

LEG Immobilien AG

15 November 2019

9M-2019 Results

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HIGHLIGHTS 9M-2019

II. PORTFOLIO AND OPERATING PERFORMANCE

III. FINANCIAL PERFORMANCE

IV. BUSINESS UPDATE AND OUTLOOK

V. APPENDIX

Highlights 9M-2019



Overall company development: Delivering on key value drivers

▪ Acquisitions:	Approx. 5,700 units signed (YTD), pipeline of several smaller deals
▪ Capital growth:	Another valuation uplift of around 3% expected in Q4 (~8% in FY-2019)
▪ Financing:	Further reduction of avg. interest costs ahead (early redemptions + acquisitions)

Sound rent momentum persists

▪ In-place rent, l-f-l	€5.82/sqm (+2.9%; free financed units +3.7%)
▪ EPRA-Vacancy, l-f-l	3.6% (unchanged YOY)
▪ Maintenance/Capex	€21.88/sqm (+7.7% YOY)

Financials: Producing compelling total returns

▪ Net cold rent	€439.8m (+5.5% YOY from €417.0m)
▪ Adjusted EBITDA	€330.5m (+8.0% YOY from €305.9m)
▪ FFO I	€259.1m (+7.0% YOY from €242.2m), FFO per share €4.09 (+6.7% YOY from €3.83)
▪ Pro forma NAV post conversion ¹	€100.52 per share (up from €93.40 in FY-2018; +7.6% YTD/ +11.4% incl. €3.53 DPS)
▪ DPS-2019 (proposal)	€3.60 (rising dividend despite 9.2% higher number of shares)

¹⁾ NAV after a simulated, executed conversion of the 2014/2021 convertible which was nearly completed at end of Q3-2019

Agenda

I. HIGHLIGHTS 9M-2019



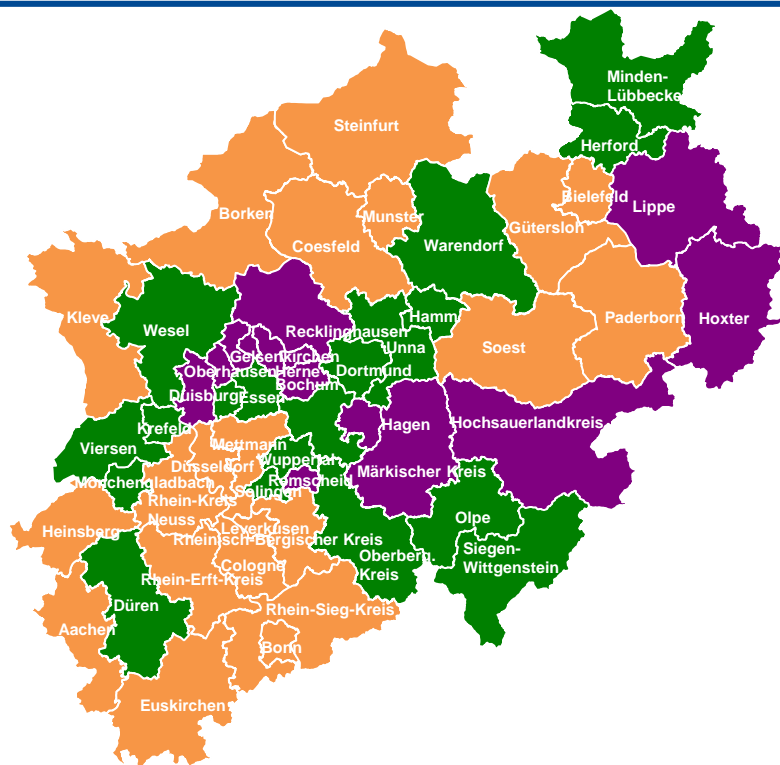
PORTFOLIO AND OPERATING PERFORMANCE

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Positive rent development across all submarkets



Total Portfolio¹

	30.09.2019	Δ (YOY)
# of units	131,135	+0.7%
In-place rent (sqm), l-f-l	€5.82	+2.9%
EPRA-Vacancy, l-f-l	3.6%	0 bps

¹⁾ IAS 40 only, IFRS 5 excluded

Strong results on the basis of tailor-made management strategies

High-Growth Markets

	30.09.2019	Δ (YOY)
# of units	41,497	+0.3%
In-place rent (sqm), l-f-l	€6.51	+3.3%
EPRA-Vacancy, l-f-l	1.9%	-50 bps

Stable Markets

	30.09.2019	Δ (YOY)
# of units	48,313	+1.6%
In-place rent (sqm), l-f-l	€5.47	+3.0%
EPRA-Vacancy, l-f-l	3.6%	+20 bps

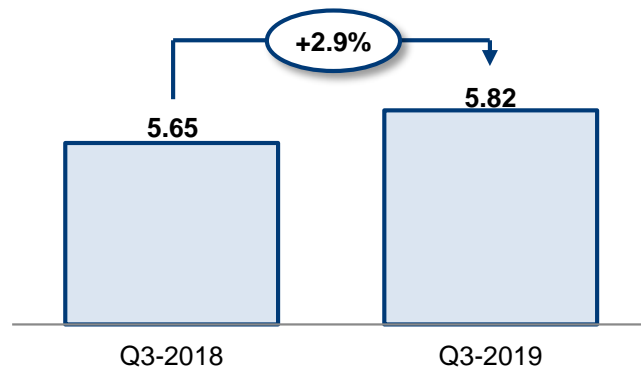
Higher-Yielding Markets

	30.09.2019	Δ (YOY)
# of units	39,476	+0.2%
In-place rent (sqm), l-f-l	€5.39	+2.2%
EPRA-Vacancy, l-f-l	6.4%	+60 bps

