



LEG
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LEG Immobilien AG

FY Results 2014

25th March 2015

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Agenda

- I. Highlights FY-2014
- II. Portfolio and Operating Performance
- III. Financial Performance
- IV. Business Update and Outlook
- V. Appendix

I. Highlights FY-2014

Overall company development in Q4-2014

- Preparation of €900m early refinancing
- Analysis for accelerated efficiency gains (at least €5m)
- Start of tender process of energy services business/ leading utility company new strategic partner
- Successful integration of NRW-Vitus portfolio
- Building up new acquisition pipeline

Leading operating performance

- In-place rent €5.07/sqm (+3.0% like-for-like, +3.4% for free-financed units)
- Vacancy 2.7% I-f-I (-20bps YOY)
- Maintenance/capex of €13.81/sqm in line with budget
 - Focus on efficient deployment of capital

Financials: Compelling growth at low risk

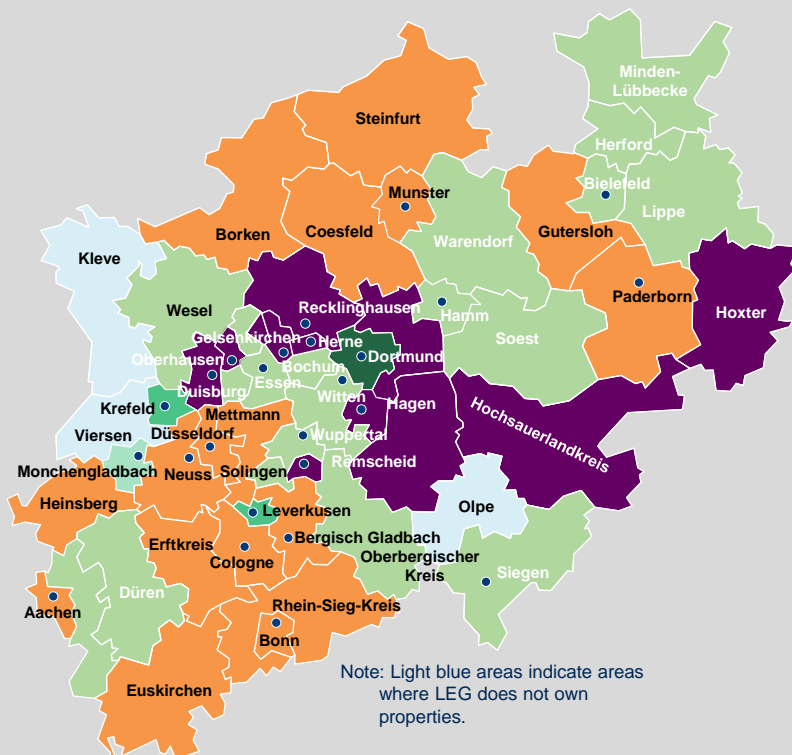
- Rental income €390.1m (+8.2% YOY from €360.5m)
- Adjusted EBITDA €259.3m (+11.9% YOY from €231.7m);
 - Strong underlying margin improvement
- FFO I €163.6m, €3.04 per share (+15.9% YOY from €141.2m)
- AFFO €120.2m (+23.3% YOY from €97.5m)
- NAV (excl. goodwill) €52.69 per share (+6.7% YOY)
- DPS €1.96, +13.3% YOY, payout ratio of 68.4%



II. Portfolio and Operating Performance

Portfolio Overview

Strong operational performance across all submarkets



Total Portfolio		
	FY-2014	Δ (YOY)
# of units	106,961	+13.4%
In-place rent (sqm)	€5.07 (€5.11)*	+2.3% (+3.0%)*
Occupancy	97.2% (97.3%)*	+10 bps (+20 bps)*

High-Growth Markets		
	FY-2014	Δ (YOY)
# of units	32,847	+4.3%
In-place rent (sqm)	€5.71 (€5.73)*	+3.0% (+3.2%)*
Occupancy	98.9% (99.0%)*	+10 bps (+20 bps)*

Stable Markets with Attractive Yields		
	FY-2014	Δ (YOY)
# of units	42,916	+23.9%
In-place rent (sqm)	€4.81 (€4.80)*	+2.9% (+2.7%)*
Occupancy	97.0% (96.9%)*	+50 bps (+30 bps)*

Higher-Yielding Markets		
	FY-2014	Δ (YOY)
# of units	29,284	+9.7%
In-place rent (sqm)	€4.69 (€4.70)*	+2.5% (+2.6%)*
Occupancy	95.6% (95.7%)*	+/-0 bps (+/-0 bps)*

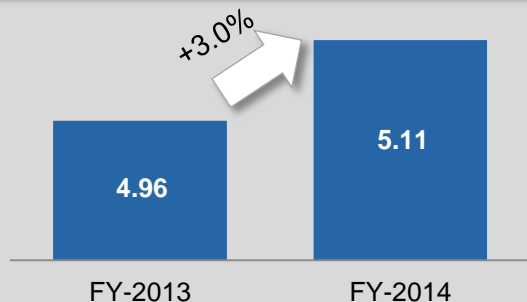
* like-for-like

Rent Development

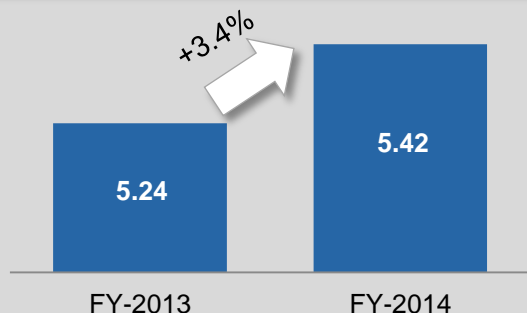
Attractive portfolio + operational excellence = strong rent growth



