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**LEG Immobilien AG**

**Preliminary FY Results 2014 /  
Guidance Update**

25<sup>th</sup> February 2015

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## Preliminary 2014 results – Strong operating & financial performance

- FFO I €163.6m (+15.9% YOY; from €141.2m)
- NAV €52.69 per share (+6.7% YOY); rental yield 7.2%
- L-F-L rents +3.0% YOY (free financed units +3.4% ); L-F-L vacancy 2.7% (down from 2.9%)

## Implementing measures for further accelerating earnings growth

- **Maintaining a long-term secured best-in-class financing structure**
  - Early refinancing of loans to take advantage of attractive environment
  - Volume c.€900m (maturities until 2018)
  - Targets: avg. cost of debt < 2.3%, weighted maturities >11 years
  - Estimated one-time costs €60m; payback 3.5 years
- **Speeding-up efficiency programme; Expansion of leading EBITDA margin**
  - Targeted annual cost savings at least €5m
  - EBITDA-margin target 2017: approx. 71% (vs. 2014: 66.5%)

## Guidance 2015 & 2016: Further boost in profitability ahead

- FY-2015e: FFO I €195m-€200m (upward revision from €188m-€193m); €3.29-€3.38 per share
- FY-2016e: FFO I €223m-€227m; €3.91 to €3.98 per share
- Pay-out ratio: 65% of FFO I

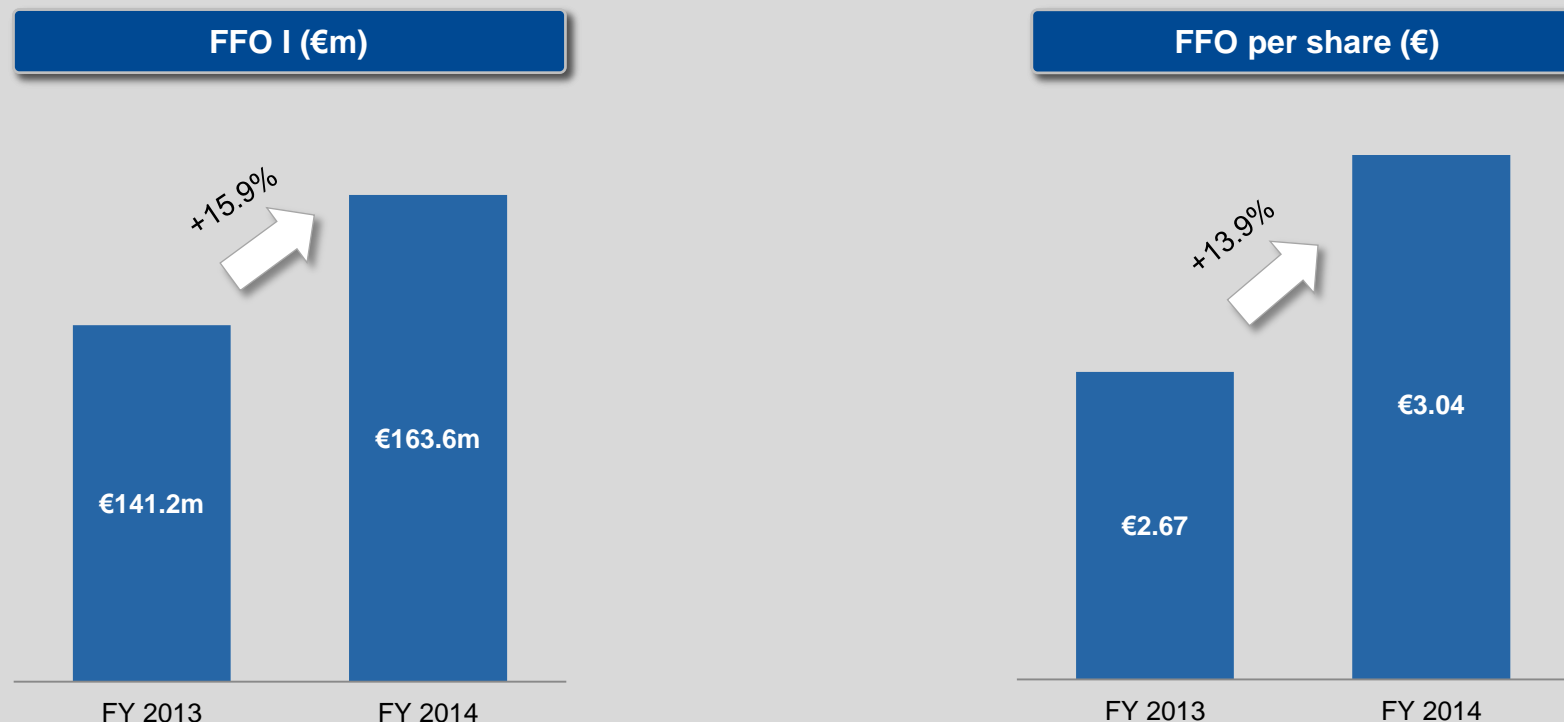
## Expansion of value-added services; LEG leader in innovation