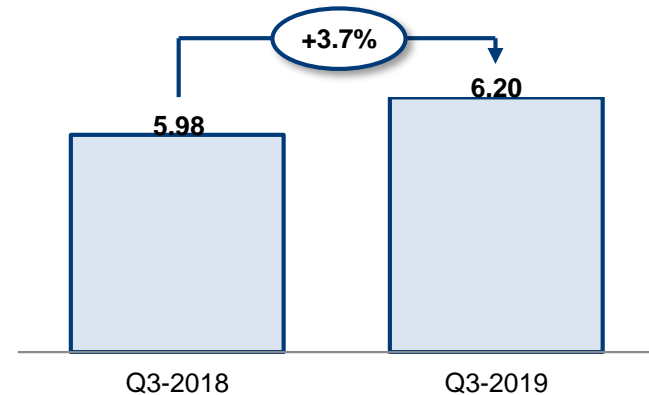
Rent Development

Strong market fundamentals

L-f-I residential rent (€/sqm/month)



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

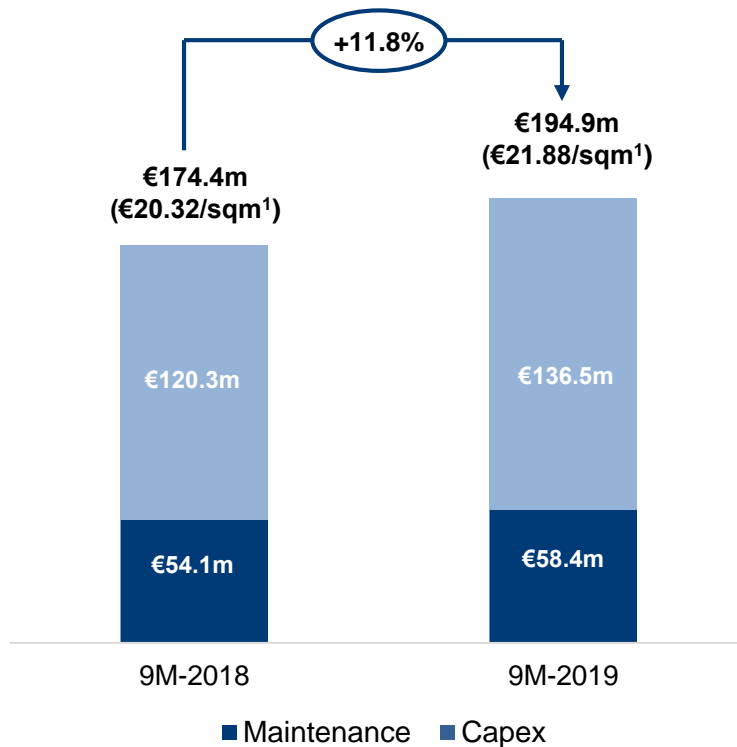


- Performance of free financed units reflects sound underlying fundamentals
- Rent restricted units: +0.5% year-on-year (like-for-like)
- High exposure to structural growth markets and respective commuter belts supports strong performance
- Voluntary commitment to lower modernisation yields has slightly dampening effect

Capex & Maintenance

Lifting internal growth potential

Investment (€m)



- Investments **increased by 11.8%** year-over-year driven by increased value enhancing capex
- **Capex ratio** increased to **70.0%**
- **Outlook of 30-32 €/sqm in 2019 (capex ratio ≥ 70%)**

¹⁾ development excluded

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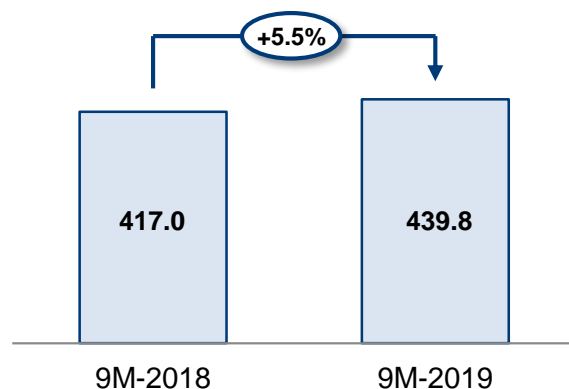
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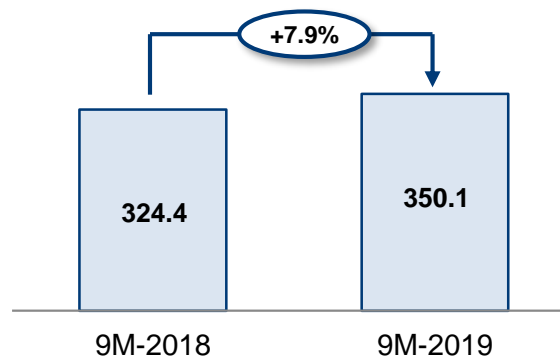
Financial Highlights 9M-2019

Margin expansion story continues

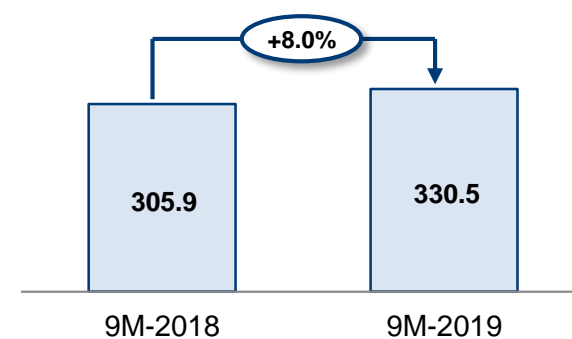
Net Cold Rent (€m)



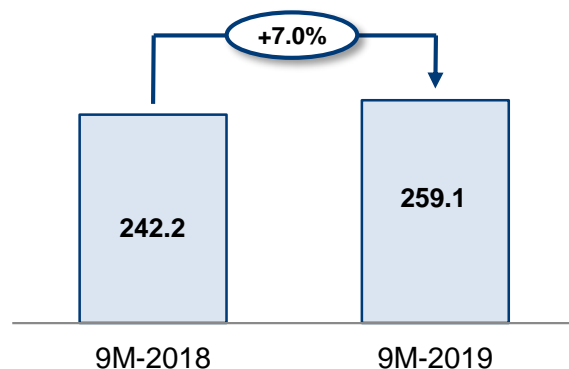
Adj. Net Rental and Lease Income (€m)



