



Colonia Real Estate AG

Annual Financial Report 2007

Balance Sheet as of December 31, 2007

Assets		EUR	Dec. 31, 2007	Dec. 31, 2006
A. Noncurrent assets				
I.	Property, plant and equipment			
1.	Land and equivalent rights and buildings		10,171,438.00	10,432,798.29
2.	Equipment		635,562.00	259,959.86
			10,807,000.00	10,692,758.15
II.	Financial assets			
1.	Investments in subsidiaries		59,972,024.71	37,031,955.05
2.	Loans to subsidiaries		0.00	250,000.00
3.	Investments in associated companies		3,123,649.67	0.00
4.	Loans to associated companies		3,482,839.04	0.00
			66,578,513.42	37,281,955.05
			77,385,513.42	47,974,713.20
B. Current assets				
I.	Inventories			
1.	Properties held for sale		3,655,736.95	3,655,736.95
2.	Work in process		207,784.96	195,920.38
			3,863,521.91	3,851,657.33
II.	Receivables and other assets			
1.	Receivables, trades		60,588.88	77,510.19
2.	Receivables from subsidiaries		275,941,955.45	92,284,834.01
3.	Other assets		3,814,781.77	1,360,362.35
			279,817,316.10	93,722,706.55
III.	Marketable securities			
	Treasury shares		42,517.00	0.00
IV.	Cash on hand and bank balances		1,028,175.68	3,012,857.44
			284,751,540.69	100,587,221.32
C. Prepaid expenses			6,860,851.04	8,575,920.92
			368,997,905.15	157,137,855.44

Shareholders' equity and liabilities

		EUR	Dec. 31, 2007	Dec. 31, 2006
A. Shareholders' equity				
I.	Capital stock (Contingent capital EUR 10,512,800.00 (Prior year: EUR 7,852,000.00))		22,465,600.00	15,704,000.00
II.	Additional paid-in capital		217,657,468.06	43,768,068.06
III.	Retained earnings			
	Reserve for treasury shares		42,517.00	0.00
IV.	Unappropriated net income/loss		11,199,271.98	-2,165,750.99
			251,364,857.04	57,306,317.07
B. Accruals				
1.	Tax accruals		165,923.03	0.00
2.	Other accruals		3,455,280.00	1,636,550.00
			3,621,203.03	1,636,550.00
C. Liabilities				
1.	Bonds thereof convertible: EUR 60,905,608.40 (prior year: EUR 60,905,608.40)		60,905,608.40	60,905,608.40
2.	Liabilities to banks		25,445,083.74	13,167,665.88
3.	Advances received		168,190.10	139,982.15
4.	Accounts payables, trade		1,012,660.44	496,513.28
5.	Liabilities to subsidiaries		18,445,840.21	21,003,778.82
6.	Other Liabilities thereof for taxes: EUR 546,922.94 (prior year: EUR 579,240.34)		8,034,462.19	2,481,439.84
			114,011,845.08	98,194,988.37
			368,997,905.15	157,137,855.44

Income statement for 2007

EUR	2007	2006
1. Revenues	1,304,892.54	1,484,113.14
2. Other operating income	17,535,649.32	305,104.72
	18,840,541.86	1,789,217.86
3. Expenses for building maintenance	233,402.68	335,156.93
4. Personnel expenses		
a) Wages and salaries	3,843,131.58	2,949,828.18
b) Social security contributions and retirement benefits thereof for retirement benefits: EUR 35,731.67 (prior year: EUR 2,263.28)	185,398.29	130,003.80
5. Depreciations on property, plant and equipment	358,828.66	288,634.31
6. Other operating expenses	20,884,674.17	5,819,725.62
	25,505,435.38	9,523,348.84
7. Income from profit transfer agreements	5,400,570.22	0.00
8. Income from subsidiaries and associated companies including profits from disposal thereof from subsidiaries: EUR 20,750,675.32 (prior year: EUR 12,633,588.65)	20,750,675.32	12,633,588.65
9. Income from marketable securities	305,301.92	0.00
10. Other interest and similar income thereof from subsidiaries: EUR 8,789,104.55 (prior year: EUR 1,683,877.29)	10,097,619.89	1,850,426.29
11. Other interest and similar expenses thereof to subsidiaries: EUR 1,293,655.84 (prior year: EUR 630,877.96)	3,492,613.14	4,802,156.55
12. Write-downs on and losses from disposal of financial assets and marketable securities	12,651,274.92	0.00
	20,410,279.29	9,681,858.39
13. Results from ordinary business activities	13,745,385.77	1,947,727.41
14. Income taxes	138,997.98	4,319.05
15. Other taxes	5,195.00	4,844.08
16. Results assigned to the insolvency creditors	-193,652.82	-114,472.66
17. Net income	13,407,539.97	1,824,091.62
18. Net loss carried forward from previous years	-2,165,750.99	-3,989,842.61
19. Transfer to the reserve for treasury shares	-42,517.00	0.00
20. Unappropriated net income/loss	11,199,271.98	-2,165,750.99

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I. General Information

The Company continued its business operations in fiscal 2007, acquiring additional companies and founding additional subsidiaries.

The annual shareholders' meeting on July 4, 2007, adopted an extensive catalogue of agenda items, including capital increases, the creation of authorized capital and the creation of conditional capital.

In mid-2007, additionally, a capital increase was placed with investors, significantly improving the Company's equity capitalization.

