



Colonia Real Estate AG

Next Generation Real Estate

*Presentation Financial Report Q3 2009
Turning the Tide*



Colonia Real Estate AG | 12. November 2009

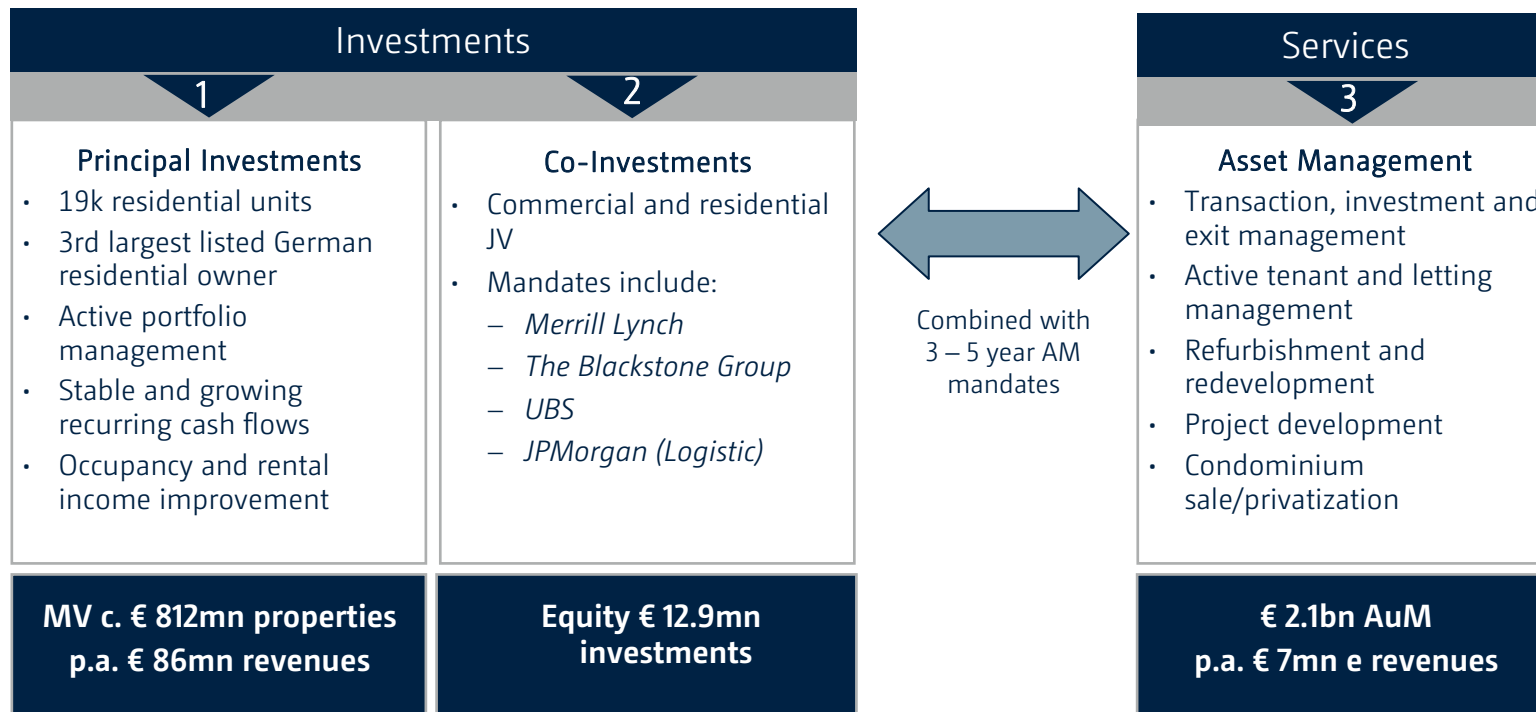
Agenda



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Colonia Real Estate AG
 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: € 43.7mn¹) 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 109 % to € 18.2mn vs € 8.7mn same period last year
- Administrative costs declined by almost 44 % to € 8.9mn including restructuring cost of 0.5mn (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 2009 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)

