

# *Preparing for Challenging Markets*



Colonia Real Estate AG – business model built on 3 revenue streams

Investments	
1	2
<p><b>Principal Investments</b></p> <ul style="list-style-type: none"> <li>• 20k residential units</li> <li>• 3rd largest listed German residential owner</li> <li>• Active portfolio management</li> <li>• Growing recurring cash flows</li> <li>• Occupancy and rental income improvement</li> </ul>	<p><b>Co-Investments</b></p> <ul style="list-style-type: none"> <li>• Commercial and residential</li> <li>• Opportunistic approach</li> <li>• Mainly into prime office</li> </ul> <p>Joint ventures with:</p> <ul style="list-style-type: none"> <li>– <i>Merrill Lynch</i></li> <li>– <i>The Blackstone Group</i></li> <li>– <i>Oaktree Capital</i></li> <li>– <i>JP Morgan (Logistic)</i></li> </ul>
c. € 876mn properties	c. € 150mn Co-Investments

Services
3
<p><b>Asset Management</b></p> <ul style="list-style-type: none"> <li>• Transaction, investment and exit management</li> <li>• Active tenant and letting management</li> <li>• Refurbishment and redevelopment</li> <li>• Project development</li> <li>• Condominium sale/privatization</li> </ul>
c. €1.6bn AuM*



**Stephan Rind** is CEO of Colonia Real Estate AG since 2003. He is responsible for the business strategy, investments and investor relations. Prior to this mandate, he was Chief Investment Officer of the FortmanCline Group in Switzerland from 1997 to 2002 and responsible for private equity investments. Stephan Rind started his career in 1991 at Prudential Securities in New York and Düsseldorf. Among other positions he was US REITs Analyst and Financial Adviser to European institutional investors in listed Real Estate Companies. He was also co-initiator of the Bundesverband Alternative Investments e.V. (German Alternative Investment Association) in 1997. He is also founder and director of the German Institute of Real Estate (IDDIW), member of the Issuer Markets Advisory Committees (IMAC) of Deutsche Börse AG and member of the advisory committee of the German Academy of Real Estate Economics (ADI).



**Volker Lemke** has over 15 years of experience in real estate and tax law. As a tax advisor he worked for various real estate companies with different legal structures and has long term experience in restructuring several real estate companies. Before joining CRE group he held the position as CFO - responsible for the areas finance and tax - at several stock market-listed real estate companies, e.g. Deutsche Real Estate AG. Since 2007 he is Managing Director of CRE Resolution GmbH and responsible for the finance, controlling and tax division up to today. In September 2008 Lemke became CFO of Colonia Real Estate AG.



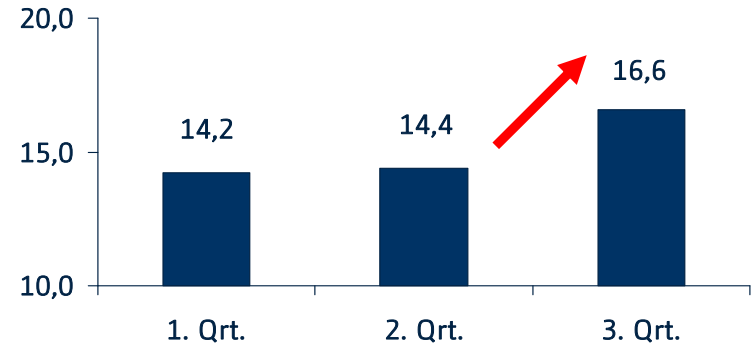
**Friedrich Thiele** is a member of the board (CIO) and responsible for the resort real estate which includes purchase and sales, the property portfolio and portfolio management since September 2008. Further, he takes operational responsibility for the subsidiaries CRE Resolution GmbH, specialized in asset management, and CRE Accentro GmbH, specialist for condominium sales. Before becoming a member of the board, Friedrich Thiele was responsible for residential and commercial real estate as well as co-investments at Colonia Real Estate since March 2007. The Diplom-Kaufmann and Real Estate Specialist (ebs) worked prior to his position at CRE as a Managing Director of KARG Real Estate GmbH in Frankfurt, the asset and portfolio manager of one of the biggest German family foundations. Previous to this he worked amongst others for the DGMG (today's RREEF) and Commerz Leasing und Immobilien GmbH.