The asset and liability items recognized in the balance sheet are only partially applicable to the new business activities that Colonia Real Estate AG has conducted since November 5, 2003 ("free" assets). A small portion pertained to asset and liability items that were solely subject to the powers of disposition of the receiver in the earlier insolvency proceedings of Küppersbusch AG i.L. (assets subject to bankruptcy proceedings), and was also accounted entirely separately on that basis. The liquidation process has not been completed to date. The proceeds from the disposal of these assets, the interest accruing on bank accounts, and the proceeds from the operation of properties are solely to satisfy the creditors of Küppersbusch AG i.L. (fiscal year 2007: EUR 193.7k; prior year: EUR 114.5k). The balance sheet as of December 31, 2007, of Colonia Real Estate AG contains the following asset and liability items which are part of the insolvencybound assets Küppersbusch AG i.L.: properties held for sale (EUR 3,655.7k; prior year: EUR 3,655.7), other assets (EUR 681.0k; prior year: EUR 545.3k), bank balances (EUR 800.5k; prior year: EUR 730.3k), liabilities to banks (EUR 3,655.7k; prior year: EUR 3,655.7k) and other liabilities (EUR 1,481.5k; prior year: EUR 1,276.2k). The further information in the notes refer solely to the free assets of Colonia Real Estate AG.

The Company qualifies as a large capital corporation within the meaning of Sec. 267 (3) Sentence 2 of the German Commercial Code (HGB).

II. Accounting Policies

The annual financial statements were prepared in compliance with Sec. 242 ff. and 264 ff. of the German Commercial Code, along with the pertinent requirements of the German Stock Corporations Act (AktG). The income statement was prepared in the total cost format.

Noncurrent assets are measured at cost, less scheduled straight-line depreciation or amortization if applicable. Additions to property, plant and equipment are normally depreciated over time. Minorvalue assets up to a value of EUR 410.00 are written off in the year of acquisition; they are assumed as having been disposed of immediately.

Receivables and other assets are normally measured at their nominal value or acquisition cost, whichever is applicable. Default risks are taken into account with write-downs.

Other securities are measured at lower values pursuant to Sec. 253 (3) of the German Commercial Code.

Provisions cover all risks foreseeable as of the reporting date, under the principle of business prudence.

Liabilities are measured at their repayment amount.

III. Information and explanations on various items in the balance sheet and income statement

- 1. Noncurrent assets** The changes in noncurrent assets are shown in the attached schedule (Appendix A to these Notes).
- 2. Current assets** As in the prior year, receivables and other assets have terms of less than one year.
- 2.1. Receivables from subsidiaries** The financial statements recognize receivables from subsidiaries of EUR 275,942.0k (prior year: EUR 92,284.8k).
These result particularly from current account loans to subsidiaries, which bear interest at 5.5%.
- 2.2. Other assets** The other assets, in the amount of EUR 3,133.6k, largely consist of input tax credits and receivables from members of the Board of Management and employees. Receivables from members of the Board of Management, at EUR 632.0k, result from withholding tax on salaries, which the Company initially assumed. These receivables bear interest at 5.0 % p.a. The intent is to offset them against the bonuses of the Board of Management for fiscal year 2007.
- 3. Marketable securities** The marketable securities consist of treasury stock in the amount of EUR 42.5 million. A reserve for treasury stock was formed in the same amount.
- 4. Deferred income and expenses paid in advance** One major component of this item, which comes to EUR 6,860.9k (prior year: EUR 8,575.9k), is the difference between the redemption amount of the convertible bond, which is recognized as a liability, and the bond's issue amount, which in accordance with Sec. 250 (3) Sentence 1 HGB is recognized at EUR 4,654.3k. The item also includes the equity component of the convertible bond, in the amount of EUR 987.7k, and bank charges of EUR 1,193.9k incurred for the bond issue. This item will be written back in installments over the term of the bond.
- 5. Equity** Equity increased to EUR 251,364,857.04 during the year (prior year: EUR 57,306,317.07). Changes in equity are shown in the attached statement of changes in equity (Appendix B to these Notes), and are explained below:

Share Capital

The share capital increased to EUR 22,465,600 as of the reporting date (prior year: EUR 15,704,000), and is made up of the following:

Bearer shares (no-par bearer shares)	Notional value per share EUR	Share capital EUR
22,465,600	1.00	22,465,600

Under an authorization contained in Article 4 (4) of the Company's articles of incorporation, on April 25, 2007, the Board of Management decided, with the consent of the Supervisory Board, granted likewise on April 25, 2007, to increase the share capital by EUR 6,281,600, from EUR 15,704,000 to EUR 21,985,600, by issuing 6,281,600 new bearer shares of common stock, fully entitled to participate in profits as of January 1, 2007.

The new shares were assumed by syndicated banks, with the obligation to offer them to the Company's shareholders for subscription. Every five preemptive rights entitle the purchaser to acquire two new shares. The subscription price per new share was EUR 28.50.

The capital increase was recorded in the Commercial Register of Cologne Local Court on May 9, 2007.

In September 2007, Company employees exercised their stock options and subscribed for a total of 420,000 shares. Another 60,000 shares were subscribed by Company employees in December 2007.

In all, therefore, the share capital increased by EUR 6,761.6k during the year, to EUR 22,465.6k (prior year: EUR 15,704.0k).

Authorized Capital

The shareholders' meeting on July 4, 2007, resolved to amend Article 4 (Share Capital, Conditional Capital, Authorized Capital) and Article 16 (Compensation) of the articles of incorporation. Conditional Capitals II, III, and IV were reduced. New Conditional Capitals V and VI were approved. The former Authorized Capital was suspended and a new Authorized Capital was approved.

The Board of Management has been authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions on or before July 3, 2012, by up to a total of EUR 10,992,800.00, by issuing new bearer shares of no-par stock in return for contributions in cash or in kind (2007 Authorized Capital). The Board of Management may exercise this authorization for any purpose permitted by law, but only up to a total of EUR 6,698,560.00 for the purpose of issuing stock to service exercised conversion rights or options for holders of convertible bonds or bonds with warrants already issued or to be issued in the future under the authorization granted by the shareholders' meetings of June 27, 2005 (in the version of the amending resolutions of June 6, 2006, and July 4, 2007) and of July 4, 2007.