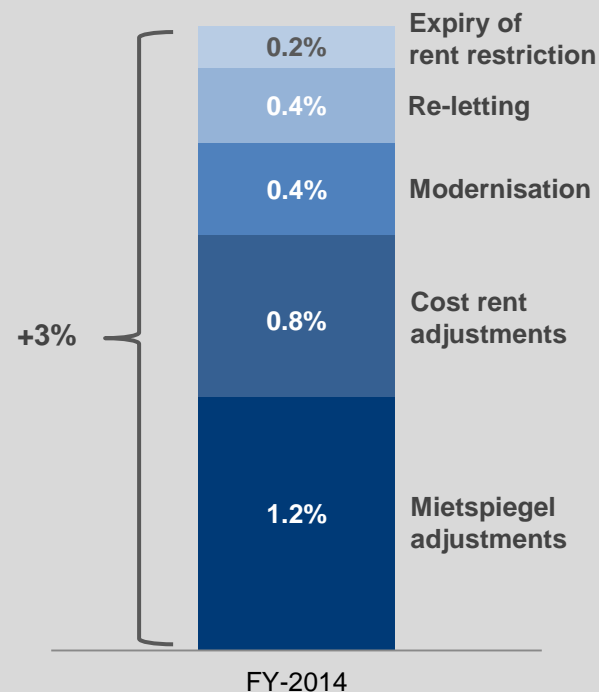
L-f-I Residential Rent (€ /sqm /month)



L-f-I Free-financed Rent (€ /sqm /month)



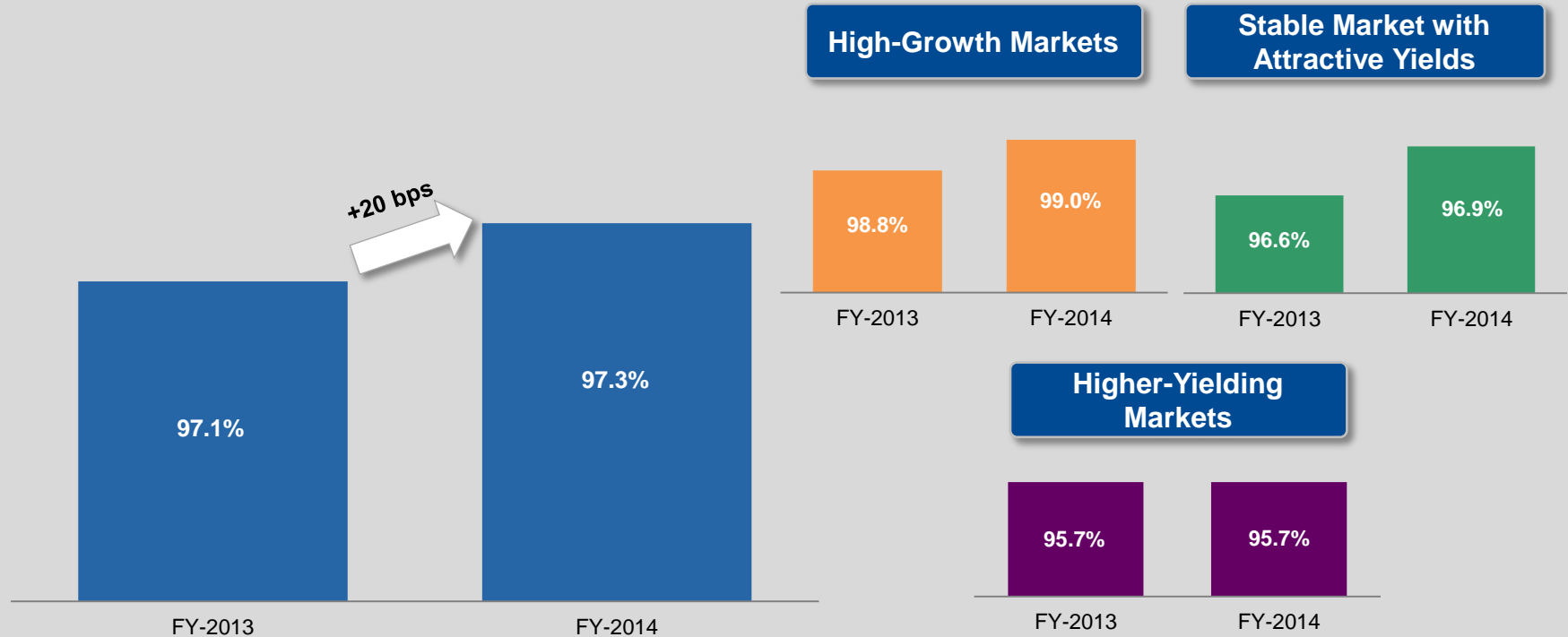
Rental Growth Drivers



- Sound growth while maintaining strict capital discipline (growth relative to investments)
- Regional focus as competitive edge
- Well diversified mix of growth drivers

Occupancy Development (like-for-like)

