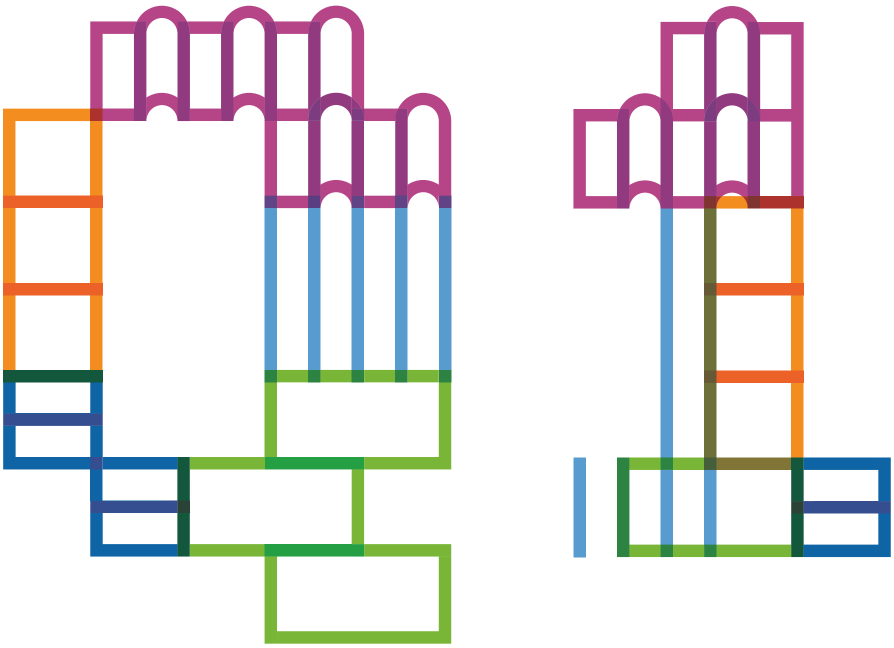
Quarterly Statement



AS OF 31.03.2017

KEY FACTS Q1/2017

T1 – Key facts

		Q1 2017	Q1 2016	+/– %/bp
RESULTS OF OPERATIONS				
Rental income	€ million	**131.9**	118.6	11.2
Net rental and lease income	€ million	**102.6**	88.6	15.8
EBITDA	€ million	**95.6**	49.6	92.7
EBITDA adjusted	€ million	**97.8**	84.1	16.3
EBT	€ million	**47.1**	0.2	–
Net profit or loss for the period	€ million	**32.8**	–12.1	–
FFO I	€ million	**75.2**	62.6	20.1
FFO I per share	€	**1.19**	1.00	19.0
FFO II	€ million	**75.3**	62.5	20.5
FFO II per share	€	**1.19**	1.00	19.0
AFFO	€ million	**66.2**	49.9	32.7
AFFO per share	€	**1.05**	0.79	32.9
PORTFOLIO		**31.03.2017**	31.03.2016	+/– %/bp
Number residential units		**127,076**	115,419	10.1
In-place rent	€/sqm	**5.36**	5.24	2.3
In-place rent (l-f-l)	€/sqm	**5.40**	5.25	2.9
EPRA-vacancy rate	%	**3.5**	2.9	+60 bp
EPRA-vacancy rate (l-f-l)	%	**3.2**	2.9	+30 bp
STATEMENT OF FINANCIAL POSITION		**31.03.2017**	31.12.2016	+/– %/bp
Investment property	€ million	**7,993.0**	7,954.9	0.5
Cash and cash equivalents	€ million	**392.0**	166.7	135.2
Equity	€ million	**3,482.0**	3,436.7	1.3
Total financing liabilities	€ million	**3,943.2**	3,774.3	4.5
Current financing liabilities	€ million	**378.7**	552.0	–31.4
LTV	%	**44.4**	44.9	–50 bp
Equity ratio	%	**40.3**	40.7	–40 bp
EPRA NAV, diluted	€ million	**4,675.3**	4,641.0	0.7
EPRA NAV per share, diluted	€	**68.29**	67.79	0.7

bp = basis points

FINANCIAL CALENDAR 2017

LEG financial calendar 2017

Publication of the Quarterly Statement as of 31 March 2017	**10 May**
Annual General Meeting, Dusseldorf	**17 May**
Publication of the Quarterly Report as of 30 June 2017	**10 August**
Publication of the Quarterly Statement as of 30 September 2017	**10 November**

PORTFOLIO

PORTFOLIO SEGMENTATION AND HOUSING STOCK

The LEG portfolio is divided into three market clusters using a scoring system: high-growth markets, stable markets and higher-yielding markets. The indicators for the scoring system are described in the 2016 annual report.