- Q3 2008 net loss of €-49.8mn led by non-cash revaluation losses under IAS 40 of € 43.9mn and a € 8.9mn loss in interest rate hedging instruments (swaps) in a move to clean books
- The net rental income from property strongly increased by 31% to € 45.5mn (Q3 07: € 34.7mn) and property NOI increased to € 25.5mn (Q3 07: € 23.3mn) including extraordinary maintenance of € 4mn in Q3
- Overall financial situation improved in Q3: All outstanding debt is long term debt (> 1 year). Equity ratio after revaluation at 27.6% by September 2008. Adjusted NAV at € 13.07 per share offers 85% discount to current share price.
- Restructuring and cost-saving program with annual savings of € 9.5mn already under way. Layoff of 20% staff accomplished.

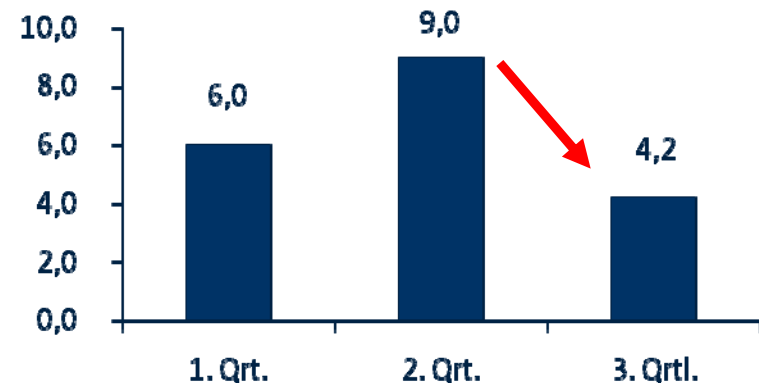
- Cash by the end of Q3 2008 was € 15.7mn. In Q4 CRE secured another € 10mn debt facility and has an open € 12mn hunting facility in its Berlin Capital SPV
- AM und FM revenues in Q3 are at € 6.4mn with net income for the segment still underperforming at € 0.9mn due to ongoing depressed investment climate and low transaction activity
- CRE expects to achieve a positive cash flow already during Q1 2009 as a result of announced and implemented cost reduction measures and further improvements in rental income
- In Q4 CRE sold its Hotel portfolio successfully at market value of € 24mn and JV with UBS signed sale of Disch-Haus 38% above cost after completion of successful refurbishment

- **Net Rental Income (NRI) just in Q3 rose strongly to € 16.6mn (+31%)** on the back of full-year consolidation of 19,800 units, completion of modernization program
- **Administration cost just increased by € 4.2mn in Q3** to almost € 20mn ytd versus € 9mn in Q2 and € 6mn in Q1 due to the start of the comprehensive cost-cutting program. Company targets to reduce administrative costs by c. 50% in 2009 and reach positive cash-flow in absence of any transactions

