



Colonia REAL ESTATE AG

Interim Report Q1 2011

First Quarter 2011 at a Glance

For Colonia Real Estate AG ("Colonia" in the following), the first quarter of 2011 was dominated by the acquisition of a controlling share of voting rights by TAG Immobilien AG ("TAG" in the following) in mid-February 2011, which led to substantial personnel changes in the composition of Colonia's Management and Supervisory Boards, and to the initiation of a restructuring process. The primary objectives of this process are to reduce vacancy, focus on the core business area 'residential property investments', save costs and not least integrate Colonia into the TAG Group.

In February 2011, TAG concluded the voluntary tender offer launched at the end of 2010. On 15 February, it exceeded the 50% threshold of share capital and voting rights. The long-standing CEO Stephan Rind and Volker Lemke resigned from the Management Board of Colonia. The Supervisory Board appointed Rolf Elgeti and Hans-Ulrich Sutter to the company's Management Board, with Elgeti taking over as CEO. They will carry out these duties in addition to their roles on the TAG Management Board.

Stefan Lutz and Dr. Carsten Strohdeicher resigned from the Supervisory Board at the end of the reporting period. The District Court of Cologne appointed Dr. Lutz R. Ristow and Torsten Cejka as new members of the Supervisory Board. Dr. Ristow has served as Chairman of the Supervisory Board since the beginning of April.

Total revenues for the first quarter amounted to EUR 29.3 million (Q1 2010: EUR 23.4 million). Of this, revenues from rentals came to EUR 21.9 million in 2011 after 21.0 million for the comparable period in 2010. This resulted in rental profits of EUR 9.0 million for the first quarter of 2011 (Q1 2010: EUR 10.4 million). Restructuring costs of EUR 4.6 million led to a negative pre-tax result (EBT) of EUR 5.4 million (Q1 2010: EUR 0.3 million).

Due to the change of control in Colonia's voting rights, the holders of the two convertible bonds issued by Colonia (2006/2011 and 2010/2015) were entitled to an extraordinary termination right as well as an extraordinary conversion right (Change of Control clause). Colonia's refinancing needs resulting from this and other refinancing needs were secured by a loan agreement between TAG and Colonia of up to EUR 75.0 million, of which EUR 5.0 million were used by 31 March. The exercise of conversion rights caused an increase in the number of Colonia shares to 32,726,828 at 31 March 2011.

As part of the cost-saving programme, at the end of March 2011 Colonia applied to change the listing of its shares (WKN 633800) from prime standard to general standard. However, the Colonia Management Board will continue to inform shareholders of business developments and meet all statutory reporting and disclosure requirements.

Interim Management Report on the first Quarter of 2011

1. Business Performance and Major Events in Q1 2011

The first quarter of 2011 was dominated by TAG Immobilien AG's acquisition of a majority of voting rights in Colonia. TAG Management Board members Mr. Sutter (CFO) and Mr. Elgeti (CEO) joined Colonia's Management Board. The previous CEO (Stephan Rind) and CFO exercised their rights to leave in case of a change of control and left Colonia's Management Board on 15 March 2011 and 1 April 2011 respectively.

Stefan Lutz and Dr. Carsten Strohdeicher resigned from the Supervisory Board with effect from 31 March 2011. The District Court of Cologne appointed Dr. Lutz Ristow and Torsten Cejka as new members of the Supervisory Board. At the beginning of April, Dr. Ristow was elected as Supervisory Board Chairman, with Klaus Lennartz as his deputy. Colonia informed the holders of the convertible bonds it had issued (2006/2011 and 2010/2015) about the change of control and their resultant right of cancellation (Change of Control Clause); the deadlines to exercise these rights had not yet expired on 31 March.

At an operational level, following the acquisition of controlling interest by TAG an integration and restructuring process was launched within the Group. The merging of the administrative departments has been initiated. In the medium term it is planned that outsourced management contracts for our own portfolios will be internally managed; and outsourced financial accounting will be brought in-house by year-end. These measures continue Colonia's strategy of using active asset management to steadily reduce vacancy and realise existing potential to optimise rents. Unfortunately, the actions taken will initially have a negative impact on earnings. At the end of the first quarter, restructuring costs impacted earnings by EUR 4.6 million, resulting in a negative EBT of EUR 5.4 million, vs. earnings of EUR 0.3 million in the first quarter of 2010.