Conditional Capital

The share capital has been conditionally increased by up to EUR 4,500,000, by the issue of up to 4,500,000 no-par bearer shares, each having a notional value of EUR 1.00 of the share capital (Conditional Capital I). The conditional capital increase will be carried out only to the extent that holders of stock options without bonds with warrants issued up to August 1, 2009, under the authorization from the shareholders' meeting of August 24, 2004, exercise their right to subscribe for the Company's stock.

The Company's share capital has been conditionally increased by up to EUR 540,000.00, divided into up to 540,000 no-par bearer shares, by the issue of new stock (Conditional Capital II). The conditional capital increase is to serve to grant subscription rights to members of the Company's Board of Management and employees under the authorization for a "2005 Stock Option Plan" approved by the shareholders' meeting on June 27, 2005, as amended by the amending resolution of June 6, 2006. During fiscal 2007, 480,000 options to subscribe to 480,000 no-par bearer shares of CRE AG were issued.

The Company's share capital has been conditionally increased by up to EUR 792,000.00, divided into up to 792,000 no-par bearer shares, by the issue of new stock (Conditional Capital III). The conditional capital increase is to serve for the issue of stock to service exercised subscription rights (stock options) granted to members of the Board of Management of the Company, to employees of the Company and of affiliated entities subordinate to it, and to the managing directors and members of the Boards of Management of affiliated entities subordinate to the Company under the authorization for a "Colonia Real Estate 2006 Stock Option Plan" approved by the shareholders' meeting on June 6, 2006, as amended by the amending resolution of July 4, 2007.

The Company's share capital has been conditionally increased by up to EUR 1,505,993.00, divided into up to 1,505,993 no-par bearer shares, by the issue of new stock (Conditional Capital IV). The conditional capital increase is to serve to grant subscription rights to holders or creditors under convertible bonds or bonds with warrants issued by the Company under the authorization of June 27, 2005, as amended by the amending resolutions of June 6, 2006, and July 4, 2007.

The Company's share capital has been conditionally increased by up to EUR 866,560.00, divided into up to 866,560 no-par bearer shares, by the issue of new stock (Conditional Capital V). The conditional capital increase is to serve for the issue of stock to service exercised subscription rights (stock options) granted to members of the Board of Management of the Company, to employees of the Company and of affiliated entities subordinate to it, and to the managing directors and members of the Boards of Management of affiliated entities subordinate to the Company under the authorization for a "Colonia Real Estate 2007 Stock Option Plan" approved by the shareholders' meeting on July 4, 2007.

The share capital has been conditionally increased by up to EUR 2,788,247.00, divided into up to 2,788,247 no-par bearer shares (Conditional Capital VI). The conditional capital increase is to serve to grant stock to holders or creditors under convertible bonds or bonds with warrants issued by the Company or by a subordinate Group company on or before July 3, 2012, under the authorization from the shareholders' meeting of July 4, 2007.

Capital Reserves

The surplus above the notional value of EUR 1 generated by the capital increase of 6,281,600 shares at a subscription price of EUR 28.50 has been allocated accordingly to the capital reserves, yielding an addition of EUR 172,744,000.

The proceeds from the employee stock options exercised in 2007 in excess of the notional value of EUR 1, for 480,000 new shares, were likewise added to the reserve, in the amount of EUR 1,145,400.

Thus the capital reserves increased by EUR 173,889,400 in all.

Reserve for Treasury Stock

As of the reporting date, the Company held 2,501 shares of treasury stock (prior year: 0). The treasury stock is valued at the share price as of the balance sheet day and is disclosed under marketable securities. In the same amount, a reserve for treasury shares is setup.

6. Provisions**6.1. Tax provisions**

Based on the current tax calculation for the period, the Company has formed a tax provision of EUR 165.9k for the current fiscal year (prior year: EUR 0.0k).

6.2. Other provisions

The other provisions are primarily personnel provisions (EUR 1,524.5k; prior year: EUR 1,076.6k) and provisions for outstanding invoices (EUR 410.8k; prior year: EUR 560.0k).

7. Liabilities

Liabilities have the following terms:

At December 31, 2007:

	EUR k	Remaining term		
		Total	1 year or less	1 to 5 years
Convertible bond	60,905.6	0.0	60,905.6	0.0
Liabilities to banks	21,789.3	12,861.1	1,160.0	7,768.2
Liabilities to subsidiaries	18,445.8	18,445.8	0.0	0.0
Advance payments received on orders	168.2	168.2	0.0	0.0
Trade payables	1,012.7	1,012.7	0.0	0.0
Other liabilities	6,552.9	6,552.9	0.0	0.0
	108,874.5	39,040.7	62,065.6	7,768.2

Zum 31. Dezember 2006

	EUR k	Remaining term		
		Total	1 year or less	1 to 5 years
Convertible bond	60,905.6	0.0	60,905.6	0.0
Liabilities to banks	9,511.9	293.7	4,525.8	4,692.5
Liabilities to subsidiaries	21,003.8	21,003.8	0.0	0.0
Advance payments received on orders	140.0	140.0	0.0	0.0
Trade payables	496.5	496.5	0.0	0.0
Other liabilities	1,205.2	1,205.2	0.0	0.0
	93,263.0	23,139.2	65,431.4	4,692.5

7.1 Convertible bond

On December 7, 2006, the Company issued a convertible bond with a total par value of EUR 54,964.0k. The bonds are certificated in a global certificate without interest coupons. The total par value is divided into bearer bonds with a par value of EUR 100.00 each, all having the same seniority. The bonds establish direct, unconditional, non-junior, unsecured liabilities of the Company that all have the same seniority among themselves and are at least as senior as all other present and future unsecured, non-junior liabilities of the Company, except as provided otherwise by law. The bonds accrue interest on their par value at 1.875% of par p.a. as of the inception of the interest accrual period. Interest is payable annually, in arrears, on each interest payment date. The first interest payments were due on December 7, 2007.

