

# Colonia Real Estate AG

## *Investing in Real Estate Opportunities*

October 2005

## Mission Statement

**Colonia Real Estate AG** aims to become a market leader for opportunistic Investments in German Real Estate.

We invest in cashflowing Investments in the areas of Residential, Hotel and Office Properties to create a diversified, high-dividend portfolio.

- **Company Overview**
- Portfolio and Strategy
  - Residential Real Estate
  - Commercial Real Estate
- Market Overview
  - Residential Real Estate
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- CRE's Financials
- Appendix

# Introduction of Management

Stephan Rind, CEO



- 10 years of private equity investment experience in Europe and the US
- 6 years investment banking experience with Prudential Securities and Hornblower Fischer

Klaus Reichert, CFO



- 14 years of experience as CFO in public companies
- 20 years of Senior Management experience in Commercial and Real Estate Banking with Hypo-Bank

Christian Grosch, COO

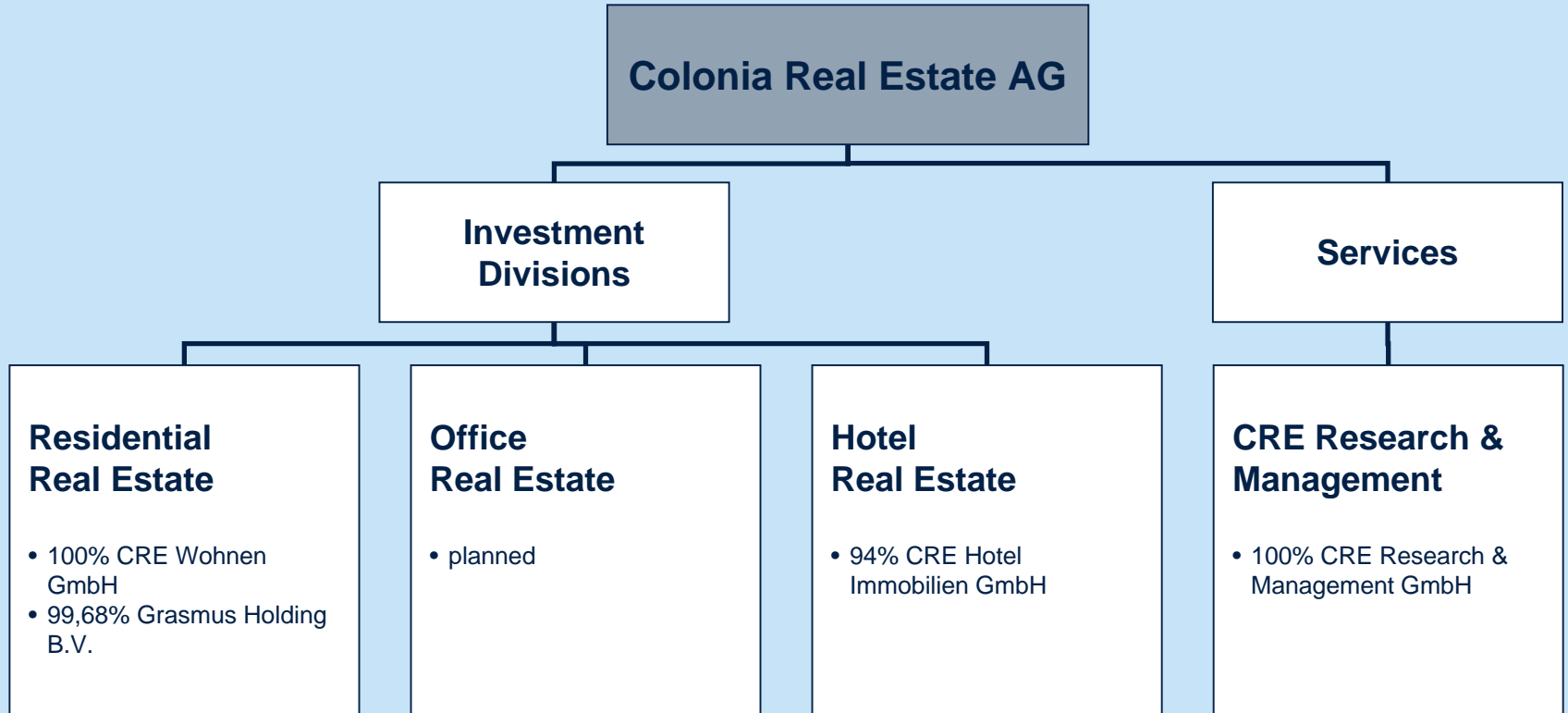


- 5 years of Private Equity investment experience with IQ Capital and Fortman Cline as Investment Manager
- 2 years of Asset Management experience with VMR, Frankfurt