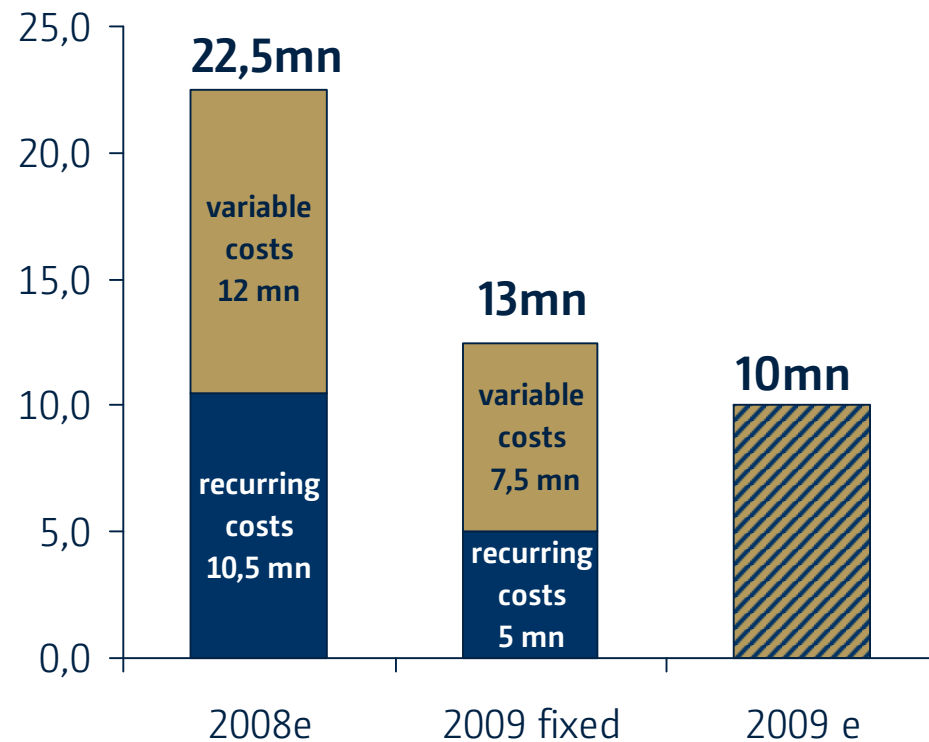
Net Rental Income in mn



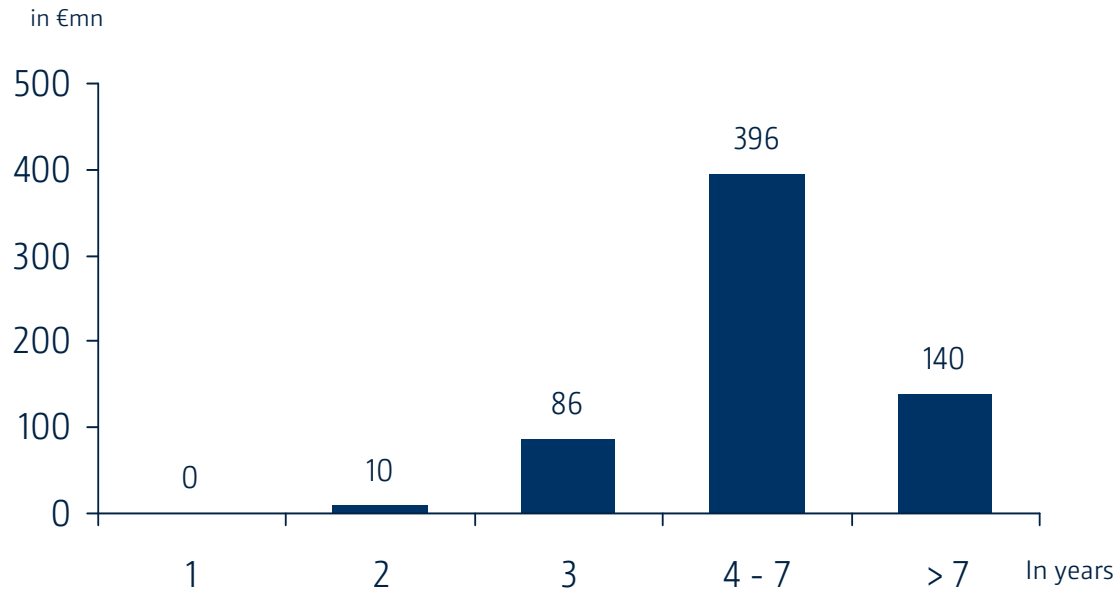
General Administrativ costs



- CRE already implemented annual cost savings of € 9.5mn (€ 5mn recurring and € 4,5mn variable) further € 3mn planned
- With anticipated € 22.5mn admin cost in 2008 (vs. € 31mn in 07) almost 50% reduction target reached
- Biggest saving positions in recurring cost include personnel (€ 1.5mn), Fund Management (€ 1.2mn), Marketing/IT (€ 0.62mn) and audit and bookkeeping (€ 0.5mn)
- Biggest positions in variable include legal fees (€ 3mn) and advisory fees (€ 1.5mn)



## Debt Duration Profile



- Total debt volume: €632mn  
Long term debt: €632mn  
Short term debt: € 0mn
- Avg. interest rate: 4.7% p.a.  
Average duration: 8.3 years  
Hedging ratio: 95%
- No covenants breaches in sight even after revaluations
