CRE Colonia Real Estate AG

Interim Report H1 2010

Second Quarter at a Glance

Along with reducing vacancies, another emphasis in Q2 2010 was work to enhance the value of our portfolio. The result was that our vacancy rate for our entire portfolio decreased by another 0.6% in the second quarter, to 12.4%.

With net rental income stable at EUR 14.1 million in Q2 2010 (H1 2010: EUR 28.2 million), and capital expenditures on our residential properties amounting to more than EUR 4.0 million (H1 2010: EUR 6.0 million), EBITDA quarter-on-quarter in 2010 decreased from EUR 8.4 million to EUR 3.7 million. The first successes of our investments were evident in the decrease in the vacancy rate to 12.4%, and in an increase of EUR 4.0 million in the carrying amount of our properties. All of our residential holdings are reviewed and reappraised twice a year, at June 30 and December 31. Consequently EBIT for Q2 2010 came to EUR 7.6 million, a decrease of EUR 0.6 million from the previous quarter.

To improve our rental income and reduce vacancies, we carried out extensive capital investments in our properties in the second quarter especially. Here we made allowances for a temporary deterioration in key earnings figures so that we could increase the cash flow from our properties for the long term and sustainably improve their value.

Key Figures Second Quarter and First Half Year 2010

REVENUES AND EARNINGS in EUR k	Q2. 2010 4/1-6/30/2010	Q2. 2009 4/1-6/30/2009	H1. 2010 1/1-6/30/2010	H1. 2009 1/1-6/30/2009
Total income (excluding finance income)	29.676,3	25.838,0	53.032,9	49.859,4
Net rental income (NRI)	14.076,2	15.220,3	28.144,1	30.309,9
Net Operating Income (NOI)	6.037,2	11.022,8	16.452,3	21.600,2
EBITDA	3.709,7	7.586,6	12.072,7	15.272,1
Operating result (EBIT)	7.619,1	8.997,6	15.829,6	16.638,9
EBT	-382,6	-996,6	-72,2	6.828,9
Consolidated profit for the period after tax	-284,7	-1.420,2	-166,7	6.282,7

ASSETS AND CAPITAL STRUCTURE in EUR k	June 30, 2010	December 31, 2009
Non-current assets	817,660.1	845,418.2
Current assets	32,922.5	35,475.1
Non-current assets classified as held for sale	36,089.0	0.0
Equity capital	240,421.6	246,381.7
Non-current liabilities	573,554.6	587,396.6
Current liabilities	47,843.0	47,115.0
Liabilities from non-current assets held for sale	24,852.4	0.0
Total assets	886,671.6	880,893.3
Equity ratio in %	27.1%	28.0%

SHARE	
Subscribed capital on June 30, 2010	28.460.000 Euros
Number of shares on June 30, 2010	28.460.000 Units
High in first half year 2010	4,83 Euros
Low in first half year 2010	3,81 Euros

Interim Group Management Report for the Second Quarter and the First Half of 2010

1. Business Performance and Major Events in Q2 2010 and HY1 2010

At our financial press conference in March 2010, we already announced we were taking extensive steps to improve our residential real estate holdings in 2010. With EUR 6.0 million the first half of the year was largely dominated by these extensive investments. Just in Q2 2010 we invested a total of more than EUR 4.0 million in our holdings – EUR 2.2 million in our Salzgitter holdings alone. The focus here was not only on construction, but especially on extensive updates and upgrades of unrenovated or partially renovated units. Two of the welcome results of these investments were a reduction by another 0.6% in vacancy rates, to 12.4% as of June 30, 2010, and a lasting improvement in the market value of our real estate holdings.

Our rental income did not perform as planned in the second quarter of 2010: at EUR 19.4 million, it was EUR 1.5 million lower than for the first quarter. Quarter-on-quarter, the average rent per square meter decreased by EUR 0.01, and came to EUR 4.59 as of June 30 – a consequence of the "rent-free" period on new leases. However, thanks to our extensive second-quarter investments and the associated improvement in our units' amenities, we assume that some of our residential units will rent at higher figures per square meter in the second half of the year. Rental income for the second half will thus increase as well.

	Q1. 2009	Q2. 2009	Q3. 2009	Q4. 2009	Q1. 2010	Q2. 2010
	1/1-3/31/2009	4/1-6/30/2009	7/1-9/30/2009	10/1-12/31/2009	1/1-3/31/2010	4/1-6/30/2010
Vacancy rate in %	13.7	13.9	13.9	13.6	13.0	12.4
Average rent per sqm in Euro	4.58	4.59	4.59	4.59	4.60	4.59

Partly because of the slight decrease in income from our properties, but most of all because of our extensive investments, net operating income (NOI) for the second quarter decreased to EUR 6.0 million (Q1 2010: EUR 10.4 million). Here too, we assume that we can achieve a significant improvement even before the third quarter is out, because a large portion of our investment projects were completed in the second quarter.

To improve transparency, at the end of last year we had already decided to have all our residential real estate holdings appraised as of June 30 and December 31 of each fiscal year.

Because of the improving market situation, and especially because of more extensive work to enhance the value of our properties, we showed positive net changes from valuations of EUR 4.0 million end of June 2010. Market values were determined as of June 30, 2010, also by independent appraisers.

Net asset value, at EUR 10.10, also remained nearly constant from December 31, 2009, and Q1 2010.

Investment Segment

The main focus in Q2 2010 was on reducing vacancies, with the associated emphasis on residential modernization projects. Especially because of the maintenance and refurbishment work on our residential units in the second quarter, the vacancy rate for the portfolio as a whole was lowered once again, to 12.4% as of June 30, 2010. That figure represents a decrease of 0.6% from the end of the previous quarter, or a net absorption of about 100 more residential units. Not all regional portfolios contributed to this reduction in vacancies.

In terms of individual portfolios, the Berlin portfolios (with about 4,600 units) performed especially well. Vacancies declined from 5.4% at the end of 2009 to 4.8% at the end of Q1 2010, and now are at 4.0%. Thus in only six months, we signed new leases for 62 units, while keeping the average rent stable at EUR 4.64/sqm.

Our Emersion portfolio in Salzgitter (around 8,700 units) also lowered its vacancy rate in the second quarter by another 0.7%, to 18.9%, while maintaining the average rent almost unchanged at EUR 4.52/sqm. As we already announced at the beginning of the year, this year we plan extensive maintenance and refurbishment work in this portfolio. For that reason, our maintenance and modernization work on this portfolio increased from EUR 0.8 million for Q1 2010 to EUR 2.2 million for Q2. A total of some 400 units were fully or partially renovated during the first half of 2010.

