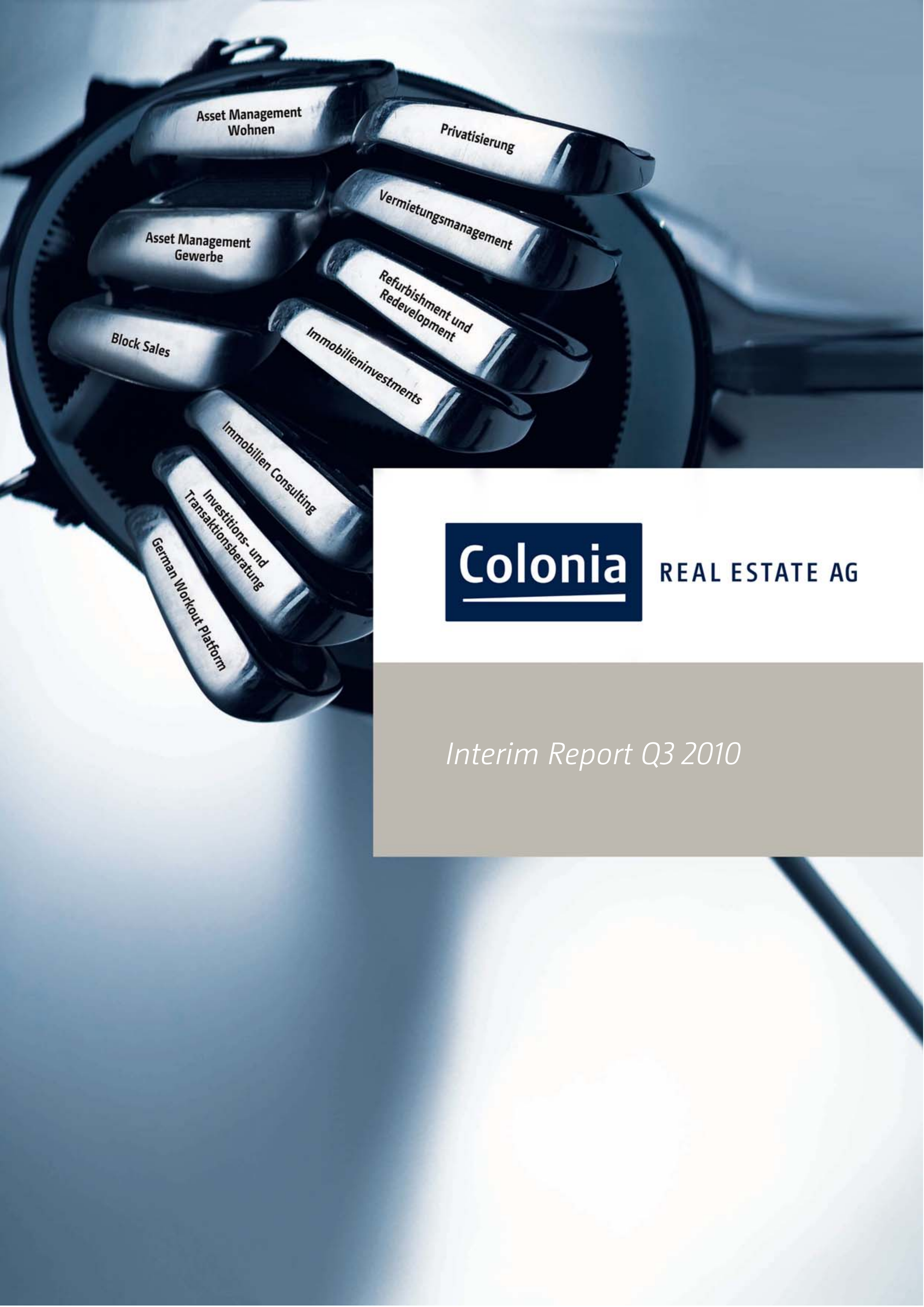


Colonia REAL ESTATE AG

Interim Report Q3 2010

Third Quarter 2010 at a Glance

Colonia Real Estate AG achieved with EUR k 6.4 break-even earnings before tax and reduced again its vacancy rate in the third quarter of 2010. After 13.6% at the start of 2010 the vacancy rate is now 12.1% at the end of the third quarter of 2010. The target for the fiscal year as a whole is a vacancy rate of less than 12%.

Higher rental income in the third quarter of 2010 of EUR 22.7 million, together with virtually unchanged operating expenses of EUR 13.0 million, resulted in rental income (net operating income) of EUR 9.7 million. In total, rental income of EUR 26.1 million was generated in the first nine months of 2010. We again increased investments in our portfolio in the third quarter. After a total of EUR 6.0 million in the first half of 2010, investments in the renovation and modernization of apartments amounted to a further EUR 4.6 million in the third quarter alone.

Our Asset Management division performed well, returning to profitability in the third quarter at EUR 0.2 million

As a result in particular of the improved rental income and the profit in Asset Management, we generated EBITDA of EUR 7.7 million in the third quarter. This marks a significant improvement after EUR 8.4 million in Q1 and EUR 3.7 million in Q2 2010, and was achieved in spite of investment spending of EUR 4.6 million in Q3 2010.

Key Figures Third Quarter and 9 Months 2010

REVENUES AND EARNINGS in EUR k	3. Quarter 2010 7./1.-9./30.2010	3 Quarter 2009 7./1.-9./30.2009	9 Months 2010 1./1.-9./30.2010	9 Months 2009 1./1.-9./30.2009
Total income (excluding finance income)	25,801.9	28,515.4	78,834.8	78,374.9
Net Rental Income (NRI)	14,239.3	14,799.0	42,383.4	45,108.9
Net Operating Income (NOI)	9,661.6	10,764.7	26,113.9	32,364.9
EBITDA	7,685.9	10,607.1	19,758.4	25,879.2
Operating result (EBIT)	7,580.3	10,567.0	23,409.7	27,206.0
EBT	6.4	2,181.8	-66.0	9,010.8
Consolidated profit for the period after tax	-34.7	2,013.3	-201.6	8,296.0

ASSETS AND CAPITAL STRUCTURE in EUR k	September 30, 2010	December 31, 2009
Non-current assets	820,937.6	845,418.2
Current assets	29,434.7	35,475.1
Non-current assets classified as held for sale	37,436.5	0.0
Equity capital	241,818.2	246,381.7
Non-current liabilities	570,904.4	587,396.6
Current liabilities	49,398.3	47,115.0
Liabilities from non-current assets held for sale	25,687.9	0.0
Total assets	887,808.8	880,893.3
Equity ratio in %	27.2%	28.0%

SHARE	
Subscribed capital on September 30, 2010	28,460,000 Euro
Number of shares September 30, 2010	28,460,000 Units
High in first 9 months 2010	4.83 Euros
Low in first 9 months 2010	3.81 Euros

Interim Group Management Report for the Third Quarter and First Nine Months of 2010

1. Business Performance and Major Events in Q3 and the First Nine Months of 2010

One of this year's most important goals was to reduce the vacancy rates in our portfolio. Each new rental of a residential unit not only increases rental income, but lowers our recurring costs for vacancies as well. To achieve our goal, we have invested extensively in modernizing our residential properties. Following EUR 6.0 million in the first half of the year, in the third quarter of 2010 we invested another EUR 4.6 million. And our investments have been paying off. The vacancy rate decreased by another 0.3 percentage points in the third quarter, to 12.1%. Thus we've come a considerable step closer to our goal of getting the vacancy rate below 12.0% by the end of the fiscal year. Since this year began, we have lowered our vacancy rate by about 11%, from 13.6% to 12.1%. And we've also increased our average rent by about 1.1%, to EUR 4.64 per square meter.

