



LEG
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LEG Immobilien AG

H1 Results 2015

14th August 2015

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Agenda

- I. Highlights H1-2015
- II. Portfolio and Operating Performance
- III. Financial Performance
- IV. Business Update and Outlook
- V. Appendix

I. Highlights H1-2015

Overall company development in Q2-2015

- Successful closing of €900m refinancing; market evidence for LEG's strong credit profile
 - (new loans: Ø interest costs of <2.1% and Ø maturities of c.10 years)
- FY acquisition target already reached (c.6,300 YTD)
 - Acquisition of c.3,500 units in the NRW core region, partly financed by a tailor-made capital increase of 2.1%
 - Acquisition of c.2,000 units (signing 11 August 2015)
 - Pipeline for further bolt-on acquisitions

Dynamic rent growth combined with high capital efficiency

- In-place rent €5.16/sqm (+2.6% like-for-like, +3.5% for free-financed units)
- EPRA-Vacancy 3.2% l-f-l (stable YOY)
- Maintenance/Capex of c.€5.5/sqm, larger spending in H2 2015
 - FY-2015 target of €15/sqm reiterated

Financials: Compelling growth at low risk

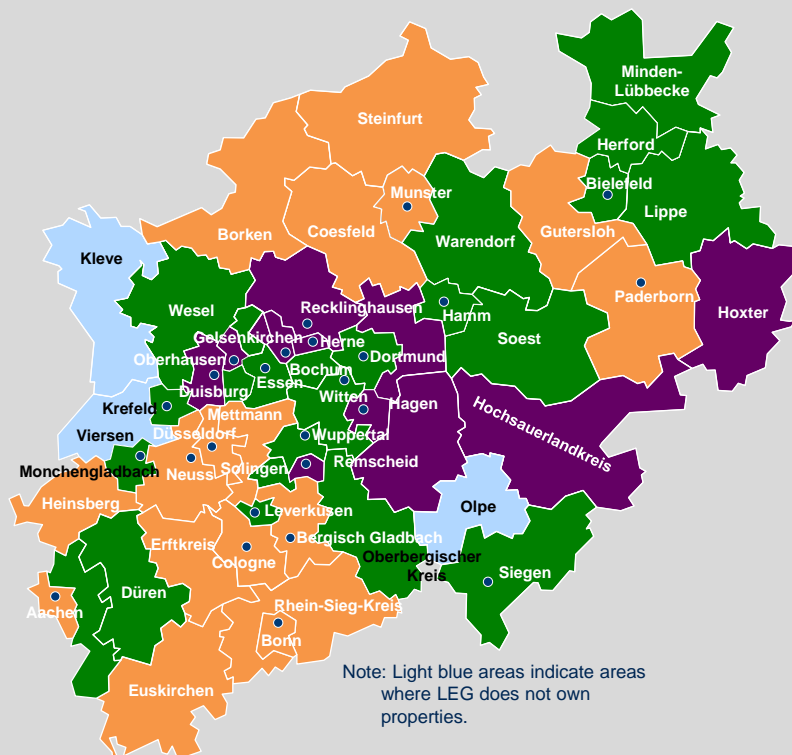
- Rental income €214.8m (+13.7% YOY from €189.0m)
- Adjusted EBITDA €147.4m (+14.1% YOY from €129.2m);
 - Margin expansion excl. maintenance of c.+100bps YOY
- FFO I €101.4m(+24.3% YOY from €81.6m), €1.78 per share (+15.6% YOY from €1.54)
- AFFO €85.4m (+30.6% YOY from €65.4m)
- EPRA-NAV (excl. goodwill) €52.12 per share (+2.6% YTD incl. dividend of €1.96)



II. Portfolio and Operating Performance

Portfolio Overview

Strong operational performance across all submarkets



Total Portfolio

	30 June 2015	Δ (YOY)
# of units	107,347	+12.1%
In-place rent (sqm)	€5.16 (€5.20)*	+2.0% (+2.6%)*
EPRA-Vacancy	3.3% (3.2%)*	+12 bps (+7 bps)*

High-Growth Markets

	30 June 2015	Δ (YOY)
# of units	33,574	+6.0%
In-place rent (sqm)	€5.79 (€5.81)*	+2.1% (+2.6%)*
EPRA-Vacancy	1.5% (1.3%)*	+20 bps (+/-0 bps)*

Stable Markets with Attractive Yields

	30 June 2015	Δ (YOY)
# of units	42,638	+21.0%
In-place rent (sqm)	€4.89 (€4.89)*	+2.2% (+2.3%)*
EPRA-Vacancy	3.7% (3.7%)*	-10 bps (-10 bps)*

Higher-Yielding Markets

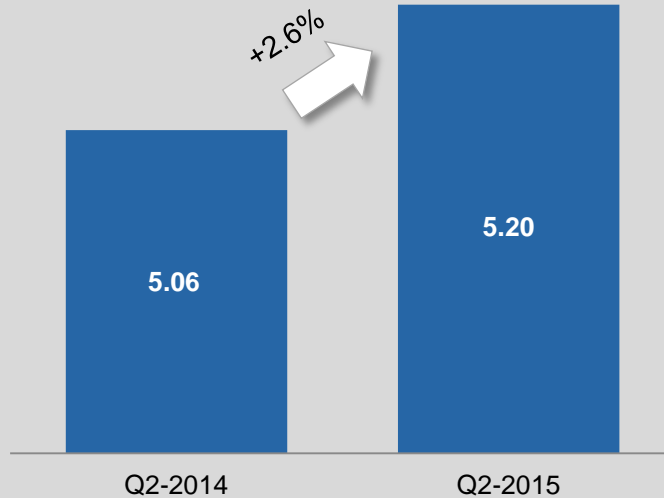
	30 June 2015	Δ (YOY)
# of units	29,678	+8.3%
In-place rent (sqm)	€4.78 (€4.79)*	+2.4% (+2.6%)*
EPRA-Vacancy	5.3% (5.2%)*	+30 bps (+30 bps)*