LEG's portfolio is distributed across around 170 locations in North Rhine-Westphalia. The average apartment size is 64 square metres with three rooms. Buildings comprise seven residential units on average across three storeys.

The portfolio optimisation conducted in 2016 resulted in the disposal of remaining residential units in the first quarter of 2017. In addition, 322 residential units in Duisburg, Kamp-Lintfort and Herten were integrated after their acquisition was completed in the first quarter. Taking all changes into account, the property portfolio comprised 127,076 residential units, 1,167 commercial units and 31,483 garages and parking spaces as of 31 March 2017.

PERFORMANCE OF THE LEG PORTFOLIO

Operational development

Rent per square metre on a like-for-like basis (excluding new letting) amounted to EUR 5.40 as of 31 March 2017, up 2.9% year on year (EUR 5.25 per square metre).

Rent in the free-financed portfolio increased by 3.6% year on year on a like-for-like basis to EUR 5.69 per square metre, with the dynamic growth trend continuing across all markets. In the high-growth markets, rent increased by 3.4% (like-for-like) to EUR 6.45 per square metre. The stable markets reported an especially strong rent increase of 3.7% (like-for-like) to EUR 5.33 per square metre, while the higher-yielding markets recorded equally encouraging growth of 3.4% (like-for-like) to EUR 5.22 per square metre.

Following the regular cost rent adjustment for rent-restricted apartments that is conducted every three years, the average rent in this segment increased by 1.3% year on year (like-for-like) to EUR 4.77 per square metre as of 31 March 2017.

The EPRA vacancy rate amounted to 3.2% as of 31 March 2017, up on the very low prior-year level of 2.9% (on a like-for-like basis). Taking acquisitions into account, the number of vacant apartments was 4,557 (in absolute terms). With an occupancy rate of 98.5%, the portfolio in the high-growth markets was almost fully let at the end of the quarter. On a like-for-like basis, the occupancy rate in the stable markets amounted to 96.5% and 94.4% in the higher-yielding markets.

T2 – Portfolio segments – Top 3 locations

	31.03.2017				
	Number of LEG apartments	Share of LEG portfolio %	Living space sqm	In-place rent €/sqm	EPRA vacancy rate %
HIGH-GROWTH MARKETS	**38,941**	**30.6**	**2,576,105**	**5.95**	**1.5**
District of Mettmann	8,418	6.6	585,874	6.09	1.4
Muenster	6,075	4.8	403,395	6.35	0.6
Dusseldorf	3,542	2.8	227,876	6.63	0.9
Other locations	20,906	16.5	1,358,960	5.65	2.0
STABLE MARKETS	**47,019**	**37.0**	**3,024,877**	**5.10**	**3.4**
Dortmund	13,165	10.4	862,702	4.95	2.3
Moenchengladbach	6,447	5.1	408,462	5.36	1.7
Hamm	4,133	3.3	248,543	4.95	2.2
Other locations	23,274	18.3	1,505,169	5.15	4.8
HIGHER-YIELDING MARKETS	**39,221**	**30.9**	**2,393,324**	**5.02**	**6.2**
District of Recklinghausen	9,138	7.2	568,572	4.96	6.8
Duisburg	6,550	5.2	406,653	5.21	5.3
Maerkisch District	4,553	3.6	280,703	4.85	3.6
Other locations	18,980	14.9	1,137,396	5.03	6.8
OUTSIDE NRW	**1,895**	**1.5**	**127,321**	**5.71**	**2.2**
TOTAL	**127,076**	**100.0**	**8,121,627**	**5.36**	**3.5**