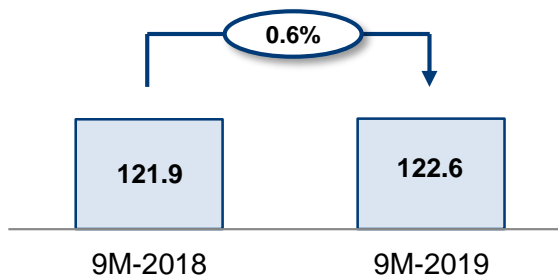
Adj. EBITDA (€m)



FFO I (€m)



Capex-Adj. FFO I / AFFO (€m)



Margin (%)

	9M-2018	9M-2019	Comment
Adj. NRI	77.8	79.6	Ongoing efficiency gains offsetting higher maintenance
Adj. EBITDA	73.4	75.1	See above + decreasing admin. costs
FFO I	58.1	58.9	See above + lower interest ratio
AFFO	29.2	27.9	See above + higher growth investments

FFO Calculation

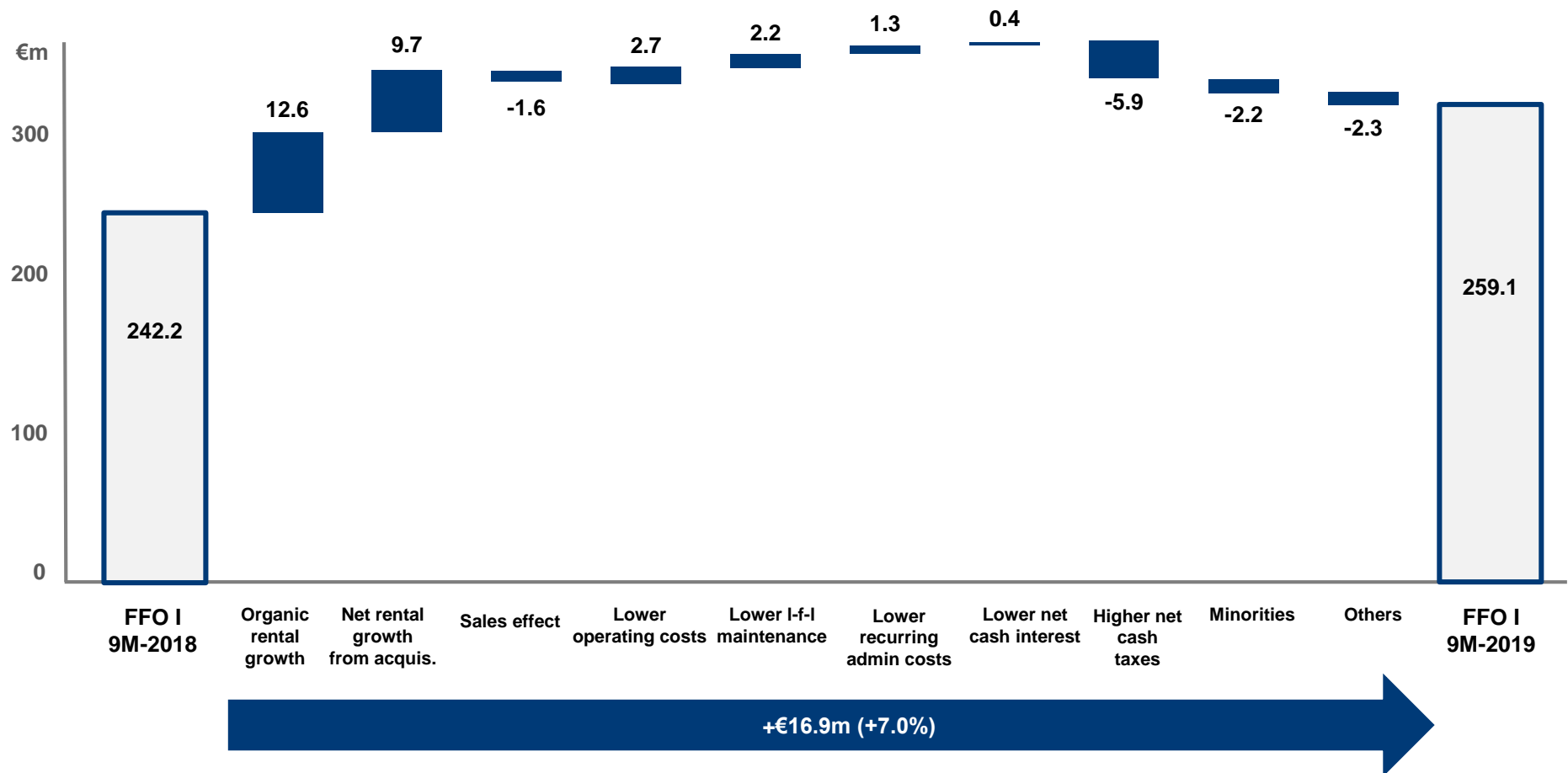
9M-2019



€ million	9M-2019	9M-2018	
Net cold rent	439.8	417.0	▪ +€22.8m/+5.5%
Profit from operating expenses	-0.9	-3.3	
Maintenance (externally-procured services)	-36.9	-37.6	
Staff costs	-48.8	-45.2	▪ Growth in staff costs mainly due to additional FTE's for crafts services and enhanced capex programme
Allowances on rent receivables	-5.8	-4.1	
Other	-0.3	-7.0	
Non-recurring project costs (rental and lease)	2.9	4.7	
Recurring net rental and lease income	350.0	324.5	▪ Adj. NRI increased by +€25.5m YOY (+7.9%); rising maintenance costs/inflation more than offset by efficiency gains
Recurring net income from other services	3.4	5.6	
Staff costs	-24.4	-19.6	▪ Rising staff costs only due to one-time effects (severance payments c. €8m)
Non-staff operating costs	-10.9	-10.9	
Non-recurring project costs (admin.)	12.0	5.8	
Recurring administrative expenses	-23.3	-24.7	
Other income and expenses	0.4	0.5	
Adjusted EBITDA	330.5	305.9	▪ EBITDA increased by +€24.6m YOY (+8.0%); recurring admin. costs slightly decreased
Cash interest expenses and income	-58.4	-58.8	
Cash income taxes from rental and lease	-10.0	-4.1	
FFO I (including non-controlling interests)	262.1	243.0	▪ Stable interest expenses (avg. 1.63% vs. 1.71% in 9M-2018) despite rising debt volume
Non-controlling interests	-3.0	-0.8	
FFO I (excluding non-controlling interests)	259.1	242.2	
FFO II (including disposal of investment property)	255.9	240.6	
Capex-adjusted FFO I (AFFO)	122.6	121.9	