* like-for-like

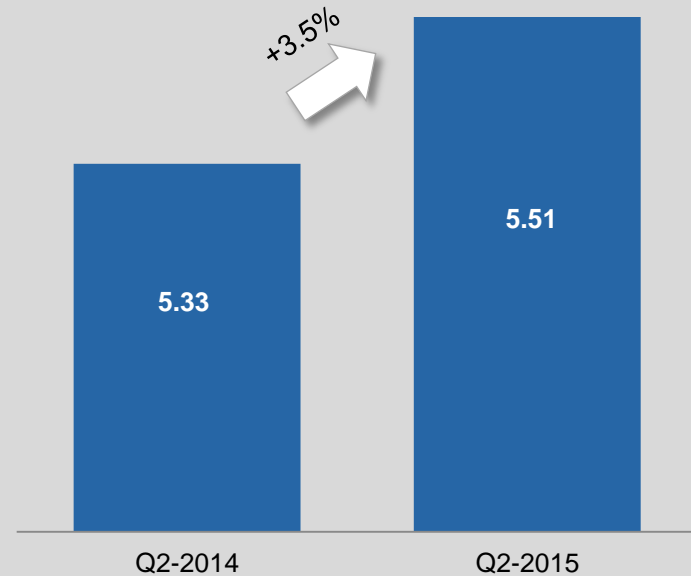
Rent Development

Attractive portfolio + operational excellence = strong rental growth

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



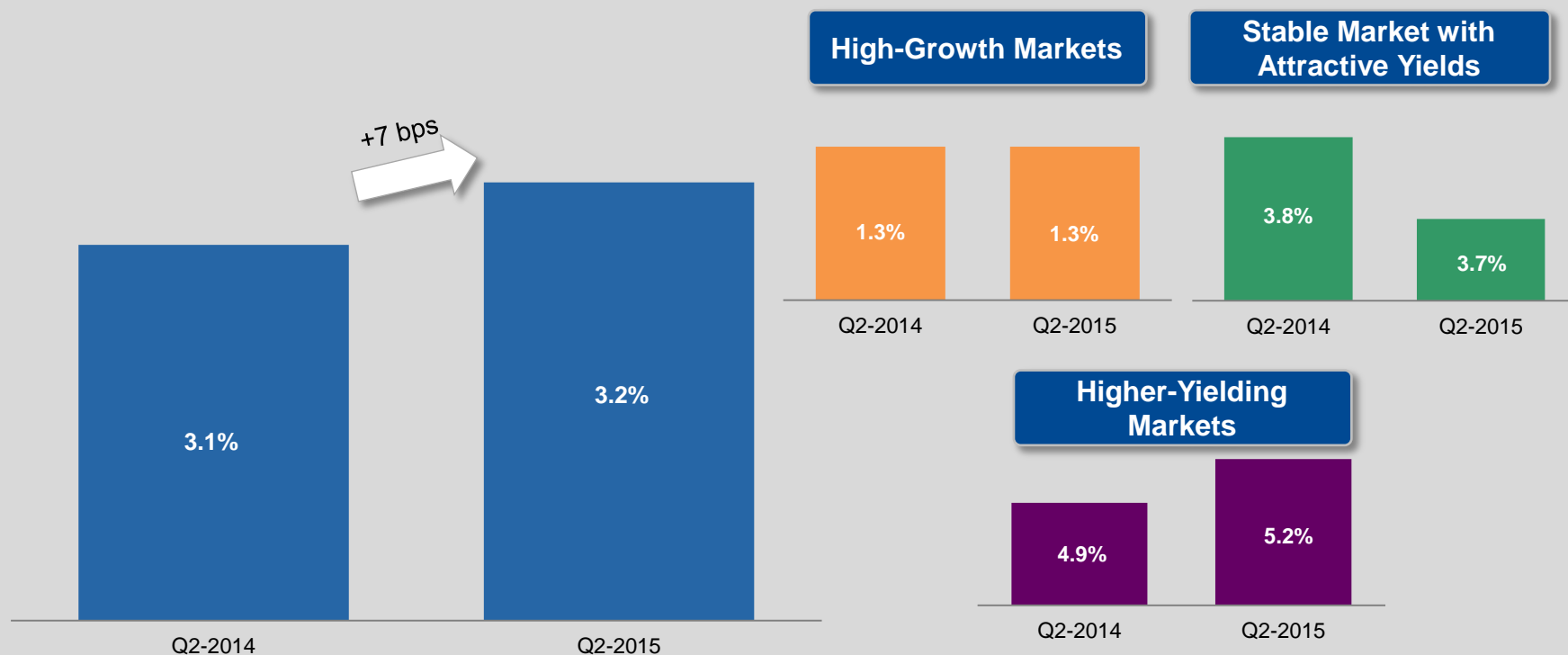
L-f-I Free-financed Rent (€ /sqm /month)



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

EPRA-Vacancy Development (like-for-like)