- **JV for supply of heating & electricity**
  - Tender process for strategic partnership nearly completed
  - Positive one-time effect + immediate positive recurring income
- **Elderly living/outpatient care**
  - First pilot project of German housing company (cooperation with K&S group)



# Preliminary Results / Financials

## Leading FFO Profitability: Regional Focus + Cost Discipline

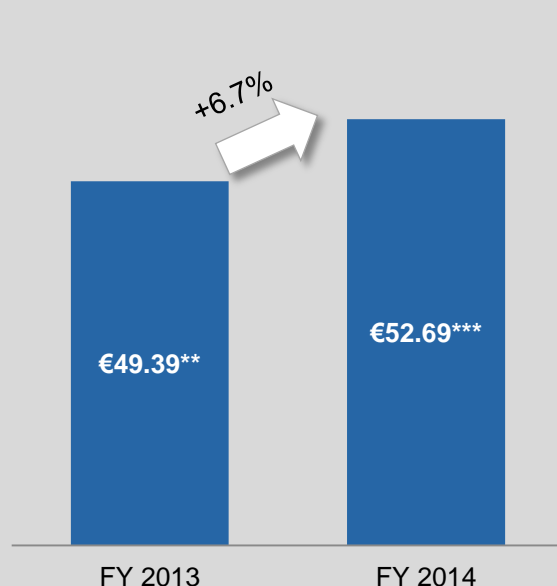


- Continued organic outperformance + accretive acquisitions drive FY-2014 earnings
- Regional focus on NRW + high cost discipline result in leading profitability
- Enhancement of adjusted EBITDA margin by +230 bps to 66.5% YOY reflects further improving efficiency
- Headroom for further margin expansion

# Preliminary Results / Financials

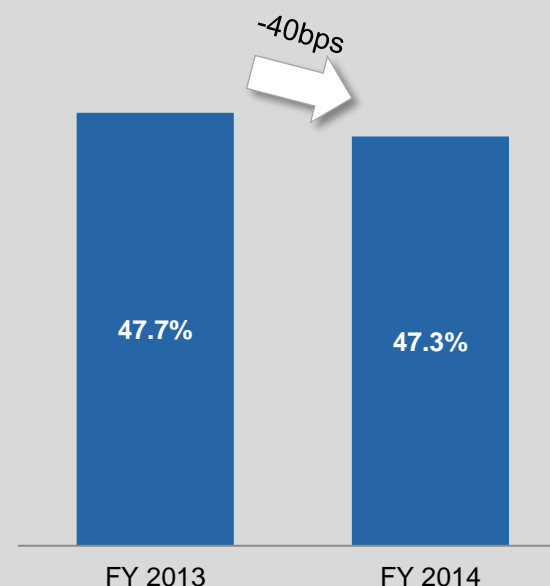
## NAV Growth Adds to Attractive Total Return

### NAV per share, excl. goodwill (€)\*



\* Fully diluted  
 \*\* Adjusted FY 2013 number  
 \*\*\* EPRA-NAV €53.10 (incl. goodwill)

### LTV (in %)

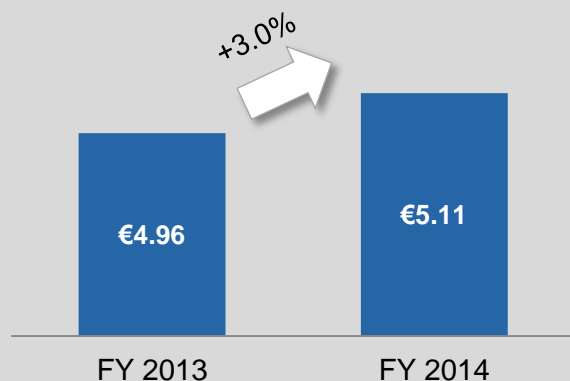


- NAV: Valuation uplift of 2.8% driven by strong operating performance
- NAV: Attractive portfolio yield of 7.2%; impairment of 1.5pp due to increased RE transfer tax reflects prudent approach
- LTV: Strong balance sheet basis for attractive financing terms; headroom for growth