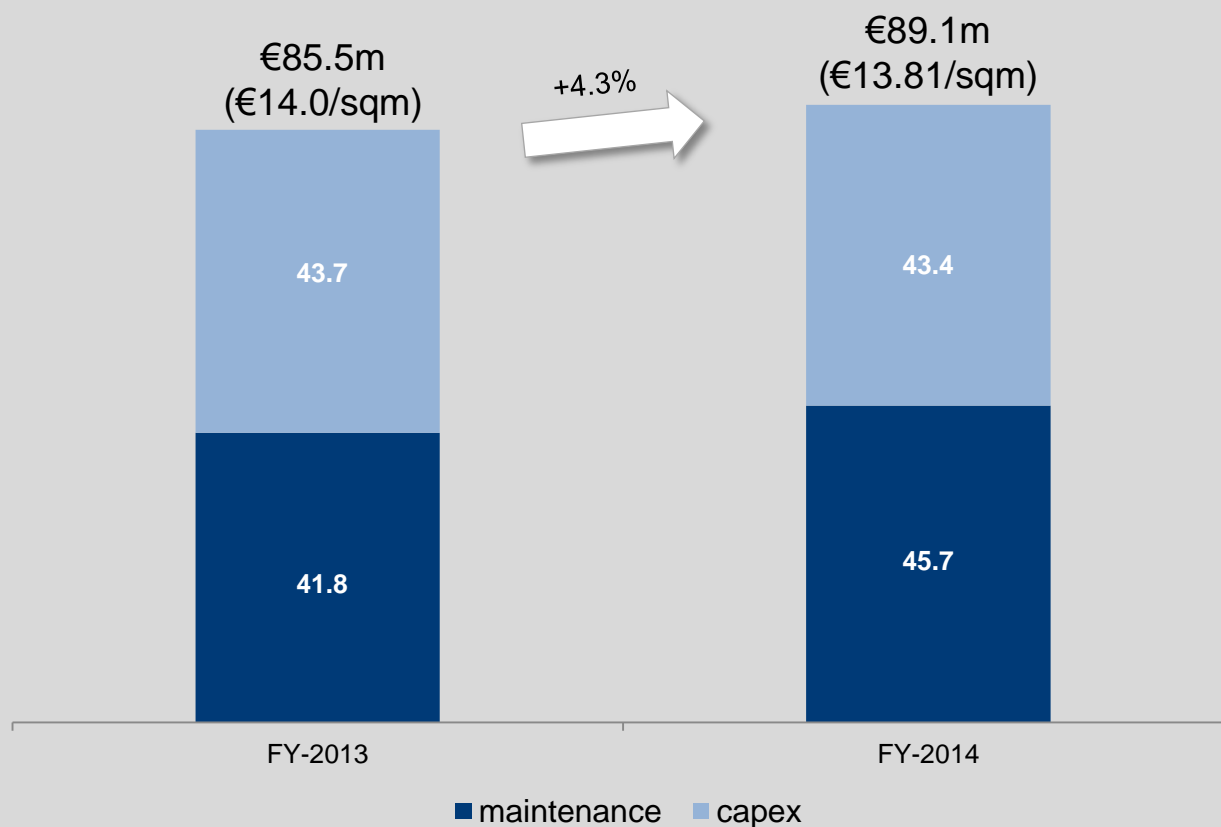
Attractive portfolio + operational excellence = low vacancies



- Strong letting momentum in Q4-2014 across all submarkets
 - Especially strong momentum in Green and Purple Markets in Q4
 - Higher investments in Q4 with focus on vacant apartments (attractive return potential)
- KPI's rent growth, vacancy reduction and capex are balanced with one another (optimising the mix)

