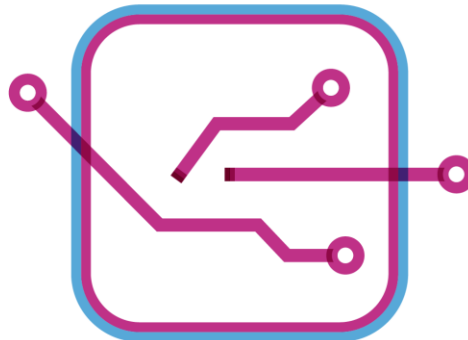


CAPTURE CHANCES DRIVE INNOVATION



LEG Immobilien AG

10 August 2018

H1-2018 Results

Disclaimer



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I. HIGHLIGHTS H1-2018

II. PORTFOLIO AND OPERATING PERFORMANCE

III. FINANCIAL PERFORMANCE

IV. BUSINESS UPDATE AND OUTLOOK

V. APPENDIX

Overall company development in H1

- | | |
|---------------------------------|--|
| ▪ Portfolio revaluation: | Valuation uplift of +4.1% (€384m) in H1, further capital growth in H2 expected |
| ▪ Acquisition: | Acquisition of c. 3,750 units in core markets close to signing |

Accelerating rent momentum ahead

- | | |
|-------------------------------|--|
| ▪ In-place rent, I-f-I | €5.54/sqm (+2.7%; free financed units +3.5%); FY-2018 target c.3.0% |
| ▪ EPRA-Vacancy, I-f-I | 3.4% (-10 bps YOY) |
| ▪ Maintenance/Capex | €11.3/sqm (+56.9% YOY) |

Financials: On track for FY growth targets; Higher H1-18 maintenance expenses

- | | |
|------------------------------------|---|
| ▪ Net cold rent | €277.4m (+5.2% YOY from €263.7m) |
| ▪ Adjusted EBITDA | €199.9m (+3.1% YOY from €193.8m) <ul style="list-style-type: none">▪ Adj. EBITDA pre-maintenance (+5.4% YOY) |
| ▪ FFO I | €156.4m (+5.1% YOY from €148.8m), €2.48 per share (+5.1% YOY from €2.36) <ul style="list-style-type: none">▪ FFO I pre-maintenance (+7.6% YOY) |
| ▪ EPRA-NAV (excl. goodwill) | €88.46 per share (up from €83.81 in Q4; +5.5% YTD despite DPS payout of €3.04) |

I. HIGHLIGHTS H1-2018



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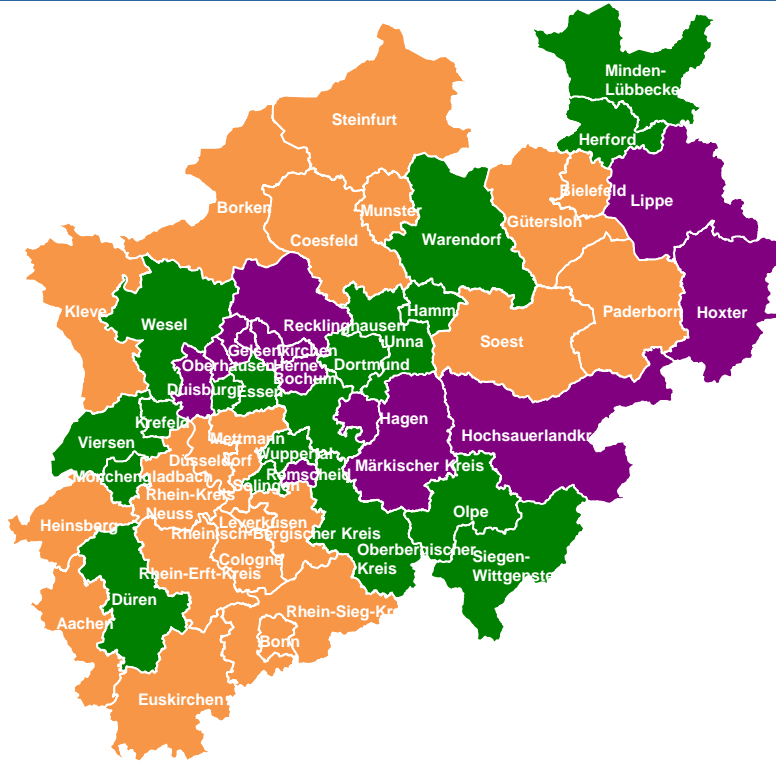
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Portfolio Overview

Positive rent development across all submarkets



Strong results on the basis of tailor-made management strategies



High-Growth Markets

	30.06.2018	Δ (YOY)
# of units	41,341	+6.2%
In-place rent (sqm), l-f-l	€6.14	+2.6%
EPRA-Vacancy, l-f-l	1.9%	+20 bps

Stable Markets

	30.06.2018	Δ (YOY)
# of units	47,565	+1.2%
In-place rent (sqm), l-f-l	€5.27	+2.6%
EPRA-Vacancy, l-f-l	3.1%	-20 bps

Higher-Yielding Markets

	30.06.2018	Δ (YOY)
# of units	39,468	0.6%
In-place rent (sqm), l-f-l	€5.19	+3.0%
EPRA-Vacancy, l-f-l	5.8%	-20 bps

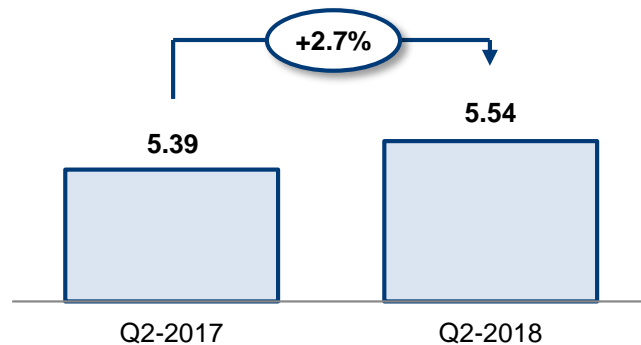
Total Portfolio

	30.06.2018	Δ (YOY)
# of units	130,224	+2.5%
In-place rent (sqm), l-f-l	€5.54	+2.7%
EPRA-Vacancy, l-f-l	3.4%	-10 bps

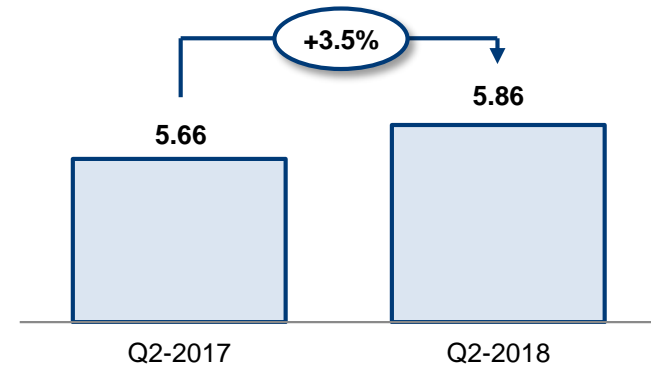
Rent Development

Accelerating rent growth ahead

L-f-I residential rent (€/sqm/month)



