



**LEG**  
*gewohnt gut.*

**LEG Immobilien AG**

**9M Results 2014**

14<sup>th</sup> November 2014

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# Agenda

- I. Highlights 9M-2014
- II. Portfolio and Operating Performance
- III. Financial Performance
- IV. Business Update and Outlook
- V. Appendix

## I. Highlights 9M-2014

# Highlights 9M-2014

## Overall company development in Q3

- Strong acceleration of value-enhancing external growth
  - Acquisition of approx. 2,400 units in core markets in September
  - Preparation of acquisition of c.9,600 units; capital markets and M&A transactions in Q4
  - Immediate positive value contribution; significant medium term upside

## Strong organic growth continues

- In-place rent €5.10 /sqm (+3.4% like-for-like, +3.8% for free-financed units)
- Occupancy at 96.8% l-f-l, slight temporary decrease expected to revert in Q4
  - On track for further l-f-l-occupancy improvement in FY-2014
- Maintenance/capex below FY run rate in 9M-2014
  - Total expenses for maintenance/ capex of €8.72 /sqm in 9M-2014
  - FY-2014 target of €13-14/sqm

## Financials reflect dynamic rent growth and operating outperformance

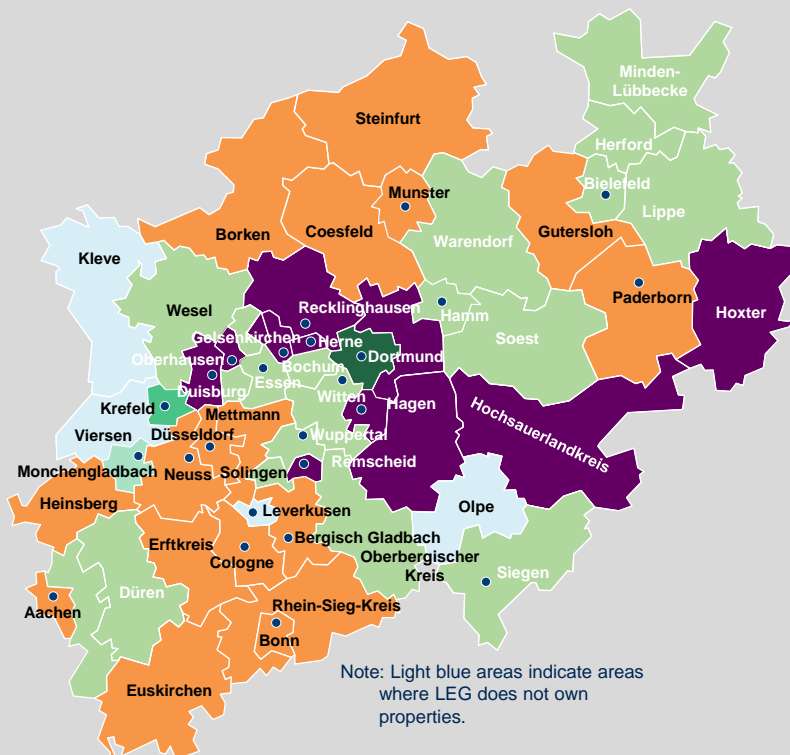
- Rental income €286.6m (+6.5% YOY from €269.2m)
- Adjusted EBITDA €195.4m (+14.7% YOY from €170.3m);
  - Strong underlying margin improvement
- FFO I €123.9m, €2.34 per share (+19.7% YOY from €103.5m)
- AFFO €97.2m (+23.0% YOY from €79.0m)
- NAV €48.85 per share (+4.2% y-t-d adjusted for DPS distribution)



## II. Portfolio and Operating Performance

# Portfolio Overview

## Positive Rent Dynamics across all Submarkets



### Total Portfolio

	30 Sept. 2014	Δ (YOY)
# of units	97,487	+4.2%
In-place rent (sqm)	€5.10 (€5.10)**	+3.3% (+3.4%)**
Occupancy	96.8% (96.8%)**	-20 bps (-26 bps)**

### High-Growth Markets

	30 Sept. 2014	Δ (YOY)
# of units	31,072	+0.5%
In-place rent (sqm)	€5.71 (€5.70)**	+3.5% (+3.5%)**
Occupancy	98.8% (98.8%)**	+10 bps (+10 bps)**

### Stable Markets with Attractive Yields

	30 Sept. 2014	Δ (YOY)
# of units	36,028	+6.6%
In-place rent (sqm)	€4.81 (€4.79)**	+3.5% (+3.1%)**
Occupancy	96.3% (96.2%)**	-20 bps (-30 bps)**

### Higher-Yielding Markets

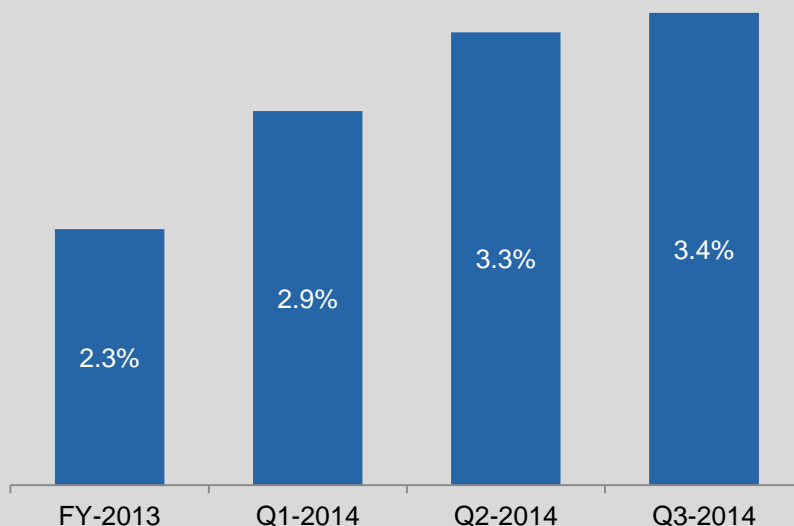
	30 Sept. 2014	Δ (YOY)
# of units	28,288	+6.0%
In-place rent (sqm)	€4.71 (€4.69)**	+3.3% (+3.0%)**
Occupancy	95.1% (95.2%)**	-60 bps (-60 bps)**

