



Colonia Real Estate AG  
*Next Generation Real Estate*

## Report on the III. quarter 2007

**2007 quarterly financial report**  
**January 1 to September 30, 2007**

**Interim management report for the Colonia Real Estate Group**  
**for the period from January 1, 2007 to September 30, 2007**

**Summary**

Colonia Real Estate (CRE) succeeded in sustaining its profitable growth-oriented course in the first nine months of the fiscal year. Corporate profit or loss after taxes and before third-party shareholdings rose sharply from Euro 19.0 million last year to Euro 54.3 million.

The rise in profits was bolstered in particular by the positive trend of the residential real estate portfolio, which yielded a strong increase in rental income, and by the positive trend of the asset management portfolio with some Euro 2.5 billion in assets under management.

The residential real estate portfolio was expanded to about 20,000 units through the exercising of purchase options for the remaining 49% shares in the residential real estate companies Emersion and Domus with a total of 9,857 residential units. This increased real estate assets to Euro 796.9 million from Euro 353.2 million in the previous year.

Two new joint ventures with prominent investors were finalized in the asset and fund management division. A commercial portfolio in Berlin with an investment volume of some Euro 65 million, including planned construction activities, was acquired jointly with Strategic Value Partners in July. Strategic Value Partners is a globally oriented investment manager based in the United States with managed funds of over Euro 5 billion. The plan is for CRE to participate in the joint venture at 10%. The joint venture with JPMorgan Asset Management was established in August through the purchase of two commercial objects. CRE will have a 15% share in the joint venture, which is focused on logistics real estate and has a target value of at least Euro 200 million. Strong growth in asset management operations also justified increasing CRE's share in Resolution GmbH in August from 56% to 75.1%. The purchase price for the newly acquired interest was approximately Euro 19 million, 40% of which was paid in shares.

We anticipate corporate profit or loss for the entire year after taxes and before minority interests to rise sharply to Euro 67 - Euro 70 million (previous year: Euro 31.2 million).

## **Overall economic development and climate**

The subprime lending crisis triggered by the US residential real estate market led to considerable turbulence on international financial markets, especially in the securitization of loans. This crisis has extended to the German financial market as well. The real estate sector is indirectly affected, since many banks have only limited funds available for major financing projects. The result has been a slight decline in demand, especially for large-volume transactions, leading in the third quarter to a small rise in initial rates of return of up to 25 basis points for office real estate in prime locations. This effect has not yet been observed in the residential real estate market, since the rates of return for large transactions there already reached bottom last year.

The general economic upward trend remains strong in Germany despite the subprime crisis. After this year's estimated economic growth of 2.6%, the forecast for 2008 is 2.1%. The unemployment rate even fell to a 12-year low of 8.2% in October, with the number of employed in Germany rising above 40 million for the first time.

The rate of inflation in the euro zone was below 2% in the third quarter despite a constant rise in energy prices. The rise in key interest rates in the euro zone announced for September did not materialize, and a short-term interest rate hike by the European Central Bank is also unlikely.

## **Earnings**

Total income increased 18% to Euro 107.1 million, from Euro 91 million in the first nine months of 2006.

Rental income from investment property totaled Euro 34.6 million (previous year: Euro 9.0 million). Net rental income increased Euro 16.0 million to Euro 23.3 million (previous year: Euro 7.3 million).

Net income from asset and fund management amounted to Euro 4.9 million (previous year: negative Euro 0.1 million). The contribution of CRE Fonds Management GmbH to reported net sales was Euro 2.3 million with expenses of Euro 1.5 million, while Resolution GmbH accounted for Euro 7.8 million in sales with expenses of Euro 3.9 million. Resolution GmbH further expanded its successful asset management business and made a significant contribution to the positive operating result.

Administrative expenses grew to Euro 12.2 million (previous year: Euro 5.4 million) due to the continued increase in business volume.

The capital increase in May 2007 resulted in expenses for capital market consulting, legal advice and appraisals totaling around Euro 1.6 million. Personnel expenses

include Euro 1.8 million in non-cash items for the share-based compensation from the 2005 and 2006 employee options programs.