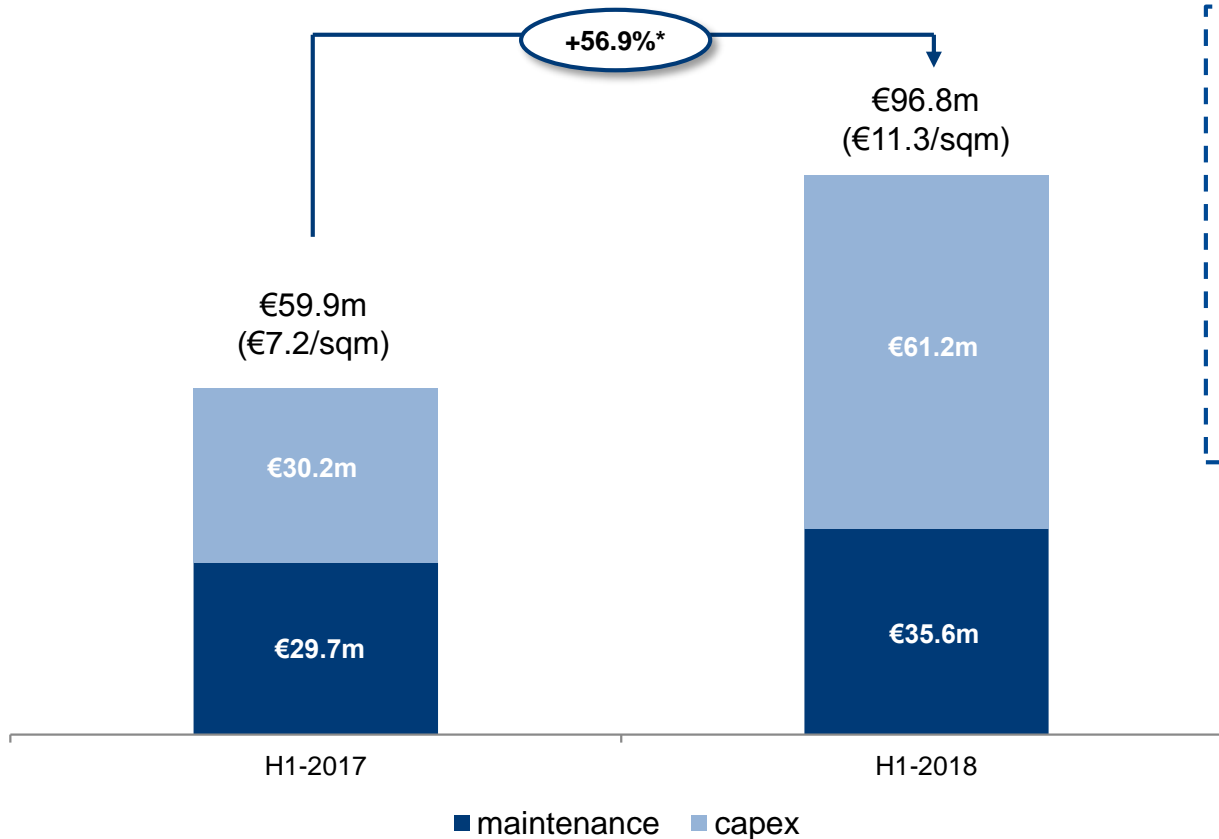
L-f-I free financed rent (€/sqm/month)



- Further growth acceleration expected in H2; FY-2018 target of c.3.0% maintained
- Rent restricted units: +0.3% year-on-year (like-for-like)
- High capital efficiency maintained (growth relative to capex)
- High exposure to structural growth markets and respective commuter belts supports outperformance

Capex & Maintenance

Rising value enhancing investments ahead



- Outlook FY-2018 of c.€30/sqm maintained
- Rising share of value enhancing capex measures
 - Capex ratio 63.2% in H1
 - Further increase in H2 ahead (FY ratio of c.70% expected)

*on a sqm basis

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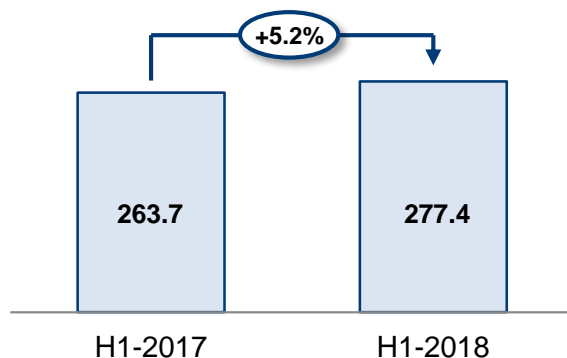
V. APPENDIX

Financial Highlights H1-2018

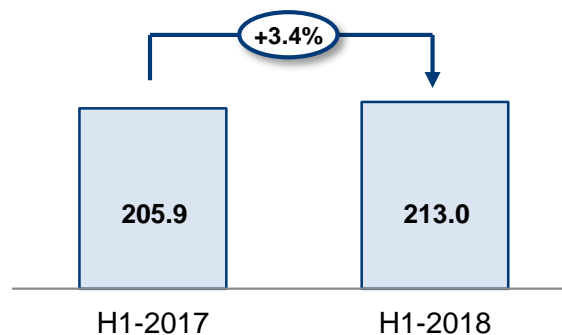
Margin expansion story is set to continue



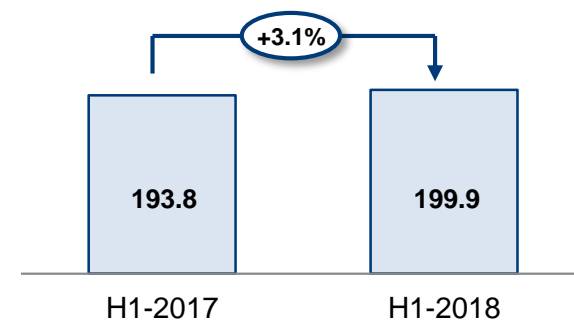
Net Cold Rent (€m)



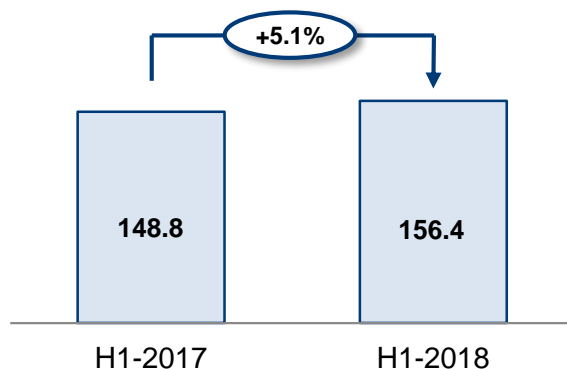
Adj. Net Rental and Lease Income (€m)



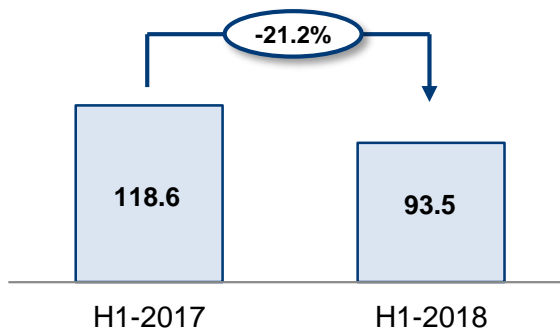
Adj. EBITDA (€m)



FFO I (€m)



Capex-Adj. FFO I / AFFO (€m)



Margin (%)

	H1-2017	H1-2018	Comment
Adj. NRI	78.1	76.8	Scale effects offset by higher maintenance
Adj. EBITDA	73.5	72.1	See above
FFO I	56.4	56.4	See above + lower interests
AFFO	45.0	33.7	See above + higher growth capex

