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LEG Immobilien AG

Q1 Results 2015

13th May 2015

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Agenda

- I. Highlights Q1-2015
- II. Portfolio and Operating Performance
- III. Financial Performance
- IV. Business Update and Outlook
- V. Appendix

I. Highlights Q1-2015

Overall company development in Q1-2015

- Execution of €900m early refinancing
- Strong credit profile confirmed by Moody's (Baa1)
- New JV with RWE for energy services
- Delivering on acquisitions: c.800 units signed and approx. 2,500 units close to signing

Leading operating performance

- In-place rent €5.13/sqm (+2.5% like-for-like, +3.5% for free-financed units)
- EPRA-Vacancy 3.2% l-f-l (+/-0 bps YOY)
- Maintenance/capex of c.€2.2/sqm in line with budget
 - FY-2015 target of €15/sqm reiterated
 - Focus on efficient deployment of capital

Financials: Compelling growth at low risk

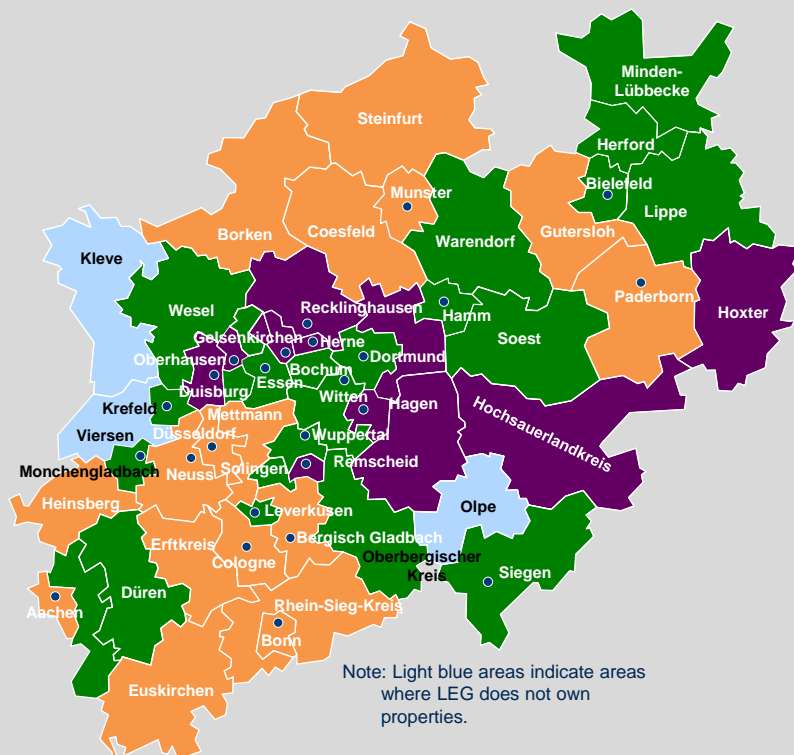
- Rental income €107.3m (+13.8% YOY from €94.3m)
- Adjusted EBITDA €74.9m (+15.8% YOY from €64.7m);
 - Strong underlying margin improvement (c. +170 bps YOY)
- FFO I €51.4m, €0.90 per share (+25.4% YOY from €41.0m)
- AFFO €45.6m (+39.4% YOY from €32.7m)
- EPRA-NAV (excl. goodwill) €54.11 per share (+2.7% YTD)



II. Portfolio and Operating Performance

Portfolio Overview

Strong operational performance across all submarkets



Total Portfolio

	Q1-2015	Δ (YOY)
# of units	106,778	+12.4%
In-place rent (sqm)	€5.13 (€5.16)*	+2.0% (+2.5%)*
EPRA-Vacancy	3.3% (3.2%)*	+/-0 bps (+/-0 bps)*

High-Growth Markets

	Q1-2015	Δ (YOY)
# of units	32,811	+4.2%
In-place rent (sqm)	€5.77 (€5.77)*	+2.6% (+2.8%)*
EPRA-Vacancy	1.5% (1.3%)*	+/-0 bps (-10 bps)*

Stable Markets with Attractive Yields

	Q1-2015	Δ (YOY)
# of units	42,808	+23.7%
In-place rent (sqm)	€4.86 (€4.85)*	+2.4% (+2.1%)*
EPRA-Vacancy	3.8% (3.8%)*	-30 bps (-20 bps)*

Higher-Yielding Markets

	Q1-2015	Δ (YOY)
# of units	29,698	+8.3%
In-place rent (sqm)	€4.75 (€4.76)*	+2.1% (+2.3%)*
EPRA-Vacancy	5.1% (5.1%)*	+20 bps (+20 bps)*