Capex & Maintenance

Well maintained asset base

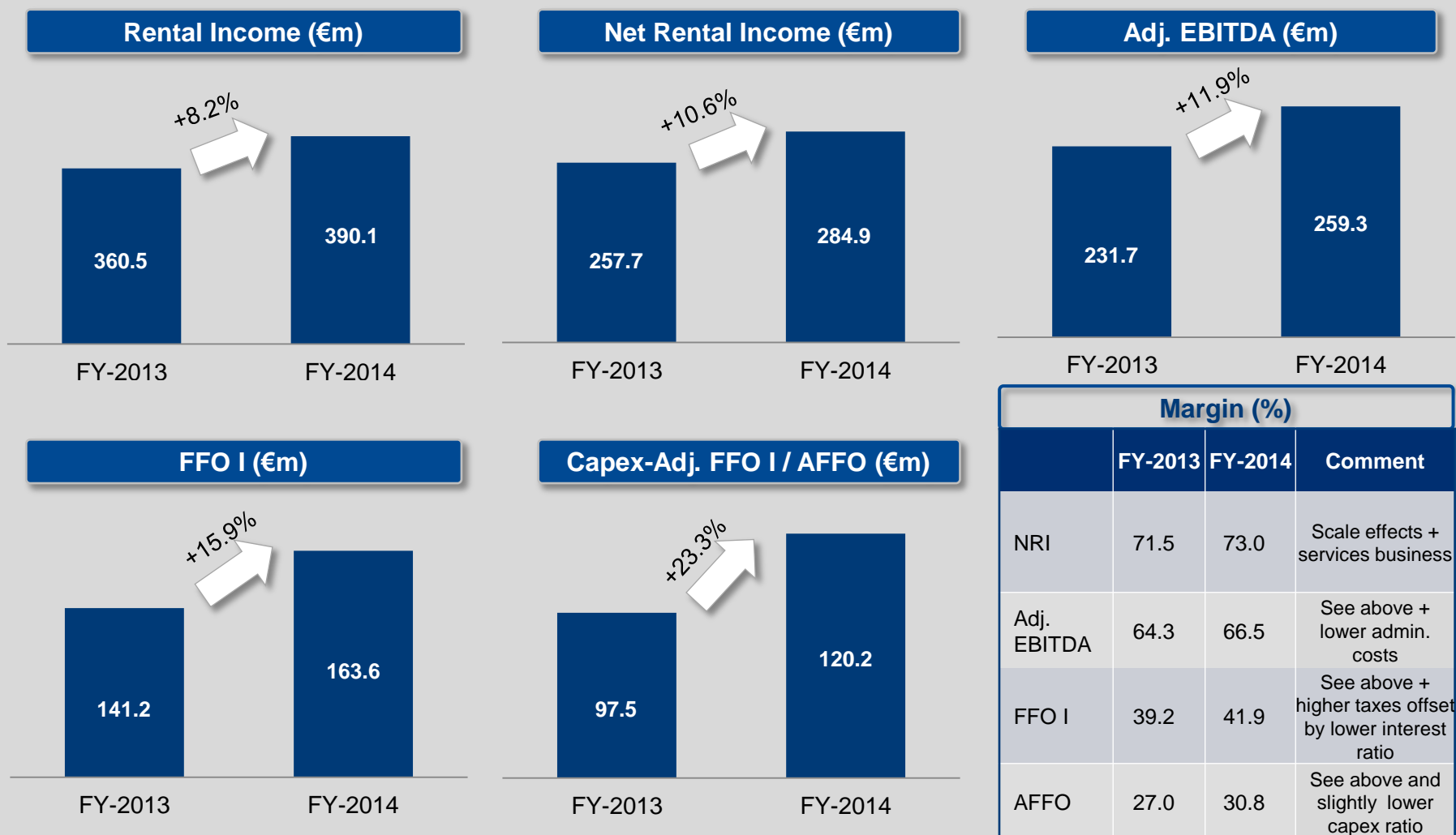


- FY-2014 spending of €13.81/sqm in line with budget of €13-14/sqm
- Higher initial investments in acquired portfolios (upgrade to LEG standards)
- Slightly higher budget for 2015 of approx. €15/sqm due the acquisitions
- Investments yielding attractive returns
 - Further vacancy decrease
 - Rent adjustments

III. Financial Performance

Financial Highlights FY-2014

Margin expansion on back of sound topline growth + cost discipline



Income Statement FY-2014

Condensed Income Statement (€ million)	2014	2013	
Net rental and letting income	284.9	257.7	<ul style="list-style-type: none"> Higher rental income (+€29.6m/+8.2%) Higher maintenance (-€3.9m) and personnel costs due to portfolio growth largely offset by multimedia revenues NRI-margin increased from 71.5% to 73.0% YOY
Net income from the disposal of investment property	-1.7	-1.7	
Net income from the valuation of investment property	143.0	81.6	
Net income from the disposal of real estate inventory	-3.1	-3.1	
Net income from Other services	-0.3	2.3	<ul style="list-style-type: none"> €1.2m Long Term Incentive Plan – non cash pass-through item Higher project and one-off costs in 2013 Lower recurring admin. costs (€33.1m vs. €35.2m)
Administrative and Other expenses	-41.6	-51.5	
Other income	0.5	0.2	
Operating earnings	381.7	285.5	
Net finance costs	-162.2	-126.9	<ul style="list-style-type: none"> Lower non-cash loan amortisation (+€5.6m) Tax reimbursement (+€5.7m) Result from fair value measurement of derivatives (-€44.7m YOY; thereof €33.7m from convertible) Cash interests (€94.6m vs. €91m)
Earnings before income taxes	219.5	158.6	
Income tax expense	-62.7	-21.7	<ul style="list-style-type: none"> Negative one-offs: €6.1m (tax audit) and €8.9m (write-down tax asset) Cash taxes -€1.2m
Consolidated net profit	156.8	136.9	

Adjusted EBITDA FY-2014

€ million	2014	2013
EBITDA	390.3	294.1
Net income from the valuation of investment property	-143.0	-81.6
Long-term incentive program (LTIP)	1.2	3.3
Non-recurring project costs	5.8	7.9
Extraordinary and prior-period expenses and income	0.2	3.2
Net income from the disposal of investment property	1.7	1.7
Net income from the disposal of real estate inventory	3.1	3.1
Adjusted EBITDA	259.3	231.7

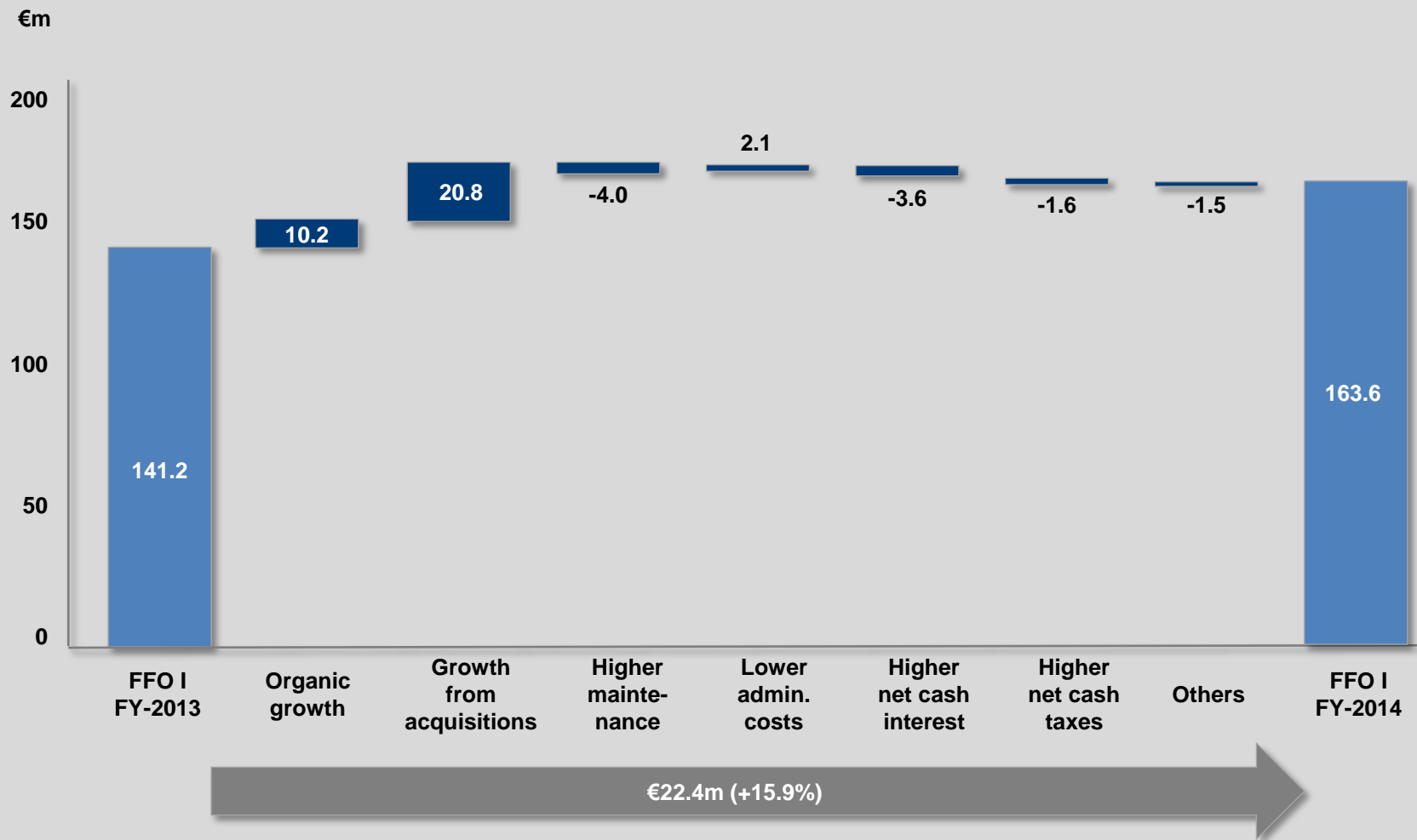
- +€29.6m higher rental income
- +€61.4m higher result from fair value measurement of properties
- +€5.1m lower project and one-time costs