Our investments from the first half of this year, with the associated reductions in vacancies, have now begun showing their first effects in the third quarter. In spite of higher investments of EUR 4.6 million we were able to achieve a break-even consolidated result before tax. Our rental income and service charges passed on to tenants grew from EUR 19.4 million in Q2 2010 to EUR 22.7 million – an increase of EUR 3.2 million, or 16.7%. Total income from rentals and service charges passed on to tenants came to EUR 63.0 million for the first nine months of the year.

While it would appear at first glance that rental income is down by about EUR 4.0 million from the first nine months of 2009, that is solely the effect of the loss of rental income due to the sale of some 1,000 units in September 2009. We owe this increase in our rental income to our investments in capital improvements. Given those investments of EUR 10.6 million in maintenance and modernization of our residential properties in the first nine month 2010, we had to expect a temporary reduction in our net operating income. Because of that factor, as well as the loss of the rental income from the roughly 1,000 residential units sold in September 2009, our net operating income decreased to EUR 26.1 million (first 9 months of 2009: EUR 32.4 million).

But we assume that our investments and the resulting reduction in vacancies will yield a further increase in rental income in the upcoming quarters, with a consequent improvement in our net operating income.

	3. Quarter 2009	4. Quarter 2009	1. Quarter 2010	2. Quarter 2010	3. Quarter 2010
	7/1 - 9/30/2009	10/1 - 12/31/2009	1/1 - 3/31/2010	4/1 - 6/30/2010	7/1 - 9/30/2010
Vacancy rate in %	13.9	13.6	13.0	12.4	12.1
Average rent per sqm in Euro	4.59	4.59	4.60	4.59	4.64

Investment Segment

As has already been explained above, Colonia firmly set its focus for fiscal 2010 on reducing vacancy rates, especially in Salzgitter. Since the calculation of vacancy rates always represents only a snapshot as of the end of the quarter, in some portfolios the result may be an apparent deterioration in vacancy rates that is purely an artifact of timing. On the whole, however, rental rates improved again throughout our residential portfolio. The vacancy rate declined another 0.3 percentage points, to 12.1% as of the end of September 2010. So it looks as though we have almost achieved our target of lowering our vacancy rate below 12.0% in 2010.

If we look at the portfolios individually, our largest contiguous portfolio of residential real estate, in Salzgitter (about 8,700 units), performed well once again this quarter. Here we have lowered the vacancy rate from 20.4% to 18.5% since the beginning of the year. The modernization of residential units here during the first nine months of 2010 is beginning to show results. Average rent per square meter did not perform as planned, however, and remained almost unchanged from the end of 2009. Partial rent increases, or bringing rents closer to market rates, were possible this year only with a certain time lag.

Our smaller portfolios in Northern and Western Germany clearly reveal the range of fluctuation of vacancy rates that results from the timing of the reporting date. In our “Domus” portfolio (about 1,000 units in diverse locations, including Kiel, Osnabrück, Cologne and Aachen), the vacancy rate decreased from 5.8% to 3.9% in comparison to the beginning of 2010.

However, looking at this year’s end-of-quarter figures individually, the vacancy rate first decreased to 4.9% as of March 31, then rose slightly to 5.3% as of June 30, and finally declined – again as a matter of the timing of reporting dates – to 3.9% as of September 30. On top of this, average rents rose from EUR 5.17 to stabilize at EUR 5.20 per square meter.

Unfortunately, vacancy rates as of September 30 increased only slightly for the portfolios in Elmshorn/Itzehoe (about 1,500 units) and Berlin (about 4,500 units). Where the vacancy rates as of June 30 were 9.9% in Elmshorn/Itzehoe and 4.0% in Berlin, by September 30 they had risen slightly to 10.7% and 4.6%, respectively. We believe the increases in both portfolios are temporary, and essentially a consequence the reporting dates.

By contrast, rents in these portfolios improved. The average rent in Berlin rose to EUR 4.70 per square meter (December 31, 2008: EUR 4.64), and in Elmshorn/Itzehoe it even rose to EUR 5.23 per square meter (December 31, 2008: EUR 4.98).

The average rent for the entire Colonia portfolio at September 30, 2010, was EUR 4.64 per square meter. That represents an increase of about 1.1% since the end of fiscal 2009.

Services Segment

In Q3 2010 we almost completed the restructuring of our Services segment. This repositioning aimed not only to establish a consistent market image for Colonia service companies, but most importantly to make the most of synergies between those companies. We will also now be able to avoid interfaces that are unnecessary for our customers.

We formed Colonia Real Estate Solutions GmbH out of subsidiaries that formerly operated independently in the market. As part of that process, CRE Resolution GmbH and CRE Accentro GmbH, together with their services, have been transferred in full to the new service company. Colonia Real Estate Solutions GmbH is an integrated skills platform that can also offer outside clients all services having to do with every aspect of real estate, under the Colonia brand that is already well-known in the market. The range of services here runs from transaction and investment advisory services to asset management and sales advice on residential and commercial real estate. That range is supplemented by Colonia Wohnen Service GmbH, a recognized specialist in residential property management.

In preparation for these changes, Colonia Real Estate AG had already increased its stake in CRE Resolution GmbH from 75.47% to 100% during the second quarter of the year. Along the same lines, in Q3 2010 we expanded our holding in CRE Accentro GmbH to a full 100% interest, where formerly we had held a 70% stake.

The first success that the new service platform reported, at the end of September, was the extension of its cooperation agreement with GSW Immobilien AG. The contract to sell GSW privatization holdings was extended till end of year 2012. Colonia has been privatizing GSW portfolios in Berlin since as long ago as 2007, and has been the exclusive agent for that purpose since 2009.

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

Results of Operations for the Colonia Group

Compared to the first nine months of 2010, the Colonia Group's total income excluding financial income (revenue) remained almost unchanged from the same period in 2009, at EUR 78.8 million (September 30, 2009: EUR 78.4 million).