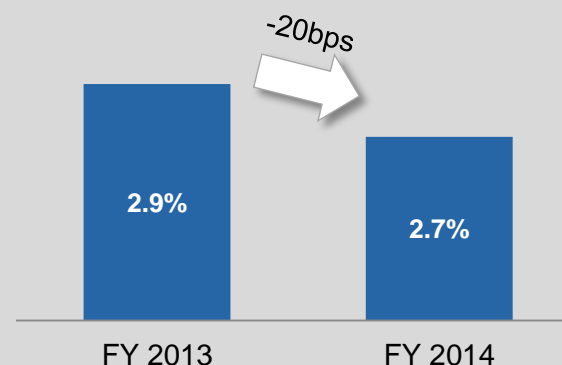
# Preliminary Results / Financials

## Strong Letting Performance Reflects Operational Excellence

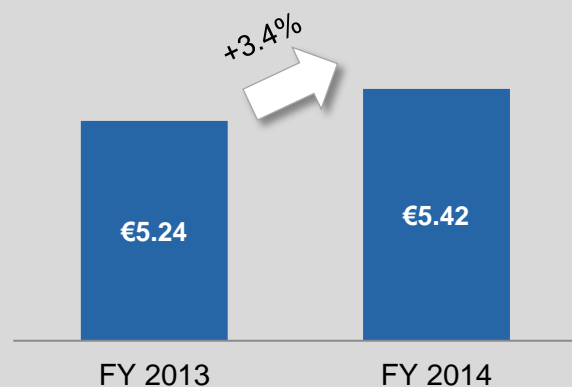
### L-f-I rents (€ /sqm /month)



### Vacancy (in %)



### L-f-I free financed (€m)



- Superior organic growth while maintaining high capital discipline
- Dedicated bottom-up approach;  
High proximity to customers and markets
- Capex & Maintenance €13.81/ sqm (capex ratio: 48.7%); above average spendings for recent acquisitions



# Refinancing

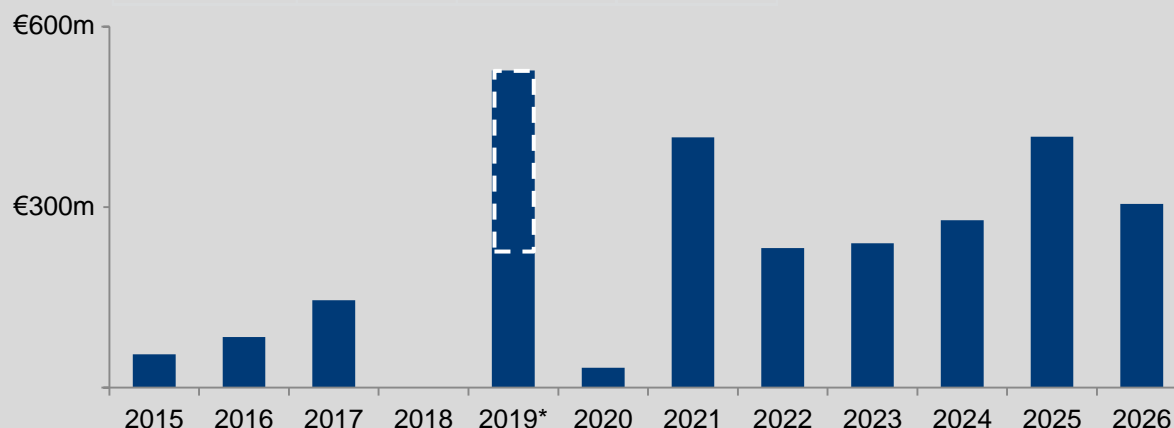
## Strengthening of Best-in-Class Financing Structure

### Pro-forma Maturity Profile: LT Secured Debt, Well-Balanced Maturity Profile, Low Cost of Debt

Avg. debt maturity: ☐ > 11 years

Interest costs: ☐  $\emptyset < 2.3\%$

1 - 2 years	3 - 5 years	6 - 8 years	$\geq 9$ years
5.1%	24.6	24.9%	45.4%



\* 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

# Efficiency Programme

## Agenda for Accelerated Margin Expansion

### Restructuring and implementation of capital market standards

- 2008-2012: Extensive group restructuring & reorganisation
  - 2013-2014: Built-up of new structures for external growth strategy and capital market requirements
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### Next phase of LEG's efficiency programme