Income Statement

H1-2018



€ million	H1-2018	H1-2017	
Net rental and lease income	206.3	202.7	<ul style="list-style-type: none"> Higher rental income (+€13.7m YOY/+5.2%) Lower increase of net rental income due to higher maintenance expenses (+€5.9m YOY) from a low H1-2017 level
Net income from the disposal of investment property	-0.5	-0.7	
Net income from the valuation of investment property	383.9	480.1	
Net income from the disposal of real estate inventory	-1.2	-1.6	<ul style="list-style-type: none"> Portfolio revaluation resulted in 4.1% appraisal gain
Net income from other services	2.2	2.7	
Administrative and other expenses	-19.3	-19.3	<ul style="list-style-type: none"> Recurring admin. costs also nearly stable (€16.8m/+€0.6m YOY)
Other income	0.4	0.2	
Operating earnings	571.8	664.1	
Net finance costs	-27.4	-103.6	<ul style="list-style-type: none"> Net income from fair value measurement of derivatives €17.1m; thereof €16.9m from convertibles (H1-2017: -€42m) Lower cash interests (€38.8m; -€1.7m YOY) despite rising debt volume
Earnings before income taxes	544.4	560.5	
Income tax expenses	-121.4	-137.2	
Consolidated net profit	423.0	423.3	<ul style="list-style-type: none"> Cash taxes (-€4.1m)

FFO Calculation

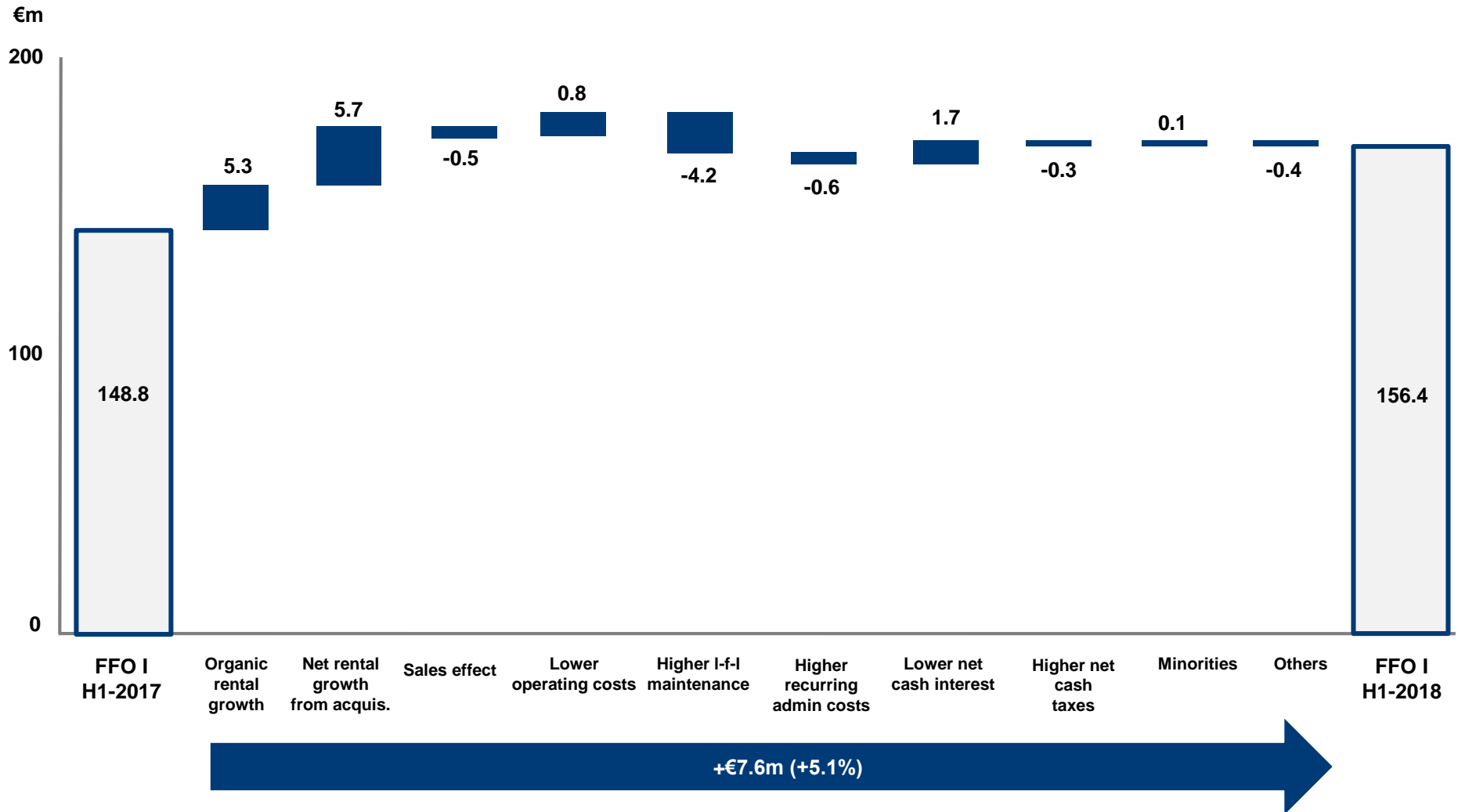
H1-2018



€ million	H1-2018	H1-2017	
Net cold rent	277.4	263.7	▪ +€13.7m/+5.2%
Profit from operating expenses	-4.2	-3.5	
Maintenance (externally-procured services)	-26.7	-20.9	▪ Higher share of maintenance measures in comparison to low H1-2017 level.
Staff costs	-30.3	-26.6	▪ Growth in staff costs mainly due to additional FTE's for crafts services and enhanced capex program (also some reorganisation costs)
Allowances on rent receivables	-4.3	-3.7	
Other	-2.7	-3.5	
Non-recurring project costs (rental and lease)	3.7	0.4	
Recurring net rental and lease income	212.9	205.9	
Recurring net income from other services	3.4	3.8	▪ NRI pre-maintenance increased by +€12.9m YOY (+5.5%)
Staff costs	-12.0	-10.8	
Non-staff operating costs	-6.7	-8.2	
Non-recurring project costs (admin.)	1.9	2.8	▪ Admin. costs nearly flat (YOY); slightly higher personnel expenses (e.g. for legal)
Recurring administrative expenses	-16.8	-16.2	
Other income and expenses	0.4	0.3	
Adjusted EBITDA	199.9	193.8	▪ EBITDA pre maintenance increased by +€12m YOY (+5.4%)
Cash interest expenses and income	-38.8	-40.5	
Cash income taxes from rental and lease	-3.6	-3.2	
FFO I (including non-controlling interests)	157.5	150.1	▪ Lower interest costs (end Q2-2018:1.75% vs. 1.85% in Q2-2017)
Non-controlling interests	-1.1	-1.3	
FFO I (excluding non-controlling interests)	156.4	148.8	
FFO II (including disposal of investment property)	155.7	148.1	
Capex-adjusted FFO I (AFFO)	93.5	118.6	

FFO Bridge

H1-2018



Cash Effective Interest Expense

H1-2018



€ million	H1-2018	H1-2017	
Reported interest expense	47.4	64.5	
Interest expense related to loan amortisation	-5.8	-14.6	<ul style="list-style-type: none"> One-off refinancing effect of €4.9m in FY-2017 from refinancing of subsidised loans (loan amortisation)
Prepayment penalties / breakage costs	0.0	-6.7	
Interest costs related to valuation of assets/liabilities	-0.4	-0.7	<ul style="list-style-type: none"> Release of swaps and fixed interest loans (refinancing); total refinancing costs €11.7m in FY-2017
Leasing related interest expense	-0.5	-0.5	
Interest expenses related to changes in pension provisions	-1.2	-1.2	
Other interest expenses	-0.4	0.0	
Cash effective interest expense (gross)	39.1	40.8	
Cash effective interest income	0.3	0.3	
Cash effective interest expense (net)	38.8	40.5	<ul style="list-style-type: none"> Interest coverage improved further (5.2x up from 4.8x YOY)