Unfortunately, our smaller portfolios in Northern and Western Germany did not continue to grow as planned. For example, both the Domus portfolio (about 1,000 units) and our Bremen portfolios (about 470 units) saw slight increases in vacancy rates during the second quarter, from 4.9% to 5.3% and from 2.8% to 3.2%, respectively. We assume that strategically chosen capital expenditures can significantly reduce vacancies in these portfolios as well by the end of 2010. For example, in Q2 2010 we already invested some EUR 242.5 thousand (Q2 1010: EUR 76.0 thousand) in the Domus portfolio.

The vacancy rate at our Elmshorn and Itzehoe portfolios (about 1,500 units), which have been refurbished to the highest energy standards, has remained constant at 9.9%. The same goes for the average rate paid by standing tenants, at EUR 5.00/sqm. But the situation with new residential leases is different – here the rent was significantly higher, at EUR 5.42/sqm.

All in all, just in Q2 2010 we invested a total of more than EUR 4.0 million in our holdings, and the positive effects on vacancies are already becoming evident. The appraisal of our properties by an outside expert also confirmed that our investments have achieved a lasting improvement in our properties' value. We intend to hold firm to the same strategy in the second half of the year – investing to achieve a long-term improvement in our properties' cash flow and a sustained increase in their value.

CRE Asset Management Segment

As we already announced in our press release of April 14, at the end of June we increased our stake in CRE Resolution GmbH from 75.74% to 100%. The purchase price for this 24.53% interest was round about EUR 2.5 million.

The minority shareholders of CRE Resolution GmbH, some of whom were managing directors as well, also officially left the company's management.

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

Results of Operations for the CRE Group

Gross income (revenues) for the first half of 2010 increased 6.4% compared to a year ago, to EUR 53.0 million. Some of the contributing factors in this improvement were higher revenue from the sale of properties held for sale (EUR +1.0 million) and from asset management (EUR +0.5 million), as well as a positive result from fair valuation. These increases made up for lower rental income (EUR –4.3 million).

Comparing the two quarters of 2010, gross income grew from EUR 23.4 million to EUR 29.7 million in Q2, including a positive net valuation effect of EUR 4.0 million in Q2.

	Q2. 2010	Q2. 2009	H1. 2010	H1. 2009
in EUR k	4/1-6/30/2010	4/1-6/30/2009	1/1-6/30/2010	1/1-6/30/2009
Gross rental income from investment properties and service charge income on principal basis	19,416.6	22,541.3	40,377.0	44,723.8
Proceeds on the sale of properties held for sale	783.8	0.0	1,108.4	84.3
Income from Asset Management	1,687.7	1,480.6	3,387.9	2,880.7
Other income	752.2	366.1	1,123.6	720.6
Valuation gains	7,036.0	1,450.0	7,036.0	1,450.0
Total income exluding finance income (revenues)	**29,676.3**	**25,838.0**	**53,032.9**	**49,859.4**

Although vacancies were lower, projected rents for the first half of 2010 decreased from the EUR 36.3 million of H1 2009 to EUR 33.9 million. Here it should be borne in mind, however, that the rental income for H1 2009 still included all rental income (EUR 2.4 million) from the partial portfolio of about 1,000 units in Berlin that was sold in September 2009.

The same applies accordingly for net rental income, which likewise decreased compared to the first half last year, from EUR 30.3 million to EUR 28.1 million.

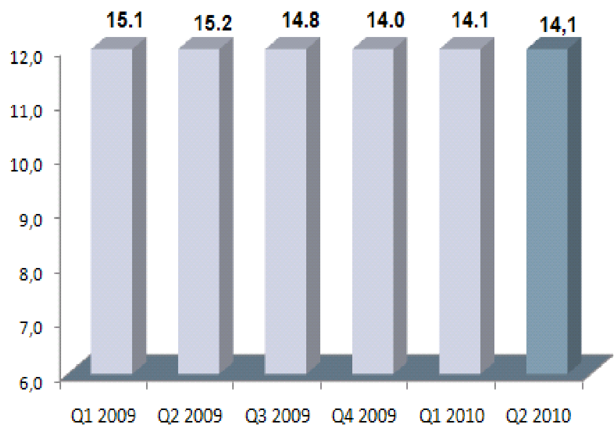
Quarter-on-quarter in 2010, net rental income remained almost constant at EUR 14.1 million. The reduction in vacancies in Q1 and Q2 2010, and the associated higher rental income, will not become evident until later quarters of the year, because there can be a time lag of from two to six months between the signing of the lease and the first rent payment.

As we have already mentioned several times, during the second quarter of 2010, our expenditures for maintenance, renovation and residential updates increased substantially. These not only improved the structural quality of our properties, but most significantly, the modernization work made our properties more desirable to new tenants.

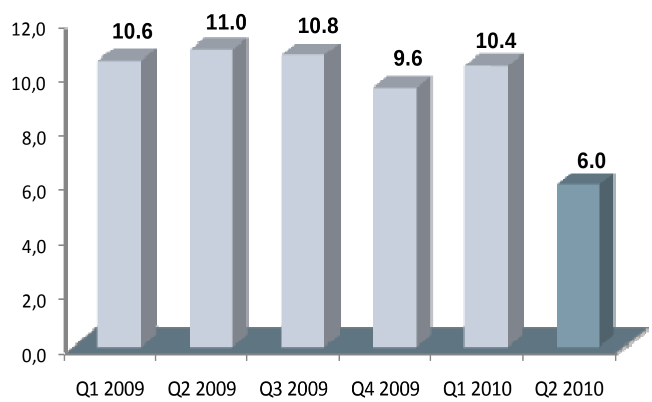
Non-cash effects also had an adverse impact on net operating income. For example, for caution's sake, at the end of the first half of 2010 we recognized additional impairments of EUR 0.4 million on outstanding rent. Because of these factors, together with the significantly higher investments, net operating income decreased to EUR 6.0 million in Q2 2010 (Q1 2010: EUR 10.4 million).

	Q2. 2010	Q2. 2009	H1. 2010	H1. 2009
in EUR k	4/1-6/30/2010	4/1-6/30/2009	1/1-6/30/2010	1/1-6/30/2009
Net Rental Income (NRI)	**14,076.2**	15,220.3	**28,144.1**	30,309.9
Net operating income (NOI)	**6,037.2**	11,022.8	**16,452.3**	21,600.2

Net Rental Income



Net Operating Income



Administrative expenses, comprising personnel expenses and office expenses for administration, as well as depreciation and amortization, expanded by EUR –0.4 million quarter-on-quarter, to EUR –2.9 million. The main reasons for this increase were non-recurring payments associated with Friedrich Thiele's departure from the Board of Management of Colonia Real Estate AG, and payments to a consulting firm in connection with the requirements of Germany's Act on Appropriateness of Management Board Compensation (VorstAG). Friedrich Thiele, the Board member in charge of real estate operations, resigned as of April 30, 2010. Until a new Board member is appointed for those operations, CEO Stephan Rind is temporarily handling the associated responsibilities.

