Colonia Real Estate AG

Next Generation Real Estate

Presentation Quarterly Financial Report Q1 2009
Preparing for Challenging Markets

Colonia Real Estate AG | May 2009

Agenda

Colonia Real Estate AG

CRE
Focused and Integrated Business Model

Colonia Real Estate AG

Colonia Real Estate AG
Streamlined Business model focused on 3 core segments

Investments

1

Principal Investments
- 20k residential units
- 3rd largest listed German residential owner
- Active portfolio management
- Stable and growing recurring cash flows
- Occupancy and rental income improvement

MV € 867mn properties
Q1 € 22mn revenues

2

Co-Investments
- Commercial and Residential JV
- Mandates include:
  - *Merrill Lynch*
  - *The Blackstone Group*
  - *UBS*
  - *JPMorgan (Logistic)*

MV € 14mn investments

Combined with 3 – 5 year AM Mandates

Services

3

Asset Management
- Transaction, investment and exit management
- Active tenant and letting management
- Refurbishment and redevelopment
- Project development
- Condominium sale/privatization

€ 2.1bn AuM
Q1 € 1,4mn revenues

Company and Business Highlights Q1 2009 (1/2)

- **Q1 2009 profit of € 7.7mn (Q1 08: -€ 10.1mn), EBIT increased to € 7.6mn (Q1 08: € 3.9mn)** mainly driven by improved rents, reduced G&A's and extraordinary gains from a refinancing

- Strong **core business with net rental income** (NRI) from property **€ 15.1mn** (Q1 2008: € 14.7mn) without rents from Hotel portfolio (€ 2mn per year) which was sold in 2008. **Net operating Income** (NOI) also **increased by 5% to € 10.6mn** (Q1 2008: € 10.1mn)

- **Compared to Q1 2008 average rents improved 2%** to € 4.62 per sqm and **vacancy decreased 13.7%** from 15.3% to 13.2% (same store basis)

- **AM revenues increased by 13.8% to € 1.4mn** (€ 1,25mn recurring) with a **net result of -0.3mn** (Q1 2008: € -0.4mn incl. Funds Management) due to low transaction activity

Company and Business Highlights Q1 2009 (2/2)

Colonia Real Estate AG

- **Comfortable financial situation with no refinancing due in 2009 (just € 17mn in 2010).** Extraordinary **gain on settled loan waiver of € 8.7mn in Q1**. Improved **NAV of € 11,92 per share** (end of 2008: € 11,65) in absence of revaluation needs
- **Administrative costs declined by almost 54% to € 2.9mn including restructuring cost of 0.3mn** (Q1 2008: € 6,3mn) as a result of the comprehensive restructuring and cost-saving program started in September '08
- **Full "kitchen sinking" in 2008** leaving CRE with a clean P&L and balance sheet for 2009. Clean up leads to a comfortable and competitive situation to master the challenging markets. Market yields based on transactions remain stable to slightly positive
- **Q1 results underline potential turnaround for FY 2009 with cash earnings from first quarter** as a result of further improvements in rental income, a much leaner cost structure, successfully closed refinancing activities and a pick-up in sales activities started in Q2

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Key Financials Q1 2009 (1/2)

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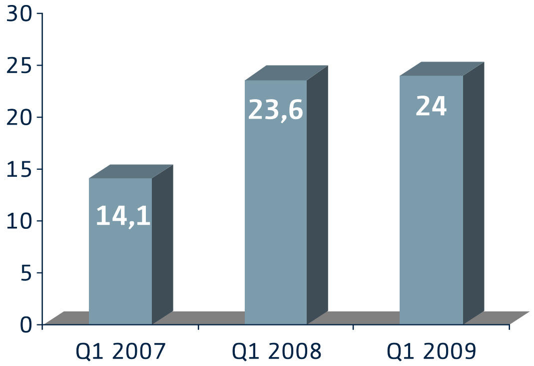
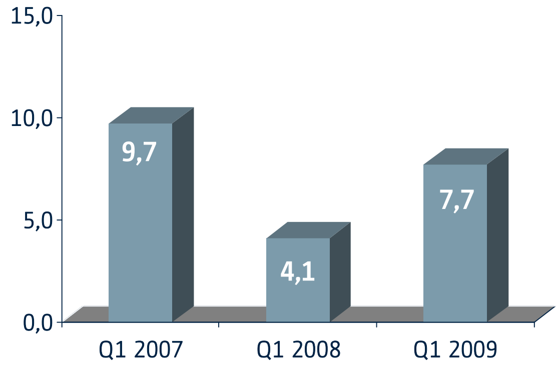
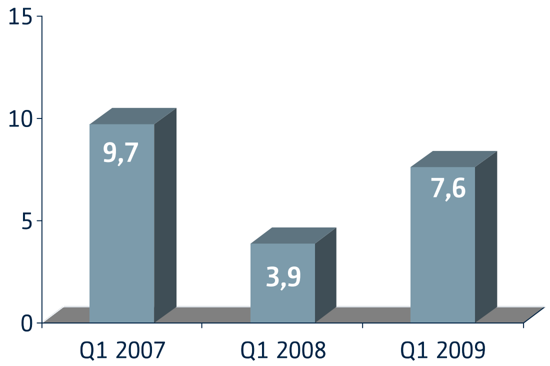
Revenues in €mn



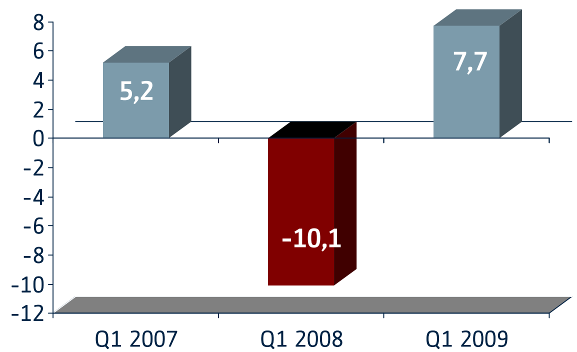
EBITDA in €mn



EBIT in €mn



Net Income in €mn

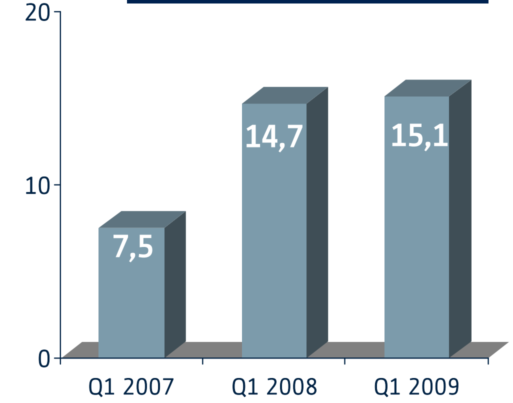


- Improved revenues without rents from hotel portfolio (sold in `08)
- EBIT increased to € 7,6mn
- Net income came in at € 7.7mn on the back of improved rental income, slim cost structure and gain from loan waiver

