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**LEG Immobilien AG**

**9M-2016**

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- I. Highlights 9M-2016**
- II. Portfolio and Operating Performance**
- III. Financial Performance**
- IV. Business Update and Outlook**
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# Highlights 9M-2016

## Overall company development

- Additional capex programme paves way for accelerated organic rent growth
  - €200m additional value enhancing capex (FY: 2017-2019)
  - Additional contribution to FFO (2018: c.€5.0m, 2019 c.€8.0m) and I-f-I rent growth (2018: +50bps; 2019: +90bps)
- Unlocking value through early repayment of subsidised loans
  - Value uplift due to expected earlier exploitation of rent potential; estimated positive net NAV effect of €75-85m
- Portfolio revaluation: LEG portfolio bears significant catch-up potential
  - Estimated valuation uplift in the range of €420m to €440m (5.7% - 6.0%) in FY-2016

## Strong letting performance on basis of high capital efficiency

- In-place rent, I-f-I                                    €5.31/sqm (+2.4% total portfolio, +3.3% for free-financed units)  
Slight growth acceleration in Q4 on the cards
- EPRA-Vacancy, I-f-I                                    3.1% (stable YOY)
- Maintenance/Capex                                    €11.3/sqm (FY-2016 target of approx. €18/sqm)

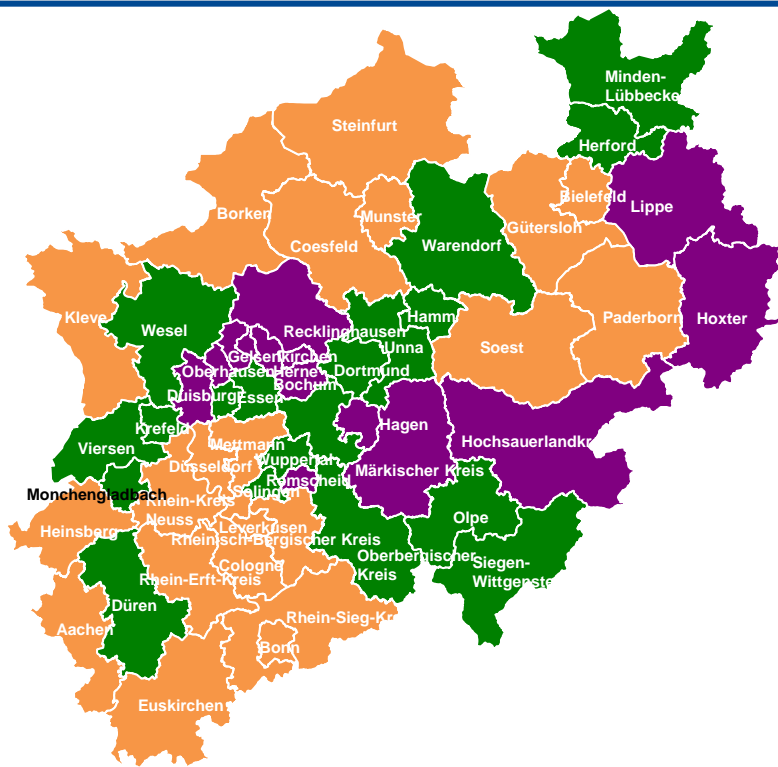
## Financials: Steady margin expansion supports dynamic earnings growth

- Net cold rent    €381.3m (+17.2% YOY from €325.3m)
- Adjusted EBITDA                                        €276.2m (+22.5% YOY from €225.4m)  
Strong margin expansion excl. maintenance (c.+370 bps YOY)
- FFO I (excl. minorities)                                €210.6m (+32.9% YOY from €158.5m), €3.35 per share (+21.4% YOY from €2.76)
- AFFO    €163.8m (+31.0% YOY from €125.0m)
- EPRA-NAV (excl. goodwill)                            €58.79 per share

## **II.** Portfolio and Operating Performance

# Portfolio Overview

Strong operational performance across all submarkets



## Strong results on the basis of tailor made management strategies

### High-Growth Markets

|                            | 30.09.2016 | Δ (YOY) |
|----------------------------|------------|---------|
| # of units                 | 39,027     | +3.8%   |
| In-place rent (sqm), I-f-I | €5.87      | +2.3%   |
| EPRA-Vacancy, I-f-I        | 1.6%       | +10 bps |

### Stable Markets with Attractive Yields

|                            | 30.09.2016 | Δ (YOY)  |
|----------------------------|------------|----------|
| # of units                 | 46,728     | +14.8%   |
| In-place rent (sqm), I-f-I | €5.00      | +2.3%    |
| EPRA-Vacancy, I-f-I        | 3.1%       | - 30 bps |

### Higher-Yielding Markets

|                            | 30.09.2016 | Δ (YOY) |
|----------------------------|------------|---------|
| # of units                 | 40,291     | +35.0%  |
| In-place rent (sqm), I-f-I | €4.93      | +2.3%   |
| EPRA-Vacancy, I-f-I        | 5.4%       | -10 bps |

### Total Portfolio

|                            | 30.09.2016 | Δ (YOY) |
|----------------------------|------------|---------|
| # of units                 | 127,941    | +16.7%  |
| In-place rent (sqm), I-f-I | €5.31      | +2.4%   |
| EPRA-Vacancy, I-f-I        | 3.1%       | - 8 bps |

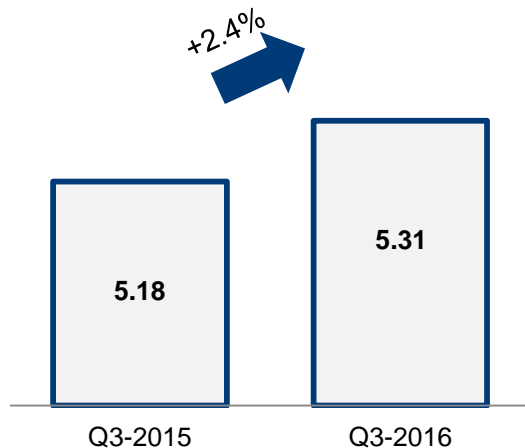
# Rent Development

Attractive portfolio + operational excellence = sound rent growth

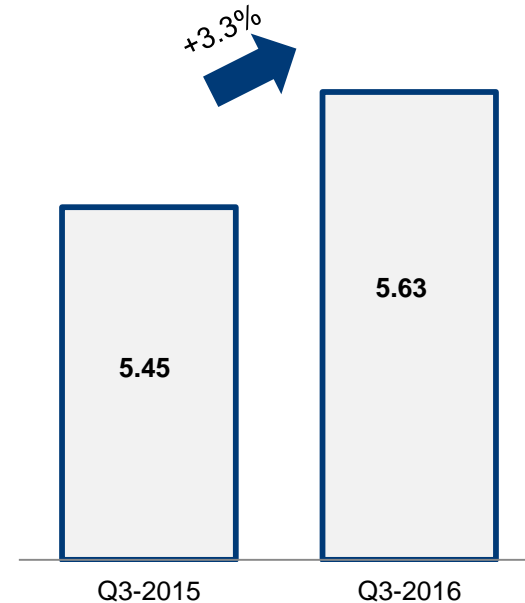
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## L-f-I Residential Rent (€/sqm/month)



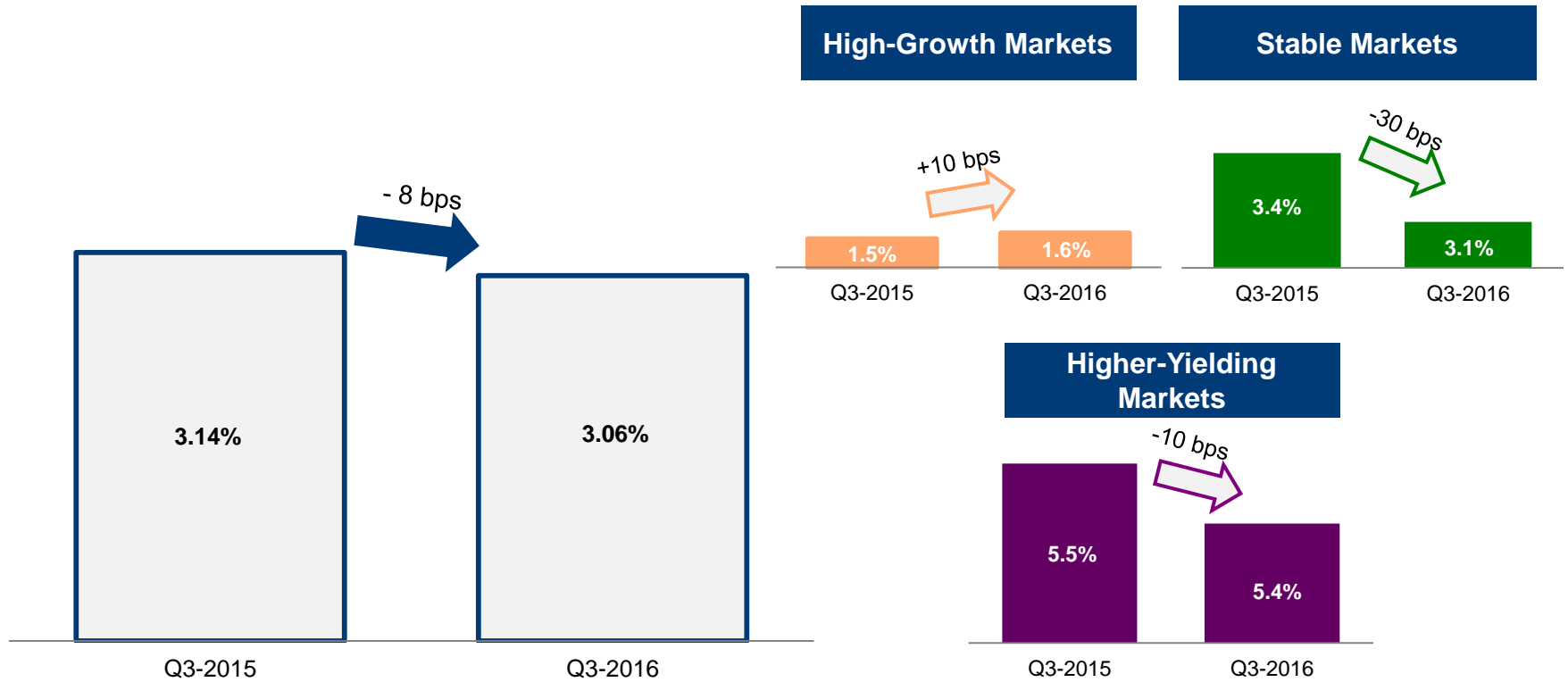
## L-f-I Free-financed Rent (€/sqm/month)