\*\* like for like

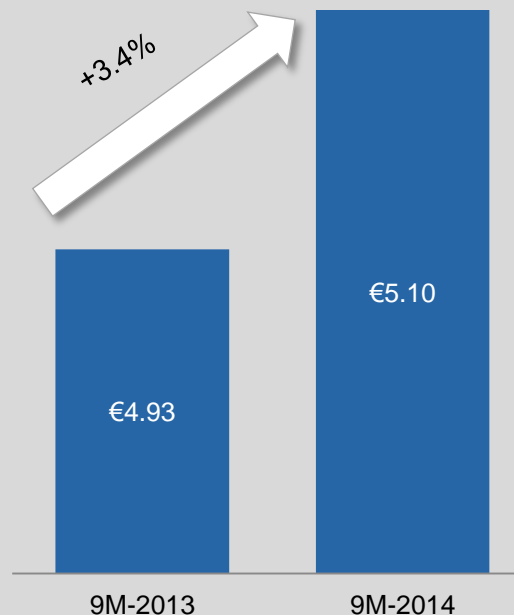
# Rent Development

## Attractive Portfolio + Excellent Property Management = Strong Organic Growth

L-f-I growth /sqm



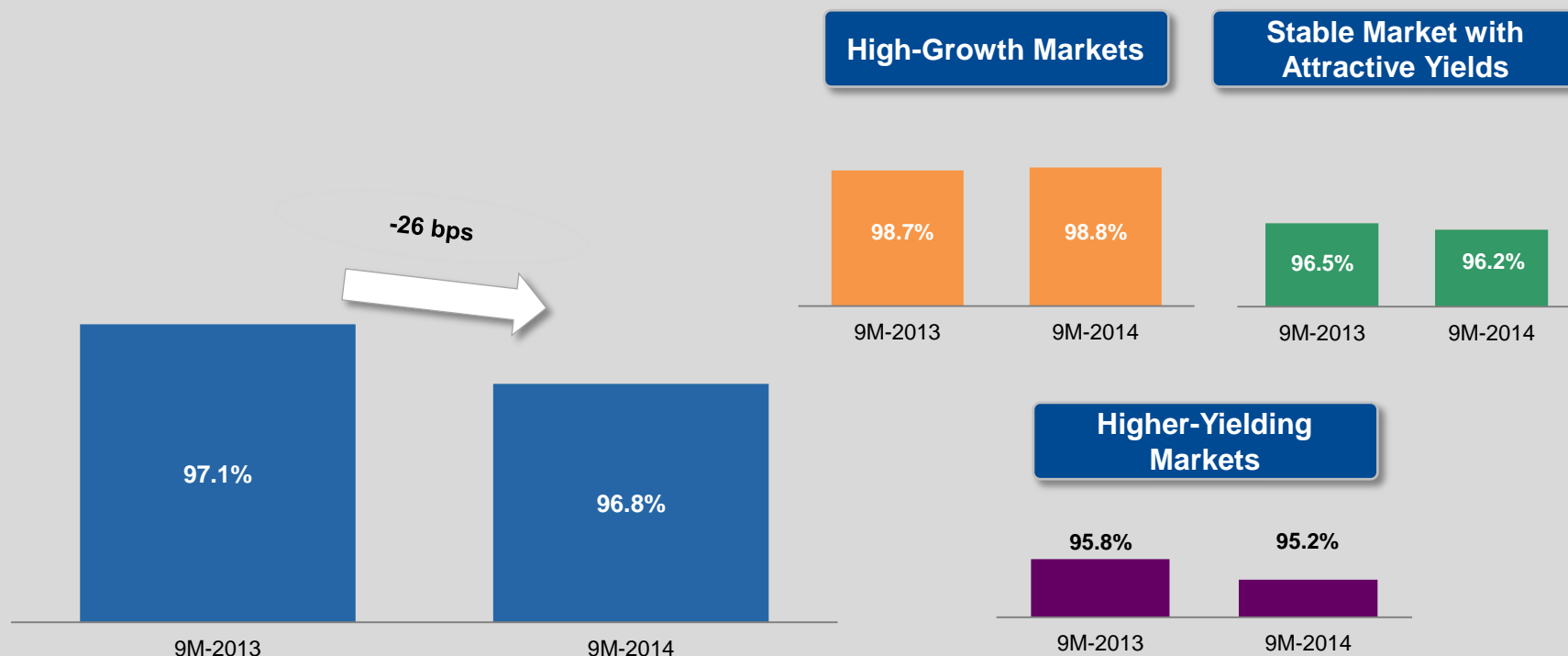
Residential Rent (€ /sqm /month)



