



Colonia Real Estate AG

Next Generation Real Estate

*Turning the tide
Presentation Eigenkapitalforum*



Colonia Real Estate AG | November 2009

Agenda



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Market Overview

Signs of recovery in German Residential



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

Sources:

^{*1} Studys of the Eduard Pestel Institute

^{*2} Financial Times Germany

^{*3} REFIRE

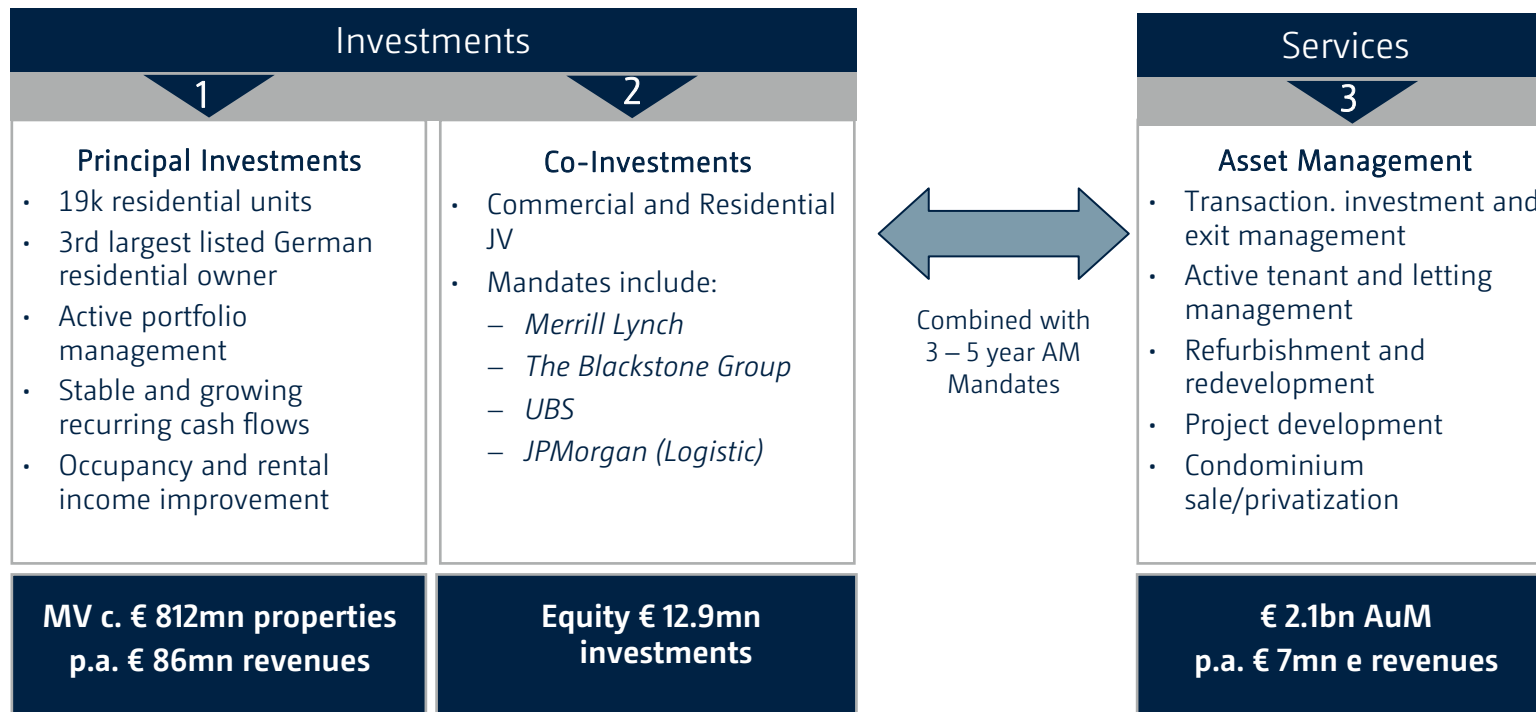
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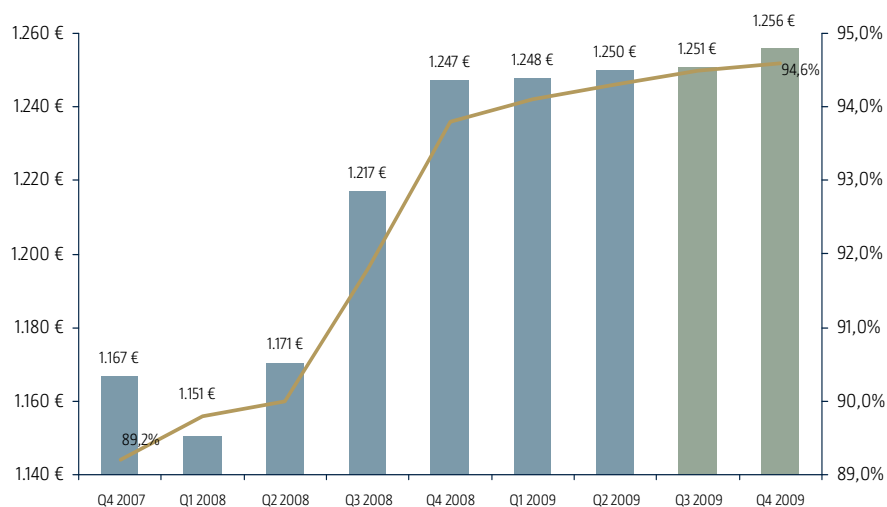
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 Streamlined Business model focused on 3 core segments and active portfolio management