At first glance, income from rent and service charges passed on to tenants may appear to have decreased EUR 4.0 million for the first nine months of 2010 compared to last year. But here it must be borne in mind that the rental income for 2009 still included from a Berlin portfolio that was sold at the end of that September.

An additional EUR 2.9 million (other income) was added to 2009 revenues as a result of the deconsolidation of four investment companies in connection with that year's portfolio disposals.

By contrast, the first nine months of 2010 saw higher income from fair valuations. Turning to a comparison of the third quarters of 2010 and 2009, revenue was EUR 2.7 million less in Q3 2010, most of which is equivalent to the Q3 2009 income from the deconsolidation of companies as a result of portfolio disposals.

Looking at 2010 quarter-on-quarter, rental income and service charges passed on to tenants grew from EUR 21.0 million in Q1 2010 to EUR 22.7 million in Q3, or about 8.1%. Asset Management revenue increased 18.7% quarter-on-quarter.

	3. Quarter 2010	3. Quarter 2009	9 Months 2010	9 Months 2009
in EUR k	7/1-9/30/2010	7/1-9/30/2009	1/1-9/30/2010	1/1-9/30/2009
Gross rental income from investment properties and service charge income on principal basis	22,651.5	22,282.7	63,028.5	67,006.5
Proceeds on the sale of properties held for sale	780.2	1,475.0	1,888.6	1,559.3
Income from Asset Management	2,017.9	1,810.7	5,405.9	4,691.5
Other income	352.3	2,947.0	1,475.8	3,667.6
Valuation gains	0.0	0.0	7,036.0	1,450.0
Total income excluding finance income (revenues)	**25,801.9**	**28,515.4**	**78,834.8**	**78,374.9**

As has already been explained above, the rental income for the first nine months of 2009 still included the rental income from the portfolio sold in September 2009. With that amount included, net rental income for the first nine months of 2010, at EUR 42.4 million, looks EUR 2.7 million lower than a year ago. But like-for-like – meaning without the rent from the sold units – net rental income increased slightly, by EUR 1.0 million or 2.5%.

The increase in net rental income is clearer in comparison to the other quarters of 2010. Where net rental income for the first two quarters of the year was nearly constant at EUR 14.1 million, it rose slightly to EUR 14.2 million for the third quarter.

Thus the reduction in our vacancies is showing its first successes.

To reduce vacancies and consequently build rental income, during the first nine months of 2010 we invested extensively in making capital improvements in our portfolio. Following EUR 6.0 in the first half of the year, in Q3 2010 alone we invested another EUR 4.6 million out of our cash flow in maintaining and modernizing our residential properties. The result was a short-term increase in operating expenses to generate rental income in the second and third quarters of the year.

These charges caused by our investments also affected net operating income (NOI). Compared to the first nine months of 2009, NOI for the first nine months of 2010 was down from EUR 32.4 million to EUR 26.1 million. But here it must be borne in mind that the 2009 figure still included income of EUR 3.7 million from the disposal of some 1,000 residential units in September 2009. The 2010 net operating income was also affected by non-recurring charges of EUR 10.6 million for higher investments in maintenance and in the modernization of residential properties.

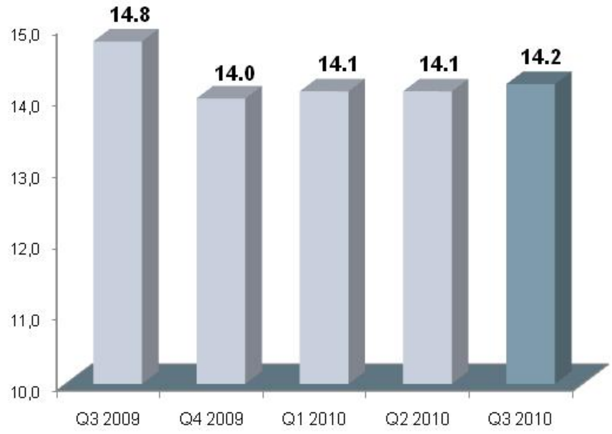
Our rental successes are clearer in comparison with the other quarters of 2010. Where net operating income for the first quarter of the year was EUR 10.4 million, the figure decreased in the second quarter to EUR 6.0 million, because of that quarter's higher investments of EUR 4.0 million (Q1 2010: EUR 2.0 million) and because of additional expenses for the settlement of service charges.

Net operating income climbed back to EUR 9.7 million in Q3 2010, in spite of the further increase in investments to EUR 4.6 million. The EUR 3.2 million increase in rental income only partly compensated for this investment volume.

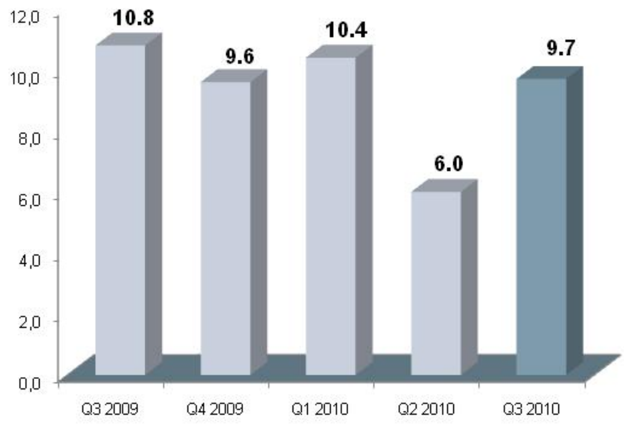
But the main point to be remembered here is that rental income increased because of the reductions in vacancies during the third quarter. And it was only the investments from the previous quarters of the year that made this vacancy reduction possible. Consequently we expect rental income to keep rising in the quarters to come, with an associated improvement in net operating income.

	3. Quarter 2010	3. Quarter 2009	9 Months 2010	9 Months 2009
in EUR k	7/1-9/30/2010	7/1-9/30/2009	1/1-9/30/2010	1/1-9/30/2009
Net Rental Income (NRI)	**14,239.3**	14,799.0	**42,383.4**	45,108.9
Net Operating Income (NOI)	9,661.6	10,764.7	26,113.9	32,364.9

Net Rental Income



Net Operating Income



The administrative expenses for the first nine months of 2010, comprising personnel expenses, office expenses, and depreciation and amortization, decreased further in comparison to the nine-month figures for 2009. Compared to EUR 8.4 million, the 2010 figure was only EUR 7.9 million, a further decrease of 4.8%. Personnel expenses especially were pared back from EUR 3.7 million to EUR 2.9 million. After nine months, we are confident that we can keep our administrative expenses at their current low level. Our long-term goal is to keep administrative expenses within a range of EUR 11.5 to 12.5 million per year.

Quarter-on-quarter for 2010, administrative expenses for the third quarter, at EUR 2.5 million, returned to the level of the first quarter. The second quarter's higher administrative expenses (EUR 2.9 million) resulted primarily from non-recurring payments associated with Friedrich Thiele's departure from the Board of Management of Colonia Real Estate AG.