- In October 2008, CRE bought back € 33mn of debt and refinanced this amount with a 5.92%, 5 year fixed mortgage loan with a profit of € 3mn

## Fair Market Valuation according IAS 40

In a move to increase transparency CRE has revaluated major parts of its proprietary portfolio already in Q3 2008. Except its recently modernized residential holdings the assets have been revaluated by independent appraisers with a devaluation result of € 43.8mn.

### Proprietary portfolio

Before Revaluation

Value	yield	€ per sqm
€ 920mn	6,35%	754

After Revaluation

Value	yield	€ per sqm
€ 876.5mn	7.02%	709

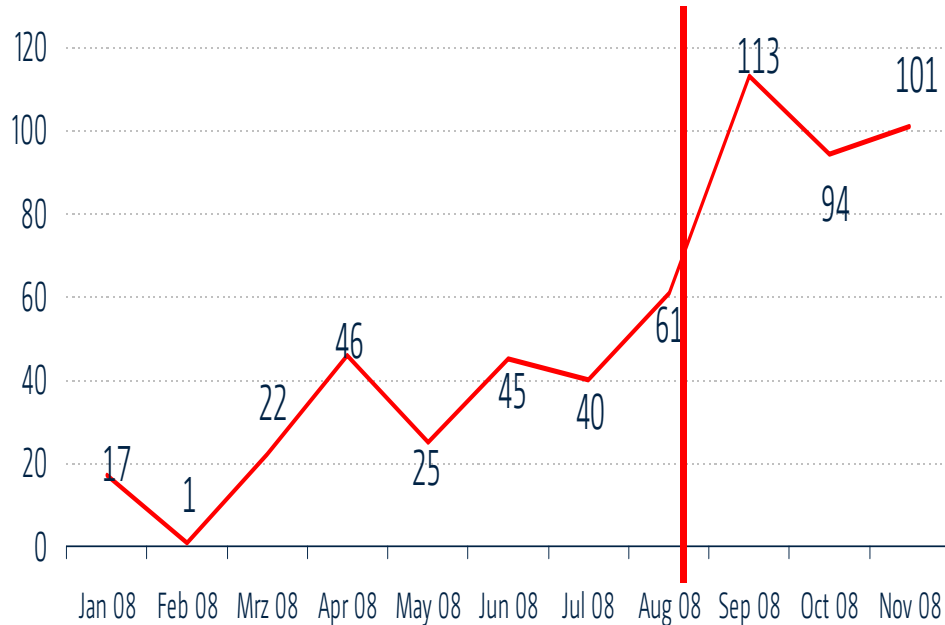


- CRE owns almost 20.000 residential of which 60% have been recently modernized investing € 54mn in the last 15 months
- Clear focus on off-market mid-sized residential portfolios with high value appreciation potential