- Winding down former development business
- Disposals at premium to book values (€5.7m vs. €5.1m)
- Total inventories €4.2m

FFO Calculation FY-2014

€ million	2014	2013	
Adjusted EBITDA	259.3	231.7	
Cash interest expenses and income	-94.5	-91.0	<ul style="list-style-type: none"> ▪ Slightly higher financial charges due to acquisitions ▪ Interest cost ratio slightly decreasing (24.2% vs. 25.2% in FY-2013)
Cash income taxes	-1.2	0.5	
FFO I (not including disposal of investment property)	163.6	141.2	
Net income from the disposal of investment property	-1.7	-1.7	<ul style="list-style-type: none"> ▪ Disposal of non-core assets at premium to book values (€37.6m vs. €37.2m)
FFO II (including disposal of investment property)	161.9	139.5	
Capex	-43.4	-43.7	
Capex-Adjusted FFO I (AFFO)	120.2	97.5	<ul style="list-style-type: none"> ▪ +€22.7m supported by slightly lower capex ratio

FFO Bridge FY-2014



Focus: Cash Effective Interest Expense FY-2014

€ million	2014	2013
Reported interest expense	128.5	131.4
Interest expense related to loan amortisation	-24.6	-30.2
Refinancing fees	0.0	-2.9
Prepayment penalties	0.0	0.0
Interest on shareholder loans	0.0	-0.2
Interest charges relating to valuation of assets/liabilities	-2.3	-2.3
Leasing related interest expense	-1.5	-1.6
Interest expenses related to changes in pension provisions	-4.0	-3.6
Other interest expenses	-0.2	-0.2
Bank charges	-0.3	1.5
Interest income	-1.0	-0.9
Cash effective interest expense	94.6	91.0

- Including interest expenses of -€4.5m related to convertible bond

- Moderate increase due to acquisitions
- Interest coverage improved further (2.7x up from 2.5x YOY)

EPRA-Net Asset Value FY-2014

Attractive portfolio yield + hidden reserves from services business



€ million	31.12.2014	31.12.2013
Equity (excl. minority interests)	2,477.3	2,248.8
Effect of exercising options, convertible loans and other rights	308.7	-
NAV	2,786.0	2,248.8
Fair value of financial derivatives	136.1	52.0
Deferred taxes	372.5	315.3
EPRA-NAV	3,294.6	2,616.1
Number of shares fully-diluted incl. convertible (m)*	62.043	52.963
EPRA-NAV per share in €	53.10	49.39
Goodwill, resulting from synergies	25.9	-
Adjusted EPRA-NAV (excl. goodwill)	3,268.7	2,616.1
Adjusted EPRA-NAV per share in €	52.69	49.39

- +€156.8m net profit
- +€202.9m capital increase
- -€91.6m dividend payment
- -€53.1m other comprehensive income

Property valuation

- Value uplift +2.8% (post impairment of 1.5% for increased RETT)
- Stable portfolio yield of 7.2%