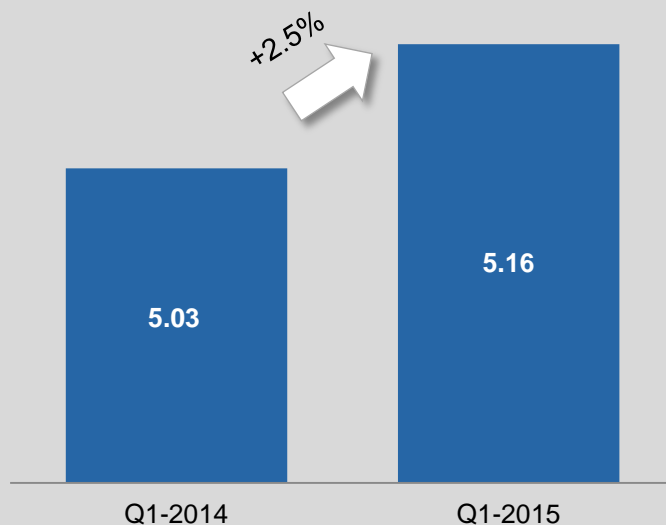
* like-for-like

Rent Development

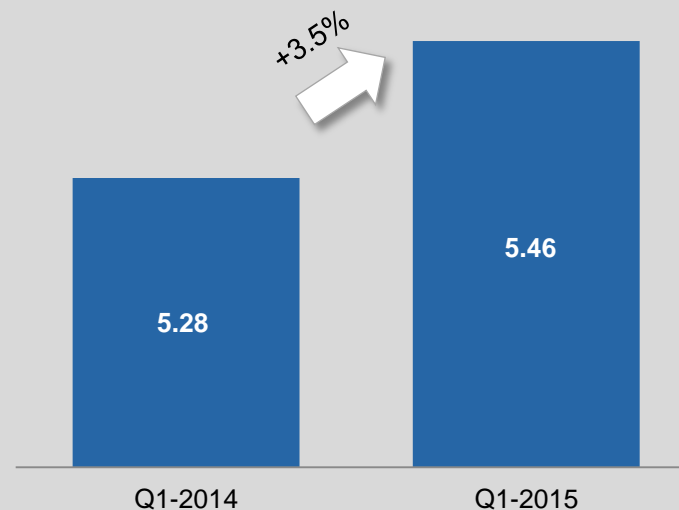
Attractive portfolio + operational excellence = strong rent growth

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



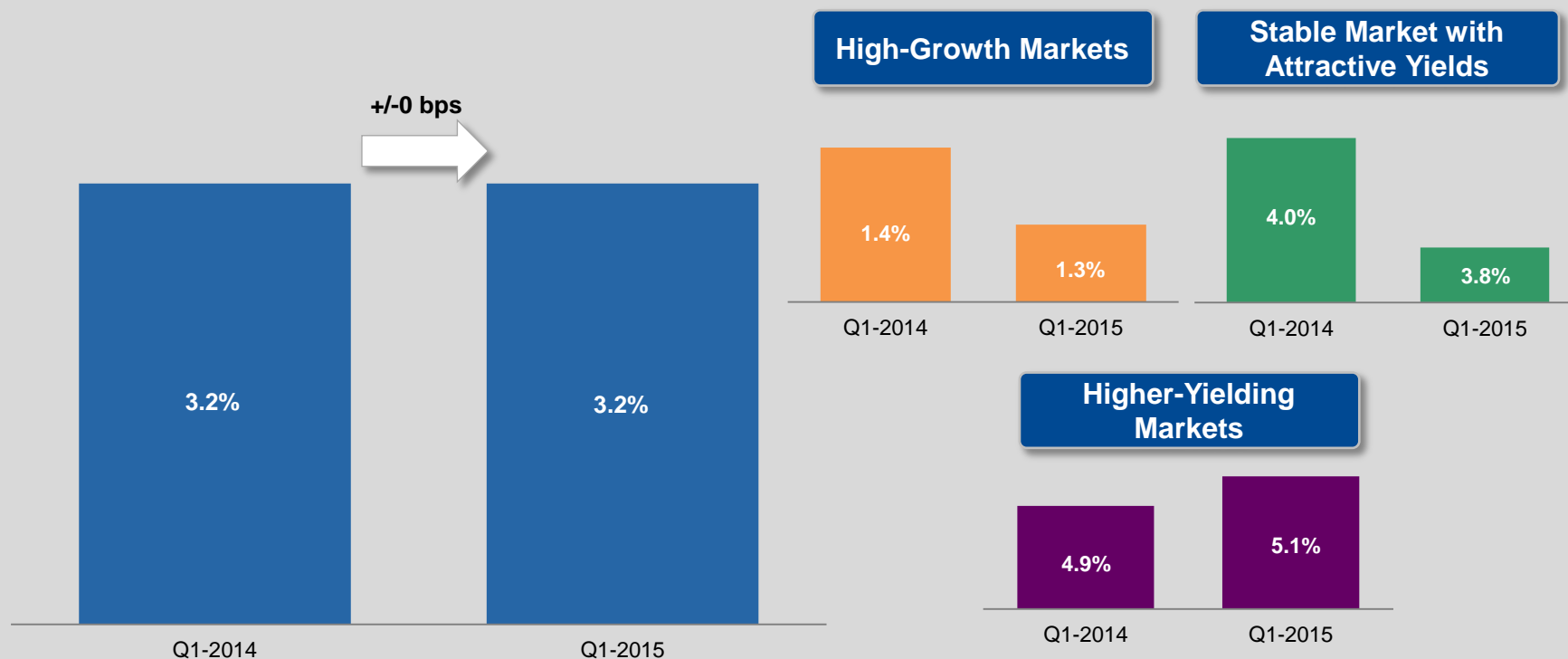
L-f-I Free-financed Rent (€ /sqm /month)



- Sound growth maintained despite absence of cost rent adjustments (for restricted units)
- Performance of free financed units signals underlying growth dynamics
- Efficient deployment of capital remains key (rent growth relative to investments)
- Regional focus as competitive edge

EPRA-Vacancy Development (like-for-like)