- 9m 2009 net profit of € 8.3mn (9m 08: -€ 49.8mn). EBIT increased to € 27.2mn (9m 08: € -34.8mn) mainly driven by improved rents, reduced G&As and extraordinary gains from a refinancing
- Strong core business with net rental income (NRI) from property € 45.1mn (Q3 2008: € 43.7mn*) without rents from Hotel portfolio (€ 2mn per year) which was sold in Q3 2008. Net operating Income (NOI) strongly increased by 27% to € 32.4mn (Q3 2008: € 25.5mn)
- Positive cash flow from operations of € 2mn in Q3 09; cash from operations rose 122% to € 18.2mn vs € 8.2mn same period last year
- Administrative costs declined by almost 44% to € 8.9mn including restructuring cost of 0.3mn (Q3 2008: € 19.9mn) as a result of the comprehensive restructuring and cost-saving program started in September '08
- AM net result decreased to € -1.52mn due to on-off restructuring charges in Q2/Q3 09 of € 0.7mn and ongoing low transaction activity in the investment market
- Capital increase, conversion of stock options and successful sale of Berlin properties improved equity ratio up to 28%. NAV up to € 10.19 per share (HY 2009: € 10.15 per share)

Berlin Caligula Sale



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

- Transaction volume approx. € 67mn
+5% above IFRS book value as of June 30th 2009
- Average sales price of approx. € 875/sqm
- Exit yield > 7%
- Buyer: conwert Immobilien Invest SE (listed austrian real estate group) and Kronberg RE Deutschland GmbH

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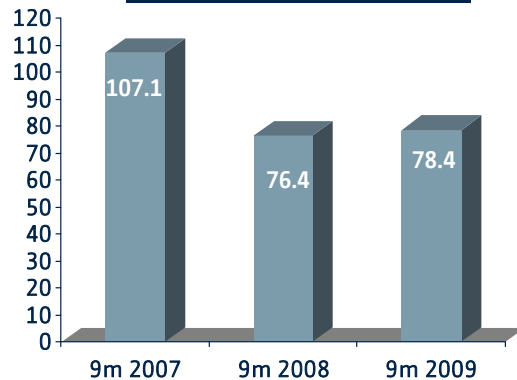
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Key Financials Q3 2009 (1/2)

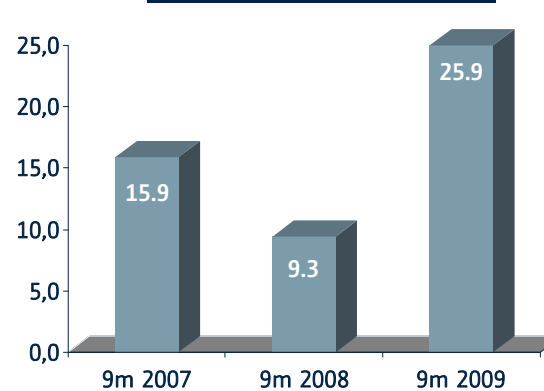
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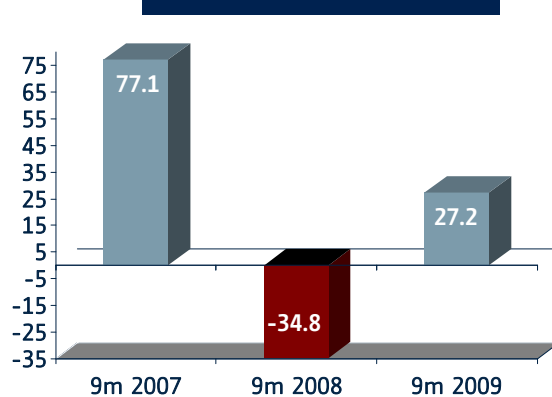
Revenues in € mn



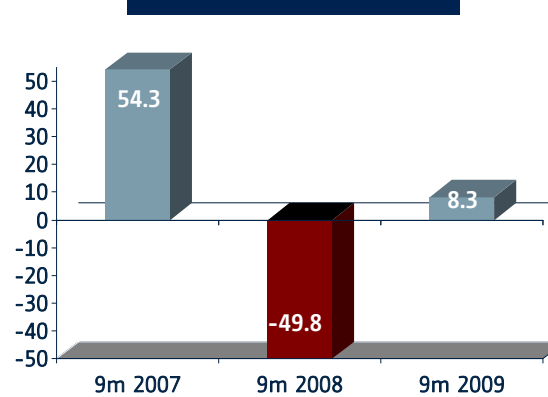
EBITDA in € mn



EBIT in € mn



Net Income in € mn



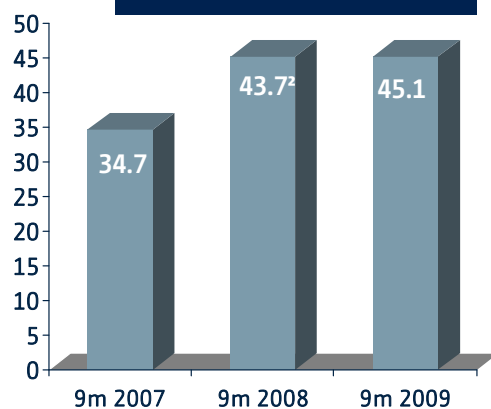
- Positive EBITDA of € 25.9mn underlines turnaround in 2009 and shows better operational performance than 2007
- EBIT increased to € 27.2mn
- Net income came in at € 8.3mn on the back of improved rental income. Slim cost structure and extraordinary gain from successful refinancing activities