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011
	1/1 - 3/31/2010	4/1 - 6/30/2010	7/1 - 9/30/2010	10/1 - 12/31/2010	1/1 - 3/31/2011
Vacancy rate as a % of total rental space	16.9	16.1	15.8	15.6	16.0
Average rent per sqm in euros	4.60	4.59	4.64	4.69	4.69

Investment segment

Colonia's real estate inventory is pooled in the investment segment. The focus here is primarily on acquiring, developing and managing high-yield residential real estate portfolios for the inventory. The properties are in attractive locations in regions such as Hamburg /Bremen, East Berlin, and North Rhine-Westphalia. One important location is Salzgitter, as nearly half of the portfolio is located here: approximately 8,700 residential units and an area of 530,000 m² in the districts of Lebenstedt, Fredenberg and Hallendorf. Since the takeover by TAG Immobilien AG, the company has been working hard to develop concepts and measures for reduce the high vacancy rate in this portfolio currently 24%.

To optimise the portfolio, preparations to demolish three high-rise complexes in Salzgitter/Fredenberg began in December. The three high-rise complexes were torn down in the first quarter of 2011. Till midyear 2011 the cleanup and renaturation should be completed. The subsequent use of the demolition sites, which has yet to be determined in detail, will form an element in the "Social City" concept agreed between the city of Salzgitter and the state of Lower Saxony.

Service segment

Colonia offers all services across a property's life cycle. Together, they comprise Colonia Real Estate Solutions. In the first quarter of 2011, Colonia Real Estate Solutions GmbH managed to rent out the final 530 m² of office space in the Disch-Haus building in Cologne. The listed office and commercial building in the heart of Cologne's city centre is therefore fully rented out now, except for a single retail space.

In addition, in the first three months of 2011, two new management contracts were acquired. The first one consists of 25 properties belonging to a major German bank in Konstanz with a volume of EUR 45 million. The second consists of ten properties belonging to an Italian "family office" in Berlin with a volume of EUR 80 million. Preparations have been made to merge these asset management activities into the TAG Group.

The first quarter of 2011 went as planned in the housing privatisation sector. A total of 114 residential units with a volume of EUR 8.5 million were sold.

2. Net Assets, Financial Position, and Results of Operations

Results of operations for the Colonia Group

Total income excluding financial income (revenues) increased by EUR 6.0 million year-on-year, to EUR 29.3 million. This increase is mainly due to recurring income from the sale of the stake in OCM German Real Estate Holding AG, Cologne, amounting to EUR 4.5 million.

Income from the rental of investment properties and from incidental service charge income increased by 4.6% year-on-year.

In addition, increased proceeds from the sale of properties held for sale contributed EUR 0.4 million to revenues in Q1 2011 (up 32.3% year-on-year).

The increase in other income resulted in particular from proceeds from the release of provisions of EUR 0.2 million.

	Q1 2011	Q1 2010
in EUR k	1/1 – 3/31/2011	1/1 – 3/31/2010
Gross rental income from investment properties and service charge income on principal basis	21,935.0	20,960.4
Proceeds on the sale of properties held for sale	429.5	324.6
Asset Management revenues	1,696.1	1,700.3
Proceeds from the sale of non-current assets held for sale	4,522.0	0.0
Other income	736.1	371.3
Total income excluding finance income (revenues)	29,318.7	23,356.6

Net operating income from rents, which reflects a EUR 0.5 million improvement in net rents and a EUR 0.5 million increase in income from charges passed on/net operating costs, was negatively impacted by higher net operating costs as well as maintenance and renovation expenses.

Net operating income from rents (NOI) is as follows:

	Q1 2011	Q1 2010
in EUR k	1/1 – 3/31/2011	1/1 – 3/31/2010
Projected rents	17,189.9	16,864.6
Reductions in revenues and in rents	-2,620.0	-2,796.7
Net rents	14,569.9	14,067.9
Income from charges passed on/net operating costs	7,365.1	6,892.4
Maintenance and renovation	-1,961.7	-1,351.6
Operating costs	-11,011.8	-9,193.6
Net operating income from rents (NOI)	8,961.5	10,415.1

First-quarter administrative expenses, which consist of personnel expenses and office expenses as well as depreciations, increased year-on-year by 13.8 % to EUR 2.9 million. This increase is mainly due to higher expenditure on higher legal and consulting costs by EUR 0.2 million, which is included under other expenses.

Due to organisational and personnel restructuring measures, restructuring costs increased significantly in the first quarter of 2011, to EUR 4.6 million.

	Q1 2011	Q1 2010
in EUR k	1/1 – 3/31/2011	1/1 – 3/31/2010
Personnel expenses	-1,121.2	-934.6
Other expenses	-1,710.6	-1,527.7
Depreciations	-62.7	-82.0
Administrative expenses	-2,894.5	-2,544.3
Restructuring costs	-4,631.7	-21.5

At EUR 1.7 million, first-quarter revenues from Asset Management were roughly on par with Q1 2010, while expenses were reduced slightly to EUR 1.5 million.

These developments led to a slightly improved net result in the Asset Management segment.

