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LEG Immobilien AG

Q1 Results 2014

15th May 2014

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Agenda

- I. Highlights Q1-2014
- II. Portfolio and Operating Performance
- III. Financial Performance
- IV. Business Update and Outlook
- V. Appendix

I. Highlights Q1-2014

Highlights Q1-2014

Overall company development

- Cost rent adjustment of c. 35k units in January (+2.2%)
- Successful launch of multimedia business
- Preparation of the issue of €300m convertible bond (successful transaction in April)
- Further progress on external growth

Sound operating performance with accelerating rent growth

- In-place rent €5.04 /sqm (+2.9% like-for-like, +3.2% for free-financed units)
- Occupancy at 96.9% on I-f-I basis (+10bps YOY; 96.7% including acquisitions)
 - On track for further vacancy reduction in FY-2014
 - Sequential increase due to seasonal pattern
- Lower maintenance/turn costs in Q1; catch-up effects in coming quarters
 - Total expenses for maintenance and capex of €2.70 /sqm in Q1
 - FY-2014 target of approx. €13/sqm

Financial performance reflects dynamic rent development

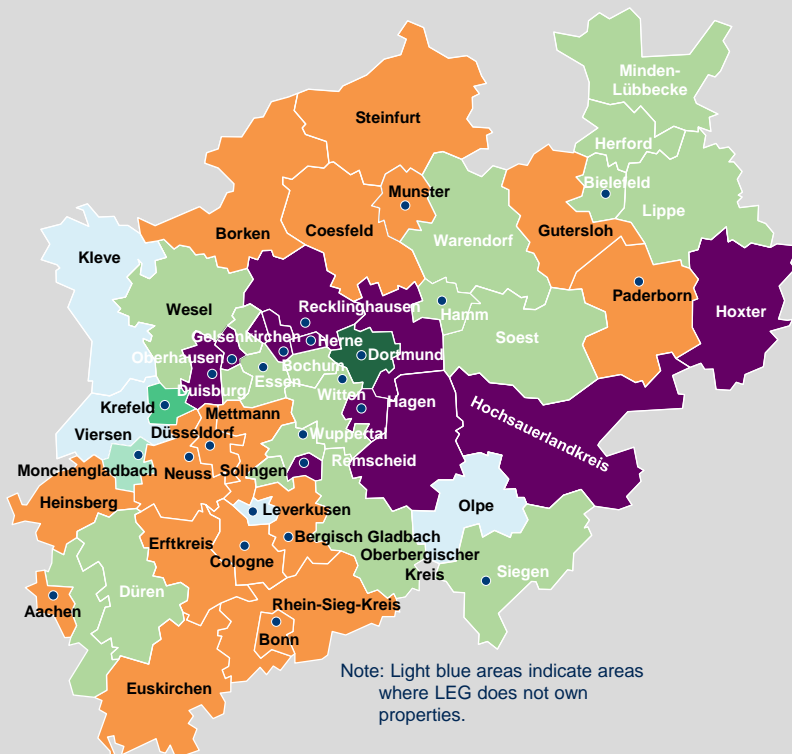
- Rental income €94.3m (+5.7% YOY from €89.2m)
- Adjusted EBITDA €64.7m (+19.4% YOY from €54.2m);
- FFO I €41.0m(+21.3% YOY from €33.8m), €0.77 per share
- AFFO €32.7m (+22.0% YOY from €26.8m)
- NAV €49.23 per share (+ 1.4% QOQ)



II. Portfolio and Operating Performance

Portfolio Overview

Positive Rent Dynamics across all Submarkets



Total Portfolio

	31 Mar. 2014	Δ (YOY)
# of units	94,998	+4.5%
In-place rent (sqm)	€5.04 (€5.05)**	+2.6% (+2.9%)**
Occupancy	96.7% (96.9%)**	-10bps (+10bps)**

High-Growth Markets

	31 Mar. 2014	Δ (YOY)
# of units	31,477	-0.0%
In-place rent (sqm)	€5.54 (€5.63)**	+3.0% (+3.1%)**
Occupancy	98.6% (98.6%)**	+10bps (+10bps)**

Stable Markets with Attractive Yields

	31 Mar. 2014	Δ (YOY)
# of units	34,616	+8.0%
In-place rent (sqm)	€4.67 (€4.74)**	+1.5% (+2.4%)**
Occupancy	96.0% (96.4%)**	0bps (+40 bps)**