- 2015: Accelerated efficiency enhancement – Harvesting the fruits from regional focus
  - Comprehensive review of entire structures and processes
  - Infrastructure investments completed – Time is right for further optimisation of cost structures
  - Roadmap for significant increase of EBITDA margin to approx. 71% in 2017 in order to maintain a leading profitability
  - Cost savings target of at least €5m annually (full effects starting FY-2016)
  - Further upside to margin targets from acquisitions at low incremental costs



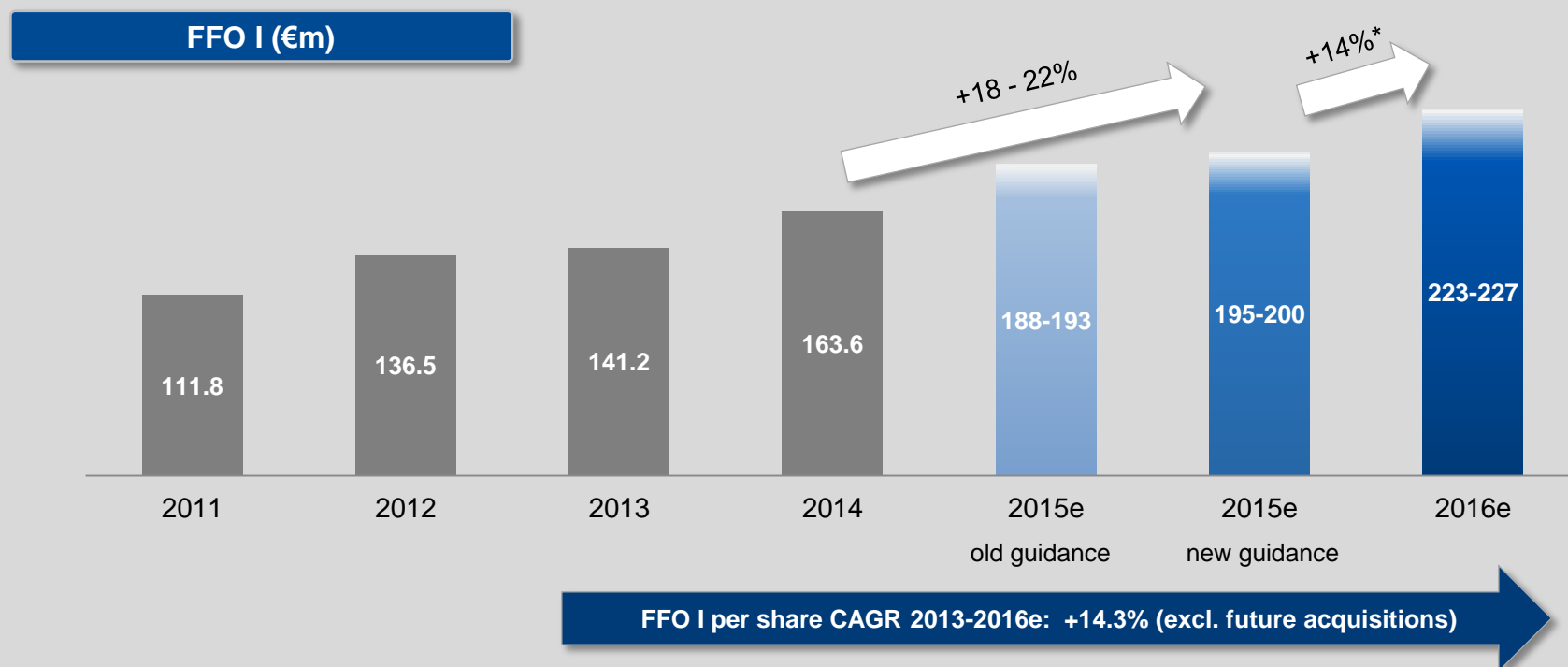
# Value-Added Services

## Creating Additional Value with New Value-Added Services

### LEG leader in innovation for tenant related services

- Very successful start of cable business in FY-2014
- Supply of heating and electricity
  - Transfer of heating systems to a JV with strategic partner
  - Financials: Positive one-off selling price, additional source of recurring income
  - Status: Tender process in advanced stage
  - Kick-off: H2-2015
- Outpatient care for elderly tenants
  - Pilot project with nationwide service supplier K&S group
  - 1,400 units in Dortmund-Wickede; on-site service point
  - LEG with holistic approach to keep senior tenants in their own apartments (incl. refurbishment)

## Guidance 2015 & 2016



### Compelling growth at low risk

- Clear and focussed business model/strategy
- Long-term secured financing
- High capital discipline
- Bolt-on acquisition with high synergies and low execution risk (FFO yield >8%, no NAV dilution)

\*at mid point

## 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

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**Thank you for your interest.**