Even with these non-recurring effects, if we compare administrative expenses with those from a year ago, they were down 1.9%, to EUR –5.5 million (H1 2009: EUR 5.6 million).

We hold firm to our projection that administrative expenses for all of 2010 will lie in a range between EUR 11.5 and 12.5 million.

	Q2. 2010	Q2. 2009	H1. 2010	H1. 2009
in EUR k	4/1-6/30/2010	4/1-6/30/2009	1/1-6/30/2010	1/1-6/30/2009
Personnel expenses	-1,109.5	-1,196.3	-2,044.1	-2,379.9
Property, plant and equipment	-1,781.6	-1,687.8	-3,309.3	-3,114.4
Depreciations	-36.4	-39.0	-118.4	-83.2
Administrative expenses	**-2,927.5**	**-2,923.1**	**-5,471.8**	**-5,577.5**
Restructuring expenses	**21.4**	**-53.2**	0.0	**-323.4**

The Asset Management segment was unable to repeat its profit from Q1 2010, and closed out the second quarter with a loss of EUR 0.2 million. Although income was almost the same, at EUR 1.7 million, costs were higher, rising EUR 0.3 million compared to the earlier quarter, primarily because of higher personnel expenses. This is a non-recurring effect: because of the change in management, the contracts of the new managing directors took effect on April 1, while partly the old contracts of the departing managing directors did not run out until June 30.

Nevertheless, if we compare all of H1 2010 with the first half of 2009, the earnings situation in Asset Management has improved substantially. Income as of June 30, 2010, increased EUR 0.5 million compared to a year earlier, to EUR 3.4 million. In parallel, the segment's expenses decreased 0.5 million, so that the overall improvement in the net figure was EUR 1.0 million.

In spite of that improvement, however, the Asset Management segment did not perform as well as we expected. Our goal is to increase income significantly, and to show a positive contribution to profits for fiscal 2010.

	Q2. 2010	Q2. 2009	H1. 2010	H1. 2009
in EUR k	4/1-6/30/2010	4/1-6/30/2009	1/1-6/30/2010	1/1-6/30/2009
Revenues from Asset Management	1,687.7	1,480.6	3,387.9	2,880.7
Expenses for Asset Management	-1,853.2	-2,238.0	-3,435.9	-3,960.9
Net result from Asset Management	**-165.5**	**-757.4**	**-48.0**	**-1,080.2**

With rental income almost constant, the higher expenses for investments in our portfolio also affected EBITDA for the second quarter, which decreased from the EUR 8.4 million for Q1 2010 to EUR 3.7 million. We are certainly not satisfied with this result, but it is one that we knew we would have to allow for, because of the necessary investments.

Consequently, first-half EBITDA for 2010 also decreased compared to H1 2009, from EUR 15.3 million to EUR 12.1 million. Investments in improvement work on the portfolio in H1 2009, at EUR 2.0 million, were substantially lower than the more than EUR 6.0 million spent in H1 2010.

	Q2. 2010	Q2. 2009	H1. 2010	H1. 2009
in EUR k	4/1-6/30/2010	4/1-6/30/2009	1/1-6/30/2010	1/1-6/30/2009
EBITDA	**3,709.7**	**7,586.6**	**12,072.7**	**15,272.1**
Valuation movements, net	4,023.4	1,450.0	4,023.4	1,450.0
EBIT	**7,619.1**	**8,997.6**	**15,829.6**	**16,638.9**
Income from loan waver	0.0	0.0	0.0	8,700.2
Finance costs	-8,237.2	-10,187.7	-16,348.8	-18,769.6
Finance income	235.5	193.5	447.0	259.4
EBT	**-382.6**	**-996.6**	**-72.2**	**6,828.9**
Tax	97.9	-423.6	-94.5	-546.2
Consolidated profit after tax	**-284.7**	**-1,420.2**	**-166.7**	**6,282.7**

All of our residential real estate holdings are also appraised by independent experts as of June 30 and December 31 of each year. As of June 30, 2010, we showed positive net changes from valuations of EUR 4.0 million (June 30, 2009: +EUR 1.5 million). However, in spite of the net valuation gain on our portfolios – the result of an improving market and our value-enhancing work on our properties – EBIT decreased slightly quarter-on-quarter in 2010. In part because of the investments during Q2 2010, the EBIT decreased 7.2%, to EUR 7.6 million.

Comparing the first halves of 2010 and 2009, EBIT as of June 30, 2010, decreased from EUR 16.6 million to EUR 15.8 million.

Thanks to lower interest payments, finance costs improved for H1 2010 compared to H1 2009, from EUR 18.8 million to EUR 16.3 million – a decrease of 12.9%.

However, comparing the net finance figures for the halves, there is a clear deterioration in the net finance expense at June 30, 2010, which widened from EUR –9.8 million to EUR –15.9 million. This difference is entirely the result of the fact that the figure for H1 2009 included exceptional income of EUR 8.7 million from a loan waiver. Without that non-recurring effect, the net finance expense for H1 2010 would show a substantial improvement over H1 2009.

Allowing for income taxes (EUR –0.1 million), the Group showed a net loss of EUR 0.2 million for the first half of 2010. Here too, the positive effect of the loan waiver in H1 2009 must be taken into account.

Quarter-on-quarter in 2010, the significant increase in our capital expenditures in Q2 2010 led to a loss of EUR –0.3 million on the period, so that we were unable to repeat the profit from Q1 2010.

Net Assets and Financial Position of the CRE Group

Total assets at June 30, 2010, were almost unchanged from the end of last year, at EUR 886.7 million. But an asset reclassification reduced total non-current assets from EUR 845.4 million to EUR 817.7 million. A sub-portfolio of investment properties was reclassified as non-current assets held for sale. The reclassification was necessary since plans call for selling this sub-portfolio. It lowered the figure for investment properties from EUR 814.2 million to EUR 785.8 million as of June 30 of this year.

Current assets held for sale had decreased to EUR 11.7 million in Q1 2010 from December 31, 2009, because of the completion of a transfer of ownership for a rather small residential portfolio in Berlin. In keeping with their assigned use, units from this portfolio were sold during the second quarter, so that the holdings decreased to EUR 11.1 million in Q2 2010.

On the other side of the balance sheet, equity decreased slightly from the previous quarter, by 1.4%, to EUR 240.4 million. The result was likewise a slight decrease in the equity ratio as of June 30, 2010, from 27.7% to 27.1%.