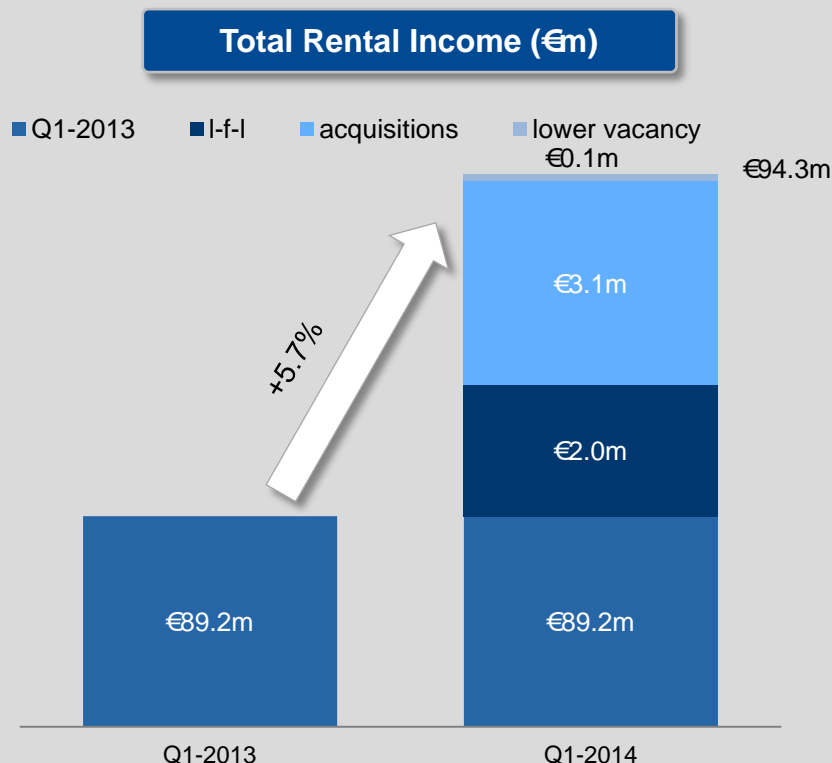
Higher-Yielding Markets

	31 Mar. 2014	Δ (YOY)
# of units	27,428	+5.5%
In-place rent (sqm)	€4.58 (€4.66)**	+1.4% (+2.6%)**
Occupancy	95.2% (95.5%)**	-30bps (0bps)**

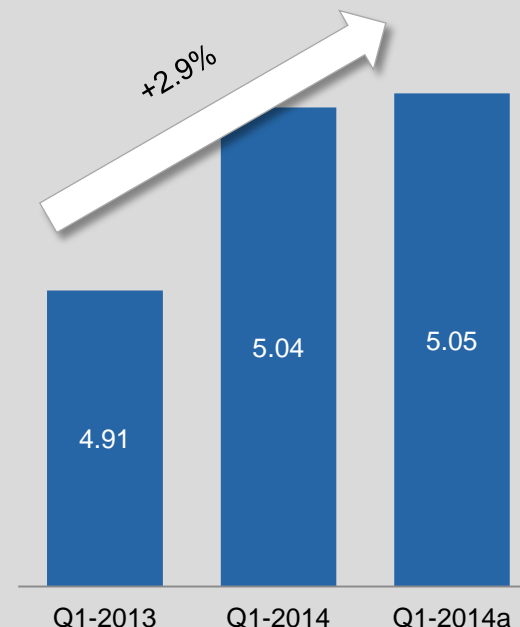
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Rent Development

Sound Organic Growth – Accelerating Momentum in Q1



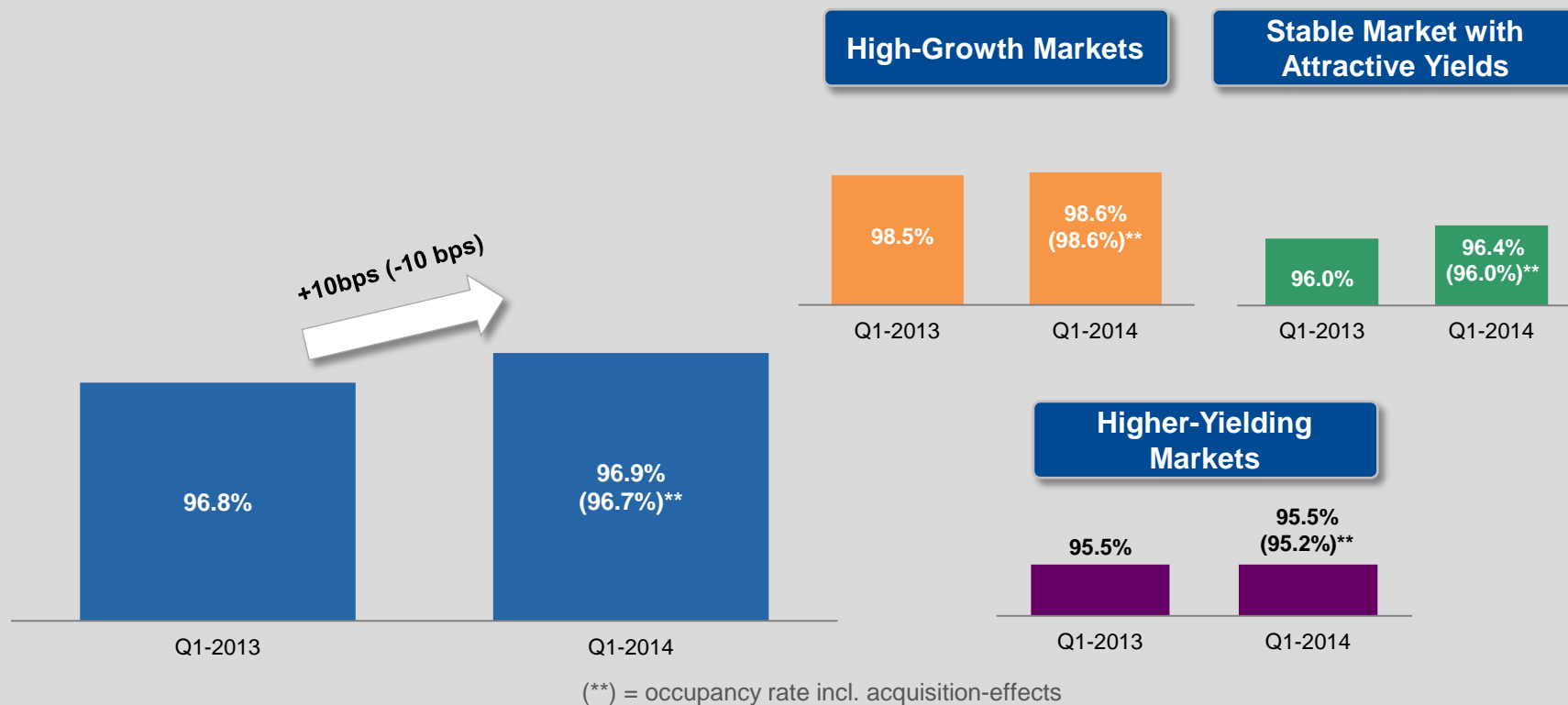
Residential Rent (€/sqm /month)