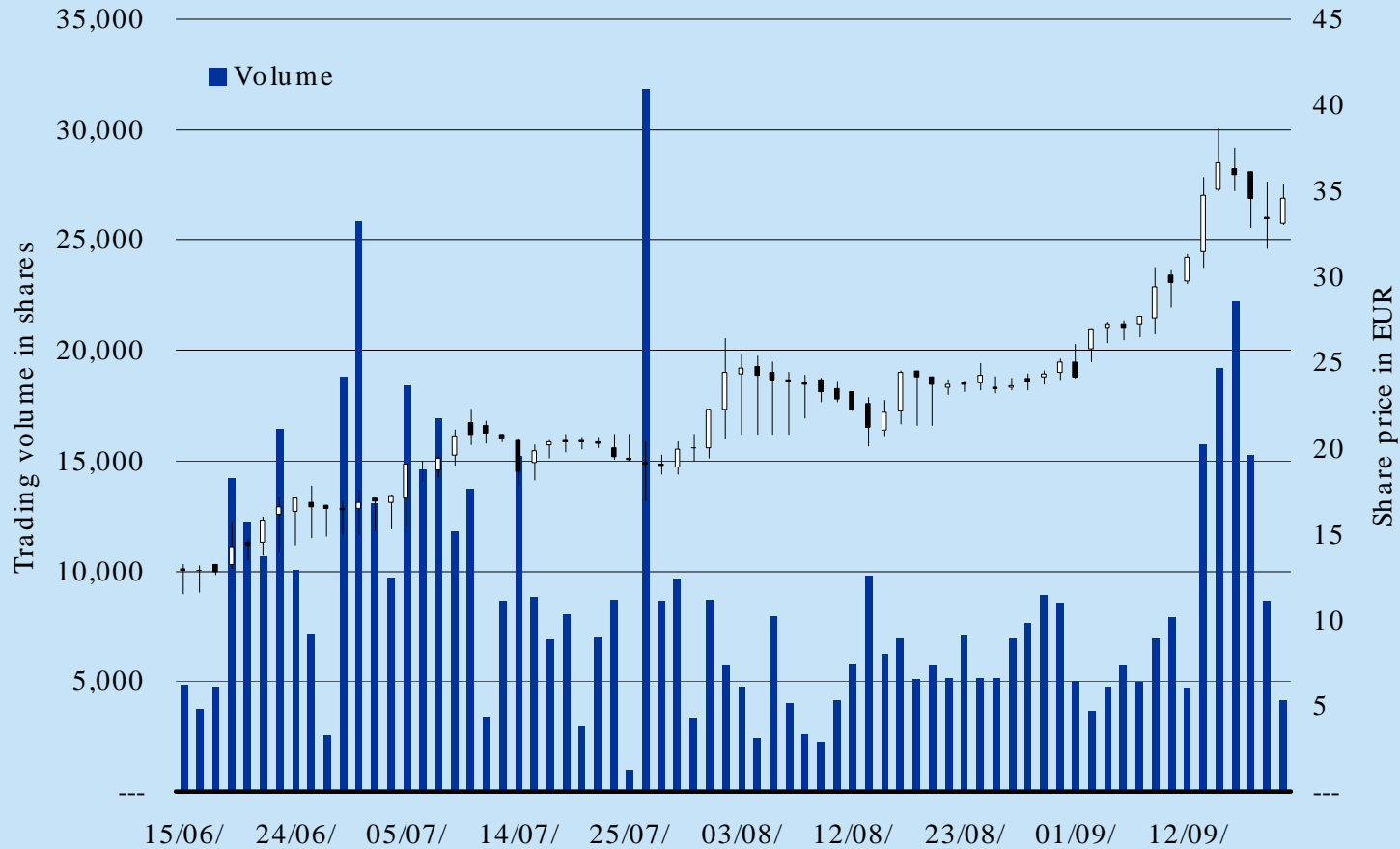
## Key Highlights

- **Specialized Team with deep experience** in Real Estate, Private Equity and Capital Markets
- **Diversified High-Yield Portfolio** in Residential and Commercial Real Estate
- **Low Competition** through preferred Investmentsize of € 10 – 50 MM
- Commercial RE: **Higher Yield** through focus on 2nd Tier Cities with Top Tier tenants and **Distressed Situations**
- Residential RE: **Higher Yield** through focus on small to midsize portfolios (500 – 4000 Units)
- **Active Buy-and-Sell** Strategy with high restructuring expertise