FFO Bridge

9M-2019



Cash Effective Interest Expense

9M-2019

€ million	9M-2019	9M-2018
Reported interest expense	92.7	72.0
Interest expense related to loan amortisation	-29.5	-9.2
Interest costs related to valuation of assets/liabilities	-0.6	-0.6
Leasing related interest expense (non-cash)	0.0	-0.7
Interest expenses related to changes in pension provisions	-1.9	-1.8
Other interest expenses	-2.1	-0.4
Cash effective interest expense (gross)	58.6	59.3
Cash effective interest income	0.2	0.5
Cash effective interest expense (net)	58.4	58.8

- Interest expenses related to extraordinary loan amortisation of €20.2m due to early conversion of convertible (€17.7m) and smaller repayments of subsidised loans (€2.5m)

- Interest coverage improved further (5.7x up from 5.2x YOY)

EPRA-Net Asset Value

Further capital growth ahead



€ million	30.09.2019	31.12.2018
Equity (excl. minority interests)	5,527.4	4,757.6
Effect of exercising options, convertibles and other rights	86.7	553.9
NAV	5,614.1	5,311.5
Fair value measurement of derivative financial instruments	71.5	222.2
Deferred taxes ¹⁾	1,281.7	1,132.7
EPRA-NAV	6,967.3	6,666.4
Number of shares fully-diluted incl. convertible (m) ²⁾	69.010	68.824
EPRA-NAV per share in €	100.96	96.86
Goodwill resulting from synergies	52.7	52.7
Adjusted EPRA-NAV (excl. goodwill)	6,914.6	6,613.7
Adjusted EPRA-NAV per share in €	100.20	96.10
Effects from a simulated executed conversion	22.2	-185.7
Pro forma NAV (excl. goodwill) post-conversion	6,936.8	6,428.0
Pro forma NAV post conversion per share in €	100.52	93.40

- €486.2m net profit
- €551.5m equity conversion
- -€41.5m change in OCI
- -€223.1m dividend
- -€3.3m IFRS 16 and Others

Comment on pro forma NAV post conversion
This figure incorporates an equity conversion of the 2014/2021 convertible which was nearly completed at end of Q3 (92.5% and the remainder in October 2019)

- Attractive rental yield of 5.3% (thereof free financed portfolio 5.4%) and low value per sqm (€1,295) still reflect an average gap to current transaction prices
- Value of services business as attractive hidden gem not included in NAV
 - Scenario: additional value approx. €5.20-€7.80 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:
68.6m (30.09.2019), 63.1m (31.12.2018)

³⁾ Assumption: expected 2020 FFO, growth rate of 0%

Portfolio

Sound property fundamentals basis for value growth



As of 30.09.2019; IAS 40 only, IFRS5 excluded

Market	Residential Units	GAV Residential Assets (€m)	% of Total Residential GAV	GAV/sqm (€)	In-Place Rent Multiple	Market Multiples, Estimated Rental Values ¹⁾	GAV Commercial/ Other Assets (€m)	Total GAV
High-Growth Markets	41,497	4,946	46%	1,798	23.1x	20.0x	236	5,182
Stable Markets	48,313	3,474	32%	1,124	17.4x	16.1x	125	3,599
Higher-Yielding Markets	39,476	2,222	21%	932	15.3x	14.3x	65	2,287
Subtotal NRW	129,286	10,642	98%	1,294	19.0x	17.2x	426	11,068
Portfolio outside NRW	1,849	169	2%	1,369	18.8x	17.6x	2	171
Total Portfolio	131,135	10,811	100%	1,295	19.0x	17.2x	428	11,239
Other Assets								237
Total								11,476

¹⁾ As of June 30, 2019.

Balance Sheet

Strong balance sheet



€ million	30.09.2019	31.12.2018
Investment properties	11,276.6	10,709.0
Other non-current assets	222.6	175.9
Non-current assets	11,499.2	10,884.9
Receivables and other assets	96.2	55.4
Cash and cash equivalents	382.3	233.6
Current assets	478.5	289.0
Assets held for sale	172.5	20.3
Total Assets	12,150.2	11,194.2
Equity	5,549.5	4,783.9
Non-current financing liabilities	4,319.4	4,113.3
Other non-current liabilities	1,618.1	1,382.3
Non-current liabilities	5,937.5	5,495.6
Current financing liabilities	257.8	484.8
Other current liabilities	405.4	429.9
Current liabilities	663.2	914.7
Total Equity and Liabilities	12,150.2	11,194.2

- Revaluation €551.6m
- Capex €132.4m
- Reclassifications (Disposal) -€178.9m
- Acquisitions €25.9m
- IFRS 16 and Others €36.6m

- Cash flow from operating activities €224.8m
- Investing activities - €4.7m
- Financing activities -€71.4m