The “other net earnings” of negative Euro 12.1 million (previous year: Euro 0.2 million) includes exchange rate losses from the acquisition of a Euro 12.5 million block of shares in Deutsche Wohnen AG. This is offset by “unrealized profits from the assessment of securities at fair value” of Euro 4.6 million.

Net operating profit before finance costs rose to Euro 69.2 million from Euro 29.9 million in the same period last year.

The substantial growth of our real estate portfolio resulted in a corresponding rise in finance costs. The net interest expense was Euro 13.0 million (previous year: Euro 4.3 million).

The consolidated net profit of Euro 54.3 million significantly exceeded last year’s figure of Euro 19.0 million.

### **Assets and liabilities**

Total assets are at Euro 969.3 million (December 31, 2006: Euro 420.1 million). Investment property represents the largest single balance sheet item at Euro 797.0 million (December 31, 2006: Euro 353.2 million). The reported goodwill includes the assets held by Resolution GmbH.

Capital was increased by Euro 420 thousand in September as a result of the subscription of new shares from the 2005 employee options program. Share capital rose accordingly to Euro 22,405 thousand, while reserves were bolstered by Euro 798 thousand.

Corporate equity stands at Euro 326.7 million (December 31, 2006: Euro 100.2 million). Equity now accounts for 33.7% of total equity and liabilities, compared to 23.8% as of December 31, 2006.

Financial liabilities rose sharply over the 2006 year-end figure to Euro 447.8 million (December 31, 2006: Euro 113.8 million) in line with the strong growth in real estate holdings. The preliminary remainder of the costs stemming from the acquisition of Emersion and Domus were paid out of liquid assets at the beginning of the third quarter of 2007. This resulted in a corresponding reduction in trade payables.

## **Segment reporting**

### **CRE investments**

#### **Residential properties**

The objective set at the end of 2006 – to reach a critical mass of at least 20,000 residential units by the end of 2007 – was achieved early when the options to purchase the remaining 49% shares in both Emersion and Domus were exercised, bringing in 9,857 residential units in Hamburg, Salzgitter, Cologne and Freiburg.

In inventory management, however, CRE was able to achieve a long-term reduction in vacancies in some partial portfolios in Berlin. The new leasing initiative launched in the early summer of 2007 in the Berlin Marzahn portfolio with its 2,488 units already produced a sharp drop in vacancies from 15.7% to 11.8% (including new leases) in the period from July to September. The portfolio's vacancy rate was thus nearly halved in 12 months from its original level of 22.4% at the time of its acquisition by Colonia Real Estate AG on October 1, 2006.

The vacancy rate in the other Berlin portfolio (Nauen) with its 2,072 units was even cut by more than half, falling from 9.1% to 4.4% during the same period. This will improve rental income in the coming months and lead to significant appreciations in residential holdings.

#### **Co-investments in commercial real estate**

A new joint venture was signed in August 2007 with the investment bank JPMorgan. Colonia Real Estate AG has taken on a 15% share in the newly established company, with 85% assumed by the JPMorgan Group. The company will invest up to Euro 200 million in commercial real estate in the areas of logistics and environmentally friendly industries.

Two state-of-the-art production and logistics properties in North Rhine-Westphalia with 70,000 square meters (750,000 square feet) of floor space have already been acquired. Resolution GmbH is handling the entire transaction and asset management of the joint venture.

#### **Fund and asset management**

Colonia Real Estate AG signed a sales contract in August 2007 to increase its shareholding in the asset management subsidiary Resolution GmbH. The Board of Management has thereby increased the shareholding in the company's capital stock by 19.1%, from 56% to 75.1%, underscoring the significance and growth potential of

the property asset management operations. About 40% of the approximately Euro 19 million sales price was paid in Colonia Real Estate AG shares, acquired on the market through the share buy-back program. The management of Resolution GmbH remains a major shareholder at 24.9%.

Strategic Value Partners and JPMorgan Asset Management represent two new prominent joint venture partners with a long-term interest in the German commercial real estate market. These new mandates underscore the CRE Group's leading position as an asset manager on the German market. Annual growth of 50% is forecast for this division over the next three years.

CRE Fonds Management GmbH acquired two properties in the third quarter of 2007 for the newly conceived nursing home fund. Three other properties are under contract. Full placement of CareInvest 3 is scheduled for the fourth quarter.