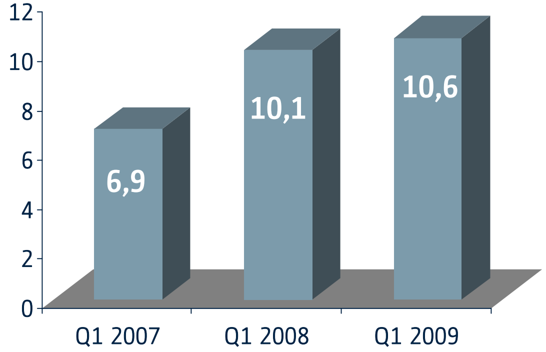
Key Financials Q1 2009 (2/2)

CRE Colonia Real Estate AG

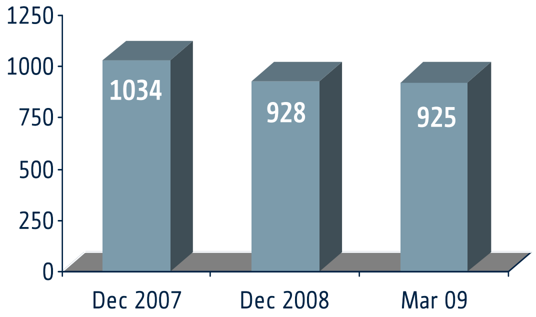
NRI in €mn



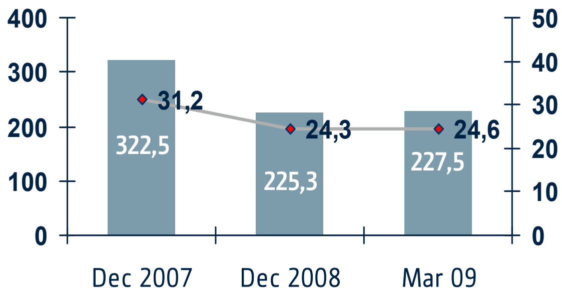
NOI in €mn



Total Assets in €mn



Equity in €mn and Ratio



- **Positive development of Net Rental Income** (NRI) **to € 15.1mn** (+2,5% yoy) **and Net Operating Income¹** (NOI) **to € 10.6** (+5,03% yoy)
- **Group's Equity increased to € 227.5** with **Equity ratio at 24.6%,** slightly below managment target range of 25 – 35% (capital invrease in Q2)
- As part of the cost-cutting program **general administrative cost (GA) declined to € 2.9mn including restructuring cost of 0.3mn or 54%** (Q1 2008: € 6.5mn)

[1] Adjusted NOI excluding refurbishment and CAPEX

Income Statement Q1 2009 (2/2)

CRE Colonia Real Estate AG

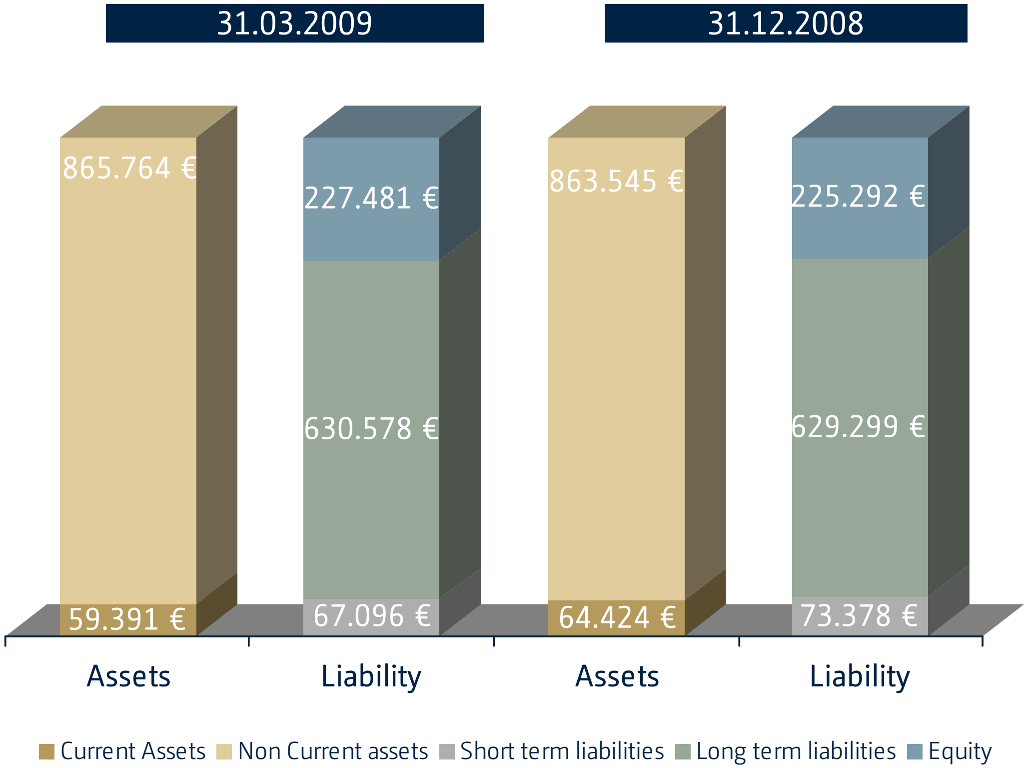
€mn	Q1 2009 Total	Q1 2008 Total
Total Income (excluding finance income)	24.0	23.6
Total expenses (excluding finance costs)	-16.4	-19.7
Net rental income	22.2	21.6
Property operating expenses	-11.6	-11.6
Net income on disposal of trading properties	0.0	0.0
Net income from Asset Management[1]	-0.3	-0.4
Administrative expenses	-2.6	-6.5
Restructuring costs	-0.3	0.0
Othere income (expenses), net	0.3	0.8
EBIT	7.7	3.9
Financial expenses	-8.6	-16.3
Income from waver of loan repayment	8.7	0.0
Financial income	0.0	0.6
Financial Result	0.1	-15.7
Consolidated results before tax	7.8	-11.8
Income tax	-0.1	1.7
Consolidated results before minority interests	7.7	-10.1
Minority interests	0.1	-0.4
Consolidated results	7.6	-9.7

- Slightly improved rental income without rents from Hotel portfolio (€ 2mn p.a.) which were sold in 2008
- Administrative cost more than halfed to € 2.6mn excluding restructuring cost

[1] prior year includes Fund Management

Balance Sheet Q1 2009 (1/3)