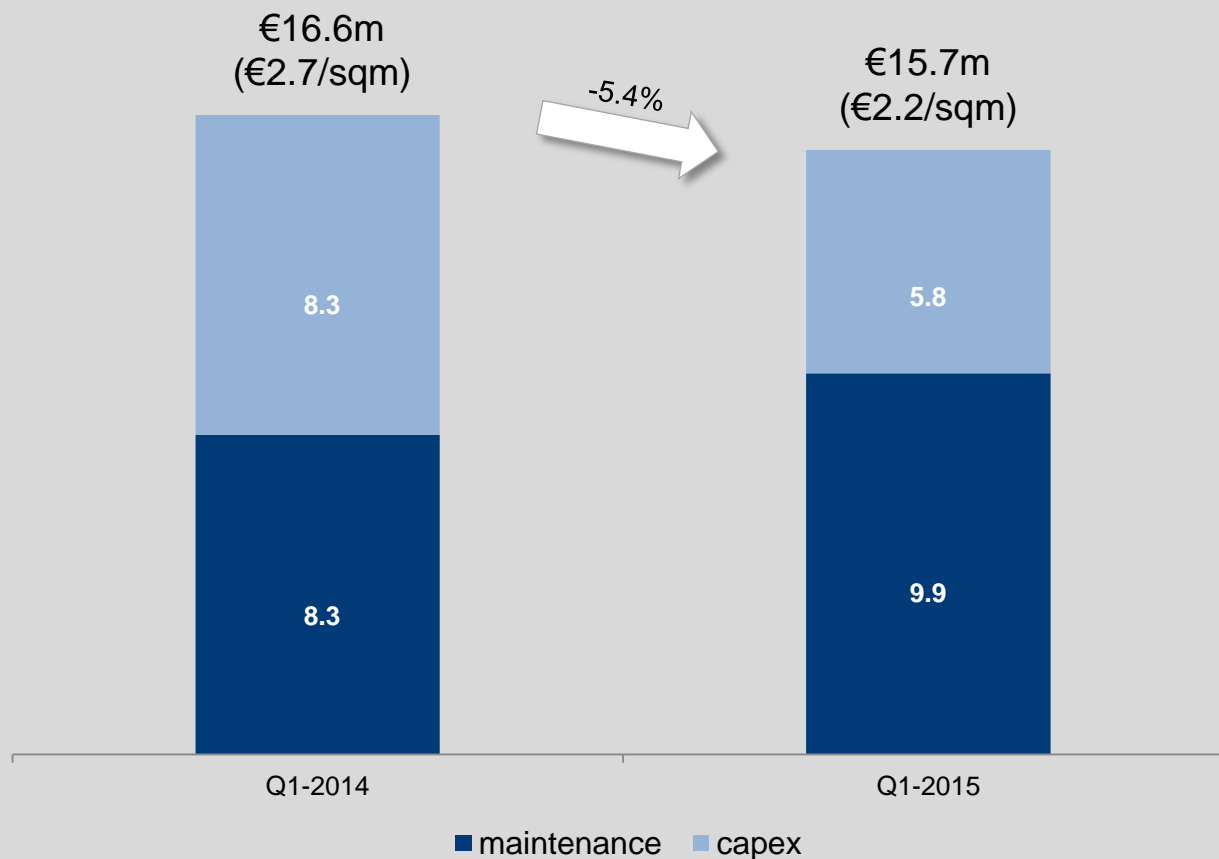
Attractive portfolio + operational excellence = low vacancies



- High occupancy maintained; EPRA vacancy in line with vacancy result according to previous calculation method
- Temporary increase in vacancy just due to typical seasonal pattern
- Target to achieve a L-F-L vacancy of at least 2.8% in FY-2015 reiterated