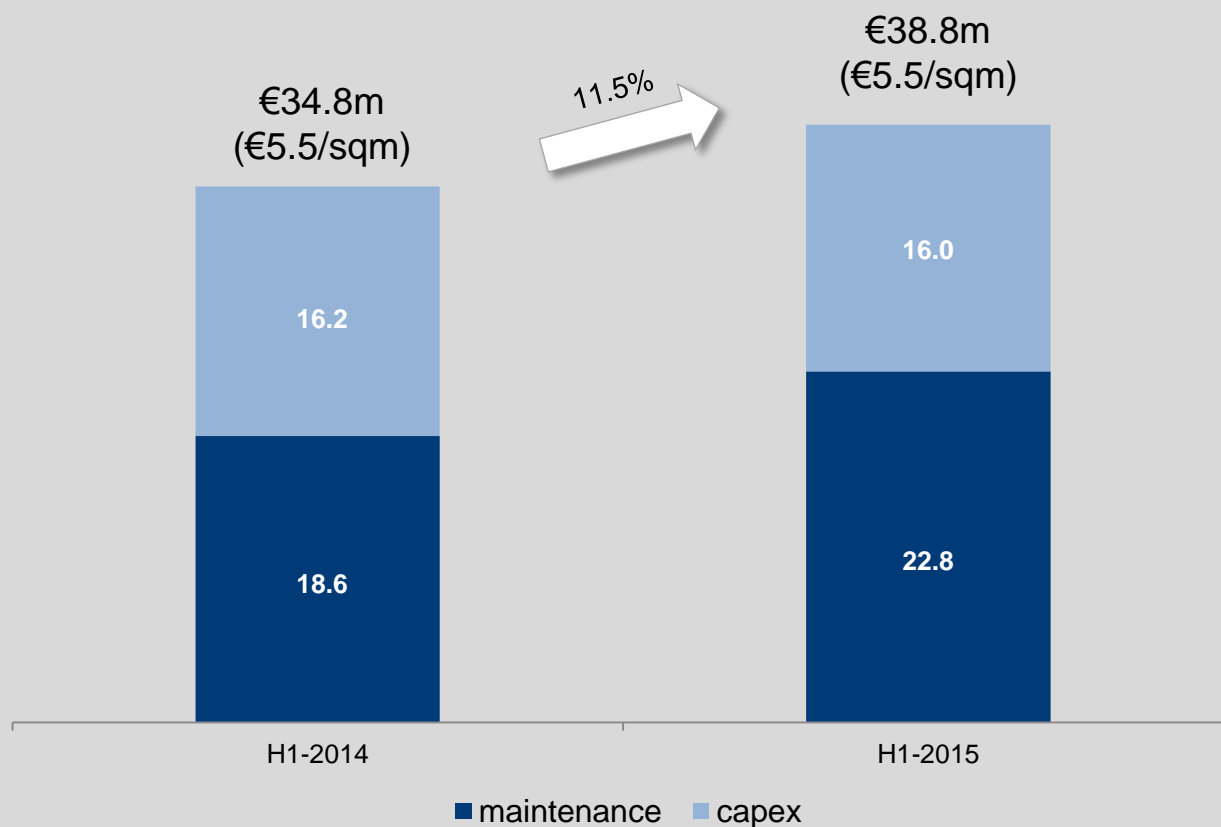
Attractive portfolio + operational excellence = low vacancies



- High occupancy maintained
- Further rising occupancy in H2 expected
- Target to maintain l-f-l vacancy at year end at least stable (l-f-l basis Q4-2014: 2.8%)