Key Financials Q3 2009 (2/2)

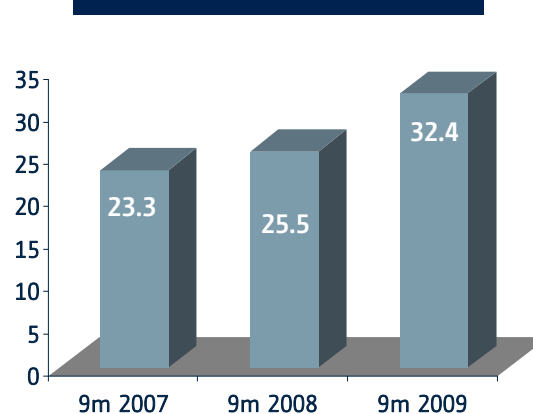
CRE

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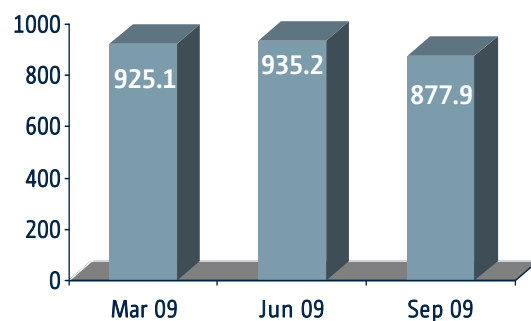
NRI in € mn



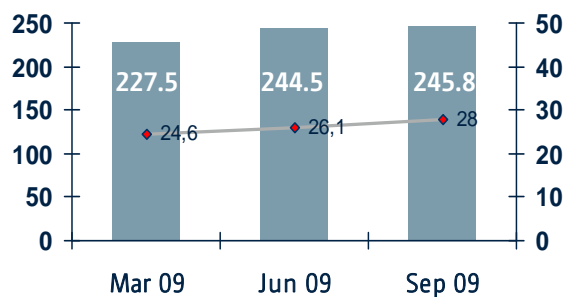
NOI in € mn



Total Assets in € mn



Equity in € mn and Ratio



- Stable Net Rental Income (NRI) of € 45.1mn and **jump in Net Operating Income¹ (NOI) to € 32.4mn (+27.0% yoy)**
- Group's **Equity increased to € 245.8mn with Equity ratio at 28.0%**. Within management long-term target range of 25 – 35%

¹ Adjusted NOI excluding refurbishment and CAPEX

² Adjusted, excl. Hotel portfolio

Cash flow Statement Q3 2009



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€ mn	9m 2009	HY 2009	9m 2008
Consolidated results	8.3	6.3	-49.8
+ finance results	18.2	9.8	24.9
+ income tax	0.7	0.5	-9.9
= NOI	27.2	16.6	-34.8
+ / - noncash movements	-9.0	-8.4	43.5
= Cash generated from operations	18.2	8.2	8.7
- Interest paid	-21.8	-14.0	-23.4
+ Interest received	0.1	0.1	2.1
- Income taxes paid	0.6	0.8	-1.0
Cash flow from operating activities	-2.9	-4.9	-13.7
+ / - investing activities	1.7	-3.9	-22.7
+ / - Financing activities	10.3	15.1	24.0
Cash flow	9.1	6.3	-12.2

- Cash from operations strongly rose to € 18.2mn from € 8.2mn (Q3 2008) up 122%!
- Positive Cash flow from operating activities in Q3 2009 of € 2.0mn

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Valuation Profile as of June 2009



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

- New Valuation shows a net yield of 7.05% with € 685 per sqm and is very conservative in comparison to other peers in German residential
- Valuation change of € 1.45mn reflects stabilization of residential prices in Germany in the first half of 2009

CRE Residential Portfolio – Ongoing Value Creation



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- CRE owns almost 19.000 residential units of which 50% have been recently modernized investing CAPEX of € 62mn in the last 24 months