- Organic rent growth (residential) of +3.0% YOY
- L-f-I rent growth (per sqm) of +2.9%
- Accelerating rent growth of +3.2% for free-financed units emphasizes strong underlying dynamics

Occupancy Development

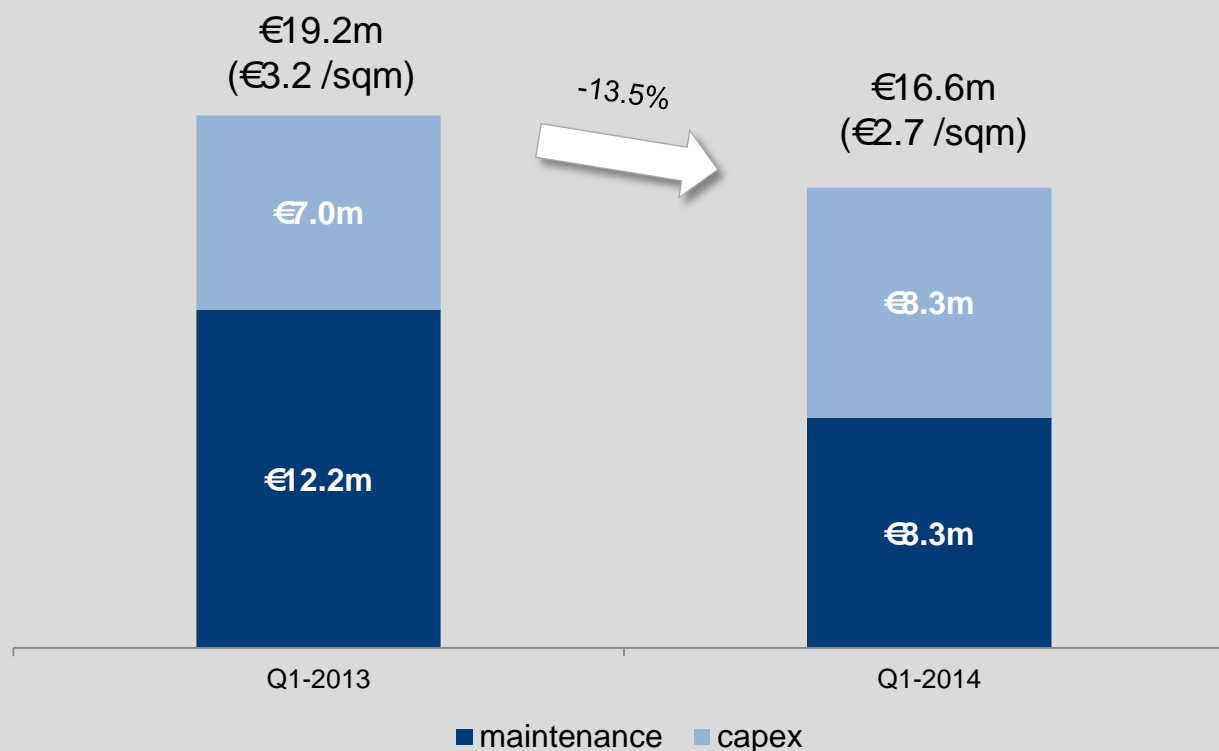
Further Vacancy Reduction Ahead



- L-f-I vacancy rate of 3.1% /-10bps YOY confirms sound underlying development
- On track to reach further vacancy decrease in FY-2014
- Positive underlying demand situation across all sub-markets:
 - Well-maintained asset base, good quality of micro locations, strong property management platform

Capex & Maintenance

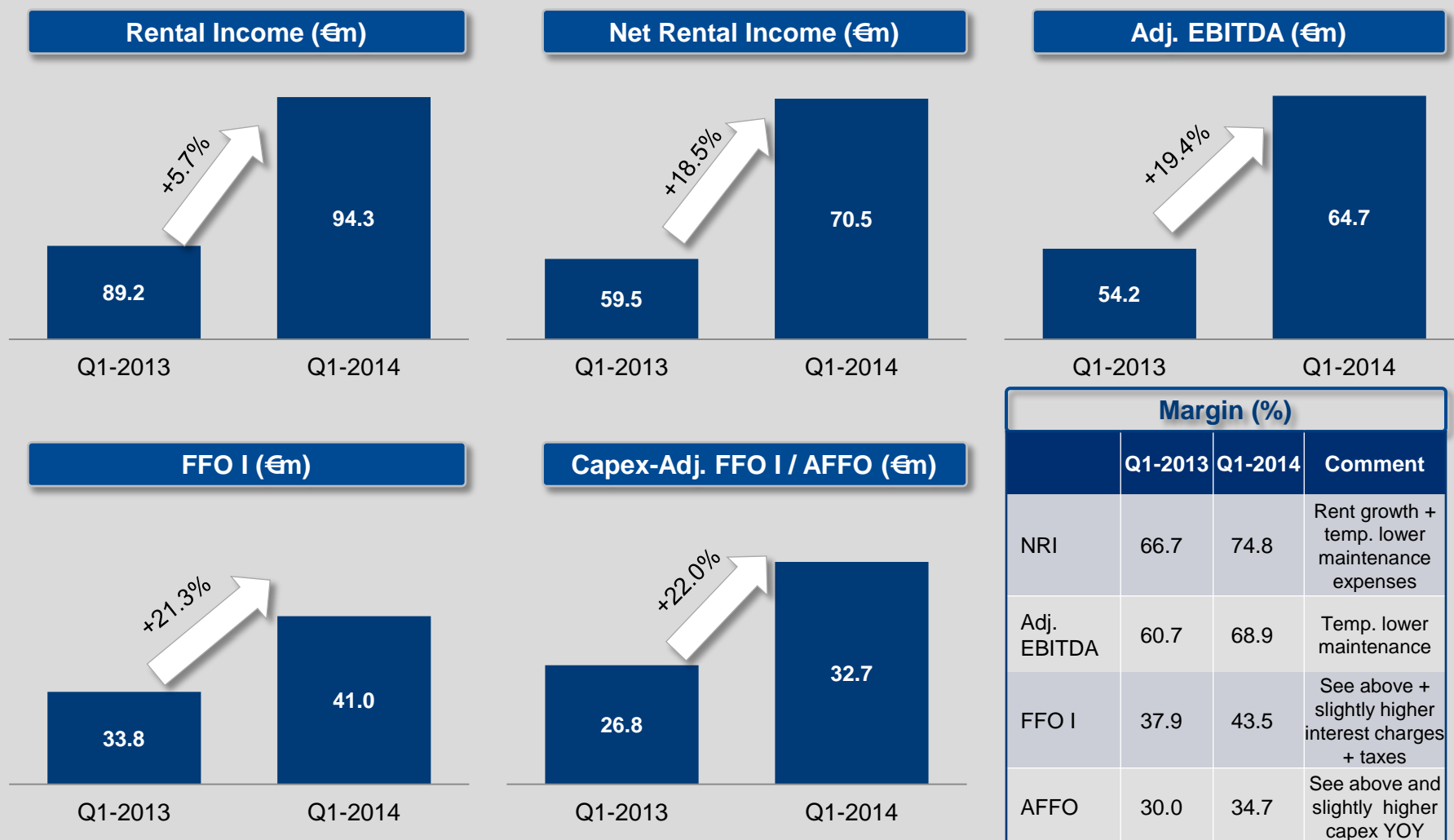
Well Maintained Asset Base; On Track for FY target