- Financing liabilities
- Loan proceeds €436.5m
 - Repayment of loans -€270.2m

LTV

Low LTV leaves headroom for growth

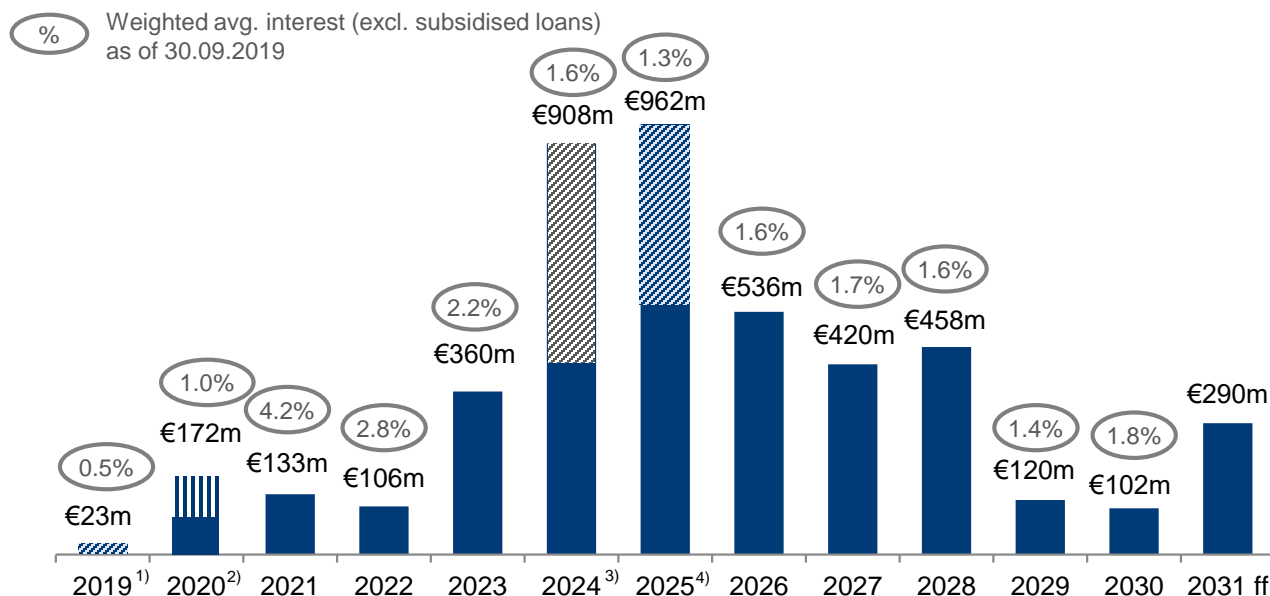


€ million	30.09.2019	31.12.2018
Financial liabilities	4,577.2	4,598.1
Leasing liabilities (IFRS 16)	32.1	0.0
Cash & cash equivalents	382.3	233.6
Net Debt	4,162.8	4,364.5
Investment properties	11,276.6	10,709.0
Properties held for sale	172.5	20.3
Prepayments for investment properties	4.3	-
Property values	11,453.4	10,729.3
Loan to Value (LTV) in %	36.3	40.7

- Strong balance sheet (LTV target: 40-43%) after equity conversion of the 2014/2021 convertible leaves headroom for further growth investments
- Potential for further de-gearing via capital growth

Financing Structure – 30 September 2019

LT financing provides high visibility for future earnings growth

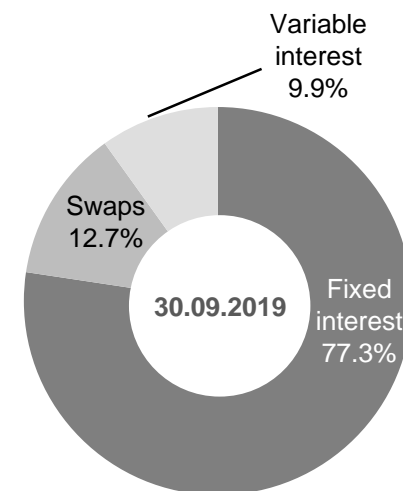


¹⁾ remaining volume convertible bond 2014/21 (€23m)

²⁾ commercial paper (€100m)

³⁾ corporate bond (€500m)

⁴⁾ convertible bond (€400m)



Key Facts

Average debt maturity	7.3 years (7.4 years) ⁵⁾
Interest costs	Ø 1.64% (1.68%) ⁵⁾
Hedging ratio	90.1% (89.9%) ⁵⁾
Rating	Baa1 (Moody's)

⁵⁾ excluding commercial paper

Maturities

0-2 years	4.2% (2.1%) ⁵⁾
3-5 years	13.1% (13.3%) ⁵⁾
6-8 years	52.5% (53.6%) ⁵⁾
≥ 9 years	30.3% (31.0%) ⁵⁾

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Business Update

Accelerating external growth



Portfolio growth supported by the broadening of the regional scope

- LEG remains net buyer with acquisition of portfolios with c. 5,700 units YTD (thereof 210 newly built apartments)
- Purchase of c. 2,600 units outside of NRW underpins LEG's sourcing capabilities also outside its previous core region
- Bulk of the transactions become effective in 2020; annualised FFO impact of €13-14m (c. €6-7m net after disposals)
- Several smaller deals in negotiations
- Firepower for further acquisitions in 2020 > €400m

Further capital growth ahead

- Expected valuation uplift of approx. 8% for FY-2019 (+5.1% in H1-2019)
- Drivers are yield compression and rent performance

Early refinancing of loans: Extension of maturity profile at lower interest cost

- Early loan redemptions planned (volume c. €340m), positive net FFO effect of c. €7m p.a. (one-time cost c. €27m)

Commitment to corporate social responsibility

- Additional foundation planned (capital contribution of €16m); objective: support of preventative measures for tenants
- Voluntary commitment to lower modernisation yields (depending on affordability) and more conservative approach with regard to adjustments from rent tables

Business Update

Accelerating external growth



Acquisitions signed in 2019

Residential units	Purchase price	Rent multiple	Price / sqm	FFO p.a.
5,516	approx. €500m	21.7x	€1,433	c. €13m (FY 2020)

Top 5 locations	Units	Federal state	Market segment
Bremen	1,160	Bremen	■ stable
Greater Aachen region ¹	1,094	NRW	■ high growth
Oldenburg	912	Lower Saxony	■ high growth
Dortmund	269	NRW	■ stable
Duisburg	193	NRW	■ higher yielding