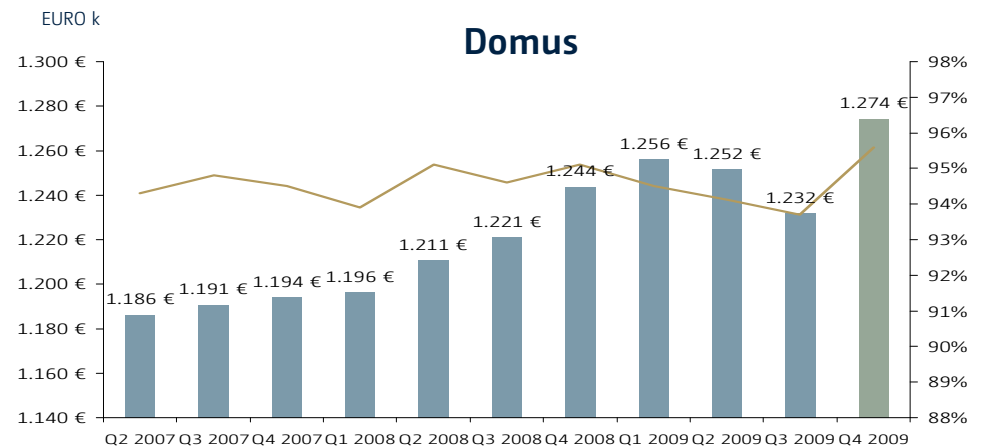
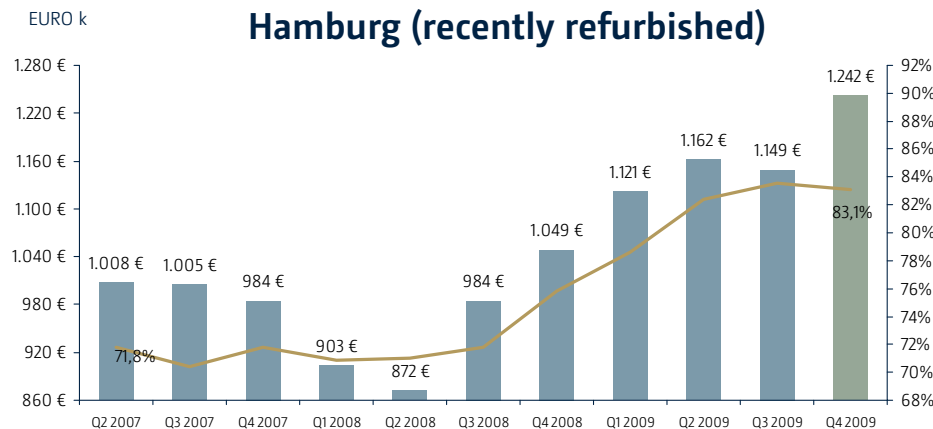
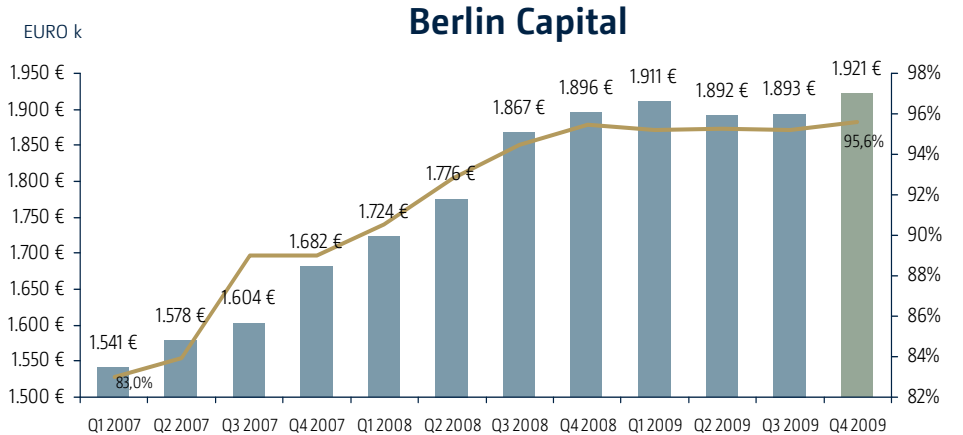
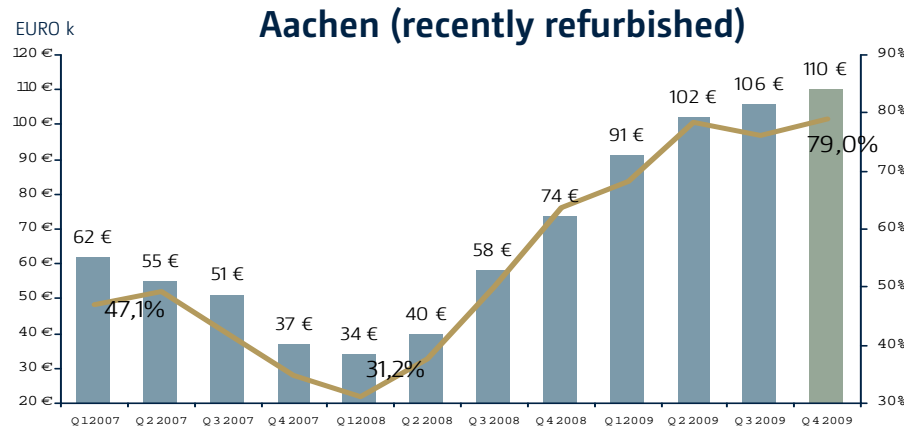


- Compared to Q3 2009 average rents improved c. 0.2% to € 4.63 per sqm and vacancy decreased by 8.2% from 14.8 % to 13.6 % (same store basis)



- Average new rents in refurbished areas increased by 25.3% from € 4.50 to € 5.64 per sqm after modernization