EPRA-Net Asset Value

Positive outlook for further yield compression; services as hidden gem



€ million	30.06.2018	31.12.2017
Equity (excl. minority interests)	4,326.1	4,087.4
Effect of exercising options, convertibles and other rights	564.3	559.2
NAV	4,890.4	4,646.6
Fair value measurement of derivative financial instruments	242.3	259.8
Deferred taxes ¹⁾	1,008.2	899.3
EPRA-NAV	6,140.9	5,805.7
Number of shares fully-diluted incl. convertible (m) ²⁾	68.824	68.644
EPRA-NAV per share in €	89.23	84.58
Goodwill resulting from synergies	52.7	52.7
Adjusted EPRA-NAV (excl. goodwill)	6,088.2	5,753.0
Adjusted EPRA-NAV per share in €	88.46	83.81

- €423.0m net profit
- -€192.1 dividends
- €7.8m others

- Attractive rental yield of 5.7% leaves upside for capital growth (thereof free financed portfolio: 5.9%)
- Value of services business not included in NAV
 - Scenario: additional value approx. €3.90-€5.90 per share (discount rate of 4.0%-6.0%)³⁾

¹⁾ And goodwill resulting from deferred taxes on EPRA-adjustments

²⁾ Actual number of shares outstanding 63.19m

³⁾ Assumption: expected 2019 FFO, growth rate of 0%

Portfolio Valuation H1-2018

Broadbased valuation uplifts continue across market segments

Breakdown revaluation gains

Value drivers	
• Rent & vacancy development	€267 m
• Discount rate	€177 m
• Others (e.g. cost adjustments)	€1 m

Allocation capital growth	
• Revaluation gains	€383.9 m
• Capex	€61.2 m

€445 m¹⁾

Valuation uplift by markets (I-f-I)

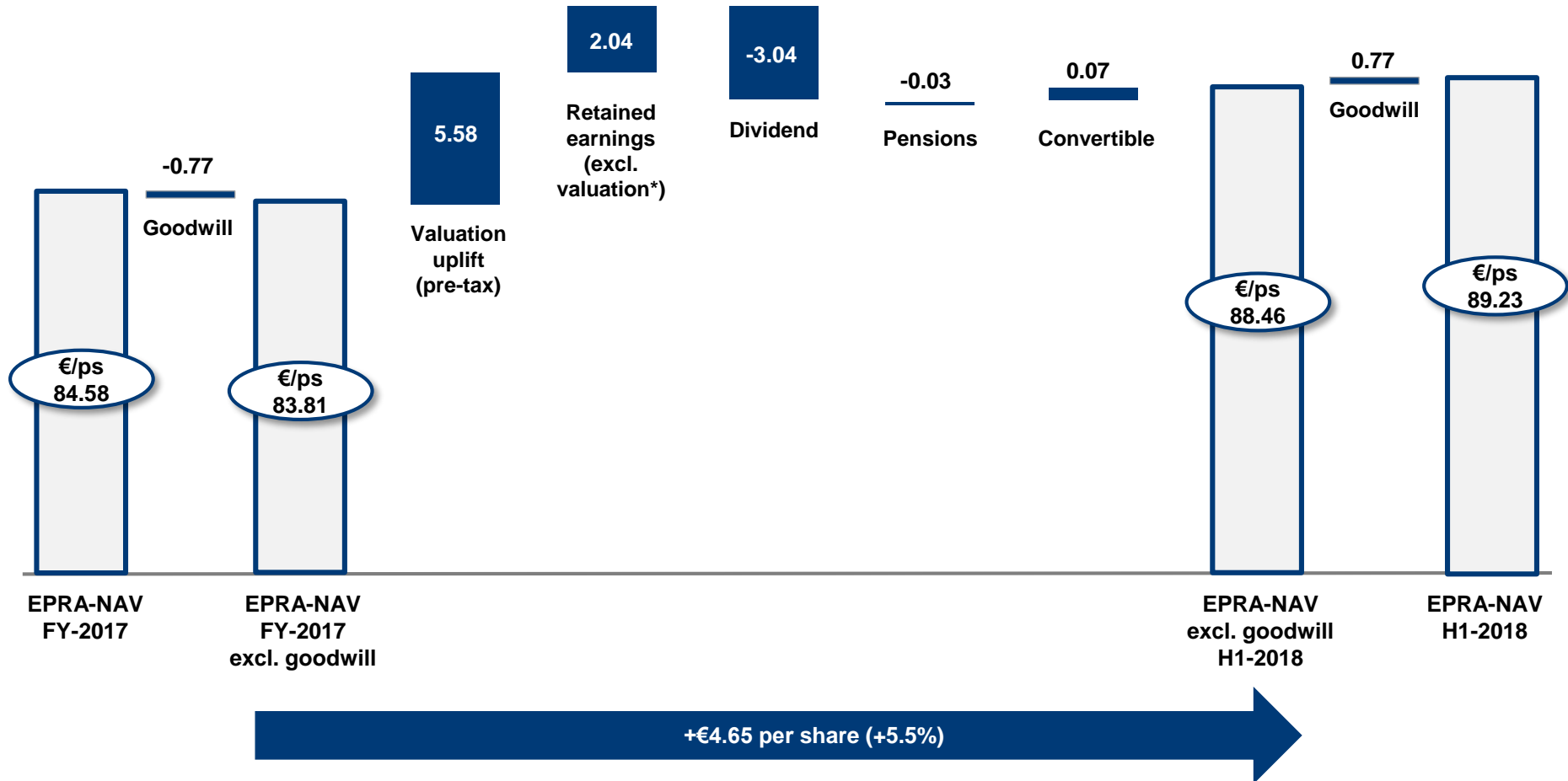
	Valuation uplift H1-18	Gross yield
High-Growth Markets	4.7% (15.5% in FY-17, I-f-I)	4.6%
Stable markets	3.1% (12.5% in FY-17, I-f-I)	6.5%
Higher-yielding markets	3.7% (8.8% in FY-17, I-f-I)	7.1%
Total portfolio	4.1% (13.0% in FY-17, I-f-I)	5.7%

- Increasingly **positive momentum in the B-cities including higher-yielding markets**
- Reported IFRS values still show a **gap to** recently observed market transactions/ **asking prices**

¹⁾ Change in Gross Asset Value, I-f-I

EPRA-Net Asset Value

30 June 2018



* valuation effects derivatives + deferred taxes are added back

Portfolio

Sound property fundamentals basis for value growth



As of 30.06.2018

Market	Residential Units	GAV Residential Assets (€m)	% of Total Residential GAV	GAV/sqm (€)	In-Place Rent Multiple	Market Multiples, Estimated Rental Values	GAV Commercial/Other Assets (€m)	Total GAV
High-Growth Markets	41,341	4,439	47%	1,620	21.8x	19.3x	216	4,655
Stable Markets	47,565	2,945	31%	962	15.5x	14.4x	101	3,046
Higher-Yielding Markets	39,468	2,004	21%	828	14.0x	13.3x	59	2,062
Subtotal NRW	128,374	9,387	98%	1,142	17.5x	16.1x	376	9,763
Portfolio outside NRW	1,850	156	2%	1,251	17.7x	16.6x	2	158
Total Portfolio	130,224	9,543	100%	1,144	17.5x	16.1x	378	9,921
Other Assets								
Total								9,986

Balance Sheet

Strong balance sheet



€ million	30.06.2018	31.12.2017
Investment property	9,941.5	9,460.7
Prepayment for investment property	0.0	-
Other non-current assets	177.3	172.3
Non-current assets	10,118.8	9,633.0
Receivables and other assets	103.7	63.7
Cash and cash equivalents	152.9	285.4
Current assets	256.6	349.1
Assets held for sale	19.2	30.9
Total Assets	10,394.6	10,013.0
Equity	4,353.0	4,112.4
Non-current financing liabilities	3,936.8	3,821.4
Other non-current liabilities	1,267.6	1,158.8
Non-current liabilities	5,204.4	4,980.2
Current financing liabilities	387.7	478.2
Other current liabilities	449.5	442.2
Current liabilities	837.2	920.4
Total Equity and Liabilities	10,394.6	10,013.0

