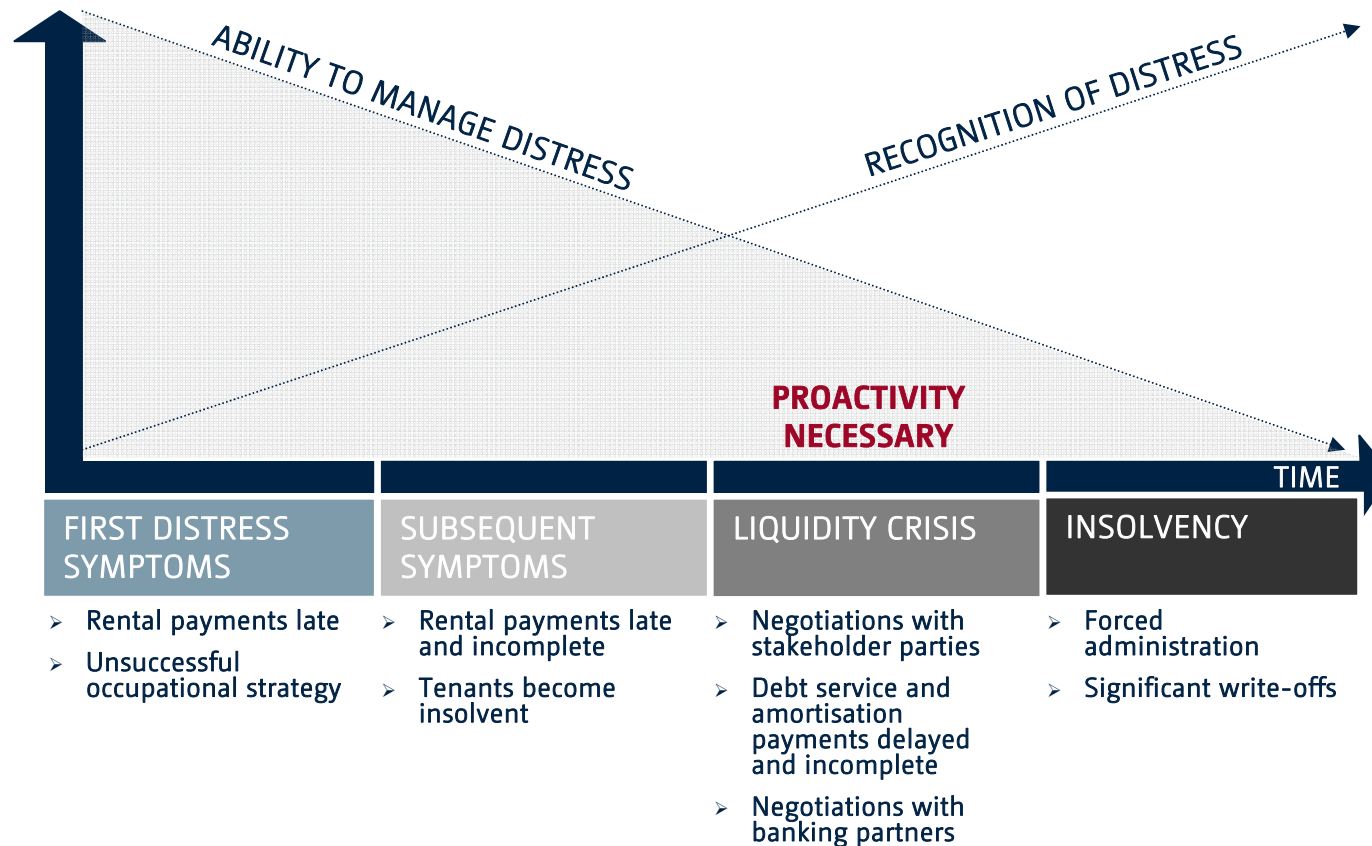
1. Bankruptcy of portfolio
2. Disposal of portfolio with discount
3. Optimization of portfolio in substance. management. letting activities and cash flow.