■ NRI/actual rent — Occupancy rate

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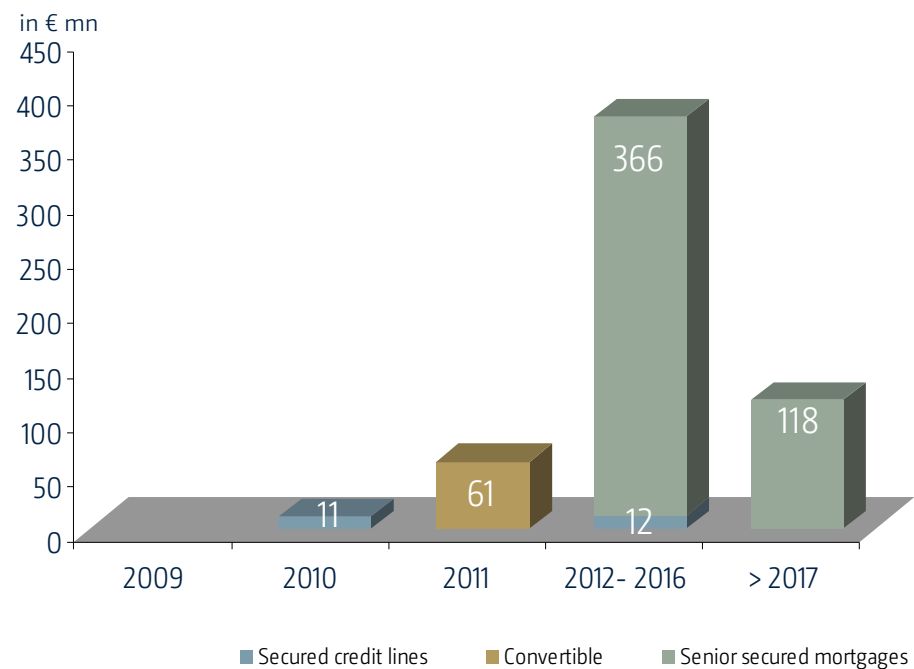
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Debt Duration Profile



- Total debt volume: € 568mn
Long term debt: € 557mn
Short term debt: € 11mn
- Avg. interest rate: 4.6% p.a.
Average duration: 8 years
Hedging ratio: 96%

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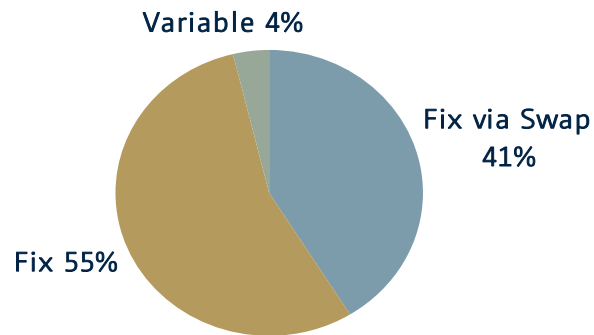
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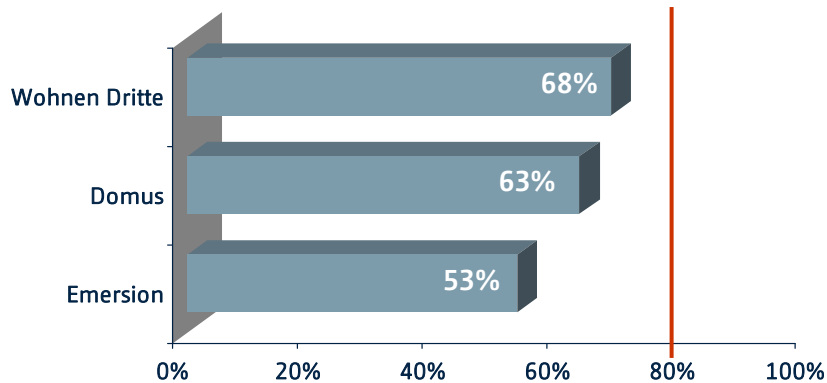
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Interest rate profile



LTV covenants trigger¹



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

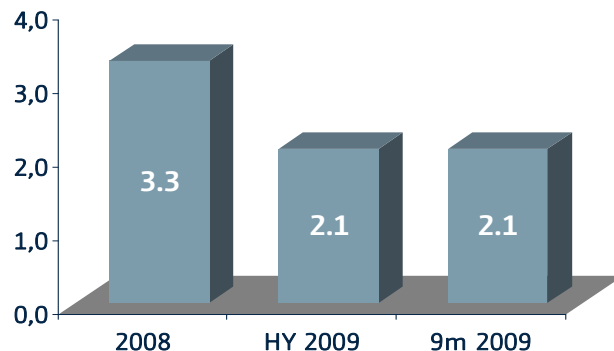
¹ After revaluation as of 31/12/2008

Key Financials – Asset Management Q3 2009

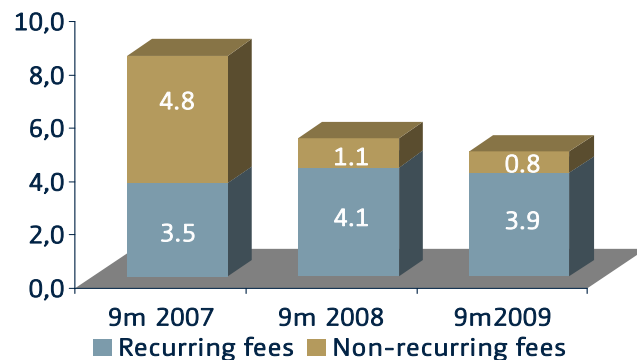


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Assets under Management (in € bn)



Fee Income Split by Type (in € mn)



- AM revenues declined by 26.6 % to € 4.7mn yoy
- Restructuring charges of € 0.7mn due to the closing of D'dorf office and further layoffs
- New acquisitions (€ 470mn in 2009) and new work-out platform has started
- First significant work-out mandate from RBS acquired in September 09