- Development of free financed units remains best proxy for underlying performance
- High capital efficiency maintained (growth relative to capital expenditure)
- Regional focus as competitive edge

# EPRA-Vacancy Development (like-for-like)

Attractive portfolio + operational excellence = low vacancies

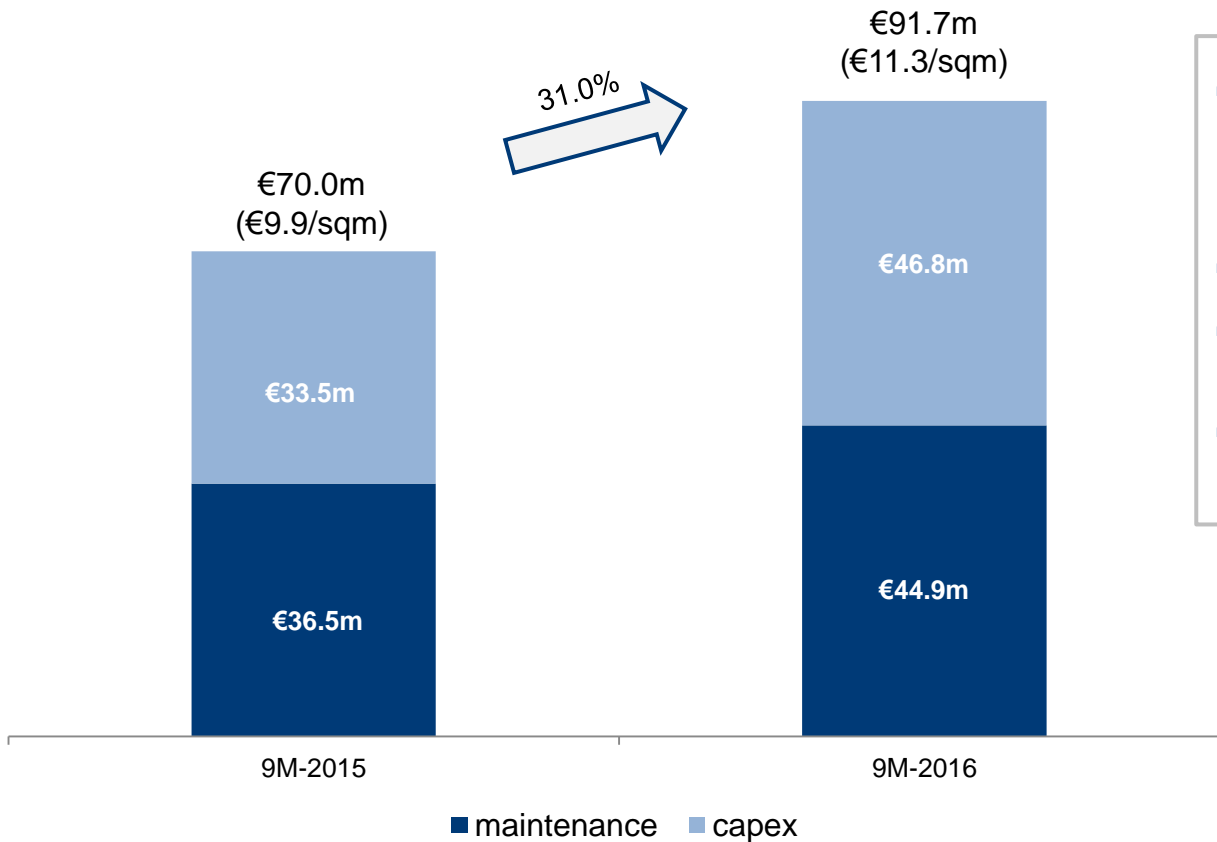


- Strong letting momentum promises vacancy reduction in Q4 of c. 30-50bps
- Especially strong momentum in the commuter belts of Dusseldorf/Cologne



# Capex & Maintenance

## High quality standards and capital discipline maintained



- 9M-2016 spending of €11.3/sqm with higher share of value enhancing capex (capex ratio 51.0%)
- Stronger seasonality in Q4
- Outlook FY-2016: c.€18/sqm unchanged
- Preparation for larger capex programme well underway

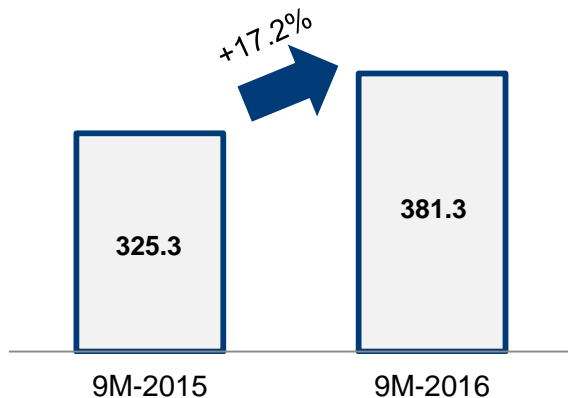
**III.** Financial Performance

# Financial Highlights 9M-2016

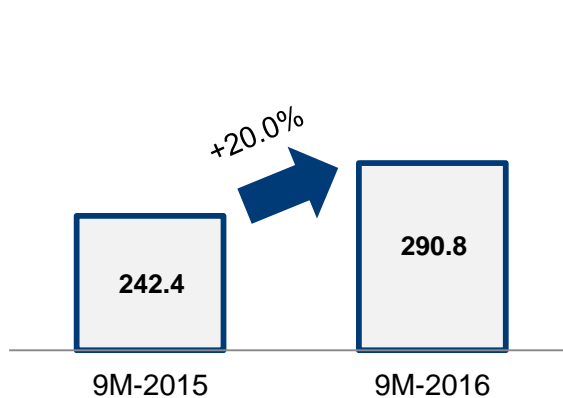
Margin expansion on back of attractive scale effects + cost discipline *gewohnt gut.*



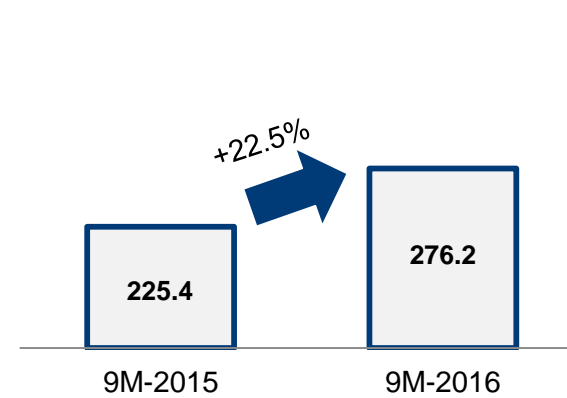
**Net cold rent (€m)**



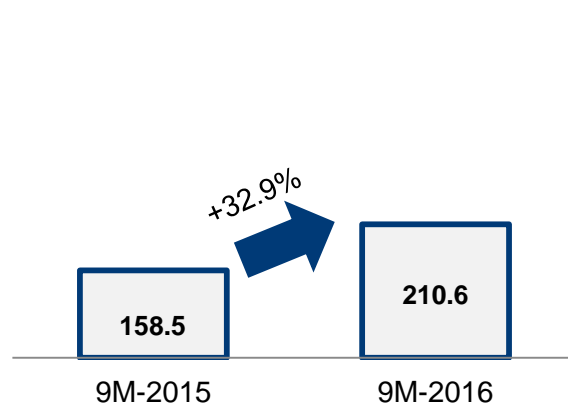
**Net Rental and Lease Income (€m)**



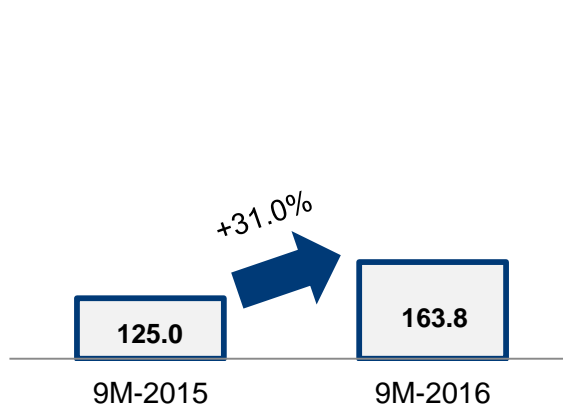
**Adj. EBITDA (€m)**



**FFO I (€m)**



**Capex-Adj. FFO I / AFFO (€m)**



**Margin (%)**

|             | 9M-2015 | 9M-2016 | Comment  |
|-------------|---------|---------|--|
| NRI         | 74.5    | 76.3    | Scale effects + efficiency gains offset higher maintenance |
| Adj. EBITDA | 69.3    | 72.4    | See above + lower admin. costs ratio + higher "others"     |
| FFO I       | 48.7    | 55.2    | See above + lower interest ratio                           |
| AFFO        | 38.4    | 43.0    | See above + higher capex                                   |