Capex & Maintenance

Well maintained asset base

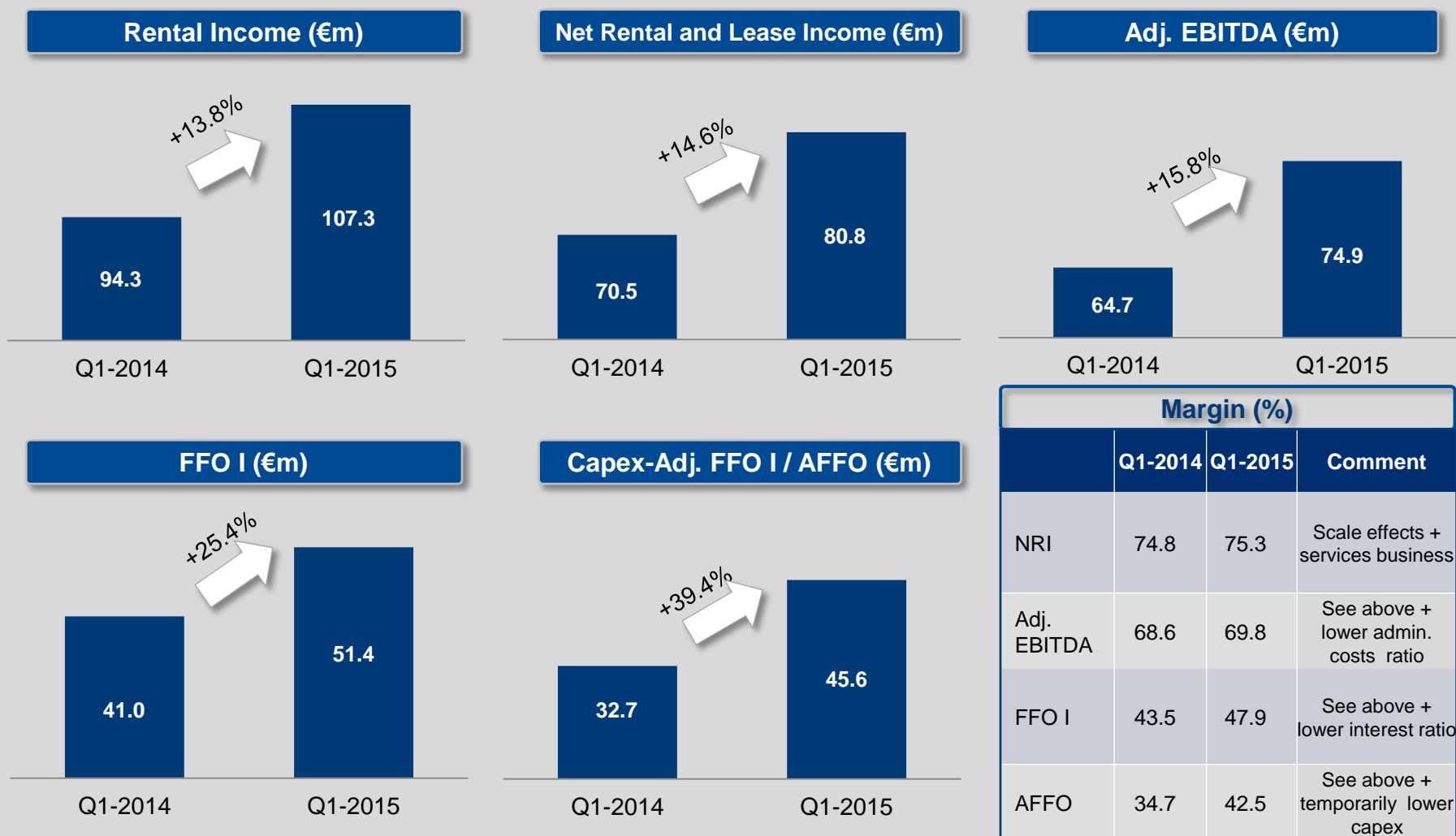


- Slow start to FY-2015 with investments of €2.2/sqm well below FY-run rate
- FY-2015 guidance of around €15/sqm reiterated; significantly higher spending in coming quarters
- Capitalisation rate of 36.9% in Q1-2015 to rise to around 50% in FY-2015
- Investments yielding attractive returns
 - Further vacancy decrease
 - Rent adjustments

III. Financial Performance

Financial Highlights Q1-2015

Margin expansion on back of sound topline growth + cost discipline



Income Statement Q1-2015

Condensed Income Statement (€ million)	FY-2014	Q1-2015	Q1-2014
Net rental and lease income	284.9	80.8	70.5
Net income from the disposal of investment properties	-1.7	1.3	0.0
Net income from the remeasurement of investment properties	143.0	-	-
Net income from the disposal of real estate inventory	-3.1	-0.7	-0.9
Net income from other services	-0.3	-0.1	0.1
Administrative and other expenses	-41.6	-8.9	-8.8
Other income	0.5	0.2	0.1
Operating earnings	381.7	72.6	61.0
Net finance costs	-162.2	-94.0	-32.1
Earnings before income taxes	219.5	-21.4	28.9
Income tax expense	-62.7	-9.0	-6.5
Consolidated net profit	156.8	-30.4	22.4

- Higher rental income (+€13m/+13.8%)
- NRI-margin increased from 74.8% to 75.3% YOY

- Higher project costs in Q1 2015 (€0.3m) due launch of energy services
- €0.1m Long Term Incentive Plan – non-cash pass-through item
- Despite acquisitions, recurring admin. costs remain at previous year's level (€7.9m vs. €7.8m)