- L-f-I rent growth (per sqm) of +3.4% shows further slight acceleration
- Rent growth of +3.8% l-f-l for free-financed units emphasizes strong underlying dynamics and operating performance

# Occupancy Development

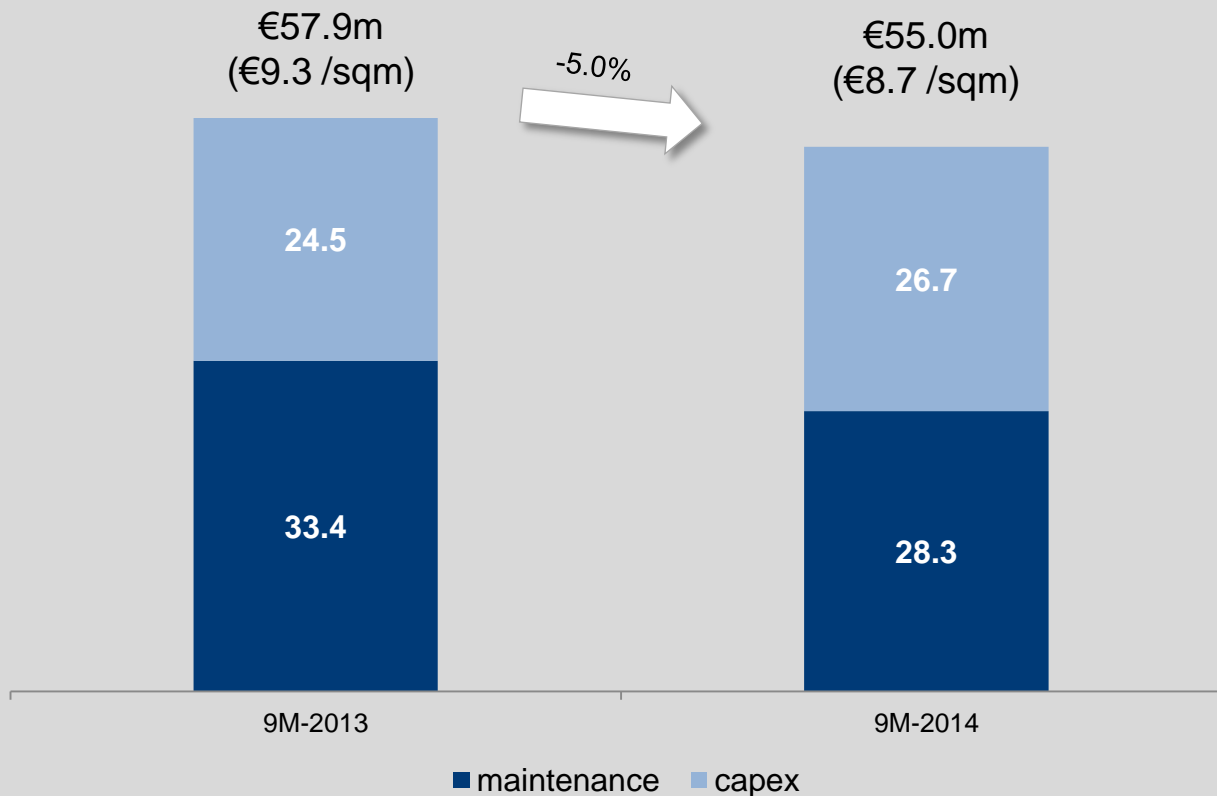
## Temporary I-f-I decrease expected to revert in Q4



- L-f-I vacancy rate of 3.2%, temporary increase (+c.25 bps YOY) expected to revert already in Q4
  - Higher investments in Q4 with focus on vacant apartments (attractive return potential)
  - Temporary constraints of operating staff due to integrations resolved
- On track to reach L-F-L vacancy reduction in FY-2014; rising visibility on back of good start into Q4-2014
- KPI's rent growth and vacancy reduction are balanced with one another (optimising the mix)