Capex & Maintenance

Well maintained asset base

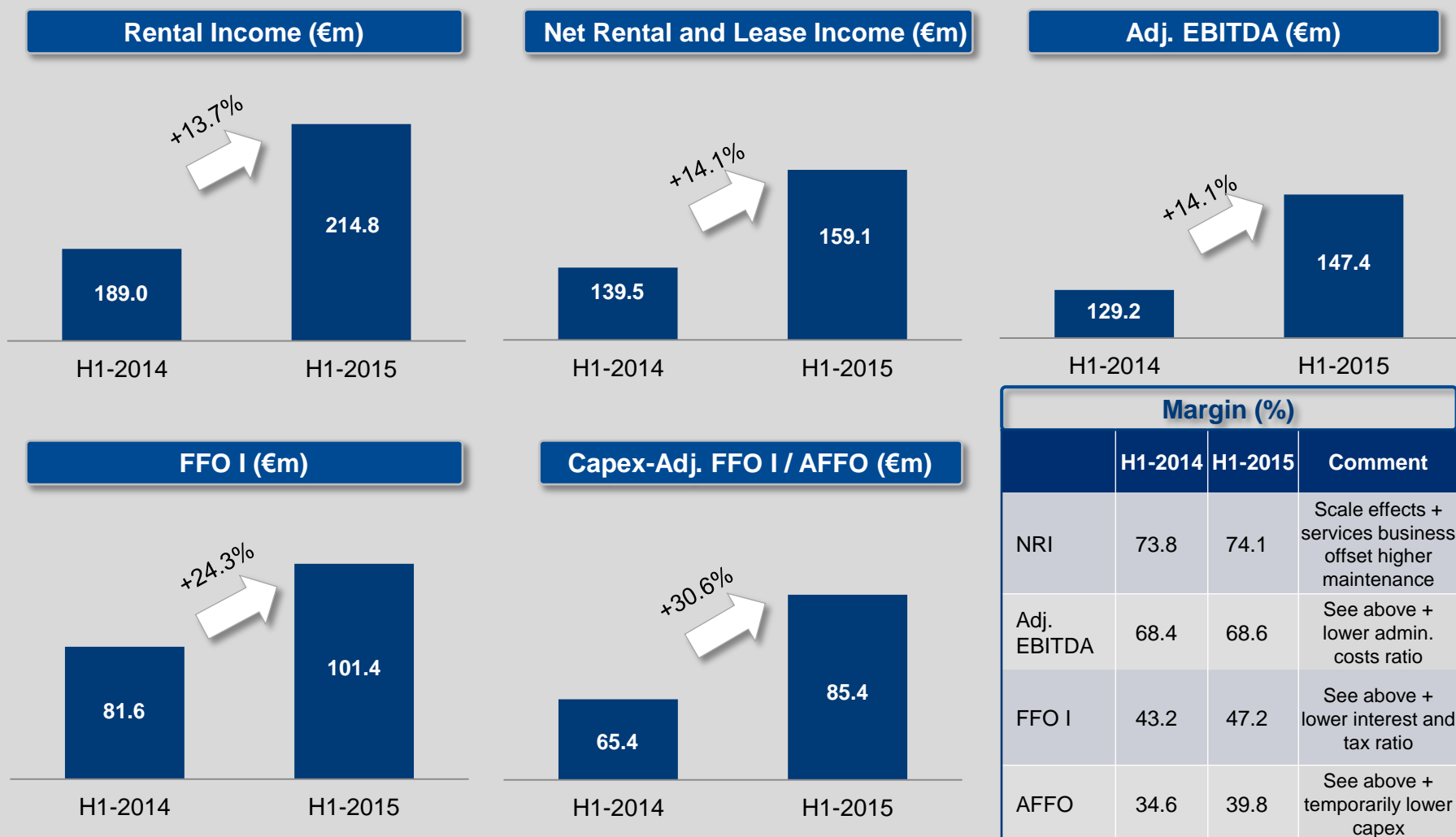


- Investments of €5.5/sqm in H1 well below FY-run rate, higher spending in H2
- FY-2015 guidance of around €15/sqm reiterated
- Capitalisation rate of 41.2% in H1-2015 to rise to around 50% in FY-2015
- Investments yielding attractive returns
 - Further vacancy decrease
 - Rent adjustments

III. Financial Performance

Financial Highlights H1-2015

Margin expansion on back of sound topline growth + cost discipline



Income Statement H1-2015

Condensed Income Statement (€ million)	FY-2014	H1-2015	H1-2014
Net rental and lease income	284.9	159.1	139.5
Net income from the disposal of investment property	-1.7	1.2	-0.3
Net income from the valuation of investment property	143.0	0.0	0.0
Net income from the disposal of real estate inventory	-3.1	0.0	-1.6
Net income from other services	-0.3	0.1	0.6
Administrative and other expenses	-41.6	-19.8	-16.8
Other income	0.5	0.4	0.2
Operating earnings	381.7	141.0	121.6
Net finance costs	-162.2	-146.2	-44.4
Earnings before income taxes	219.5	-5.2	77.2
Income tax expense	-62.7	-5.1	-22.3
Consolidated net profit	156.8	-10.3	54.9

- Higher rental income (+€25.8m/+13.7%)
- NRI-margin increased from 73.8% to 74.1% YOY despite some higher maintenance

- Slightly higher one-time project costs
- Recurring admin. costs rose by €1.9m to €16.7m mainly due to first time consolidation and other extraordinary effects; in-line with budget
- Decreasing cost base in 2016 expected to contribute to further margin expansion

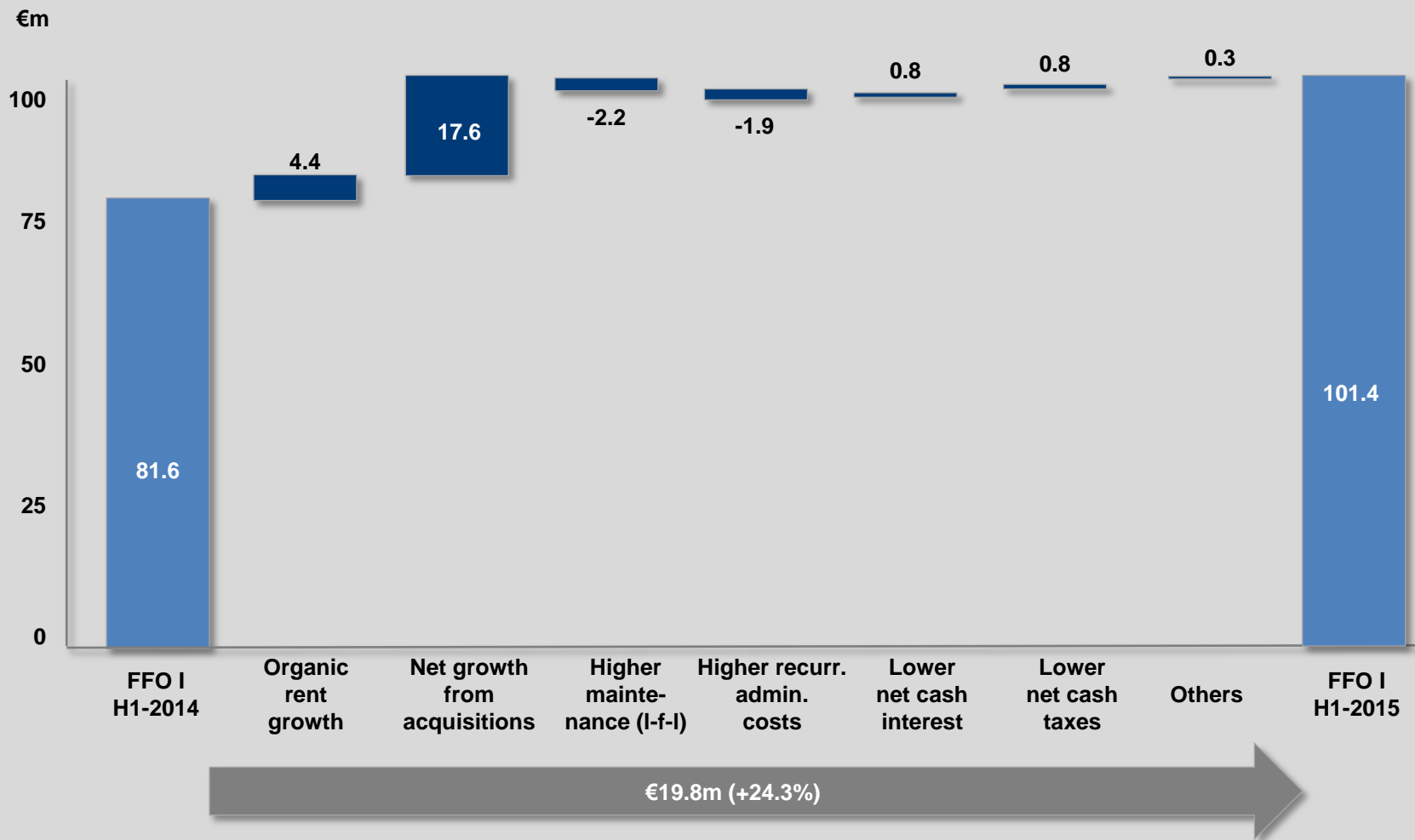
- One-time refinancing costs (-€44 m)
- Net income from fair value measurement of derivatives (-€36.3m; thereof -€35.8m from convertible)