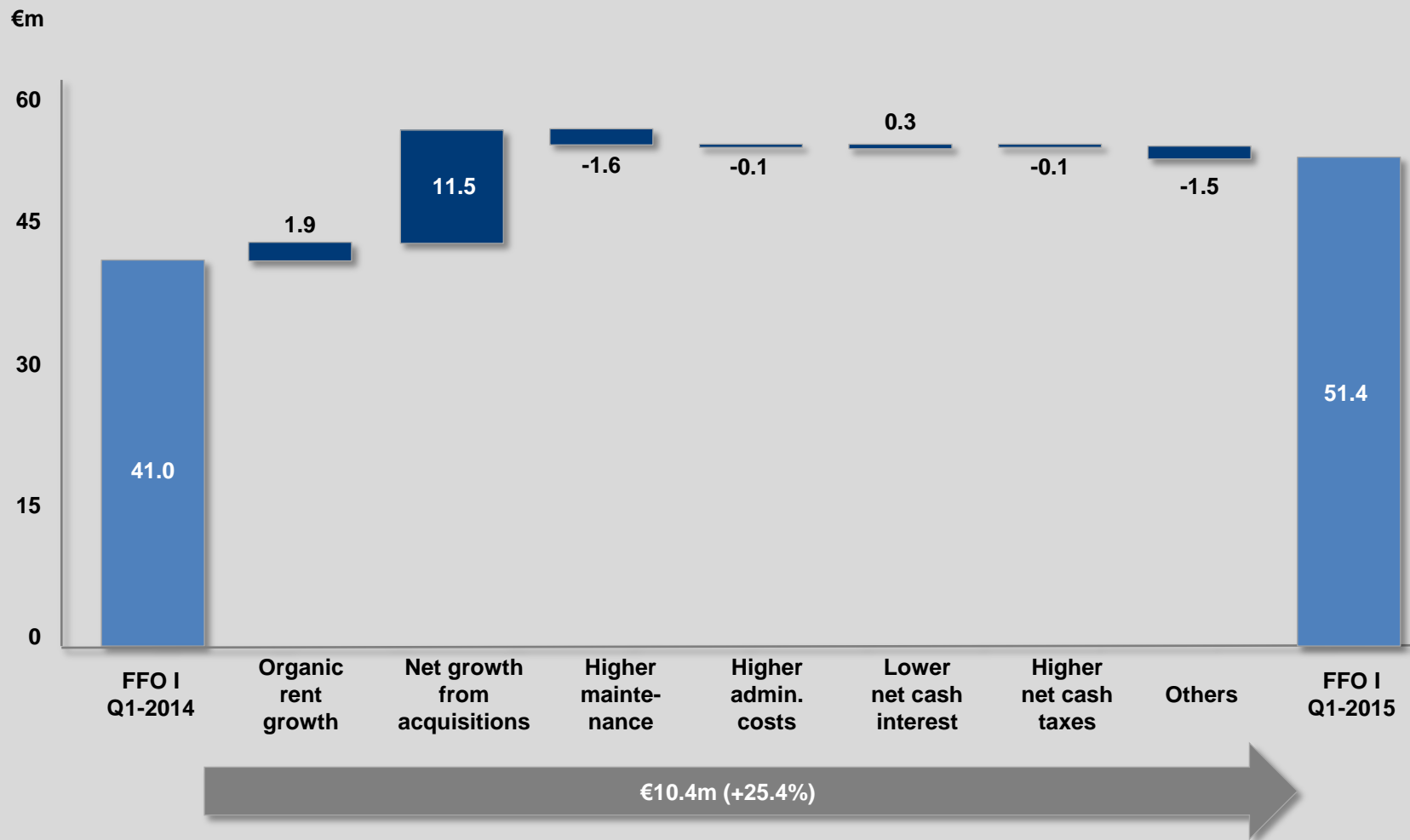
- Interest charges related to early refinancing (-€13 m)
- Result from fair value measurement of derivatives (-€52.7m; thereof -€52.4m from convertible)

- Income taxes -€1.1m (including an aperiodic effect of -€0.9m)

FFO Calculation Q1-2015

€ million	31.03.2015	31.03.2014	
Net cold rent	107.3	94.3	▪ +€13.0m (+13.8% YOY)
Profit from operating expenses	-1.5	0.3	
Maintenance	-9.9	-8.3	
Staff costs	-9.4	-8.4	
Allowances on rent receivables	-1.8	-1.1	
Other	-2.7	-5.3	
Non-recurring project costs (rental and lease)	0.2	0.2	
Current net rental and lease income	82.2	71.7	▪ +€10.5m (+14.6% YOY)
Current net income from other services	0.4	0.7	
Staff costs	-5.3	-5.7	
Non-staff operating costs	-3.1	-2.6	
LTIP (long-term incentive programme)	0.1	0.3	
Non-recurring project costs (admin.)	0.4	0.1	
Extraordinary and prior-period expenses	-	0.1	
Current administrative expenses	-7.9	-7.8	▪ Stable admin. despite acquisitions reflects cost discipline and scalability
Other income and expenses	0.2	0.1	
Adjusted EBITDA	74.9	64.7	▪ +€10.2m (+15.8% YOY)
Cash interest expenses and income	-23.3	-23.6	
Cash income taxes	-0.2	-0.1	
FFO I (not incl. disposal of investment property)	51.4	41.0	▪ +€10.4m supported by topline growth and margin expansion
Net income from the disposal of investment properties	1.3	0.0	
FFO II (incl. disposal of investment properties)	52.7	41.0	
Capex	5.8	8.3	▪ Higher costs for capex & maintenance in coming quarters
Capex-adjusted FFO I (AFFO)	45.6	32.7	

FFO Bridge Q1-2015



Focus: Cash Effective Interest Expense Q1-2015

€ million	FY-2014	Q1-2015	Q1-2014	
Reported interest expense	128.5	44.2	30.0	<ul style="list-style-type: none"> ▪ Increase due to early refinancing of loans (refinancing costs (€13m))
Interest expense related to loan amortisation	-24.6	-11.6	-4.6	
Refinancing fees	0.0	0.0	0.0	<ul style="list-style-type: none"> ▪ Including valuation of the convertible (+€1.6m) and effects from refinancing (+€5.5m)
Prepayment penalties	0.0	-7.5	0.0	
Interest charges relating to valuation of assets/liabilities	-2.3	-0.2	-0.5	
Leasing related interest expense	-1.5	-0.4	-0.4	
Interest expenses related to changes in pension provisions	-4.0	-0.7	-1.0	
Other interest expenses	-0.2	-0.1	0.2	<ul style="list-style-type: none"> ▪ Lower ø cost of debt 2.8% vs. 3.2% YOY
Bank charges	-0.3	0.0	0.0	
Interest income	-1.0	-0.4	-0.1	
Cash effective interest expense	94.5	23.3	23.6	<ul style="list-style-type: none"> ▪ Interest coverage improved further (3.2x up from 2.7x YOY)