# Company Structure



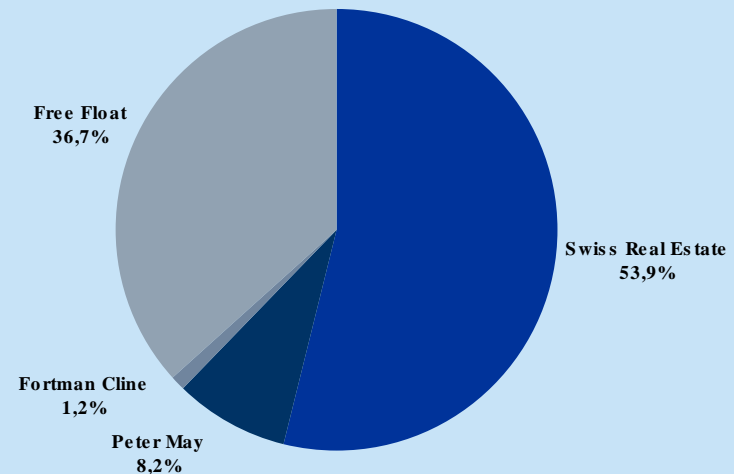
# CRE's Share Price Performance



# Ownership Summary

- Fortman Cline Group (incl. SwissReal Estate) intends to remain controlling shareholder but to slide below 50% to increase Free Float
- Cerberus Group will be minority shareholder (1,7%) in CRE with a 2 year Lock-up

## OWNERSHIP STRUCTURE



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## Objectives in CRE's Investments

- Objectives for CRE's investments
  - Opportunistic investments in distressed commercial real estate
  - Structuring of cash flow positive real estate portfolio
  - Target investment size: EUR 10 mn - EUR 50 mn.
  - Target IRR >15% based on estimated holding period of two to eight years
- Objectives for CRE's portfolio management
  - Distribution of investments among:
    - Residential and commercial properties: 50 : 50
    - Trading and holding real estate assets: 40 : 60
      - > Target Annual portfolio turnover: 30%

# Grasmus Portfolio



## Residential Real Estate

Acquisition: 06 / 2005

Tenant: diverse portfolio

Location: Aurich, Delmenhorst, Emden,  
Ganderkesee, Leer, Lueneburg, Sande,  
Wilhelmshaven and Wittmund

Long term value: EUR 96.2 mn.

Equipment: 3,488 units, 1,137 parking lots

Year of construction: 1968 - 1975

Net rent: EUR 11.5 mn. p.a.

Vacancy rate: 7.5%

10/05: Successful Block Sale of 708 units to  
an international Investor Group

## CRE's Residential RE Strategy

- Active buy-and-sell strategy, through
  - Block trades
  - Privatizations
  - Issuance of closed-end funds
  - Initiation of REITs
  - Active management of real estate holdings and optimization of lease payments in short to medium term
  - Lease payment is ca. 15% below market; abolition of contracted lease period provides further potential
- Further Acquisition of small to mid size portfolios (500 – 4000 units)

# Office Real Estate



## Office Real Estate

Properties: 2 office buildings

Acquisition: 01 / 2005

Tenant: G.E.B.B. GmbH

Location: Cologne

Long term value: EUR 13.5 mn.

Equipment: 6,680 qm office space, 150 parking lots

Year of construction: 2001

Net rent: EUR 1.0 mn. p.a.

Duration of lease: 2012

- Indexed leases
- G.E.B.B. is a 100% subsidiary of German Ministry of Defense

# Hotel Real Estate



## Hotel Real Estate

Properties: 3 Marriott Hotels (Courtyard by Marriott)

Acquisition: 2004

Tenant: HPI Germany

Location: Kassel, Braunschweig, Eisenach

Long term value: EUR 27.2 mn.

Equipment: 439 rooms, 6 restaurants,  
3 Bars, 2 Spa's, Conference Facilities

Year of construction: 1993 - 1995

Net rent: EUR 2.0 mn. p.a.

Duration of lease: 2022, triple net

- Indexed leases
- Fully guaranteed lease payments

### Market Trends:

- Top Renting Levels in average will increase by 8% until 2009 (BulwienGesa AG)
- In B-Cities increase of 2,4% in average renting levels until 2009 estimated (BulwienGesa AG)
- Average Vacancy Rate in B-Cities is just at 6,2% (BulwienGesa AG)
- Hotel Room Turnover in Businesshotels has increased by 5,8% in 2004 (IHA)
- CRE is active portfolio manager with strong restructuring competence
- Selective acquisitions of office buildings preferably out of distressed situations in B-Cities with Top Tier Tenants
- Further acquisitions of Businesshotels with longterm lease contracts and Premium Management

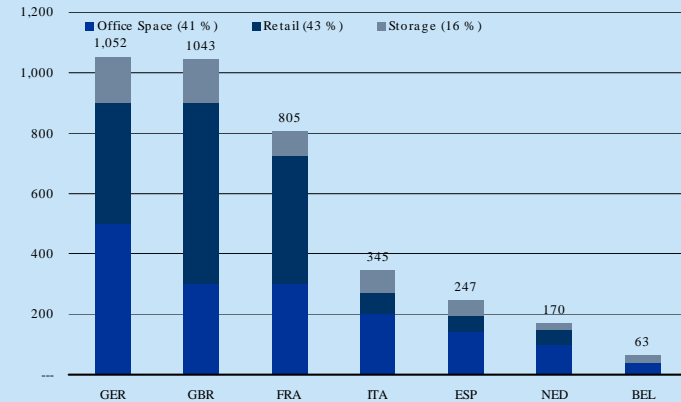
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# German RE: A Sleeping Giant