Work out Mandate: Level One Commercial Properties



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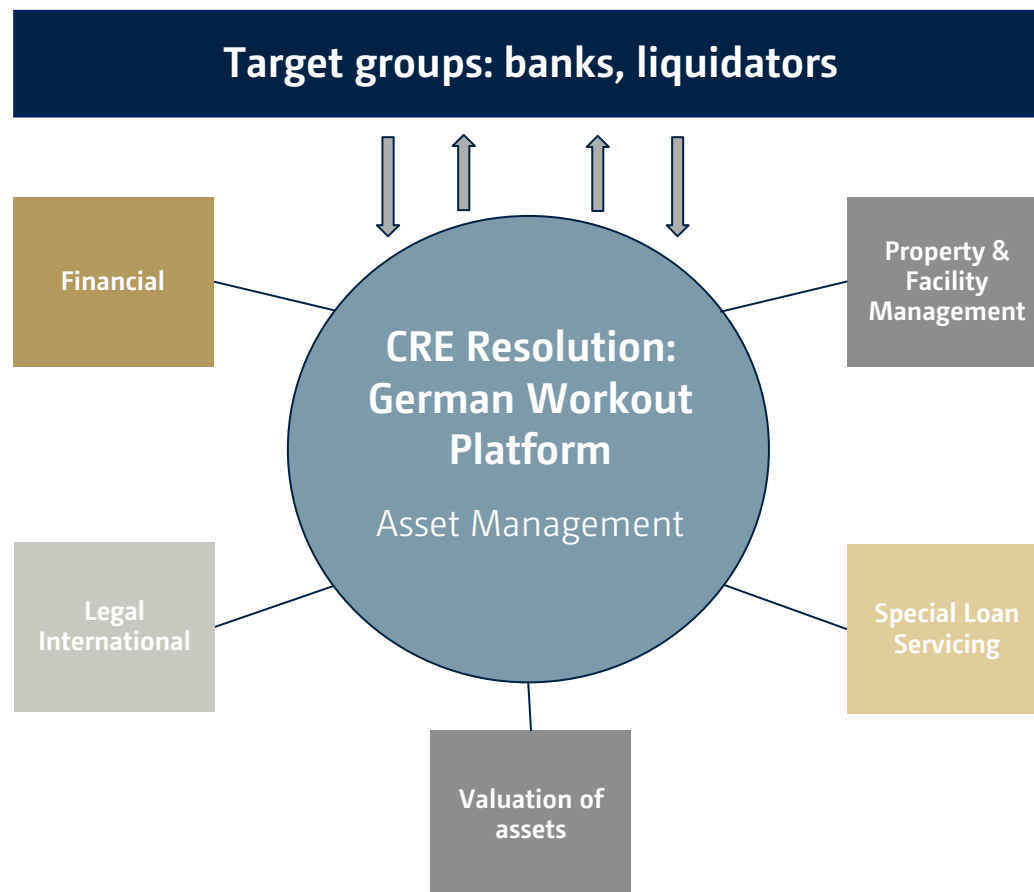
- **CRE Resolution GmbH** assumed complete commercial portfolio of former Level One Group
 - Mandated by Royal Bank of Scotland, with liquidator's approbation
- **Apollo commercial portfolio**
 - Lettable space: 74.120 m²
 - 13 commercial assets, including 7 car dealerships as well as several office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



German Workout Platform completed



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

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

Target: Optimizing and sale of optimized asset or loan

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

Realization: **German Workout Platform**

- Sales business picked up significantly in Q2. Flight to quality and increasing inflation fears favor condominium sales and small block trades. First multi-tenant house sales in Q2 at 5.8% yields (17.2 X NCR). Total sales of € 1,475 mn in Q3 with 23% margin
- Sale of c 1,000 unit portfolio “Caligula” (17% of total Berlin holdings) marked a transaction volume of c. € 67mn with an € 2,8mn gain after deconsolidation (5% above book value)
- CRE Resolution won first significant work out mandate from RBS comprising c. 75,000 sqm of commercial. Further mandates directly from banks in final negotiations
- Buyback of € 32mn senior loan combined with a loan waiver of € 8.7mn reflects ongoing restructuring success
- Strong first nine months with ongoing net absorption and improving rents and strongly improving NOI on the back of modernization program finished in Q4 2008

CRE

Share Details – Updated Version 11/2009



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- Shareprice 06.11.09 € 4,30
- Market Cap € 123mn
- Number of shares 28.5mn
- Freefloat 76.94%

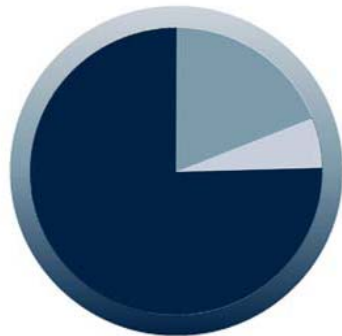
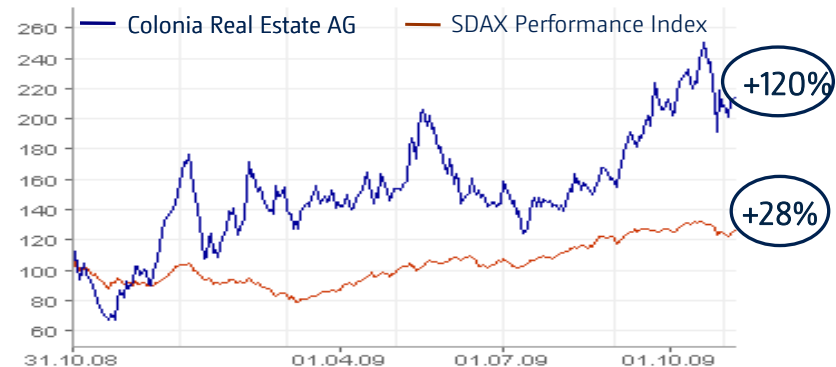
Index memberships: SDAX, MSCI Germany Small Caps, EPRA, GPR 250 and E&G DIMAX