# Income Statement

## 9M-2016



| € million   | 9M-2016       | 9M-2015       |
|---|---------------|---------------|
| Net rental and lease income                           | 290.8         | 242.4         |
| Net income from the disposal of investment property   | 8.3           | 0.7           |
| Net income from the valuation of investment property  | 9.3           | -             |
| Net income from the disposal of real estate inventory | -1.5          | -0.5          |
| Net income from other services                        | 2.3           | 0.1           |
| Administrative and other expenses                     | -66.0         | -32.7         |
| Other income  | 6.6           | 0.6           |
| <b>Operating earnings</b>                             | <b>249.8</b>  | <b>210.6</b>  |
| <b>Net finance costs</b>                              | <b>-118.8</b> | <b>-220.4</b> |
| <b>Earnings before income taxes</b>                   | <b>131.0</b>  | <b>-9.8</b>   |
| <b>Income tax expenses</b>                            | <b>-45.0</b>  | <b>-12.1</b>  |
| <b>Consolidated net profit</b>                        | <b>86.0</b>   | <b>-21.9</b>  |

- Higher rental income (+€56.0m/+17.2%)
- NRI-margin increased from 74.5% to 76.3% YOY despite some higher maintenance

- Higher one-time costs (+€34.0m to €40.4m) due to non-capitalised transaction costs (€34.4m; mainly real estate transfer tax)
- Recurring admin. costs slightly down to €23.7m (-€0.8m YOY) despite volume growth

- Lower financing costs (-€101.6m YOY) mainly due to refinancing costs in FY-2015 and lower burdens from fair value measurement of derivatives (-€46.2m YOY to €31.7m)
- Lower cash interests (€62.3m; -€4.4m YOY)

- Cash taxes (-€3.7m), thereof (-€0.6m) from IAS40 sales

# FFO Calculation

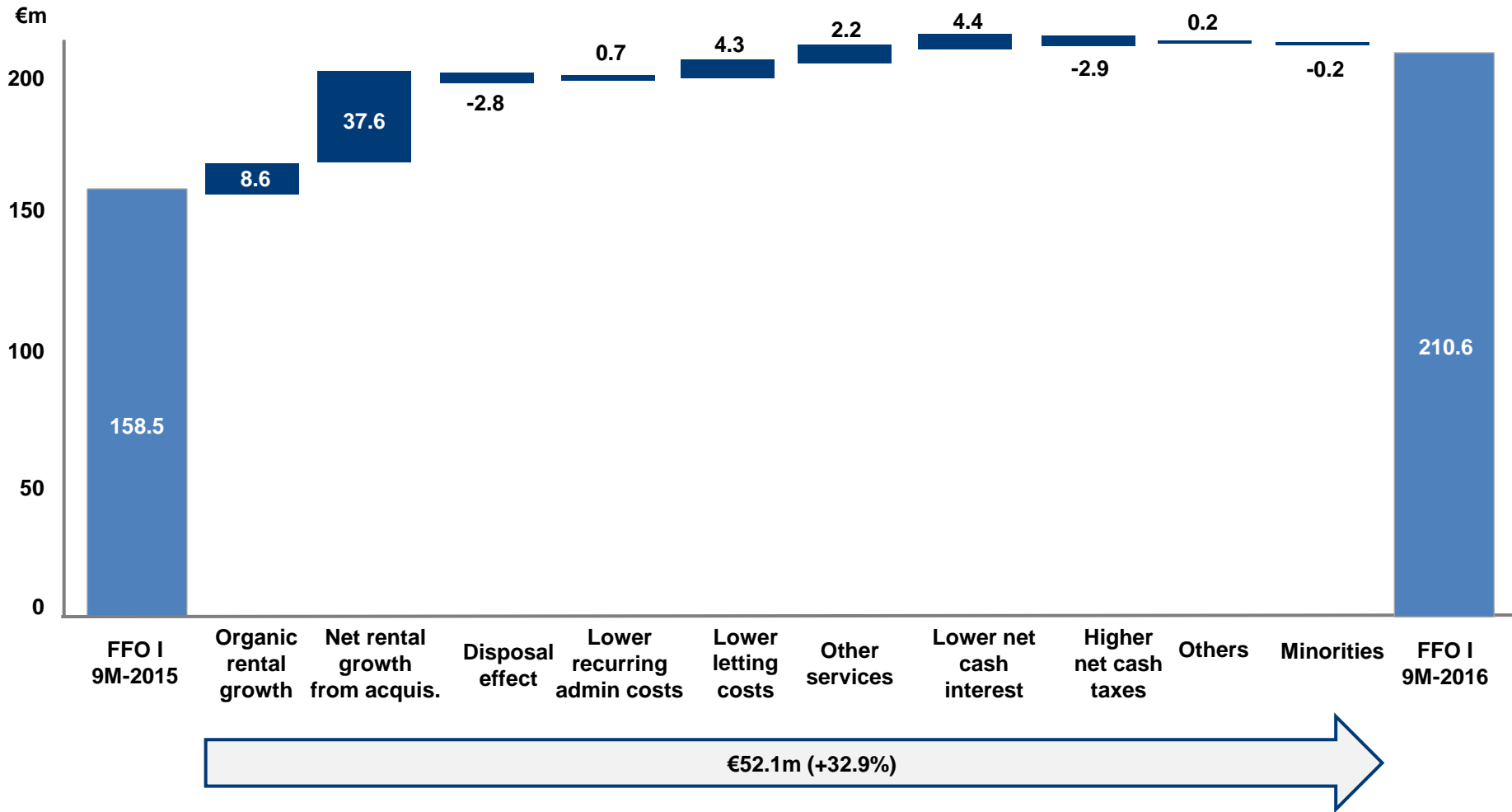
## 9M-2016



| € million   | 9M-2016      | 9M-2015      |  |
|---|--------------|--------------|--|
| Net cold rent   | 381.3        | 325.3        | ▪ +€56.0m (+17.2% YOY)   |
| Profit from operating expenses                            | -0.9         | -0.6         |  |
| Maintenance   | -44.9        | -36.5        |  |
| Staff costs   | -30.2        | -27.4        |  |
| Allowances on rent receivables                            | -5.5         | -4.7         |  |
| Other   | -5.0         | -10.4        |  |
| Non-recurring project costs (rental and lease)            | 0.9          | 1.8          | ▪ +€48.2m (+19.5% YOY)<br>▪ Rising adj. NRI margin despite higher maintenance expenses           |
| <b>Current net rental and lease income</b>                | <b>295.7</b> | <b>247.5</b> |  |
| <b>Current net income from other services</b>             | <b>4.0</b>   | <b>1.8</b>   |  |
| Staff costs   | -16.0        | -16.4        |  |
| Non-staff operating costs                                 | -48.1        | -14.8        |  |
| LTIP (long-term incentive programme)                      | 0.0          | 0.2          |  |
| Non-recurring project costs (admin.)                      | 40.4         | 6.4          | ▪ One-time costs (€34.4m non-capitalised transaction costs including RETT)                       |
| Extraordinary and prior-period expenses                   | 0.0          | 0.1          |  |
| <b>Current administrative expenses</b>                    | <b>-23.7</b> | <b>-24.5</b> | ▪ Decreasing admin. cost base in 2016 & 2017 expected despite volume growth                      |
| <b>Other income and expenses</b>                          | <b>0.2</b>   | <b>0.6</b>   |  |
| <b>Adjusted EBITDA</b>                                    | <b>276.2</b> | <b>225.4</b> | ▪ +€50.8m (+22.5% YOY)<br>▪ EBITDA margin 72.4% vs. 69.3% in 9M-2015 (excl. maintenance +370bps) |
| Cash interest expenses and income                         | -62.3        | -66.7        |  |
| Cash income taxes   | -3.1         | -0.2         |  |
| <b>FFO I (including non-controlling interests)</b>        | <b>210.8</b> | <b>158.5</b> | ▪ Lower interest charges (end Q3-2016 avg. cost 2.05% vs. 2.3% in Q3-2015)                       |
| Non-controlling interests                                 | -0.2         | -            |  |
| <b>FFO I (excluding non-controlling interests)</b>        | <b>210.6</b> | <b>158.5</b> |  |
| <b>FFO II (including disposal of investment property)</b> | <b>218.3</b> | <b>159.2</b> |  |
| <b>Capex-adjusted FFO I (AFFO)</b>                        | <b>163.8</b> | <b>125.0</b> |  |