- German prices are under-performing European peers
- Real estate investments:
  - about 50% of private assets
  - 10 - 20% of assets of large corporates
- Estimated 3.4 mn. units with an approx. value of about EUR 138 bn. with public entities
- ca. 900,000 units are held by corporates with an approx. value of EUR 37 bn.
- *Massive potential for portfolio shifts and possible introduction of REITs will ease exit through stock listing*

## TOTAL REAL ESTATE VALUES IN EU



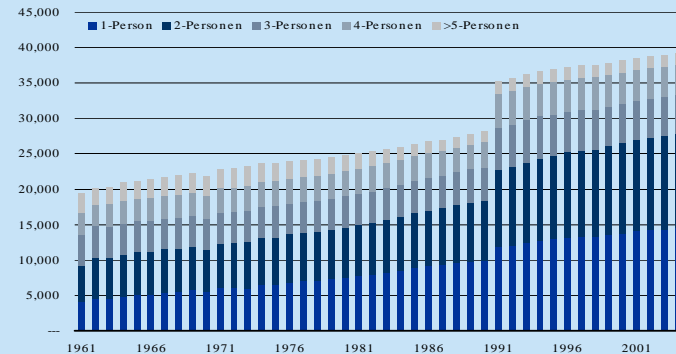
## REAL ESTATE TRANSACTIONS IN GER

Date	Seller	Acquirer	Units	Price EUR bn
May 05	Viterra (E.ON)	Deutsche Annington	138,000	7.00
Mar 05	Gehag	Oaktree Capital Mgt	18,000	1.00
Mar 05	Peabody	GE Capital	6	n/a
Dec 04	Thyssen Krupp	Morgan Stanley/Corpus	48,000	2.10
Dec 04	WCM	Blackstone	31,000	1.39
Dec 04	DAL	Babcock&Brown	13,500	n/a
Dec 04	Jade	Cerberus	8,200	n/a
Jul 04	GAGFAH	Fortress	82,000	3.50
May 04	Land Berlin	Cerberus/Goldman Sachs	65,700	2.11
Jan 04	Viterra (E.ON)	KGAL/Mira	27,700	0.55
Sep 04	DZ Bank/HSB	Deutsche Annington	n/a	n/a
<b>Total</b>			<b>432,106</b>	<b>17.65</b>

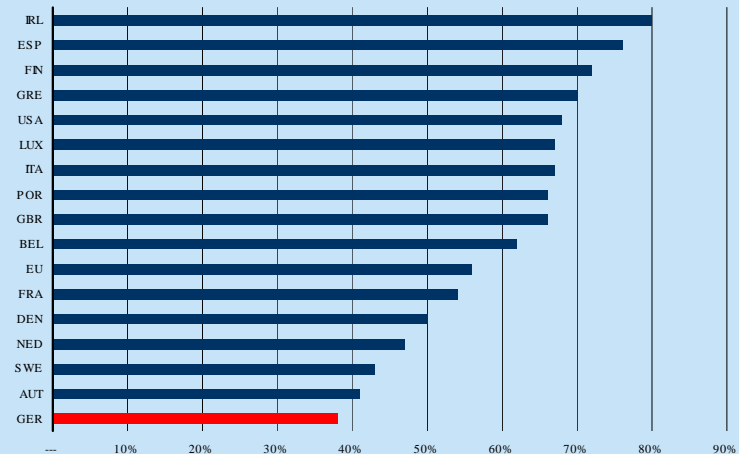
# Growth Potential in Germany

- Number of households is steadily increasing
- Average size of households decreased to 2.1-Persons
- Growth in number of households is estimated to remain strong through 2030
- Ratio of ownership in Germany is at only 38%, compared to 60% EU average
- *Increase in Rents from 2006 until 2013 is estimated at 2,5% p.a. (Feri Institute)*