T3 – Performance LEG portfolio

		High-growth markets		Stable markets	
		31.03.2017	31.03.2016	**31.03.2017**	31.03.2016
Subsidised residential units					
Units		12,622	12,922	13,950	14,301
Area	sqm	887,298	909,396	944,196	968,012
In-place rent	€/sqm	4.99	4.95	4.66	4.61
EPRA vacancy rate	%	0.7	0.8	2.8	2.7
Free-financed residential units					
Units		26,319	25,310	33,069	29,764
Area	sqm	1,688,807	1,617,189	2,080,681	1,863,691
In-place rent	€/sqm	6.45	6.29	5.31	5.18
EPRA vacancy rate	%	1.8	1.5	3.7	3.3
Total residential units					
Units		38,941	38,232	47,019	44,065
Area	sqm	2,576,105	2,526,585	3,024,877	2,831,703
In-place rent	€/sqm	5.95	5.80	5.10	4.98
EPRA vacancy rate	%	1.5	1.3	3.4	3.2
Total commercial					
Units					
Area	sqm				
Total parking					
Units					
Total other					
Units					

	31.03.2016						
	Number of LEG apartments	Share of LEG portfolio %	Living space sqm	In-place rent €/sqm	EPRA vacancy rate %	Change in-place rent % like-for-like	Change (basis points) vacancy rate like-for-like
	38,232	**33.1**	**2,526,585**	**5.80**	**1.3**	**2.6**	**20**
	8,156	7.1	565,371	5.93	1.3	2.7	0
	6,076	5.3	403,461	6.22	0.2	2.0	40
	3,497	3.0	226,727	6.38	0.9	3.7	0
	20,503	17.8	1,331,026	5.52	1.9	2.6	20
	44,065	**38.2**	**2,831,703**	**4.98**	**3.2**	**3.0**	**30**
	12,439	10.8	813,379	4.82	1.7	3.0	60
	6,036	5.2	382,429	5.12	1.8	4.4	–30
	3,974	3.4	239,782	4.79	1.8	3.4	–10
	21,616	18.7	1,396,113	5.08	4.7	2.6	40
	31,665	**27.4**	**1,946,293**	**4.85**	**5.1**	**2.9**	**60**
	7,239	6.3	450,728	4.90	7.1	2.2	40
	7,499	6.5	464,362	5.00	4.5	3.5	100
	4,679	4.1	287,057	4.64	2.9	5.0	90
	12,248	10.6	744,146	4.81	5.2	2.2	30
	1,457	**1.3**	**96,230**	**5.55**	**2.0**	**2.4**	**0**
	115,419	**100.0**	**7,400,811**	**5.24**	**2.9**	**2.9**	**30**

		Higher-yielding markets		Outside NRW		Total	
		31.03.2017	31.03.2016	**31.03.2017**	31.03.2016	**31.03.2017**	31.03.2016
		8,376	7,769	112	108	35,060	35,100
	sqm	549,551	513,418	8,910	8,824	2,389,954	2,399,651
	€/sqm	4.44	4.34	4.59	4.37	4.74	4.69
	%	5.7	5.6	1.5	2.0	2.6	2.5
		30,845	23,896	1,783	1,349	92,016	80,319
	sqm	1,843,773	1,432,875	118,412	87,405	5,731,673	5,001,160
	€/sqm	5.20	5.03	5.79	5.67	5.63	5.51
	%	6.3	5.0	2.3	2.0	3.7	3.1
		39,221	31,665	1,895	1,457	127,076	115,419
	sqm	2,393,324	1,946,293	127,321	96,230	8,121,627	7,400,811
	€/sqm	5.02	4.85	5.71	5.55	5.36	5.24
	%	6.2	5.1	2.2	2.0	3.5	2.9
						1,167	**1,090**
	sqm					198,562	**187,103**
						31,483	**28,462**
						2,066	**1,657**

Value development

The following table shows the distribution of assets by market segment. The rental yield of the portfolio based on in-place rents is 6.7% (rent multiplier: 15.0), while the rental yield in the free-financed portfolio is 6.8% (rent multiplier: 14.7x). The valuation of the residential portfolio corresponds to an EPRA net initial yield of 5.0%.