¹⁾ Baesweiler, Alsdorf, Übach-Palenberg

Development Projects²

Residential units	Purchase price	Rent multiple	Price / sqm	FFO p.a.
210 ³	approx. €38m	26.5x	€2,576	c. €0.9m

²⁾ Dortmund, Bielefeld, Lüdenscheid

³⁾ including 99 subsidised units

Outlook

Guidance for 2019 & 2020: higher FFO target

KPI

	2019	2020
FFO I	€338m - €344m	€370m - €380m <small>prev. €356m-€364m</small>
L-F-L rent growth	<small>prev. 3.0-3.2%</small> c. 3.0%	c. 2.8% (3.0 % excl. refinancing) <small>prev. 3.2-3.4%</small>
L-F-L vacancy	<small>prev. slightly decreasing</small> stable (\triangleq 3.3%)	slightly decreasing (\sim 3.0%)
EBITDA margin	\sim 73%	\sim 74%
Investments	\sim 30-32€/sqm	\sim 31-33€/sqm
Dividend	€3.60 (>70% of FFO I)	70 % of FFO I

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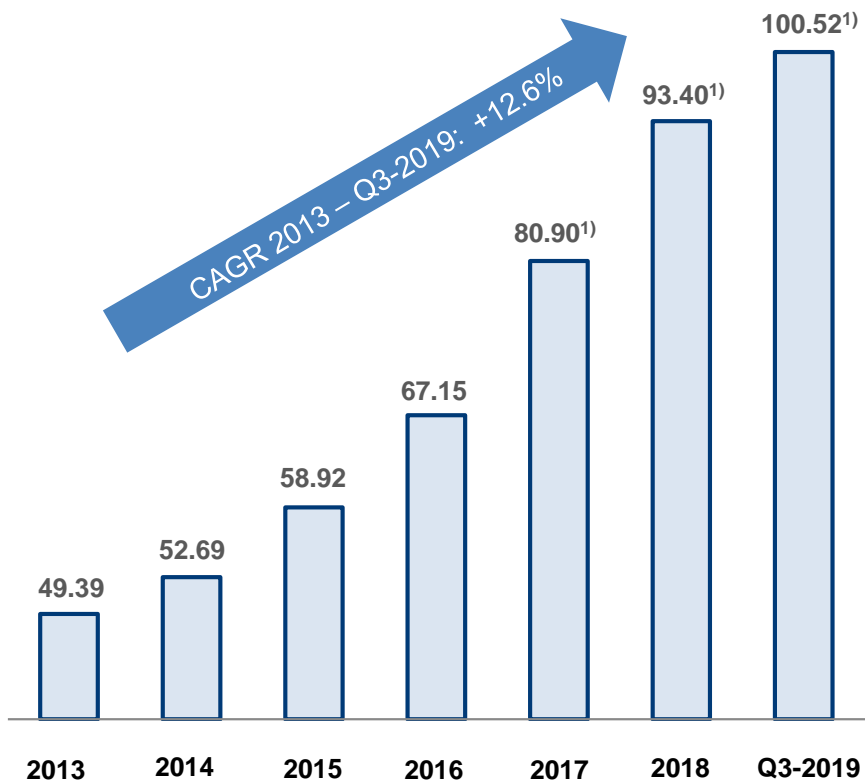
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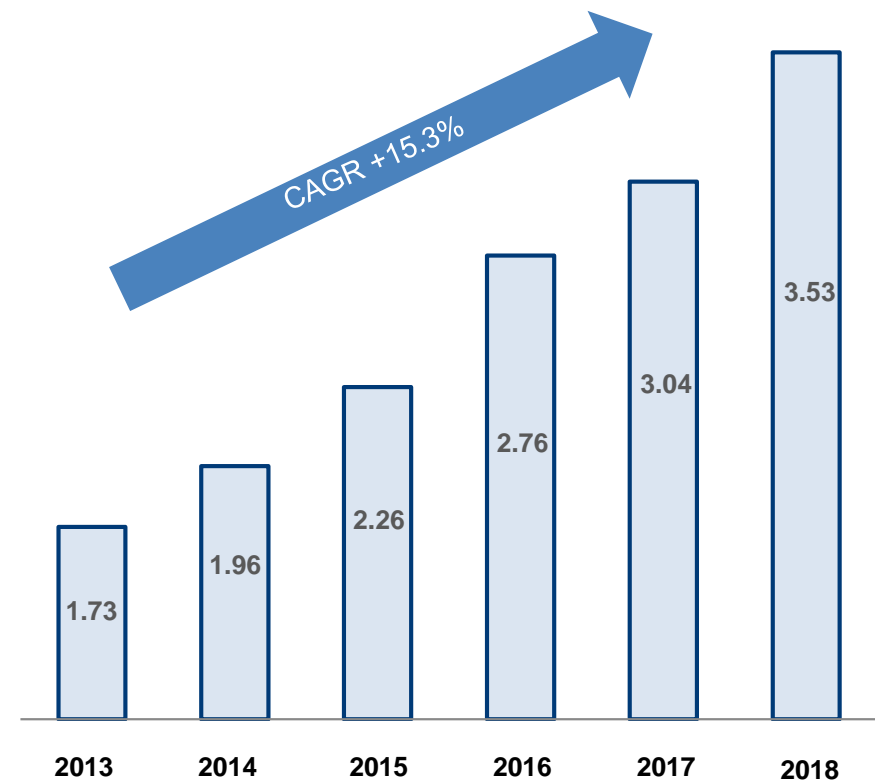
APPENDIX

Generating Appealing Shareholder Returns

NAV per share (€), excl. goodwill



Dividend per share (€)



1) For 2017, 2018, Q3-2019 pro forma NAV per share is shown and applied.