## NUMBER OF HOUSEHOLDS



## REAL ESTATE OWNERSHIP IN EU (2003A)

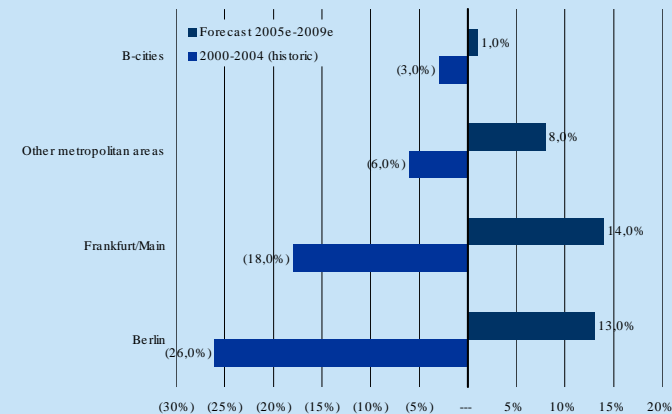


Source: Federal Statistical Office Germany

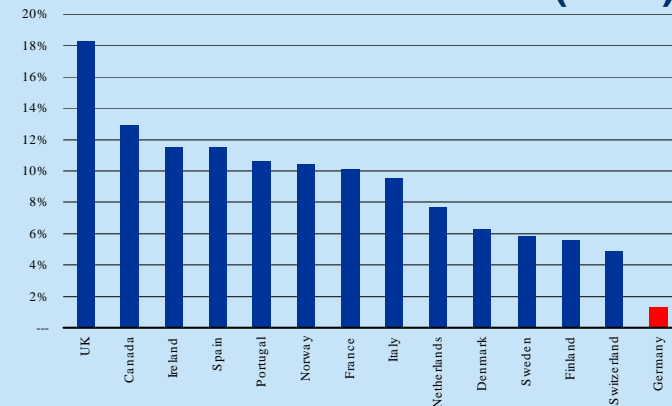
# Office RE determined by Economy

- Weak economic conditions limit office real estate development
  - Higher vacancy rates
  - Reduced values
  - Falling rental income
- Still new properties coming to the market worsen situation
- B-cities are exposed to limited competition and provide more stable values and income
- Potential on catch of returns on German Real Estate

## CHANGE IN TOP OFFICE RENTALS



## COMPARISON ON RETURNS (2004)

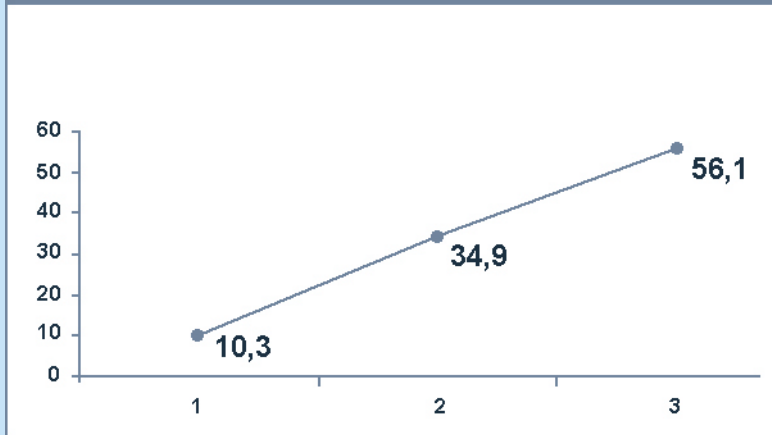


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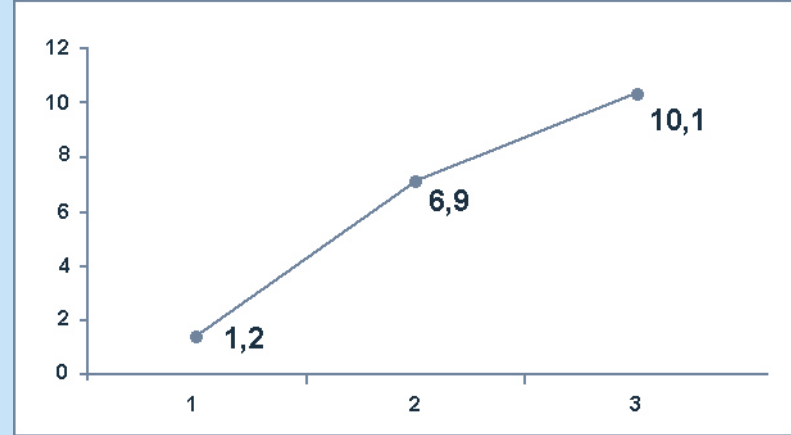
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# Key Financials

Umsatz (Sales) (EUR MIO.)