T4 – Market segments

	Residential units	Residential assets € million [1]	Share residential assets / %	Value € / sqm	In-place rent multiplier	Commercial/ other assets € million [2]	Total assets € million
HIGH GROWTH MARKETS	**38,941**	**3,310**	**43**	**1,289**	**18.2x**	**190**	**3,499**
District of Mettmann	8,418	704	9	1,203	16.7x	69	773
Muenster	6,075	634	8	1,574	20.6x	39	674
Dusseldorf	3,542	364	5	1,622	20.3x	22	386
Other locations	20,906	1,607	21	1,186	17.7x	60	1,667
STABLE MARKETS	**47,019**	**2,447**	**32**	**809**	**13.5x**	**106**	**2,553**
Dortmund	13,165	735	10	849	14.5x	37	772
Moenchengladbach	6,447	342	4	835	13.1x	10	352
Hamm	4,133	181	2	728	12.3x	3	185
Other locations	23,274	1,189	16	792	13.3x	56	1,244
HIGHER-YIELDING MARKETS	**39,221**	**1,732**	**23**	**721**	**12.7x**	**60**	**1,792**
District of Recklinghausen	9,138	424	6	735	13.2x	20	443
Duisburg	6,550	318	4	779	13.0x	21	338
Maerkisch District	4,553	183	2	652	11.6x	2	185
Other locations	18,980	807	11	710	12.5x	18	825
SUBTOTAL NRW	**125,181**	**7,488**	**98**	**937**	**15.0x**	**356**	**7,844**
Portfolio outside NRW	1,895	131	2	1,023	15.2x	2	132
TOTAL PORTFOLIO	**127,076**	**7,619**	**100**	**938**	**15.0x**	**357**	**7,976**
Prepayments for property held as an investment property							1
Leasehold + land values							35
Inventories (IAS 2)							3
Finance lease (outside property valuation)							3
TOTAL BALANCE SHEET [3]							**8,020**

[1] Excluding 362 residential units in commercial buildings; including 344 commercial and other units in mixed residential assets.
[2] Excluding 344 commercial units in mixed residential assets; including 362 residential units in commercial buildings, commercial, parking, other assets as well as IAS 16 assets.
[3] Thereof assets held for sale EUR 0.1 million and owner-occupied property (IAS 16) EUR 23.2 million.

ANALYSIS OF NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Please see the glossary in the 2016 annual report for a definition of individual key figures and terms.

T5 – Consolidated statement of comprehensive income

€ million	01.01. – 31.03.2017	01.01. – 31.03.2016
Net rental and lease income	**102.6**	**88.6**
Rental and lease income	198.6	178.6
Cost of sales in connection with rental and lease income	–96.0	–90.0
Net income from the disposal of investment properties	**0.1**	**–0.1**
Income from the disposal of investment properties	57.2	5.4
Carrying amount of the disposal of investment properties	–56.9	–5.3
Cost of sales in connection with disposed investment properties	–0.2	–0.2
Net income from the remeasurement of investment properties	**0.0**	**1.0**
Net income from the disposal of real estate inventory	**–1.0**	**–0.6**
Income from the real estate inventory disposed of	0.1	0.4
Carrying amount of the real estate inventory disposed of	–0.1	–0.3
Costs of sales of the real estate inventory disposed of	–1.0	–0.7
Net income from other services	**1.4**	**1.3**
Income from other services	2.8	2.7
Expenses in connection with other services	–1.4	–1.4
Administrative and other expenses	**–9.8**	**–43.0**
Other income	**0.2**	**0.1**
OPERATING EARNINGS	**93.5**	**47.3**
Interest income	0.0	0.0
Interest expenses	–38.9	–30.1
Net income from investment securities and other equity investments	2.5	1.6
Net income from associates	–	0.3
Net income from the fair value measurement of derivatives	–10.0	–18.9
EARNINGS BEFORE INCOME TAXES	**47.1**	**0.2**
Income taxes	–14.3	–12.3
NET PROFIT OR LOSS FOR THE PERIOD	**32.8**	**–12.1**
Change in amounts recognised directly in equity		
Thereof recycling		
Fair value adjustment of interest rate derivatives in hedges	**9.9**	**–10.3**
Change in unrealised gains/(losses)	13.6	–13.7
Income taxes on amounts recognised directly in equity	–3.7	3.4
Thereof non-recycling		
Actuarial gains and losses from the measurement of pension obligations	**2.3**	**–**
Change in unrealised gains/losses	3.4	–
Income taxes on amounts recognised directly in equity	–1.1	–
TOTAL COMPREHENSIVE INCOME	**45.0**	**–22.4**
Net profit or loss for the period attributable to:		
Non-controlling interests	0.8	0.2
Parent shareholders	32.0	–12.3
Total comprehensive income attributable to:		
Non-controlling interests	0.8	0.2
Parent shareholders	44.2	–22.6
EARNINGS PER SHARE (BASIC AND DILUTED) IN €	**0.51**	**–0.20**