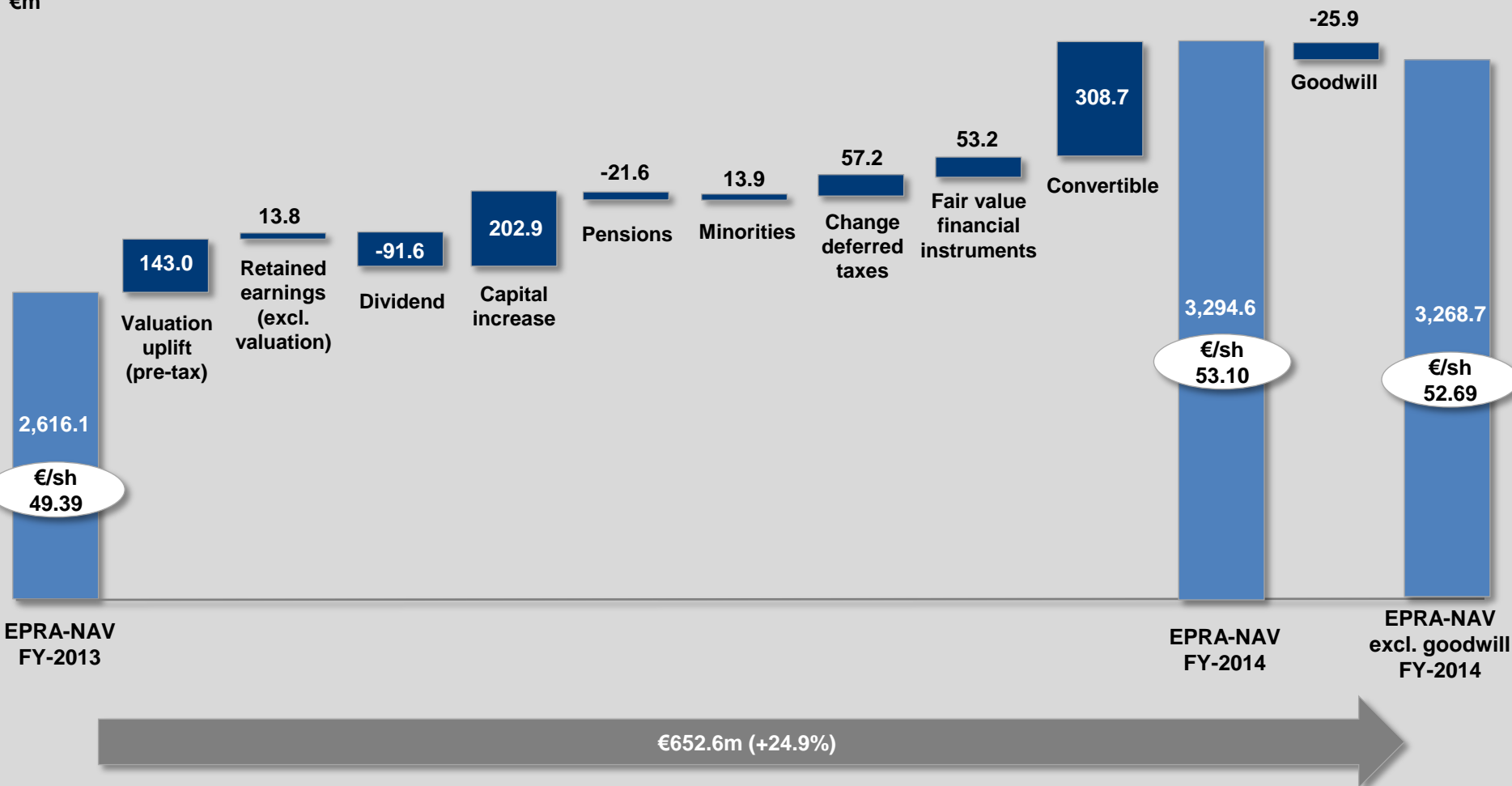
Services

- Expected future FFO >€10m (€10m/6% = €166m or c. €2.70 per share)

*Actual number of shares outstanding 57.063m

EPRA-Net Asset Value Bridge FY-2014

€m



Balance Sheet FY-2014

Strong balance sheet secures defensive profile

€ million	31.12.2014	31.12.2013
Investment property	5,914.3	5,163.4
Prepayment for investment property	16.8	6.9
Other non-current assets	155.8	91.9
Non-current assets	6,086.9	5,262.2
Receivables and other assets	35.9	33.8
Cash and cash equivalents	129.9	110.7
Current assets	165.8	144.5
Assets held for disposal	58.4	16.4
Total Assets	6,311.1	5,423.1
Equity	2,491.6	2,276.1
Non-current financial liabilities	2,546.5	2,396.7
Other non-current liabilities	612.3	443.9
Non-current liabilities	3,158.8	2,840.6
Current financial liabilities	413.8	187.0
Other current liabilities	246.9	119.4
Current liabilities	660.7	306.4
Total Equity and Liabilities	6,311.1	5,423.1

- Purchases €615.9m
- Valuation uplift €143m
- Capex €43.4m
- Reclassification -€51.4m