The bonds will be redeemed on their maturity date at their accrued par value plus accumulated interest, unless they have been redeemed, converted or retired and cancelled before that date.

The convertible bond has been recognized as a liability as of the reporting date, at its repayment amount of 110.81% or EUR 60,905.6k.

The accrued interest is recognized as part of other liabilities.

The Company is entitled to recall the entire bond issue after December 21, 2009. A prerequisite is that the stock's trading price over a period of at least 20 successive trading days must be at least 130% of the accrued par value applicable at the time. The creditors' conversion rights could be exercised for the first time as of January 17, 2007. The conversion period ends on November 25, 2011. The number of underlying shares to be delivered at conversion is calculated from the quotient of the total par value of the bonds submitted by a creditor for conversion, and the conversion price applicable on the conversion date, rounded to the nearest whole share. The initial conversion price per underlying share was EUR 39.524. A conditional capital up to a total of EUR 1,781,600 was established for underlying shares by the shareholders' meeting of June 6, 2006, to cover the convertible bond.

7.2. Liabilities to banks

Liabilities to banks, totaling EUR 21,789.3k (prior year: EUR 9,511.9k) result primarily from a loan of EUR 9,218.2k (prior year: EUR 9,508.2k) to finance the acquisition of property on Ferdinand-Porsche-Strasse, a bridge loan of EUR 10,000k from UBS AG, London, (prior year: EUR 0.0k), and current account credit lines of EUR 2,571.1k (prior year: EUR 3.8k).

The bank liability to finance Ferdinand-Porsche-Strasse is secured by an immediately enforceable land charge of EUR 10,675.0k recorded in the Land Register. The loan term expires on August 30, 2012.

The liabilities to UBS AG, London Branch, are secured by the assignment of equity interests. The current account liabilities are unsecured.

CRE AG has hedged the interest rate risk deriving from the variable interest rates on the loan for the purchase of real estate portfolios, by entering into an interest rate swap with EURO Hypo, dated April 5, 2006. The market value as of the reporting date, which is equivalent to the fair value, was EUR 198.3k.

8. Revenues

Revenues, at EUR 1,304.9k (prior year: EUR 1,269.4k) derived from rent and incidental expenses collected for the properties on Ferdinand-Porsche-Strasse.

9. Other operating income

The other operating income of EUR 17,342.0k (prior year: EUR 196.6k) is dominated in particular by the first-time recognition of intra-Group charges of EUR 17,152.3k (prior year: EUR 0.0k).

10. Other operating expenses

The other operating expenses are primarily bank charges and the cost of raising equity (EUR 13,115.5k, prior year: EUR 1,383.8k) and costs for legal and other consultants (EUR 2,958.6k, prior year: EUR 1,762.5k).

11. Income from subsidiaries and associated companies, including profits on disposals

In 2007, Grasmus B.V. paid a 2006 dividend of EUR 14,100.2k (prior year: EUR 12,633.6k). Resolution GmbH likewise paid a 2006 dividend in 2007, of EUR 560.0k (prior year: EUR 0.0k). In addition, the sale of interests in CRE Hotel Immobilien GmbH generated EUR 6,090.5k (prior year: EUR 0.0k).

12. Income from profit transfer agreements

As a consequence of the merger of Research & Management GmbH with the Company, the Company became a party to the profit-and-loss transfer agreement signed between Research & Management GmbH and Resolution GmbH. The resulting transfer of profits for 2007 came to EUR 5,400.6k (prior year: EUR 0.0k).

13. Write-down on and losses from disposal of financial assets and marketable securities

This item largely consists of losses from disposal of securities. A loss of EUR 12,629.8k came from securities that were bought during the year but subsequently resold to limit losses because of the crisis in the capital markets.