Debt repayments lowered total financial liabilities and liabilities to banks to EUR 501.4 million, a decrease of EUR 2.7 million from Q1 2010. However, convertible bonds increased from EUR 58.0 million to EUR 69.4 million in Q2, mostly as the result of a new convertible bond issue in May 2010. The exact terms of the convertible bond are available at our website, www.cre.ag. The convertible bond has also been admitted for over-the-counter trading on the Frankfurt Stock Exchange under ISIN DE000A1EMFA2.

A detailed description of the remaining terms of the pertinent loans and the convertible bonds can be found in the notes to the interim financial statements.

ASSETS in EUR k	June 30, 2010	December 31, 2009
Non-current assets	817,660.1	845,418.2
Current assets	32,922.5	35,475.1
Non-current assets classified as held for sale	36,089.0	0.0
Total assets	**886,671.6**	**880,893.3**
Equity and liabilities		
Equity	240,421.6	246,381.7
Non-current liabilities	598,407.0	587,396.6
Current liabilities	47,843.0	47,115.0
Total equity and liabilities	**886,671.6**	**880,893.3**

Cash and cash equivalents came to EUR 12.9 million at June 30, 2010, and thus were almost constant from the end of 2009 (December 31, 2009: EUR 13.1 million). Compared to Q1 2010, cash and cash equivalents increased by 15.4%, thanks in part to EUR 11.2 million in cash generated from financing activities.

The cash inflow from operating activities grew from EUR 8.3 million for H1 2009 to EUR 12.5 million, so that after interest and taxes, the net cash generated by operating activities came to EUR 0.7 million – a substantial improvement over the first quarter of 2009, which closed with a net cash outflow of EUR –4.9 million.

Given the restructuring of our funding and our repayments of loan capital, interest payments decreased from EUR –14.1 million for H1 2009 to EUR –12.3 million for H1 2010.

Even with our maintenance and refurbishment projects in the second quarter, the cash outflow for operating activities for Q2 2010 was only about EUR –0.3 million, so that net cash generated in operating activities came to EUR 0.7 million.

The cash used in investing activities, at EUR 5.6 million, likewise resulted primarily from the EUR 2.8 million in investments associated with the renovation of investment properties, as well as from payments of EUR 2.5 million for the acquisition of equity interests.

Despite the expenditures of EUR 8.2 million to repay loan capital, our convertible bond placement in May 2010 yielded a net cash inflow from financing activities of EUR 5.3 million. Consequently, despite the extensive capital projects for our portfolio, we generated a positive cash change in cash and cash equivalents of EUR 0.4 million.

Cash and cash equivalents as of June 30, 2010, came to EUR 10.0 million, and comprised EUR 12.9 million in cash and bank balances less EUR –2.9 million in short-term current account liabilities to banks.

in EUR k	H1. 2010 1/1-6/30/2010	H1. 2009 1/1-6/30/2009
Cash flow generated/used for operating activities	723.4	-4,934.0
Net cash used in investing activities	-5,616.4	-3,882.5
Net cash generated by financing activities	5,316.7	15,150.4
Changes in cash and cash equivalents	**423.7**	**6,333.9**
Effects and cash equivalents at beginning of period	-44.1	0.0
Cash and cash equivalents at beginning of period	9,618.6	10,410.2
Cash and cash equivalents at end of period	**9,998.2**	**16,744.1**
thereof cash funds	12,866.8	20,770.3
thereof current bank accounts	-2,868.6	-4,026.2

3. Risk and Opportunity Report

Like any other corporation, Colonia Real Estate AG is exposed to both risks and opportunities in the course of doing business. CRE AG management has established suitable 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 2009 Annual Report includes a detailed description of our risk management system, the controlling system for the reporting process, and the risks and opportunities that confront the Group.

The information in that risk report remains valid.

With regard to the maturity of the 2006 convertible bond issue in December 2011, with a redemption amount of EUR 60.9 million, the Company will have to take suitable steps to implement its liquidity plans for 2010/2011.

No other risks have come to the knowledge of Colonia Real Estate AG management to date.

4. Events after the Reporting Date

No substantial events affecting the course of business or the Group's net assets, financial position and results of operations occurred after the end of the reporting period.

5. Report on Expected Developments

In real terms, gross domestic product in Germany increased 0.2% in Q1 2010 from the previous quarter. The experts at the various economic associations expect to find that there was a further increase in economic output in the second quarter. But we must still wait and see how the federal government's initial attempts at savings will affect economic conditions in Germany.

The first signs of weakening growth in the USA due to the large budget deficit and declining consumer spending may also be an indicator of slowing economic growth in Germany.

Irrespective of the general economy, the German residential real estate market remains stable, as a Landesbausparkasse study from this June shows.

The Landesbausparkasse also expects rising rents in the coming months, especially in large cities with populations over 100,000 and in major metropolitan centers. The transaction business in the residential sector also seems to be on the rise. Some 30,000 units were turned over in H1 2010, an increase of about 20% from the same period last year. Experts expect transactions to rise further in the second half of the year.

Taking advantage of its strong starting position, the CRE Group focused on improving the quality of its real estate holdings in the first half 2010. We not only spent more on current maintenance, but most importantly carried out work to enhance value.

These projects especially included partial and complete renovations of individual residential units, to make them more readily rentable. We have already seen the first results, in terms of reducing vacancies and raising the market value of our properties.

Our reclassification of a rather small sub-portfolio among assets held for sale was intended as a signal that sales of optimized portfolios seem possible in the second half.

In the first half of the year, and especially in the second quarter, we also laid the groundwork to achieve the goals we announced at the beginning of the year:

- A significant reduction of vacancies to 11–12%;
- An increase in rental income (like-for-like) compared to last year;
- An increase in the cash flow from our properties;
- Getting Asset Management back into the black;
- Selling small partial portfolios, with a transaction volume of between EUR 20 and 30 million;
- Taking advantage of opportunities to build up our residential property portfolio as they arise in the market.

We continue to hold firm to these goals for fiscal 2010.