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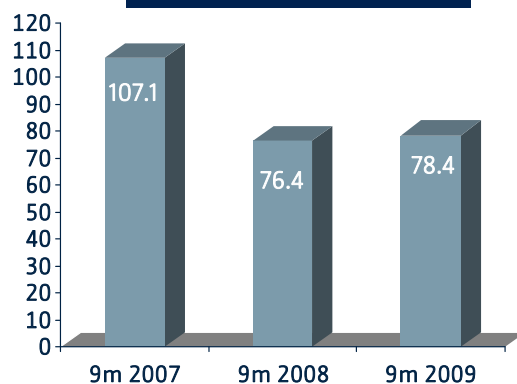
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Key Financials Q3 2009 (1/2)

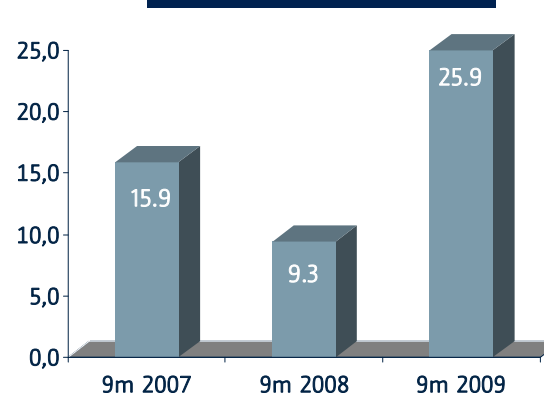
CRE

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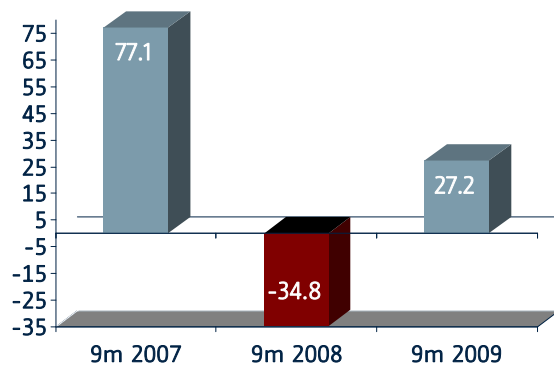
Revenues in € mn



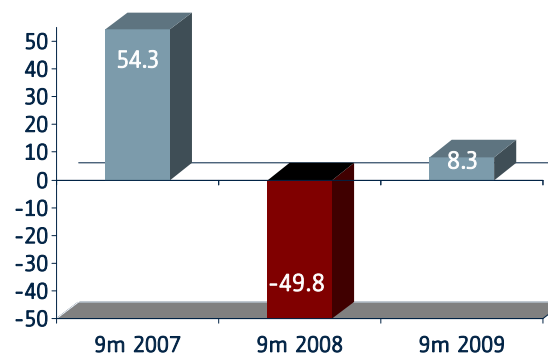
EBITDA in € mn



EBIT in € mn



Net Income in € mn



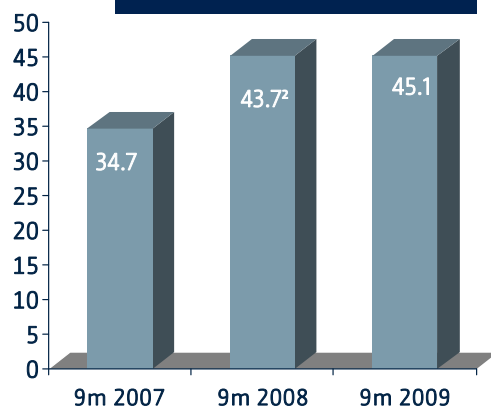
- Positive EBITDA of € 25.9mn underlines turnaround in 2009 and shows better operational performance than 2007
- EBIT increased to € 27.2mn
- Net income came in at € 8.3mn on the back of improved rental income. Slim cost structure and extraordinary gain from successful sales and refinancing activities

Key Financials Q3 2009 (2/2)