	3. Quarter 2010	3. Quarter 2009	9 Months 2010	9 Months 2009
in EUR k	7/1-9/30/2010	7/1-9/30/2009	1/1-9/30/2010	1/1-9/30/2009
Personnel expenses	-905.7	-1,349.9	-2,949.9	-3,729.8
Property, plant and equipment	-1,509.3	-1,384.5	-4,818.7	-4,498.9
Depreciations	-60.7	-40.0	-179.1	-123.2
Administrative expenses	**-2,475.9**	**-2,774.4**	**-7,947.7**	**-8,351.9**
Restructuring expenses	**0.0**	**-204.4**	0.0	**-527.8**

In Q3 2010 we were able to return our Asset Management into profit zone again. With an increase of revenues from Asset Management of 19.6% and with costs remaining constant at EUR 1.8 million we achieved a positive result of EUR 0.2 million in Q3 2010.

Compared to nine month figures 2009 which showed a loss of EUR 1.5 million the Asset Management division recorded a profit of EUR 0.2 million at end of September 2010. We are confident that this business segment will show a positive contribution to consolidated profits at end of fiscal 2010 as well.

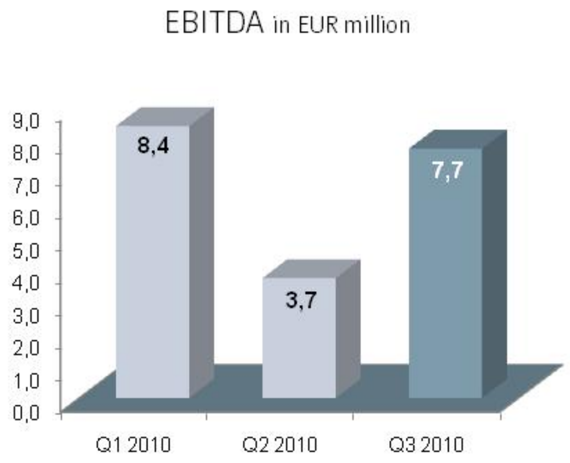
	3. Quarter 2010	**3. Quarter 2009**	**9 Months 2010**	**9 Months 2009**
in EUR k	7/1-9/30/2010	7/1-9/30/2009	1/1-9/30/2010	1/1-9/30/2009
Revenues from Asset Management	2,017.9	1,810.7	5,405.9	4,691.5
Expenses for Asset Management	-1,804.0	-2,251.0	-5,240.0	-6,211.9
Net result from Asset Management	**213.9**	**-440.3**	**165.9**	**-1,520.4**

Given our lower rental income (EUR -4.0 million in 9M 2010) as a consequence of the portfolio reduction in September 2009, together with higher investments in our holdings during the current year, EBITDA for the first nine months of 2010 decreased EUR 6.1 million from a year ago, to EUR 19.8 million. As in previous quarters, we intentionally accepted a reduction in key earnings figures so that we could invest more heavily in improvements in our residential real estate portfolio. We spent about EUR 6.0 million on maintenance and on modernizing our residential properties during the first half of the year, and another EUR 4.6 million in the third quarter alone.

Nine month figures 2010 compared to 2009 the lower rental income was also only partially compensated by an improvement of EUR 1.7 million in earnings from Asset Management and a further reduction in administrative expenses (EUR -0.4 million). It should furthermore be noted that the previous year's EBITDA was raised by non-recurring income consequent upon the deconsolidation effect of EUR 2.9 million from the disposal of a portfolio.

Accordingly, EBIT as well decreased in comparison to the first nine months of 2009, from EUR 27.2 million to EUR 23.4 million.

Compared to the other quarters of 2010, in Q3 our higher rental income raised EBITDA to EUR 7.7 million, in spite of our still-high investments of EUR 4.6 million.



A partial restructuring of our financing, scheduled repayments of loan capital, and retirements of higher-interest mezzanine loans lowered our finance costs by EUR 3.2 million, or 11.6%, compared to the first nine months of last year, to EUR 24.0 million. In spite of these savings on finance costs, the net finance expense as of September 30, 2010, had expanded to EUR 23.5 million (September 30, 2009: EUR 18.2 million). This is solely because this year we did not benefit from the EUR 8.7 million in income from a loan waiver that had been granted in Q1 2009. After adjustment for this effect, the nine-month net finance expense in 2010 improved by 12.7%.

Allowing for income taxes, the Company showed a marginal consolidated loss of EUR 0.2 million for the first nine months of 2010.

Only looking at Q3 2010 the finance costs decreased again by EUR 0.6 million (6.8%). Considering the financial result and in spite of higher investments of EUR 4.6 million our consolidated profit before tax was break-even (EUR k 6.4) in Q3 2010.

The clear focus for this fiscal year has been on reducing the vacancy rate. To achieve our goal of a vacancy rate of less than 12% for the entire portfolio, back at the beginning of 2010 we decided to carry out extensive modernization projects at our residential properties, especially our Salzgitter portfolio. In the first nine month 2010 we have spent a total of EUR 10.6 million on making our residential portfolios more readily rentable – and we financed that investment entirely out of cash flow, without any further borrowing. The reduction of vacancy rates from 13.6% to 12.1% so far this year proves that our investments are beginning to pay off. We assume that both the increase in rental income and the reduction in vacancies will continue into future quarters.

in EUR k	3. Quarter 2010 7/1-9/30/2010	3. Quarter 2009 7/1-9/30/2009	9 Months 2010 1/1-9/30/2010	9 Months 2009 1/1-9/30/2009
EBITDA	**7,685.9**	**10,607.1**	**19,758.4**	**25,879.2**
Valuation movements, net	0.0	0.0	4,023.4	1,450.0
EBIT	**7,580.3**	**10,567.1**	**23,409.7**	**27,206.0**
Income from loan waver	0.0	0.0	0.0	8,700.2
Finance costs	-7,678.7	-8,418.4	-24,027.5	-27,188.0
Finance income	104.8	33.2	551.8	292.6
EBT	**6.4**	**2,181.8**	**-66.0**	**9,010.8**
Tax	-41.1	-168.5	-135.6	-714.8
Consolidated profit after tax	**-34.7**	**2,013.3**	**201.6**	**8,296.0**

Net Assets and Financial Position of the Colonia Group

On the assets side of the balance sheet, total assets remained nearly constant compared to both the previous quarter of 2010 and the end of 2009, at EUR 887.8 million. Investment property, at EUR 787.4 million, accounts for about 88.7% of total assets all by itself. Compared to December 31, 2009, investment property decreased from EUR 814.2 million to EUR 787.4 million as of the end of the period. This reduction is entirely the consequence of the reclassification of a rather small sub-portfolio in the second quarter of 2010. Since we intend to sell this sub-portfolio, it has been reclassified under non-current assets held for sale. If we add these two items from the balance sheet together, the resulting value of the real estate is EUR 824.8 million, indicating that the carrying amounts of our properties have increased 1.3% in the first nine months of 2010.