EPRA-Net Asset Value Q1-2015

Attractive portfolio yield + hidden reserves from services business



€ million	31.03.2015	31.12.2014
Equity (excl. minority interests)	2,447.9	2,477.3
Effect of exercising options, convertible loans and other rights	367.8	308.7
NAV	2,815.7	2,786.0
Fair value of financial derivatives	188.5	136.1
Deferred taxes	379.0	372.5
EPRA-NAV	3,383.2	3,294.6
Number of shares fully-diluted incl. convertible (m)*	62.043	62.043
EPRA-NAV per share in €	54.53	53.10
Goodwill, resulting from synergies	25.9	25.9
Adjusted EPRA-NAV (excl. goodwill)	3,357.3	3,268.7
Adjusted EPRA-NAV per share in €	54.11	52.69

▪ -€30.4m net loss resulting from early refinancing of loans and fair value measurement of derivatives

Property valuation

- Attractive 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

Balance Sheet Q1-2015

Strong balance sheet secures defensive profile

€ million	31.03.2015	31.12.2014
Investment property	5,935.6	5,914.3
Prepayment for investment property	0.6	16.8
Other non-current assets	153.4	155.8
Non-current assets	6,089.6	6,086.9
Receivables and other assets	53.7	35.9
Cash and cash equivalents	176.7	129.9
Current assets	230.4	165.8
Assets held for disposal	12.1	58.4
Total Assets	6,332.1	6,311.1
Equity	2,462.4	2,491.6
Non-current financial liabilities	1,602.3	2,546.5
Other non-current liabilities	570.8	612.3
Non-current liabilities	2,173.1	3,158.8
Current financial liabilities	1,362.0	413.8
Other current liabilities	334.6	246.9
Current liabilities	1,696.6	660.7
Total Equity and Liabilities	6,332.1	6,311.1

- Additions €16.1m
- Capex +€5.8m
- Reclassification €0.7m

- Cash flow from operating activities (€51.7m)

- Equity ratio of 38.9%

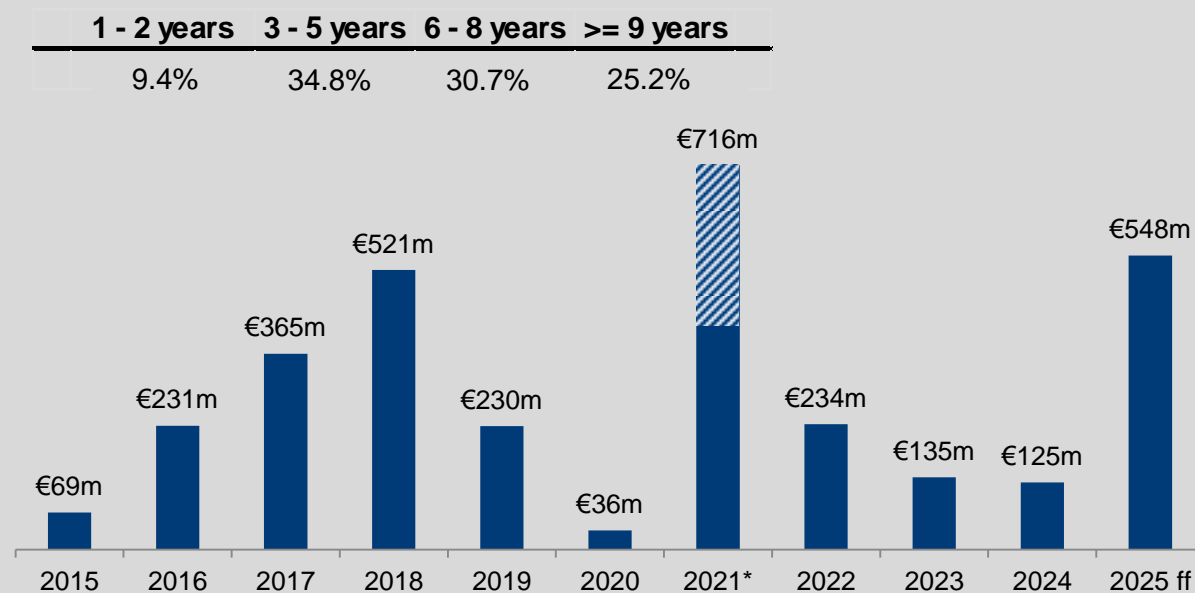
LTV Q1-2015

Headroom for external growth

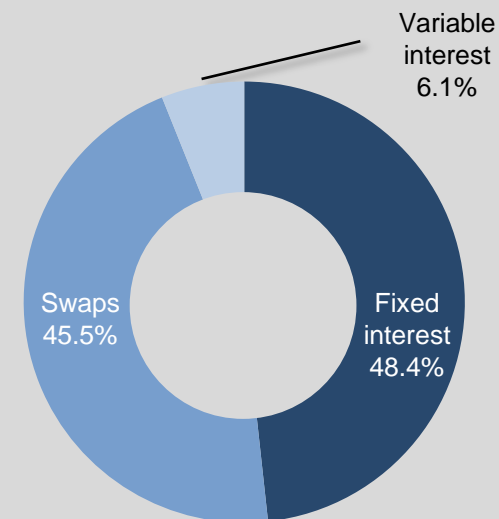
€ million	31.03.2015	31.12.2014
Financing liabilities	2,964.3	2,960.3
Cash & cash equivalents	176.7	129.9
Net Debt	2,787.6	2,830.4
Investment properties	5,935.6	5,914.3
Properties held for sale	12.1	58.4
Prepayment for investment properties	0.6	16.8
Property values	5,948.3	5,989.5
Loan to Value (LTV) in %	46.9	47.3
Equity	2,462.4	2,491.6