# FFO Bridge

## 9M-2016



# Cash Effective Interest Expense

## 9M-2016

| € million  | 9M-2016     | 9M-2015     |  |
|--|-------------|-------------|--|
| Reported interest expense                                    | 89.6        | 145.9       |  |
| Interest expense related to loan amortisation                | -16.6       | -27.4       | <ul style="list-style-type: none"> <li>One-off refinancing effect of €7.3m in 9M-2015</li> </ul>             |
| Prepayment penalties / breakage costs                        | -4.5        | -46.7       | <ul style="list-style-type: none"> <li>Release of swaps (refinancing)</li> </ul>                             |
| Interest charges relating to valuation of assets/liabilities | -2.1        | -1.3        |  |
| Leasing related interest expense                             | -1.5        | -1.0        |  |
| Interest expenses related to changes in pension provisions   | -2.4        | -2.2        |  |
| Interest income  | 0.0         | -0.6        |  |
| <b>Cash effective interest expense</b>                       | <b>62.3</b> | <b>66.7</b> | <ul style="list-style-type: none"> <li>Interest coverage improved further (4.4x up from 3.4x YOY)</li> </ul> |

# EPRA-Net Asset Value

30 September 2016



## Attractive rental yield bears potential for sound capital growth

| € million  | 30.09.2016     | 31.12.2015     |
|--|----------------|----------------|
| <b>Equity (excl. minority interests)</b>                           | <b>2,904.1</b> | <b>2,967.8</b> |
| Effect of exercising options, convertibles and other rights        | 491.5          | 427.2          |
| <b>NAV</b>   | <b>3,395.6</b> | <b>3,395.0</b> |
| Fair value measurement of derivative financial instruments         | 208.3          | 165.5          |
| Deferred taxes <sup>1)</sup>                                       | 457.6          | 466.6          |
| <b>EPRA-NAV</b>  | <b>4,061.5</b> | <b>4,027.1</b> |
| Number of shares fully-diluted incl. convertible (m) <sup>2)</sup> | 68.466         | 67.904         |
| <b>EPRA-NAV per share in €</b>                                     | <b>59.32</b>   | <b>59.31</b>   |
| Goodwill, resulting from synergies                                 | 36.7           | 26.4           |
| <b>Adjusted EPRA-NAV (excl. goodwill)</b>                          | <b>4,024.8</b> | <b>4,000.7</b> |
| <b>Adjusted EPRA-NAV per share in €</b>                            | <b>58.79</b>   | <b>58.92</b>   |

- Dividend -€141.9m
- Capital increase €32.4m
- €86.0m net profit
- -€15.0m other comprehensive income (derivatives)

- Attractive rental yield of 7.1% significantly above current asking prices in investment markets
- Value of services business not included in NAV
  - Scenario: Additional value approx. €2.60 per share at discount rate of 6%<sup>3)</sup>

<sup>1)</sup> And goodwill resulting from deferred taxes on EPRA-adjustments

<sup>2)</sup> Actual number of shares outstanding 63.19m

<sup>3)</sup> Assumption: growth rate of 0%



# Balance Sheet

## 30 September 2016



### Strong balance sheet; further positive impact from year end valuation expected

| € million                           | 30.09.2016     | 31.12.2015     |
|-------------------------------------|----------------|----------------|
| Investment property                 | 7,288.8        | 6,398.5        |
| Prepayment for investment property  | 5.1            | 203.1          |
| Other non-current assets            | 176.0          | 296.8          |
| <b>Non-current assets</b>           | <b>7,469.9</b> | <b>6,898.4</b> |
| Receivables and other assets        | 79.1           | 37.2           |
| Cash and cash equivalents           | 303.8          | 252.8          |
| <b>Current assets</b>               | <b>382.9</b>   | <b>290.0</b>   |
| Assets held for disposal            | 76.8           | 6.7            |
| <b>Total Assets</b>                 | <b>7,929.6</b> | <b>7,195.1</b> |
| <b>Equity</b>                       | <b>2,927.0</b> | <b>2,985.0</b> |
| Non-current financial liabilities   | 3,394.5        | 2,745.6        |
| Other non-current liabilities       | 749.0          | 673.7          |
| <b>Non-current liabilities</b>      | <b>4,143.5</b> | <b>3,419.3</b> |
| Current financial liabilities       | 385.8          | 496.0          |
| Other current liabilities           | 473.3          | 294.8          |
| <b>Current liabilities</b>          | <b>859.1</b>   | <b>790.8</b>   |
| <b>Total Equity and Liabilities</b> | <b>7,929.6</b> | <b>7,195.1</b> |

- Additions €1,030.8m
- Capex €46.8m
- Reclassification/disposals -€195.1m

- Cash flow from operating activities €146.1m
- Dividend -€141.9m

## Strong credit profile leaves headroom for growth investments

| € million                                 | 30.09.2016     | 31.12.2015     |
|---|----------------|----------------|
| Financing debt                            | 3,780.3        | 3,241.6        |
| Deferred purchase price liabilities       | 119.3          | 0.0            |
| Cash & cash equivalents                   | 303.8          | 252.8          |
| <b>Net Debt</b>                           | <b>3,595.8</b> | <b>2,988.8</b> |
| Investment properties                     | 7,288.8        | 6,398.5        |
| Properties held for sale                  | 76.8           | 6.7            |
| Prepayments for investment properties     | 5.1            | 203.1          |
| Prepayments for business combinations     | -              | 146.1          |
| <b>Property values</b>                    | <b>7,370.7</b> | <b>6,754.4</b> |
| <b>Loan to Value (LTV) in %</b>           | <b>48.8</b>    | <b>44.2</b>    |
| <b>Pro-forma LTV post conversion in %</b> | <b>45.2</b>    | <b>40.4</b>    |

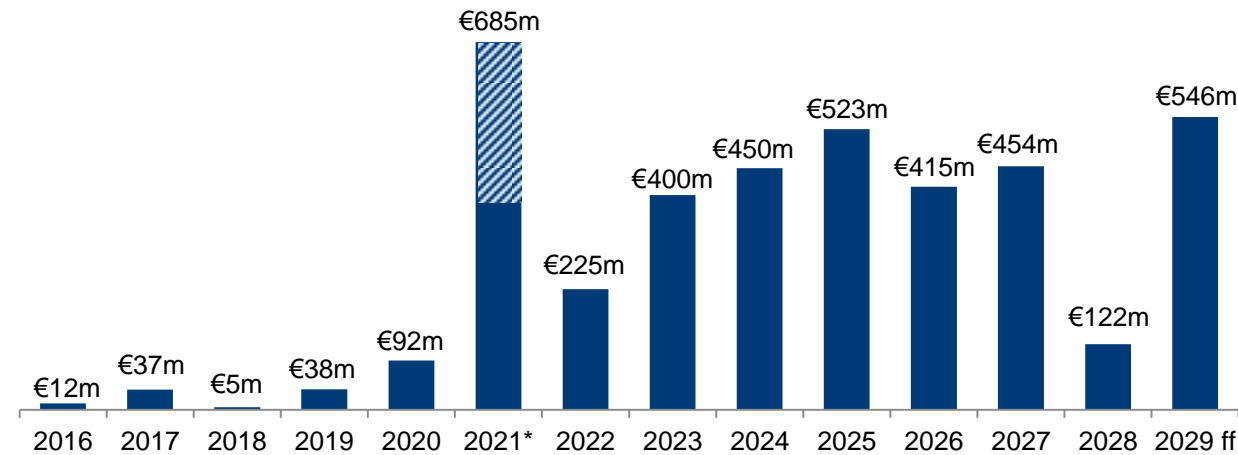
- Lower LTV at year end due to portfolio revaluation expected
- Low LTV leaves headroom for additional capex and acquisitions

- Significant positive impact on LTV from future conversion of convertible expected (currently -360bps)

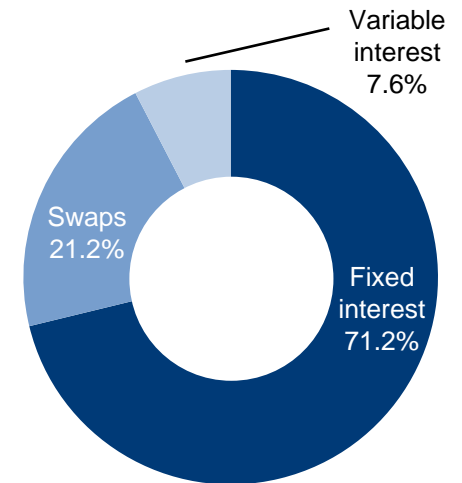
# Financing Structure - 30 September 2016

## Long term secured low cost of debt

| 1-2 years | 3-5 years | 6-8 years | ≥ 9 years |
|-----------|-----------|-----------|-----------|
| 1.2%      | 3.4%      | 32.7%     | 62.7%     |



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



**Average debt maturity:** 10.9 years

**Interest costs:** Ø 2.05%

**Hedging ratio:** 92.4%

**Rating:** Baa1 (Moody's)

## **IV.** Business Update and Outlook

### **Additional capex programme promises accelerated organic rental growth**

- In-depth bottom-up portfolio analysis completed
- Improving market fundamentals provide further headroom for rent adjustments
- Potential for additional capex measures identified
  - Total volume €200m over the next three years (€40m in FY-2017e) already backed by clearly defined projects
  - IRR hurdle of 6%
- Ramp-up phase just started (recruiting of staff etc.)