- Equity ratio of 39.5%

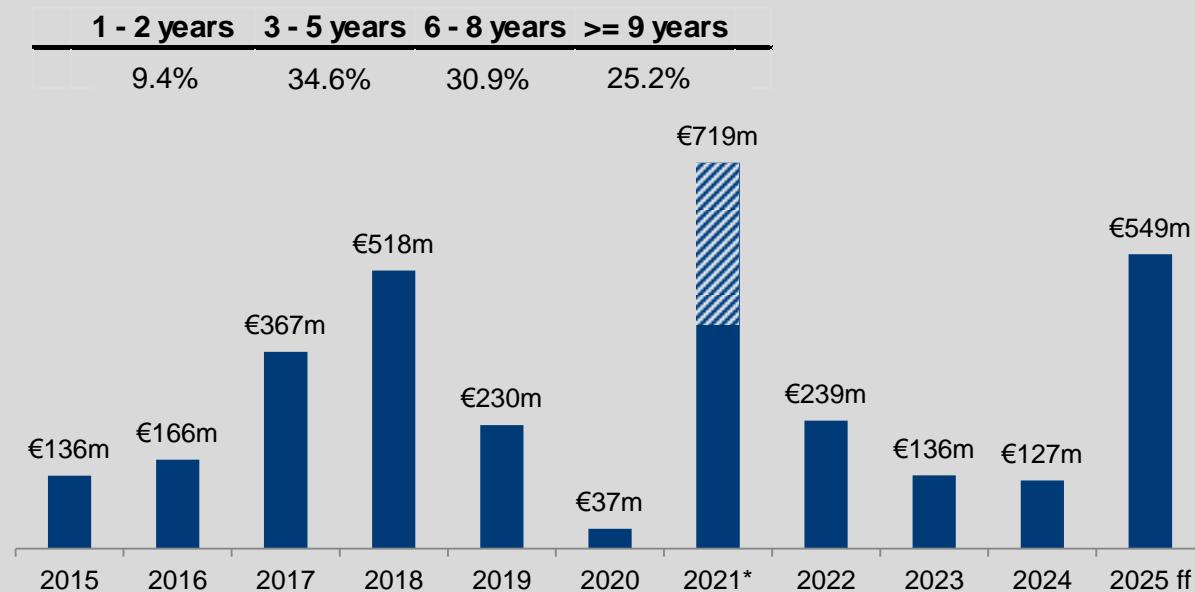
LTV FY-2014

Headroom for external growth

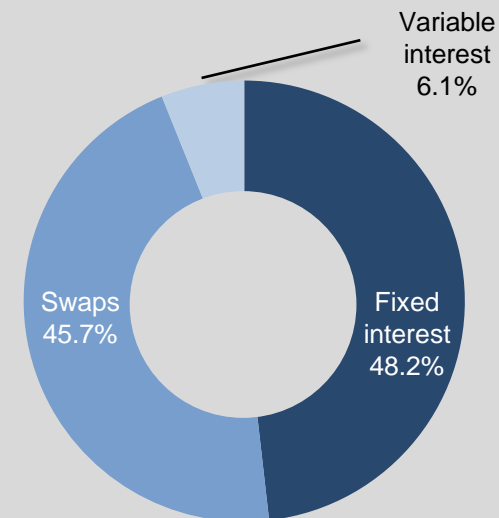
€ million	31.12.2014	31.12.2013
Financial debt	2,960.3	2,583.7
Cash & cash equivalents	129.9	110.7
Net Debt	2,830.4	2,473.0
Investment properties	5,914.3	5,163.4
Properties held for sale	58.4	16.4
Prepayment for investment properties	16.8	6.9
Property values	5,989.5	5,186.7
Loan to Value (LTV) in %	47.3	47.7
Equity	2,491.6	2,276.1

- Financial firepower approx. €500m
- Positive impact on LTV from future conversion of convertible expected (currently -430bps)

Financing Structure FY-2014



* Maturity 2021 with investor put option 2019 (€300 m convertible bond)



Average debt maturity:

▪ approx. 10 years

Interest costs:

▪ Ø 2.84% (incl. convertible bond)

Hedging ratio:

▪ 93.9%

External growth supports further decrease in average interest costs

Pro-Forma Financing Structure (Post Refinancing)

Further strengthening of best-in-class financing structure



LT secured debt, well-balanced maturity profile, low cost of debt

Avg. debt maturity: ▪ > 11 years

Interest costs: ▪ \emptyset < 2.3%



* Investor put option 2019 (€300m convertible bond)

Refinancing Targets	
Volume	approx. €900m
One-off charges (estimate)	€60m
Payback period	3.5 years
Avg. debt maturity new loans	approx. 10 years
Avg. interest cost	
- new loans	< 2%
- replaced old loans	3.86%

Very attractive refinancing environment for LEG

- Significant decline in credit margins + ultra low rates
- Increasing competition among lenders – LEG preferred partner due to strong credit profile
- Window of opportunity to lock-in cheap cost of debt for foreseeable future

IV. Business Update and Outlook

Business Update

Growth for value



Efficiency programme

- Comprehensive approach covering operating and overhead functions
- Official kick-off for implementation in March

Launch of energy services business

- A leading utility company gained as new strategic partner; start in H2-2015
- First positive earnings contribution in FY-2016
- Medium term FFO target: >€4m p.a.; positive one-off effect in FY-2015

Successful integration of NRW Vitus portfolio

- LEG's regional focus and leading property management expertise is paying off
- Smooth integration in a timely manner
- Operational performance beating our projections
- Vacancy reduction of c.100bps within ~3 months

Business Update

Growth for value



Acquisition pipeline – on track for FY targets

- Building-up of new acquisition pipeline after signing of Vitus NRW transaction
- In negotiation and due diligence process for several smaller and midsize deals
- Deal activity is providing high level of comfort for FY-targets
- LEG remains partner of choice for deals in NRW

Acquisitions: Creating Tangible Value

31.12.2014			Closing		Change	
Units	In-place rent € / sqm	Occupancy	In-place rent € / sqm	Occupancy	In-place rent € / sqm	Occupancy
8,176*	5.19	95.0%	4.95	94.7%	0.24 (+4.8%)	~ +40 bp

New-letting (Closing – 31.12.2014)		Previous rent (Closing – 31.12.2014)		
sqm	In-place rent € / sqm	sqm	In-place rent € / sqm	Change In-place rent
68,559*	5.67	70,672	5.25	+8.0%

- Dynamic rent growth confirms attractive reversionary potential
 - Average in-place rents +4.8% (within avg. 14 months), re-lettings +8.0%
- Steadily rising occupancy in past three quarters
 - Initiated capex programme is bearing fruit

* Acquisitions since end-2012 excl. NRW Vitus transaction

Outlook 2015 & 2016

2015	Guidance
FFO I:	€195m - €200m/ €3.42 - €3.50; excl. future acquisitions
L-F-L rent growth:	2.3% - 2.5%
L-F-L vacancy:	≤ 2.7%
Maintenance/Capex:	€15/sqm (capex ratio c. 50%)
Acquisitions (mid term target):	≥ 5,000 units p.a.
Dividend:	65% of FFO I

2016	Guidance
FFO I:	€223m - €227m/ €3.91 - €3.98; excl. future acquisitions

V. Appendix

Mietspiegel overview

Expected new Mietspiegel in 2015

Release date (expected)	High-Growth Market ¹	Stable Market ¹	Higher-Yielding Market ¹	Total Portfolio ^{1,2}
2015 (Q1)	9,789 units (mainly Cologne, Monheim)	18,343 units (mainly Dortmund, Hamm)	2,526 units	31,342 units
2015 (Q2)	6,653 units (mainly Münster)	10,139 units (mainly Mönchengladbach)		16,792 units
2015 (Q3)	1,488 units (mainly Bocholt)	4,310 units (mainly Wuppertal)	266 units	6,064 units
2015 (Q4)	2,761 units (mainly Bonn)		1,109 units (mainly Dorsten)	3,870 units
Total ^{1,2}	20,691 units	32,792 units	3,901 units	58,068 units

Thereof:			
- Bonn	2,225 units		
- Cologne	3,705 units		
- Dortmund		12,554 units	
- Essen		1,786 units	
- Gütersloh	1,788 units		
- Hamm		3,974 units	
- Mönchengladbach		6,050 units	
- Monheim	3,436 units		
- Münster	6,098 units		
- Wuppertal		2,031 units	