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

Financing Structure - 31 March 2015



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



Average debt maturity:

▪ 9.6 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

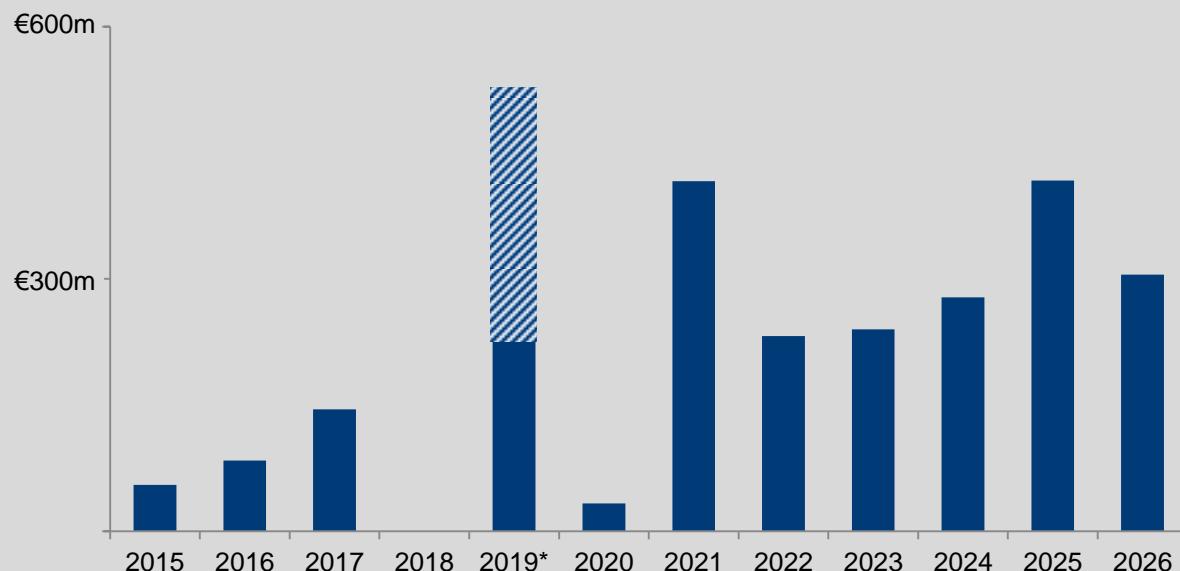


LT secured debt, well-balanced maturity profile, low cost of debt

Avg. debt maturity: ☐ > 11 years

Interest costs: ☐ $\emptyset < 2.3\%$

1 - 2 years	3 - 5 years	6 - 8 years	>= 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)	c.€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%

IV. Business Update and Outlook

Business Update

Growth Story Fully Intact



Refinancing well underway

- Closing of planned €900m refinancing scheduled for end of June
- Margins have already been fixed at very attractive terms
- Despite recent spike in rates, guidance of marginal cost of <2% (for 10 year loans) can still be confirmed

Moody's confirms LEG's strong credit profile

- Moody's initiates rating of LEG with Baa1 and stable outlook
- Strong credit rating based on LEG's strong market position and healthy financial metrics
- LEG well positioned to tap bond market for further diversification of financing mix

Acquisitions: Fully on track to acquire at least 5,000 units in FY-2015

- Around 800 units signed YTD, additional approx. 2,500 units close to signing
- Portfolios located in core regions of NRW well complementing LEG's existing portfolio
- Deals meet strict investment criteria: Attractive initial FFO-yields of >8% with further future upside
- Attractive rental yields maintained due to LEG's strong competitive position

Acquisitions: Creating Tangible Value

31.03.2015			Closing		Change	
Units	In-place rent € / sqm	Occupancy	In-place rent € / sqm	Occupancy	In-place rent € / sqm	Occupancy
8,142*	5.25	94.5%	4.95	94.7%	0.30 (+6.0%)	~ -20 bp

New-letting (Closing – 31.03.2015)		Previous rent (Closing – 31.03.2015)		
sqm	In-place rent € / sqm	sqm	In-place rent € / sqm	Change In-place rent
78,707*	5.65	83,218	5.26	+7.4%

- Dynamic rent growth confirms attractive reversionary potential
 - Average in-place rents +6.0% (within avg. 17 months), re-lettings +7.4%
- Temporary increase of vacancies in Q1-2015 due to seasonal pattern expected to revert in FY-2015
 - Previously three consecutive quarters of steady decline

* Acquisitions since end-2012 excl. NRW Vitus transaction

Outlook 2015 & 2016 - Confirmed

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:	≤ 2.8%
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)	4,653 units (mainly Cologne)	13,299 units (mainly Dortmund)	1,387 units	19,348 units
2015 (Q2)	10,143 units (mainly Münster, Monheim)	10,851 units (mainly Möchengladbach, Ahlen)	149 units	21,818 units
2015 (Q3)	1,488 units (mainly Bocholt)	4,310 units (mainly Wuppertal, Essen)	489 units	6,287 units
2015 (Q4)	2,847 units (mainly Bonn)		1,109 units (mainly Dorsten)	3,956 units
Total ^{1,2}	19,131 units	28,460 units	3,134 units	51,409 units