### **Financial position**

The consolidated cash flow statement shows a surplus of Euro 5.1 million (previous year: minus Euro 1.0 million) from operating activities. Investment cash flow reflects the considerable scope of the investments already made in this fiscal year. This level of investment was made possible through the capital increase from the first half of the year, which added some Euro 170 million in own resources to the company.

The Group had Euro 58.2 million in liquid funds available in bank accounts (previous year: Euro 36.0 million) and Euro 26.7 million in listed securities (previous year: Euro 0) available on the closing day of the third quarter. The Group's liquidity is optimal.

There was a payment liability of some Euro 11 million on the cutoff date from the acquisition of an additional 19.1% share in Resolution GmbH. This liability was paid in the fourth quarter of 2007.

## **Risk report**

As presented in the 2006 financial statements, all of our loans have long-term interest rate agreements. However, we must assume that interest rates will be higher for new projects and their financing, which could have a negative impact on profits. The lending crisis that appeared on the financial markets in the third quarter of 2007 may lead to difficulties in procuring new long-term bank loans now that many banks have greatly restricted or suspended their real estate loan operations due to a lack of refinancing options. Banks that continue to offer financing are subjecting their real estate loans to stricter standards of creditworthiness.

The international financial crisis stemming from the US property market's subprime lending crisis has also put great pressure on the stock market prices of Germany's real estate corporations. This may limit the equity available from the capital markets.

The portfolio holdings referred to as "investment property" are reported at market prices determined by independent property experts. The financial crisis and the related decrease in demand for real estate could lead to falling property prices. This would result in depreciations of the real estate portfolio. Current assumptions do not foresee a future need to realize depreciations since the Colonia Real Estate Group did not acquire new portfolio properties at prices that had been bid up nor base their value on the maximum prices obtainable through such bidding processes in the past period.

In consideration of all known facts and circumstances, no risks are present that could jeopardize the continued existence of the Colonia Real Estate Group as a going concern in the near future.

## **Outlook**

### **Expected development of the Colonia Real Estate Group in the fourth quarter of 2007**

For the fourth quarter of 2007, we see continued good business opportunities for acquiring additional residential real estate at low cost. We are still aiming to grow our portfolio to 30,000 residential units by the end of 2008. We continue to strive for a volume of Euro 3 billion in assets under management in our asset and fund management operations by the end of the year. Many of the transactions that did not materialize in the third quarter due to the lending crisis will be executed in the fourth quarter or in the first half year of 2008. On this basis, we anticipate a strong increase in small or medium-sized transactions with the involvement of the CRE Group.

The October 30, 2007 acquisition of a 94.9% share in the capital stock of SIGNA Real Estate Capital Partners Berlin Holding AG in Vienna represents a further step by

the Colonia Real Estate Group toward achieving the aforementioned goal. The company, through subsidiaries in Berlin, has a mixed portfolio of residential and commercial real estate, for the most part in western Berlin. Financing was carried out through the acquisition of existing long-term loan agreements and the use of own liquid funds.

The Board of Management sees good opportunities to acquire additional attractive residential real estate portfolios with revenue potential thanks to the stabilization in demand and prices from the financial crisis on the real estate markets. In addition, other minority involvements in commercial projects together with business partners are in advanced negotiations.

### **Business transactions with affiliated persons**

There were no business transactions with affiliated persons in the period under review.

### **Disclaimer**

This management report contains forward-looking statements and information about expected developments. Such forward-looking statements are based on our current expectations and certain assumptions. They are, of course, associated with risks and uncertainties. The actual results, successes and performance may differ considerably from those forecast here.