	Q1 2011	Q1 2010
in EUR k	1/1 – 3/31/2011	1/1 – 3/31/2010
Revenues from Asset Management	1,696.1	1,700.3
Asset Management expenditure	-1,539.7	-1,582.8
Net result from Asset Management	156.4	117.5

First-quarter EBITDA was adversely affected mainly by non-recurring restructuring expenditure of EUR 4.6 million. Overall, the year-on-year decrease here was EUR 6.0 million.

As no changes in the fair valuation of real estate assets were recognised for the first quarter of 2011 or 2010 EBITDA was only affected by the lower current depreciation of property, plant and equipment. Consequently EBIT for the first quarter of 2011 was EUR 2.3 million representing a EUR 5.9 million decline year-on-year.

Because of refinancing measures and the resulting lower level of debt in Q1 2011 (EUR 487.7 million, 31 March 2010: EUR 499.9 million) finance expenses decreased by 4.8% during the reporting period.

Due to the aforementioned circumstances the Group generated a negative net result of EUR 5.6 million in the first quarter of 2011.

	Q1 2011	Q1 2010
in EUR k	1/1 – 3/31/2011	1/1 – 3/31/2010
EBITDA	2,329.7	8,363.0
EBIT	2,267.0	8,210.5
Finance costs	-7,718.5	-8,111.6
Finance income	88.0	211.5
EBT	-5,363.5	310.4
Tax	-216.8	-192.4
Consolidated profit after tax	-5,580.3	118.0

Net Assets and Financial Position of Colonia Group

On the assets side of the balance sheet, total assets amounted to EUR 861,614.4 thousand and have thus changed only slightly year-on-year (31 December 2010: EUR 866,808.9 thousand). The change is mainly due to a EUR 4.5 million reduction in non-current assets held for sale.

The non-current assets of EUR 830.3 million primarily consist of investment properties of EUR 816.9 million. These have been reduced slightly due to the sale of a partial portfolio of residential properties in Kiel.

In current assets, the volume of property held for sale has decreased by EUR 9.4 million due to sales of EUR 9.8 million at 31 December 2010. Meanwhile, non-current assets held for sale were eliminated entirely through the sale of the stake in OCM German Real Estate Holding AG, Cologne in the first quarter of 2011.

Assets	March 31	December 31
	2011	2010
	in EUR k	
Non-current assets	830,280.9	831,037.9
Current assets	31,333.5	35,771.0
Total assets	861,614.4	866,808.9

Colonia's equity increased by 2.1% to EUR 232.0 as of 31 March 2011. The increase is mainly attributable to the exercise of conversion rights. As part of the conversion, the equity ratio was raised by EUR 1.4 million through the issuance of 1,420,838 shares and other reserves by EUR 4.9 million.

For this reason, the equity ratio improved from 26.2% at 31 December 2010 to 26.9%.

Total liabilities of EUR 629.6 million primarily comprise financial liabilities of financial debt of EUR 487.7 million, the recognisable value of EUR 64.5 million and deferred tax liabilities of EUR 44.9 million.

Financial liabilities were able to be reduced by EUR 2.0 million as a result of refinancing measures and amounted to EUR 487.7 million at 31 March 2011 (31 December 2010: EUR 489.7 million). By comparison, at 31 March 2011 liabilities to affiliated companies of EUR 5.0 Mio. were identified, involving loans from the majority shareholder, TAG Immobilien AG, Hamburg.

Liabilities from convertible bonds have reduced year-on-year by EUR 5.3 million to EUR 64.5 million, in particular due to the exercise of conversion rights (31 December 2010: EUR 69.8 million).

Equity and Liabilities	March 31	December 31
in EUR k	2011	2010
Equity	232,036.5	227,169.5
Non-current liabilities	523,159.3	530,943.7
Current liabilities	106,418.6	108,695.7
Total equity and liabilities	861,614.4	866,808.9

Cash and cash equivalents remained nearly unchanged and came to EUR 11.1 million at 31 March 2011 (31 December 2010: EUR 11.1 million).

Cash from operating activities amounted to EUR -4.4 million and resulted partly from restructuring costs already incurred for organisational and staff restructuring measures. Another effect results from a change in accounting for maintenance costs, an amendment that became effective on 31 December 2010: these costs are now booked as an expense during the year. The value-enhancing effects of these maintenance activities are therefore exclusively reflected in the property valuations by external evaluators drawn up at the end of each fiscal year. In this context we also refer to our comments in section 2.26 of the 2010 Annual Report.

Of the EUR 5.2 million in cash inflow from investment activities, the lion's share of EUR 4.5 million resulted from the sale of the stake in OCM German Real Estate Holding AG, Cologne.

Due to a EUR 5.0 million loan from the majority shareholder, TAG Immobilien AG, Hamburg, an overall cash inflow from financing activities is shown on the books.