IV. Other mandatory disclosures

1. List of shareholdings (direct and indirect):

	EUR k	Share of capital %	Equity at Dec. 31, 2007	Profit (loss) for 2007
1. CRE Hotel Immobilien GmbH, Cologne		99.64	-3,760.3	-1,312.3
2. Grasmus Holding B.V., Maastricht/NL		99.64	2,269.2	-477.3
3. CRE Wohnen GmbH, Cologne		100.00	-18,350.9	-17,940.9
4. CRE Gewerbeimmobilien GmbH, Cologne		100.00	918.2	92.8
5. Gimag Gewerbe Immobilien AG, Zug/CH		94.00	826.7	372.7
6. CRE Retail Immobilien GmbH, Cologne		100.00	9.4	-8.5
7. CRE Wohnen Zweite GmbH, Cologne		100.00	-1,273.6	-620.0
8. CRE Wohnen Dritte GmbH, Cologne		100.00	20,592.3	-2,723.8
9. CRE Wohnen Services GmbH, Cologne		100.00	707.0	-301.6
10. CRE Wohnen Fünfte GmbH, Cologne		100.00	21.4	-3.1
11. CRE Wohnen Sechste GmbH, Cologne		100.00	-300.8	-325.3
12. CRE Wohnen Siebte GmbH, Cologne		100.00	-5,226.7	-5,251.7
13. CRE Wohnen Achte GmbH, Cologne		100.00	-1,091.6	-1,116.6
14. CRE Wohnen Neunte GmbH, Cologne		100.00	23.5	-1.5
15. CRE Wohnen Zehnte GmbH, Cologne		100.00	23.5	-1.5
16. CRE Wohnen Elfte GmbH, Cologne		100.00	23.4	-1.6
17. CRE German Office GmbH, Cologne		90.00	5,243.7	-633.2
18. Gerespro ONE GmbH, Cologne		100.00	-91.7	-116.7
19. Gerespro TWO GmbH, Cologne		100.00	23.1	-1.9
20. Resolution GmbH, Berlin (EAV)		75.10	1,188.5	0.0
21. Emersion Grundstücksverwaltungs-Gesellschaft mbH, Cologne		100.00	-237.4	-720.9
22. Domus Grundstücksverwaltungs-Gesellschaft mbH, Cologne		100.00	1,064.3	-49.5
23. accentro real estate GmbH, Stuttgart		70.00	686.2	152.3
24. CRE Wohneigentum GmbH, Cologne		100.00	8.7	-16.3
25. CRE Immobilien Verwaltung GmbH, Cologne		100.00	17.3	-6.3
26. CRE Wohnen Immo. Verwaltung GmbH & Co. KG, Cologne		100.00	6,400.0	-1,976.9
27. CRE Wohnen Berlin Holding AG, Vienna/Austria		99.69	14,985.5	-37.3
28. CRE Fonds Management GmbH, Cologne		56.00	-581.1	222.2
29. Careinvest Drei Verwaltungs GmbH, Cologne		56.00	26.4	1.4
30. Careinvest Drei GmbH & Co. KG, Cologne		56.00	-390.3	-396.3
31. Arcon Real Bauprojektentwicklungs-Gesellschaft mbH, Düsseldorf		24.00	n/av,	n/av,
32. CRE Wohnen Berlin Alpha GmbH, Vienna/Austria		99.69	7,976.9	-1,116.9
33. Signal Real Estate Capital Partners Berlin Holding AG & Co. Alpha OEG, Vienna/Austria		99.69	7,545.8	-1,100.3
34. CRE Wohnen Berlin Beta GmbH, Vienna/Austria		99.69	1,076.6	-271.2
35. Signal Real Estate Capital Partners Berlin Holding AG & Co. Beta OEG, Vienna/Austria		99.69	926.9	-261.0
36. CRE Wohnen Berlin Gamma GmbH, Vienna/Austria		99.69	2,859.1	-726.0
37. Signal Real Estate Capital Partners Berlin Holding AG & Co. Gamma OEG, Vienna/Austria		99.69	2,735.3	-712.7

2. Other financial liabilities

A standing lease on office space to 2011, as well as other leases, resulted in other financial liabilities of EUR 1,147.6k (prior year: EUR 1,516.9k).

3. Employees

The average number of employees was as follows:

	2007	2006
Permanent employees	21	14

4. Board of Management

The following were members of the Board of Management:

- Stephan Rind, Cologne, Chairman
- Klaus Reichert, Cologne
- Christoph Wittkop, Frankfurt, (since August 14, 2007)

The members of the Board of Management conduct their activities as their principal profession. Mr. Wittkop is also a managing director at Resolution GmbH.

The current members of the Board of Management received the following total compensation in 2007:

	EUR k	2007	2006
Total compensation paid to the Board of Management came to		2,217.5	2,357.6
consisting of:			
for Rind		1,158.4	804.9
for Reichert		800.4	558.6
for Grosch*		0.0	47.0
for Krauß**		0.0	455.4
for Wittkop***		258.7	0.0
including the following variable components:		1,674.5	1,036.6
for Rind		896.7	612.9
for Reichert		597.8	408.6
for Grosch*		0.0	15.0
for Krauß**		0.0	0.0
for Wittkop***		180.0	0.0

* Mr. Grosch from January 1 through April 11 of 2006

** Mr. Krauß from January 1 through June 2 of 2006

*** Mr. Wittkop from August 14 of 2007 onward

Total compensation includes a base salary and bonuses.

The status of stock options issued in 2006 to the Board of Management and not yet exercised as of the reporting date was as follows:

	EUR	Units	Fair value of stock options*
Rind		60,000	547,800
Reichert		60,000	547,800
Wittkop		60,000	610,200

* Fair value as of date of grant calculated using the Black/Scholes option pricing model.

5. Supervisory Board

The Supervisory Board has the following members:

- Prof. Dr. Klaus B. Steiger, university professor and independent consultant, Cologne, Chairman, member of the Supervisory Board of Immo Finanz Partner AG, Berlin
- Stefan Lutz, independent German certified public accountant and tax consultant, Cologne, Vice-Chairman
- Lutz Wille, banking businessman, Cologne

The Supervisory Board received total compensation of EUR 83.7k (prior year: EUR 39.6k) for its activities.

6. Notices under the German Securities Trading Act

- On February 26, 2007, UBS AG, of Zürich, Switzerland, notified us that on February 20, 2007, it had exceeded the threshold of 3% of voting rights. UBS AG then held 3.11% of the voting rights, equivalent to 487,889 voting shares.
- On February 21, 2007, the holdings of UBS AG of Zürich, Switzerland, fell below the threshold of 3% of voting rights. UBS AG of Zurich, Switzerland, then held 1.87% of the voting rights, equivalent to 294,035 votes.
- On February 28, 2007, DWS Investment GmbH, Mainzer Landstrasse 178-190, 60327 Frankfurt am Main, Germany, notified us that its voting rights in the Company had exceeded the threshold of 3% of the total voting rights, and now came to 3.19% (equivalent to 501,000 votes).
- On April 17, DWS Investment GmbH, Mainzer Landstrasse 178-190, 60327 Frankfurt am Main, Germany, notified us that its voting rights had fallen below the threshold of 3% of the total voting rights, and now came to 2.96% (equivalent to 464,500 votes).
- On May 7, 2007, Wellington Management Company LLP, 75 State Street, Boston, Massachusetts, United States of America, notified the Board of Management that its voting rights in the Company had exceeded the threshold of 3% of the total voting rights, and now came to 3.33% (equivalent to 522,624 votes). Under Sec. 22 (1) Sentence 1 No. 6 of the Securities Trading Act, 0.53% of the voting rights (equivalent to 83,789 votes) are to be attributed to the company by Wellington Management.