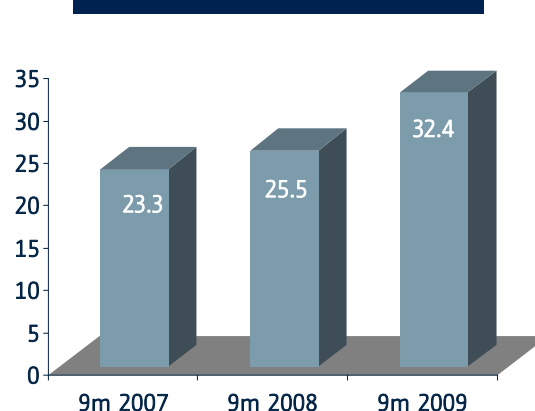
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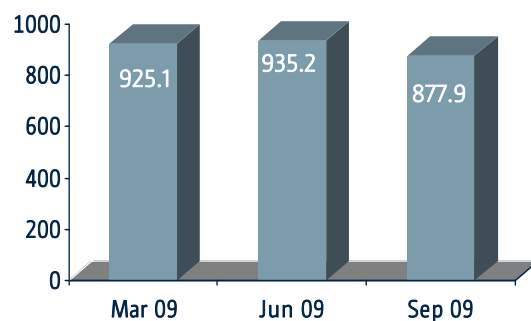
NRI in € mn



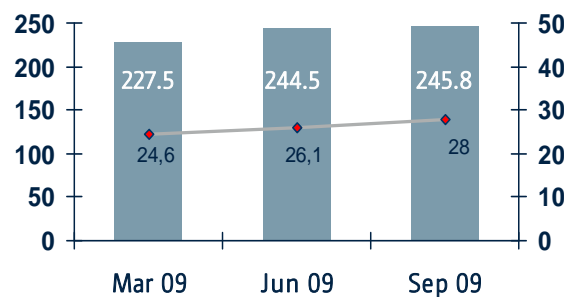
NOI in € mn



Total Assets in € mn



Equity in € mn and Ratio



- Stabilized net rental income (NRI) of € 45.1mn and jump of 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

Balance Sheet Q3 2009 (1/2)



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€ mn	9m 2009	FY 2008
Assets		
Non-current assets		
Intangible assets	3.2	3.2
Investment property	811.8	835.4
Property, plant & equipment	0.7	1.0
Investments in associates	8.2	7.1
Deferred taxes	10.7	10.7
Other non-current assets	5.8	6.2
Total non-current assets	840.4	863.6
Current assets		
Cash & cash equivalents	21.8	15.3
Non-current assets held for sale	6.3	4.1
Other current assets	9.4	15.6
Total current assets	37.5	35.0
Assets of a disposal group classified as held for sale	0	29.4
Total assets	877.9	928.0

Investment property decline to € 811.8mn due to sales

The cash ratio (cash/short term liabilities) has been increased from 20 % (FY 2008) to 49 %!

Balance Sheet Q3 2009 (2/2)

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€ mn	9m 2009	FY 2008
EQUITY & LIABILITIES		
Equity		
Equity attributable to group shareholders	245.4	224.2
Minority interest	0.4	1.1
Total equity	245.8	225.3
Non-current liabilities		
Financial liabilities	535.3	581.1
Deferred tax liabilities	40.8	40.5
Other non-current liabilities	11.6	7.7
Total non-current liabilities	587.7	629.3
Current liabilities		
Financial liabilities	25.9	43.0
Tax liabilities	0.9	1.1
Other current liabilities	17.6	29.3
Total current liabilities	44.4	73.4
Total liabilities	632.1	702.7
Total equity & liabilities	877.9	928.0

- The debt to equity ratio declined from 311 % (FY 2008) to 257 %
- Total equity increased from € 225.3mn to € 245.8mn (+8.3 %)
- Longterm financial liability dropped from € 581.1mn to € 535.3mn (-7.8 %). Shortterm financial liabilities dropped from € 43mn to € 25.9mn (-39.8 %)

Income Statement Q3 2009



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€mn	9m 2009	9m 2008
Total Income (excluding finance income)	78.4	76.4
Total expenses (excluding finance costs)	-51.2	-111.2
Gross rental income	67.0	64.9
Property operating expenses	-34.6	-39.5
Gross income on disposal of trading properties	1.6	2.4
Bookvalues of trading properties	-1.2	-2.1
Gross income from asset management ¹	4.7	6.4
Asset management expenses	-6.3	-5.5
Administrative expenses	-8.4	-19.9
Restructuring costs	-0.5	0
Other income net valuations movements	5.1	-41.2
Other expenses	-0.2	-0.2
EBIT	27.2	-34.8
Financial expenses	-27.2	-27.0
Income from waiver of loan repayment	8.7	0
Financial income	0.3	2.1
Financial Result	-18.2	-24.9
Consolidated results before tax	9.0	-59.7
Income tax	-0.7	9.9
Consolidated results before minority interests	8.3	-49.8
Minority interests	0.2	0.1
Consolidated results	8.3	-49.8

General administrative cost (G&A) declined to € 8.9mn including restructuring costs of € 0.5 mn or 44 % (9m 2008: € 19.9mn)

Thereof € 5.4mn non-cash

¹ Prior year includes Fund Management

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 € 8.7mn (Q3 2008) up 109 %!