- Revaluation €383.9 m
- Additions €36.2m
- Capex €61.2m

- Cash flow from operating activities €130.1m
- Investing activities - €94.2m
- Financing activities - €168.4m

- Loan proceeds €150.2m
- Repayment of loans -€26.6m and of commercial paper -€100m

€ million	30.06.2018	31.12.2017
Financial liabilities	4,324.5	4,299.6
Cash & cash equivalents	152.9	285.4
Net Debt	4,171.6	4,014.2
Investment properties	9,941.5	9,460.7
Properties held for sale	19.2	30.9
Prepayments for investment properties	-	-
Property values	9,960.7	9,491.6
Loan to Value (LTV) in %	41.9	42.3
Pro-forma LTV post conversion in %	39.1	39.4

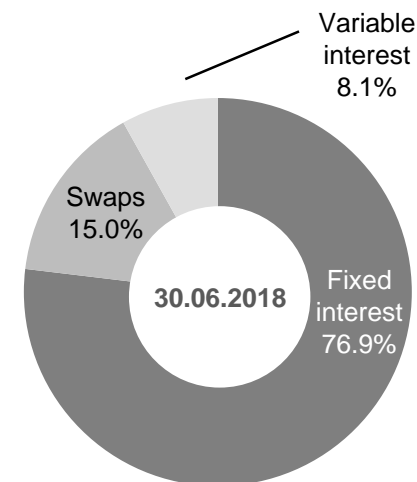
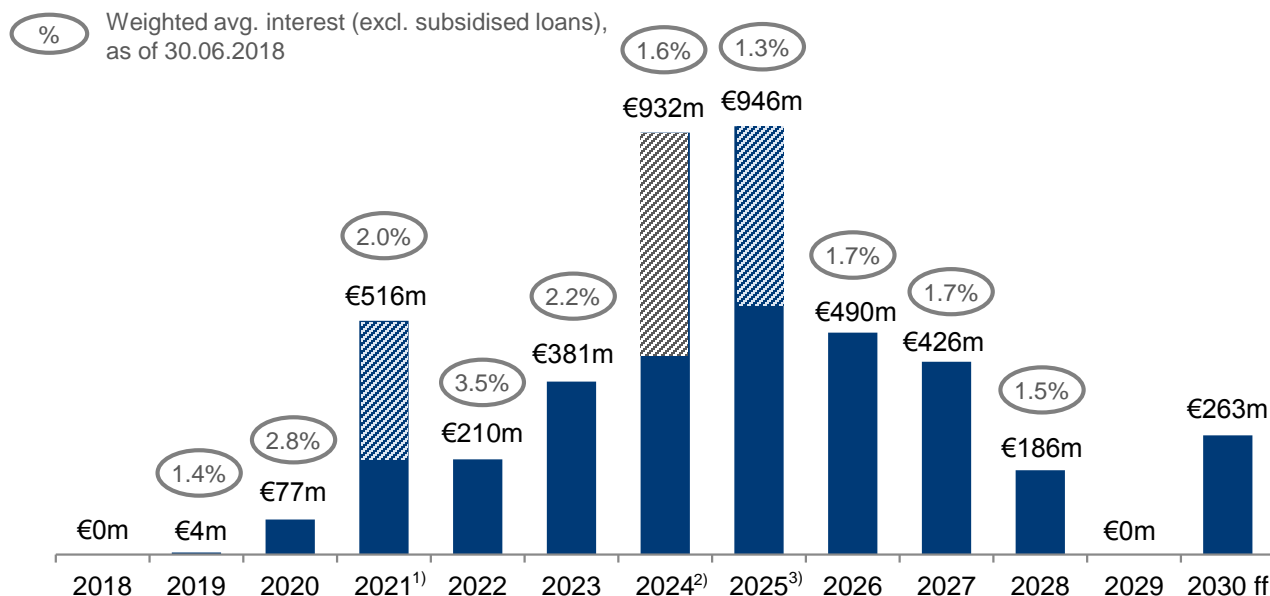
- Low gearing below current target LTV (up to 45%) leaves headroom for growth investments without raising fresh equity (c.3,750 units close to signing)
- Yield compression is likely to trigger a further LTV decline in H2-2018

- Significant positive impact on LTV from future conversion of 1st convertible (€300m nominal) expected (currently -280bps)

Financing Structure – 30 June 2018



LT financing secures future earnings growth



¹⁾ €300 m convertible bond with investor put option 2019

²⁾ Corporate bond (€500 m)

³⁾ €400 m convertible bond

Key Facts	
Average debt maturity	7.8 years
Interest costs	Ø 1.75%
Hedging ratio	91.9%
Rating	Baa1 (Moody's)

Maturities	
1-2 years	0.1%
3-5 years	18.1%
6-8 years	51.0%
≥ 9 years	30.8%

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Strong access to off-markets deals major competitive edge

Imminent acquisition of c. 3,750 residential units creates additional upside to future FFO PS

- Transaction is currently close to signing (closing expected for Q4-2018)
- Acquisition in LEG core markets allows for high synergies & scale effects with existing portfolio
- Properties are mainly located in the Greater Ruhr area
- Off-market deal due to strong network and reputation in the NRW market
- No need to raise fresh equity due to strength of LEG balance sheet
- Deal expected to be FFO per share accretive and NAV neutral
 - Due to initial investments full earnings impact is expected to become visible in FY-2020
 - FFO 2019: smaller positive effect
 - FFO 2020e: >€5m; assumption 100% debt financing

Accelerated asset sales for further portfolio optimisation planned for FY-2019

- Potential volume: 1,000-2,000 units
- Further streamlining of portfolio with expected positive impact on operating efficiency/margins
- Proceeds earmarked for financing of future growth (capital recycling)

Business Update

Outlook for 2018 - 2019

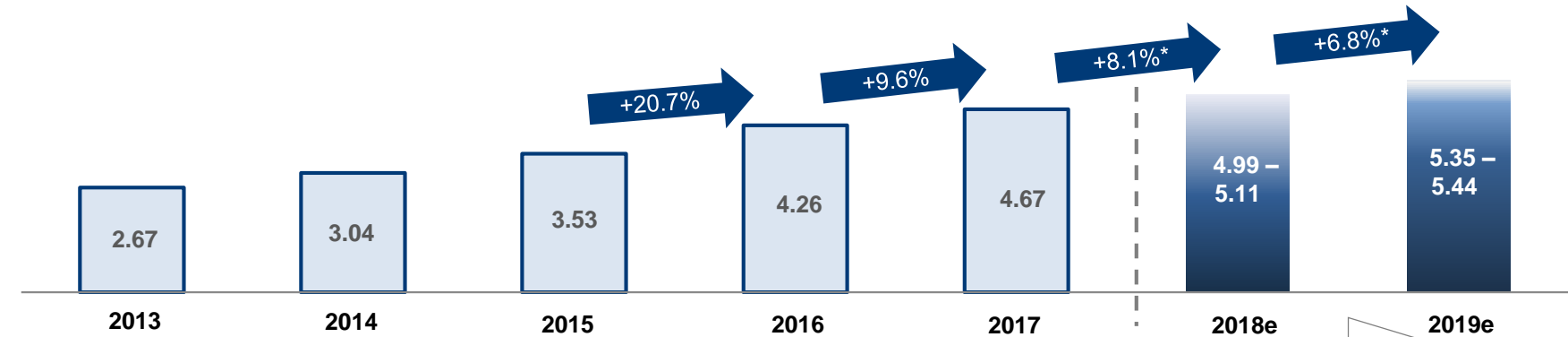


2018	<ul style="list-style-type: none">▪ FFO I▪ L-F-L rent growth▪ L-F-L vacancy▪ EBITDA margin▪ Investments▪ Dividend	€315m - €323m / €4.99 - €5.11 per share ~3.0% slightly decreasing ~73% ~30/sqm 70 % of FFO I
2019	<ul style="list-style-type: none">▪ FFO I▪ L-F-L rent growth▪ EBITDA margin▪ Investments	€338m - €344m / €5.35 - €5.44 per share ~3.5% ~74% ~€30/sqm
Mid-term	<ul style="list-style-type: none">▪ L-F-L rent growth	3.0 - 3.5% (per year; until 2021)