**after****after**

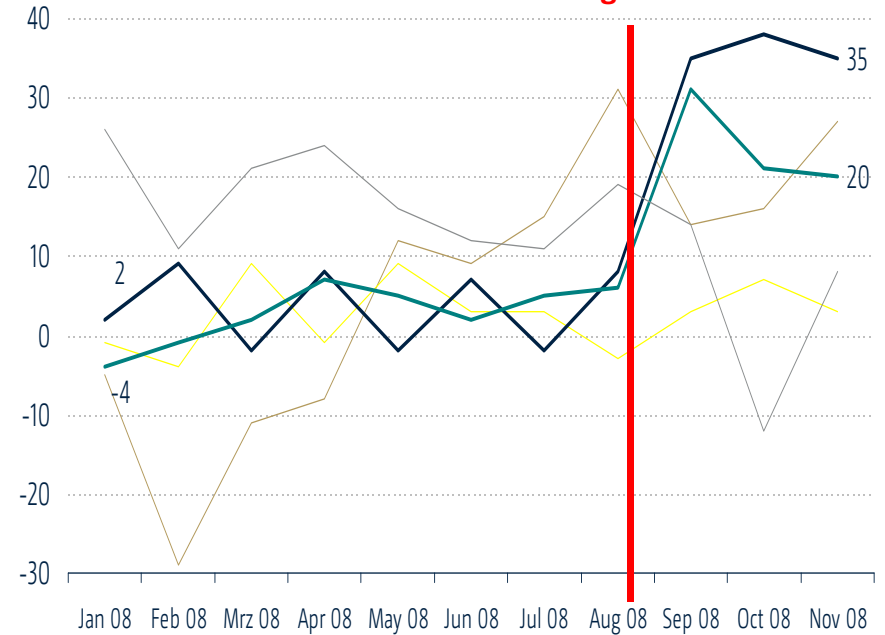
- In 2007/2008 CRE focused on the refurbishment of existing residential units, resulting in a sustainable value creation as well as an increased rental income per unit
- Average new rents increased by 21.5% from € 4.50 to € 5.64 per sqm after modernization
- Net absorption of 214 units in Q3 indicates 7% decrease of overall vacancy

### Completion of Modernization in units



— Net absorption total residential portfolio

### Completion of Modernization in units in Hamburg and Aachen



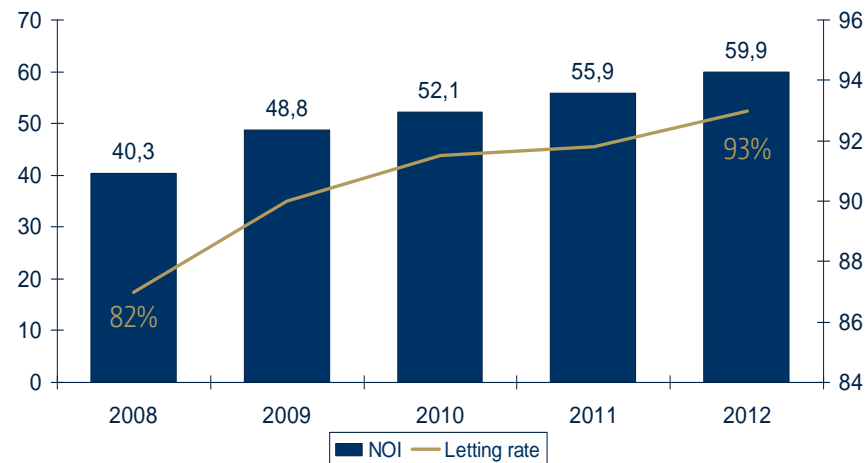
— Emersion — Domus — Hamburg — Aachen — Marzahn