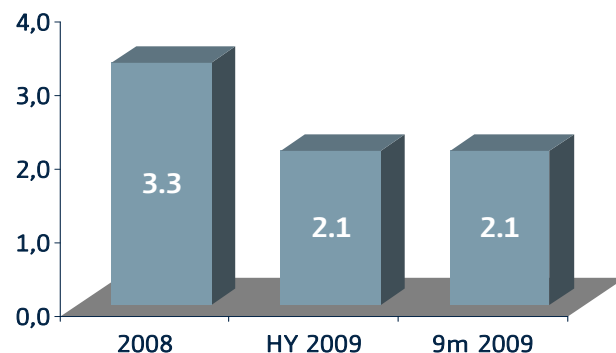
- Positive Cash flow from operating activities in Q3 2009 of € 2.0mn

Key Financials – Asset Management Q3 2009

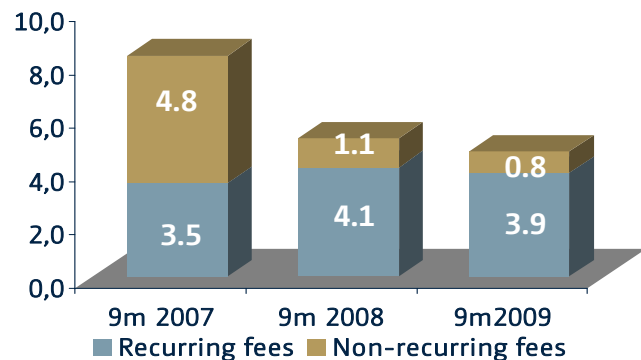


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Assets under Management (in € bn)

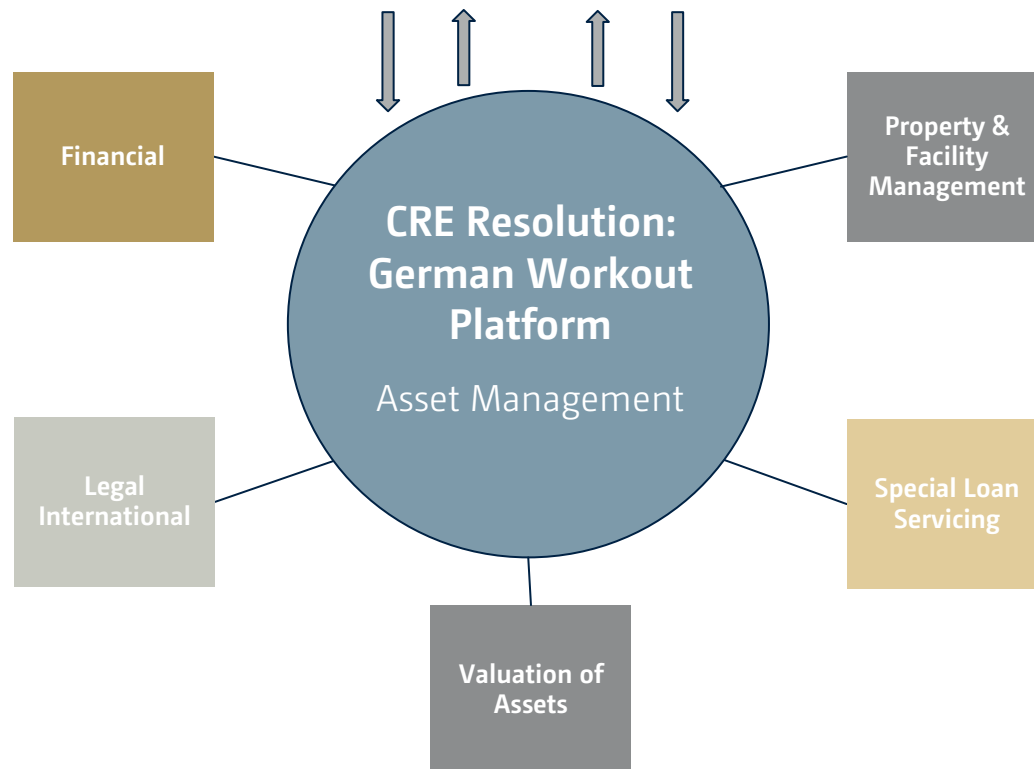


Fee Income Split by Type (in € mn)