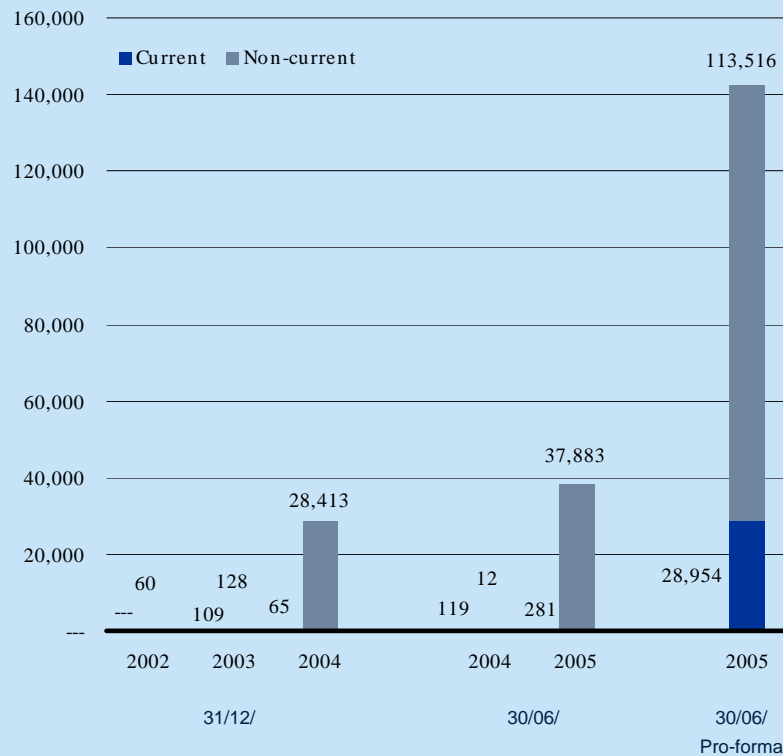
Jahresüberschuss (Net Profit) (EUR MIO.)



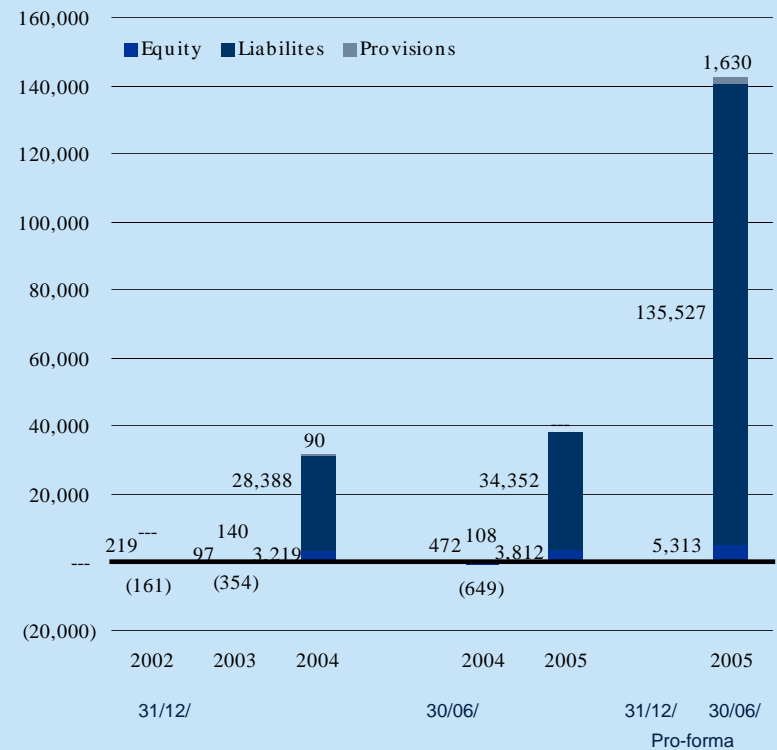
Kennzahlen (Key Facts)	2005e	2006e	2007e
Umsatz (Sales) (EUR Mio.)	10,3	34,9	56,1
EBITDA (EUR Mio.)	4,1	19,2	27,6
EBIT (EUR Mio.)	3,9	18,3	27,2
Jahresüberschuss (Net Profit) (EUR Mio.)	1,2	6,9	10,1
EPS (EUR Mio.)	0,39	2,04	2,98

# Summary Financials

## ASSETS (IN 000 EUR)



## EQUITY AND LIABILITIES (IN 000 EUR)



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# P&L 2002 - H1/2005

Amounts in EUR	Colonia Real Estate AG		CRE Group	
	31 December			30 June
	2002	2003	2004	2005
Revenue	---	---	735,319.99	1,235,320.97
Other operating income	---	18,000.00	88,666.06	75,857.65
Staff costs	---	93,099.01	444,722.25	226,054.15
Depreciation and amortisation expense	---	3,632.72	8,674.49	6,026.24
Other operating expenses	147,000.00	227,417.52	824,495.84	534,614.32
<b>Results of operating activities</b>	<b>(147,000.00)</b>	<b>(306,149.25)</b>	<b>(453,906.53)</b>	<b>544,483.91</b>
Interest income	---	---	24,169.68	29,474.09
Interest expenses	---	5,482.26	433,496.07	(772,189.78)
<b>Result of financial activities</b>	<b>---</b>	<b>(5,482.26)</b>	<b>(409,326.39)</b>	<b>(742,715.69)</b>
<b>Profit or loss before tax</b>	<b>(147,000.00)</b>	<b>(311,631.51)</b>	<b>(863,232.92)</b>	<b>(198,231.78)</b>
Tax expense and income	(57,650.73)	(65,348.47)	(239,380.33)	(52,283.63)
<b>Net profit or loss of the period</b>	<b>(89,349.27)</b>	<b>(246,283.04)</b>	<b>(623,852.59)</b>	<b>(145,948.15)</b>
Concerning to shareholders	---	(246,283.04)	(627,388.53)	(164,700.50)
Minorities	---	---	3,535.94	18,752.35
<b>Earnings per share</b>				
- basic	(0.04)	(0.11)	(0.27)	(0.06)
- diluted	(0.04)	(0.11)	(0.27)	(0.06)