Research coverage: HSBC, Commerzbank, UniCredit, Silvia Quandt Research GmbH, Sal. Oppenheim, Bankhaus Lampe, DZ Bank

1 years Colonia Real Estate AG (KBU GY)



Performance CRE vs. SDAX



Milfolium Management Inc. 17.98%
(State of Liechtenstein)

Minefa Holdings B.V. 5.08%

Free Float 76.94%

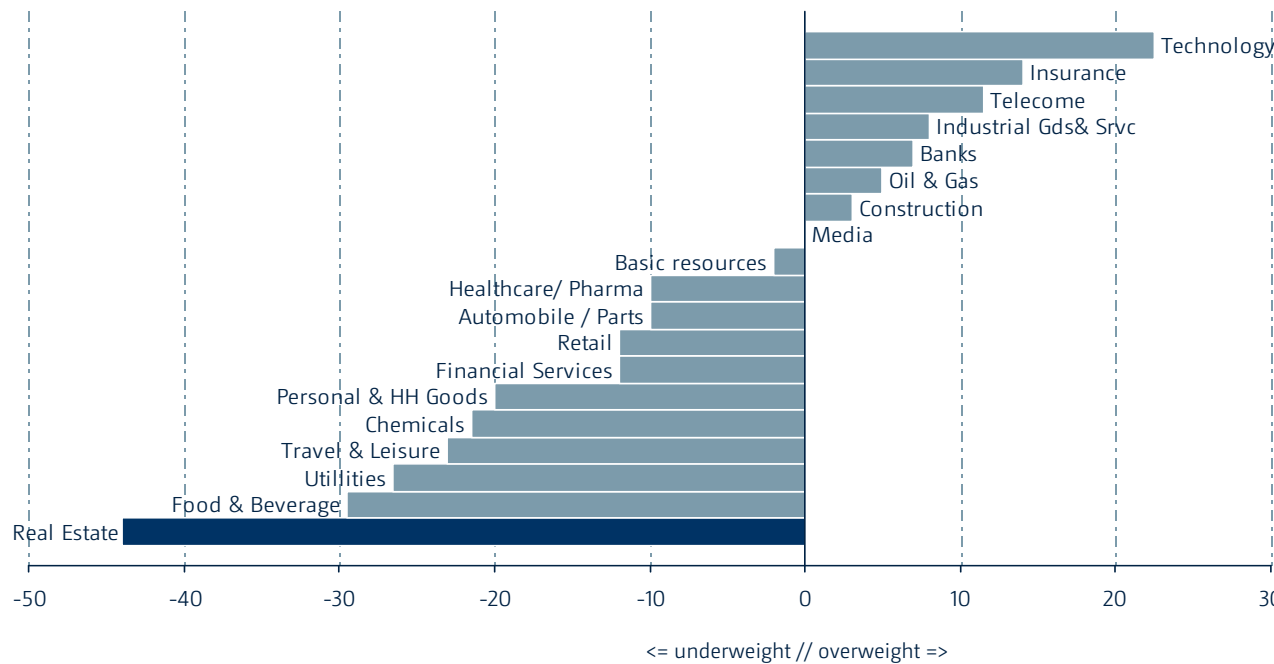
- Allianz Global Investors 3.08%
- Generali Investment France 3.40%

Sectors : Still no conviction



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Current European sector snapshot (%overweight - %underweight)



Sector positions

(% saying overweight - % saying underweight)

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

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

Turning the tide in rough waters



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- Positive operational cash flow of € 2mn in Q3 2009, Cash from operations up to € 18.2mn (+122% yoy)
- Healthy operating core business (Net Operating Income +27% yoy) to be continued
- Ongoing occupancy (+8,2%) and rent level improvements
- Comprehensive cost-cutting program (-42% vs Q3 08) successful executed, annual run rate of € 11 -12mn in G&A's anticipated
- No short-term refinancing issues. Sufficient liquidity position and solid debt structure
- Sale of 1,000 unit portfolio above book value shows CRE ability to transact and indicates fair NAV
- NAV € of 10.19 per share represents almost c.58% discount to current share price
- Transaction markets are opening up with interesting acquisitions targets on the horizon

CRE represents defensive value at deep discount



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Thank you for your attention