- AM revenues declined by 26.6 % to € 4.7mn yoy
- Restructuring charges of € 0.7mn due to the closing of Dusseldorf 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

Target Groups: Banks and Liquidators



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**

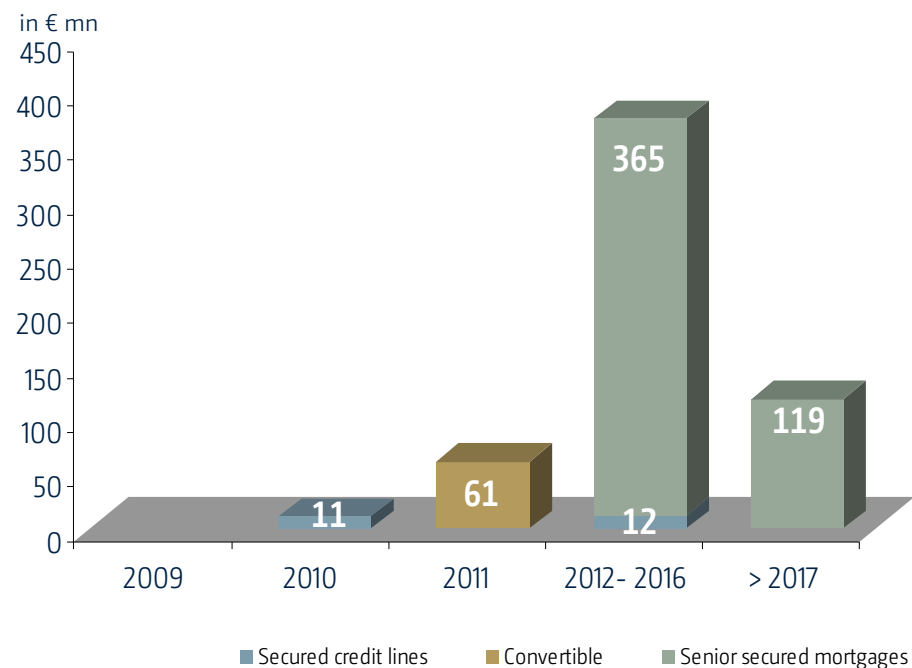
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Debt Duration Profile



- 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: 97 %

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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 2008 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)