Colonia Real Estate AG
IFRS - Consolidated Balance Sheet as of June 30, 2010

ASSETS

in EUR k	June 30, 2010	December 31, 2009
Non-current assets		
Investment properties	784,771.0	814,210.0
Property, plant and equipment	710.7	666.9
Intangible assets	3,407.5	3,435.1
Investments in associates	8,214.6	8,213.6
Other financial assets	6,576.1	6,302.5
Deferred tax assets	13,980.2	12,590.1
Total non-current assets	**817,660.1**	**845,418.2**
Current assets		
Properties held for sale	11,107.9	6,264.6
Income tax receivables	587.8	1,707.7
Receivables and other assets	8,345.0	14,430.9
Securities	15.0	0.0
Cash and cash equivalents	12,866.8	13,071.9
Total current assets	**32,922.5**	**35,475.1**
Assets classified as held for sale	36,089.0	0.0
TOTAL ASSETS	**886,671.6**	**880,893.3**

Colonia Real Estate AG
IFRS - Consolidated Balance Sheet as of June 30, 2010

EQUITY AND LIABILITIES

in EUR k **Equity**	**June 30, 2010**	**December 31, 2009**
Subscribed capital	28,460.0	28,460.0
Other reserves	231,824.1	234,305.4
Components of result for period not recognized in profit or loss	-21,348.5	-18,330.6
Currency translation	-87.1	-43.0
Treasury stock	0.0	-11.6
Retained earnings	1,389.8	1,537.5
Total shareholders´equity	**240,238.3**	**245,917.7**
Minority interests	183.3	464.0
Total equity	**240,421.6**	**246,381.7**
Non-current liabilities		
Financial liabilities	448,677.8	477,558.1
Convertible bond	69,404.2	57,377.2
Provisions for pensions and similar obligations	61.8	57.2
Derivative financial instruments (non-current)	11,987.6	9,728.5
Deferred tax liabilities	43,423.2	42,675.6
Total non-current liabilities	**573,554.6**	**587,396.6**
Current liabilities		
Bank loans	2,868.6	3,453.3
Financial liabilities (current)	24,981.0	23,576.9
Derivative financial instruments (current)	5,627.3	3,703.8
Account payables, trade and other payables	14,015.1	15,364.0
Tax liabilities	351.0	1,017.0
Total current liabilities	**47,843.0**	**47,115.0**
Liabilities from non-current assets held for sale	**24,852.4**	**0.0**
TOTAL EQUITY AND LIABILITIES	**886,671.6**	**880,893.3**

Colonia Real Estate AG
IFRS - Consolidated Statement of Income (Loss) from January 1, till June 30, 2010

in EUR k	Q2. 2010 4/1-6/30/2010	Q2. 2009 4/1-6/30/2009	H1. 2010 1/1-6/30/2010	H1. 2009 1/1-6/30/2009
Total income (excluding finance income)	**29,676.3**	**25,838.0**	**53,032.9**	**49,859.4**
Total expenses (excluding finance costs)	**-22,057.3**	**-16,838.6**	**-37,203.3**	**-33,220.5**
Gross rental income from investment properties and service charge income on principal basis	19,416.6	22,541.3	40,377.0	44,723.8
Property operating expenses	-13,379.4	-11,518.5	-23,924.7	-23,123.6
Net operating income from rents	**6,037.2**	**11,022.8**	**16,452.3**	**21,600.2**
Revenues from Asset Management	1,687.7	1,480.6	3,387.9	2,880.7
Expenses for Asset Management	-1,853.2	-2,238.0	-3,435.9	-3,960.9
Net result from Asset Management	**-165.5**	**-757.4**	**-48.0**	**-1,080.2**
Proceeds on the sale of properties held for sale	783.8	0.0	1,108.4	84.3
Carrying amount of sold properties	-694.3	0.0	-987.3	-67.3
Net income on disposal of trading properties	**89.5**	**0.0**	**121.1**	**17.0**
Administrative expenses	**-2,927.5**	**-2,923.1**	**-5,471.8**	**-5,577.5**
Restructuring costs	**21.4**	**-53.2**	**0.0**	**-323.4**
Other income	752.2	366.1	1,123.6	720.6
Other expenses	-211.7	-107.6	-315.7	-167.8
Other income, net	**540.5**	**258.5**	**807.9**	**552.8**
Net result on disposal of investment properties	**0.0**	**0.0**	**-55.3**	**0.0**
Unrealized valuation gains	7,036.0	1,450.0	7,036.0	1,450.0
Unrealized valuation losses	-3,012.6	0.0	-3,012.6	0.0
Valuation movements, net	**4,023.4**	**1,450.0**	**4,023.4**	**1,450.0**
Operating profit before finance costs	**7,619.1**	**8,997.6**	**15,829.6**	**16,638.9**
Finance costs	-8,237.2	-10,187.7	-16,348.8	-18,769.6
Expenses from hedging transactions	0.0	0.0	0.0	0.0
Income from loan waiver	0.0	0.0	0.0	8,700.2
Finance income	235.5	193.5	447.0	259.4
Financial results	**-8,001.7**	**-9,994.2**	**-15,901.8**	**-9,810.0**
Consolidated profit for the period before taxes	**-382.6**	**-996.6**	**-72.2**	**6,828.9**
Income tax expenses	97.9	-423.6	-94.5	-546.2
Consolidated profit for the period	**-284.7**	**-1,420.2**	**-166.7**	**6,282.7**

Colonia Real Estate AG

IFRS - Consolidated Statement of Comprehensive Income (Loss) from January 1, till June 30, 2010

in EUR k	Q2. 2010 4/1-6/30/2010	Q2. 2009 4/1-6/30/2009	H1. 2010 1/1-6/30/2010	H1. 2009 1/1-6/30/2009
Attributable to:				
Equity holders of the parent company	-165.9	-1,542.8	-147.7	6,096.3
Minority interests	-118.8	122.6	-19.0	186.4
Consolidated profit for the period	**-284.7**	**-1,420.2**	**-166.7**	**6,282.7**
Earnings per share (in Euros)				
Basic	-0.01	-0.06	-0.01	0.26
Diluted	-0.01	-0.04	-0.01	0.26
Consolidated profit for the period	**-284.7**	**-1,420.2**	**-166.7**	**6,282.7**
Fair valuation of hedging instruments (Cashflow-Hedges) Non-cash change	-780.9	2,076.9	-3,617.3	-4,279.1
Deferred taxes on changes in value recognized directly in equity	119.0	-339.7	576.4	699.2
Total income and expenses recognized directly in equity	**-661.9**	**1,737.2**	**-3,040.9**	**-3,579.9**
Total recognized income and expenses (total net profit)				
Attributable to:				
Equity holders of the parent company	-822.6	189.6	-3,165.6	2,529.8
Minority interests	-124.0	127.5	-42.0	173.0
Total recognized income and expenses (total net profit)	**-946.6**	**317.1**	**-3,207.6**	**2,702.8**