- Cash taxes -€1.1m (including an aperiodic effect of -€1.0m)

FFO Calculation H1-2015

€ million	H1 2015	H1 2014	
Rental income	214.8	189.0	▪ +€25.8m (+13.7% YOY)
Profit from operating expenses	-1.8	0.3	
Maintenance	-22.8	-18.6	
Staff costs	-18.8	-16.7	▪ Decreasing cost ratio reflects operating synergies from acquisitions in core markets
Allowances on rent receivables	-3.3	-2.4	
Other	-6.8	-10.0	
Non-recurring project costs (rental and lease)	1.2	0.5	
Current net rental and lease income	162.5	142.1	▪ +€20.4m (+14.4% YOY)
Current net income from other services	1.2	1.7	
Staff costs	-11.2	-11.0	
Non-staff operating costs	-7.6	-4.8	
LTIP (long-term incentive programme)	0.1	0.6	
Non-recurring project costs (admin.)	1.6	0.3	
Extraordinary and prior-period expenses	0.4	0.1	▪ Efficiency programme: On track to reach targeted cost savings of €5m in 2016
Current administrative expenses	-16.7	-14.8	
Other income and expenses	0.4	0.2	
Adjusted EBITDA	147.4	129.2	▪ +€18.2m (+14.1% YOY)
Cash interest expenses and income	-45.9	-46.7	
Cash income taxes	-0.1	-0.9	
FFO I (not including disposal of investment property)	101.4	81.6	▪ +€19.8m supported by topline growth and margin expansion
Net income from the disposal of investment properties	1.2	-0.3	
FFO II (including disposal of investment property)	102.6	81.3	
Capex	16.0	16.2	▪ Higher costs for capex & maintenance in H2
Capex-adjusted FFO I (AFFO)	85.4	65.4	

FFO Bridge H1-2015



Focus: Cash Effective Interest Expense H1-2015

€ million	FY-2014	H1-2015	H1-2014	
Reported interest expense	128.5	113.2	61.0	▪ Refinancing costs of ~€44m
Interest expense related to loan amortisation	-24.6	-20.7	-10.4	▪ Including valuation of the convertible (€3.2m) and effects from refinancing (€6.0m)
Prepayment penalties	0.0	-6.6	0.0	
Interest charges relating to valuation of assets/liabilities	-2.3	-0.5	-1.0	
Leasing related interest expense	-1.5	-0.8	-0.7	
Interest expenses related to changes in pension provisions	-4.0	-1.4	-2.0	▪ Release of swaps (refinancing) ~€37m
Other interest expenses	-0.2	-36.8	0.2	
Bank charges	-0.3	0.0	0.0	▪ Lower ø cost of debt ▪ Interest coverage improved further (3.2x up from 2.8x YOY)
Interest income	-1.0	-0.5	-0.5	
Cash effective interest expense	94.5	45.9	46.7	

EPRA-Net Asset Value H1-2015

Attractive portfolio yield + hidden reserves from services business

€ million	30.06.2015	31.12.2014
Equity (excl. minority interests)	2,447.5	2,491.6
Effect of exercising options, convertibles and other rights	359.9	308.7
NAV	2,792.5	2,786.0
Fair value measurement of derivative financial instruments	119.3	136.1
Deferred taxes	417.9	372.5
EPRA-NAV	3,329.7	3,294.6
Number of shares fully-diluted incl. convertible (m)*	63.394	62.043
EPRA-NAV per share in €	52.52	53.10
Goodwill, resulting from synergies	25.9	25.9
Adjusted EPRA-NAV (excl. goodwill)	3,303.8	3,268.7
Adjusted EPRA-NAV per share in €	52.12	52.69

- -€10.3m net loss (early refinancing of loans and fair value measurement of derivatives)
- Dividend distribution (-€111.8m)
- Capital increase (€72.9m)