Steady Expansion of Leading Profitability



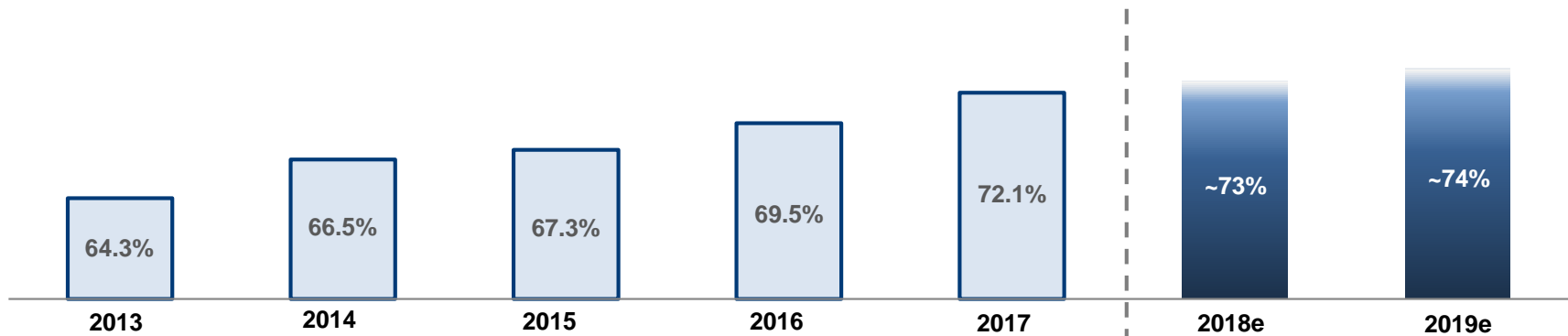
FFO I per share (€)



*at mid point

FFO I per share CAGR 2014-2019e*: +12.2% (excl. future acquisitions)

EBITDA Margin



Agenda



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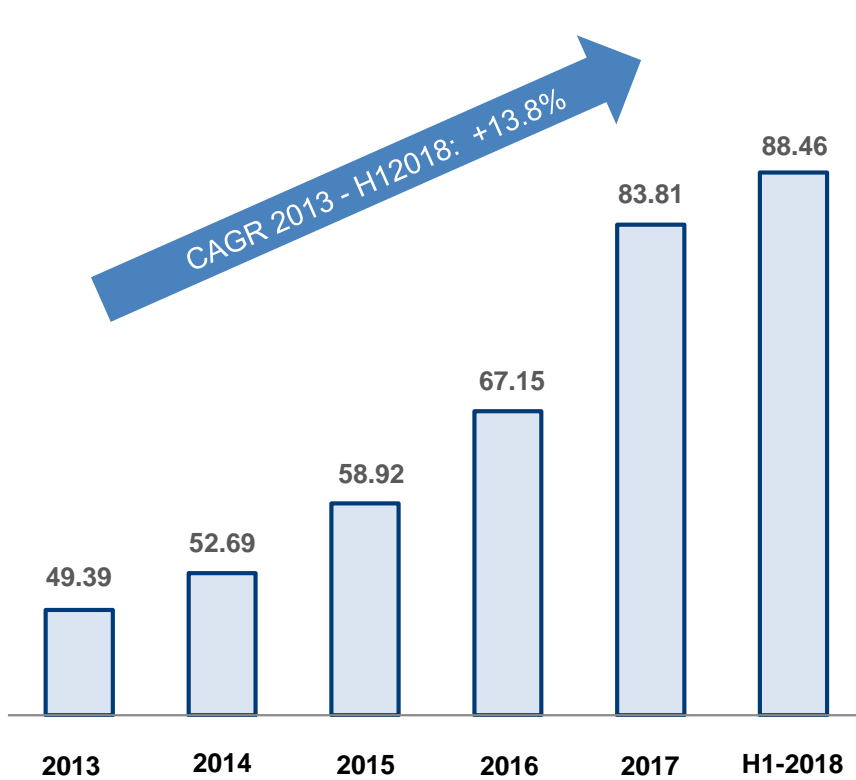


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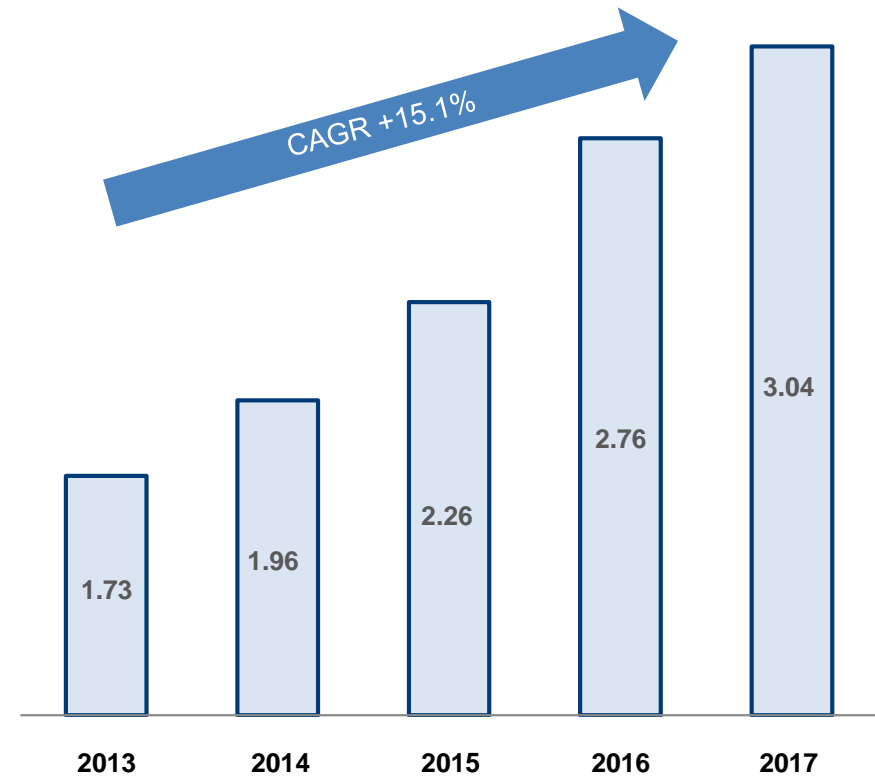
Generating Appealing Shareholder Returns



NAV per share (€), excl. goodwill



Dividend per share (€)