CRE Colonia Real Estate AG



- Further reduction of the **short term liabilities**
- **No short term liabilities** based on existing loan agreements (short term liabilities based on IFRS rules related to Assets for Sale)

Balance Sheet Q1 2009 (2/3)

CRE Colonia Real Estate AG

€mn	Q1 2009	2008
ASSETS		
Non-current assets		
Intangible assets	3.1	3.2
Investment property	837.9	835.4
Property, plant & equipment	1.0	1.0
Investments in associates	7.1	7.1
Deferred taxes	10.8	10.7
Other non-current assets	5.8	6.2
Total non-current assets	865.7	863.6
Current assets		
Cash & cash equivalents	10.2	15.3
Non-current assets held for sale	6.3	4.1
Other current assets	13.5	15.6
Total current assets	30.0	35.0
Assets of a disposal group classified as held for sale	29.4	29.4
Total assets	925.1	928.0

- Non current asset held for sale are acquired appartments for immediate resale this year
- Asset for disposal are investment properties up for sale (SIGNA portfolio)

Balance Sheet Q1 2009 (3/3)

Colonia Real Estate AG

€mn	Q1 2009	2008
EQUITY & LIABILITIES		
Equity		
Equity attributable to group shareholders	226.9	224.2
Minority interest	0.6	1.1
Total equity	**227.5**	**225.3**
Non-current liabilities		
Financial liabilities	578.4	581.1
Deferred tax liabilities	39.6	40.5
Other non-current liabilities	12.5	7.7
Total non-current liabilities	**630.5**	**629.3**
Current liabilities		
Financial liabilities	40.5 *	43.0 *
Tax liabilities	1.1	1.1
Other current liabilities	25.5	29.3
Total current liabilities	**67.1**	**73.4**
Total equity & liabilities	925,1	928.0

- € 20.5mn of € 40.5mn financial liabilities are long-term loans related to assets for sale
- Equity ratio slightly increased to 24,6% (before equity increase in April `09)

* Thereof € 20.5 mn financial liabilities from assets held for sale

Cash flow Statement Q1 2009

Colonia Real Estate AG

€mn	Q1 2009	Q1 2008
Proceeds from operating activities	3.7	10.3
Interest payments	-7.5	-6.6
Redemption / Take-out	1.5	5.7
Debt service	-6.0	-0.9
Investments	-2.2	-5.6
Payment to minority interests	-0.5	0
Issue of share capital	0	5.1
One-off effects		
Restructuring costs	-0.3	0.0
Cash flow	-5.3	8.9

- Investments represents purchase in small condominium portfolios in Berlin
- Expect improved proceeds from operating activities from privatization starting in Q2 `09

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Appendix

Strong Financing Structure

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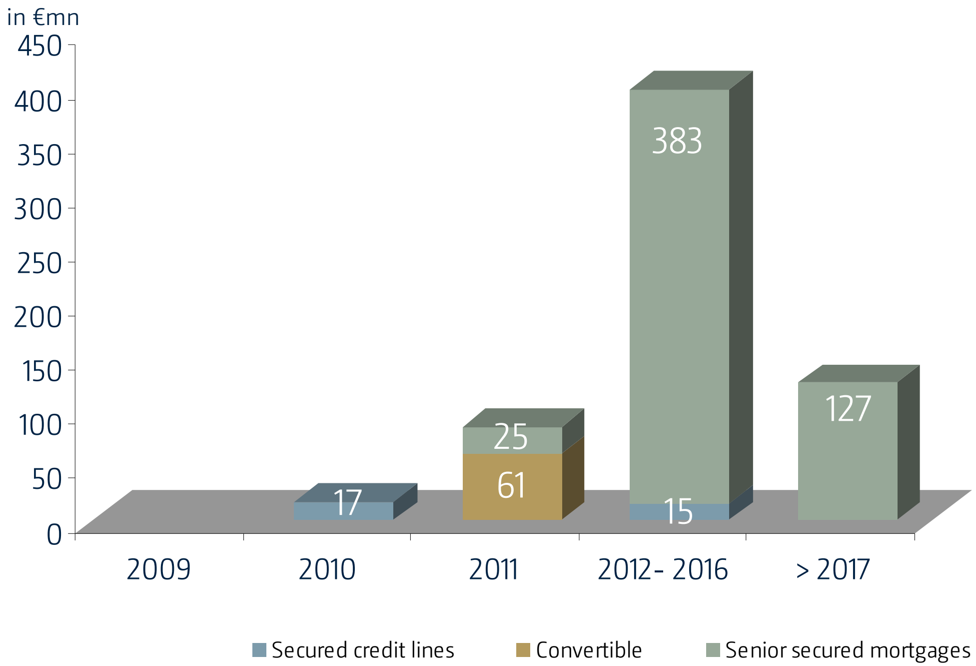
Debt Duration Profile

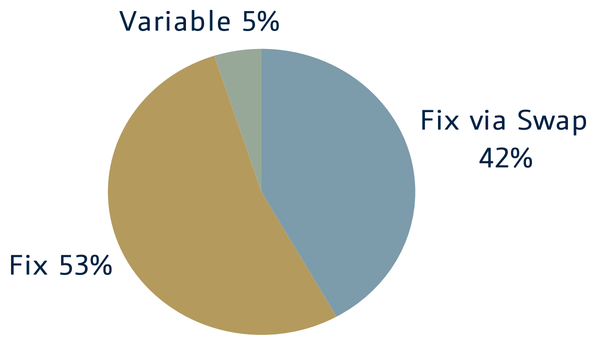


- Total debt volume: € 628mn
  Long term debt: € 616mn
  Short term debt: € 12mn
- Avg. interest rate: 4.7% p.a.
  Average duration: 8.3 years
  Hedging ratio: 95%
- No refinancing needs in 2009

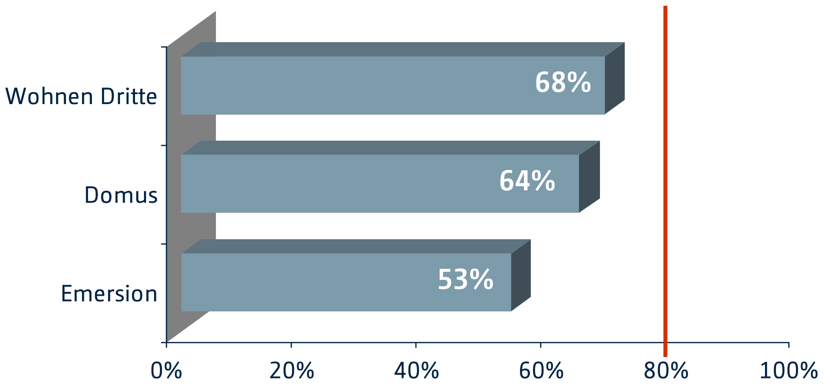
Specifics on Covenants

Colonia Real Estate AG

Interest rate profile



LTV covenants trigger[1]