- Temporary lower maintenance/capex in Q1
- FY-2014 target of approx. €13/sqm
- Rising spending for turn costs and modernisation projects planned
 - Pipeline clearly defined
- Investments yielding attractive returns
 - Further vacancy decrease
 - Rent adjustments

III. Financial Performance

Financial Highlights Q1-2014



Income Statement Q1-2014

Condensed Income Statement (€million)	2013	Q1-2014	Q1-2013	
Net rental and letting income	257.7	70.5	59.4	<ul style="list-style-type: none"> Higher rental income (+€5.1m/+5.7%) Lower maintenance expenses (-€3.9m)
Net income from the disposal of investment property	-1.8	0.0	-0.2	
Net income from the valuation of investment property	81.6	0.0	0.0	
Net income from the disposal of real estate inventory	-3.1	-0.9	-0.9	
Net income from Other services	2.3	0.1	0.8	
Administrative and Other expenses	-51.5	-8.8	-11.4	<ul style="list-style-type: none"> €0.3m Long Term Incentive Plan – non-cash pass-through item Slightly lower recurring admin. costs of €7.8m (Q1-2013: €8.1m)
Other income	0.2	0.2	0.6	
Operating earnings	285.5	61.1	48.4	
Net finance costs	-126.9	-32.2	-36.5	<ul style="list-style-type: none"> Lower non-cash loan amortisation of €4.6m (-€5.6m YOY; one-off effect due to refinancing in Q1-2013) Slightly higher cash interest expenses (€23.6m vs. €20.6m)
Earnings before income taxes	158.6	28.9	11.9	
Income tax expense	-21.7	-6.5	-0.7	
Consolidated net profit	136.9	22.4	11.3	<ul style="list-style-type: none"> Deferred taxes (thereof cash taxes: -€0.1m)

Adjusted EBITDA Q1-2014

€million	2013	Q1-2014	Q1-2013
EBITDA	294.1	63.2	50.5
Net income from the valuation of investment property	-81.6	0.0	0.0
Long-term incentive program (LTIP)	3.3	0.3	1.0
Non-recurring project costs	7.9	0.3	1.8
Extraordinary and prior-period expenses and income	3.2	0.1	-0.2
Net income from the disposal of investment property	1.7	0.0	0.2
Net income from the disposal of real estate inventory	3.1	0.9	0.9
Adjusted EBITDA	231.7	64.7	54.2

- -€3.9m lower maintenance cost
- +€5.1m higher rental income
- -€2.6m lower admin. costs

- Restructuring & reorganisation charges petering out

- Winding down of former development business
- Smaller disposals at premium to book values
- Inventories: €9.0m