Results of operations

Operating earnings amounted to EUR 93.5 million in the reporting period (1 January to 31 March 2017) up by EUR 46.2 million against the comparative period (1 January to 31 March 2016). The key driver for this improvement is the omission of the non-recurring expenses relating to acquisitions of a property portfolio with 13,570 units as at 1 April 2016.

The net cold rent increased by 11.2% to EUR 131.9 million. While maintaining a steady cost base net rental and lease income raised disproportionately by 15.8%.

The adjusted EBITDA raised by 16.3% at EUR 97.8 million. The adjusted EBITDA margin climbed to 74.1% in the reporting period (comparative period 70.9%).

In both the reporting period and the comparative period, loans were concluded in order to take advantage of the attractive financing environment. The resulting additional interest expenses in the form of redemption fees for fixed and floating-rate loans and additional loan amortisation amounted to approximately EUR 12 million in the reporting period (comparative period approximately EUR 2 million).

Despite a significant increase in loan volume cash interest expenses only climbed by EUR –0.7 million to EUR –20.9 million year on year in the reporting period.

In the first quarter of 2017 current tax in the amount of EUR –1.3 million were recorded affecting net income.

Net rental and lease income

T6 – Net rental and lease income

€ million	**01.01.–31.03.2017**	*01.01.–31.03.2016*
Net cold rent	131.9	118.6
Profit from operating expenses	–1.1	–1.4
Maintenance for externally procured services	–9.8	–12.9
Staff costs	–13.4	–10.2
Allowances on rent receivables	–1.9	–1.7
Depreciation and amortisation expenses	–1.5	–1.4
Other	–1.6	–2.4
NET RENTAL AND LEASE INCOME	**102.6**	**88.6**
NET OPERATING INCOME-MARGIN (IN %)	**77.8**	**74.7**
Non-recurring project costs – rental and lease	0.2	0.2
Depreciation	1.5	1.4
ADJUSTED NET RENTAL AND LEASE INCOME	**104.3**	**90.2**
ADJUSTED NET OPERATING INCOME-MARGIN (IN %)	**79.1**	**76.1**

In the reporting period, the LEG Group increased its net rental and lease income by EUR 14.0 million compared with the same period of the previous year. The main driver of this development was the EUR 13.3 million rise in net cold rent. In-place rent per square metre on a like-for-like basis rose by 2.9% in the reporting period.

Due to the acquisition of 51% of the shares of TechnikServicePlus GmbH (TSP) and the consequential consolidation as at 1 January 2017 the LEG Group provides the main part of the maintenance services on their own. As a result, the staff costs climbed by EUR 3.0 million whereas the externally procured maintenance decreased.

Temporary lower maintenance expenses contributed to an increase of income and margin in the reporting period. The maintenance expenses will rise as scheduled within the remainder of the current financial year.

Adjusted by the effect of the own provided maintenance services the rental-related staff costs developed at a slower rate (2.0%) than the net cold rent (increase of 11.2%).

The NOI margin was therefore at 77.8% considerably higher than in the previous year (74.7%).

The EPRA vacancy rate, which is the ratio of rent lost due to vacancy to potential rent in the event of full occupancy, came up to 3.2% as at 31 March 2017.