These significant effects result in a change in cash and cash equivalents of EUR 3.1 million to EUR 10.8. Therefore cash and cash equivalents are EUR 3.9 million higher year-on-year.

	Q1 2011	Q1 2010
in EUR k	1/1 – 3/31/2011	1/1 – 3/31/2010
Cash flow generated/used for operations	-4,375.2	1,012.6
Net cash used in investing activities	5,174.5	-1,177.7
Net cash used/generated by financing activities	2,257.8	-2,523.7
Changes in cash and cash equivalents	3,057.1	-2,688.8
Effects of exchange rate changes	-5.9	22.2
Cash and cash equivalents at beginning of period	7,794.2	9,618.6
Cash and cash equivalents at end of period	10,845.4	6,952.0
thereof cash funds	11,081.6	11,152.5
thereof current account liabilities	-236.2	-4,200.5

3. Risk and Opportunity Report

Even after the acquisition of a controlling interest by TAG Immobilien AG, Colonia Real Estate AG continues to be exposed to both risks and opportunities in its business. The Colonia Management Board has established appropriate risk management processes and control systems within the Group so as to avert risk entirely or control it after it arises, and to initiate suitable countermeasures. The Group is also able to detect potential at an early stage and develop timely strategies to take advantage of it.

The risk report in the 2010 Annual Report (from page 63) includes a detailed description of our risk management system, the system for controlling/monitoring the accounting process, and the risks and opportunities that the Group faces. The information in that risk report remains valid. No other risks have come to the knowledge of the Colonia management to date.

4. Report on Expected Developments

Despite the recent natural disaster in Japan, the political crises in North Africa and the euro-debt crisis, the German economy was able to continue the positive development of the previous year in the first quarter of 2011. Experts forecast economic growth in Germany of three percent for the current year and another two percent in 2012.

As already outlined in the Report on Expected Developments in the 2010 Annual Report, our goal is to generate growth from our own housing portfolios and to continue expanding our Asset Management business with a focus on improving profits. In managing our own holdings we will continue to focus on optimising rental profits and reducing vacancies. One area of focus will be on improving the rental situation in our Salzgitter portfolio, where extensive investment in modernisation of residential portfolios will be necessary.

Based on the economic growth forecast for Germany, positive forecasts for the residential real estate market in Germany, and internal growth potential in our own residential real estate portfolios, and given the economic and business conditions outlined above, we expect the Colonia Group to post an operating profit in the current fiscal year and in fiscal 2012.

Colonia Real Estate AG
IFRS - Consolidated Balance Sheet as of March 31, 2011

Assets

in EUR k	March 31, 2011	December 31, 2010
Non-current assets		
Investment properties	816,945.7	817,720.0
Property, plant and equipment net	768.6	765.2
Intangible assets	2,731.5	2,787.2
Investments in associates	2,429.6	2,429.6
Other financial assets	6,427.3	6,345.8
Deferred tax assets	978.2	990.1
Total non-current assets	830,280.9	831,037.9
Current assets		
Properties held for sale	9,422.0	9,763.8
Income tax receivables	374.7	825.1
Receivables and other assets	10,455.2	9,573.8
Cash and cash equivalents	11,081.6	11,108.3
Total current assets	31,333.5	31,271.0
Assets classified as held for sale	0.0	4,500.0
Total assets	861,614.4	866,808.9

Colonia Real Estate AG
IFRS - Consolidated Balance Sheet as of March 31, 2011

Equity and Liabilities

in EUR k	March 31,	December 31,
Equity	2011	2010
Subscribed capital	32,726.8	31,306.0
Other reserves	244,293.1	239,424.4
Components of result for period not recognized in profit or loss	-11,703.8	-15,836.5
Currency translation	-13.8	-7.9
Treasury stock	-11.6	-11.6
Retained earnings	-33,278.8	-27,699.6
Total shareholders' equity	232,011.9	227,174.8
Minority interests	24.6	-5.3
Total equity	232,036.5	227,169.5
Non-current liabilities		
Financial liabilities	467,417.2	467,835.6
Convertible bond	4,332.7	10,576.4
Provisions for pensions and similar obligations	40.2	39.6
Other provisions	415.0	0.0
Derivate financial instruments (non-current)	6,016.2	8,525.3
Deferred tax liabilities	44,938.0	43,966.8
Total non-current liabilities	523,159.3	530,943.7
Current liabilities		
Bank loans	236.2	3,314.2
Financial liabilities (current)	20,283.3	21,871.7
Convertible bond	60,155.8	59,196.2
Derivative financial instruments (current)	2,770.7	5,230.7
Other provisions	85.0	0.0
Account payables, trade and other payables	17,602.2	18,880.7
Account payables to affiliated companies	5,039.8	0.0
Tax liabilities	245.6	202.2
Total current liabilities	106,418.6	108,695.7
Liabilities from non-current assets held for sale	0.0	0.0
Total equity and liabilities	861,614.4	866,808.9