**Colonia Real Estate AG, Köln**  
**Consolidated Balance Sheet as of September 30. 2007**

	<b>2007</b>	<b>2006</b>
	<b>TEUR</b>	<b>TEUR</b>
<b>Non-current assets</b>		
Investment property	796.982,0	353.220,0
Property, plant, and equipment, net	3.292,3	310,6
Other Investment	15.129,1	11.112,9
Loans receivable	767,1	124,0
Goodwill	22.475,2	1.975,2
Deferred tax assets	8.541,3	4.519,7
<b>Total non - current assets</b>	<b>847.187,0</b>	<b>371.262,4</b>
<b>Current assets</b>		
Property under construction	8.705,7	7.645,3
Income tax receivables	490,6	2,2
Other receivables	28.047,7	5.243,9
Available-for-sale securities	26.694,9	0,0
Cash and cash equivalents	58.201,1	35.999,1
<b>Total current assets</b>	<b>122.140,0</b>	<b>48.890,5</b>
<b>Total assets</b>	<b>969.327,0</b>	<b>420.152,9</b>
<b>Equity</b>		
Subscribed capital	22.405,6	15.704,0
Other reserves	208.043,9	44.267,7
Retained earnings	93.820,1	39.235,1
<b>Total shareholders' equity</b>	<b>324.269,6</b>	<b>99.206,8</b>
Minority interest	2.437,9	946,1
<b>Total equity</b>	<b>326.707,5</b>	<b>100.152,9</b>
<b>Liabilities</b>		
<b>Non - current liabilities</b>		
Interest - bearing loans and borrowings	447.820,5	113.928,5
Convertible bond	54.479,2	52.304,4
Deferred tax liabilities	40.951,7	16.114,8
<b>Total non current liabilities</b>	<b>543.251,4</b>	<b>182.347,7</b>
<b>Current liabilities</b>		
Bank overdraft	0,0	4,9
Interest - bearing loans and borrowings, current portion	43.108,1	26.911,4
Accounts payables, trade and other payables	43.726,8	99.104,4
Accrued tax liabilities	12.533,2	11.631,6
<b>Total current liabilities</b>	<b>99.368,1</b>	<b>137.652,3</b>
<b>Total liabilities</b>	<b>642.619,5</b>	<b>320.000,0</b>
<b>Total equity and liabilities</b>	<b>969.327,0</b>	<b>420.152,9</b>

Colonia Real Estate AG, Köln  
Consolidated Income Statement as of September 30. 2007

	Quarterly Report (current quarter)	Quarterly Report (comparativ quarter previous year)	Accumulated Quarterly Report (current year to date)	Accumulated Quarterly Report (comparative period previous year)
	TEUR	TEUR	TEUR	TEUR
<b>Total income (excluding interest income)</b>	<b>11.763,8</b>	<b>71.390,0</b>	<b>107.090,4</b>	<b>90.976,4</b>
<b>Total expenses (excluding interest expense)</b>	<b>15.586,5</b>	<b>56.007,9</b>	<b>37.904,2</b>	<b>61.032,5</b>
Gross rental income	11.009,4	3.053,3	34.689,7	9.032,6
Service charge income on principal basis	185,3	264,6	185,3	264,6
Property operating expenses	-3.437,5	-675,1	-11.576,1	-2.046,7
<b>Net rental income</b>	<b>7.757,2</b>	<b>2.642,8</b>	<b>23.298,9</b>	<b>7.250,5</b>
Proceeds from Asset and Funds Management	787,6	388,5	10.166,0	933,8
Expense from Asset and Funds Management	-1.851,4	-676,6	-5.422,9	-1.078,9
<b>Net Income from Asset and Funds Management</b>	<b>-1.063,8</b>	<b>-288,1</b>	<b>4.743,1</b>	<b>-145,1</b>
<b>Administrative expenses</b>	<b>-2.317,5</b>	<b>-2.198,8</b>	<b>-12.223,0</b>	<b>-5.446,1</b>
Other Income	-218,5	42,8	586,7	174,4
Value adjustment securities	-12.501,9	0,0	-12.501,9	0,0
Other Expenses	-59,6	-1,3	-215,7	-4,7
<b>Net result others</b>	<b>-12.780,0</b>	<b>41,5</b>	<b>-12.130,9</b>	<b>169,7</b>
Investment property disposal proceeds	0,0	62.000,0	0,0	62.000,0
Expenses in connection with sale of investment property	0,0	0,0	0,0	0,0
Carrying value of investment property disposals	0,0	-52.456,1	-546,0	-52.456,1
<b>Profit on disposal of investment property</b>	<b>0,0</b>	<b>9.543,9</b>	<b>-546,0</b>	<b>9.543,9</b>
Valuation gains securities	4.581,4	0,0	4.581,4	
Valuation gains	0,0	5.640,8	61.462,7	18.571,0
Valuation losses	0,0	0,0	0,0	0,0
<b>Valuation movements</b>	<b>4.581,4</b>	<b>5.640,8</b>	<b>66.044,1</b>	<b>18.571,0</b>
<b>Net operating profit before finance cost</b>	<b>-3.822,7</b>	<b>15.382,1</b>	<b>69.186,2</b>	<b>29.943,9</b>
Interest expense	-2.875,9	-1.256,5	-16.073,7	-4.586,3
Interest income	1.368,4	-451,3	3.059,0	268,9
<b>Consolidated profit before Tax</b>	<b>-5.330,2</b>	<b>13.674,3</b>	<b>56.171,5</b>	<b>25.626,5</b>
Deferred tax income	6.829,2	0,0	6.829,2	0,0
Income tax expense	5.464,1	-3.568,0	-8.710,8	-6.579,3
<b>Consolidated profit for the period</b>	<b>6.963,1</b>	<b>10.106,3</b>	<b>54.289,9</b>	<b>19.047,2</b>
<b>Attributable to:</b>				
Equity holders of the parent	7.262,7	10.076,8	52.798,1	18.999,6
Minority interest	-299,6	29,6	1.491,7	47,7
<b>Consolidated profit for the period</b>	<b>6.963,1</b>	<b>10.106,4</b>	<b>54.289,8</b>	<b>19.047,3</b>
basic	19.007.656	15.377.651	2,78	1,24
diluted	24.792.850	19.838.348	2,13	0,96