- **Fixed rate financings** in 2008 have improved **from 36% to 53%**
- 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: 158% (covenants 115 - 135%)

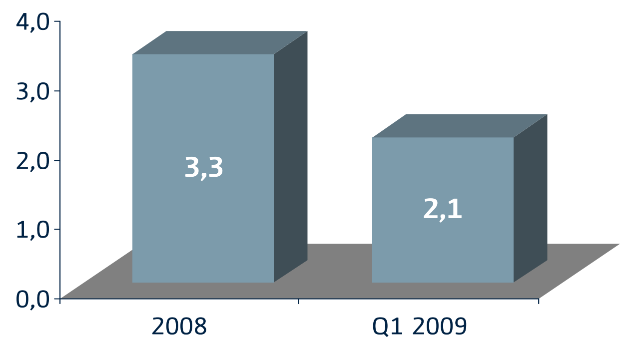
  DCR: 135% (covenants 110 - 120%)

(1) After revaluation as of 31/12/2008

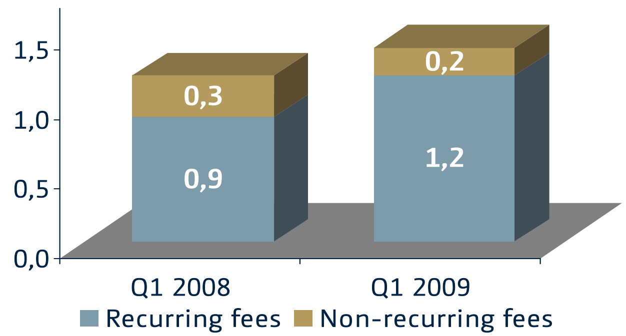
Key Financials – Asset Management Q1 2009

Colonia Real Estate AG

Assets under Management (in €bn)



Fee Income Split by Type (in €mn)



Asset Management Q1 2009	(in €mn)
Revenues	1.4
- thereof recurring revenues	1.2
- thereof non-recurring revenues	0.2
Expenses	1.7
- thereof material costs	0.2
- thereof personnel salaries	1.0
- thereof depreciation	0.1
- thereof general & administration costs	0.4
EBIT	-0.3

- Recurring AM fees increased by 30% to € 1.25mn yoy
- Layoffs in Q1 will reduce salaries from Q2 onwards and further reduce cost structure
- New acquisitions of € 320mn in 2008 and € 440mn in 2009

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Shaping the Business Model

Colonia Real Estate AG

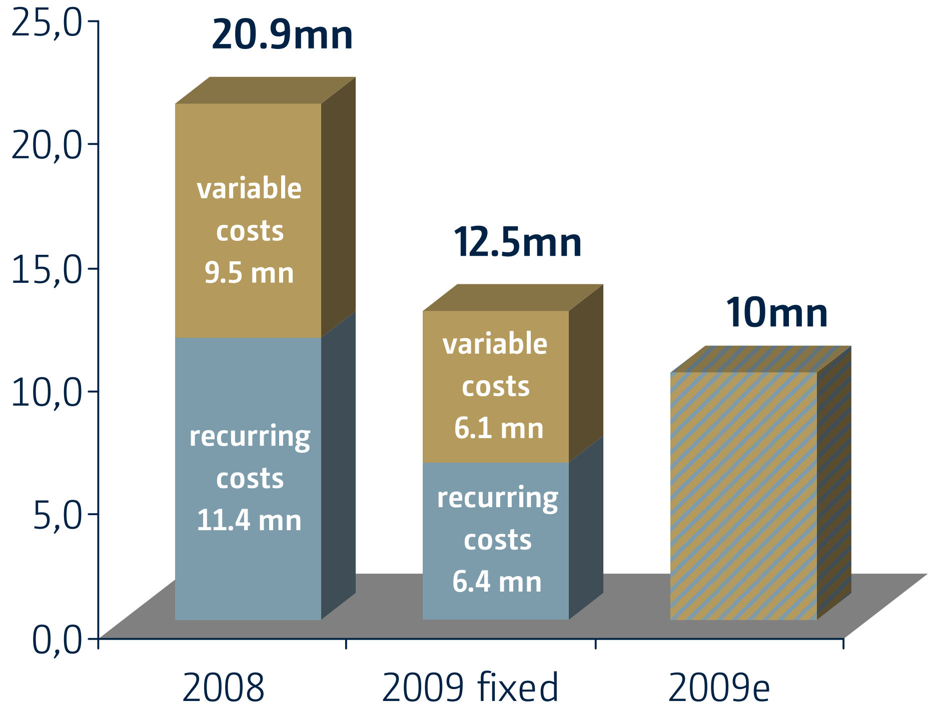
General Management Priorities

Streamline and focus	✓ Reduction on 2 core Business Segments with focus on residential portfolio
Cash and cash flow is King	✓ Selling business units with negative cash flow and increase privatizations ✓ Strict cost monitoring and reducing overhead
Riskmanagement	✓ Shift to long term liabilities with fixed interest rates
Restore credibility	✓ Focus on facts, increase transparancy and deliver

Trimming the Cost Structure

CRE Colonia Real Estate AG

- 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)



Market Developments
Signs of recovery in German Residential

- All-time low of new developed apartments with 76,000 units since the German reunification versus medium-term requirement of 400,000 new developed apartments[1] per year
- Further increase of c. 820,000 private households is expected until 2020
- Siemens sold 4,000 apartments for approx. 1,100 Euro per sqm[2] in € 320mn transaction to German investor group (14 – 16x multiplier)
- German Pfandbrief market comes back with 11.6bn in placements in Q1 09[3]
- Terra Firma aims to buy back own CMBS for 6bn Euro with an anticipated discount of 45-50% of the nominal value due to market imbalance

Sources:
*[1] Studys of the Eduard Pestel Institute
*[2] Financial Times Germany
*[3] REFIRE