Colonia Real Estate AG**IFRS - Consolidated Statement of Comprehensive Income (Loss) from January 1, till March 31, 2011**

	1. Quarter 2011	1. Quarter 2010
in EUR k	1/1.-3/31/2011	1/1.-3/31/2010
Total income (excluding finance income)	29,318.7	23,356.6
Total expenses (excluding finance costs)	-27,051.7	-15,146.1
Gross rental income from investment properties and service charge income on principal basis	21,935.0	20,960.4
Property operating expenses	-12,973.5	-10,545.3
Net operating income from rents	8,961.5	10,415.1
Revenues from Asset Management	1,696.1	1,700.3
Expenses for Asset Management	-1,539.7	-1,582.8
Net result from Asset Management	156.4	117.5
Proceeds on the sale of properties held for sale	429.5	324.6
Expenses from property disposal	-21.2	0.0
Carrying amount of sold properties	-341.9	-293.0
Net income on disposal of trading properties	66.4	31.6
Proceeds on disposal of non-current assets held for sale	4,522.0	0.0
Carrying amount of sold non-current assets	-4,500.0	0.0
Net income on disposal of trading properties	22.0	0.0
Administrative expenses	-2,894.5	-2,544.3
Restructuring costs	-4,631.7	-21.5
Other income	736.1	371.3
Other expenses	-149.2	-103.9
Other income, net	586.9	267.4
Net result on disposal of investment properties	0.0	-55.3
Operating profit before finance costs	2,267.0	8,210.5
Finance costs	-7,718.5	-8,111.6
Finance income	88.0	211.5
Financial results	-7,630.5	-7,900.1
Consolidated profit for the period before taxes	-5,363.5	310.4
Income tax expenses	-216.8	-192.4
Consolidated profit for the period	-5,580.3	118.0

**IFRS - Consolidated Statement of Comprehensive Income (Loss) from
January 1, till March 31, 2011**

in EUR k	1 Quarter 2011 1/1-3/31/2011	1 Quarter 2010 1/1-3/31/2010
Attributable to:		
Equity holders of the parent	-5,579.2	18.2
Minority interests	-1.1	99.8
Consolidated profit or loss (-) for the period	-5,580.3	118.0
Earnings per share (in Euros)		
Basic	-0.050	0.004
Diluted	-0.050	0.009
Consolidated profit for the period	-5,580.3	118.0
Fair valuation of hedging instruments (Cashflow-Hedges) Non-cash change	4,969.2	-2,836.4
Deferred taxes on changes in value recognized directly in equity	-805.5	457.4
Total income and expenses recognized directly in equity	4,163.7	-2,379.0
Total recognized income and expenses (total net profit)		
Attributable to:		
Equity holders of the parent	-1,446.5	-2,343.0
Minority interests	29.9	82.0
Total recognized income and expenses (total net profit)	-1,416.6	-2,261.0

Colonia Real Estate AG
Consolidated Statement of Cash Flows for the First Quarter 2011

	in EUR k	1. Quarter 2011 1/1 - 3/31/2011	1. Quarter 2010 1/1 - 3/31/2010
Cash flows from operating activities			
Consolidated profit for the year		-5,580.3	118.0
Plus net interest income		7,630.4	7,900.1
Plus income tax		216.9	192.4
= Net operating profit before finance costs		2,267.0	8,210.5
Share-based compensation		0.0	59.5
Gain/loss from disposal of associates		-22.0	0.0
Gain/loss on disposal of investment property		0.0	55.5
Gain/loss from sale of property, plant and equipment/intangible assets		83.9	0.0
Changes in pension provisions		0.6	2.4
Amortization of intangible assets		52.4	81.7
Depreciation of property, plant and equipment		48.5	70.8
Other non-cash changes		38.4	-64.9
Gain/loss in properties held for sale		-10.7	293.0
Changes in properties held for sale		341.8	0.0
Changes in receivables		-846.5	-189.7
Changes in liabilities		-778.5	-2,005.9
Cash generated from operations		1,174.9	6,512.9
Interest paid		-5,976.2	-6,183.3
Interest received		6.5	36.2
Income taxes paid		419.6	646.8
Net cash used in operating activities		-4,375.2	1,012.6
Cash flow from investing activities			
Proceeds from sale of investment property		800.0	103.2
Capital expenditure on investment properties		-15.0	-984.6
Other payments for property, plant and equipment and intangible assets		-132.5	-150.0
Payment for other real estate		0.0	-145.3
Proceeds from sale of investments		4,522.0	0.0
Payment for other investments in associates and loans		0.0	-1.0
Net cash used in investing activities		5,174.5	-1,177.7
Proceeds from borrowings of majority shareholder		5,039.8	0.0
Payment to minority		0.0	-343.4
Proceeds from borrowings		1,005.2	3,085.5
Repayment of borrowings		-3,787.2	-5,265.8
Net cash generated by financing activities		2,257.8	-2,523.7
Net change in cash and cash equivalents		3,057.1	-2,688.8
Cash and cash equivalents at beginning of period		7,794.2	9,618.6
Effects of exchange rate changes		-5.9	22.2
Cash and cash equivalents at end of period		10,845.4	6,952.0