Target: Optimizing and sale of optimized asset or loan

- Optimizing LTV
- Asset Management. Property management. Legal & Financial
- Optional: Investment or disinvest

Realization: **German Workout Platform**

Premature identification of symptoms



- Lenders may not recognize the early symptoms of distress and the resulting cash flow shortfall in time

- **Sales business picked up significantly in Q2.** Flight to quality and increasing inflation fears favor condominium sales and small block trades. First multi-tenant house sales in Q2 at 5.8% yields (17.2 X NCR). First block sale on Sept 2nd with 100 units sold at 7% yield or € 875 per sqm.
- CRE Resolution **won first work out mandate** directly from receiver representing 26.000 sqm of office space in Cologne (40% vacant); **further mandates** directly from banks in final negotiations
- Buyback of € 32mn senior loan combined with a **loan waiver of € 8.7mn** reflects ongoing restructuring success
- **Strong first half with ongoing net absorption and improving rents and strongly improving NOI** on the back of modernization program finished in Q4 2008

Work out Mandate: Level One Commercial Properties



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- **CRE Resolution GmbH** assumed complete commercial portfolio of former Level One Group
 - Mandated by Royal Bank of Scotland, with liquidator's approbation
- **Apollo commercial portfolio**
 - Lettable space: 74.120 m²
 - 13 commercial assets, including 7 car dealerships as well as several office buildings and shops
 - Initial vacancy: 33 %
 - Main locations: North Rhine-Westphalia, Berlin, Karlsruhe
- **Challenges**
 - Takeover of asset management during the bankruptcy proceedings, securing cash flow, vacancy reduction, sale of the portfolio



Agenda



Colonia Real Estate AG

(1)	Market Overview	Page	3
(2)	Business Modell & Highlights 2009	Page	5
(3)	Key Financials	Page	9
(4)	Residential Portfolio	Page	12
(5)	Update Debt Structure	Page	17
(6)	Update Market and Strategy	Page	21

Outlook	Page	24
----------------	-------------	-----------

Appendix

CRE

Share Details – Updated Version 10/2009



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- Shareprice 08.10.09 € 4,58
- Market Cap € 131mn
- Number of shares 28.5mn
- Freefloat 76.94%

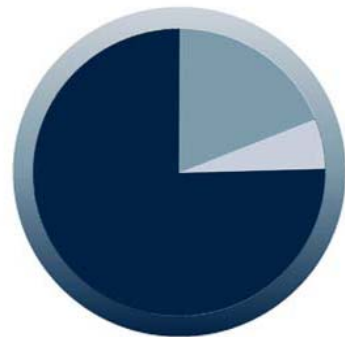
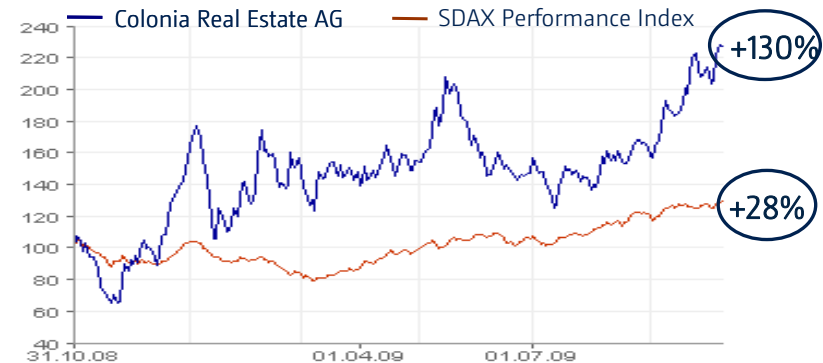
Index memberships: SDAX, MSCI Germany Small Caps, EPRA, GPR 250 and E&G DIMAX