FFO Calculation Q1-2014

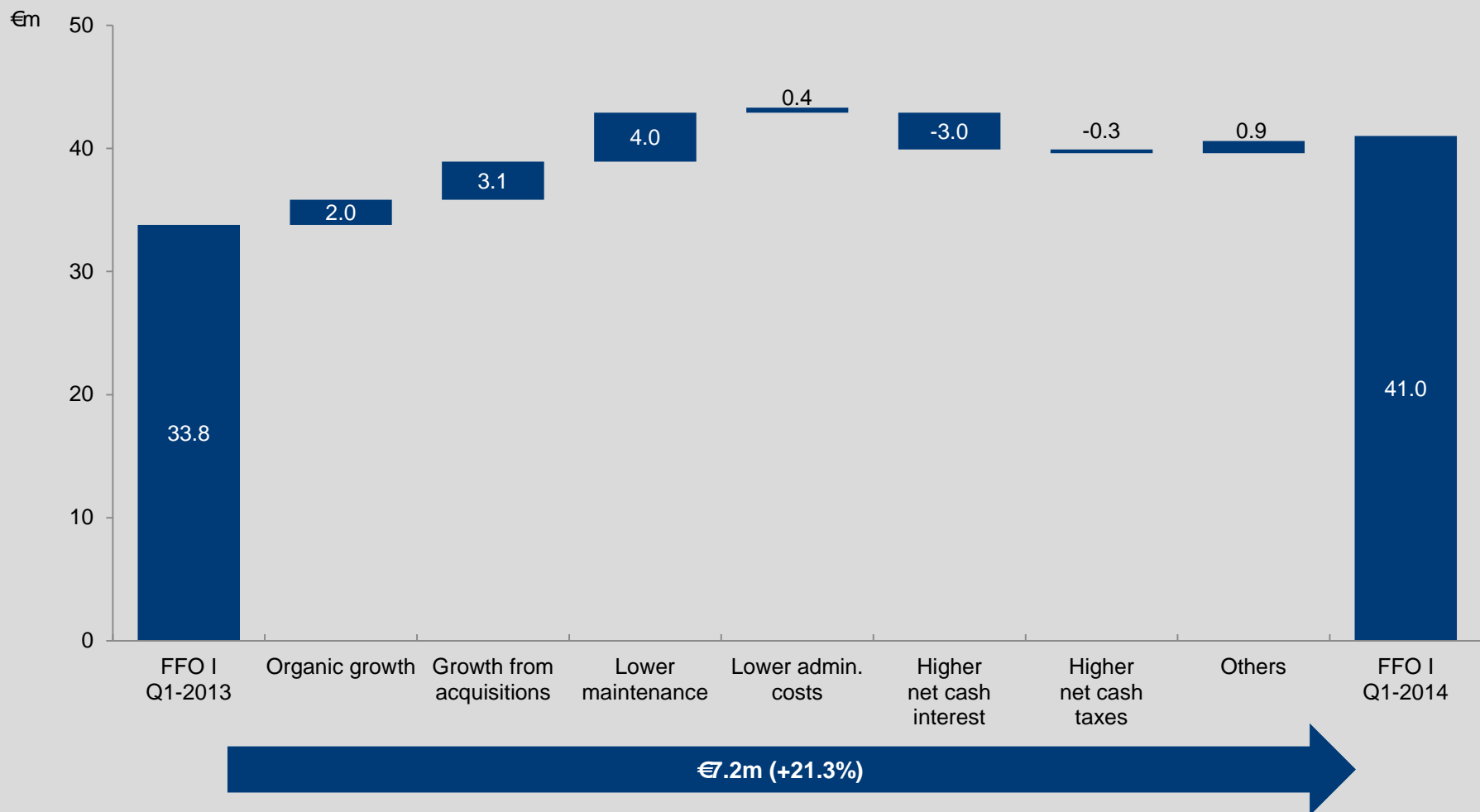
€million	2013	Q1-2014	Q1-2013
Adjusted EBITDA	231.7	64.7	54.2
Cash interest expenses and income	-91.0	-23.6	-20.6
Cash income taxes	0.5	-0.1	0.2
FFO I (not including disposal of investment property)	141.2	41.0	33.8
Net income from the disposal of investment property	-1.7	0.0	-0.2
FFO II (including disposal of investment property)	139.5	41.0	33.6
Capex	-43.7	-8.3	-7.0
Capex-Adjusted FFO I (AFFO)	97.5	32.7	26.8

- Elimination of quarterly fluctuations of sub-sidized loans (+€2.3m)
- Higher financial debt due to acquisitions (+€0.7m)
- Slightly lower interest costs (Ø 3,2%; -10bps)

- Disposals of non-core assets above book value

- €2.6m lower capex & maintenance (YOY)

FFO Bridge Q1-2014



Focus: Cash Effective Interest Expense Q1-2014

€million	2013	Q1-2014	Q1-2013
Reported interest expense	131.4	30.0	35.1
Interest expense related to loan amortisation	-30.2	-4.6	-10.2
Refinancing fees	-2.9	-0.4	-1.9
Prepayment penalties	0.0	0.0	0.0
Interest on shareholder loans	-0.2	0.0	-0.1
Interest charges relating to valuation of assets/liabilities	-2.3	-0.4	-0.6
Leasing related interest expense	-1.6	-0.4	-0.4
Interest expenses related to changes in pension provisions	-3.6	-1.0	-1.0
Other interest expenses	-0.2	0.3	0.0
Bank charges	1,5	0.2	-
Interest income	-0.9	-0.1	-0.3
Cash effective interest expense	91.0	23.6	20.6

- Extraordinary effects in 2013 due to refinancing

EPRA-Net Asset Value Q1-2014

€million	31.03.2014	31.12.2013
Equity (excl. minority interests)	2,260.6	2,248.8
Note: Shareholder loans to be converted into equity	0.0	0.0
Effect of exercising options, convertible loans and other rights	-	-
NAV	2,260.6	2,248.8
Fair value of financial derivatives	65.2	52.0
Deferred taxes	281.8	271.1
EPRA-NAV	2,607.6	2,571.9
Number of shares outstanding (m)	52,963	52,963
EPRA-NAV per share in €	49.23	48.56

- +€22.3m net profit
- -€11.0m O-C-I

- Only deferred taxes related to investment properties and assets held for disposal

* adjusted

Balance Sheet Q1-2014

Strong Balance Sheet Secures Defensive Profile and Paves Way for Growth

€million	31.03.2014	31.12.2013
Investment property	5,195.4	5,163.4
Prepayment for investment property	3.1	6.9
Other non-current assets	92.6	91.9
Non-current assets	5,291.1	5,262.2
Receivables and other assets	42.9	33.8
Cash and cash equivalents	140.5	110.7
Current assets	183.4	144.5
Assets held for disposal	16.3	16.4
Total Assets	5,490.9	5,423.1
Equity	2,288.0	2,276.1
Non-current financial liabilities	2,386.0	2,396.7
Other non-current liabilities	470.6	443.9
Non-current liabilities	2,856.6	2,840.6
Current financial liabilities	221.2	187.0
Other current liabilities	125.0	119.4
Current liabilities	346.2	306.4
Total Equity and Liabilities	5,490.9	5,423.1