CRE
Residential Portfolio – Ongoing Value Creation





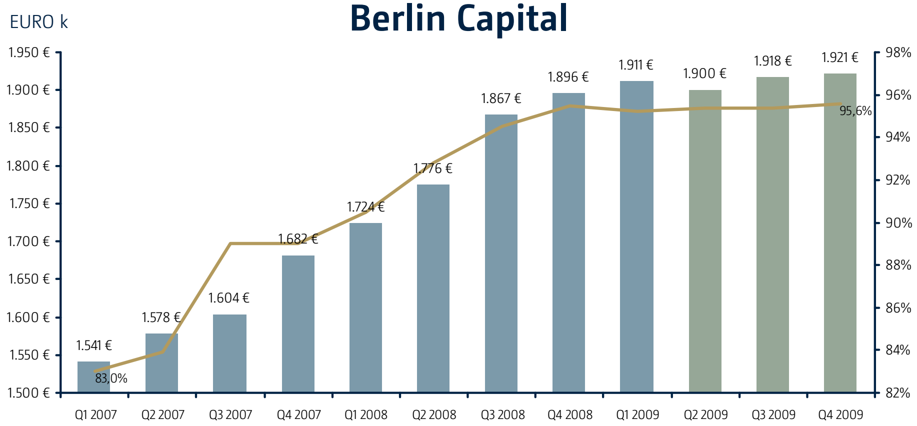

- CRE owns almost 20.000 residential units of **which 60% have been recently modernized investing CAPEX of € 54mn** in the last 18 months
- On a like-for-like basis compared to Q1 2008 overall **vacancy decreased 13.7% from 15.3% to 13.2% and average rents per sqm increase by 2% to € 4.62**
- Average **new rents in refurbished areas increased by 21.5% from € 4.50 to € 5.64 per sqm** after modernization



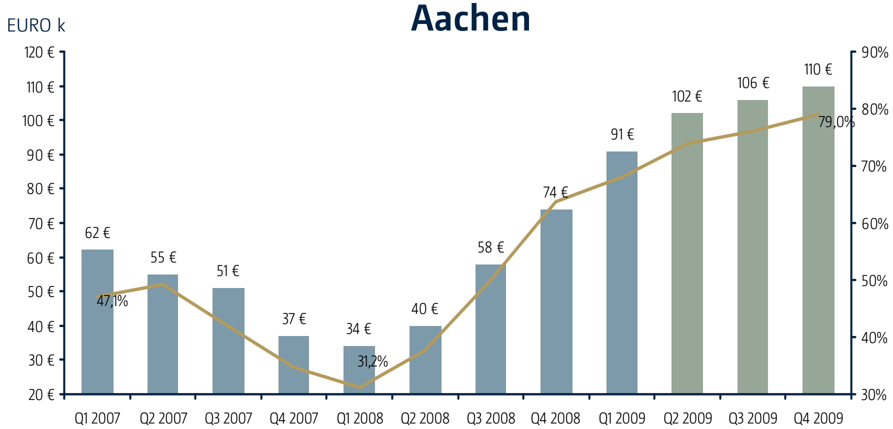
CRE
Residential Portfolio – Case Studies for Value Creation

Colonia Real Estate AG

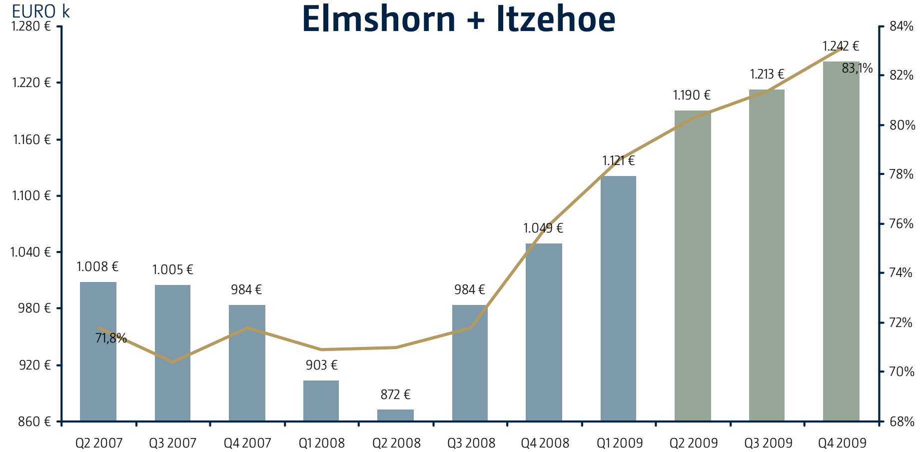
Berlin Capital



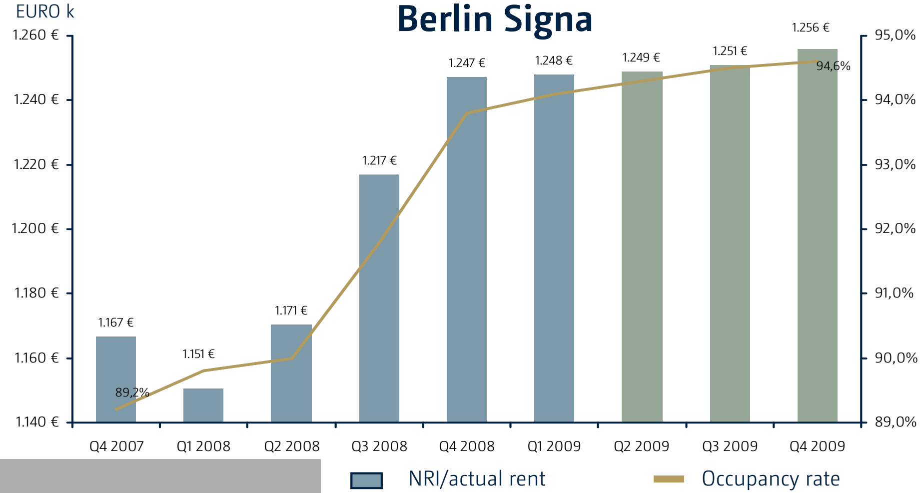
Aachen



Elmshorn + Itzehoe



Berlin Signa



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Latest Developments in 2009

- **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**

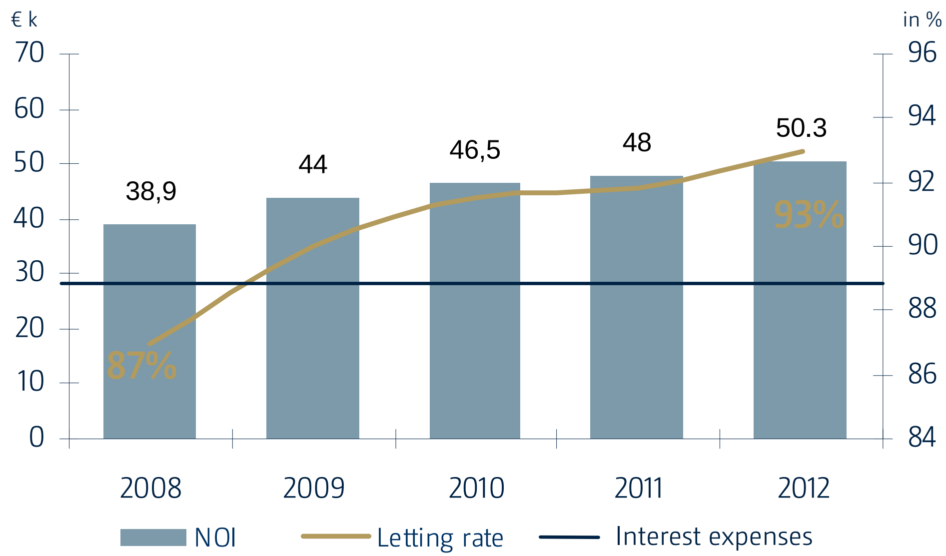
- CRE Resolution **won first work out mandate** directly from receiver representing 26,000 sqm of office space in Cologne (40% vacant)