Colonia Real Estate AG
Consolidated Statement of Cash Flows from January 1, till June 30, 2010

in EUR k	H1. 2010 1/1 - 6/30/2010	H1. 2009 1/1 - 6/30/2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated profit for the year	-166.7	6,282.7
Plus net interest income	15,901.8	9,810.0
Plus income tax	94.5	546.2
= Net operating profit before finance costs	**15,829.6**	**16,638.9**
Share-based compensation	119.1	526.2
Unrealized valuation movements	-4,023.4	-1,450.0
Gain/loss on disposal of investment property	55.3	0.0
Loss from sale of property, plant and equipment/intangible assets	2.1	0.0
Changes in pension provisions	4.7	8.3
Amortization of intangible assets	178.5	0.0
Depreciation of property, plant and equipment	88.0	219.7
Other non-cash changes	237.7	0.0
Changes in properties held for sale	987.3	-2,170.6
Changes in financial liabilities attributable to properties held for sale	0.0	182.4
Changes in receivables	403.3	4,836.1
Changes in liabilities	-1,349.0	-10,524.2
Cash generated from operations	**12,533.2**	**8,266.8**
Interest paid	-12,278.0	-14,079.9
Interest received	174.8	119.3
Income taxes paid	293.4	759.8
Net cash used in operating activities	**723.4**	**-4,934.0**
CASH FLOW FROM INVESTING ACTIVITIES		
Net proceeds from sale of investment property	103.2	0.0
Proceeds from sale of property, plant and equipment / intangible assets	5.0	0.0
Capital expenditure on investment properties	-2,785.3	-4,167.5
Other payments for property, plant and equipment and intangible assets	-289.8	-28.8
Payment for other real estate	-148.0	0.0
Payment for purchase of securities	-15.0	0.0
Payment for other investments in associates and loans	-2,486.5	313.8
Net cash used in investing activities	**-5,616.4**	**-3,882.5**
Proceeds from issue of share capital	0.0	16,604.2
Payment of transaction costs for issue of share capital	0.0	-222.9
Payment to minority	-343.4	-460.2
Proceeds from borrowings	14,999.2	30,089.4
Repayment of borrowings	-8,229.1	-30,860.1
Expenses for convertible bond	-1,110.0	0.0
Net cash generated by financing activities	**5,316.7**	**15,150.4**
Net change in cash and cash equivalents	423.7	6,333.9
Cash and cash equivalents at beginning of period	9,618.6	10,410.2
Effects of exchange rate changes	-44.1	0.0
Cash and cash equivalents at end of period	**9,998.2**	**16,744.1**

Colonia Real Estate AG
Statement of Changes in Consolidated Equity from January 1, till June 30, 2010

in EUR k	Equity attributable to equity holders of the parent								
	Subscribed capital	Other reserves	Retained earnings	Treasury stock	Other comprehensive income	Currency translation	**Total**	Minority interest	**Total**
As of January 1, 2010	**28,460.0**	**234,305.4**	**1,537.5**	**-11.6**	**-18,330.6**	**-43.0**	**245,917.7**	**464.0**	**246,381.7**
Net loss on cash flow hedges	0.0	0.0	0.0	0.0	-3,017.9	0.0	-3,017.9	-23.0	-3,040.9
Consolidated profit for the period	0.0	0.0	-147.7	0.0	0.0	0.0	-147.7	-19.0	-166.7
Total profit or loss for the period	0.0	0.0	-147.7	0.0	-3,017.9	0.0	-3,165.6	-42.0	-3,207.6
Cash capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cost of cash capital increase after tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share-based compensation	0.0	119.1	0.0	0.0	0.0	0.0	119.1	0.0	119.1
Reserve for own shares	0.0	-11.6	0.0	11.6	0.0	0.0	0.0	0.0	0.0
Changes in minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-238.7	-238.7
Transaction between shareholders	0.0	-2,588.8	0.0	0.0	0.0	0.0	-2,588.8	0.0	-2,588.8
Currency translation	0.0	0.0	0.0	0.0	0.0	-44.1	-44.1	0.0	-44.1
As of June 30, 2010	**28,460.0**	**231,824.1**	**1,389.8**	**0.0**	**-21,348.5**	**-87.1**	**240,238.3**	**183.3**	**240,421.6**

in EUR k	Equity attributable to equity holders of the parent								
	Subscribed capital	Other reserves	Retained earnings	Treasury stock	Other comprehensive income	Currency translation	**Total**	Minority interest	**Total**
As of January 1, 2009	**22,825.6**	**222,292.8**	**-6,567.5**	**-7.1**	**-14,311.2**	**0.0**	**224,232.6**	**1,059.2**	**225,291.8**
Net loss on cash flow hedges	0.0	0.0	0.0	0.0	-3,566.5	0.0	-3,566.5	-13.4	-3,579.9
Consolidated profit for the period	0.0	0.0	6,096.3	0.0	0.0	0.0	6,096.3	186.4	6,282.7
Total profit or loss for the period	0.0	0.0	6,096.3	0.0	-3,566.5	0.0	2,529.8	173.0	2,702.8
Cash capital increase	5,634.4	10,969.8	0.0	0.0	0.0	0.0	16,604.2	0.0	16,604.2
Cost of cash capital increase after tax	0.0	-152.5	0.0	0.0	0.0	0.0	-152.5	0.0	-152.5
Share-based compensation	0.0	526.3	0.0	0.0	0.0	0.0	526.3	0.0	526.3
Reserve for own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-459.7	-459.7
Currency translation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
As of June 30, 2009	**28,460.0**	**233,636.4**	**-471.2**	**-7.1**	**-17,877.7**	**0.0**	**243,740.4**	**772.5**	**244,512.9**

Interim Financial Statements and Notes to the Interim Financial Statements of Colonia Real Estate AG as of June 30, 2010

1. General Information

Colonia Real Estate AG is a German stock corporation (*Aktiengesellschaft*) that has its registered office and principal place of business at Zeppelinstrasse 4–8, Cologne, Germany. Together with its subsidiaries it forms the CRE Group, an investment and management company operating in Germany. As an investment company, it specializes in acquiring, holding and selling residential real estate for its own portfolio, and engaging in co-investments with institutional partners in both commercial and residential real estate. A further focus is asset management for both our own holdings and those of outside property owners, with the aim of optimizing income and realizing the potential for long-term appreciation. Our range of services is completed with individual sales of residential property.

2. Principles of Preparation of the Consolidated Financial Statements

The condensed consolidated interim financial statements of Colonia Real Estate AG at June 30, 2010, were prepared in accordance with Sec. 37x (3) of the German Securities Trading Act, in conjunction with Sec. 37w (2) of that Act, and with International Financial Reporting Standards (IFRSs) and the associated interpretations of the International Accounting Standards Board (IASB) for interim reporting, as adopted in the European Union. Accordingly, this interim report does not include all information and notes that would be required under IFRSs for year-end consolidated financial statements. The present interim financial statements include all elements required under IAS 34, "Interim Financial Reporting"; the statement of comprehensive income for the period is presented as a separate income statement and a statement of comprehensive income.