Colonia Real Estate AG
Statement of Changes in Consolidated Equity from January 1, till March 31, 2011

Equity attributable to equity holders of the parent

in EUR k	Subscribed capital	Other reserves	Retained earnings	Treasury stock	Other comprehensive income	Currency translation	Total	Minority interest	Total
As of January 1, 2011	31,306.0	239,424.4	-27,699.6	-11.6	-15,836.5	-7.9	227,174.8	-5.3	227,169.5
Net loss on cash flow hedges	0.0	0.0	0.0	0.0	4,132.7	0.0	4,132.7	31.0	4,163.7
Consolidated profit for the period	0.0	0.0	-5,579.2	0.0	0.0	0.0	-5,579.2	-1.1	-5,580.3
Total profit or loss for the period	0.0	0.0	-5,579.2	0.0	4,132.7	0.0	-1,446.5	29.9	-1,416.6
Currency translation	0.0	0.0	0.0	0.0	0.0	-5.9	-5.9	0.0	-5.9
Conversion convertible bond	1,420.8	4,868.7	0	0	0	0	6,289.5	0.0	6,289.5
As of March 31, 2011	32,726.8	244,293.1	-33,278.8	-11.6	-11,703.8	-13.8	232,011.9	24.6	232,036.5

Equity attributable to equity holders of the parent

in EUR k	Subscribed capital	Other reserves	Retained earnings	Treasury stock	Other comprehensive income	Currency translation	Total	Minority interest	Total
As of January 1, 2010 after adjustments	28,460.0	234,305.4	-533.1	-11.6	-16,260.0	-43.0	245,917.7	464.0	246,381.7
Net loss on cash flow hedges	0.0	0.0	0.0	0.0	-5,298.9	0.0	-5,298.9	-18.2	-5,317.1
Consolidated profit for the period	0.0	0.0	7,639.2	0.0	0.0	0.0	7,639.2	63.7	7,702.9
Total profit or loss for the period	0.0	0.0	7,639.2	0.0	-5,298.9	0.0	2,340.3	45.5	2,385.8
Share-based compensation	0.0	263.2	0.0	0.0	0.0	0.0	263.2	0.0	263.2
Changes in minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-460.2	-460.2
As of March 31, 2010	28,460.0	234,568.6	7,106.1	-11.6	-21,558.9	-43.0	248,521.2	49.3	248,570.5

Notes to the consolidated interim financial statements of Colonia Real Estate AG as of 31 March 2011

1. General Disclosures

Colonia Real Estate AG is a listed joint-stock company with registered offices in Zeppelinstraße 4-8, Cologne, Germany. Together with its subsidiaries (collectively the “Colonia Group”), it is an investment and management company with business activities in Germany. Colonia’s integrated business model rests on two pillars: in the investment segment, Colonia concentrates primarily on the acquisition and management of high-return residential real estate portfolios as well as co-investments in commercial and residential real estate with renowned partners as an active asset manager. The second pillar of Colonia’s business model is the Service segment. Colonia Real Estate Solutions GmbH, a 100% subsidiary of Colonia Real Estate AG, specialises in modular-based services covering the entire life cycle of a real estate asset, also offering these to third parties.

2. Basis of Preparation

The abridged consolidated interim financial statements of Colonia Real Estate AG as of 31 March 2011 have been prepared in accordance with Section 37x (3) of the German Securities Trading Act in connection with Section 37w (2) of the German Securities Trading Act and in accordance with the International Financial Reporting Standards (IFRS) as well as the interpretations of the International Accounting Standards Committee (IASC) for interim reporting as endorsed in the European Union. Accordingly, this interim financial report does not include all the information and disclosures which are required by IFRS to be included in the consolidated financial statements at the end of the financial year. These interim financial statements contain all elements stipulated in the guidance contained in IAS 34 “Interim Financial Reporting”; the statement of comprehensive income for the period under review is broken down into a separate income statement and statement of comprehensive income.

The consolidated interim financial statements for the first quarter of 2011 have been prepared using the same accounting policies as those applied to the last consolidated financial statements for 2010. A detailed summary of the significant accounting policies and details of the recognition and measurement methods applied can be found in the notes to the consolidated financial statements for 2010.