Source: Company information

Note: Financial information in accordance to IFRS

# Assets 2002 - H1/2005

Amounts in EUR	Colonia Real Estate AG		CRE Group	
	2002	31 December 2003	2004	30 June 2005
<b>Assets</b>				
<b>Long-term assets</b>				
Property, plant and equipment	---	5,049.00	41,406.16	38,207.10
Investment property	---	---	26,220,000.00	37,094,735.04
Deferred tax assets	57,650.73	122,999.20	---	---
Other long-term investments	---	---	750,000.00	750,000.00
Other receivables	---	---	1,401,751.62	---
<b>Total long-term assets</b>	<b>57,650.73</b>	<b>128,048.20</b>	<b>28,413,157.78</b>	<b>37,882,942.14</b>
<b>Current assets</b>				
Trade accounts and other receivables	---	63,431.17	42,221.56	28,515.82
Cash and bank balances	---	45,835.08	22,649.93	252,937.94
<b>Total current assets</b>	<b>---</b>	<b>109,266.25</b>	<b>64,871.49</b>	<b>281,453.76</b>
	<b>57,650.73</b>	<b>237,314.45</b>	<b>28,478,029.27</b>	<b>38,164,395.90</b>

Source: Company information

Note: Financial information in accordance to IFRS

# Equity and Liabilities 2002 - H1/2005

Amounts in EUR	Colonia Real Estate AG		CRE Group	
	31 December			30 June
	2002	2003	2004	2005
<b>Shareholders' equity</b>				
Share capital	11,504,067.33	11,250,000.00	13,050,000.00	2,728,000.00
Share premium	6,933,888.43	7,241,533.95	---	980,580.00
Retained earnings	(18,598,885.91)	(18,845,168.95)	(10,431,022.53)	(155,723.03)
	(160,930.15)	(353,635.00)	2,618,977.47	3,552,856.97
Minority interest	---	---	600,415.23	259,167.58
<b>Total of shareholders' equity</b>	(160,930.15)	(353,635.00)	3,219,392.70	3,812,024.55
<b>Liabilities</b>				
<b>Long-term liabilities</b>				
Finance liabilities	---	345,733.69	23,043,008.99	19,971,808.87
Deferred income taxes	---	---	1,178,272.68	1,125,989.05
<b>Total long-term liabilities</b>	---	345,733.69	24,221,281.67	21,097,797.92
<b>Current liabilities</b>				
Trade accounts payable	---	148,204.46	300,998.31	325,673.15
Finance liabilities	---	---	646,356.59	12,928,900.28
Provisions	218,580.88	97,011.30	90,000.00	---
<b>Total current liabilities</b>	218,580.88	245,215.76	1,037,354.90	13,254,573.43
<b>Total liabilities</b>	218,580.88	590,949.45	25,258,636.57	34,352,371.35
	<b>57,650.73</b>	<b>237,314.45</b>	<b>28,478,029.27</b>	<b>38,164,395.90</b>

Source: Company information

Note: Financial information in accordance to IFRS

# Cash Flow Statement 2002 - H1/2005

Amounts in EUR	Colonia Real Estate AG		CRE Group	
	2002	31 December 2003	2004	30 June 2005
<b>Cash flows from operating activities</b>				
Cash from current operating activities	(147,000.00)	(339,312.82)	(401,888.87)	436,111.01
Income taxes received	57,650.73	---	479.24	---
Interest paid	---	(71.12)	(388,168.06)	(707,100.36)
Income taxes paid			---	---
Cash provided by operations	(89,349.27)	(339,383.94)	(789,577.69)	(270,989.35)
<b>Cash flows from investing activities</b>				
Purchase of shares of CRE Hotel Immobilien GmbH	---	---	112,356.38	(360,000.00)
Purchase of property, plant and equipment	---	(8,681.72)	(12,452.65)	(10,877,562.22)
Repayment/proceeds from loans	---	---	(75,000.00)	1,401,751.62
Interest income				29,474.09
Net cash used in investing activities	---	(8,681.72)	24,903.73	(9,806,336.51)
<b>Cash flows from financing activities</b>				
Proceeds from loans of shareholders'	---	393,900.74	750,000.00	247,038.68
Proceeds from borrowings				10,000,000.00
Repayments of borrowings	---	---	(75,384.15)	
Repayments of loans	---	---		(313,412.64)
Net cash used in financing activities	---	393,900.74	674,615.85	9,933,626.04
<b>Net decrease/increase in cash and cash equivalents</b>	<b>(89,349.27)</b>	<b>45,835.08</b>	<b>(90,058.11)</b>	<b>(143,699.82)</b>
Cash and cash equivalents at beginning of year	---	---	45,835.08	(44,223.03)
<b>Cash and cash equivalents at end of year</b>	<b>(89,349.27)</b>	<b>45,835.08</b>	<b>(44,223.03)</b>	<b>(187,922.85)</b>