The consolidated interim financial statements for the second quarter of 2010 were prepared using the same accounting policies as the most recent consolidated full-year financial statements, those for fiscal 2009. A detailed description of accounting principles and policies is provided in the notes to the consolidated financial statements for fiscal 2009.

The present consolidated interim financial statements have been reviewed by the auditors, and in management's opinion include all necessary information to provide a true and fair view of business developments and earnings performance during the period. The results from the first and second quarters of 2010 are not necessarily indicative of the development of future results.

Under IAS 34, "Interim Financial Reporting," in the preparation of the consolidated interim financial statements, management must make accounting judgments, estimates and assumptions in some cases. These may affect both the application of accounting principles and the recognition of assets, liabilities, income and expenses. Actual amounts may deviate from these estimates.

The consolidated interim financial statements for the first and second quarters of 2010 were prepared in euros.

3. Consolidation

The consolidated interim financial statements include the interim financial statements of Colonia Real Estate AG and all its subsidiaries and sub-subsidiaries as of June 30, 2010. Subsidiaries are all entities whose financial and operating policies are controlled by the Group. They are fully consolidated in the consolidated financial statements. The Group consolidates 18 subsidiaries, two of them located outside Germany. Thus there was a small change in the number of companies consolidated in comparison to December 31, 2009, since only 16 companies were consolidated as of the earlier date. A list of subsidiaries is provided in Note 4 to the 2009 consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets not attributable to owners of the parent company. For that reason, they are presented separately in the consolidated statement of comprehensive income and the consolidated statement of financial position.

4. Investment Property

Property classified as investment property under IAS 40 comprises residential properties and a small number of commercial properties, which are held to earn long-term rental income and/or for appreciation and are not used by the Group itself. At initial recognition, investment properties are measured at their cost of acquisition or creation, including incidental costs. Subsequently these properties are measured at fair value, as determined by certified outside appraisers. Investment property is measured semiannually also by external appraisers at CRE AG. At June 30, 2010, the fair value of investment property came to EUR 784.8 million, of which EUR 772.6 million, or 98.5%, was in residential property. The decrease in comparison to end of fiscal 2009 is based on a reclassification of one smaller portfolio to the balance sheet item for “assets classified as held for sale”.

5. Investments in Associates and Other Financial Assets

At June 30, 2010, the CRE Group held equity investments with a carrying amount of EUR 8.2 million, and associated shareholder loans of EUR 6.6 million. The individual investment interests range from a minimum of 2.75% to a maximum of 15.0%; there were no changes during the period against the figures from December 31, 2009 or March 31, 2010. A detailed discussion of the CRE Group’s equity investments can be found on page 37 of the 2009 Annual Report.

6. Properties Held for Sale

Properties held for sale are properties acquired for the specific purpose of resale. They are measured at the lower of cost or net realizable value. Properties held for sale in the first quarter of 2010 increased from EUR 6.3 million to EUR 11.7 million compared to the end of fiscal 2009, as a result of additions. The notarized formalities for the acquisitions were already completed in 2009; only the transfer of ownership took place during the first quarter of 2010. Due to sales in Q2 2010 properties held for sale decreased from EUR 11.7 million in Q1 2010 to EUR 11.1 at the end of June 2010.

7. Equity

The issued capital of Colonia Real Estate AG at June 30, 2010, was unchanged at EUR 28,460,000, and is divided into no-par shares with a notional value of EUR 1.00 per share. Equity at June 30, 2010, decreased slightly 2.4% to EUR 240.4 million (December 31, 2010: EUR 246.4 million). Changes in equity can be found in the statement of changes in consolidated equity.

8. Interest-Bearing Liabilities and Convertible Bond

Interest-bearing liabilities comprise current and non-current financial liabilities, liabilities to banks and liabilities from non-current assets classified as held for sale. Total financial liabilities (non-current and current) decreased slightly in comparison to December 31, 2009, by EUR 2.6 million, to EUR 498.5 million, due to repayments of principal. Liabilities to banks decreased slightly as well, from EUR 3.5 million to EUR 2.9 million. The item for convertible bonds at June 30, 2010, had increased by EUR 12.0 million to EUR 69.4 million, primarily because of a small convertible bond issue carried out in May 2010 for a total par value of EUR 11.4 million.

The table below provides details of the remaining terms of our loans and the convertible bond at nominal values (repayment amounts).

Year of maturity	6/30/2010	12/31/2009
in EUR k		
2010	14,185.0	12,245.9
2011	60,905.6	60,905.6
2012	18,493.2	21,138.2
2013	217,835.4	218,273.7
2014	131,015.1	131,516.7
2015	136,460.3	123,069.0
Total	**578,894.6**	**567,149.1**

9. Net Operating Income from Rents

Net operating income from rents is determined from the gross rental income from investment properties plus service charges passed on to tenants less property operating expenses. Property operating expenses include both costs that can and costs that cannot be passed on to the tenants. Costs that cannot be passed on to tenants include costs for maintenance and property management, as well as service charges for vacant residential units. Net rental income came to EUR 6.0 million for the second quarter of 2010.

10. Valuation movements, net

All residential investment properties are appraised by an independent expert as of December 31 of each fiscal year, in compliance with international valuation standards, and the valuation is updated as of each June 30. The valuation movements are recognized in a separate item of the consolidated income statement for the period when they occur. The valuations of real estate holdings were updated as usual also by independent experts as of June 30, 2010. Net changes from valuations amounted to EUR 4.0 million (June 30, 2009: EUR 1.5 million).

11. Net Finance Income

The net finance income comprises the following:

in EUR k	Q2. 2010 4/1-6/30/2010	Q2. 2009 4/1-6/30/2009	H1. 2010 1/1-6/30/2010	H1. 2009 1/1-6/30/2009
Interest on long-term loans	-7,649.3	-9,532.4	-15,255.6	-17,721.8
Interest on short-term liabilities	-291.6	-188.2	-527.8	-580.7
Ineffective portions of swaps	-296.3	-467.1	-565.4	-467.1
Finance costs	**-8,237.2**	**-10,187.7**	**-16,348.8**	**-18,769.6**
Income from loan waiver	**0.0**	**0.0**	**0.0**	**8,700.2**
Income from debt buyback	0.0	0.0	0.0	0.0
Income from interest	235.5	193.5	447.0	259.4
Finance income	**235.5**	**193.5**	**447.0**	**259.4**
FINANCIAL RESULT	**-8,001.7**	**-9,994.2**	**-15,901.8**	**-9,810.0**

12. Segment Reporting

Under the rules of IFRS 8, some data in the financial statements must be broken down by business segment and region. The CRE Group currently has three segments: Residential, Commercial and Asset Management. Intra-Group items are eliminated in the reconciliation column. Additionally, this column contains individual income and expense items that cannot be allocated to the segments directly, such as items for the Group's parent company, Colonia Real Estate AG. There is no breakdown by region, since the CRE Group operates entirely in Germany.