- Recent refinancing of northern German residential portfolio combined with a **loan waiver of € 8.7mn will enhance cash flow and generate one-off cash earnings** in the same amount

- **Strong first quarter with ongoing net absorption and improving rents** on the back of modernization program finished in Q4 2008

Colonia Real Estate AG

Anticipated NOI Development



- On the **back of strong Q1 2009 NOI of € 10.6mn** company is on track to reach **€ 44mn NOI in FY 2009**
- **Average new rents increased by 21.5% to € 5.64 sqm** after modernization
- **€ 54mn modernization program** in 07 and 08 supports strong reletting rate in 2009
- On a like-for-like basis compared to Q1 2008 overall **vacancy decreased 13.7% from 15.3% to 13.2% and average rents per sqm increase by 2% to € 4.62**

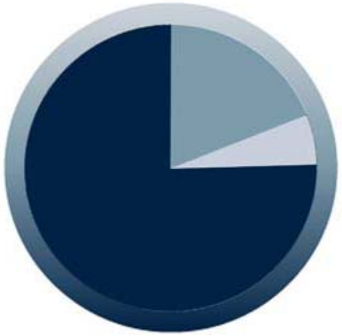
CRE
Share Details – Updated Version 05/2009

CRE Colonia Real Estate AG

- Average price of May 2009 € 3.54
- Market Cap € 85mn
- Number of shares 24.1mn
- Freefloat 76,94%

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



Milfolium Management Inc. 17,98%
(State of Liechtenstein)

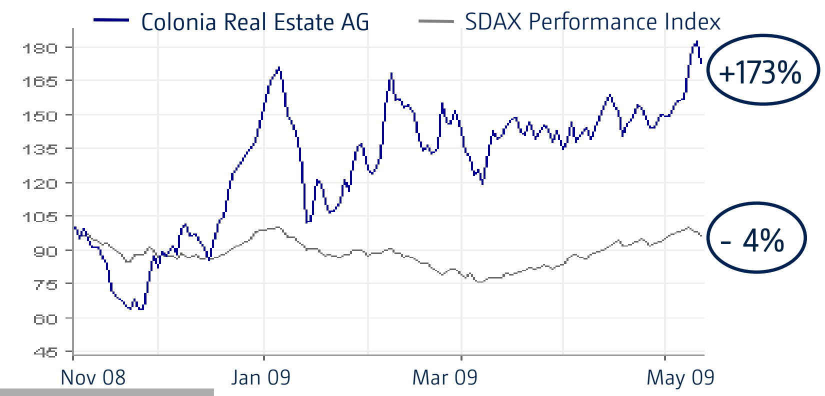
Minefa Holdings B.V. 5,08%

Free Float 76,94%

- Cominvest 4,53%
- Generali Investment France 3,40%

1 years Colonia Real Estate AG (KBU GY)

Performance CRE vs. SDAX



CRE
Defensive Value at a Deep Discount

Colonia Real Estate AG

- Healthy operating core business (Net Rental Income +3% yoy in Q1 2009)
- Ongoing occupancy and rent level improvements in line with business plan
- Comprehensive cost-cutting program will lead to positive cash flows in 2009
- No short-term refinancing issues, sufficient liquidity position and strong debt structure
- Strong new sovereign-wealth core shareholder with long-term perspective
- NAV € of 11.92 per share represents 70% discount to current share price
- Current market cap indicates valuation of € 570.4 per sqm or 8,69% net yield!

CRE as one of the leading investment and asset management platforms with a high exposure in the defensive German residential market offers 70% discount to its adjusted NAV

Thank you for your attention

Stephan Rind, Chief Executive Officer
Volker Lemke, Chief Financial Officer
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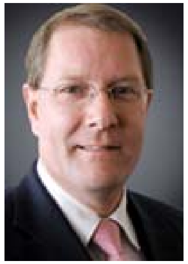
Tel: +49 (0)221 7160 710, Internet: www.cre.ag, E-Mail: ir@cre.ag

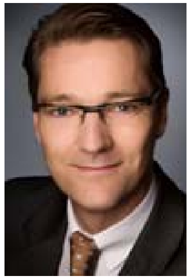
Management Board of Colonia Real Estate AG

CRE Colonia Real Estate AG

Stephan Rind (41) is CEO of Colonia Real Estate AG since 2003. He is responsible for the business strategy, investments and communication / investor relations. Prior to this mandate, he was Chief Investment Officer of the Fortman Cline Group in Switzerland from 1997 to 2002 and responsible for private equity investments. 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 (45) is CFO of Colonia Real Estate AG since September 2008 and responsible for Controlling, Accounting/Tax and Finance. He is a certified tax advisor and has over 15 years of experience in real estate and tax law. He worked for various real estate companies 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 Deutsche Real Estate AG. Since 2007 he is Managing Director of CRE Resolution GmbH and responsible for the finance, controlling and tax of the asset management division.