### **Margin expansion is set to continue**

- Continuous process of cost optimisation allows for further expansion of leading operating profitability
- Target EBITDA margin of ~73% in 2018 despite short term drag from rent restricted sub-portfolio

### **Lifting value potential from partial repayment of subsidised loans**

- Repayment of subsidised loans of c.€200m (~35%) triggers positive valuation effect (net NAV impact €75-85m)
- Additional future upside from early repayments of loans

# Business Update

## Accelerating organic growth ahead



### Significant revaluation gains on the cards while conservative valuation is maintained

- Revaluation gains of €420m to €440m expected (5.7% - 6.0%)
- Yield compression in all market segments
- Implied rental yield of around 6.7% - 6.8% below current transaction values

### Acquisitions: Capital discipline remains key

- Acquisition of c.2,000 units closed y-t-d at attractive yields
- Several deals rejected due to mismatch of price expectations
- Pipeline: negotiation process for several portfolios; visibility on outcome is still low
- Outlook: clear priority for value over volume growth; 5,000 unit target is uncertain
- Disposals: approx. 4,000 non-core units sold at attractive premium to book values (disposal gains €24.6m, ~13%)

# Year-end Portfolio Valuation

## Yield compression across all market segments expected

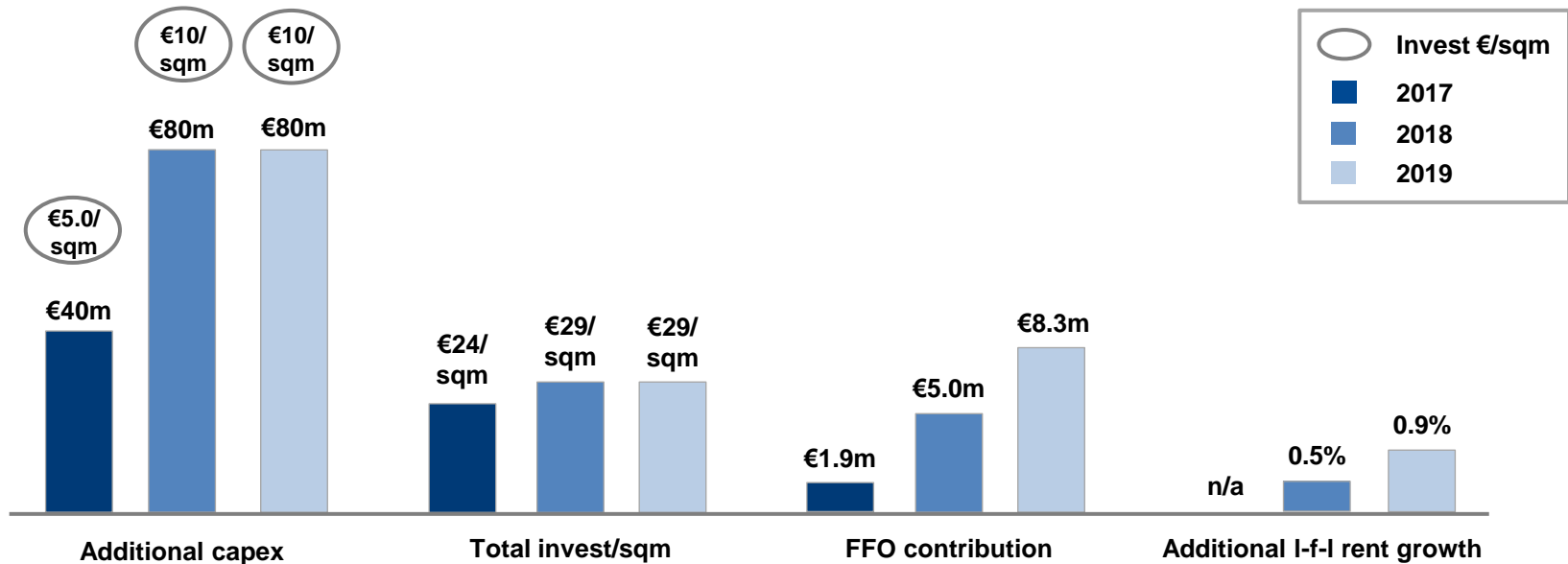


### Expected revaluation gains

| Markets  | Change                            |
|--|-----------------------------------|
| Total valuation uplift                         | €420m - €440m (approx. +5.7-6.0%) |
| (FY-2016 estimate) /<br>in-place rent multiple | ~14.8x                            |
| High-growth markets                            | +7.0-7.2%                         |
| Stable markets                                 | +5.8-6.0%                         |
| Higher-yielding markets                        | +3.1-3.3%                         |

# Capex Programme

## Improving market fundamentals



### Additional upside for value enhancing capex measures due to steadily improving market fundamentals

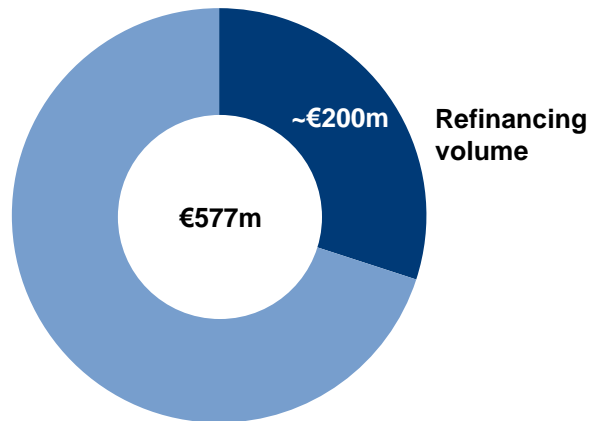
- Comprehensive bottom-up analysis of portfolio completed
- Additional investment programme of €200m with significant contribution to I-f-I rent and FFO growth
- Emphasis on attractive locations in high-growth markets (c.65% of total investment) with significant rent potential (e.g. Münster, Bonn, Monheim in catchment area of Düsseldorf)
- Strict capital discipline maintained – IRR hurdle of 6%
- Following an in-depth analysis, construction work will start in H2-2017 with first effects on rent development in FY 2018



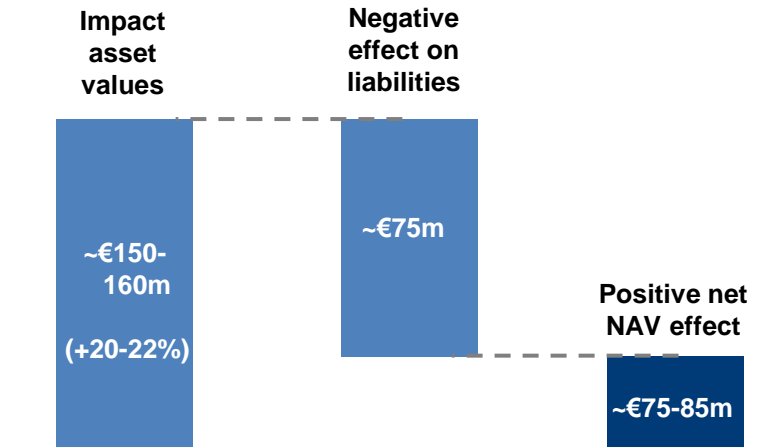
# Early refinancing of subsidised loans

## Positive impact on NAV and FFO growth

### Subsidised loans



### NAV impact



#### Exploiting additional opportunities for internal growth

- Rents remain bound to cost rent system for the next ten years
- Positive valuation effect on assets of €150-160m (DCF model) are outweighing the negative effects on the liabilities (IFRS values of loans below nominal values)
- FFO guidance based on stable refinancing costs of subsidised debt

# Acquisitions: Leading Management Skills Paying Off

## Strong acquisition track record since IPO – Creating tangible value



|                                       | Units  | Closing                  |           | 30.09.2016               |           | Change                   |           |
|---------------------------------------|--------|--------------------------|-----------|--------------------------|-----------|--------------------------|-----------|
|                                       |        | In-place rent<br>€ / sqm | Occupancy | In-place rent<br>€ / sqm | Occupancy | In-place rent<br>€ / sqm | Occupancy |
| <b>Portfolio<sup>1)</sup></b>         | 28,393 | 4.94                     | 95.1%     | 5.20                     | 95.5%     | 0.26 (+5.3%)             | ~ +40 bp  |
| <b>Vitus portfolio</b>                | 9,528  | 4.76                     | 96.1%     | 5.06                     | 96.3%     | 0.30 (+6.4%)             | ~ +20 bp  |
| <b>Charlie portfolio<sup>2)</sup></b> | 11,615 | 4.81                     | 93.6%     | 4.82                     | 93.8%     | 0.01 (+0.1%)             | ~ +20 bp  |

1) Acquisitions since year end 2012; excl. Charlie acquisition (13,570 units)