Among current assets, property held for sale – what we call our "privatization portfolio" – decreased further due to additional disposals, to EUR 10.4 million as of September 30, 2010. Acquisitions back in the first quarter of 2010 had increased these properties held for sale by EUR 5.5 million compared to the end of 2009, to EUR 11.7 million. Ever since ownership was transferred, we have continuously sold off residential units in accordance with their use, so that these holdings can be expected to decrease further.

Colonia's equity remained almost unchanged in Q3 2010 by comparison to the previous quarter, at EUR 241.8 million. Accordingly the equity ratio also remained constant at 27.2%.

Compared to December 31, 2009, non-current financial debt decreased significantly from EUR 477.6 million to EUR 446.0 million end of September 2010. In response to the reclassification of properties on the assets side of the balance sheet because those properties are now being held for sale, the financing of those properties was also reclassified on the liabilities side. A portion of non-current financial debt was reclassified as debt directly associated with assets held for sale, and came to EUR 25.7 million at the end of Q3 2010.

If we look at Colonia's total interest-bearing debt – both current and non-current financial debt, liabilities to banks, and debt associated with properties held for sale – the total decreased slightly quarter-on-quarter in 2010, at EUR 500.3 million. Compared to the end of fiscal 2009, these interest-bearing liabilities decreased by EUR 4.3 million, or about 1% (December 31, 2009: EUR 504.6 million).

By contrast, non-current debt from the convertible bond issues increased from EUR 57.4 million at the end of 2009 to EUR 70.1 million at the end of Q3 2010. Most of the EUR 12.7 million increase is the result of a new convertible bond issue in May 2010.

A detailed description of the remaining terms of our pertinent loans and the convertible bonds can be found in Note 8 in the notes to the interim financial statements.

ASSETS	**September 30,**	**December 31,**
in EUR k	**2010**	**2009**
Non-current assets	820,937.6	845,418.2
Current assets	29,434.7	35,475.1
Non-current assets classified as held for sale	37,436.5	0,0
Total assets	**887,808.8**	**880,893.3**
EQUITY AND LIABILITIES		
Equity	241,818.2	246,381.7
Non-current liabilities	570,904.4	587,396.6
Current liabilities	49,398.3	47,115.0
Liabilities from non-current assets held for sale	25,687.9	0,0
Total equity and liabilities	**887,808.8**	**880,893.3**

Cash generated by operating activities increased substantially in comparison to the first two quarters of 2010, to EUR 8.3 million (Q1 2010: EUR 6.5 million and Q2 2010: EUR 6.0 million). Thus the first nine months generated a cash inflow from operating activities of EUR 20.8 million (Q1-Q3 2009: EUR 18.3 million). A partial restructuring of our financing and repayments of loan capital reduced interest payments by about EUR 3.5 million, or 15.9%, between the two nine-month periods.

All in all, operating activities in the first nine months of 2010 generated a net cash inflow of EUR 2.9 million. In the first nine months of 2009, operating activities yielded a net cash outflow of EUR 2.9 million.

Net cash used in investing activities totaled EUR 9.6 million for the first nine months of the year, most of which was spent for investments in renovating investment property (EUR 6.4 million) and payments for the acquisition of equity interests (EUR 2.6 million).

In making comparisons with the first nine months of 2009, it should be borne in mind that the EUR 1.7 million in cash generated by investing activities last year resulted primarily from the net payments received from disposals of companies (EUR 7.3 million) and of real estate (EUR 1.5 million).

Because of the payments received from convertible bond issue in May 2010, the net cash generated by financing activities came to EUR 2.4 million as of September 30, 2010, despite loan capital repayments of EUR 11.7 million.

In spite of the net cash generated by operating activities and financing activities, the extensive investments in capital improvements in our real estate portfolio and the resulting net cash outflow for investing activities yielded a net change of EUR -4.3 million in our cash and cash equivalents. Thus as of September 30, 2010, net cash and cash equivalents came to EUR 5.3 million, including liquid funds of EUR 9.8 million.

	9 Months 2010	**9 Months 2009**
in EUR k	1/1 – 9/30/2010	1/1 – 9/30/2009
Cash flow generated/used for operating activities	2,891.2	-2,873.9
Cash flow used in investing activities	-9,567.6	1,659.3
Cash flow used/generated by financing activities	2,404.8	10,347.1
Changes in cash and cash equivalents	**-4,271.6**	**9,132.5**
Effects of exchange rate changes	-12.7	-62.1
Cash and cash equivalents at beginning of period	9,618.6	10,410.1
Cash and cash equivalents at end of period	**5,334.3**	**19,480.5**
thereof cash funds	9,816.1	21,765.5
thereof current bank accounts	-4,481.8	-2,285.0

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. The management of Colonia Real Estate AG 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.

The consolidated profit for 2010 will also be affected by the realization of proceeds from the disposal of real estate. These rather small available-for-sale residential real estate portfolios lie outside what we have defined as the Company's core regions, and were already as of June 30, 2010reclassified on the balance sheet as "assets classified as held for sale".

With regard to the maturity of the 2006 convertible bond issue in December 2011, which has a redemption value of EUR 60.9 million, it should be pointed out that 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

After the end of the period, on October 13, 2010, the Board of Management and Supervisory Board of Colonia Real Estate AG approved a cash capital increase, making partial use of the Authorized Capital of 10% of the Company's share capital, and excluding shareholder's preemptive rights. The 2,845,990 new shares were placed with German and international institutional investors by way of an accelerated bookbuilding process on October 14, 2020, at a price of EUR 3.80 per share. Thus the Company's share capital has increased from EUR 28,460,000 to EUR 31,305,990.

The gross proceeds from the new stock issue came to about EUR 10.8 million. After issuing fees and costs have been deducted, these funds will be used primarily for future expansion and the associated acquisition of residential real estate portfolios, as well as for investments in the Company's existing residential real estate portfolios.

The new shares have been admitted for trading on the Regulated Market of the Frankfurt Stock Exchange and in the Prime Standard segment of the Frankfurt Stock Exchange, and are fully entitled to collect dividends as of January 1, 2010.

After the end of the reporting period, on November 1, 2010, TAG Immobilien AG has informed us according to article 21, section 1 WpHG that its voting rights on Colonia Real Estate AG on October 27, 2010 amounted 21.43%. On November 5, 2010 Milfolium Management Inc. has informed us that it hold no longer shares of Colonia Real Estate AG.

5. Report on Expected Developments

The economic upswing in Germany continued in the second quarter of 2010. Gross domestic product rose 2.2% from the previous quarter. Major economic indicators for our business model also improved better than expected. Unemployment decreased to 2.95 million or 7.0 % in October 2010, and in parallel, disposable income and consumer spending both rose. But we must still wait and see how the federal government's initial attempts at savings will affect economic conditions in Germany.