Research coverage: HSBC, WestLB, Commerzbank, UniCredit, Silvia Quandt Research GmbH, Sal. Oppenheim, Bankhaus Lampe, UBS

1 years Colonia Real Estate AG (KBU GY)



Performance CRE vs. SDAX



Milfolium Management Inc. 17.98%
(State of Liechtenstein)

Minefa Holdings B.V. 5.08%

Free Float 76.94%

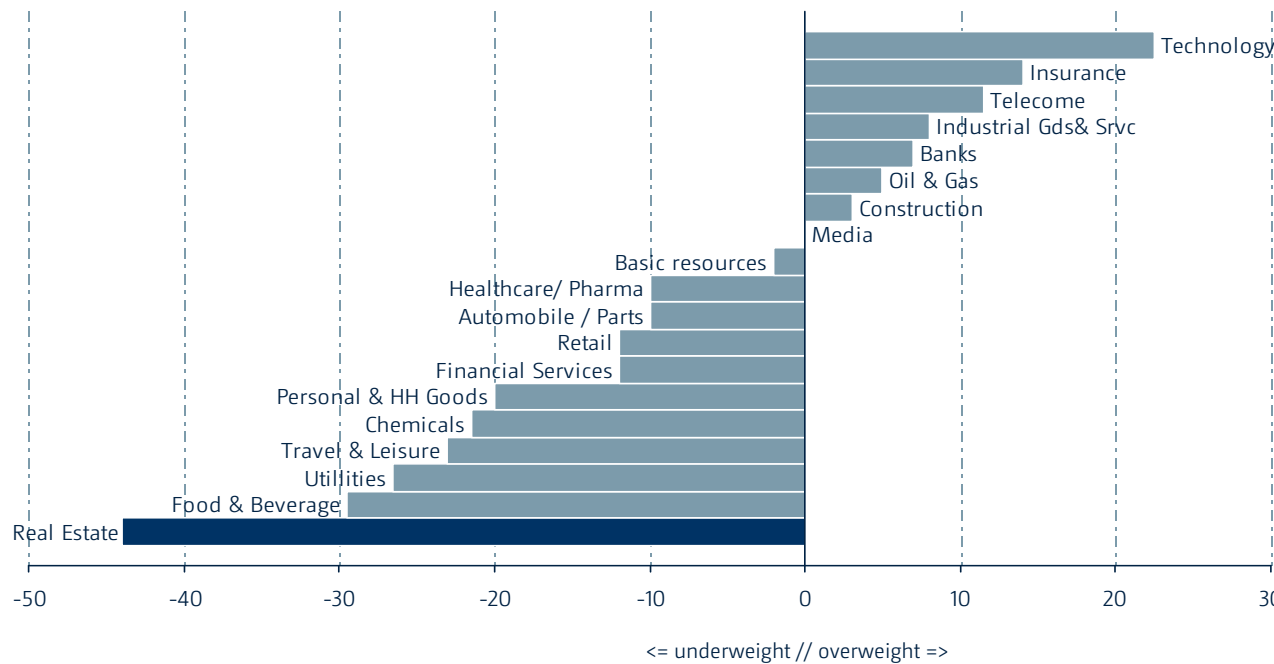
- Allianz Global Investors 3.08%
- Generali Investment France 3.40%

Sectors : Still no conviction



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Current European sector snapshot (%overweight - %underweight)



Sector positions

(% saying overweight - % saying underweight)

Sector	MOM Chg
Pers.& HH Goods	22
Construction	21
Banks	19
Travel & Leisure	15
Retail	14
Food & Beverage	9
Ind. Goods & Srvc	5
Media	2
Insurance	1
Technology	1
Autos & parts	0
Financial Services	-1
Real Estate	-1
Chemicals	-2
Oil & Gas	-2
Telecoms	-8
Basic Resources	-9
Utilities	-11
Healthcare / Pharma	-15

„If we look beyond the Real Estate sector, which remains the only consensus high-conviction underweight. It is still the only obvious contrarian overweight sector call this month.“