# Capex & Maintenance

## Well Maintained Asset Base; Rising Investments in Q4

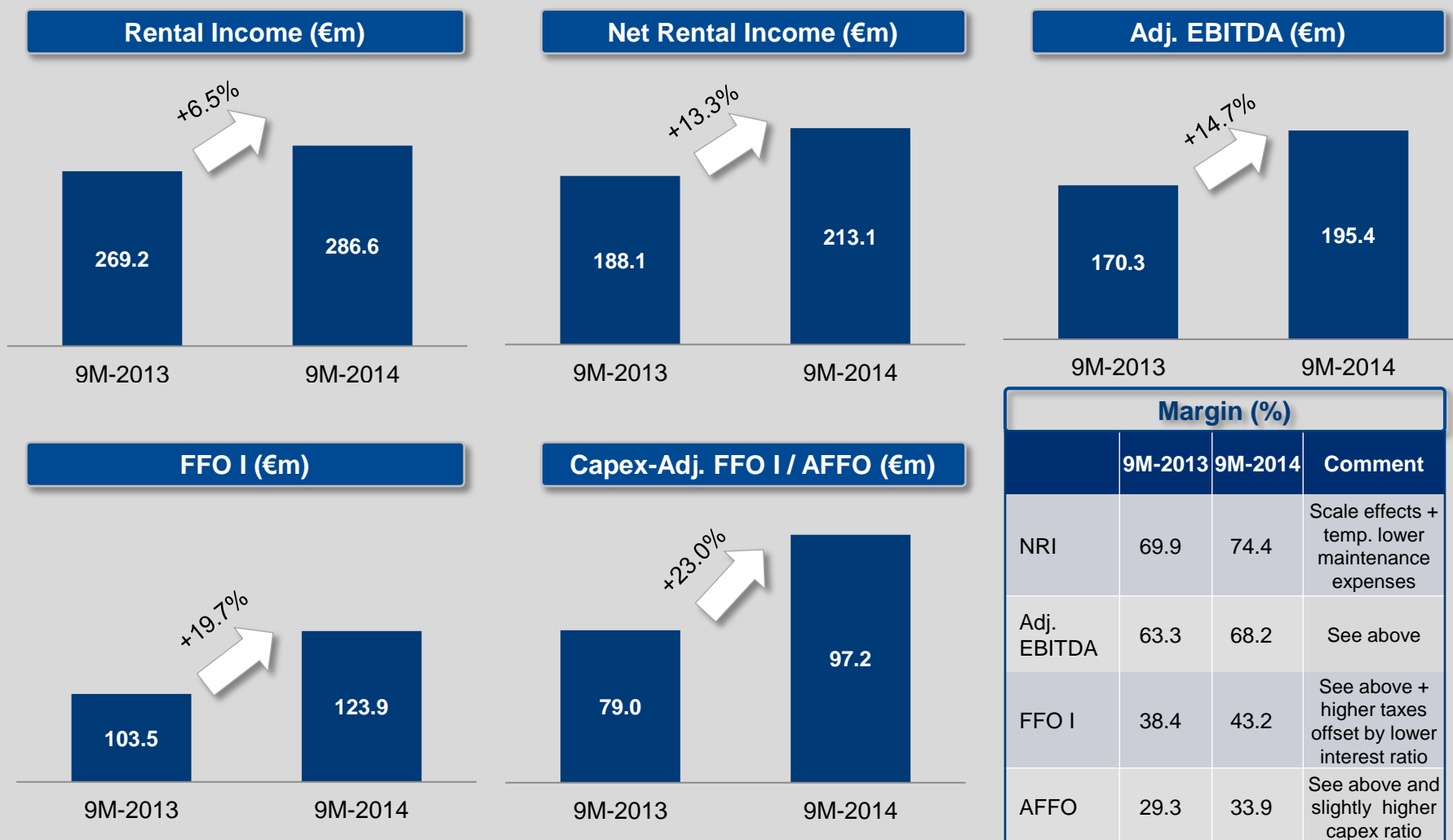


- FY-2014 target of €13-14 € /sqm
- Higher initial investments in our acquisitions (upgrade to LEG standards)
- Rising spending for turn costs and modernisation projects in Q4 -2014 planned
  - Capex ratio of approx. 50/50 expected
- Investments yielding attractive returns
  - Further vacancy decrease
  - Rent adjustments

### III. Financial Performance

# Financial Highlights 9M-2014

**Margin Expansion on back of Sound Topline Growth and Cost Discipline**



# Income Statement 9M-2014

Condensed Income Statement (€ million)	2013	9M-2014	9M-2013	
Net rental and letting income	257.7	213.1	188.1	<ul style="list-style-type: none"> <li>Higher rental income (+€17.4m/+6.5%)</li> <li>Lower maintenance expenses (-€5.1m)</li> </ul>
Net income from the disposal of investment property	-1.8	-0.3	-0.8	
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	-2.6	-1.4	
Net income from Other services	2.3	0.0	1.9	<ul style="list-style-type: none"> <li>€0.9m Long Term Incentive Plan – non-cash pass-through item</li> <li>Slightly lower recurring admin. costs of €23.9m (9M-2013: €25.4m)</li> </ul>
Administrative and Other expenses	-51.5	-28.4	-38.3	
Other income	0.2	0.6	0.5	
<b>Operating earnings</b>	<b>285.5</b>	<b>182.4</b>	<b>150.0</b>	
Net finance costs	-126.9	-87.7	-90.7	<ul style="list-style-type: none"> <li>€5.7m tax reimbursement</li> <li>€1.9m loss from derivatives</li> <li>Slightly higher cash interest expenses (€70.4m vs. €67.0m)</li> </ul>
<b>Earnings before income taxes</b>	<b>158.6</b>	<b>94.7</b>	<b>59.3</b>	
Income tax expense	-21.7	-26.5	-7.4	
<b>Consolidated net profit</b>	<b>136.9</b>	<b>68.2</b>	<b>51.9</b>	<ul style="list-style-type: none"> <li>Deferred taxes (thereof cash taxes: -€1.1m)</li> </ul>

# Adjusted EBITDA 9M-2014

€ million	2013	9M-2014	9M-2013
<b>EBITDA</b>	<b>294.1</b>	<b>188.8</b>	<b>156.5</b>
Net income from the valuation of investment property	-81.6	0.0	0.0
Long-term incentive program (LTIP)	3.3	0.9	2.6
Non-recurring project costs	7.9	2.7	5.8
Extraordinary and prior-period expenses and income	3.2	0.1	3.2
Net income from the disposal of investment property	1.7	0.3	0.8
Net income from the disposal of real estate inventory	3.1	2.6	1.4
<b>Adjusted EBITDA</b>	<b>231.7</b>	<b>195.4</b>	<b>170.3</b>

- +€17.4m higher rental income
- + €5.1m lower maintenance cost
- +€4.1m due to one-off from former development in FY-2013
- + €2.8m lower admin. costs (project costs)

