

15 August 2008

Colonia Real Estate AG

Buy	€7.3
(Remains Unchanged)	
Target Price:	€12.0
Reuters Code:	KBUG.DE
Bloomberg Ticker:	KBU GY
EPS adj.	
Dec 2007A	€2.61
Dec 2008E	€2.48
Dec 2009E	€2.70
Dec 2010E	€3.04
WestLB Research estimates	
Market Cap:	€ 166m

Current recommendation since 11/06/2007
 Previous recommendation was Add

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Colonia Real Estate AG

No more valuation gains

- Colonia reduced its guidance from € 72-75m to € 20-25m deleting all its forecasts for valuation and sales gains from its forecast. Thus there is no change in guidance for the operational result. H1 result was better than expected on the bottom line, but saved by high valuation gains on interest rate derivatives. We will adjust our earnings forecasts but do not expect a such significant effect on our target price that we would have to change our recommendation. As rental income should improve in the course of H2 on finalisation of refurbishments and another fund is scheduled to be placed we expect improved operating results in H2 and are thus sticking to our BUY recommendation.

Colonia Real Estate AG forecasts and multiples

Year End	Sales	EBITDA	EPS adj.	P/E	EV/EBITDA	Yield
Dec	(€m)	(€m)	(€)	(x)	(x)	(%)
2007A	157	18	2.61	2.8	43.0	3.4
2008E	319	70	2.48	2.9	12.1	8.3
2009E	352	100	2.70	2.7	11.7	16.5
2010E	426	129	3.04	2.4	11.2	17.9
Net cash/Share ¹	-€29.9					
NAV/Share	€18.3					

¹ Cash/debt at end of current year

Source Colonia Real Estate AG, WestLB Research estimates

Q2 versus expectations

€m	Q2 2008A	Q2 2008E	dev.
Rental income	14.10	15.1	-6.6%
Result before valuation	1.70	8.3	-79.5%
Financial result	8.60	0.3	2766.7%
Valuation gains	0.00	0.0	0.0%
PBT	10.30	8.6	19.8%
Net attributable result	8.01	6.7	0.20

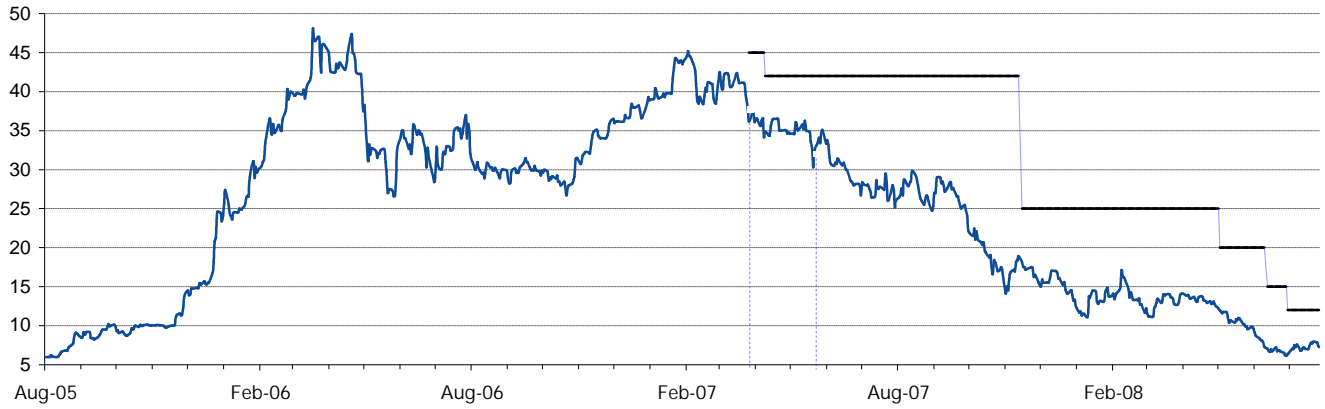
Source WestLB Research estimates

- Rental income did not match our estimates, as well as the result from asset management and funds business. For the first time the company recorded income from its privatization business. The cost base widened significantly. Overall the QoQ swing in the financial result on interest derivatives led to the better than expected result at the bottom line.

Dr. Georg Kanders

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Colonia Real Estate AG KBUG.DE



Date	Price	Changed to...	Date	Price	Changed to...	Date	Price	Changed to...
11-Jun-07	33.47	Buy	13-Apr-07	36.20	Add	12-Apr-07	38.00	

Coverage History No Rating as of 19/08/2005

Source FactSet/JCF, WestLB Research

Initiation of coverage as of 16 Apr 2007

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Buy/Add	147	63	Buy/Add	36	68
Hold	62	27	Hold	14	26
Sell/Reduce	23	10	Sell/Reduce	3	6

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