Independently from the performance of the German economy, the German residential real estate market is proving more than stable. Not only did the number of transactions grow by roughly another 20% in the first half of 2010, but average rents in cities with populations over 100,000 are showing a slight rising trend, according to an LBS study.

We took advantage of our stable income from the rental business, especially in the second and third quarters of the year, to make extensive investments in capital improvements in our portfolio. The goal of those expenditures was not only to increase the value of our portfolio, but especially to reduce vacancies and thus increase our rental income. We have been seeing these choices pay off not only in a reduction in the vacancy rate to 12.1%, but also in the third quarter's higher rental income. We assume that we can continue this uptrend in the quarters to come.

With a vacancy rate of 12.1%, by the end of the third quarter of the year we were already significantly closer to our 2010 goal of a vacancy rate below 12.0%. The higher rental income from Q3 2010 also indicates that we will achieve our goal of increasing rental income as well, on a like-for-like basis, by year's end.

Also our Asset Management business line returned into profit zone again after first nine month 2010. We expect that this part of our business will show a positive contribution to consolidated profits at end of fiscal 2010 as well.

All in all, we are confident that by the end of the fiscal year we will achieve our goals:

- to reduce the vacancy rate below 12%,
- to increase rental income,
- to generate income from the disposal of non-core portfolios at more than their carrying amounts, and
- to acquire rather small portfolios in our core regions.

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

AKTIVA

in EUR k	September 30, 2010	December 31, 2009
Non-current assets		
Investment properties	787,387.9	814,210.0
Property, plant and equipment	769.8	666.9
Intangible assets	3,415.1	3,435.1
Investments in associates	8,214.6	8,213.6
Other financial assets	6,674.5	6,302.5
Deferred tax assets	14,475.7	12,590.1
Total non-current assets	**820,937.6**	**845,418.2**
Current assets		
Properties held for sale	10,386.3	6,264.6
Income tax receivables	627.6	1,707.7
Receivables and other assets	8,589.7	14,430.9
Securities	15.0	0.0
Cash and cash equivalents	9,816.1	13,071.9
Total current assets	**29,434.7**	**35,475.1**
Assets classified as held for sale	**37,436.5**	**0.0**
TOTAL ASSETS	**887,808.8**	**880,893.3**

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

EQUITY AND LIABILITIES

in EUR k **Equity**	**September 30, 2010**	**December 31, 2009**
Subscribed capital	28,460.0	28,460.0
Other reserves	231,904.5	234,305.4
Components of result for period not recognized in profit or loss	-19,879.6	-18,330.6
Currency translation	-55.6	-43.0
Treasury stock	0.0	-11.6
Retained earnings	1,361.9	1,537.5
Total shareholders´equity	**241,791.2**	**245,917.7**
Minority interests	27.0	464.0
Total equity	**241,818.2**	**246,381.7**
Non-current liabilities		
Financial liabilities	445,998.1	477,558.1
Convertible bond	70,087.5	57,377.2
Provisions for pensions and similar obligations	64.1	57.2
Derivate financial instruments (non-current)	10,525.2	9,728.5
Deferred tax liabilities	44,229.5	42,675.6
Total non-current liabilities	**570,904.4**	**587,396.6**
Current liabilities		
Bank loans	4,481.8	3,453.3
Financial liabilities (current)	24,142.9	23,576.9
Derivative financial instruments (current)	5,595.9	3,703.8
Account payables, trade and other payables	14,848.3	15,364.0
Tax liabilities	329.4	1,017.0
Total current liabilities	**49,398.3**	**47,115.0**
Liabilities from non-current assets held for sale	**25,687.9**	**0.0**
TOTAL EQUITY AND LIABILITIES	**887,808.8**	**880,893.3**

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

in EUR k	3 Quarter 2010 7./1.-9./30.2010	3 Quarter 2009 7./1.-9./30.2009	9 Months 2010 1./1.-9./30.2010	9 Months 2009 1./1.-9./30.2009
Total income (excluding finance income)	**25,801.9**	**28,515.4**	**78,834.8**	**78,374.9**
Total expenses (excluding finance costs)	**-18,221.6**	**-17,948.4**	**-55,425.1**	**-51,168.9**
Gross rental income from investment properties and service charge income on principal basis	22,651.5	22,282.7	63,028.5	67,006.5
Property operating expenses	-12,989.9	-11,518.0	-36,914.6	-34,641.6
Net operating income from rents	**9,661.6**	**10,764.7**	**26,113.9**	**32,364.9**
Revenues from Asset Management	2,017.9	1,810.7	5,405.9	4,691.5
Expenses for Asset Management	-1,804.0	-2,251.0	-5,240.0	-6,211.9
Net result from Asset Management	**213.9**	**-440.3**	**165.9**	**-1,520.4**
Proceeds on the sale of properties held for sale	780.2	1,475.0	1,888.6	1,559.3
Carrying amount of sold properties	-742.2	-1,128.4	-1,729.5	-1,195.7
Net income on disposal of trading properties	**38.0**	**346.6**	**159.1**	**363.6**
Administrative expenses	**-2,475.9**	**-2,774.4**	**-7,947.7**	**-8,351.9**
Restructuring costs	**0.0**	**-204.4**	**0.0**	**-527.8**
Other income	352.3	2,947.0	1,475.8	3,667.6
Other expenses	-209.6	-72.2	-525.2	-240.0
Other income, net	**142.7**	**2,874.8**	**950.6**	**3,427.6**
Net result on disposal of investment properties	**0.0**	**0.0**	**-55.5**	**0.0**
Unrealized valuation gains	0.0	0.0	7,036.0	1,450.0
Unrealized valuation losses	0.0	0.0	-3,012.6	0.0
Valuation movements, net	**0.0**	**0.0**	**4,023.4**	**1,450.0**
Operating profit before finance costs	**7,580.3**	**10,567.0**	**23,409.7**	**27,206.0**
Finance costs	-7,678.7	-8,418.4	-24,027.5	-27,188.0
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	104.8	33.2	551.8	292.6
Financial results	**-7,573.9**	**-8,385.2**	**-23,475.7**	**-18,195.2**
Consolidated profit for the period before taxes	**6.4**	**2,181.8**	**-66.0**	**9,010.8**
Income tax expenses	-41.1	-168.5	-135.6	-714.8
Consolidated profit for the period	**-34.7**	**2,013.3**	**-201.6**	**8,296.0**