2) Charlie portfolio excl. disposal of ~2,000 units in September 2016

### Operating performance confirms reversionary potential and LEG's management skills

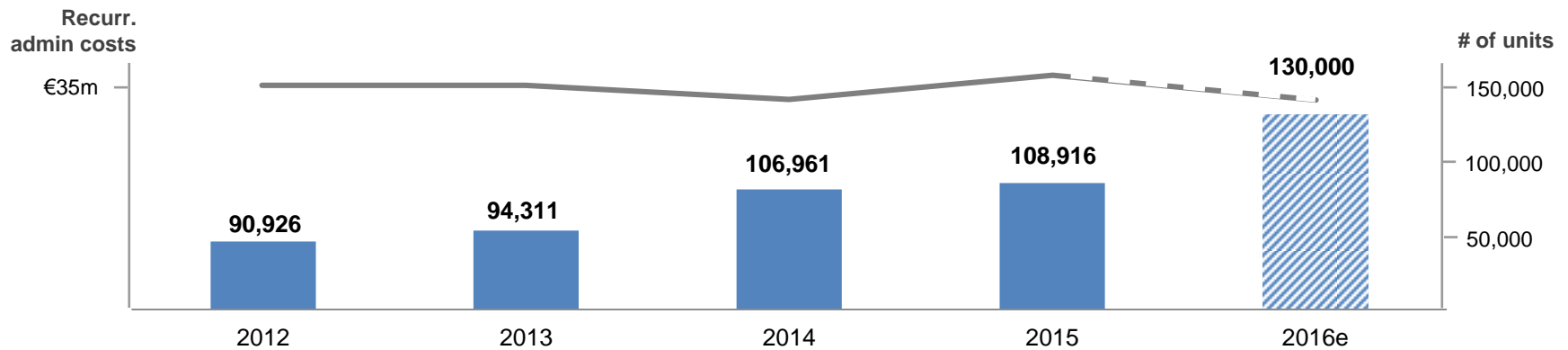
- Average in-place rents +5.3% (within avg. 22 months), rent CAGR of 2.7%
- Vitus NRW portfolio (rent/sqm +6.4%, vacancy -20 bps; within 23.3 months), rent CAGR of 3.2%
- Charlie portfolio: rent increase scheduled for Q1-2017

# Acquisitions: Leading Management Skills Paying Off

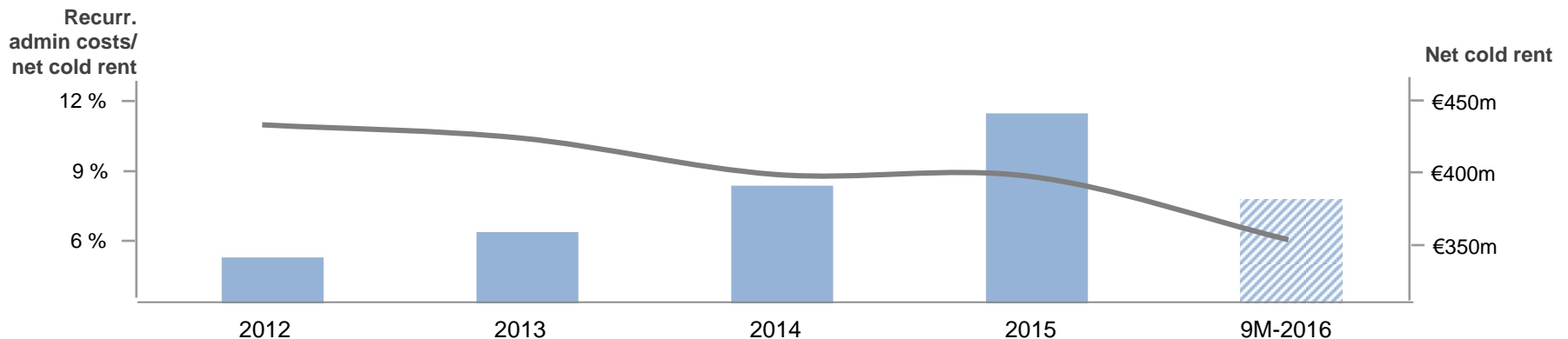
## Strong acquisition track record since IPO – Creating tangible value



### Portfolio development: Strong volume growth at stable overhead cost...



### ...leads to a significant drop of the admin. costs ratio



# Overview Acquisitions FY-2016



**Average acquisition yield of 7.4% underscores LEG's strength to source attractive deals**

| Deal # | Units acquired | Geographic focus        | Market                     | Annual net cold rent | In place rent/sqm | Vacancy rate | Signing   | Purchase price | Closing  |
|--------|----------------|-------------------------|----------------------------|----------------------|-------------------|--------------|-----------|----------------|----------|
| 1      | ~1,100         | Recklinghausen, Herne   | Stable/<br>Higher Yielding | ~EUR 4.0m            | EUR 4.46          | 5.4%         | Apr 2016  | c.EUR 53m      | May 2016 |
| 2      | ~560           | Hamm, Krefeld, Duisburg | High Growth/<br>Stable     | ~EUR 1.8m            | EUR 4.96          | 7.1%         | July 2016 | not disclosed  | Dec 2016 |
| 3      | ~320           | Duisburg, Herten        | Higher Yielding/<br>Stable | ~EUR 2.0m            | EUR 4.62          | 2.1%         | Aug 2016  | not disclosed  | Jan 2017 |
|        | <b>c.2,000</b> |                         |                            |                      |                   |              |           |                |          |

# Outlook for 2016 - 2018

## 2016

## Guidance

|                    |   |
|--------------------|---|
| EPRA-NAV:          | €66 - €67 per share                     |
| FFO I:             | €261m - €265m / €4.14 - €4.21 per share |
| EBITDA margin:     | 70%                                     |
| L-F-L rent growth: | 2.4 - 2.6%                              |
| L-F-L vacancy:     | Stable (FY-15 comparable: c.2.6%)       |
| Dividend:          | 65% of FFO I                            |

## 2017

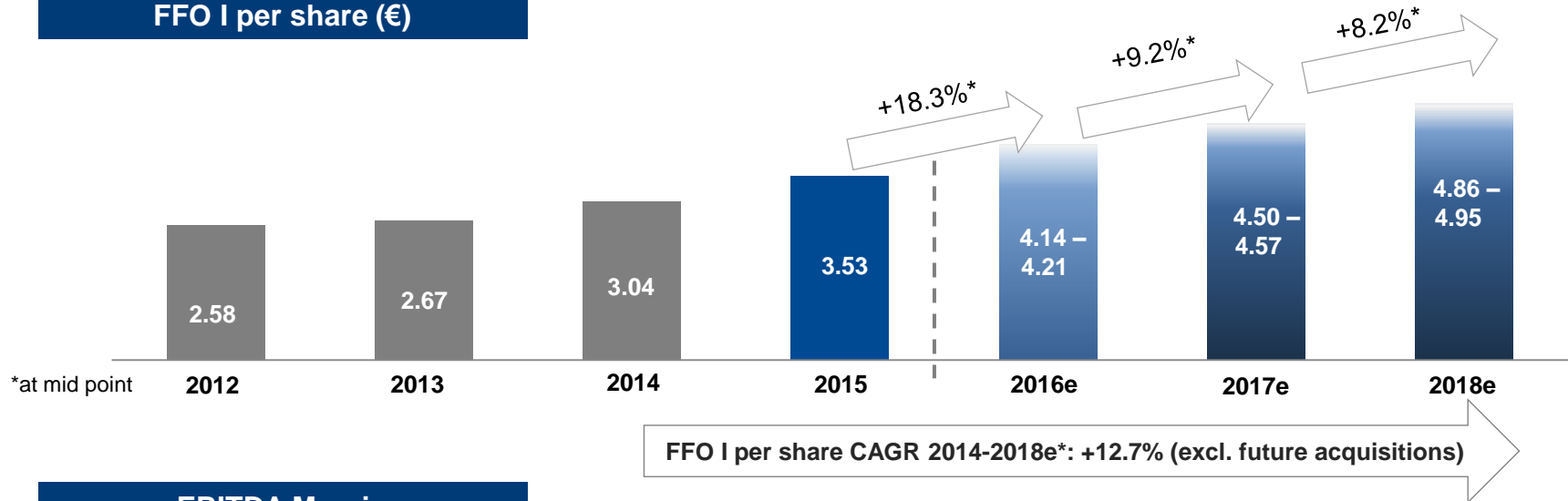
|                    |   |
|--------------------|---|
| FFO I:             | €284m - €289m / €4.50 - €4.57 per share |
| EBITDA margin:     | 72%                                     |
| L-F-L rent growth: | 3.0 – 3.3%                              |