- Winding down of former development business
- Smaller disposals at premium to book values
- Total inventories: €4.3m

# FFO Calculation 9M-2014

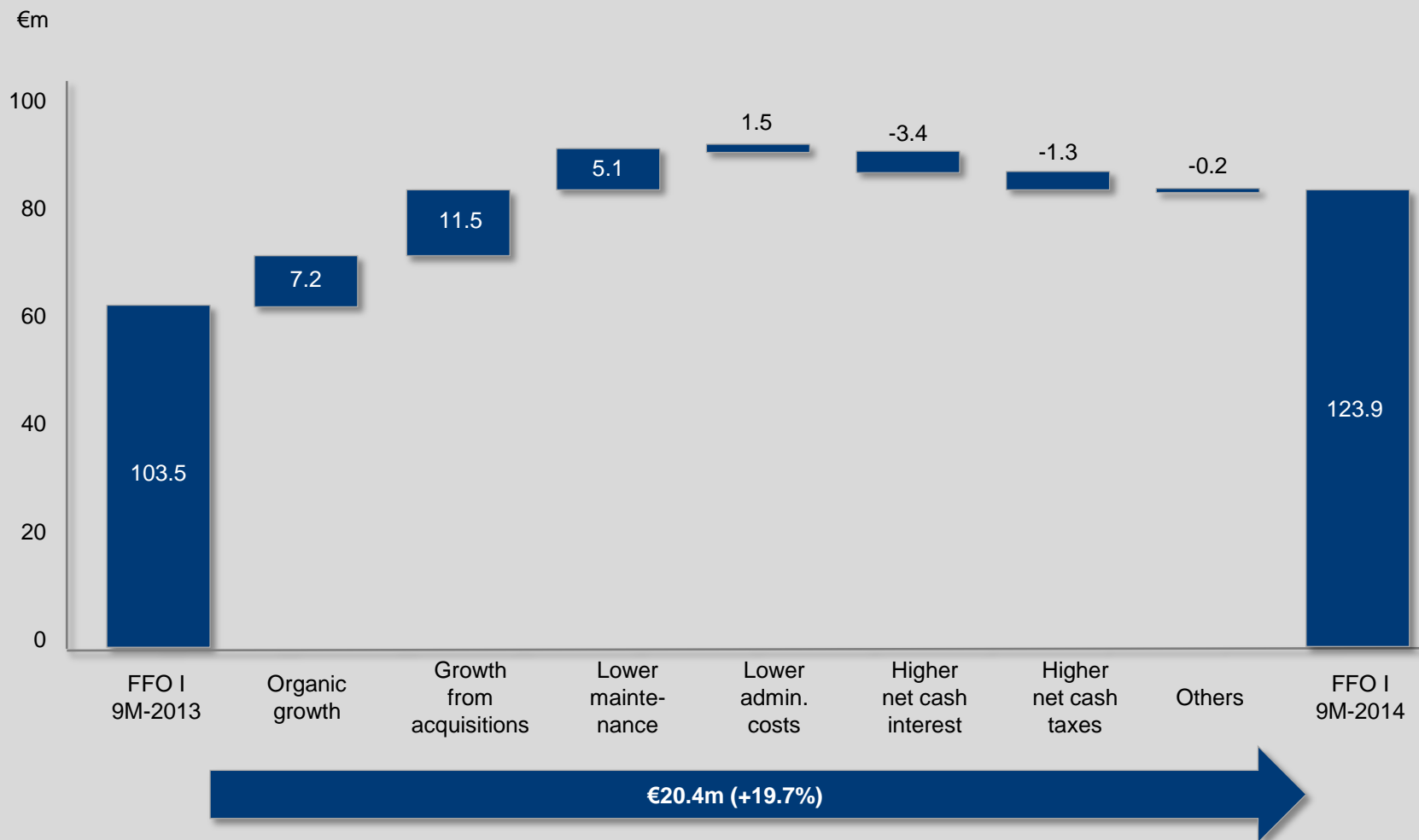
€ million	2013	9M-2014	9M-2013
<b>Adjusted EBITDA</b>	<b>231.7</b>	<b>195.4</b>	<b>170.3</b>
Cash interest expenses and income	-91.0	-70.4	-67.0
Cash income taxes	0.5	-1.1	0.2
<b>FFO I (not including disposal of investment property)</b>	<b>141.2</b>	<b>123.9</b>	<b>103.5</b>
Net income from the disposal of investment property	-1.7	-0.3	-0.8
<b>FFO II (including disposal of investment property)</b>	<b>139.5</b>	<b>123.6</b>	<b>102.7</b>
Capex	-43.7	-26.7	-24.5
<b>Capex-Adjusted FFO I (AFFO)</b>	<b>97.5</b>	<b>97.2</b>	<b>79.0</b>

- Slightly higher financial charges due to acquisitions (net debt +c.€130m YOY)
- Interest cost ratio slightly decreasing