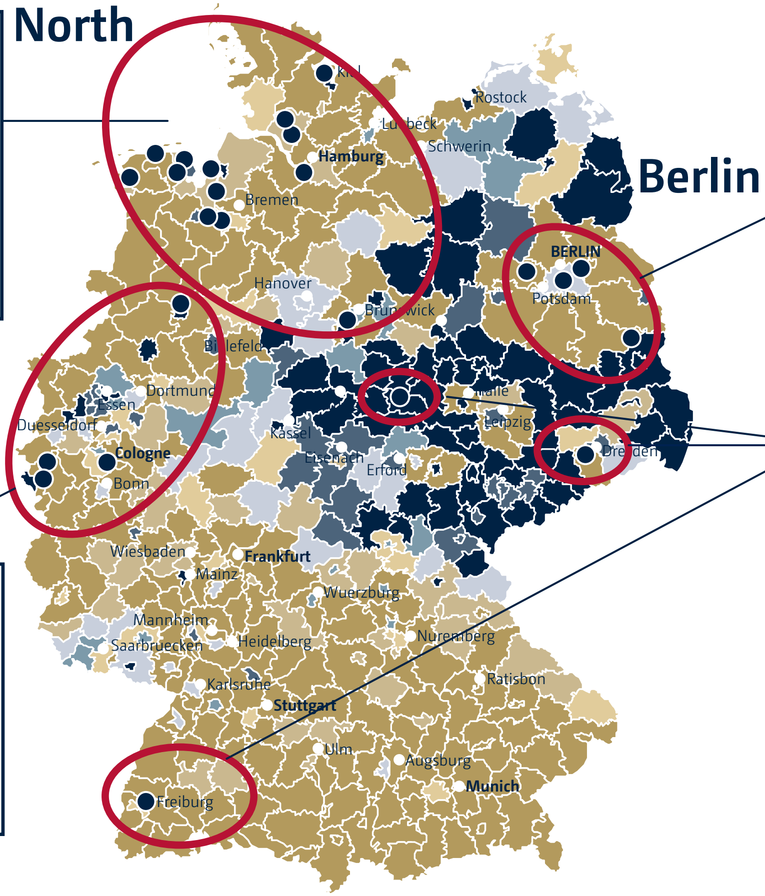
Friedrich Thiele (43) is CIO of Colonia Real Estate AG since September 2008 and responsible for the Asset and Portfolio management and Co-Investments. Before becoming a member of the board, Friedrich Thiele was responsible for residential and commercial real estate as well as co-investments at Colonia Real Estate since March 2007. He holds a Master in Business Administration and he is a Real Estate Economist from the European Business School (ebs). Prior to his position he was 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 RREEF) and Commerz Leasing und Immobilien GmbH.

CRE' Residential Portfolio at a Glance

CRE Colonia Real Estate AG

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: 12.105

Region Berlin
Average asset rent: € 4,74
Rent new tenants: € 5,10 – € 6,50
Quality of property
- energetic refurbishment 90%
-market average 10%
number of accommodation units: 5.690



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: 1.071

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: 693

Residential market – assets qualifying
Relative change of the housholds from 2005 to 2020

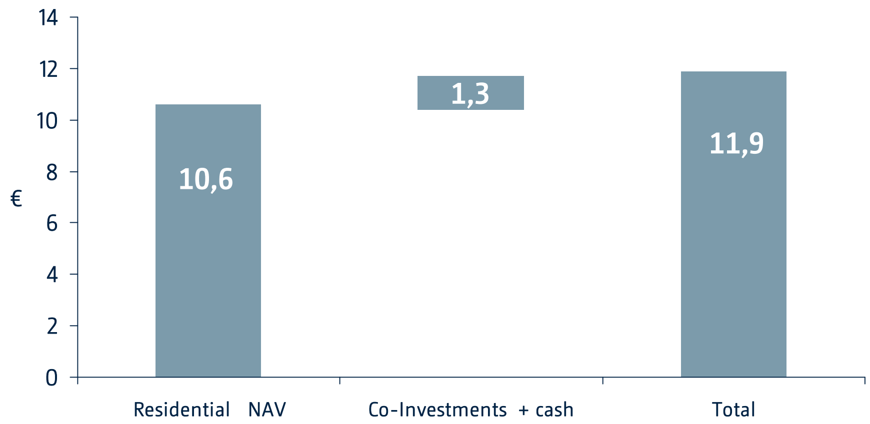
- Residential Portfolio CRE AG
- more than 5
- 3 to 5
- 1 to 3
- -1 to 1
- -1 to -3
- -3 to -5
- less than -5

Source: L-Bank-IAW: Monotring of the residentil real estate market, Baden-Württemberg

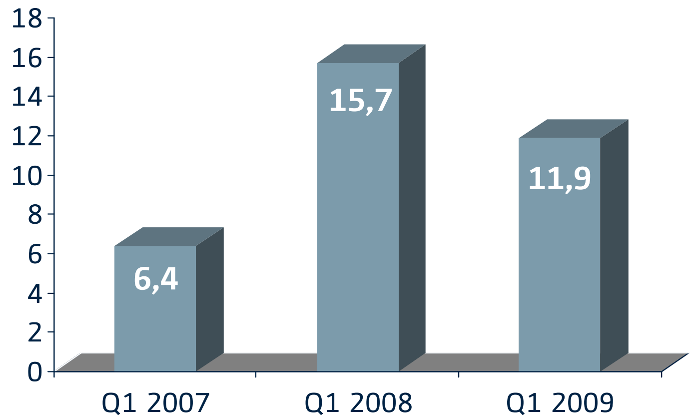
Value Bridge and NAV

Colonia Real Estate AG

NAV Value Bridge *(as of Q1 2009)*



NAV per share



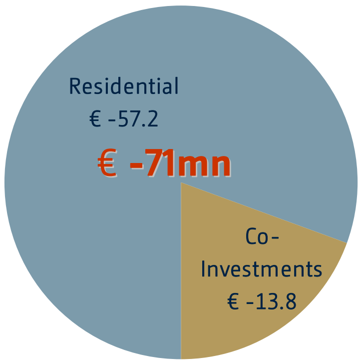
- NAV after revaluation and excluding service division decreased to **€ 11.9 per share**

Profile of Unrealized Changes 2008

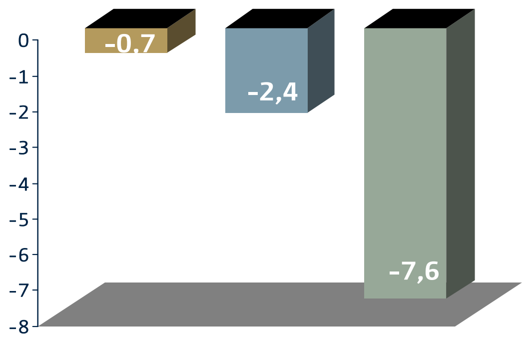
Colonia Real Estate AG

	Units	Fair Value in € m 2008	Fair Value in €/sqm New	Old	Δ	Annual rate of rent increase New	Old	Discount rate New	Old	Capitalization rate New	Old
Berlin	5.690	274.486.500 €	734 €	792 €	7,8%	2,1%	2,75%	6,75%	6,29%	5,80%	5,64%
North	12.105	484.100.000 €	646 €	643 €	-0,5%	2,0%	2,75%	7,40%	6,56%	6,00%	5,95%
West	693	40.650.000 €	838 €	860 €	2,6%	2,1%	2,75%	7,05%	6,61%	5,90%	5,72%
Other	1.071	53.363.500 €	715 €	746 €	4,3%	2,1%	2,75%	7,00%	6,58%	6,05%	5,78%
Total	19.559	852.600.000 €	684 €	702 €	2,6%	2,1%	2,75%	7,05%	6,51%	5,90%	5,77%