Colonia Real Estate AG, Cologne

Consolidated Cash Flow Statement September 30. 2007

	2007 TEUR	2006 TEUR
<b>Operating activities</b>		
Net operating profit before finance cost	69.186,2	29.943,9
Unrealised valuation movements	-66.044,1	-18.571,0
Realised profits on disposals	546,0	0,0
Stockbased compensation	1.786,9	0,0
Depreciation	217,2	24,0
Property operating expenses	4.175,2	0,0
Value adjustmend securities	12.501,9	0,0
Value adjustmend receivables	1.000,3	0,0
Changes in receivables	-22.803,7	-24.052,4
Changes in liabilities	15.537,2	15.700,0
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Cash generated from operations	16.103,1	3.044,5
Interest expense paid	-16.073,7	-4.586,3
Interest income received	3.059,0	268,9
Income tax paid	1.988,8	205,4
	<hr/>	<hr/>
<b>Cash flow used in operating activities</b>	<b>5.077,2</b>	<b>-1.067,5</b>
<b>Investing activities</b>		
Proceeds from sale of investment properties	0,0	62.000,0
Acquisition of investment properties	-467.072,3	-92.079,3
Acquisition of other property, plant and equipment	-3.198,8	0,0
Property under constuction	-8.705,7	0,0
Acquisition of other investments	-24.874,2	-2.000,0
Acquisition of available-for-sale securities	-47.651,9	0,0
	<hr/>	<hr/>
<b>Cash flow from investing activities</b>	<b>-551.502,9</b>	<b>-32.079,3</b>
Proceed from the issuance of share capital	170.057,8	53.809,0
Proceed from borrowings	408.550,1	4.905,3
Repayment of borrowings	-9.975,3	-7.071,0
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>	<b>568.632,6</b>	<b>51.643,3</b>
Net increase in cash and cash equivalents	22.206,9	18.496,5
Cash and cash equivalents at january 1,	35.994,2	17.502,6
	<hr/>	<hr/>
Cash and cash equivalents at September 30.	58.201,1	35.999,1