- Purchases €26m
- Capex €8.3m
- Reclassification -€2.3m

- For acquisitions consolidated as of mid-2014

- Equity ratio of 41.7%

- Financial debt +€23.5m

LTV Q1-2014

Liquidity for Acquisitions and Headroom to Enhance LTV (max. 55%)

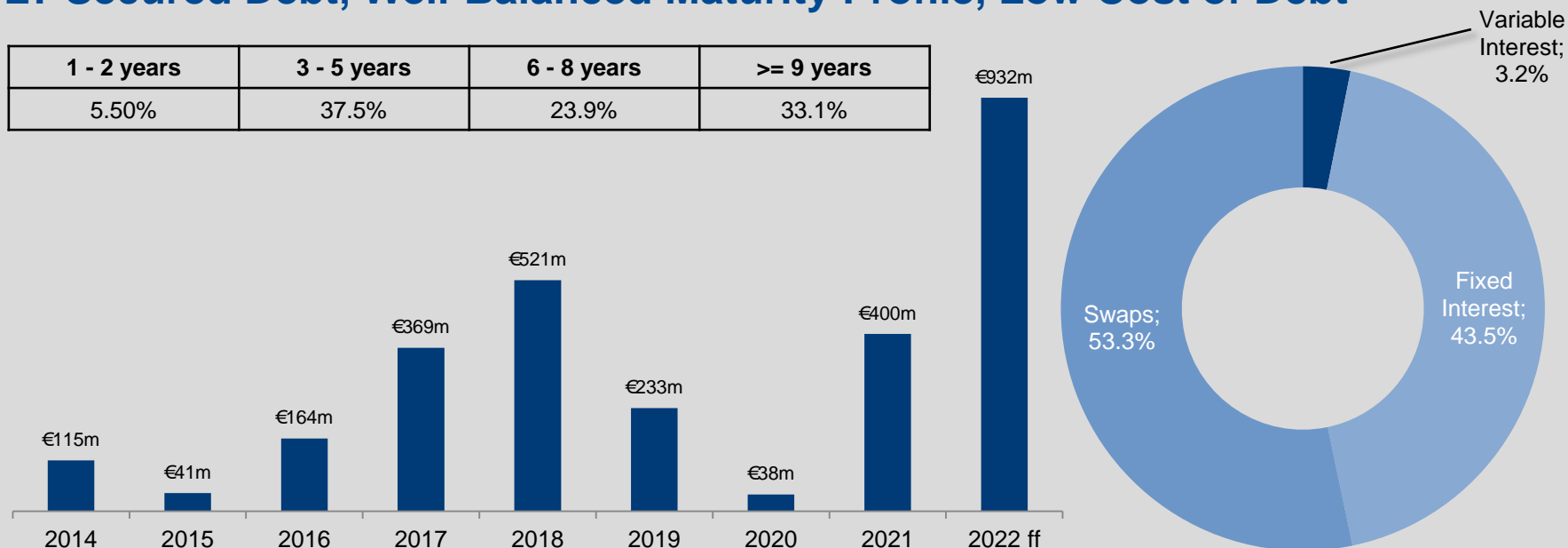
€million	31.03.2014	31.12.2013
Financial debt	2,607.2	2,583.7
Cash & cash equivalents	140.5	110.7
Net Debt	2,466.8	2,473.0
Investment properties	5,195.4	5,163.4
Properties held for sale	16.3	16.4
Prepayment for investment properties	3.1	6.9
	5,214.8	5,186.7
Loan to Value (LTV) in %	47.30	47.68

- Low LTV offers significant headroom for external growth

Financing Structure Q1-2014

LT Secured Debt, Well-Balanced Maturity Profile, Low Cost of Debt

1 - 2 years	3 - 5 years	6 - 8 years	>= 9 years
5.50%	37.5%	23.9%	33.1%



Average debt maturity:

▪ approx. 10.7 years

Interest costs:

▪ Ø 3.2% (Ø 2.95% incl. convertible bond)

Hedging ratio:

▪ 96.8%

No major refinancing before 2017

IV. Business Update and Outlook

Business Update

Sound Organic Growth and Well-Positioned for External Growth

Sound prospects for organic growth

- Identified attractive opportunities for selective larger modernisation projects and investments into turn costs
 - In-depth analysis of the newly acquired portfolios; internal benchmarking
- Preparation phase completed; Investment programme started in spring
- Especially, investments in vacant apartments promise attractive returns
 - Focus on newly acquired portfolios; release of capex backlog source of above average returns

Issue of convertible confirms low credit risk and supports external growth

- €300m convertible issue with low coupon of 0.5% and attractive conversion premium of 30%
 - Attractive terms and implied bond value signal investment grade credit profile
- Diversification of financing sources; strong access to debt capital markets
- LEG's financial flexibility key competitive advantage in investment markets for acceleration of external growth

Promising outlook for continuation of external growth strategy

- Smaller portfolio deal (300 units) signed in April
- Further smaller transactions in advanced stages of due diligence
- Rising visibility for accelerating deal momentum in the coming months ahead

Acquisitions: Dynamic Rent Growth

31.03.2014			Closing		Change	
Units	In-place rent €/ sqm	Occupancy	In-place rent €/ sqm	Occupancy	In-place rent €/ sqm	Occupancy
5,472	5.09	92.6%	4.90	93.2%	0.20 (+4.0%)	-60 bp