Colonia Real Estate AG

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

in EUR k	3 Quarter 2010 7./1.-9./30.2010	3 Quarter 2009 7./1.-9./30.2009	9 Months 2010 1./1.-9./30.2010	9 Months 2009 1./1.-9./30.2009
Attributable to:				
Equity holders of the parent company	-27.8	1,994.0	-175.6	8,090.3
Minority interests	-6.9	19.3	-26.0	205.7
Consolidated profit for the period	**-34.7**	**2,013.3**	**-201.6**	**8,296.0**
Earnings per share (in Euros)				
Basic	0.00	0.08	-0.01	0.32
Diluted	0.00	0.07	0.00	0.35
Consolidated profit for the period	**-34.7**	**2,013.3**	**-201.6**	**8,296.0**
Fair valuation of hedging instruments (Cashflow-Hedges) Non-cash change	1,753.4	1,081.7	-1,863.9	-5,360.8
Deferred taxes on changes in value recognized directly in equity	-281.5	-173.3	294.9	872.5
Total income and expenses recognized directly in equity	**1,471.9**	**908.4**	**-1,569.0**	**-4,488.3**
Total recognized income and expenses (total net profit)				
Attributable to:				
Equity holders of the parent company	1,432.9	2,904.6	-1,732.7	3,617.6
Minority interests	4.1	17.1	-37.9	190.1
Total recognized income and expenses (total net profit)	**1,437.0**	**2,921.7**	**-1,770.6**	**3,807.7**

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

in EUR k	9 Months 2010 1./1. - 9./30.2010	9 Months 2009 1./1. - 9./30.2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated profit for the year	-201.6	8,296.0
Plus net interest income	23,475.7	18,195.2
Plus income tax	135.6	714.8
= Net operating profit before finance costs	**23,409.7**	**27,206.0**
Share-based compensation	159.1	777.5
Unrealized valuation movements	-4,349.4	-1,450.0
Gains on deconsolidation	0.0	-3,349.9
Gain/loss on disposal of investment property	55.5	-346.6
Loss from sale of property, plant and equipment/intangible assets	2.1	0.0
Changes in pension provisions	7.0	12.5
Amortization of intangible assets	225.5	0.0
Depreciation of property, plant and equipment	146.6	328.8
Other non-cash changes	-193.2	-314.5
Changes in properties held for sale	1,729.4	-2,171.9
Changes in financial liabilities attributable to properties held for sale	0.0	-478.0
Changes in receivables	158.4	4,827.0
Changes in liabilities	-515.7	-6,787.3
Cash generated from operations	**20,835.0**	**18,253.6**
Interest paid	-18,341.6	-21,799.1
Interest received	181.3	97.9
Income taxes paid	216.5	573.7
Net cash used in operating activities	**2,891.2**	**-2,873.9**
INVESTITIONSTÄTIGKEIT		
Net proceeds from sale of investment property	103.2	1,475.0
Proceeds from sale of property, plant and equipment / intangible assets	5.0	0.0
Capital expenditure on investment properties	-6,423.7	-6,278.0
Other payments for property, plant and equipment and intangible assets	-462.1	-58.4
Payment for other real estate	-168.5	0.0
Payment for purchase of securities	-15.0	0.0
Payment for other investments in associates and loans	-2,606.5	-782.9
Net proceeds/payments for business combinations	0.0	7,303.6
Net cash used in investing activities	**-9,567.6**	**1,659.3**
Proceeds from issue of share capital	0.0	16,604.2
Payment of transaction costs for issue of share capital	0.0	-222.8
Payment to minority	-343.4	-550.2
Proceeds from borrowings	15,758.9	30,546.8
Repayment of borrowings	-11,719.5	-36,030.9
Expenses for convertible bond	-1,291.2	0.0
Net cash generated by financing activities	**2,404.8**	**10,347.1**
Net change in cash and cash equivalents	-4,271.6	9,132.5
Cash and cash equivalents at beginning of period	9,618.6	10,410.1
Effects of exchange rate changes	-12.7	-62.1
Cash and cash equivalents at end of period	**5,334.3**	**19,480.5**

Colonia Real Estate AG
Statement of Changes in Consolidated Equity from January 1, till September 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	-1,549.0	0.0	-1,549.0	-11.9	-1,560.9
Consolidated profit for the period	0.0	0.0	-175.6	0.0	0.0	0.0	-175.6	-26.0	-201.6
Total profit or loss for the period	0.0	0.0	-175.6	0.0	-1,549.0	0.0	-1,724.6	-37.9	-1,762.5
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	159.1	0.0	0.0	0.0	0.0	159.1	0.0	159.1
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	-399.1	-399.1
Transaction between shareholders	0.0	-2,548.4	0.0	0.0	0.0	0.0	-2,548.4	0.0	-2,548.4
Currency translation	0.0	0.0	0.0	0.0	0.0	-12.6	-12.6	0.0	-12.6
As of September 30, 2010	**28,460.0**	**231,904.5**	**1,361.9**	**0.0**	**-19,879.6**	**-55.6**	**241,791.2**	**27.0**	**241,818.2**

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	-4,472.7	0.0	-4,472.7	-15.6	-4,488.3
Consolidated profit for the period	0.0	0.0	8,090.3	0.0	0.0	0.0	8,090.3	205.7	8,296.0
Total profit or loss for the period	0.0	0.0	8,090.3	0.0	-4,472.7	0.0	3,617.6	190.1	3,807.7
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	777.5	0.0	0.0	0.0	0.0	777.5	0.0	777.5
Transaction between shareholde	0.0	413.7	0.0	0.0	0.0	0.0	413.7	0.0	413.7
Changes in minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-888.0	-888.0
Currency translation	0.0	0.0	0.0	0.0	0.0	-62.1	-62.1	0.0	-62.1
As of September 30, 2009	**28,460.0**	**234,301.3**	**1,522.8**	**-7.1**	**-18,783.9**	**-62.1**	**245,431.0**	**361.3**	**245,792.3**

Interim Financial Statements and Notes to the Interim Financial Statements of Colonia Real Estate AG as of September 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 Colonia Group, an investment and management company operating in Germany. The integrated business model is based on two pillars: The investment segment concentrates primarily on the acquisition and management of high-yield residential real estate for the company portfolio and co-investments in commercial and residential real estate with renowned partners. The second pillar in the business model of the Colonia comprises the service segment. Colonia Real Estate Solutions which is a 100 percent subsidiary of Colonia Real Estate AG, provides all services along the life cycle of a property in a modular manner.

2. Principles of Preparation of the Consolidated Financial Statements

The condensed consolidated interim financial statements of Colonia Real Estate AG at September 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 third 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.

In management's opinion the present unaudited consolidated interim financial statements 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 nine months 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 three 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 September 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 Colonia. At September 30, 2010, the fair value of investment property came to EUR 787.4 million, of which EUR 775.2 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”. Compared to June 30, 2010 fair value was nearly the same (June 30, 2010: EUR 784.8 million).