Colonia Real Estate AG, Köln

Schedule of Consolidated Equity

	Attributable to group shareholders			Total	Minority Interest	Total
	Subscribed Capital	Other Reserve	Retained Earnings			
	TEUR	TEUR	TEUR			
<b>as of January 1, 2006</b>	<b>3.569</b>	<b>21.425</b>	<b>7.096</b>	<b>32.090</b>	<b>299</b>	<b>32.389</b>
Exercise option bond	100	1.650	0	1.750	0	1.750
Cash capital increase	239	30.755	0	30.994	0	30.994
Cost of capital increase after tax,	0	-520	0	-520	0	-520
Capital increase through contribution in kind acquisition Resolution GmbH	18	1.983	0	2.001	0	2.001
Capital increase from revenue reserve and stock split	11.778	-11.778	0	0	0	0
Share based compensation	0	0	1.818	1.818	0	1.818
Account of equity from convertible bonds, after tax	0	753	0	753	0	753
Minority interest	0	0	0	0	-168	-168
Consolidated net income for the year	0	0	30.321	30.321	815	31.136
<b>Stand am 31.12. 2006</b>	<b>15.704</b>	<b>44.268</b>	<b>39.235</b>	<b>99.207</b>	<b>946</b>	<b>100.153</b>
<b>as of January 2007</b>	<b>15.704</b>	<b>44.268</b>	<b>39.235</b>	<b>99.207</b>	<b>946</b>	<b>100.153</b>
Cash capital increase	6.282	162.978	0	169.260	0	169.260
Share based compensation	0	0	1.787	1.787	0	1.787
Exercised stock options	420	798	0	1.218	0	1.218
Consolidated net income for the year	0	0	52.798	52.798	1.492	54.290
<b>as of September 30, 2007</b>	<b>22.406</b>	<b>208.044</b>	<b>93.820</b>	<b>324.270</b>	<b>2.438</b>	<b>326.708</b>

## General disclosures regarding the financial report for the period January 1, to September 30, 2007

### Explanatory notes on the balance sheet

#### Fair value of the investment properties

An internationally respected real estate appraisal firm determined the current market value (fair value) of our real estate portfolio per June 30, 2007. The appraisal is in compliance with IFRS requirements and resulted in the recognition of an unrealized gain (valuation gain) of Euro 61,462.7 thousand. There were no changes per September 30, 2007.

The real estate portfolio grew by Euro 436,649.8 thousand to Euro 789,869.8 thousand during the reporting period. This increase resulted from the acquisition of shares of the real estate companies Emersion Grundstücksverwaltungsgesellschaft mbH and Domus Grundstücksverwaltungsgesellschaft mbH.

#### Goodwill

During the reporting period, the second tranche of Euro 1,500.0 thousand from the share purchase agreement for Resolution GmbH was paid to the seller. On August 13, 2007 the shares contribution agreement for an additional 19.1% of shares in Resolution GmbH was concluded with the Resolution Beteiligungsgesellschaft mbH. This increases the amount of shares held in Resolution GmbH up from 56.0% to 75.1%. According to the Articles of Partnership, the 75.1% share in the company will be entitled to participate in the earnings of Resolution as of January 1, 2007. The parties agreed on a purchasing price of Euro 19,000.0 thousand. This brings goodwill up by Euro 20,500.0 thousand to Euro 22,475.2 thousand. The expected goodwill from Emersion and Domus was recognized in the gain from the measurement at fair value (valuation gain) during the reporting period.

#### Properties under construction

This item includes the capital expenditures in the rehabilitation area Elmshorn / Itzehoe and the portfolio East. Rehabilitation measures of Euro 8,172.6 thousand were made during the period under review. This increases capital expenditures by Euro 7,645.3 thousand to Euro 15,817.9 thousand.

#### Trade receivables and other assets

Trade receivables and other assets increased by Euro 23,003.8 thousand to Euro 28,247.7 thousand during the reporting period. The key trade receivables as of

September 30, 2007 were from Asset Management and totaled Euro 6,755.5 thousand. Rental receivables totaled Euro 1,911.9 thousand.

The key other assets are structured as follows: Tax credits Euro 7,484.9 thousand, receivables from loans granted to non-affiliated companies Euro 8,974.4 thousand, provisions for bank financed portfolios Euro 444.3 thousand.

#### Securities within current assets

Unneeded liquidity was invested in higher-yielding short-term securities during the reporting period: In addition, a block of stocks was acquired in a German real estate company. Given the stock price development, a valuation adjustment of Euro 12,501.9 thousand had to be made. As the block of stocks are held as current assets, an appreciation of Euro 4,581.4 thousand was made in compliance with the stipulations of IFRS.