- Disposals of non-core assets at premium to book values

- Rising investments in Q4-2014 expected

## FFO Bridge 9M-2014



## Focus: Cash Effective Interest Expense 9M-2014

€ million	2013	9M-2014	9M-2013
Reported interest expense	131.4	93.8	95.2
Interest expense related to loan amortisation	-30.2	-14.0	-18.2
Interest expenses related to convertible bond (non cash)	-	-2.9	-
Refinancing fees	-2.9	0.0	-2.9
Prepayment penalties	0.0	0.0	0.0
Interest on shareholder loans	-0.2	0.0	-0.2
Interest charges relating to valuation of assets/liabilities	-2.3	-1.7	-1.9
Leasing related interest expense	-1.6	-1.0	-1.2
Interest expenses related to changes in pension provisions	-3.6	-2.9	-2.9
Other interest expenses	-0.2	-0.2	0.0
Bank charges	1.5	0.2	-
Interest income	-0.9	-0.8	-0.9
<b>Cash effective interest expense</b>	<b>91.0</b>	<b>70.4</b>	<b>67.0</b>

- Moderate increase due to acquisitions
- Interest coverage improved further (2.8X up from 2.5X YOY)

# EPRA-Net Asset Value 9M-2014

## Value of Attractive Multimedia Business is not Capitalised

€ million	30.09.2014	31.12.2013
<b>Equity (excl. minority interests)</b>	<b>2,197.4</b>	<b>2,248.8</b>
Effect of exercising options, convertible loans and other rights	-	-
<b>NAV</b>	<b>2,197.4</b>	<b>2,248.8</b>
Fair value of financial derivatives	93.8	52.0
Deferred taxes	296.2	271.1
<b>EPRA-NAV</b>	<b>2,587.4</b>	<b>2,571.9</b>
Number of shares outstanding (m)	52,963	52,963
EPRA-NAV per share in €	<b>48.85</b>	<b>48.56</b>

- +€68.2m net profit
- -€28.8m O-C-I (valuation derivatives)
- -€91.6m dividend payment

- Adjusted for DPS of €1.73 NAV increased by +4.2% y-t-d

- Property valuation: Value uplift in Q4 ahead due to strong rent growth
- Value multimedia:
  - Discount rate 6% - > Value approx. €100m / c.€1.9 per share
  - Additional future upside from acquisitions

# Balance Sheet 9M-2014

## Strong Balance Sheet Secures Defensive Profile and Paves Way for Growth

€ million	30.09.2014	31.12.2013
Investment property	5,348.0	5,163.4
Prepayment for investment property	-	6.9
Other non-current assets	91.7	91.9
<b>Non-current assets</b>	<b>5,439.7</b>	<b>5,262.2</b>
Receivables and other assets	60.3	33.8
Cash and cash equivalents	303.6	110.7
<b>Current assets</b>	<b>363.9</b>	<b>144.5</b>
<b>Assets held for disposal</b>	<b>6.8</b>	<b>16.4</b>
<b>Total Assets</b>	<b>5,810.4</b>	<b>5,423.1</b>
<b>Equity</b>	<b>2,230.5</b>	<b>2,276.1</b>
Non-current financial liabilities	2,720.8	2,396.7
Other non-current liabilities	542.2	443.9
<b>Non-current liabilities</b>	<b>3,263.0</b>	<b>2,840.6</b>
Current financial liabilities	189.9	187.0
Other current liabilities	127.0	119.4
<b>Current liabilities</b>	<b>316.9</b>	<b>306.4</b>
<b>Total Equity and Liabilities</b>	<b>5,810.4</b>	<b>5,423.1</b>

- Purchases €178.6m
- Capex €26.7m
- Reclassification -€20.7m

- Equity ratio of 38.4%

# LTV 9M-2014

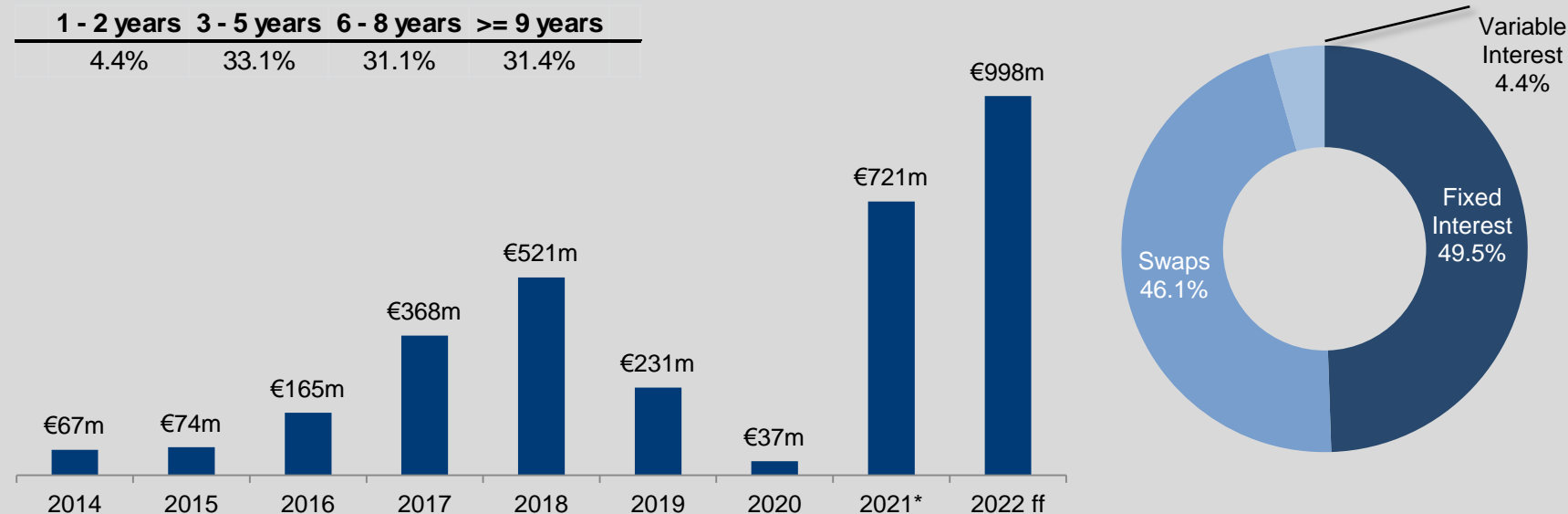
## Significant Headroom for Acquisitions (max. LTV 55%)