Property valuation

- Attractive portfolio yield of 7.3%; yield compression likely to become valuation driver at year end

Services

- Expected future FFO >€11m (€11m/6% = €183m or c. €2.90 per share)

*Actual number of shares outstanding 58.260m

Balance Sheet H1-2015

Strong balance sheet secures defensive profile



€ million	30.06.2015	31.12.2014
Investment property	6,000.9	5,914.3
Prepayment for investment property	111.4	16.8
Other non-current assets	141.3	155.8
Non-current assets	6,253.6	6,086.9
Receivables and other assets	73.7	35.9
Cash and cash equivalents	247.5	129.9
Current assets	321.2	165.8
Assets held for disposal	8.3	58.4
Total Assets	6,583.1	6,311.1
Equity	2,447.5	2,491.6
Non-current financial liabilities	2,643.5	2,546.5
Other non-current liabilities	602.0	612.3
Non-current liabilities	3,245.5	3,158.8
Current financial liabilities	626.7	413.8
Other current liabilities	263.4	246.9
Current liabilities	890.1	660.7
Total Equity and Liabilities	6,583.1	6,311.1

- Additions €73.9m
- Capex €16.0m
- Reclassification -€6.3m

- Cash flow from operating activities (€68.2m)
- Dividend distribution (-€111.8m)
- Net acquisitions and capex measure (-€154.0m)
- Capital increase (€72.9m)

- Equity ratio of 37.2%

LTV H1-2015

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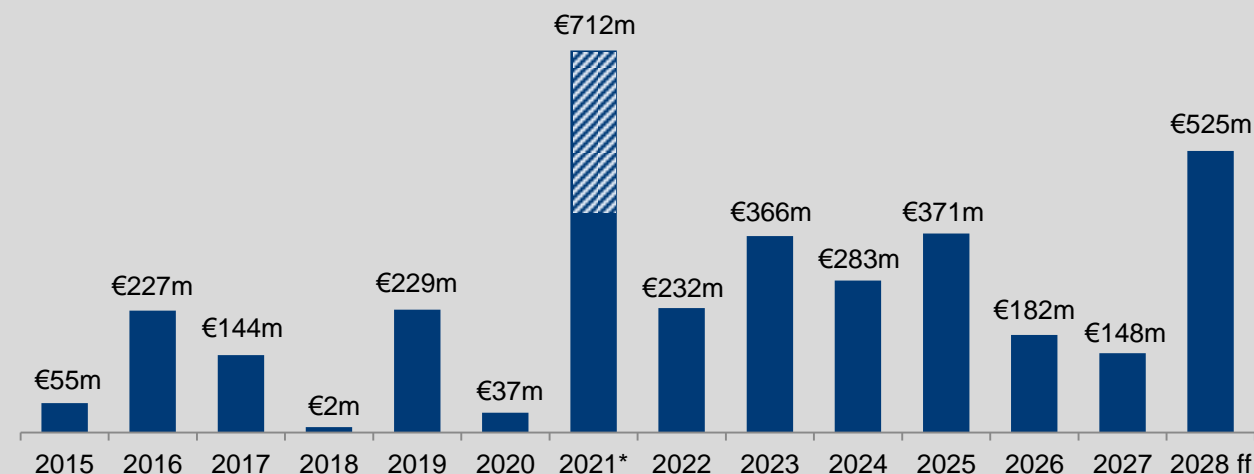
Headroom for external growth; commitment to maintain strong credit profile

€ million	30.06.2015	31.12.2014
Financial debt	3,270.2	2,960.3
Cash & cash equivalents	247.5	129.9
Net Debt	3,022.7	2,830.4
Investment properties	6,000.9	5,914.3
Properties held for sale	8.3	58.4
Prepayment for investment properties	111.4	16.8
Property values	6,120.6	5,989.5
Loan to Value (LTV) in %	49.4	47.3
Equity	2,447.5	2,491.6

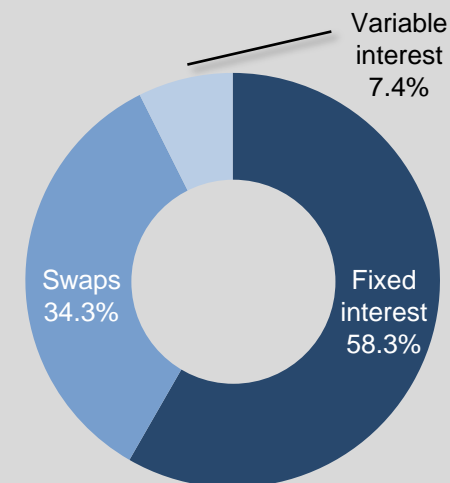
- Financial firepower approx. €400-450m
- Positive impact on LTV from future conversion of convertible expected (currently -420bps)

Financing Structure - 30 June 2015

1 - 2 years	3 - 5 years	6 - 8 years	>= 9 years
8.0%	10.7%	27.9%	53.4%



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



Average debt maturity:

▪ 10.8 years

Interest costs:

▪ Ø 2.3%

Hedging ratio:

▪ 92.6%

Refinancing Results (July 2015)

Refinancing successfully completed despite volatile interest market

Volume:

- €900m

Average credit margin:

- < 100 basis points

One-off charges:

- ~€51m

Payback period:

- ~3 years

Average debt maturity:

- ~10 years

Average interest cost:

- < 2.1% (replaced loans 3.86%)



Refinancing structure post final closing of early refinancing:

- Reduction of Ø interest costs to < 2.3%
- Prolongation of Ø debt maturity to c.11 years