#### Cash and cash equivalents

Cash and cash equivalents increased by Euro 22,202.0 thousand to Euro 58,201.1 thousand, so that the Group's liquidity situation remains very favorable.

#### Changes in equity

Due to the capital increase implemented in the 1st half of the year and the generated earnings, the reported equity increased by Euro 226,554.6 thousand to Euro 326,707.5 thousand. As of September 30, 2007 the equity ratio comes to 33.7% (previous year: 23.8%).

The changes in equity during the reporting period are shown in the statement of changes in equity.

#### Non-current and current financial liabilities

Financial liabilities increased as a result of the intensive investment activities by the Colonia Real Estate Group. In the period under review, financing means of Euro 353,949.2 thousand were incurred and/or taken out by the residential segment. Taking into account the repayments made during the reporting period, financial liabilities rose from Euro 140,844.8 thousand to Euro 490,928.6 thousand.

#### Trade payables and other liabilities

Trade payables were cut by Euro 55,377.6 thousand to Euro 43,726.8 thousand (previous year Euro 99,104.5 thousand). Trade payables are primarily made up of the open purchase price obligation from the purchase of shares in Emersion and Domus

totaling Euro 11,522.0 thousand, the purchase price obligation for the Signa portfolio over Euro 949,9 thousand, the portfolio liabilities over Euro 8,215.8 thousand, as well as liabilities from the Asset Management of Euro 1,333.1 thousand.

The other liabilities essentially comprise tax liabilities of Euro 9,721.0 thousand e von TEUR 9.721,0, loans of previous partners in Emersion and Domus Euro totaling Euro 6.691,6 thousand, security deposits of Euro 1.130,6 thousand, bank fees and accrued interest payables of Euro 763,2 thousand.

### **Explanatory notes on the Income Statement**

#### Total income (excluding interest income)

Total income increased by Euro 16,114.0 thousand over the year-earlier period to Euro 107,090.4 thousand (prior year: Euro 90,976.4 thousand).

#### Rental income

Commercial properties	Euro k	953.9
Hotel properties	Euro k	1,569.4
Residential properties	Euro k	32,666.4

The rental income from investment properties is determined on the basis of the lease and rental revenues generated by the commercial, hotel and residential properties segments. These increased by Euro 9,032.6 thousand to Euro 34,689.7 thousand.

#### Property operating expenses

Operating expenses increased on the same period of last year by Euro 9,529.4 thousand to Euro 11,576.1 thousand (previous year: Euro 2,046.7 thousand). This item includes costs for repairs, maintenance of Euro 5,835.2 thousand (previous year: Euro 845.3 thousand), administration at Euro 3,094.7 thousand (previous year: Euro 368.2 thousand) as well as incidental expenses of Euro 2,646.1 thousand (previous year 833.3 thousand) that cannot be charged to others. The increase in these costs reflects the company's intensive investment activities.

#### Revenues from asset and fund management

The asset and fund management segments generated revenues of Euro 10,166.0 thousand in the period under review (prior year: Euro 933.8 thousand).

Asset Management Euro k 7,837.3 (previous year: Euro 933.8 thousand).

Fund Management Euro k 2,328.7 (previous year: Euro 0.0 thousand).

#### Expenses for asset and fund management

In the period under review, the asset management incurred expenses of Euro 3,889.3 thousand (previous year Euro 768.7 thousand) and the fund management of Euro 1,533.6 thousand (prior year Euro 310.2 thousand). The total volume of expenses in the period under review came to Euro 5,422.9 thousand (previous year: Euro 1,078.9 thousand).

	<b>2007</b> in €	<b>2006</b> in €
Personnel expenses	2,999,989.3	460,805.2
Material expenses	520,327.4	278,507.3
Bank fees/commissions	107,001.0	25,168.2
Reduction on purchasing price	124,279.9	0.0
Legal and consulting costs	784,882.1	99,663.2
Rent / Leasing	226,167.2	56,450.0
Travel and advertising costs	402,563.4	69,664.6
Depreciation on fixed assets	57,316.1	1,048.7
Tax consultancy/accounting costs	25,943.5	3,479.0
Vehicle costs	118,103.8	2,094.2
Insurances	54,170.1	5,225.2
Other operating expenses	2,159.1	76,766.0
<b>Total</b>	<b>5,422,902.8</b>	<b>1,078,871.8</b>

### Administrative expenses

This item includes personnel expenses, depreciations and amortizations and the other operating expenses that could not be allocated to the individual segments. In the period under review the administrative expenses increased by Euro 6,776.9 thousand to Euro 12,223.0 thousand (previous year: Euro 5,446.1 thousand).