T7 – EPRA vacancy rate

€ million	31.03.2017	31.03.2016
Rental value of vacant space – like-for-like	15.6	13.8
Rental value of vacant space – total	18.9	14.4
Rental value of the whole portfolio – like-for-like	492.6	482.5
Rental value of the whole portfolio – total	546.2	491.0
EPRA VACANCY RATE – LIKE-FOR-LIKE (IN %)	**3.2**	**2.9**
EPRA VACANCY RATE – TOTAL (IN %)	**3.5**	**2.9**

In the first quarter of 2017, less turn cost measures were conducted. These made a significant contribution to the year on year reduction in total investment of EUR 3.6 million or around EUR 0.8 per square metre.

A further considerable increase in investments in major projects as well as in turn cost measures is expected in the further course of the financial year.

Portfolios acquired since the end of the comparative period accounted for EUR 2.5 million of total investment.

T8 – Maintenance and modernisation of investment properties

€ million	01.01.–31.03.2017	01.01.–31.03.2016
Maintenance expenses for investment properties	13.0	12.9
Capital expenditure	9.0	12.7
TOTAL INVESTMENT	**22.0**	**25.6**
Area of investment properties in million sqm	8.31	7.59
AVERAGE INVESTMENT PER SQM (€/SQM)	**2.6**	**3.4**

Net income from the disposal of investment properties

Income generated from disposals of investment properties at EUR 57.2 million rose by EUR 51.8 million against the previous year. The disposals of carrying amount climbed by EUR 51.6 million in the reporting period.

The realised income comprised primarily sales of investment properties, which were reported as assets held for sale and were remeasured up to the agreed property value as of 31 December 2016.

The net income from the disposal of investment properties at EUR 0.1 million remained nearly stable against the comparative period (EUR −0.1 million).

Net income from the disposal of real estate inventory

The sale of the remaining properties of the former "Development" division continued as planned in the reporting period.

The remaining real estate inventory held as at 31 March 2017 amounted to EUR 2.8 million, of which EUR 1.4 million related to land under development.

The addition to provisions for termination gratuities resulted in an increase in costs of sales of EUR −0.3 million in the reporting period.

Administrative and other expenses

T9 – Administrative and other expenses

€ million	01.01.–31.03.2017	01.01.–31.03.2016
Other operating expenses	−3.6	−36.6
Staff costs	−5.7	−5.5
Purchased services	−0.4	−0.3
Depreciation and amortisation	−0.1	−0.6
ADMINISTRATIVE AND OTHER EXPENSES	**−9.8**	**−43.0**
Depreciation and amortisation	0.1	0.6
Non-recurring project costs and extraordinary and prior-period expenses	1.2	34.5
LTIP (long-term incentive programme)	–	0.0
ADJUSTED ADMINISTRATIVE AND OTHER EXPENSES	**−8.5**	**−7.9**

The main drivers for the reduction in administrative and other expenses by EUR 33.2 million year on year was the omission of the incidental acquisition and integration costs for the acquisition of property portfolios, which conducted in project costs in the amount of EUR 34.5 million in the comparative period.

Net finance earnings

T10 – Net finance earnings

€ million	01.01.–31.03.2017	01.01.–31.03.2016
Interest income	0.0	0.0
Interest expenses	–38.9	–30.1
NET INTEREST INCOME	**–38.9**	**–30.1**
Net income from other financial assets and other investments	2.5	1.6
Net income from associates	–	0.3
Net income from the fair value measurement of derivatives	–10.0	–18.9
NET FINANCE EARNINGS	**–46.4**	**–47.1**

The increase of interest expenses from EUR 30.1 million in the comparative period to EUR 38.9 million in the reporting period results primarily from the effects of the refinancing concluded in the reporting period. Expenses of EUR 11.7 million were incurred for this purpose in the reporting period, which comprised additional loan amortisation (EUR –4.9 million; comparative period: EUR 0 million), prepayment penalties for fixed rate loans (EUR –0.4 million; comparative period: EUR –0.1 million) and swap breakage fees for floating rate loans (EUR –7.1 million; comparative period: EUR –2.1 million). EUR 0.7 million of the swap breakage fees were looked ahead in the previous years.

On 23 January 2017 LEG issued a corporate bond with a nominal value of EUR 500 million, annual interest expenses of 1.34% and a maturity of seven years.