## Berlin Capital



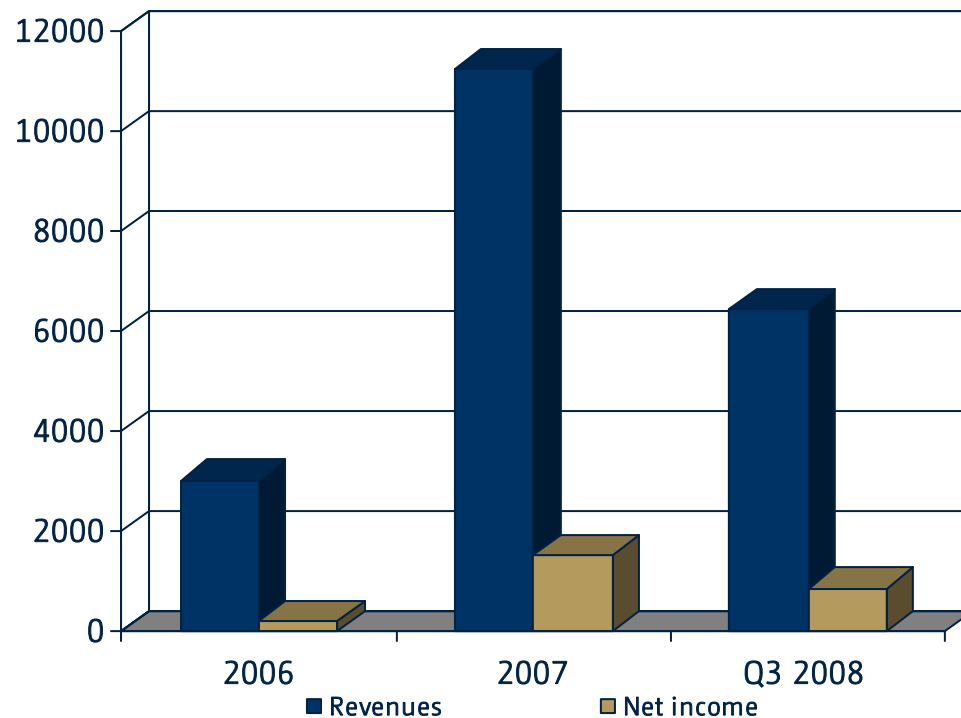
- Proven track record:  
Substantial growth of letting rate within 18 months
- Increase of monthly rental income by 22,3%
- Hands-on asset management to unwind value potential
- Improve efficiency to increase cash flows

## Anticipated NOI Development



- Positive NOI expected
- Minimized operating costs
- Average new rents increased by 21.5% to € 5.64 sqm after modernization
- € 52mn modernization program completed in Q3
- First time privatizations achieved sales of € 2.1mn with a 14% margin

- **Revenues decreased to € 6.4mn in Q3 08 (- 37% yoy) but still up from € 0,9mn in Q3 06**
- **One of only three nationwide operating Asset Management platforms**
- **External AM increasingly important with many portfolios underperforming business plans**
- **Acquisition of further € 320mn in 2008 so far**
- **Increasing requests by banks for „restructuring“ existing portfolios**



- **CRE Accentro becomes exclusive distribution channel for the resale of condominium for GSW in Berlin**
- **Aim to sell 4.500 residential units (c. € 330mn) and additional € 110mn special properties one-by-one or in small blocks to tenants and small investors**
- **Largest distribution contract for CRE Accentro in history, will become largest third-party condominium reseller (Privatisierer) in Berlin**
- **Estimated € 2.5mn annual revenues with € 1mn net profits in 2009 until 2012**

# Successful Exit of DISCH-HAUS, Cologne



VA No1 Dischhaus GmbH & Co. KG – joint venture with UBS and Redos, property sold to a German Pension fund

## Value added by CRE Group

- Revitalization of the landmarked building and full modernization of 7,600sqm rentable offices and of 2,800sqm premium store areas.
- Acquisition of tenants and lease-up to 98%

## Period of engagement

- October 4, 2006 – December 31, 2008

## Financial Figures

- Gross Exit Value: € 42.6mn (exit yield 6,15%)
- CRE Resolution profit and promote: € 800,000
- Internal Rate of Return (IRR): 18.4 %