€ million	30.09.2014	31.12.2013
Financial debt	2,910.7	2,583.7
Cash & cash equivalents	303.6	110.7
<b>Net Debt</b>	<b>2,607.1</b>	<b>2,473.0</b>
Investment properties	5,348.0	5,163.4
Properties held for sale	6.8	16.4
Prepayment for investment properties	-	6.9
	<b>5,354.8</b>	<b>5,186.7</b>
<b>Loan to Value (LTV) in %</b>	<b>48.7</b>	<b>47.7</b>

- Financial firepower c.€600m post Q4 transactions (pro-forma LTV < 50%)

# Financing Structure 9M-2014

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



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

Average debt maturity:

▪ approx. 10 years

Interest costs:

▪ Ø 2.93% (incl. convertible bond)

Hedging ratio:

▪ 95.6%

**External growth supports further decrease in average interest costs**

## IV. Business Update and Outlook

# Business Update

## Scale Effects in Core Markets + Operational Excellence Drive Value Creation

### Acquisitions: Attractive FFO yields and significant future upside

- Significantly over-delivered on external growth targets while maintaining strict investment criteria
  - Purchase of c.2,400 units 09/2014 and c.9,600 units (NRW Vitus-portfolio) 10/2014
  - Total acquisition volume c.19,000 units since IPO; FFO yield >8%
  - NRW Vitus-portfolio at attractive entry point of property cycle
    - Commuter belts increasingly benefitting from spill-over effects
    - > 85% of portfolio within a 60 km radius of Dusseldorf and Cologne
    - Monchengladbach (5,741 units) negative population trend just reversed
- Significant potential for synergies and rents
  - Immediate value contribution due to attractive initial FFO yields (normalised >9%)
  - Positive impact on margins and above average rent growth on the cards

# Business Update

## Scale Effects in Core Markets + Operational Excellence Drive Value Creation

### Margin expansion reflects continued operational outperformance

- Adjusted EBITDA margin (at stable maintenance costs) climbs by 300bps to 66.2% YOY
  - Additionally interest advantage of restricted units is shown below the EBITDA line
- Key success factors:
  - Superior organic and external growth allow for noticeable scale effects
  - Rigorous cost and capital discipline
  - Portfolio concentration on attractive market

# Acquisitions: Creating Tangible Value

30.09.2014			Closing		Change	
Units	In-place rent € / sqm	Occupancy	In-place rent € / sqm	Occupancy	In-place rent € / sqm	Occupancy
8,176	5.19	94.2%	4.95	94.7%	0.24 (+4.8%)	-45 bp

New-letting [Closing – 30.06.2014]		Previous rent [Closing – 30.06.2014]		
sqm	In-place rent € / sqm	sqm	In-place rent € / sqm	Change In-place rent
51,795	5.75	55,658	5.26	+9.3%

- Dynamic rent growth confirms attractive reversionary potential
  - Average in-place rents +4.6% (within avg. 11 months), re-lettings +9.3%
- Initiated capex-programme further offers significant upside
  - L-f-I vacancy decreased in Q2+Q3 sequentially
  - Further rising occupancy in Q4 -2014 expected

# Outlook 2014 & 2015

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

2014	Guidance
L-F-L rent growth:	approx. 3.0%
Maintenance/Capex:	€13-€14/sqm (capex ratio c. 50%)
FFO I:	€158m - €161m (+ first effects from NRW Vitus)
Dividend:	Temporarily > 65% of FFO I (due to 4.1m new shares in Oct.)

2015	
FFO I:	€188m - €193m/ €3.29 - €3.39; excl. future acquisitions
Acquisitions (mid term target):	≥ 5,000 units p.a.

## V. Appendix

# Mietspiegel Overview

## Expected New Mietspiegel in 2014

Release Date (expected)	High-Growth Market <sup>1</sup>	Stable Market <sup>1</sup>	Higher-Yielding Market <sup>1</sup>	Total Portfolio <sup>1,2</sup>
2014 (Q1)	8,650 units (mainly Dusseldorf, Ratingen)	8,630 units (mainly Siegen, Solingen)	1,334 units (mainly Hagen)	18,614 units
2014 (Q2)	110 units	2,928 units (mainly Hamm, Bochum)		3,038 units
2014 (Q3)	209 units	1,526 units (mainly Ahlen)	5,377 units (mainly Gelsenkirchen, Unna)	7,112 units
2014 (Q4)	343 units	1,129 units	2,569 units (mainly Recklinghausen)	4,041 units
<b>Total <sup>1,2</sup></b>	<b>9,312 units</b>	<b>14,213 units</b>	<b>9,280 units</b>	<b>32,805 units</b>

<b>Thereof:</b>			
- Ahlen		1,049 units	
- Bochum		1,477 units	
- Dusseldorf	3,285 units		2,922 units
- Gelsenkirchen			
- Hamm		3,975 units	
- Ratingen	2,793 units		
- Recklinghausen			1,765 units
- Siegen		1,027 units	
- Solingen		1,451 units	
- Unna			1,210 units