As a result, a further reduction in the average interest rate to 1.95% was achieved as at 31 March 2017 (2.04% as at 31 December 2016 and 2.15% as at 31 March 2016) based on an average term of around 9.66 years (11.05 as at 31 December 2016).

Interest expense from loan amortisation raised by EUR 3.9 million year on year to EUR 9.9 million. This includes the measurement of the convertible bond at amortised cost in the amount of EUR 1.8 million (comparative period: EUR 1.6 million). The one-time, additional amortisation expense amounted to EUR 4.9 million. As a result of the refinancing the lower scheduled amortisation acted against.

Dividends received from equity investments in non-consolidated and non-associated companies climbed by EUR 0.9 million year on year to EUR 2.5 million in the reporting period.

In the reporting period, net income from the fair value measurement of derivatives resulted primarily from changes in the fair value of derivatives from the convertible bond in the amount of EUR –10.0 million (previous year: EUR –14.6 million).

Income tax expenses

T11 – Income tax expenses

€ million	01.01.–31.03.2017	01.01.–31.03.2016
Current tax expenses	–1.3	–1.1
Deferred tax expenses	–13.0	–11.2
INCOME TAX EXPENSES	**–14.3**	**–12.3**

An effective Group tax rate of 23.07% was assumed in the reporting period in accordance with Group tax planning (previous year: 22.25%).

A higher level of earnings before taxes contributed significantly to the year on year increase in income tax expense by EUR 2.0 million to EUR 14.3 million in the reporting period.

Reconciliation to FFO

FFO I is a key financial performance indicator of the LEG Group. The LEG Group distinguishes between FFO I (not including net income from the disposal of investment properties), FFO II (including net income from the disposal of investment properties) and AFFO (FFO I adjusted for capex). The calculation methods for these key figures can be found in the glossary in the annual report.

FFO I, FFO II and AFFO were calculated as follows in the reporting period and the same period of the previous year:

T12 – Calculation of FFO I, FFO II and AFFO

€ million	**01.01.–31.03.2017**	*01.01.–31.03.2016*
Net cold rent	131.9	118.6
Profit from operating expenses	–1.1	–1.4
Maintenance for externally procured services	–9.8	–12.9
Staff costs	–13.4	–10.2
Allowances on rent receivables	–1.9	–1.7
Other	–1.6	–2.4
Non-recurring project costs (rental and lease)	0.2	0.2
CURRENT NET RENTAL AND LEASE INCOME	**104.3**	**90.2**
CURRENT NET INCOME FROM OTHER SERVICES	**1.9**	**1.7**
Staff costs	–5.7	–5.5
Non-staff operating costs	–4.0	–36.9
Non-recurring project costs (admin.)	1.2	34.5
Extraordinary and prior-period expenses	0.0	0.0
CURRENT ADMINISTRATIVE EXPENSES	**–8.5**	**–7.9**
Other income and expenses	0.1	0.1
ADJUSTED EBITDA	**97.8**	**84.1**
Cash interest expenses and income	–20.9	–20.2
Cash income taxes from rental and lease	–1.3	–1.1
FFO I (BEFORE ADJUSTMENT OF NON-CONTROLLING INTERESTS)	**75.6**	**62.8**
Adjustment of non-controlling interests	–0.4	–0.2
FFO I (AFTER ADJUSTMENT OF NON-CONTROLLING INTERESTS)	**75.2**	**62.6**
Net income from the disposal of investment properties	0.1	–0.1
Cash income taxes from disposal of investment properties	–	–
FFO II (INCL. DISPOSAL OF INVESTMENT PROPERTIES)	**75.3**	**62.5**
Capex	–9.0	–12.7
CAPEX-ADJUSTED FFO I (AFFO)	**66.2**	**49.9**

At EUR 75.2 million, FFO I was 20.1% higher in the reporting period than in the same period of the previous year (EUR 62.6 million). In particular, this increase is attributable to the rise in net cold rent including the effects of the acquisitions concluded, in connection with a considerably higher EBITDA margin and a reduced average interest rate. Further, the FFO I and the EBITDA margin benefited from temporarily lower maintenance expenses which will rise as scheduled during the period.