Turning the tide in rough waters



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- Healthy operating core business (Net Operating Income +17.4% yoy)
- Ongoing occupancy (+10%) and rent level improvements in line with business plan
- Comprehensive cost-cutting program (-63% vs H1 08) successful executed
- No short-term refinancing issues. sufficient liquidity position and strong debt structure
- Strong new sovereign-wealth core shareholder with long-term perspective
- NAV € of 10.15 per share represents almost c.65% discount to current share price
- Strong privatization pipeline indicates operational turnaround and positive cash flow in 2009

CRE represents defensive value at deep discount



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Thank you for your attention

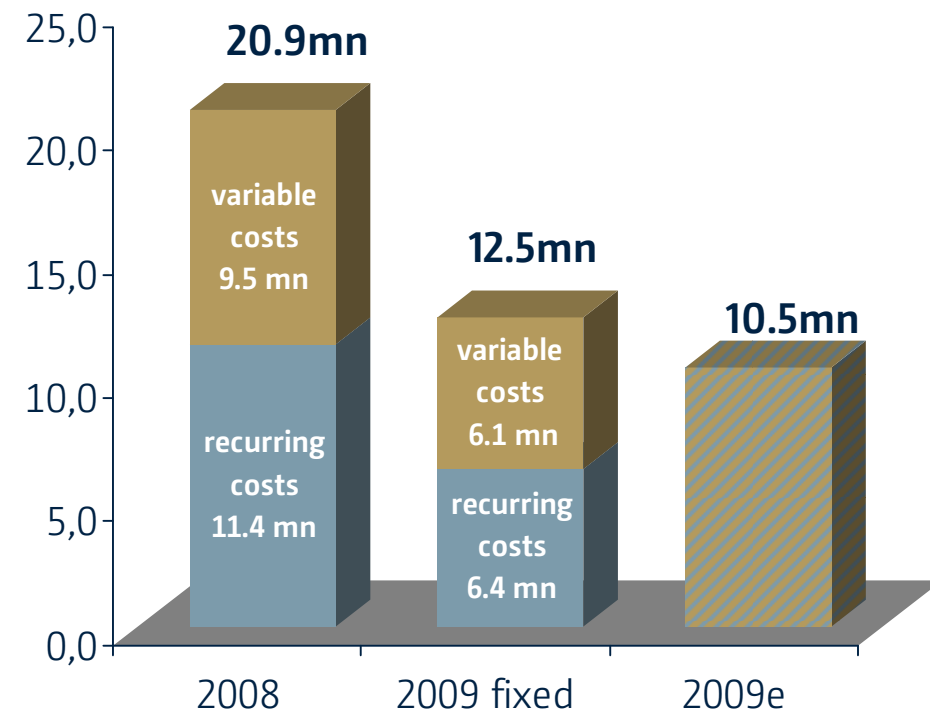
Stephan Rind, Chief Executive Officer
Volker Lemke, Chief Financial Officer
Colonia Real Estate AG, Zeppelinstraße 4 – 8, 50667 Cologne/Germany
Tel: +49 (0)221 7160 710, Internet: www.cre.ag, E-Mail: ir@cre.ag

Trimming the Cost Structure



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- CRE already implemented **annual cost savings of € 8.4mn** (€ 5mn recurring and € 3.4mn variable) further € 3mn planned
- With € 2.6mn administrative costs (excluding restructuring cost) in Q1 2009 on track to stay below € 12.5mn for the full year
- Biggest saving positions in recurring costs **include personnel (€ 2.5mn)**. Marketing/IT (€ 0.6mn) and audit and bookkeeping (€ 0.5mn)



CRE' Residential Portfolio at a Glance



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Region North
 Asset rent: € 4.13 – 4.57
 Rent new tenants refurbished:
€ 5.20 – € 7.50
 Quality of property:
 - energetic refurbishment 14%
 - market average 86%
 number of accommodation units: 12,199