New-letting		Termination		
sqm	In-place rent €/ sqm	sqm	In-place rent €/ sqm	Change In-place rent
7,441	5.55	8,636	5.15	+7.7%

- Adjustments of existing rents and re-lettings confirm attractive reversionary potential
- Portfolios previously overall slightly undermanaged
- Initiation of the capex-programme offers further significant upside
 - Rising occupancy in coming quarters expected

Outlook 2014

Full Earnings Effect from Signed Acquisitions and Multimedia in FY-2015

2014	Guidance
L-F-L rent growth	upper end of 2-3% range
Maintenance/Capex:	approx. €13 /sqm (capex ratio c. 50%)
Acquisitions:	>10,000 units by end 2014
FFO I:	€155m - €159m/ €2.93 - €3.00 per share; excl. future acquisitions
Dividend	65% of FFO I

V. Appendix

Mietspiegel Overview

Expected New Mietspiegel in 2014

Release Date (expected)	High-Growth Market ¹	Stable Market ¹	Higher-Yielding Market ¹	Total Portfolio ^{1,2}
2014 (Q1)	6,417 units (mainly Dusseldorf, Ratingen)	3,522 units (mainly Siegen, Solingen)	1,334 units (mainly Hagen)	11,273 units
2014 (Q2)	110 units	7,960 units (mainly Hamm, Bochum, Ahlen)		8,070 units
2014 (Q3)	209 units	310 units	5,374 units (mainly Gelsenkirchen, Unna)	6,002 units
2014 (Q4)	399 units	213 units	2,570 units (mainly Recklinghausen)	3,182 units
Total^{1,2}	7,135 units	12,005 units	9,278 units	28,527 units

Thereof:			
- Ahlen		1,049 units	
- Bochum		1,477 units	
- Dusseldorf	3,293 units		2,918 units
- Gelsenkirchen			
- Hamm		3,976 units	
- Ratingen	2,794 units		
- Recklinghausen			1,765 units
- Siegen		1,027 units	
- Solingen		1,451 units	
- Unna			1,211 units

1) Sub-portfolios also include restricted units

2) Total Portfolio also include 109 units Non NRW

LEG – Adj. EBITDA Margin

Leading Profitability in the Sector



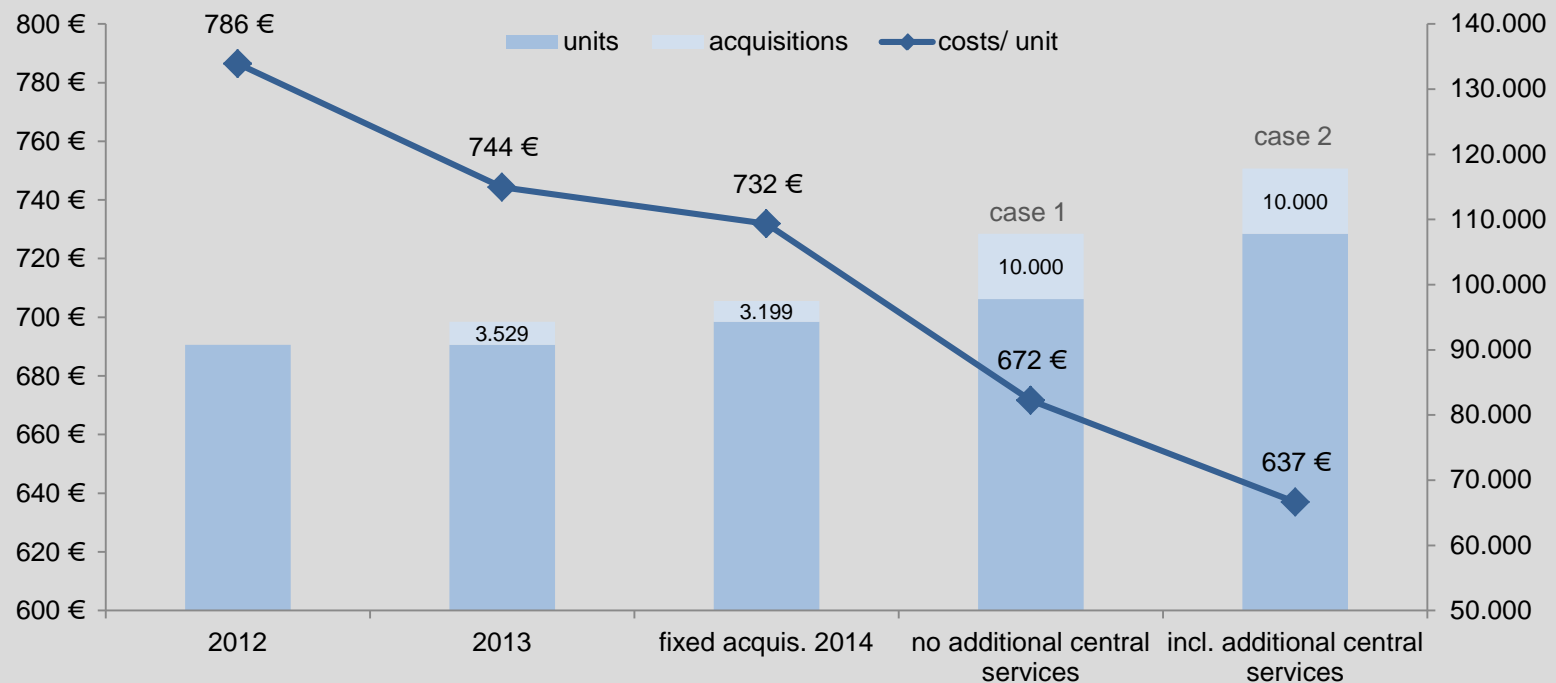
Adj. EBITDA margin	2012		2013	
	€m	Margin %	€m	Margin %
Reported	223.1	64.8	231.7	64.3
Gap restricted vs. unrestricted rents*	19.4	66.7	22.5	66.4
Positive effect from subsidized loans on interest result**	17.6	66.5	17.4	65.9