¹ Sub-portfolios also include restricted units

² Total Portfolio also include 684 units Non NRW

LEG – Adj. EBITDA Margin

Leading profitability in the sector



Adj. EBITDA margin	2014		2013	
	€m	margin %	€m	margin %
As reported	259.3	66.5	231.7	64.3
Gap restricted vs. unrestricted rents*	21.2	68.2	22.5	66.4

* €/sqm: €4.61 vs. €5.33 in 2014, €4.50 vs. €5.24 in 2013

- EBITDA as reported distorted by restricted units (compensation for lower rents included in interest results)
- Scenario analysis: closing gap between restricted vs. unrestricted rents; **Adjusted EBITDA margin approx. 170 bps higher**

Portfolio (as of 31 December 2014)

Sound property fundamentals basis for value growth



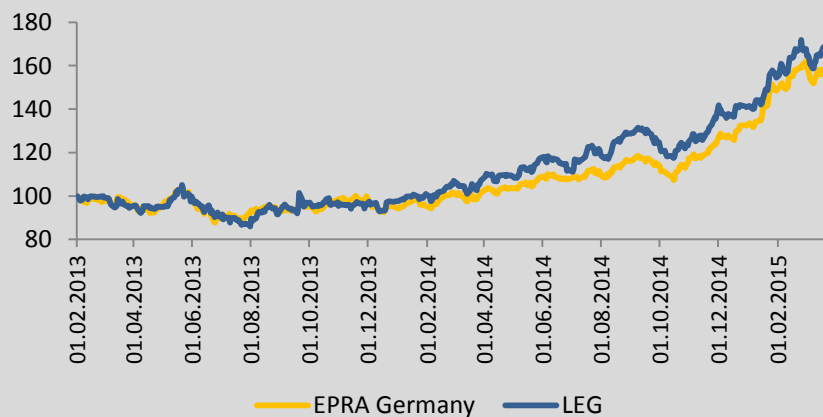
Market	Residential Units	GAV Residential Assets (€m)	% of Total Residential GAV	GAV/sqm (€)	In-Place Rent Multiple	GAV Commercial/ Other Assets (€m)	Total GAV
High-Growth Markets	32,847	2,337	41%	1,112	16.3x	164	2,501
Stable Markets with Attractive Yields	42,916	2,067	36%	733	13.0x	80	2,147
Higher-Yielding Markets	29,284	1,157	20%	639	11.8x	42	1,198
Subtotal NRW	105,047	5,560	98%	826	13.9x	286	5,846
Portfolio outside NRW	1,914	114	2%	864	14.5x	9	123
Total Portfolio	106,961	5,674	100%	827	13.9x	295	5,969
Other Assets							48
Total (incl. Landbank and DevCo)							6,016

LEG Share Information

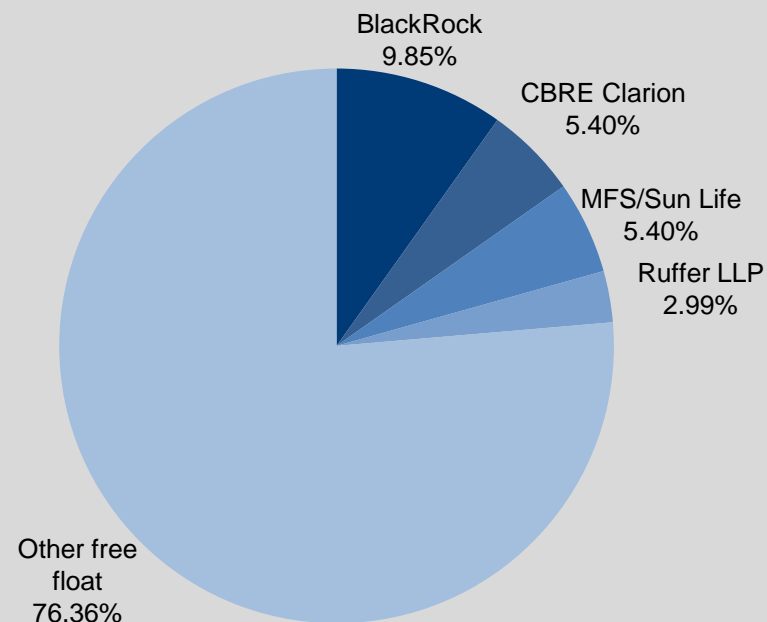
Basic Data

- Prime Standard, Frankfurt Stock Exchange
- Total no. of shares: 57,063,444 (as of Dec 31, 2014)
- Ticker symbol: LEG
- WKN: LEG111/ ISIN: DE000LEG1110
- Indices: MDAX, FTSE EPRA/NAREIT, GPR 250, Stoxx Europe 600
- Weighting: MDAX 2.7%; EPRA 2.3%

Share price (indexed; 31.01.2013 = 100)



Shareholder Structure



Well-balanced shareholder structure

Source: LEG; shareholdings according to latest voting rights notifications

Financial Calendar

Date	Report/Event
25.03.2015	Annual Report 2014
26.03.2015	Roadshow London (Deutsche Bank)
27.03.2015	Commerzbank German Residential Property Forum 2015, London
30.03.2015	Roadshow Zurich (Société Générale)
16.04.2015	Bankhaus Lampe Conference (Baden-Baden)
05.05.2015	IR: Hamburger Investmentkonferenz (Donner & Reuschel)
13.05.2015	Quarterly Report Q1 as of 31 st March 2015

Contact



LEG Immobilien AG – Investor Relations

Burkhard Sawazki

Head of Investor Relations

Tel: +49 211 4568 204

burkhard.sawazki@leg-nrw.de

Karin Widenmann

Manager Investor Relations

Tel: +49 211 4568 458

karin.widenmann@leg-nrw.de

Hans-Boeckler-Str. 38

40476 Dusseldorf

Germany



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gewohnt gut.

Thank you for your interest.