Income Statement

9M-2019



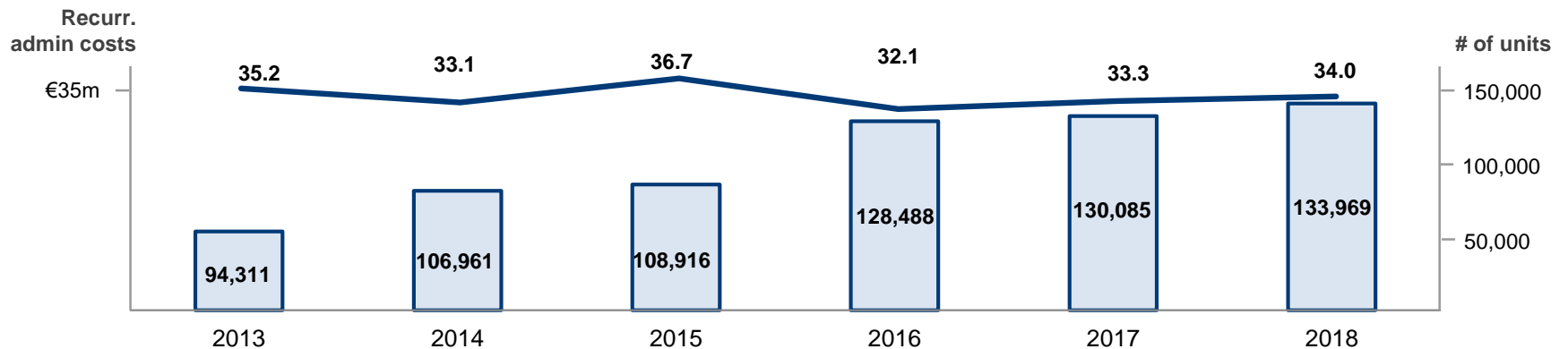
€ million	9M-2019	9M-2018	
Net rental and lease income	340.2	315.2	▪ Higher net cold rents (+€22.8m YOY/+5.5%)
Net income from the disposal of investment property	-0.8	-0.7	
Net income from the valuation of investment property	551.6	383.5	▪ Revaluation gains of 5.1%
Net income from the disposal of real estate inventory	-2.0	-1.5	
Net income from other services	1.5	3.8	
Administrative and other expenses	-38.0	-31.7	▪ Admin. costs contain one-off effects e.g. severance payments, higher depreciation due to the adoption of IFRS 16
Other income	0.4	0.6	
Operating earnings	852.9	669.2	
Net finance costs	-182.0	-117.9	▪ Net income from fair value measurement of derivatives -€92.6m; thereof -€91.3m from convertibles (9M-2018: -€49.6m)
Earnings before income taxes	670.9	551.3	▪ Stable cash interests (€58.4m; -€0.4m YOY) despite rising debt volume
Income tax expenses	-182.0	-143.6	
Consolidated net profit	488.9	407.7	▪ Cash taxes (-€12.9m); lower expenses for FY 2019 expected

Acquisitions: Leading Management Skills Paying Off

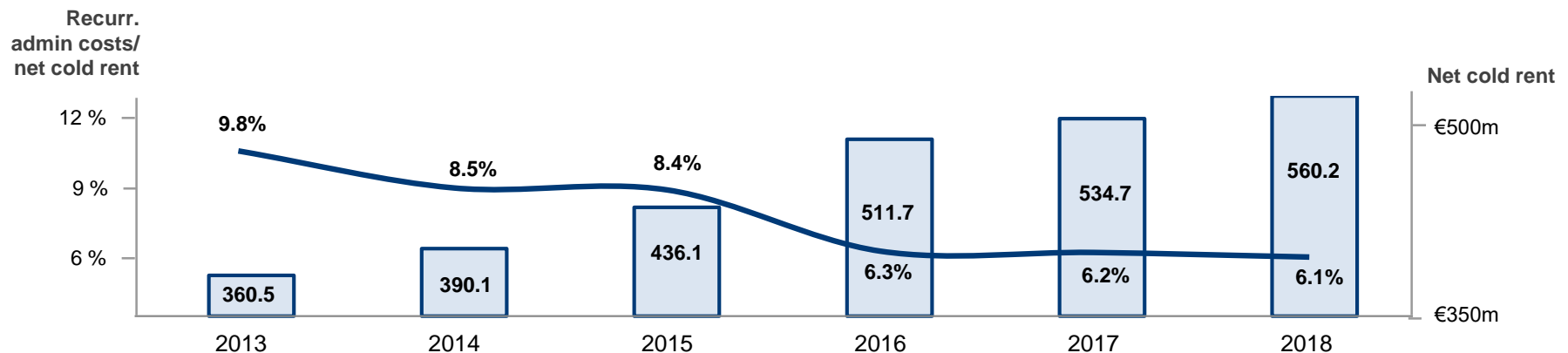
Scalability of platform + cost discipline support value accretive growth



Strong volume growth at overhead cost below FY-2013 level...



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



LEG – Adj. EBITDA Margin

LEG

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Leading profitability despite short term distortion from restricted units

Adj. EBITDA margin	FY-2018		FY-2017	
	€m	margin %	€m	margin %
As reported	405.2	72.3	385.7	72.1
Gap restricted vs. unrestricted rents ¹⁾	33.5	73.7	30.1	73.6

¹⁾ €/sqm: €4.77 vs. €6.00 in 2018, €/sqm: €4.74 vs. €5.81 in 2017

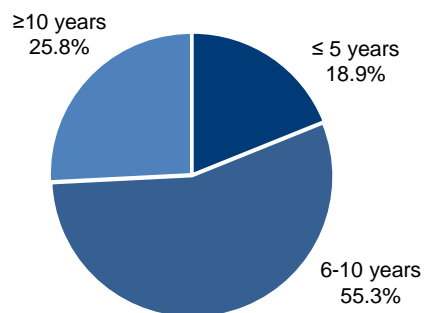
- EBITDA as reported distorted by restricted units (compensation for lower rents included in interest result below the EBITDA line)
- Scenario analysis: closing gap between restricted vs. unrestricted rents; **adjusted EBITDA margin approx. 150 bps higher**