Source: Company information

Note: Financial information in accordance to IFRS

## P&L 2004 - H1 / 2005 (Pro-Forma)

Amounts in EUR	CRE Group	
	31 December	30 June
	2004	2005
Revenue	5,388,682.67	10,771,881.37
Income from incidental rental charges	2,248,620.83	4,709,793.26
Other operating income	374,825.78	130,340.19
Staff costs	226,054.15	540,571.58
Depreciation and amortisation expense	6,026.24	8,674.49
Incidental rental charges	2,248,620.83	4,709,793.26
External asset management expenses	594,403.83	1,259,725.33
Other operating expenses	2,894,403.22	3,744,250.39
<b>Results of operating activities</b>	<b>2,042,621.01</b>	<b>5,348,999.77</b>
Interest income	123,922.18	127,983.62
Interest expenses	3,359,970.61	6,460,425.61
Expenses resulting from derivative financial instruments exchange differences	82,220.00	221,345.00
<b>Result of financial activities</b>	<b>(3,318,268.43)</b>	<b>(6,553,786.99)</b>
<b>Profit or loss before tax</b>	<b>(1,275,647.42)</b>	<b>(1,204,787.23)</b>
Tax expense and income	(336,451.77)	(329,464.55)
<b>Result of continuing operations</b>	<b>(939,195.65)</b>	<b>(875,322.68)</b>
<b>Result of discontinuing operations</b>	<b>(284,902.53)</b>	<b>(51,291.45)</b>
<b>Net profit or loss of the period</b>	<b>(1,224,098.18)</b>	<b>(926,614.13)</b>
Concerning to shareholders	(1,238,633.66)	(930,355.93)
Minorities	14,535.48	3,741.80
<b>Earnings per share (total)</b>		
- diluted	(0.47)	(0.36)
- basic	(0.47)	(0.36)
<b>Earnings per share (continuing operations)</b>		
- diluted	(0.36)	(0.34)
- basic	(0.36)	(0.34)

Source: Company information

Note: Financial information in accordance to IFRS

# Balance Sheet H1 / 2005 (Pro-forma)

## ASSETS

Amounts in EUR	CRE Group
	30 June
	2005
<b>Assets</b>	
<b>Long-term assets</b>	
Property, plant and equipment	38,207.10
Investment property	112,676,164.76
Derivatives	51,846.00
Other long-term investments	750,000.00
<b>Total long-term assets</b>	<b>113,516,217.86</b>
<b>Current assets</b>	
Trade accounts and other receivables	
Available-for-sale investments and financial instruments	20,129,291.28
Cash and cash equivalents	7,747,385.94
<b>Total current assets</b>	<b>28,954,252.04</b>
	<b>142,470,469.90</b>

## EQUITY AND LIABILITIES

Amounts in EUR	CRE Group
	30 June
	2005
<b>Shareholders' equity</b>	
Share capital	2,728,000.00
Share premium	2,481,645.00
Retained earnings	(155,723.03)
	5,053,921.97
Minority interest	259,167.58
<b>Total of shareholders' equity</b>	<b>5,313,089.55</b>
<b>Liabilities</b>	
<b>Long-term liabilities</b>	
Finance liabilities	79,703,777.87
Deferred income taxes	7,953,404.32
<b>Total long-term liabilities</b>	<b>87,657,182.19</b>
<b>Current liabilities</b>	
Trade accounts payable and other liabilities payable	1,368,301.15
Finance liabilities	30,985,934.01
Finance liabilities and deferred income taxes from available-for-sale investments	15,516,170.00
Provisions	1,629,793.00
<b>Total current liabilities</b>	<b>49,500,198.16</b>
<b>Total liabilities</b>	<b>137,157,380.35</b>
	<b>142,470,469.90</b>

Source: Company information

Note: Financial information in accordance to IFRS

## Disclaimer

*This document contains forward-looking statements and forecasts based on assumptions and estimates made by Colonia Real Estate management. While we assume that the expectations of these forward-looking statements are realistic, we cannot guarantee that the expectations will prove to be correct. The assumptions may conceal risks and uncertainties which may lead to actual results significantly divergent from those made in the projective forecasts. The factors that can cause such a divergence include: changes in foreign exchange control or the economic and business environment, currency exchange rate fluctuations, the low market entry barriers for competitors, insufficient acceptance of new products or services and changes in corporate strategy. No update of the projected forecasts contained herein is planned, nor does Colonia Real Estate assume any obligation to do so.*