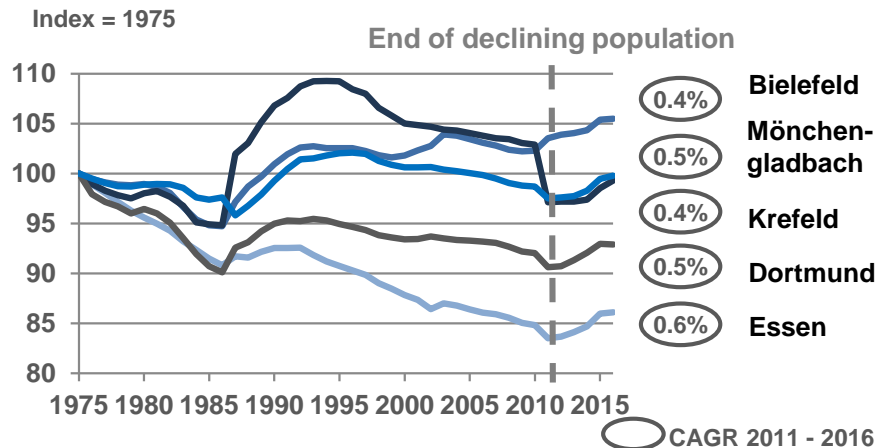


Attractive NRW Market

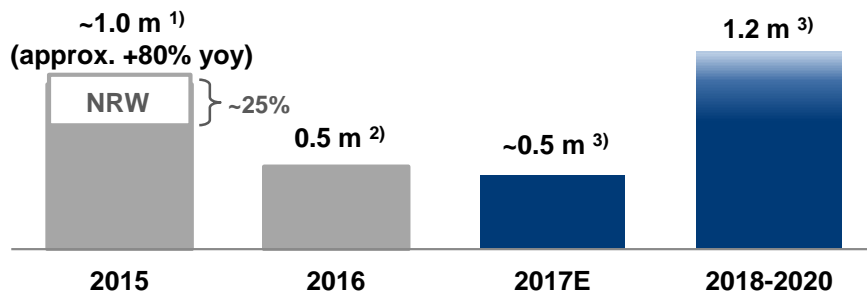
Positive demographics with stabilising net immigration



Cities entering upswing mode



Net immigration to Germany



Sources:

- 1) Interview with director of Federal Agency of Migration and Refugees (Aug 2016)
- 2) Federal Statistical Office, press release 13 Mar 2018
- 3) Deutsche Bundesbank, Monthly Report June 2018
- 4) Federal Statistical Office, press release 2 Nov 2017
- 5) Bundesamt für Migration und Flüchtlinge, March 2018 and Federal Statistical Office, April 2018

Key facts

- **Federal Agency of Migration and Refugees** collected data that **net immigration of foreigners to Germany** amounted to about **0.25 million** in H1-2017, thereof 0.12 million non-EU nationals ³⁾
- **Deutsche Bundesbank** forecasts **1.2 million additional immigrants (net)** for 2018-2020³⁾
- **End of 2016, 1.6 million people seeking protection** (incl. asylum seekers) were registered in Germany (+113% vs 2014), the **majority living in NRW (27%)** ⁴⁾
- **Stabilising net immigration** expected for the years to come with **decreasing share of refugees** (c. -70% asylum seekers 2017 YOY; c. 0.1 million of refugees (net) in 2017 estimated)⁵⁾
- Immigration is **driving overall population growth, triggering additional growth in net new households**
- **Additional pressure on affordable housing segment**
- **Outperformance of German economy attracts qualified new immigration**
- **Liquid labour market and affordable living as pull-factors for NRW**

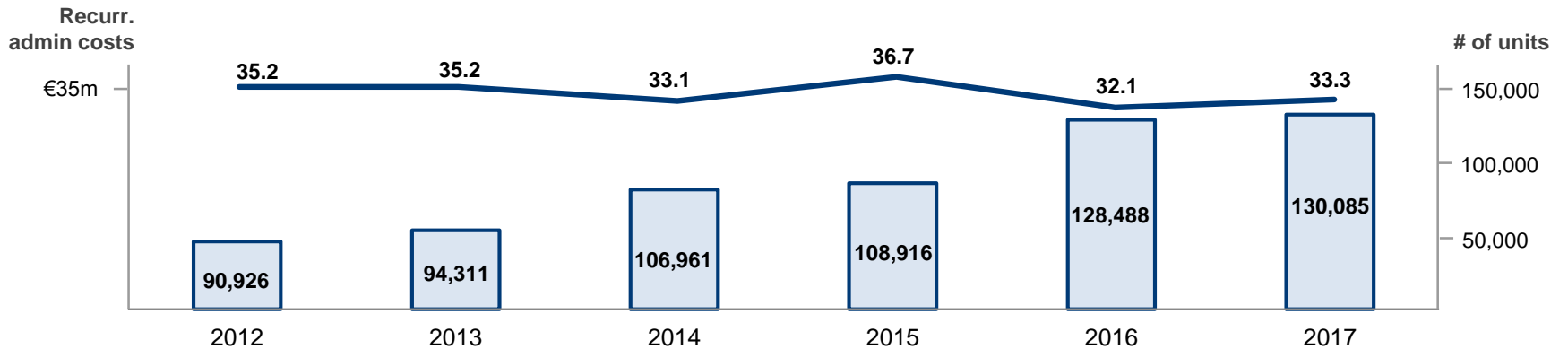
Acquisitions: Leading Management Skills Paying Off



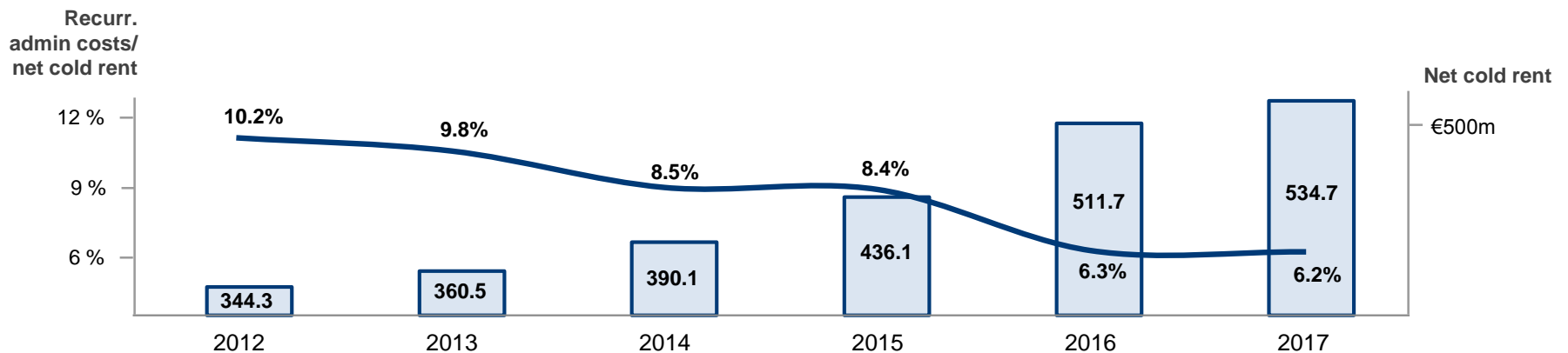
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Scalability of platform + cost discipline support value accretive growth

Strong volume growth at decreasing overhead cost...



...leads to a significant drop of the administrative costs ratio



LEG – Adj. EBITDA Margin



Leading profitability despite short term distortion from restricted units

Adj. EBITDA margin	FY-2017		FY-2016	
	€m	margin %	€m	margin %
As reported	385.7	72.1	355.7	69.5
Gap restricted vs. unrestricted rents ¹⁾	30.1	73.6	26.3	71.0

¹⁾ €/sqm: €4.74 vs. €5.81 in 2017, €4.67 vs. €5.56 in 2016

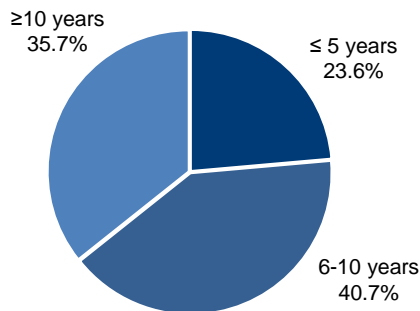
- EBITDA as reported distorted by restricted units (compensation for lower rents included in interest result below the EBITDA line)
- Scenario analysis: closing gap between restricted vs. unrestricted rents; **Adjusted EBITDA margin approx. 150 bps higher**