Thereof:			
- Bocholt	1,469 units		
- Bonn	2,225 units		
- Cologne	3,705 units		
- Dorsten			
- Dortmund			
- Essen		12,554 units	
- Möchengladbach		1,786 units	
- Monheim		6,050 units	
- Münster	3,436 units		
- Wuppertal	6,098 units		
		2,031 units	
			1,073 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 March 2015)

Sound property fundamentals basis for value growth



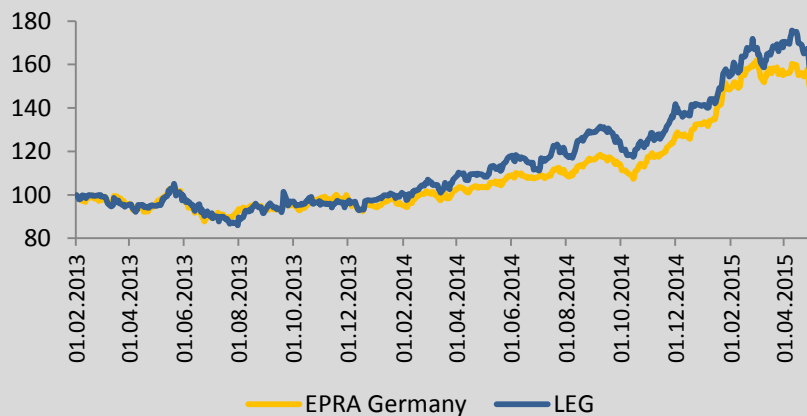
Market	Residential Units	GAV Residential Assets (€m)	% of Total Residential GAV	GAV/sqm (€)	In-Place Rent Multiple	GAV Commercial/ Other Assets (€m)	Total GAV
High-Growth Markets	32,811	2,333	41%	1,112	16.2x	161	2,494
Stable Markets with Attractive Yields	42,808	2,032	36%	724	12.9x	111	2,143
Higher-Yielding Markets	29,698	1,170	21%	638	11.8x	45	1,216
Subtotal NRW	105,317	5,535	98%	821	13.8x	318	5,853
Portfolio outside NRW	1,461	89	2%	923	14.4x	1	90
Total Portfolio	106,778	5,625	100%	822	13.8x	319	5,944
Other Assets							32
Total (incl. Landbank and DevCo)							5,975

LEG Share Information

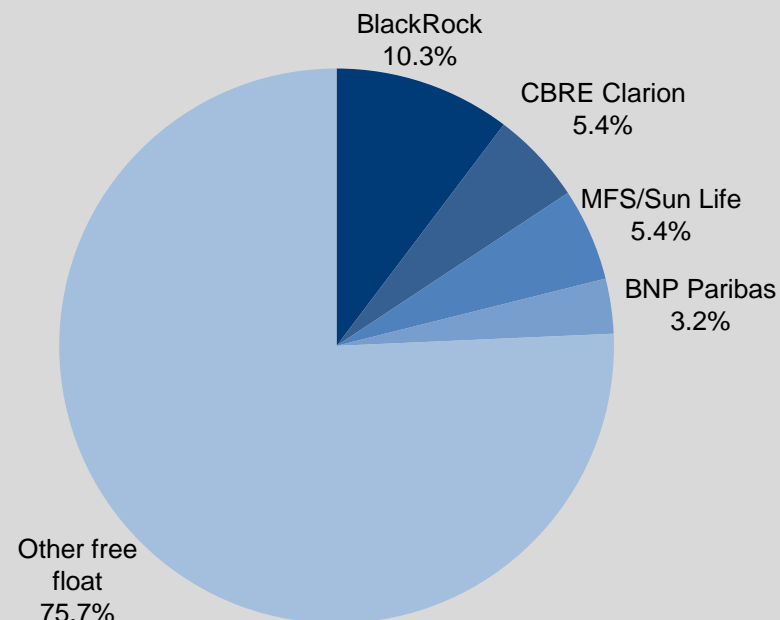
Basic Data

- Prime Standard, Frankfurt Stock Exchange
- Total no. of shares: 57,063,444 (as of Mar 31, 2015)
- Ticker symbol: LEG
- WKN: LEG111/ ISIN: DE000LEG1110
- Indices: MDAX, FTSE EPRA/NAREIT, GPR 250, Stoxx Europe 600
- Weighting: MDAX 2.6%; EPRA 2.2%

Share price (30.04.2015, 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
13.05.2015	Quarterly Report Q1 as of 31 March 2015
20.05.2015	Berenberg European Conference USA 2015, New York
21.05.2015	Roadshow Canada (Exane)
28.05.2015	Roadshow Paris (Exane)
03.06.2015	Kempen & Co's European Property Seminar, Amsterdam
15.06.2015	Roadshow Edinburgh (Berenberg)
16.06.2015	Roadshow London
17.06.2015	Morgan Stanley Europe & EEMEA Property Conference, London
18./19.06.2015	dbAccess German, Swiss & Austrian Conference 2015, Berlin
24.06.2015	Annual General Meeting, Dusseldorf
14.08.2015	Quarterly Report Q2 as of 30 June 2015

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Thank you for your interest.