5. Investments in Associates and Other Financial Assets

At September 30, 2010, the Colonia Group held equity investments with a carrying amount of EUR 8.2 million, and associated shareholder loans of EUR 6.7 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 June 30, 2010. A detailed discussion of the Colonia 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 properties held for sale decreased to EUR 10.4 million at September 30, 2010.

7. Equity

The issued capital of Colonia Real Estate AG at September 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 remained almost stable with EUR 241.8 million in the third quarter compared to Q2 2010, (December 31, 2009: EUR 246.4 million; June 30, 2010: EUR 240.4 million). Changes in equity can be found in the statement of changes in consolidated equity.

We would like to inform that due to a capital increase of 10% authorized capital increased by EUR 2,845,990 on October 14, 2010 to a total of EUR 31,305,990.

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 interest-bearing liabilities decreased slightly in comparison to December 31, 2009, by EUR 4.3 million, to EUR 500.3 million, due to repayments of principal. Compared to December 31, 2009 the item for convertible bonds increased by EUR 12.7 million to EUR 70.1 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	9/30/2010	12/31/2009
in EUR k		
2010	13,356.6	12,245.9
2011	60,905.6	60,905.6
2012	17,170.6	21,138.2
2013	217,616.2	218,273.7
2014	130,764.4	131,516.7
2015 ff.	136,413.7	123,069.0
Total	**576,227.1**	**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 9.7 million for the third quarter of 2010. In the first nine months 2010 net operating income from rents in total came to EUR 26.1 million.

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. There was no valuation in the third quarter 2010.

11. Net Finance Income

The net finance income comprises the following:

	3. Quarter 2010	3. Quarter 2009	9Months 2010	9Months 2009
in EUR k	7/1-9/30/2010	7/1-9/30/2009	1/1-9/30/2010	1/1-9/30/2009
Interest on long-term loans	-6,902.6	-7,158.0	-22,158.2	-24,879.8
Interest on short-term liabilities	-504.8	-793.3	-1,032.6	-1,374.0
Ineffective portions of swaps	-271.3	-467.1	-836.7	-934.2
Finance costs	**-7,678.7**	**-8,418.4**	**-24,027.5**	**-27,188.0**
Income from loan waver	**0.0**	**0.0**	**0.0**	**8,700.2**
Finance income	**104.8**	**33.2**	**551.8**	**292.6**
FINANCIAL RESULT	**-7,573.9**	**-8,385.2**	**-23,475.7**	**-18,195.2**

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 Colonia Group operates entirely in Germany.

9Months 2010	Residential	Commer-cial	Asset Management	Reconcilia-tion	Group
1/1-9/30/2010	EUR k	EUR k	EUR k	EUR k	EUR k
Income (Revenues)*	73,276.3	1,151.1	6,586.2	-2,178.8	78,834.8
EBITDA	24,697.7	938.3	942.0	-6,819.6	19,758.4
EBIT	28,712.1	938.0	749.0	6.989.7	23,409.7

* Total income (excluding finance income)

9Months 2009	Residential	Commer-cial	Asset Management	Reconcilia-tion	Group
1/1 – 9/30/2009	EUR k	EUR k	EUR k	EUR k	EUR k
Income (Revenues)*	78,441.2	1,069.3	5,586.7	-6,722.3	78,374.9
EBITDA	36,988.4	859.2	-661.5	-11,306.9	25,879.2
EBIT	38,561.6	859.2	-661.5	-11,553.3	27,206.0

* Total income (excluding finance income)

Income in the Residential segment decreased compared to 9M 2009, to EUR 73.3 million (–6.6%). However, it must be borne in mind that the net figure for the first nine month of 2009 still included rental income of EUR 3.7 million from some 1,000 residential units that were sold in the third quarter 2009 as well as earnings of EUR 2.9 million as a result of the deconsolidation of residential investment companies. The Asset Management segment's income increased in the first nine months 2010, by EUR 1.0 million or 17.9%, to EUR 6.6 million.

Looking at the profit figures, the Residential segment's operating profit (EBIT) for the first nine month of 2010 decreased in comparison to 9M 2009, from EUR 38.6 million to EUR 28.7 million. Because of the portfolio sale in September 2009 and the valuation movements comparison of nine month figures 2010 with 2009 is not entirely meaningful. In the third quarter 2010 the Asset Management segment showed again a small profit before interest and tax (EBIT) with EUR 0.4 million. Also the nine month 2010 Asset Management EBIT came to a positive result of EUR 0.7 million. The positive nine month figures clearly show the first outcome of our service division restructuring.

13. Earnings per Share

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 nine month 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.

	9 Months 2010	9 Months 2009	9 Months 2010	9 Months 2009
	4/1- 9/30/2010	4/1- 9/30/2009	1/1/- 9/30/2010	1/1- 9/30/2009
Earnings attributable to holders of common stock of the parent company (EUR k)	-9.7	-1,994.0	-175.6	8,090.3
Average number of shares issued (in thousands)	28,460	28,460	28,460	25,414.8
Basic earnings per share (EUR)	-0.00	0.07	-0.01	0.33

14. Contingent Liabilities

As part of the sale of Colonia Fonds Management GmbH, Colonia Real Estate AG assumed an indemnification guarantee 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. 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

In the reporting period Q3 2010 Milfolium Management Inc. held 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 bearing interest at the 3-month Euribor rate plus 8.5% and was fully repaid on October 31, 2010.

Due to the restructuring of our service segment by founding the service platform Colonia Real Estate Solutions, Colonia Real Estate AG increased its stake at CRE Resolution GmbH from 75.47% to 100% at the end of June. The purchase price for the 24.53% stake amounted to EUR 2.5 million. Furthermore, Colonia Real Estate AG took over the outstanding shares of CRE Accentro GmbH in September 2010, holding now also 100% of the subsidiary.

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

After the end of the period, on October 13, 2010, the Board of Management and Supervisory Board of Colonia Real Estate AG approved a cash capital increase, making partial use of the Authorized Capital of 10% of the Company's share capital, and excluding shareholder's preemptive rights. The 2,845,990 new shares were placed with German and international institutional investors by way of an accelerated bookbuilding process on October 14, 2020, at a price of EUR 3.80 per share. Thus the Company's share capital has increased from EUR 28,460,000 to EUR 31,305,990. The gross proceeds from the new stock issue came to about EUR 10.8 million.

After the end of the reporting period, on November 1, 2010, TAG Immobilien AG has informed us according to article 21, section 1 WpHG that its voting rights on Colonia Real Estate AG on October 27, 2010 amounted 21.43%. On November 5, 2010 Milfolium Management Inc. has informed us that it hold no longer shares of Colonia Real Estate AG.

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, November 10, 2010

Colonia Real Estate AG

Stephan Rind	Volker Lemke
CEO	CFO

Financial Calendar 2010

Date	Event
November 10, 2010	Interim Report 3rd Quarter 2010
November 22-24, 2010	German Equity Forum, Frankfurt/Main

Contact

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