Rent revisionary potential

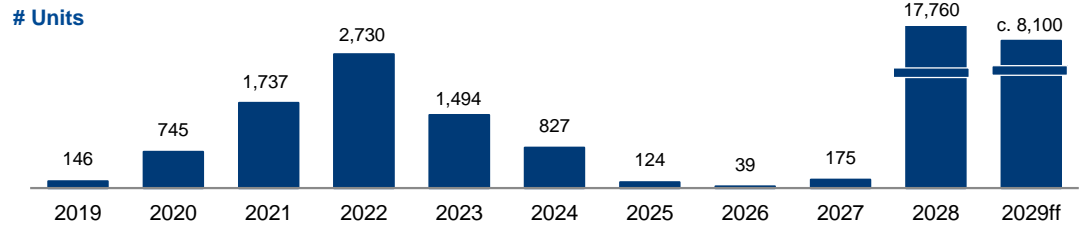
Refinancing of subsidised loans lifting value

Rent Potential Subsidised Units

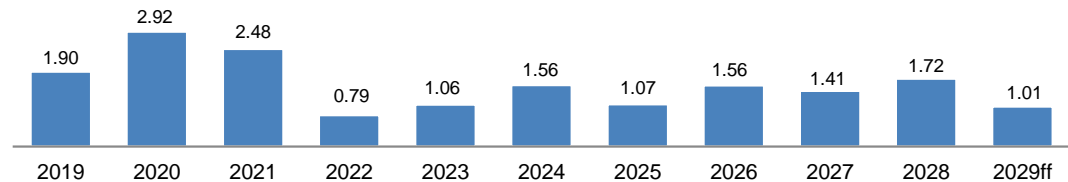
- In the following 10 years more than **25,000 units will come off rent restriction**
- Units show **significant upside to market rents**
- Subject to general legal and other restrictions, the **economic upside can theoretically be realised the year after restrictions expire**



Number of Units Coming Off Restriction and Rent Upside



Spread to Market Rent (in €/sqm/month)



	≤ 5 years ²⁾	6 – 10 years ²⁾	≥ 10 years ²⁾
In-place rent	€4.67	€4.80	€4.88
Market rent¹⁾	€6.23	€6.50	€5.89
Upside potential³⁾	33%	35%	21%
Upside potential p.a.³⁾	€8.8m	€15.1m	€13.3m

Source: LEG as of H1-2018

1) Employed by CBRE as indicator of an average rent value that could theoretically be achieved, not implying that an adjustment of the in-place rent to the market rent is feasible, as stringent legal and contractual restrictions regarding rent increases exist.

2) ≤5 years = 2019-2023; 6-10 years = 2024-2028; ≥10 years = 2029ff.

3) Rent upside is defined as the difference between LEG in-place rent as of H1-2018 and market rent (defined in footnote 1) as of FY-2017.

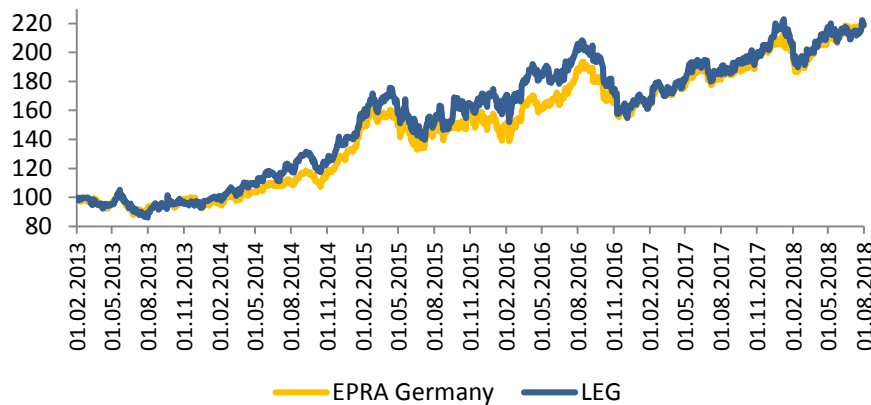
LEG Share Information



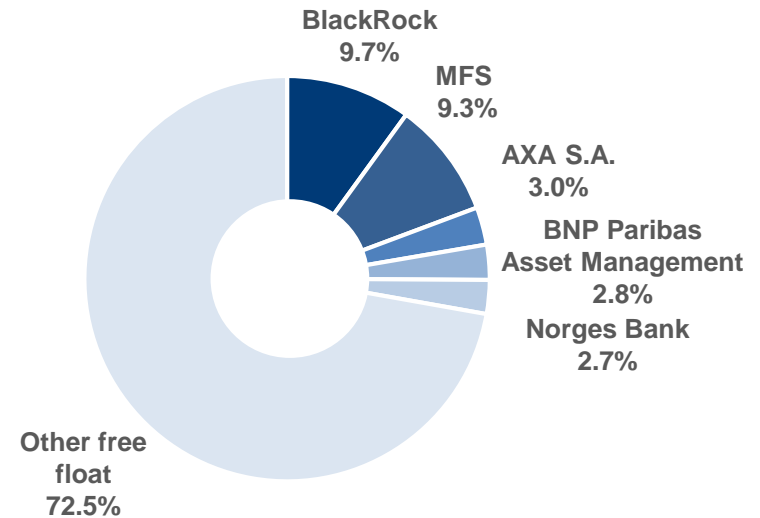
Basic data

- Prime Standard, Frankfurt Stock Exchange
- Total no. of shares: 63,188,185
- Ticker symbol: LEG
- ISIN: DE000LEG1110
- Indices: MDAX, FTSE EPRA/NAREIT, GPR 250, Stoxx Europe 600
- Weighting (30.06.2018): MDAX 2.91%; EPRA 2.53%
- Rating: Baa1 (stable) by Moody's

Share price (31.07.2018, indexed; 31.01.2013 = 100)



Well-balanced shareholder structure



Source: LEG; shareholdings according to voting rights notifications

Financial Calendar



Date	Report/Event
08.05.2018	Quarterly Report Q1 as of 31 March 2018
17.05.2018	Annual General Meeting, Düsseldorf
10.08.2018	Quarterly Report Q2 as of 30 June 2018
29.08.2018	Berenberg Conference, Helsinki
30.08.2018	Commerzbank Sector Conference, Frankfurt
11.-13.9.2018	Jefferies US Roadshow, New York
24.09.2018	Goldman Sachs & Berenberg Corporate Conference, Munich
25.09.2018	Baader Investment Conference, Munich
09.11.2018	Quarterly Statement Q3 as of 30 September 2018

Contact

Investor Relations



Burkhard Sawazki

Head of Investor Relations &
Strategic Business Analysis
Tel: +49 (0) 211 4568-204
burkhard.sawazki@leg.ag

Karin Widenmann

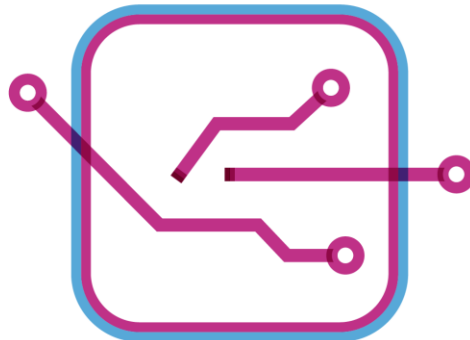
Manager Investor Relations &
Strategic Business Analysis
Tel: +49 (0) 211 4568-458
karin.widenmann@leg.ag

Benedikt Kupka

Manager Investor Relations &
Strategic Business Analysis
Tel: +49 (0) 211 4568-286
benedikt.kupka@leg.ag

LEG Immobilien AG
Hans-Boeckler-Str. 38
40476 Düsseldorf, Germany

Phone: +49 (0) 211 4568-400
Fax: +49 (0) 211 4568-22 204
E-Mail: ir@leg.ag



Thank you for your interest.