1) Sub-portfolios also include restricted units

2) Total Portfolio also include 99 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 subsidised 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 subsidised loans
- **Adjusted EBITDA margin approx. 160-210 bps higher**
- Lower Margin in 2013 YOY due to higher maintenance

# Portfolio (as of 30 September 2014)

## Sound property fundamentals Basis for Value Growth

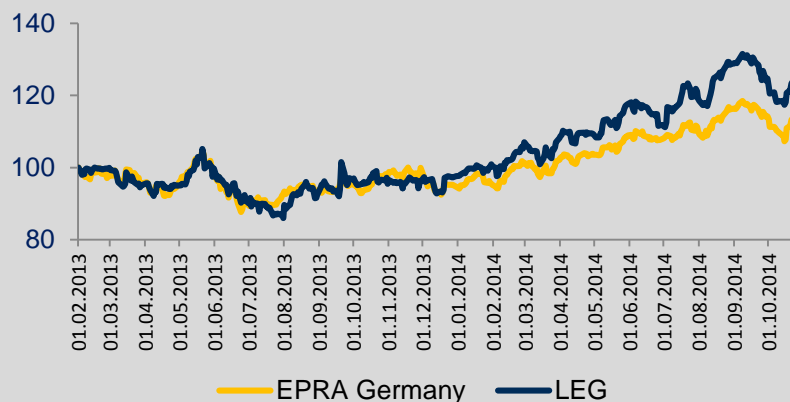
Market	Residential Units	GAV Residential Assets (€m)	% of Total Residential GAV	GAV/sqm (€)	In-Place Rent Multiple	GAV Commercial/ Other Assets (€m)	Total GAV
High-Growth Markets	31,702	2,212	44%	1,064	15.7x	168	2,380
Stable Markets with Attractive Yields	36,028	1,641	33%	707	12.7x	86	1,728
Higher-Yielding Markets	28,288	1,103	22%	632	11.7x	45	1,149
<b>Subtotal NRW</b>	<b>96,018</b>	<b>4,957</b>	<b>98%</b>	<b>807</b>	<b>13.6x</b>	<b>300</b>	<b>5,257</b>
Portfolio outside NRW	1,469	86	2%	880	14.0x	10	95
<b>Total Portfolio</b>	<b>97,487</b>	<b>5,043</b>	<b>100%</b>	<b>808</b>	<b>13.6x</b>	<b>309</b>	<b>5,352</b>
Other Assets							28
<b>Total (Incl. Landbank and DevCo)</b>							<b>5,380</b>

# LEG Share Information

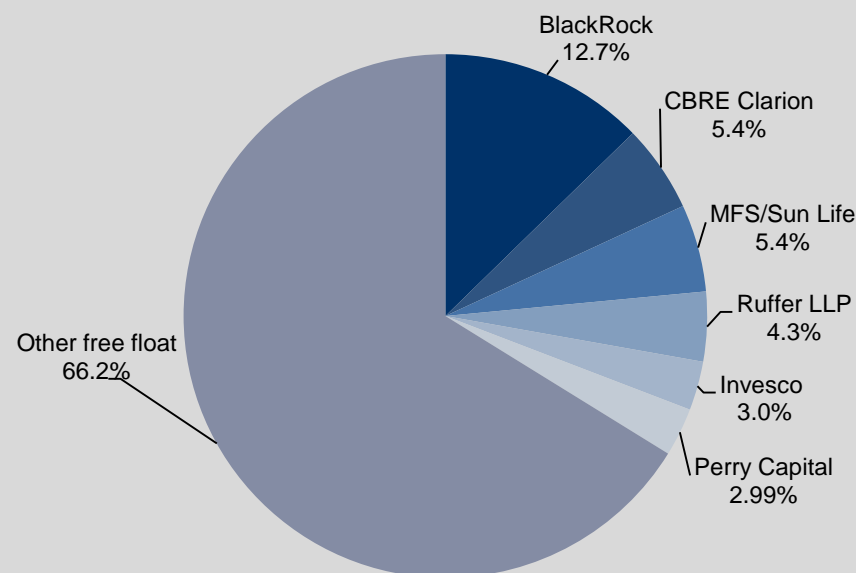
## Basic Data

- Prime Standard, Frankfurt Stock Exchange
- Total no. of shares: 57,063,444 (end of Oct. 2014)
- 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 (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
14.11.2014	Quarterly Report Q3 as of 30 <sup>th</sup> September 2014
20.11.2014	Roadshow Amsterdam (Kempen & Co)
21.11.2014	Roadshow Frankfurt (KeplerCheuvreux)
24.-25.11.2014	Roadshow London (Morgan Stanley)
26.11.2014	Roadshow Paris (Société Générale)
25.03.2015	Annual Report 2014

# Contact

## **LEG Immobilien AG – Investor Relations**

Burkhard Sawazki

Head of Investor Relations

Tel: +49 211 4568 204

[burkhard.sawazki@leg-nrw.de](mailto:burkhard.sawazki@leg-nrw.de)

Karin Widenmann

Manager Investor Relations

Tel: +49 211 4568 458

[karin.widenmann@leg-nrw.de](mailto:karin.widenmann@leg-nrw.de)

Hans-Boeckler-Str. 38

40476 Dusseldorf

Germany



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**Thank you for your interest.**