IV. Business Update and Outlook

Business Update

LEG

Rental yields are compressing; Outlook for value accretive growth still positive *gewohnt gut.*

Prices are rising in NRW, too; Growth outlook remains positive backed by LEG's strong market position

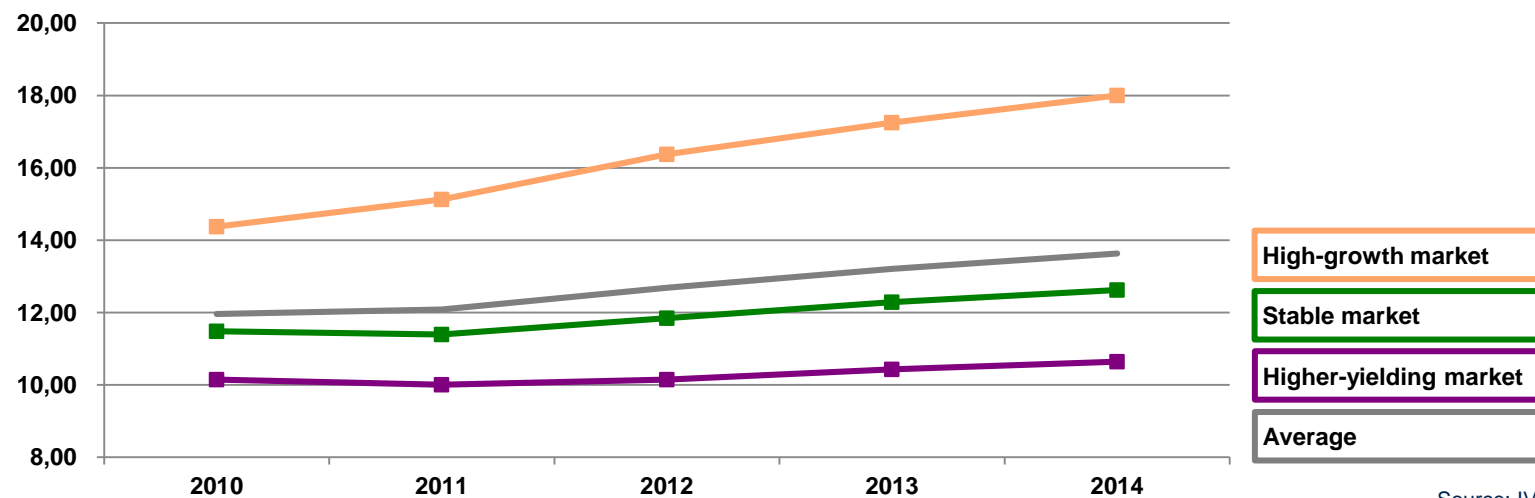
- Multiples are rising especially in high growth markets; other segments are likely to follow in the course of the cycle
- Acquisition of c.6,300 units YTD; average rental yield of 6.8% remains attractive; average normalised FFO yield (LTV 50%) of c.7.5%
- Deals overall NAV neutral, supported by tailor-made equity raising

Strict investment criteria safeguard value accretive investment strategy

- NAV neutrality:
 - Benchmarking of acquisition targets against LEG's own portfolio valuation
 - Taking into account the share price and the implied cost of capital (implied rental yield, premium/discount to NAV)
- FFO accretion:
 - FFO per share accretion (50% LTV); individual risk-adjusted FFO targets for specific markets
- Rising efficiency:
 - Keeping a high cost discipline; exploiting the scale effects of a regionally concentrated portfolio
 - Deals have to contribute to further expansion of operating margin

Rent Multiples in NRW

Average rent multiples NRW (built after 1948)



Recent acquisitions showing rising level of rent multiples in NRW

H1 2015	Units	Price	Multiple	Market
Deal #1	750	€45.5m	~15.4	high-growth (opportunistic portfolio)
Deal #2	636	not disclosed	~18.0	high-growth
Deal #3 LEG	3,500	€225m	~15.8	stable
Deal #4 LEG	2,037	not disclosed	~13.0	stable / higher-yielding

Acquisitions: Creating Tangible Value

		31.07.2015		Closing		Change	
	Units	In-place rent € / sqm	Occupancy	In-place rent € / sqm	Occupancy	In-place rent € / sqm	Occupancy
Portfolio incl. Vitus transaction	20,084*	5.03	95.6%	4.85	95.4%	0.19 (+3.8%)	~ +20 bp

Dynamic rent growth confirms attractive reversionary potential

- Average in-place rents +3.8% (within avg. 14.6 months)

Result does not yet contain rent adjustments of NRW Vitus portfolio (scheduled for Q4-2015)

- Further growth acceleration ahead

* Acquisitions since end-2012

Raised Outlook 2015 & 2016

2015	Guidance
FFO I:	€200m - €204m/ €3.47 - €3.54 (up from €3.42 - €3.50); excl. future acquisitions
L-F-L rent growth:	2.4% - 2.6% (up from 2.3 – 2.5%)
L-F-L vacancy:	Approx. 2.8% (FY-14 comparable: 2.8%)
Maintenance/Capex:	€15/sqm (capex ratio c. 50%)
Dividend:	65% of FFO I

2016	Guidance
FFO I:	€233m - €238m/ €4.00 - €4.09 (up from €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)	4,865 units (mainly Cologne)	13,666 units (mainly Dortmund)	1,386 units (mainly Herne, Marl)	19,926 units
2015 (Q2)	6,602 units (mainly Münster)	2,124 units (mainly Hattingen)		8,726 units
2015 (Q3)	1,431 units (mainly Bocholt)	4,973 units (mainly Essen, Wuppertal)	635 units (mainly Höxter)	7,714 units
2015 (Q4)	6,357 units (mainly Monheim, Bonn)	2,179 units (mainly Witten)	1,107 units (mainly Dorsten)	9,643 units
Total^{1,2}	19,255 units	22,942 units	3,128 units	46,009 units