These unaudited consolidated interim financial statements contain what the Management Board considers to be all necessary disclosures to provide a true and fair view of the Company’s business performance and results of operations in the period under review. The results achieved in the first three months of 2011 are not necessarily indicative of the Company’s future performance.

In accordance with IAS 34 “Interim Financial Reporting”, the Management Board must make certain discretionary decisions and estimates as well as assumptions in preparing the consolidated interim financial statements. These may influence the application of the accounting principles as well as the recognition of assets and liabilities, income and expenses. The actual amounts may vary from these estimates and judgements.

The consolidated interim financial statements for the first quarter of 2011 have been prepared in euros.

3. Consolidation

The consolidated interim financial statements comprise the interim financial statements of Colonia Real Estate AG and all of its direct and indirect subsidiaries as of 31 March 2011. Subsidiaries are defined as all entities on whose financial and business policy the Group exerts control. They are included in the consolidated financial statements in accordance with the rules for full consolidation. 16 subsidiaries including two located outside Germany are consolidated. There were no changes in the companies consolidated compared with 31 December 2010. A list of the subsidiaries can be found in Note 4 to the consolidated financial statements for 2010.

Non-controlling interests constitute the share in profit/loss and net assets not attributable to the parent company's equityholders. They are reported separately in the consolidated statement of comprehensive income and the consolidated balance sheet.

4. Investment Properties

The real estate classified as investment properties in accordance with IAS 40 comprise residential real estate as well as a small volume of commercial real estate which is used to generate long-term rental income and/or for the purposes of achieving value growth. Investment properties are initially recognised at cost including transaction costs. They are subsequently remeasured at their fair value, which is determined by external certified experts. As of 31 March 2011, investment properties had a fair value of EUR 816.9 million, of which residential real estate accounted for EUR 805.0 million or 98.5%. The decline of EUR 0.8 million over the end of 2010 was due to the sale of part of a portfolio of residential real estate in Kiel.

5. Investments in Associates and Other Financial Assets

As of 31 March 2011, the Colonia Group held investments in associates with a carrying amount of EUR 2.4 million and related shareholder loans of EUR 6.4 million. The size of the individual investments was between 2.75% and a maximum of 15.0%. During the period under review, there was no change in the size of these investments compared with 31 December 2010. A precise analysis of the investments in associates held by the Colonia Group can be found on page 19 of the annual report for 2010.

6. Properties Held for Sale

Properties held for sale comprise real estate which has been acquired with the express purpose of reselling it. They are recorded at the lower of cost or market. In the first quarter of 2011, the volume of properties held for sale dropped from EUR 9.8 million at the end of 2010 to EUR 9.4 million as a result of sales. In this connection, the contract of sale was

certified by the notary in 2010, with ownership rights transferred in the first quarter of 2011.

7. Equity

As of 31 March 2011, Colonia Real Estate AG's subscribed capital stood at EUR 32,726.828.00 million (31 December 2010: EUR 31.3 million) and was divided into shares with a notional nominal amount of EUR 1.00 each. The change in subscribed capital in the first quarter of 2011 resulted from the exercise of conversion rights and, as a consequence, the issue of 1,420,838 new shares. In addition, conversion resulted in an increase of EUR 4.9 million in other reserves, which now stand at EUR 244.3 million (31 December 2010: EUR 239.4 million).

As of 31 March 2011, equity increased to EUR 232.0 million (31 December 2010: EUR 227.2 million). Equity is analyzed in the consolidated statement of changes in equity.

8. Interest-Bearing Liabilities and Convertible Bonds

Interest-bearing liabilities comprise current and non-current financial liabilities, bank borrowings and liabilities directly related to assets held for sale. In the first quarter of 2011, total interest-bearing liabilities dropped by EUR 5.1 million compared with 31 December 2010 to EUR 487.9 million on account of financial restructuring. This decline in bank borrowings was financed by the partial utilisation of a loan facility provided by the majority shareholder TAG Immobilien AG, Hamburg, in an amount of EUR 5.0 million.

Convertible bonds were down on the end of 2010 due to the exercise of some conversion rights accruing to creditors as a result of the change of control in February 2011.

9. Net Profit from the Rental of Investment Properties

Net profit from the rental of investment properties equals the income from the rental of investment properties plus recharged ancillary costs net of the operating expense incurred to generate the rental income. Operating expenses include both rechargeable costs as well as those which cannot be allocated to the tenant. Such non-allocable costs include maintenance expenses, manager costs as well as ancillary costs attributable to vacant residential units. Net profit from the rental of investment properties came to EUR 9.0 million in the first quarter of 2011.

10. Restructuring Costs

The restructuring costs of EUR 4.6 million result from the organisational and personnel adjustments made by Colonia Real Estate AG.