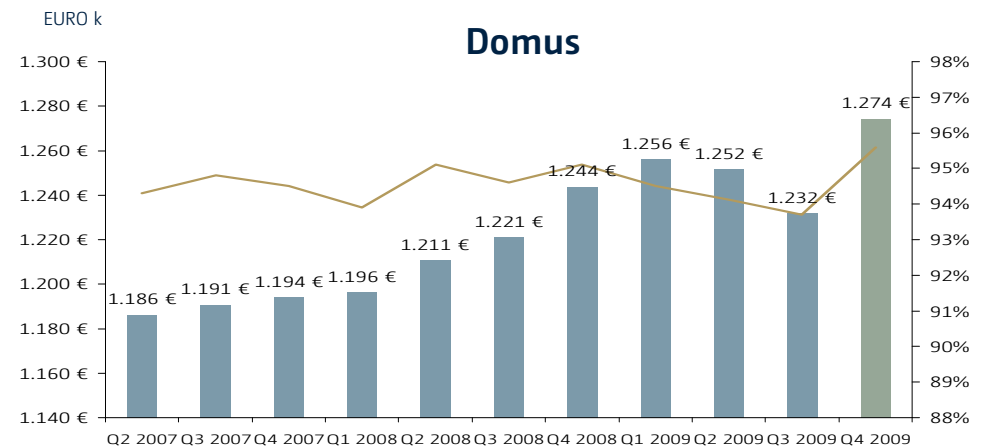
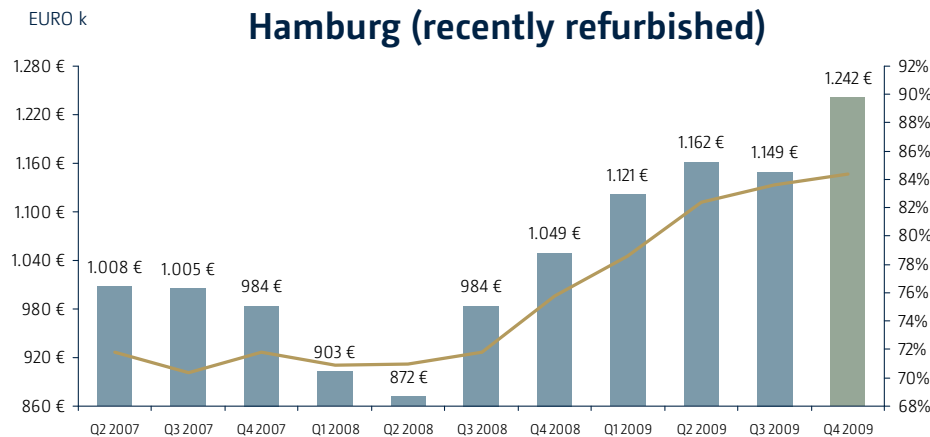
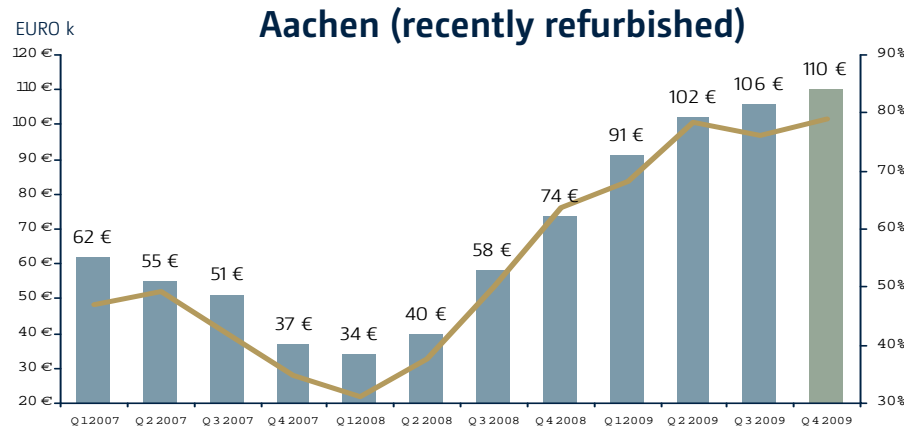
- Average new rents in refurbished areas increased by 25.3 % from € 4.50 to € 5.64 per sqm after modernization



CRE Residential Portfolio – Case Studies for Value Creation



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■ NRI/actual rent — Occupancy rate

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- **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. 74,000 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

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 seven 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



CRE

Share Details – Updated Version 11/2009

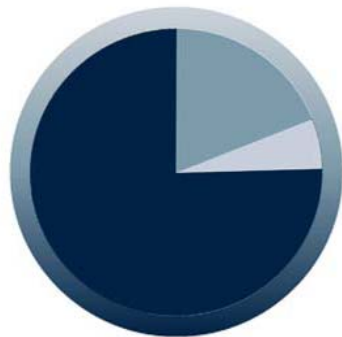


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- Share price 11.11.09 € 4,60
- Market Cap € 131mn
- Number of shares 28.5mn
- Freefloat 76.94 %

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

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



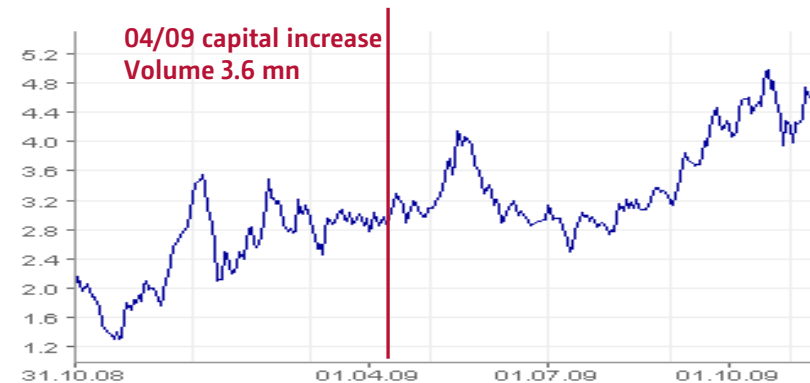
Milfolium Management Inc. 17.98%
(State of Liechtenstein)