Thereof:			
- Bocholt	1,412 units		
- Bonn	2,311 units		
- Cologne	3,917 units		
- Dorsten			
- Dortmund		12,547 units	
- Essen		2,307 units	
- Krefeld		1,119 units	
- Monheim	3,510 units		
- Münster	6,078 units		
- Witten		1,518 units	
- Wuppertal		2,031 units	
			1,071 units

¹ Sub-portfolios also include restricted units

² Total Portfolio also includes 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 30 June 2015)

Sound property fundamentals basis for value growth



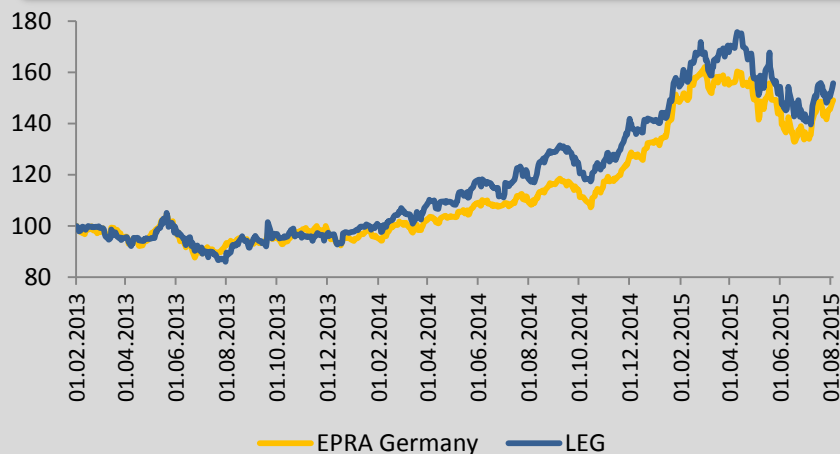
Market	Residential Units	GAV Residential Assets (€m)	% of Total Residential GAV	GAV/sqm (€)	In-Place Rent Multiple	GAV Commercial/ Other Assets (€m)	Total GAV
High-Growth Markets	33,574	2,368	42%	1,110	16.1x	161	2,529
Stable Markets with Attractive Yields	42,638	2,053	36%	727	12.8x	111	2,164
Higher-Yielding Markets	29,678	1,172	21%	639	11.8x	46	1,218
Subtotal NRW	105,890	5,593	98%	824	13.8x	318	5,911
Portfolio outside NRW	1,457	90	2%	927	14.4x	1	91
Total Portfolio	107,347	5,683	100%	825	13.8x	319	6,002
Other Assets							145
Total (incl. Landbank and DevCo)							6,147

LEG Share Information

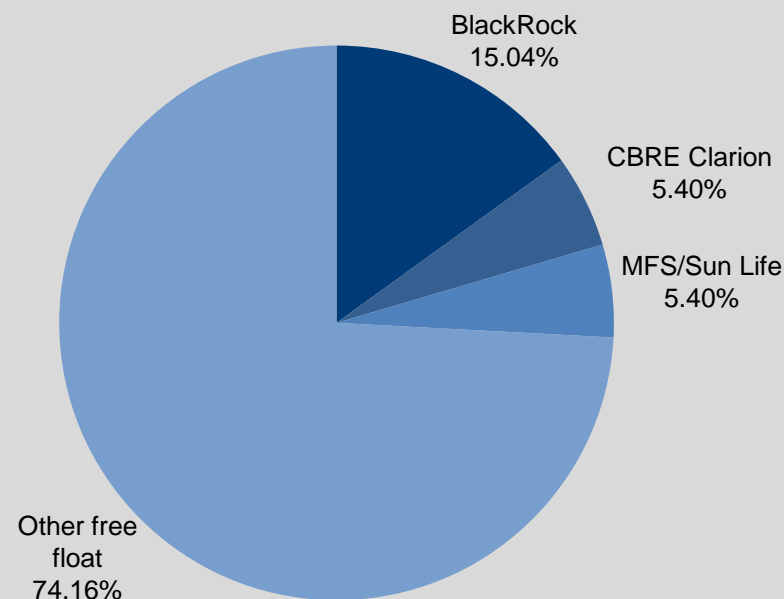
Basic Data

- Prime Standard, Frankfurt Stock Exchange
- Total no. of shares: 58,259,788 (as of June 30, 2015)
- Ticker symbol: LEG
- WKN: LEG111/ ISIN: DE000LEG1110
- Indices: MDAX, FTSE EPRA/NAREIT, GPR 250, Stoxx Europe 600
- Weighting: MDAX 2.4%; EPRA 1.9%

Share price (04.08.2015, 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
14.08.2015	Quarterly Report H1 as of 30 June 2015
19./20.08.2015	Roadshow London, Deutsche Bank
15.09.2015	Roadshow Boston, Berenberg
16./17.09.2015	Bank of America Merrill Lynch Global Real Estate Conference, New York
22.09.2015	Berenberg and Goldman Sachs German Corporate Conference, Munich
23.09.2015	Baader Investment Conference, Munich
01.10.2015	Société Générale Pan European Real Estate Conference, London
12.11.2015	Quarterly Report 9M as of 30 September 2015

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Thank you for your interest.