- On May 14, 2007, Fortman Cline AG Ober Altstadt 14, Zug, Switzerland, notified us that its voting rights in the Company had fallen below the threshold of 30 % of the total voting rights, and now came to 26.14 % (equivalent to 4,105,317 votes). Of this figure, under Sec. 22 (1) Sentence 1 No. 1 of the Securities Trading Act, 25.53 % of the voting rights (equivalent to 4,008,905 votes), for the shares held directly by SwissReal Estate AG, 6300 Zug, Switzerland, as a wholly-owned subsidiary of Fortman Cline Holding AG, are to be attributed to us. Additionally, SwissReal Estate AG, 6300 Zug, Switzerland notified us in accordance with Sec. 21 (1) of the Securities Trading Act that on May 8, 2007, its share of voting rights fell below the 30 % threshold, and was now 25.53 % (4,008,905 votes).
- On May 9, 2007, UBS Limited, London EC2M 2PP, United Kingdom, notified us that its share of voting rights had exceeded the thresholds of 3 %, 5 % and 10 % by way of an acquisition of an equity interest through its position as one of the syndicate banks in an increase in capital subject to preemptive rights we carried out, and was now 14.29 %, equivalent to 3,140,800 voting rights out of a total of 21,985,600. At the same time, it notified us that on May 14, 2007, its share of voting rights had fallen below the thresholds of 10 %, 5 % and 3 % by way of a sale of an equity interest through its position as one of the syndicate banks in an increase in capital subject to preemptive rights we carried out, and was now 0 %. It furthermore notified us that on May 9, 2007, its share of voting rights had exceeded the thresholds of 3 %, 5 %, 10 % and 15 % by way of an acquisition of an equity interest through its position as one of the syndicate banks in an increase in capital subject to preemptive rights we carried out, and was now 15.91 %, equivalent to 3,496,856 votes). Of this amount, 14.29 % of the voting rights (3,140,000 votes) are to be attributed to UBS AG under Sec. 22 (1) Sentence 1 No. 1 of the Securities Trading Act. These are held as follows: UBS Ltd. (14.29 %). It furthermore notified us that on May 14, 2007, its share of voting rights had fallen below the thresholds of 3 %, 5 %, 10 % and 15 % by way of a sale of an equity interest through its position as one of the syndicate banks in an increase in capital subject to preemptive rights we carried out, and was now 1.64 % (359,711 votes).
- On June 11, 2007, DWS Investment GmbH, 60327 Frankfurt am Main, Germany, notified us that on June 4, 2007, its voting rights had exceeded the threshold of 3 % of the total voting rights, and now came to 3.05 % (equivalent to 670,952 votes).
- On June 21, 2007, William Blair & Company LLC, Chicago, Illinois 60606, USA, notified us that on June 14, 2007, its voting rights from stock had exceeded the threshold of 3 % of the total voting rights, and now came to 3.0383 % (equivalent to 667,980 votes). Of this figure, 3.0383 % of the voting rights are to be attributed to the company under Sec. 22 (1), Sentence 1 No. 6 of the Securities Trading Act.
- On June 25, 2007, Wellington Management Company LLP, Boston, Massachusetts 20109, USA, notified us that on June 25, 2007, its voting rights from stock had fallen below the threshold of 3 % of the total voting rights, and now came to 2.88 % (equivalent to 634,013 votes).
- On July 31, 2007, Abu Dhabi Investment Authority, Abu Dhabi, United Arab Emirates, notified us that on July 24, 2007, its voting rights from stock had exceeded the threshold of 3 % of the total voting rights, and now came to 3.03 % (equivalent to 666,545 votes).
- On August 9, 2007, UBS AG, 8098 Zürich, Switzerland, notified us that on August 7, 2007, its voting rights from stock had exceeded the threshold of 3 % of the total voting rights, and now came to 3.04 % (equivalent to 667,882 votes).