Revaluations Investment portfolio by segment



Average changes for German Residential vs CRE

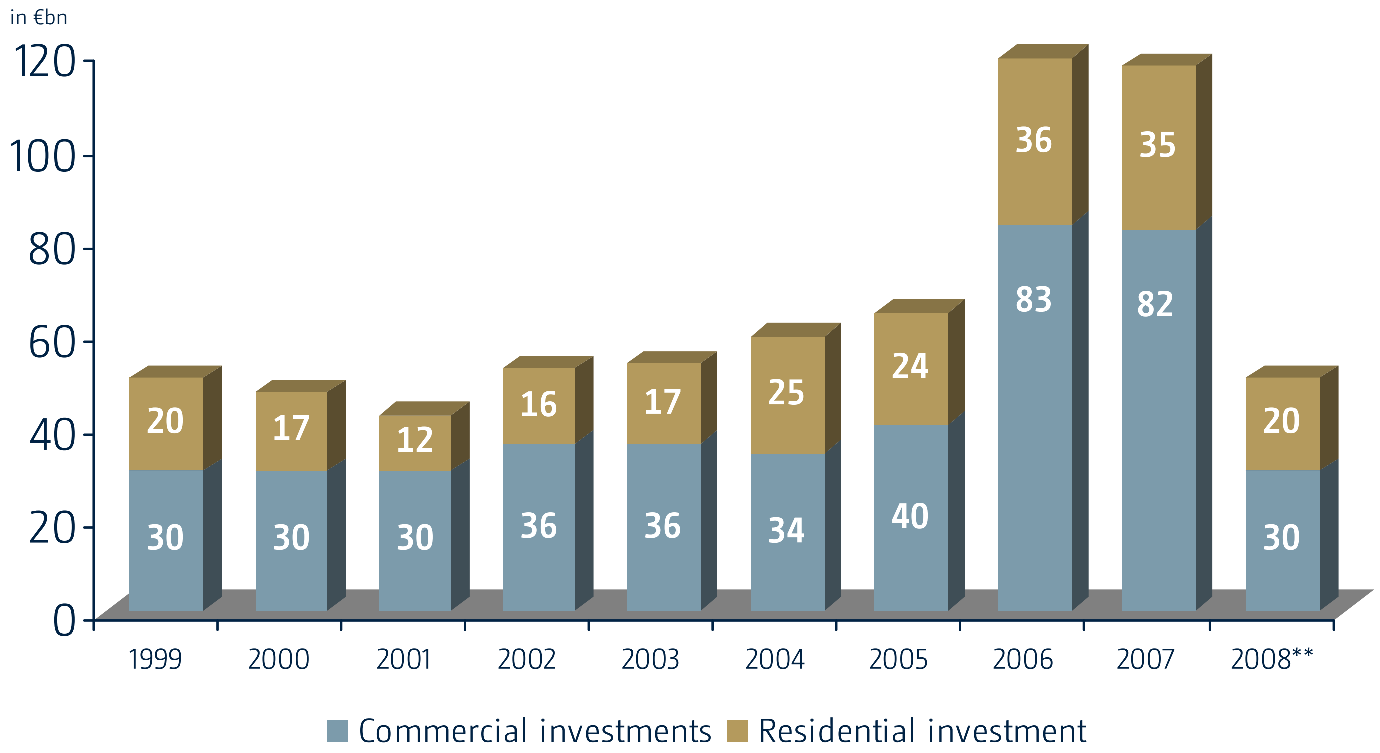


Source: Knight Frank, RICS

- Depreciation of € 57.2mn on residential assets does not reflect activation of CAPEX in equity of € 26mn in 2008
- CRE's conservative approach in revaluation shows **7.6% change in residential assets vs. 2.4% average depreciation by RICS research** for German residential in general in '08
- New Valuation shows **a net yield of 7,05% with € 684 per sqm** and is very conservative in comparison to other peers in German residential

Transactionvolume Investment market Germany

CRE Colonia Real Estate AG



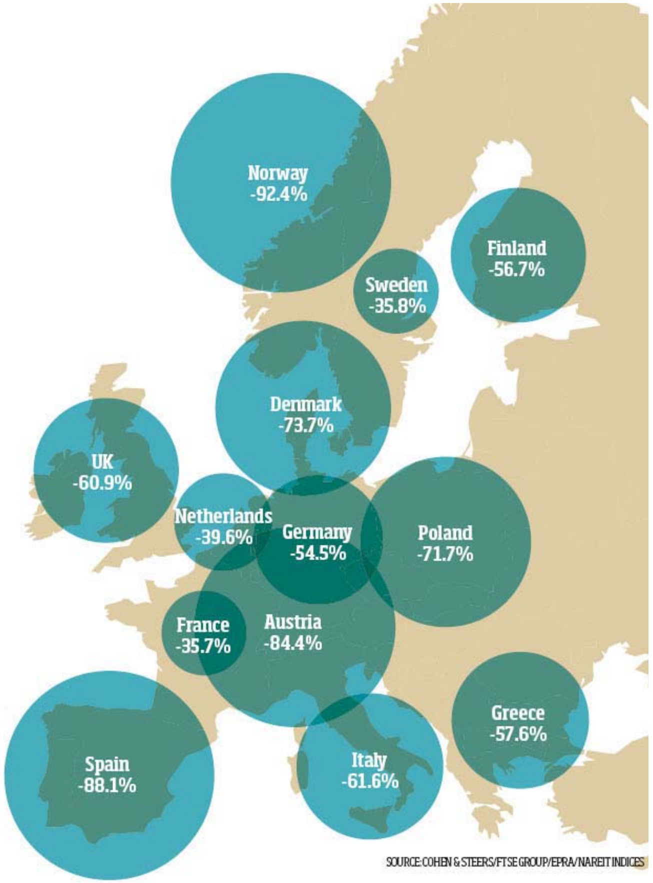
•Asset-Deals ** preliminary acceptance
*Scource: Survey und calculation AENGEVELT RESEARCH based on the board of expert valuers of the federal states and the town council

Property shares in Europe

Colonia Real Estate AG

Breakdown of how the downturn affected Europe

- The **UK** fell by 60.9%, as stocks were sold off sharply – driven by high consumer debt levels
- **France** performed better with a fall of 35.7%
- The **Netherlands** fell by 39.6%
- **Austria** plummeted by 84.4% amid concern over corporate governance and a reliance on new development
- **Germany** fell by 54.5%, thanks to ist companies' high debt levels and inefficient operating structures



Source: Cohen&Steers/ FTSE Group/EPRA/NAREIT

Disclaimer

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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.

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