11. Net Finance Income/Expense

Net finance income/expense breaks down as follows:

	1. Quarter 2011	1. Quarter 2010
in EUR k	1/1 – 3/31/2011	1/1- 3/31/2010
Interest on non-current loans	-7,669.1	-7,606.3
Interest on current liabilities	-49.4	-236.2
Ineffective swaps	0.0	-269.1
Borrowing costs	-7,718.5	-8,111.6
Finance income	88.0	211.5
Net finance income/expense	-7,630.5	-7,900.1

12. Segment Reporting

In accordance with IFRS 8, individual data is required to be reported by segment and region. The Colonia Group currently comprises three segments: Residential, Commercial and Asset Management. The Residential Real Estate and Commercial Real Estate segments are combined with Investment for the purposes of the Interim Management Report. Intragroup items are eliminated in the column entitled "Reconciliation" This column also includes individual income and expenses which cannot be directly allocated to the other segments, particularly the parent Colonia Real Estate AG. There is no regional segmentation as the Colonia Group operates solely in Germany.

Q1 2011	Residential	Commercial	Asset Management	Reconciliation	Group
1/1- 3/31/2011	EUR k	EUR k	EUR k	EUR k	EUR k
Income (revenues)*	23,027.0	359.3	1,730.4	4,202.0	29,318.7
EBITDA	9,013.8	325.0	226.6	-7,199.7	2,365.7
EBIT	9,005.6	325.0	190.6	-7,254.2	2,267.0

* Total income net of finance income

Q1 2010	Residential	Commercial	Asset Management	Reconciliation	Group
1/1 - 3/31/2010	EUR k	EUR k	EUR k	EUR k	EUR k
Income (revenues)*	22,057.2	367.5	1,888.4	-956.5	23,356.6
EBITDA	9,062.5	307.0	365.1	-1,371.6	8,363.0
EBIT	9,037.8	307.0	294.6	-1,429.0	8,210.4

* Total income net of finance income

Compared with the first quarter of 2010, income in the Residential segment rose slightly by EUR 1.0 million due to higher rentals and a small improvement in the vacancy rate.

The reconciliation of income (revenues) for the first quarter of 2011 includes income from the sale of investments in associates of EUR 4,522.

The decline in EBITDA and EBIT by EUR 5,997 and EUR 5,943, respectively, compared with the previous year is particularly due to restructuring expense in the first quarter of 2011.

13. Earnings per Share

Earnings per share are calculated by dividing the net profit for the period attributable to the shareholders of Colonia Real Estate AG by the average number of shares outstanding net of treasury stock. In comparing the two quarters in 2010 and 2011, it should be noted that the net profit for the first quarter of 2011 came under pressure from the restructuring expense of EUR 4.6 million.

	1. Quarter 2011	1. Quarter 2010
	1/1 – 31/3/2011	1/1 – 31/3/2010
Net profit attributable to equity holders of the parent company (TEUR)	-1,446.5	118.0
Average number of shares issued (in thousands)	29,077	28,460
Basic earnings per share (in EUR)	-0.05	0.004

14. Commitments

An analysis of the commitments can be found in Note 34 to the consolidated financial statements on page 151 of the annual report for 2010.

There were no changes in this item in the period under review.

15. Material Transactions with Related Parties

On 23 February 2011, Colonia Real Estate AG entered into a loan facility contract with TAG Immobilien AG, Hamburg, concerning an amount of up to EUR 75 million, which is particularly to be used to fund the convertible bonds issued by Colonia Real Estate AG.

The loan has a term of two years and is subject to standard market terms and conditions.

16. Material Events After the End of the Period Covered by this Interim Report

On 29 March 2011, the Company applied for transfer from the Prime Standard to the General Standard. Deutsche Börse duly approved this request on 1 April 2011. Accordingly, Colonia Real Estate AG will be listed in the General Standard of the regulated market as of 4 July 2011.

Effective 1 April 2011, the chief financial officer Mr. Volker Lemke stepped down from the Management Board, having exercised his special right of termination. In addition, the Supervisory Board comprises Dr. Lutz R. Ristow (new chairman), Klaus Lennartz and Torsten Cejka as of 1 April 2011.

After the end of the period under review, the new Management Board of Colonia Real Estate AG adopted a plan to implement various restructuring measures within the Group. In this connection, it plans to sell a 94% stake in the hitherto fully consolidated subsidiary Colonia Residential Sales GmbH, Cologne, and a business segment of Colonia Real Estate Solutions GmbH, Cologne.


17. Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Colonia Real Estate AG



Rolf Elgeti



Hans-Ulrich Sutter

Financial Diary 2011

Date	Event
May 23.	Interim Quarterly Report 1, 2011
June 22.	Annual Shareholders' Meeting
August 18.	Interim Quarterly Report 2, 2011
November 9.	Interim Quarterly Report 3, 2011

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