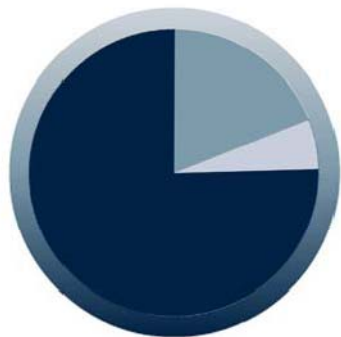


- Price as of 26.01.09 € 2.50
- Market Cap € 57mn
- Number of shares 22.8mn
- Freefloat 75,6%

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 year Colonia Real Estate AG (KBU GY)



Milfolium Management Inc. 19%  
(State of Liechtenstein)

Minefa Holdings B.V. 5,37%

Free Float 75,63%

- Cominvest 3,12%
- Generali Investment France 3,16%

- Healthy operating core business (Net Rental income +32% yoy)
- Ongoing occupancy and rent level improvements in line with business plan
- Comprehensive cost-cutting program will lead to positive cash flows in 2009
- Strong deal pipeline for restructuring asset management mandates (value € 1bn+)
- No short-term refinancing issues, sufficient liquidity position and strong debt structure
- Strong new sovereign-wealth shareholder with long-term perspective
- NAV € 13.07 per share, NNAV € 11.96 per share at the end of Q3 represents 80% discount to NAV
- Current market cap indicates valuation of € 533 per qm<sup>2</sup> or 9,28% yield!

**CRE as one of the leading investment and asset management platforms with a high exposure in the defensive German residential market offers 80% discount to its adjusted NAV**



# Thank you for your attention

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# CRE

## Q3 Income Statement (1/2)



Colonia Real Estate AG

EUR mn	Q3 2008	Q3 2007	% change	9m 2008	9m 2007	% change	Comments
Rental income	19.6	13.6	44%	54.1	41.0	32%	Full consolidation of 19,800 units in 2008
Operating expense	-12.5	-5.8	116%	-28.6	-17.8	61%	
Property NOI	7.1	7.8	-9%	25.5	23.2	10%	Higher tenant acquisition costs in 2008
AM / FM other income	0.6	-1.4	-143%	3.5	4.6	-24%	AM with no acquisition in 2008
Administrative cost	-4.2	-2.2	91%	-19.7	-12.0	64%	Cost cut program implemented
<b>EBITDA</b>	<b>3.5</b>	<b>4.2</b>	<b>-17%</b>	<b>9.3</b>	<b>15.8</b>	<b>-41%</b>	
Depreciation & amortisation	-0.1	-0.1	0%	-0.2	-0.2	0%	
Net interest	-9.0	-9.4	-4%	-24.1	-20.9	15%	
Pre-tax profit	-5.6	-5.3	5%	-15.0	-5.3	183%	
Minorities	-0.2	0.3	-167%	-0.1	-1.5	-93%	
Tax	10.5	12.3	-15%	9.9	-1.9	-621%	
Recurring profit	4.8	7.3	-35%	-5.2	-8.7	-40%	

# CRE

## Q3 Income Statement (2/2)



Colonia Real Estate AG

EUR mn	Q3 2008	Q3 2007	% change	9m 2008	9m 2007	% change	Comments
Realized gain on property	0.0	0.0	n.m.	0.0	0.0	n.m.	
Unr. gain on property	-43.9	0.0	n.m.	-43.9	61.5	n.m.	IAS 40 losses in 2008
Unr. gain on finan. Instruments	-8.9	0.0	n.m.	-0.8	0.0	n.m.	Interest swap losses
IFRS Shareholders equity	-48.1	7.3	-758%	-49.9	52.8	195%	
Minorities	0.2	-0.3	-167%	0.1	1.5	-93%	
Net income	-47.9	7.0	-784%	-49.8	54.3	-192%	
<b>Recurring EPS</b>							
Earnings per share (basic)	-2.10	0.18		-2.19	2.78		
Earnings per share (diluted)	-1.75	0.18		-1.81	2.13		