North

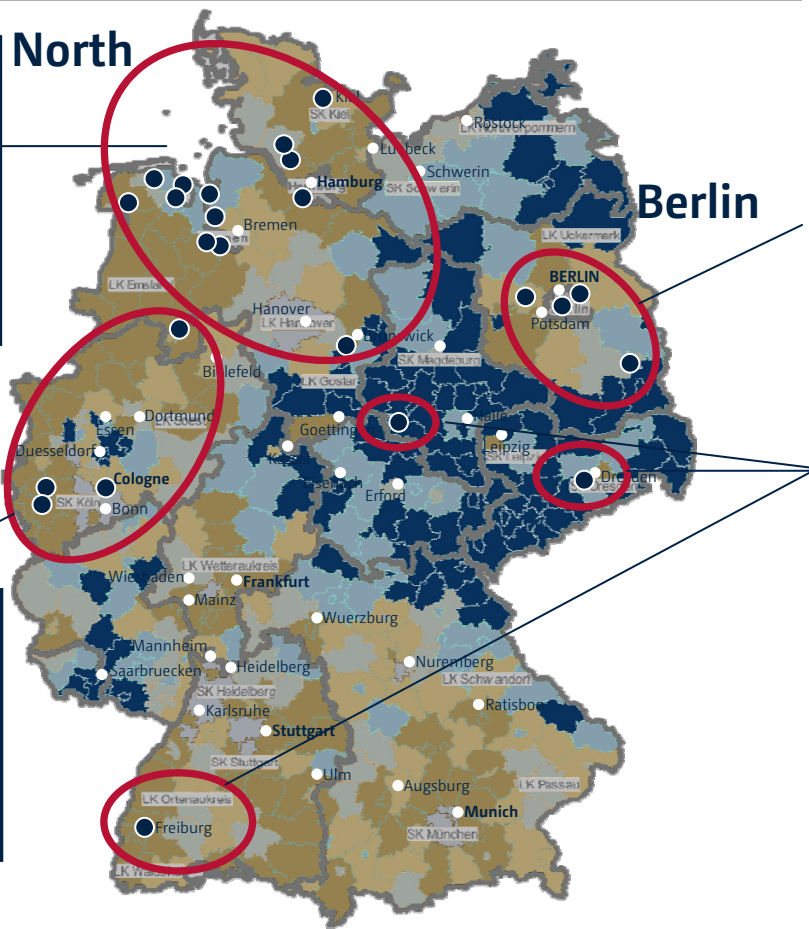
Region Berlin
 Average asset rent: € 4.59
 Rent new tenants: **€ 5.10 – € 6.50**
 Quality of property
 - energetic refurbishment 90%
 -market average 10%
 number of accommodation units: 4,736

Berlin

Further locations
 Asset rent: € 4.24 – 5.11
 Rent new tenants: **€ 4.58 – € 5.58**
 Quality of property:
 - energetic refurbishment 57%
 - market average 43%
 number of accommodation units: 1,072

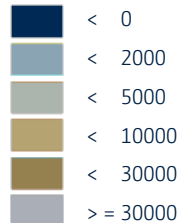
West

Region West
 Average asset rent: € 4.97
 Rent new tenants: **€ 5.45**
 Quality of property:
 -energetic refurbishment 84%
 -market average 16%
 number of accommodation units: 591



Residential market – assets qualifying

Derived demands of units from 2008 to 2025



Source: Pestel-Study „Wohnungsmangel in Deutschland“

Disclaimer



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"Important Notice: Forward-Looking Statements

Statements in this presentation relating to future status or circumstances, including statements regarding management's plans and objectives for future operations, sales and earnings figures, are forward-looking statements of goals and expectations based on estimates, assumptions and the anticipated effects of future events on current and developing circumstances and do not necessarily predict future results.

Many factors could cause the actual results to be materially different from those that may be expressed or implied by such statements.

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