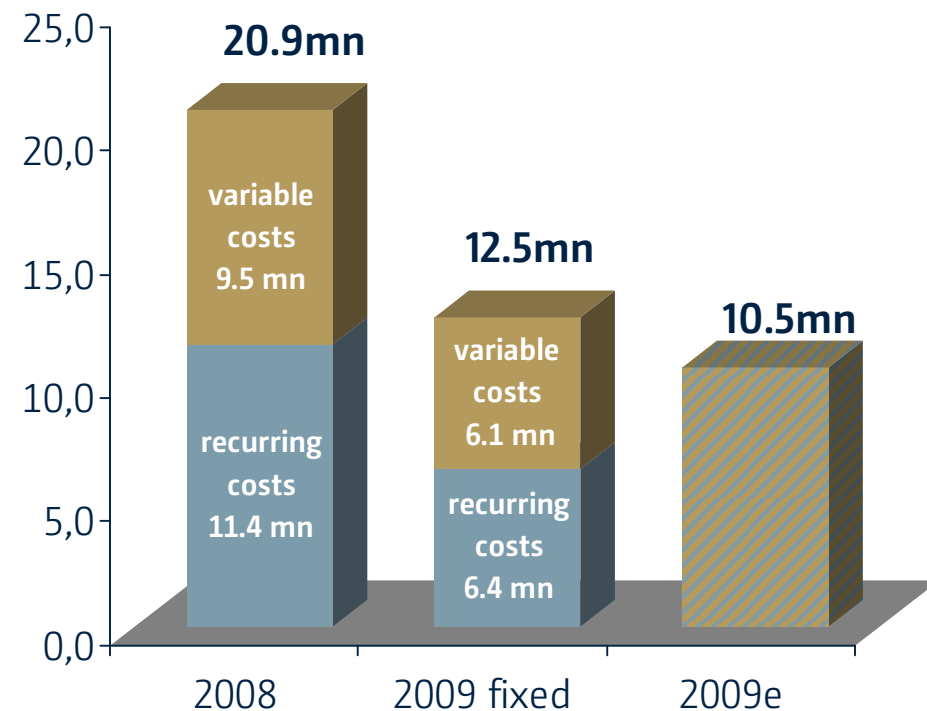
Stephan Rind, Chief Executive Officer
Volker Lemke, Chief Financial Officer
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Trimming the Cost Structure



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



CRE' Residential Portfolio at a Glance



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

North

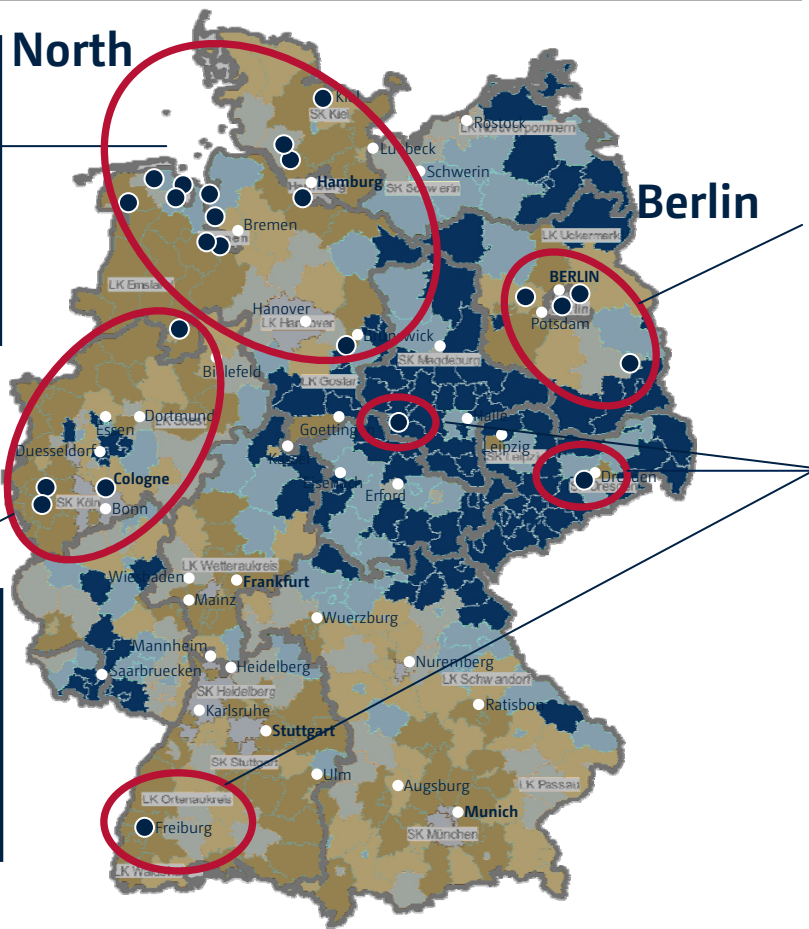
Region Berlin
 Average asset rent: € 4.59
 Rent new tenants: **€ 5.10 – € 6.50**
 Quality of property
 - energetic refurbishment 90%
 - market average 10%
 number of accommodation units: 4,736

Berlin

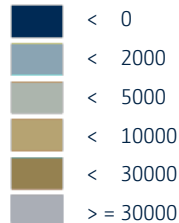
Further locations
 Asset rent: € 4.24 – 5.11
 Rent new tenants: **€ 4.58 – € 5.58**
 Quality of property:
 - energetic refurbishment 57%
 - market average 43%
 number of accommodation units: 1,072

West

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



Residential market – assets qualifying
 Derived demands of units from 2008 to 2025



Source: Pestel-Study „Wohnungsmangel in Deutschland“

Disclaimer



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"Important Notice: Forward-Looking Statements

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

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

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