- On August 10, 2007, UBS AG, 8098 Zürich, Switzerland, notified us that on August 8, 2007, its voting rights from stock had fallen below the threshold of 3% of the total voting rights, and now came to 2.26% (equivalent to 497,694 votes).
- On September 28, 2007, UBS AG, 8098 Zürich, Switzerland, notified us that on September 24, 2007, its voting rights from stock had exceeded the threshold of 3% of the total voting rights, and now came to 3.603% (equivalent to 792,106 votes).
- On September 28, 2007, UBS AG, 8098 Zürich, Switzerland, notified us that on September 25, 2007, its voting rights from stock had fallen below the threshold of 3% of the total voting rights, and now came to 2.485% (equivalent to 546,418 votes).
- On October 1, 2007, Abu Dhabi Investment Authority, Abu Dhabi, United Arab Emirates, notified us that on September 28, 2007, its voting rights from stock had fallen below the threshold of 3% of the total voting rights, and now came to 2.92% (equivalent to 641,888 votes).
- On October 15, 2007, UBS AG, 8098 Zürich, Switzerland, notified us that on October 9, 2007, its voting rights from stock had exceeded the threshold of 3% of the total voting rights, and now came to 3.01% (equivalent to 661,556 votes). Under Sec. 22 (1) Sentence 1 No. 1 of the Securities Trading Act, 0.02% of the voting rights (equivalent to 3,590 votes) are to be attributed to the Company by UBS AG.
- On October 16, 2007, Cominvest Asset Management GmbH, 60327 Frankfurt am Main, Germany, notified us that on October 16, 2007, its voting rights had fallen below the threshold of 3% of the total voting rights, and now came to 2.96% (equivalent to 650,327 votes). Of this figure, 0.97% of the voting rights (equivalent to 212,600 votes) are attributable under Sec. 22 (1), Sentence 1 No. 6 of the Securities Trading Act.
- On November 21, 2007, Cominvest Asset Management GmbH, 60327 Frankfurt am Main, Germany, notified us that on November 20, 2007, its voting rights had exceeded the threshold of 3% of the total voting rights, and now came to 3.03% (equivalent to 679,424 votes). Of this figure, 1.19% of the voting rights (equivalent to 265,600 votes) are to be attributed to the company under Sec. 22 (1), Sentence 1 No. 6 of the Securities Trading Act.
- On January 15, 2008, Cominvest Asset Management GmbH, 60261 Frankfurt am Main, Germany, notified us under Sec. 21 (1) of the Securities Trading Act that on January 14, 2008, its share of voting rights in Colonia Real Estate AG, Cologne, Germany, ISIN: DE0006338007, WKN: 633800, had fallen below the threshold of 3% of the total voting rights, and now came to 2.99% (equivalent to 671,812 votes). Of this figure, 1.15% of the voting rights (equivalent to 258,600 votes) are to be attributed to the company under Sec. 22 (1), Sentence 1 No. 6 of the Securities Trading Act.
- On January 28, 2008, Cominvest Asset Management GmbH, 60261 Frankfurt am Main, Germany, notified us under Sec. 21 (1) of the Securities Trading Act that on January 25, 2008, its share of voting rights in Colonia Real Estate AG, Cologne, Germany, ISIN: DE0006338007, WKN: 633800, had fallen below the threshold of 3% of the total voting rights, and now came to 2.93% (equivalent to 658,600 votes). Of this figure, 1.13% of the voting rights (equivalent to 253,600 votes) are to be attributed to the company under Sec. 22 (1), Sentence 1 No. 6 of the Securities Trading Act.

- On February 1, 2008, William Blair & Company LLC, Chicago, Illinois 60606, USA, notified us that on January 30, 2008, its voting rights from stock in Colonia Real Estate AG, Cologne, Germany, ISIN: DE0006338007, WKN: 633800, had exceeded the threshold of 5% of the total voting rights, and now came to 6.07% (equivalent to 1,362,578 votes). Of this figure, 6.07% of the voting rights (equivalent to 1,362,578 votes) are to be attributed to the company under Sec. 22 (1), Sentence 1 No. 6 of the Securities Trading Act.
- On January 22, 2008, Cominvest Asset Management GmbH, 60261 Frankfurt am Main, Germany, notified us under Sec. 21 (1) of the Securities Trading Act that on January 21, 2008, its share of voting rights from stock in Colonia Real Estate AG, Cologne, Germany, ISIN: DE0006338007, WKN: 633800, had exceeded the threshold of 3% of the total voting rights, and now came to 3.01% (equivalent to 676,812 votes). Of this figure, 1.13% of the voting rights (equivalent to 256,300 votes) are to be attributed to the company under Sec. 22 (1), Sentence 1 No. 6 of the Securities Trading Act.
- On February 19, 2008, DWS Investment GmbH, 60327 Frankfurt am Main, Germany, notified us under Sec. 21 (1) of the Securities Trading Act that on February 18, 2008, its share of voting rights from stock in Colonia Real Estate AG, Cologne, Germany, ISIN: DE0006338007, WKN: 633800, had fallen below the threshold of 3% of the total voting rights, and now came to 2.77% (equivalent to 621,800 votes).
- On February 18, 2008, Mr. Peter May, of Switzerland, notified us under Sec. 21 (1) of the Securities Trading Act that on February 12, 2008, his share of voting rights from stock in Colonia Real Estate AG, Cologne, Germany, ISIN: DE0006338007, WKN: 633800, had fallen below the threshold of 3% of the total voting rights, and now came to 2.77% (equivalent to 623,500 votes).
- On February 19, 2008, Minefa Holdings B.V., 1181 RL Amstelveen, Netherlands, notified us that on February 18, 2008, its voting rights from stock in Colonia Real Estate AG, Cologne, Germany, ISIN: DE0006338007, WKN: 633800, had exceeded the threshold of 3% of the total voting rights, and now came to 3.56% (equivalent to 800,000 votes).
- On February 19, 2008, Wedge International Holdings B.V., 1181 RL Amstelveen, Netherlands, notified us that on February 18, 2008, its voting rights from stock in Colonia Real Estate AG, Cologne, Germany, ISIN: DE0006338007, WKN: 633800, had exceeded the threshold of 3% of the total voting rights, and now came to 3.56% (equivalent to 800,000 votes). Of this figure, 3.56% of the voting rights (equivalent to 800,000 votes) are to be attributed to the company under Sec. 22 (1), Sentence 1 No. 1 of the Securities Trading Act by its subsidiary, Minefa Holdings B.V.
- On February 19, 2008, Mr. Issam Michael Fares, of Switzerland, notified us under Sec. 21 (1) of the Securities Trading Act that on February 18, 2008, his share of voting rights from stock in Colonia Real Estate AG, Cologne, Germany, ISIN: DE0006338007, WKN: 633800, had exceeded the threshold of 3% of the total voting rights, and now came to 3.56% (equivalent to 800,000 votes). Under Sec. 22 (1) Sentence 1 No. 1 of the Securities Trading Act, 3.56% of the voting rights (equivalent to 800,000 votes) are to be attributed to Mr. Issam Michael Fares by his subsidiaries Wedge International Holdings B.V. (parent company of Minefa Holdings B.V) and Minefa Holdings B.V.
- On March 25, 2008, SwissReal Estate notified us that under Sec. 26 (1) of the Securities Trading Act, the disclosure of January 16, 2008, regarding the notice from Swiss Real Estate AG was withdrawn, since Swiss Real Estate AG's holding in Colonia Real Estate AG was between the reporting thresholds of 25% and 30%, and therefore this was not a notice subject to public disclosure under Sec. 21 (1) of the Securities Trading Act.