H1. 2010	Residential	Commer-cial	Asset Management	Reconcilia-tion	Group
1/1-6/30/2010	EUR k	EUR k	EUR k	EUR k	EUR k
Income (Revenues)*	49,838.9	749.1	3,813.8	-1,368.9	53,032.9
EBITDA	15,600.7	603.7	494.6	-4,626.3	12,072.7
EBIT	19,620.2	603.7	345.3	-4,739.6	15,829.6

* Total income (excluding finance income)

H1. 2009	Residential	Commer-cial	Asset Management	Reconcilia-tion	Group
1/1 – 6/30/2009	EUR k	EUR k	EUR k	EUR k	EUR k
Income (Revenues)*	55,371.8	966.5	3,427.8	-9,906.6	49,859.5
EBITDA	26,909.9	812.9	-427.6	-12,023.0	15,272.1
EBIT	28,357.1	812.9	-564.1	-11,967.0	16,638.9

* Total income (excluding finance income)

Income in the Residential segment decreased compared to H1 2009, to EUR 49.9 million (–10.0%). However, it must be borne in mind that the net figure for the first half of 2009 still included rental income of EUR 2.4 million from some 1,000 residential units that were sold in the third quarter of the year. Looking at Q2 2010 by itself, income in the Residential segment increased 18.7% from Q1 2010, to EUR 27.1 million. This increase reflects in part the positive effects from the valuation of our real estate holdings, and in part the proceeds from improved rental levels. The Asset Management segment's income likewise increased in H1 2010, by EUR 0.4 million, to EUR 3.8 million.

Looking at the profit figures, the Residential segment's operating profit (EBIT) for the first half of 2010 decreased in comparison to H1 2009, from EUR 28.4 million to EUR 19.6 million. Because of the portfolio sale in September 2009 and the valuation movements, a half-on-half comparison is not entirely meaningful. The Asset Management segment showed a small profit before interest and taxes (EUR 0.05 million) for the second quarter of 2010, so that EBIT came to EUR 0.3 million as of June 30. The reason for the decrease in EBIT from the previous quarter was primarily higher personnel expenses and higher other operating expenses in this segment.

13. Earnings per Share

	Q2. 2010	Q2. 2009	H1. 2010	H1. 2009
	4/1-6/30/2010	4/1-6/30/2009	1/1/-6/30/2010	1/1-6/30/2010
Earnings attributable to holders of common stock of the parent company (EUR k)	-165.9	-1,542.8	-147.7	6,096.3
Average number of shares issued (in thousands)	28,460	24,959	28,460	23,892
Basic earnings per share (EUR)	-0.01	-0.06	-0.01	0,25

Earnings per share are determined by dividing the profit for the period attributable to shareholders of Colonia Real Estate AG by the average number of shares outstanding, except for treasury stock held by the Company itself. In comparing the first-half figures for 2009 and 2010, it should be borne in mind that the figure for the first quarter of 2009 enjoyed the benefits of a loan waiver of EUR 8.7 million.

14. Contingent Liabilities

As part of the sale of Colonia Fonds Management GmbH, Colonia Real Estate AG assumed an indemnification guarantee toward the purchasers for EUR 4.5 million, consequent upon a previous placement guarantee extended to a subsidiary of HSH Nordbank AG. As the placement process advances, Colonia Real Estate AG will receive fund shares for the same amount. In December 2009, Colonia Real Estate AG terminated the contract on which these conditions were based. The parties are currently in litigation regarding the validity of the termination. Depending on how the litigation proceeds, it may be necessary to post a deposit with the court for the potential liability. The contingent liabilities are discussed in Note 34 of the Notes to the Consolidated Financial Statements, on page 145 of the 2009

Annual Report.

15. Related Party Transactions

Milfolium Management Inc. holds 17.98% of the stock of Colonia Real Estate AG. Its holdings are attributable to the Principality of Liechtenstein, by way of Liechtensteinische Landesbank AG. Liechtensteinische Landesbank AG has extended a loan totaling EUR 4.0 million to Colonia Real Estate AG. The loan, which will fall due on October 31, 2010, bears interest at the 3-month Euribor rate plus 8.5%.

At the end of June, Colonia Real Estate AG increased its stake at CRE Resolution GmbH from 75.47% to 100%. The purchase price for the 24.53% stake amounted to EUR 2.5 million.

Otherwise there have been no changes in related party transactions as compared to the consolidated financial statements for 2009.

16. Events after the End of the Reporting Period

Since the end of the reporting period on June 30, 2010, no developments and/or events of particular significance have occurred that we expect to have a material influence on the CRE Group’s assets, liabilities, financial position and profit.

Management's Responsibility Statement

To the best of our knowledge, and in accordance with the applicable interim reporting principles, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim 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.

Cologne, August 11, 2010

Colonia Real Estate AG

Stephan Rind	Volker Lemke
CEO	CFO

Auditors' Review Report

To the Supervisory Board of Colonia Real Estate AG, Cologne:

We have reviewed the condensed interim consolidated financial statements – comprising the statement of financial position, the statement of income (loss), the statement of comprehensive income (loss), the statement of cash flows, the statement of changes in equity and selected explanatory notes – together with the interim group management report of Colonia Real Estate AG, Cologne, for the period from January 1 to June 30, 2010 that are part of the semi annual report according to § 37 w WpHG "German Securities Trading Act"). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that e plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that interim group management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting and as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Without limiting that assessment, we also refer the reader to the comments in the Risk and Opportunity section of this interim consolidated management report. There is explained that with an eye to refinancing the 2006 convertible bond issue of about EUR 60.9 million, which will mature in December 2011, the Company will have to take appropriate steps to implement its liquidity plans for 2010/2011.

Hamburg, August 11, 2010

bdp
Revision und Treuhand GmbH
Wirtschaftsprüfungsgesellschaft

Kurtkowiak	ppa. Schacht
Wirtschaftsprüfer	Wirtschaftsprüfer

Financial Calendar 2010

Date	Event
August 12.	Interim Report 2nd Quarter
Oktober 4.-6.	Expo Real, Munich
November 10.	Interim Report 3rd Quarter

Contact

Colonia Real Estate AG
Zeppelinstr. 4-8
50667 Cologne, Germany

Investor Relations
Claudia Kellert
Phone: +49 (0)221. 71 60 71-0
Fax: +49 (0)221. 71 60 71-99
ir@cre.ag
www.cre.ag