Rent revisionary potential

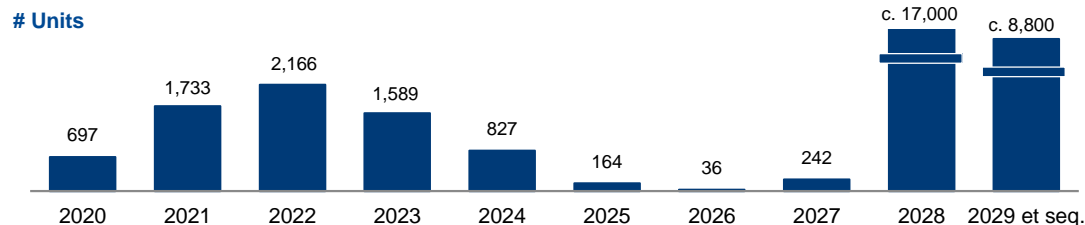
Refinancing of subsidised loans lifting value

Rent Potential Subsidised Units

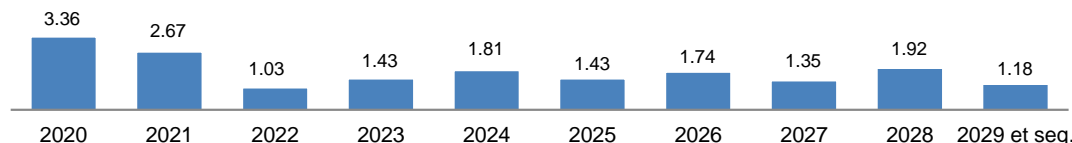
- In the following 10 years more than **24,000 units** will come off rent restriction
- Units show **significant upside to market rents**
- Subject to general legal and other restrictions, the **economic upside can theoretically be realised the year after restrictions expire**



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	€4.60	€4.90	€4.90
Market rent ¹⁾	€6.48	€6.72	€6.01
Upside potential ³⁾	41%	37%	23%
Upside potential p.a. ³⁾	€10.9m	€22.1m	€10.2m

Source: LEG as of Q3-2019

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 Q3-2019 and market rent (defined in footnote 1) as of Q2-2019.

LEG Share Information

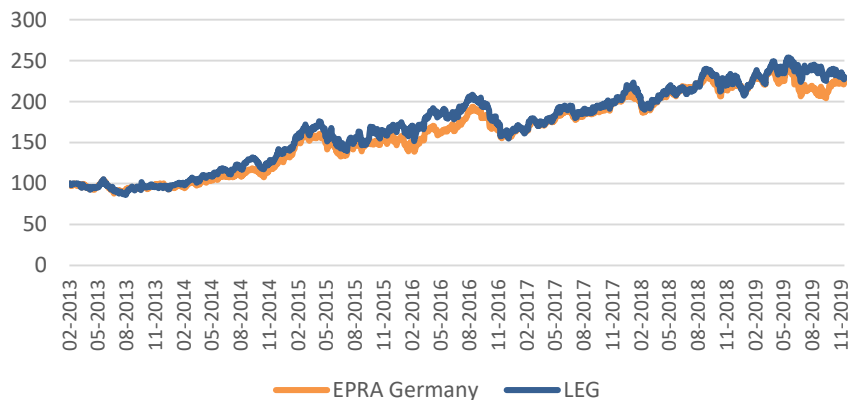


Strong outperformance vs. benchmarks including dividends

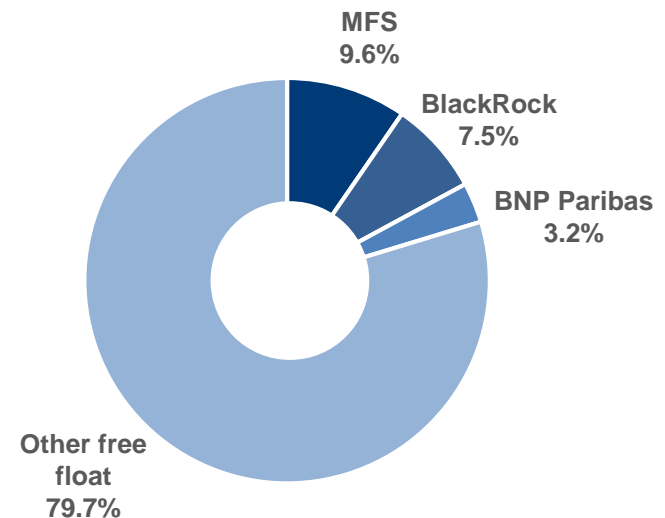
Basic data

- Prime Standard, Frankfurt Stock Exchange
- Total no. of shares: 69,009,836 (68,573,216 as at 30.09.2019)
- Ticker symbol: LEG
- ISIN: DE000LEG1110
- Indices: MDAX, FTSE EPRA/NAREIT, GPR 250, Stoxx Europe 600
- Weighting (30.09.2019): MDAX 2.75%; EPRA 2.68%
- Rating: Baa1 (stable) by Moody's

Share price (13.11.2019, indexed; 31.01.2013 = 100)



Well-balanced shareholder structure



Source: LEG; shareholdings according to voting rights notifications

Financial Calendar



Date	Report/Event
11.03.2019	Annual Report 2018
09.05.2019	Quarterly Statement Q1 as of 31 March 2019
29.05.2019	Annual General Meeting, Düsseldorf
09.08.2019	Quarterly Report Q2 as of 30 June 2019
15.11.2019	Quarterly Report Q3 as of 30 September 2019
20.11.2019	Roadshow London, Bank of America Merrill Lynch
22.11.2019	Roadshow Amsterdam, Kempen
27.11.2019	Roadshow Zurich, UBS
28.11.2019	Berenberg Real Estate Seminar, Paris
03.12.2019	UBS Global Real Estate Conference, London
05.12.2019	Berenberg European Corporate Conference, Surrey/UK

Contact

Investor Relations



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Thank you for your interest.