7. Consolidated Financial Statements

Colonia Real Estate AG prepares consolidated financial statements under International Financial Reporting Standards (IFRS), in the form applicable in the European Union.

8. Declarations under the Corporate Govern- ance Code

The Group very largely follows the recommendations of the German Corporate Governance Code in the currently applicable version of June 14, 2007. The Supervisory Board and Board of Management issued the declaration regarding the Corporate Governance Code as required under Sec. 161 of the German Stock Corporations Act on February 22, 2008. The text of the current declaration can be found on the Internet at www.cre.ag.

9. Auditor's Fees Recog- nized as Expenses for the Year

	EUR k	2007
Auditing		353
Tax consulting services		289
Other consulting		1,595

The other consulting services were particularly one-time services provided in connection with portfolio acquisitions or the capital increase.

10. Contingent Liabilities

The Company has issued an unrestricted letter of comfort to CRE Wohnen Berlin Holding AG, Vienna, for the SIGNA real estate portfolio acquired shortly before the end of the year. The letter of comfort was provided because the refinancing was assumed from the former owner, and new refinancing is being negotiated. The letter of comfort will lapse automatically as soon as the new refinancing means that there is no longer a shortage of cash cover over the planning period.


The Company has issued various guarantees to banks or suppliers in support of loan awards or the provision of crafts and trade work for subsidiaries within the real estate business. As of the reporting date, these guarantees came to EUR 3,909.3k.

As of the reporting date, the Company had issued waivers of seniority to subsidiaries in regard to existing receivables in the amount of EUR 57,464.6k.

Colonia Real Estate AG
Cologne, March 31, 2008



Stephan Rind



Klaus Reichert



Christoph Wittkop

Development of Noncurrent Assets

EUR k	Acquisition costs				Dec. 31, 2007
	Jan. 1, 2007	Additions	Disposals	Reclassifications	
A. Noncurrent assets					
I. Property, plant and equipment					
1. Land and equivalent rights and buildings	10,890,181.29	0.00	0.00	0.00	10,890,181.29
2. Equipment	304,284.55	473,070.51	9,569.19	0.00	767,785.87
	11,194,465.84	473,070.51	9,569.19	0.00	11,657,967.16
II. Financial assets					
1. Investments in subsidiaries	37,031,955.05	27,067,429.96	4,035,000.00	-92,360.30	59,972,024.71
2. Loans to subsidiaries	250,000.00	0.00	250,000.00	0.00	0.00
3. Investments in associated companies	0.00	3,031,289.37	0.00	92,360.30	3,123,649.67
4. Loans to associated companies	0.00	3,482,839.04	0.00	0.00	3,482,839.04
5. Securities	0.00	41,219,992.52	41,219,992.52	0.00	0.00
	37,281,955.05	74,801,550.89	45,504,992.52	0.00	66,578,513.42
	48,476,420.89	75,274,621.40	45,514,561.71	0.00	78,236,480.58

Development of Shareholders' Equity

EUR k	Capital stock	Additional paid-in capital	Reserve for treasury shares	Unappropriated net income / loss	Total
As of Jan. 1, 2007	15,704,000.00	43,768,068.06	0.00	-2,165,750.99	57,306,317.07
Cash capital increase	6,281,600.00	172,744,000.00	0.00	0.00	179,025,600.00
Exercise of stock options	480,000.00	1,145,400.00	0.00	0.00	1,625,400.00
Transfer to the reserve for treasury shares	0.00	0.00	42,517.00	-42,517.00	0.00
Net income	0.00	0.00	0.00	13,407,539.97	13,407,539.97
As of Dec. 31, 2007	22,465,600.00	217,657,468.06	42,517.00	11,199,271.98	251,364,857.04

Depreciation			Net carrying amounts		
Jan. 1, 2007	Additions	Disposals	Dec. 31, 2007	Dec. 31, 2007	Dec. 31, 2006
457,383.00	261,360.29	0.00	718,743.29	10,171,438.00	10,432,798.29
44,324.69	97,468.37	9,569.19	132,223.87	635,562.00	259,959.86
501,707.69	358,828.66	9,569.19	850,967.16	10,807,000.00	10,692,758.15
0.00	0.00	0.00	0.00	59,972,024.71	37,031,955.05
0.00	0.00	0.00	0.00	0.00	250,000.00
0.00	0.00	0.00	0.00	3,123,649.67	0.00
0.00	0.00	0.00	0.00	3,482,839.04	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	66,578,513.42	37,281,955.05
501,707.69	358,828.66	9,569.19	850,967.16	77,385,513.42	47,974,713.20

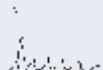
Responsibility Statement (Bilanzaid) in accordance with section 37v(1) and (2) of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) in conjunction with sections 264(2) sentence 3 and 289(1) sentence 5 of the Handelsgesetzbuch (HGB – German Commercial Code)

“To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Colonia Real Estate AG, and the management report includes a fair review of the development and performance of the business and the position of Colonia Real Estate AG, together with a description of the principal opportunities and risks associated with the expected development of Colonia Real Estate AG”

Colonia Real Estate AG
Cologne, 31 March 2008



Stephan Rind



Klaus Reichert



Christoph Wittkop

Audit opinion

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report, which was combined with the group management report of Colonia Real Estate AG, Cologne, for the fiscal year from January 1, to December 31, 2007. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and the supplementary provisions of the articles of incorporation and bylaws are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB [„Handelsgesetzbuch“: „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary articles of incorporation and bylaws and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Cologne, April 9, 2008
Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Schröder
Wirtschaftsprüfer

Erdle
Wirtschaftsprüferin