	<b>2007</b> in €	<b>2006</b> in €
Personnel expenses	4,611,276.6	2,341,429.5
Bank fees/commissions	1,780,354.7	678,308.8
Accrual on convertible bond	1,119,856.0	0.0
Legal and consulting costs	2,354,137.4	1,284,858.2
Rent / Leasing	392,665.4	163,616.2
Travel and advertising costs	808,992.1	337,091.0
Shareholders' Meeting / mandatory publications	307,192.0	172,716.9
Depreciation on fixed assets	217,161.5	24,285.2
Tax consultancy/accounting costs	143,334.2	91,100.8
Vehicle costs	127,081.7	31,116.6
Insurances	116,257.4	37,002.7
Office supplies	115,361.5	71,105.6
Other operating expenses	129,347.5	213,440.4
<b>Total</b>	<b>12,223,018.0</b>	<b>5,446,071.8</b>

### Interest expenses

In the period under review the expenses for interest increased by Euro 11,487.4 thousand to Euro 16,073.7 thousand (previous year: Euro 4,586.3 thousand). The increase reflects the rise in borrowing for the acquired properties.

#### Income tax expenses

Following ratification of the tax reform by the German Bundesrat (Second Chamber of Parliament) on July 6, 2007 the company revalued some on the deferred taxes in the reporting period. Thus, all business transactions were critically examined as to whether they would be completed in fiscal year 2007 or in one of the following fiscal years. For those business transactions that will be completed after January 1, 2008, the new tax rates under the tax reform will be used for calculating the deferred taxes. As a consequence of the revaluation of deferred taxes, the company generated a gain of Euro 6,829.2 in the reporting period.

#### Consolidated profit

The profit generated for the period under review came to Euro 54,289.8 thousand (previous year Euro 19,047.3 thousand). Of this a total of Euro 52,798.1 thousand (previous year: Euro 18,999.6 thousand) is allocated to the Group's shareholders and Euro 1,491.7 thousand (previous year: Euro 47.7 thousand) to the minority interests.

#### Earnings per share

The undiluted earnings per share were determined by dividing the period's profit or loss attributable to the shareholders of the parent company by the weighted average number of ordinary shares outstanding during the period. As of September 30, 2007, the earnings per share came to Euro 2.78 (previous year: Euro 1.24).

The same method is used to determine diluted earnings per share. However, all effects of all potentially diluting ordinary shares that were outstanding during the reporting period are also taken into the equation. As of September 30, 2007, the earnings per share came to Euro 2.13 (previous year: Euro 0.96).

#### Other information

No data

## **Reporting and valuation methods**

The non-audited consolidated half-yearly report has been prepared in accordance with the International Financial Reporting Standards (IFRS). The quarterly statements of accounts prepared by the consolidated companies are based on consistent and uniform accounting and valuation principles. The methods used for consolidation, balance sheet reporting and valuation are in compliance with the those used for the consolidated annual financial statement of 31 December 2006. The provisions on interim reporting under IAS 34 were applied.

## **Board of Management and Supervisory Board**

On August 14, 2007 the Supervisory Board appointed Mr. Christoph Wittkop as additional member of the Board of Management with responsibility for the Asset Management segment. The composition of the Supervisory Board remains unchanged.

## **Affirmation by Board of Management**

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Cologne, in November 2007

The Board of Management

## **For further information**

### **Financial calendar**

March 2008	Release of preliminary figures
April 2008	Publication of Annual Report 2007
May 15, 2008	Publication of 1st Quarter Report 2008
August 15, 2008	Publication of 1st Half Year Report 2008
November 15, 2008	Publication of 3rd Quarter Report 2008

This English translation of the interim report is available on the Internet at [www.cre.ag](http://www.cre.ag). The original German version is also available there.