## 2018

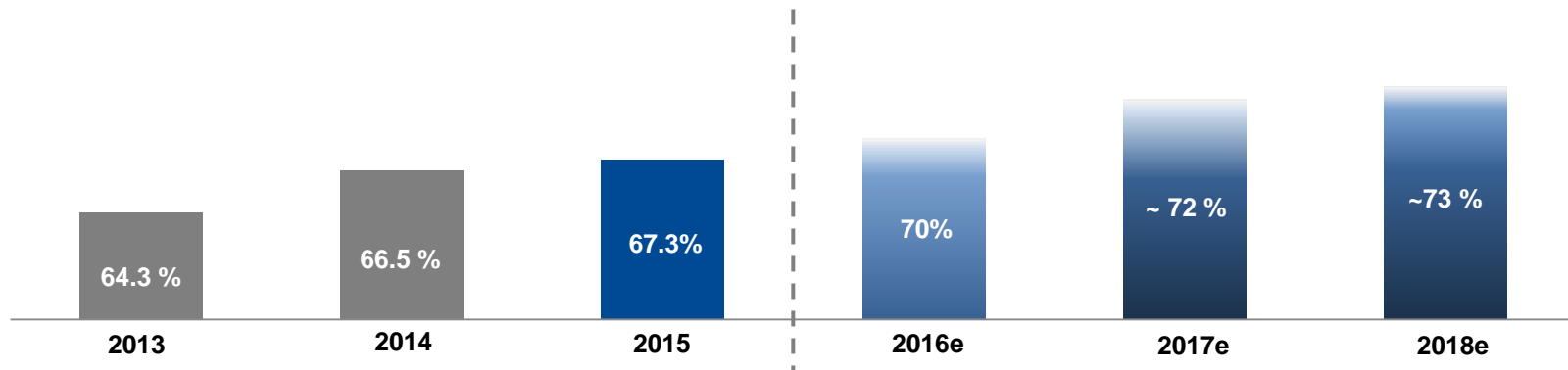
|                    |   |
|--------------------|---|
| FFO I:             | €307m - €313m / €4.86 - €4.95 per share |
| EBITDA margin:     | 73%                                     |
| L-F-L rent growth: | ~3.0%                                   |

# Steady Expansion of Leading Profitability

## FFO I per share (€)



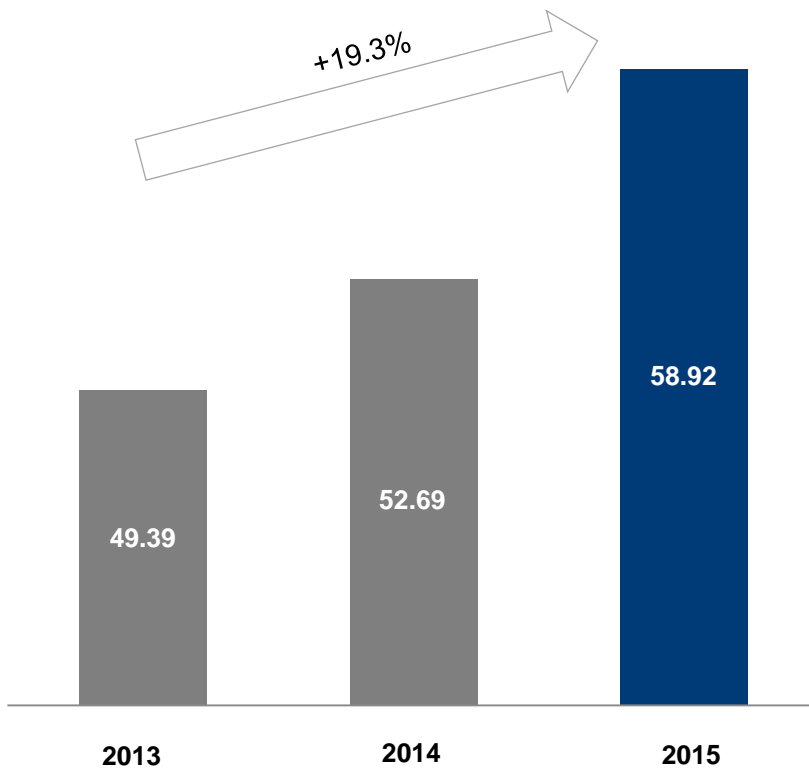
## EBITDA Margin



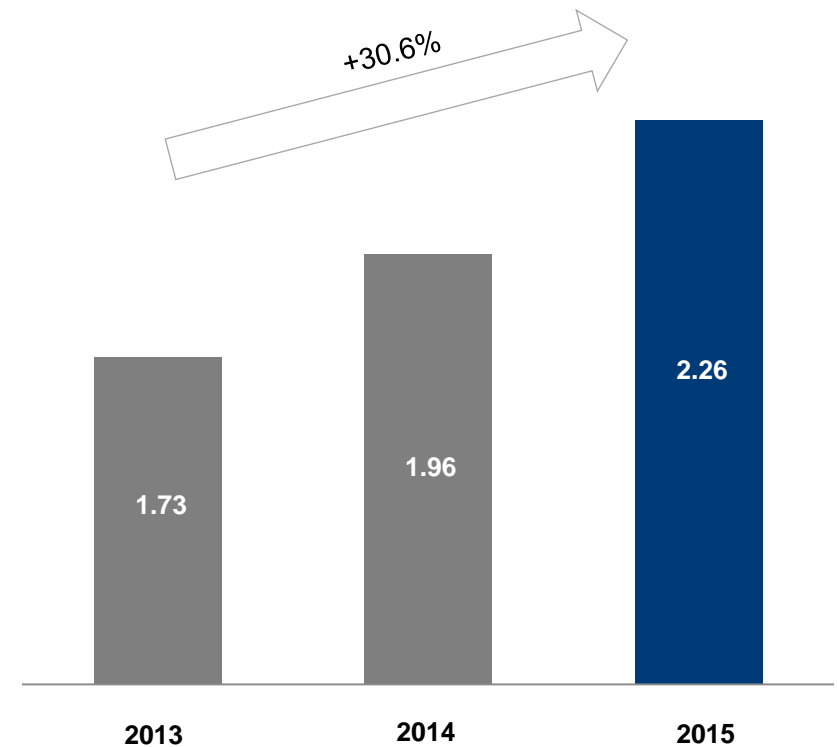
**V.** Appendix

# Generating Appealing Shareholder Returns

NAV per share (€), excl. goodwill



Dividend per share (€)





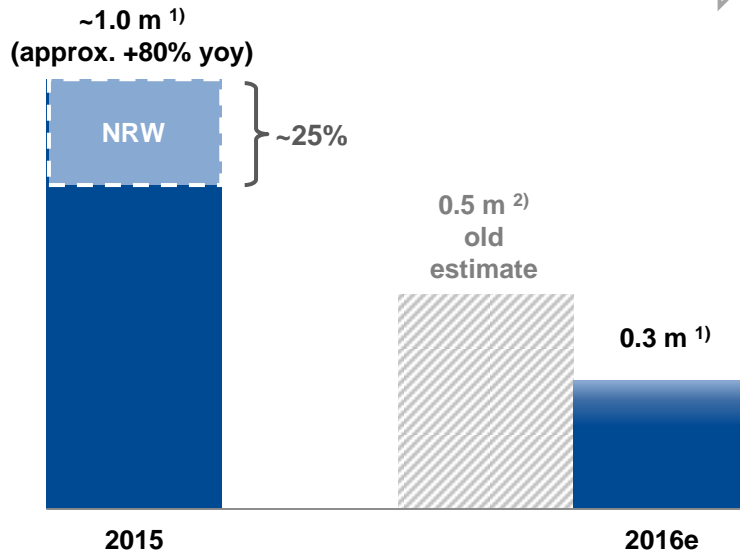
# Net Immigration Expected to Remain at a High Level

## About 25% of all refugees coming to Germany migrate to NRW

### Immigration to Germany

Net immigration of foreign nationals

Projection – inflow of refugees (gross)



Sources:

- 1) Interview with director of Federal Agency of Migration and Refugees (Aug 2016)
- 2) Deutsche Bundesbank
- 3) Thereof approx. 0.4 million immigrants (excl. refugees), Deutsche Bundesbank
- 4) Federal Ministry of the Interior (BMI), Sep 2016

### Key Facts

- In 2015, net immigration of foreign nationals to Germany amounted to about 1.0 million<sup>3)</sup>
- Federal Agency of Migration and Refugees forecasts 0.3 million additional refugees in 2016
- In the first nine months of 2016, 210,000 refugees entered Germany (gross figure)<sup>4)</sup>
- Additional pressure on affordable housing segment
- Outperformance of German economy attracts qualified new immigration
- Immigration is driving overall population growth, triggering additional growth in net new households
- Liquid labour market and affordable living as pull-factors

### LEG's impact

- At the end of Sep 2016, LEG let 1,835 units or ~1.4% of its residential portfolio to refugees, either direct (45%) or via municipalities (55%)
- LEG almost fully let with a vacancy rate of 3.5% - scope to let further apartments to refugees is limited
- Upward pressure on rents, limited upside on occupancy

# EPRA Net Initial Yield Q3-2016

| € million   | 30.09.2016     | 31.12.2015     |
|---|----------------|----------------|
| <b>Investment properties</b>                                  | <b>6,953.3</b> | <b>6,101.6</b> |
| Assets held for sale  | 76.4           | 6.7            |
| <b>Market value of residential property portfolio (net)</b>   | <b>7,029.7</b> | <b>6,108.3</b> |
| Estimated incidental costs                                    | 692.7          | 601.5          |
| <b>Market value of residential property portfolio (gross)</b> | <b>7,722.4</b> | <b>6,709.8</b> |
| <b>Annualised cash flow from rental income (gross)</b>        | <b>508.4</b>   | <b>428.1</b>   |
| Non recoverable operating costs                               | -71.5          | -61.4          |
| <b>Annualised cash flow from rental income (net)</b>          | <b>436.9</b>   | <b>366.7</b>   |
| <b>EPRA Net Initial Yield in %</b>                            | <b>5.7</b>     | <b>5.5</b>     |