- *€4.48 per sqm vs. €5.13 in 2013, €4.49 vs. €5.27 in 2013
- **€Financing costs 1.4% (maturity 30 years) vs. Swap 2.6% +175 bps margin

- Reported EBITDA distorted by restricted units (compensation for lower rents included in interest results)
- Scenario analysis: closing gap between restricted vs. unrestricted rents; quantifying the impact from subsidized loans
- Adjusted EBITDA margin approx. 160-210 bps higher
- Lower Margin in 2013 YOY due to higher maintenance

Significant Efficiency Gains from External Growth

Scalability of platform allows for above average productivity gains



Portfolio (as of 31 March 2014)

Stable Asset Values Driven by Property Fundamentals: Rental Growth and Occupancy

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	31,477	2,206	45%	1,061	15.9x	182	2,388
Stable Markets with Attractive Yields	34,616	1,548	32%	699	12.8x	83	1,631
Higher-Yielding Markets	27,428	1,058	22%	627	11.8x	42	1,100
Subtotal NRW	93,521	4,812	98%	805	13.8x	306	5,118
Portfolio outside NRW	1,477	85	2%	873	14.2x	10	95
Total Portfolio	94,998	4,897	100%	806	13.8x	316	5,213
Other Assets							36
Total (Incl. Landbank and DevCo)							5,249

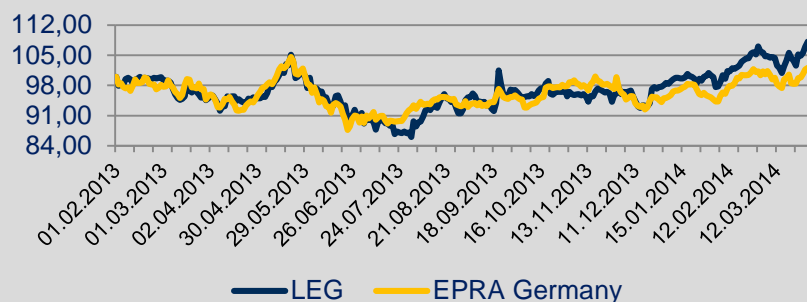
LEG Share Information

Basic Data

- Prime Standard, Frankfurt Stock Exchange
- Total no. of shares: 52,963,444
- Ticker symbol: LEG
- WKN: LEG111/ ISIN: DE000LEG1110
- Indices: MDAX, FTSE EPRA/NAREIT, GPR 250, Stoxx Europe 600
- Weighting: MDAX 1.83%; EPRA 1.8%

Basic Data

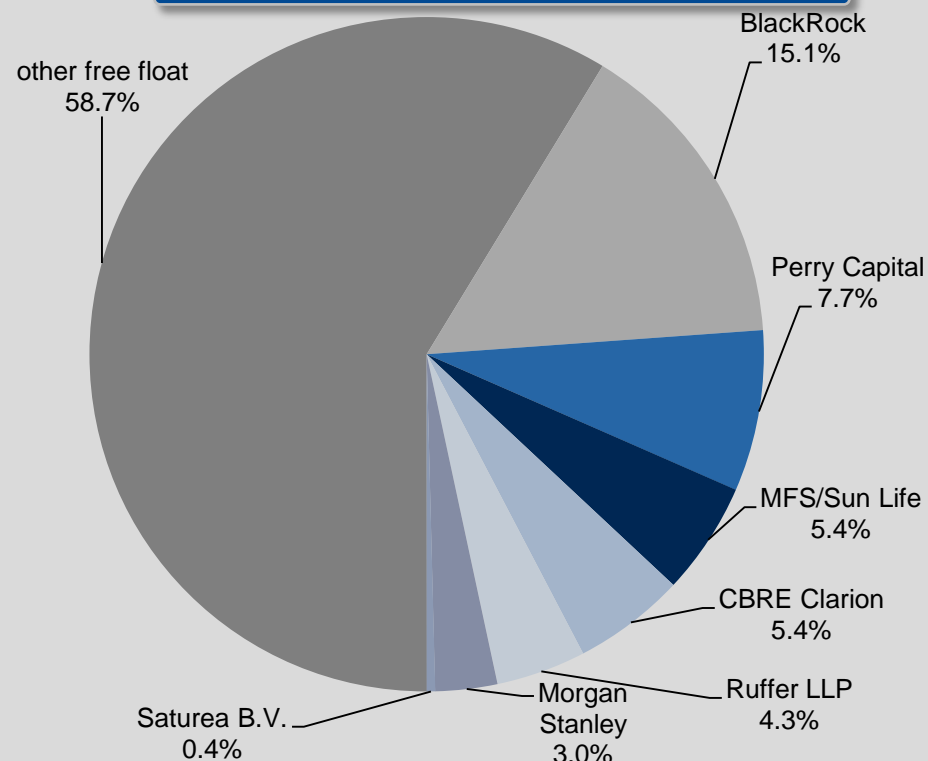
Share price (indexed; 31.01.2013 = 100)



Source: LEG

Chart 31

Shareholder Structure



- Well-balanced shareholder structure

Financial Calendar

Date	Report
15.05.2014	Quarterly Report Q1 as of 31 st March 2014
25.06.2014	Annual General Meeting
12.08.2014	Quarterly Report Q2 as of 30 th June 2014
14.11.2014	Quarterly Report Q3 as of 30 th September 2014

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Thank you for your interest.