Minefa Holdings B.V. 5.08%

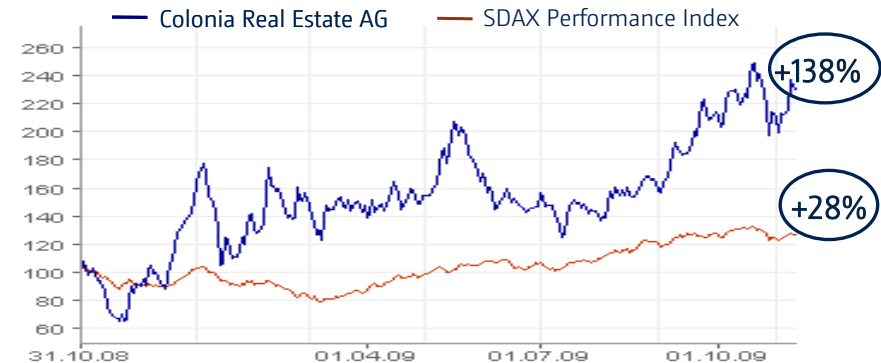
Free Float 76.94%

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

1 years Colonia Real Estate AG (KBU GY)



Performance CRE vs. SDAX

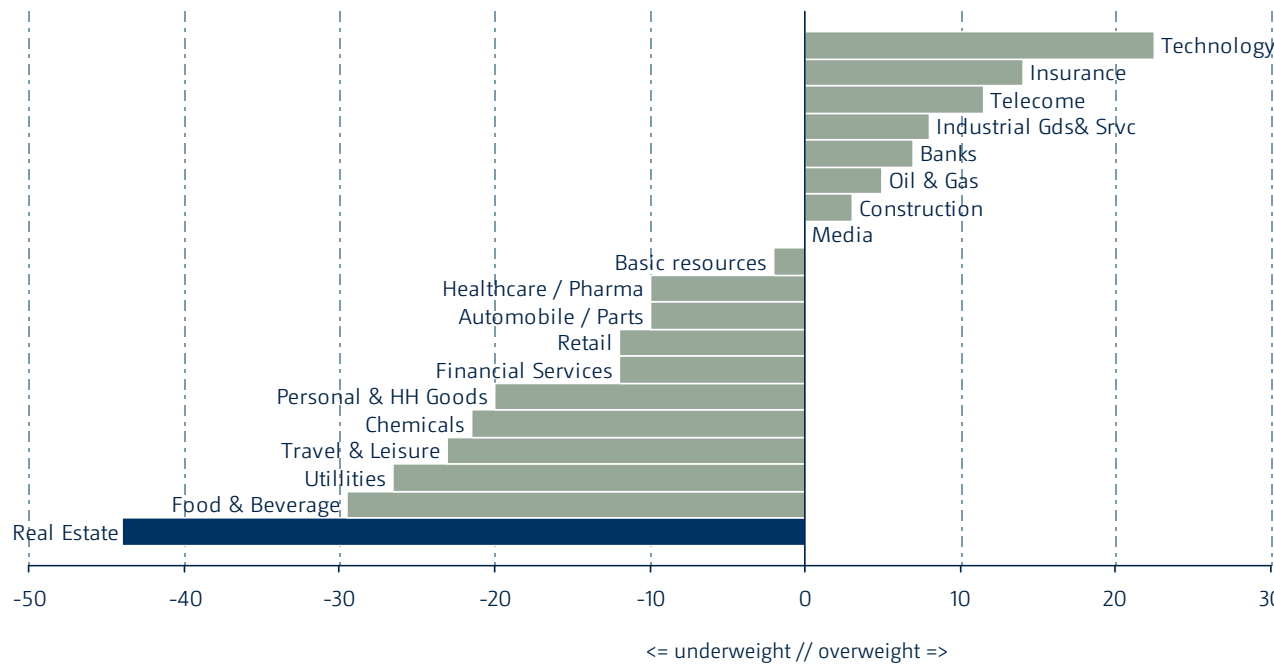


Sectors : Still no Conviction on Real Estate



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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



Colonia Real Estate AG

- Positive operational cash flow of € 2mn in Q3 2009, Cash from operations up to € 18.2mn (+109 % 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 (-44 % 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 c. 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. 55 % 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

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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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