# Portfolio

## Sound property fundamentals basis for value growth



As of 30.09.2016

| Market                                | Residential Units | GAV Residential Assets (€m) | % of Total Residential GAV | GAV/sqm (€) | In-Place Rent Multiple | Multiples, Estimated Rental Values (31.12.2015) | GAV Commercial/ Other Assets (€m) | Total GAV    |
|---------------------------------------|-------------------|-----------------------------|----------------------------|-------------|------------------------|---|-----------------------------------|--------------|
| High-Growth Markets                   | 39,027            | 2,971                       | 42%                        | 1,151       | 16.6x                  | 14.9x   | 175                               | 3,146        |
| Stable Markets with Attractive Yields | 46,728            | 2,244                       | 32%                        | 746         | 12.7x                  | 12.1x   | 99                                | 2,344        |
| Higher-Yielding Markets               | 40,291            | 1,690                       | 24%                        | 683         | 12.2x                  | 11.5x   | 48                                | 1,737        |
| <b>Subtotal NRW</b>                   | <b>126,046</b>    | <b>6,905</b>                | <b>98%</b>                 | <b>856</b>  | <b>14.0x</b>           | <b>13.1x</b>                                    | <b>322</b>                        | <b>7,227</b> |
| Portfolio outside NRW                 | 1,895             | 123                         | 2%                         | 961         | 14.4x                  | 13.3x   | 1                                 | 124          |
| <b>Total Portfolio</b>                | <b>127,941</b>    | <b>7,027</b>                | <b>100%</b>                | <b>858</b>  | <b>14.0x</b>           | <b>13.2x</b>                                    | <b>323</b>                        | <b>7,351</b> |
| Other Assets                          |                   |                             |                            |             |                        |   |                                   | 45           |
| <b>Total</b>                          |                   |                             |                            |             |                        |   |                                   | <b>7,396</b> |

# LEG – Adj. EBITDA Margin

Leading profitability despite short term distortion from restricted units

**LEG**

*gewohnt gut.*

| Adj. EBITDA margin  | 2015  |          | 2014  |          |
|---|-------|----------|-------|----------|
|   | €m    | margin % | €m    | margin % |
| <b>As reported</b>  | 293.7 | 67.3     | 259.3 | 66.5     |
| <b>Gap restricted vs. unrestricted rents<sup>1)</sup></b> | 22.5  | 68.9     | 21.2  | 68.2     |

<sup>1)</sup> €/sqm: €4.67 vs. €5.48 in 2015, €4.61 vs. €5.33 in 2014

- EBITDA as reported distorted by restricted units (compensation for lower rents included in interest result below the EBITDA line)
- Scenario analysis: closing gap between restricted vs. unrestricted rents; **Adjusted EBITDA margin approx. 160 bps higher**

# Mietspiegel Overview

## Expected new Mietspiegel in 2016/2017



| Release date (expected)   | High-Growth Markets <sup>1</sup>             | Stable Markets <sup>1</sup>                 | Higher-Yielding Markets <sup>1</sup>           | Total Portfolio <sup>1</sup>    |
|---------------------------|--|---|--|---------------------------------|
| 2016 (Q4)                 | 3,578 units<br>(mainly Bocholt)              | 2,543 units<br>(mainly Wuppertal)           | 7,757 units<br>(mainly Gelsenkirchen, Herten)  | 13,902 units <sup>2</sup>       |
| 2017 (Q1)                 | 11,152 units<br>(mainly Dusseldorf, Cologne) | 15,176 units<br>(mainly Dortmund, Solingen) | 13,691 units<br>(mainly Duisburg, Marl, Herne) | 40,019 units                    |
| 2017 (Q2)                 | 6,075 units<br>(mainly Munster)              | 816 units                                   | 2,023 units<br>(mainly Dorsten)                | 8,914 units                     |
| 2017 (Q3)                 |  | 2,169 units<br>(mainly Krefeld)             | 486 units                                      | 2,655 units                     |
| <b>Total <sup>1</sup></b> | <b>20,805 units</b>                          | <b>20,704 units</b>                         | <b>23,957 units</b>                            | <b>65,490 units<sup>2</sup></b> |

| Thereof:        | High-Growth Markets <sup>1</sup> | Stable Markets <sup>1</sup> | Higher-Yielding Markets <sup>1</sup> |
|-----------------|----------------------------------|-----------------------------|--------------------------------------|
| - Dortmund      |                                  | 13,165 units                |                                      |
| - Duisburg      |                                  |                             | 7,053 units                          |
| - Gelsenkirchen |                                  |                             | 6,732 units                          |
| - Dusseldorf    | 6,610 units                      |                             |                                      |
| - Munster       | 6,075 units                      |                             |                                      |
| - Cologne       | 3,903 units                      |                             |                                      |
| - Marl          |                                  |                             | 2,727 units                          |
| - Herne         |                                  |                             | 2,049 units                          |
| - Wuppertal     |                                  | 2,028 units                 |                                      |
| - Solingen      |                                  | 1,474 units                 |                                      |

<sup>1</sup> Sub-portfolios also include restricted units

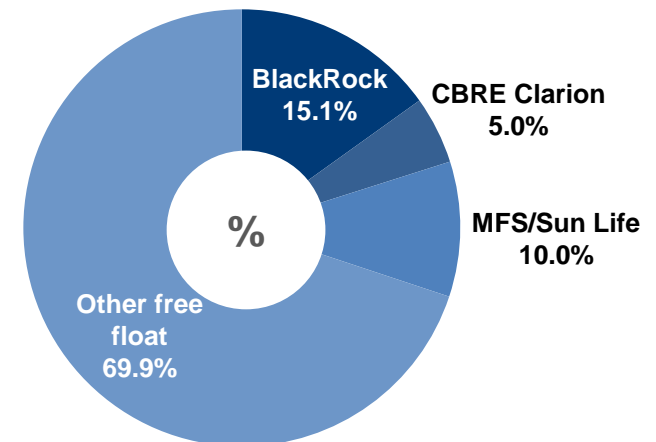
<sup>2</sup> Total Portfolio also includes 24 units non-NRW

# LEG Share Information

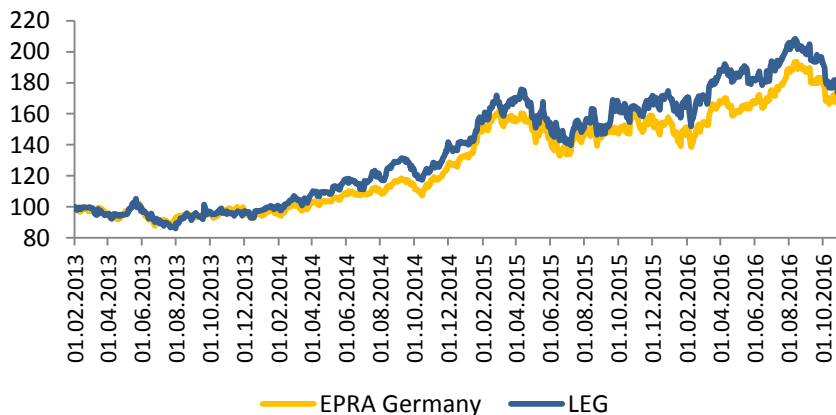
## Basic data

- Prime Standard, Frankfurt Stock Exchange
- Total no. of shares: 63,188,185
- Ticker symbol: LEG
- ISIN: DE000LEG1110
- Indices: MDAX, FTSE EPRA/NAREIT, GPR 250, Stoxx Europe 600
- Weighting (30.09.2016): MDAX 3.21%; EPRA 2.61%

## Well-balanced shareholder structure



## Share price (01.11.2016, indexed; 31.01.2013 = 100)



## Convertible bond data

- Maturity date: 1 July 2021
- Aggregate principal amount: EUR 300 million
- Initial conversion price: EUR 62.39
- Adjusted conversion price (20 May 2016): EUR 56.8403
- Coupon: 0.50% per annum
- ISIN: DE000LEG1CB5

Source: LEG; shareholdings according to latest voting rights notifications

# Financial Calendar

| Date              | Report/Event   |
|-------------------|--|
| <b>09.11.2016</b> | <b>Quarterly Report Q3 as of 30 September 2016</b>                       |
| 10./11.11.2016    | Roadshow London, Morgan Stanley  |
| 14.11.2016        | Roadshow Amsterdam, Deutsche Bank  |
| 15.11.2016        | Roadshow Paris, BNP Paribas  |
| 02.12.2016        | Roadshow Munich, Bankhaus Lampe  |
| 06.12.2016        | Berenberg European Conference 2016, London                               |
| 12./13.12.2016    | HSBC Global Real Estate Conference 2016, Cape Town                       |
| 05.01.2017        | Oddo Forum, Lyon   |
| 11.01.2017        | J.P. Morgan European Real Estate CEO Conference, London                  |
| 16.01.2017        | 16th German Corporate Conference, KeplerCheuvreux & UniCredit, Frankfurt |
| <b>09.03.2017</b> | <b>Annual Report as of 31 December 2016</b>                              |

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