EPRA-earnings per share (EPS)

The following table shows earnings per share according to the best practice recommendations by EPRA (European Public Real Estate Association):

T13 – EPRA-earnings per share (EPS)

€ million	01.01.–31.03.2017	01.01.–31.03.2016
NET PROFIT OR LOSS FOR THE PERIOD ATTRIBUTABLE TO PARENT SHAREHOLDERS	**32.0**	**–12.3**
Changes in value of investment properties	0.0	–1.0
Profits or losses on disposal of investment properties, development properties held for investment, other interests and sales of trading properties including impairment charges in respect of trading properties	1.0	0.7
Tax on profits or losses on disposals	0.0	0.1
Changes in fair value of financial instruments and associated close-out costs	13.6	18.9
Acquisition costs on share deals and non-controlling joint venture interests	0.2	33.4
Deferred tax in respect of EPRA-adjustments	–3.7	7.2
Refinancing expenses	5.3	0.1
Other interest expenses	6.5	2.1
Non-controlling interests in respect of the above	–0.3	–0.2
EPRA EARNINGS	**54.6**	**49.0**
Weighted average number of shares outstanding	63,188,185	62,769,788
EPRA earnings per share (undiluted) in €	0.86	0.78
Potentially diluted shares	5,277,945	5,134,199
Interest coupon on convertible bond	0.3	0.3
Amortisation expenses convertible bond after taxes	1.4	1.2
EPRA-EARNINGS (DILUTED)	**56.3**	**50.5**
Number of diluted shares	68,466,130	67,903,987
EPRA-EARNINGS PER SHARE (DILUTED) IN €	**0.82**	**0.74**

T14 – Consolidated statement of financial position
Assets

€ million	31.03.2017	31.12.2016
Non-current assets	**8,173.5**	**8,164.5**
Investment properties	7,993.0	7,954.9
Prepayments for investment properties	–	27.3
Property, plant and equipment	64.9	63.2
Intangible assets and goodwill	87.6	77.0
Investments in associates	9.1	9.1
Other financial assets	2.8	2.8
Receivables and other assets	4.6	13.9
Deferred tax assets	11.5	16.3
Current assets	**475.2**	**214.4**
Real estate inventory and other inventory	19.6	3.9
Receivables and other assets	61.1	41.5
Income tax receivables	2.5	2.3
Cash and cash equivalents	392.0	166.7
Assets held for sale	**0.1**	**57.0**
TOTAL ASSETS	**8,648.8**	**8,435.9**

Equity and liabilities

€ million	31.03.2017	31.12.2016
Equity	**3,482.0**	**3,436.7**
Share capital	63.2	63.2
Capital reserves	611.2	611.2
Cumulative other reserves	2,784.3	2,740.1
Equity attributable to shareholders of the parent company	3,458.7	3,414.5
Non-controlling interests	23.3	22.2
Non-current liabilities	**4,426.4**	**4,092.6**
Pension provisions	151.3	154.8
Other provisions	11.7	12.0
Financing liabilities	3,564.5	3,222.3
Other liabilities	97.8	115.4
Tax liabilities	–	–
Deferred tax liabilities	601.1	588.1
Current liabilities	**740.4**	**906.6**
Pension provisions	6.4	6.9
Other provisions	14.1	15.8
Provisions for taxes	0.4	0.4
Financing liabilities	378.7	552.0
Other liabilities	325.0	316.5
Tax liabilities	15.8	15.0
TOTAL EQUITY AND LIABILITIES	**8,648.8**	**8,435.9**

Net assets

The increase in investment properties resulted primarily from additions by way of acquisitions of EUR 29.2 million (thereof EUR 27.3 million by reclassification from prepayments as of 31 December 2016) and capitalisation of modernisation measures in the amount of EUR EUR 9.0 million.

The acquisition of 51% of shares in TechnikServicePlus GmbH as of 1 January 2017 resulted in provisional goodwill of EUR 11.3 million.

The recognition of real estate tax expense as other inventories (EUR 16.4 million) for the financial year, the deferral of prepaid operating costs in the amount of EUR 5.0 million and the development of the receivables from not yet invoiced operating costs (increase EUR 10.2 million) significantly contribute to the development of the current assets.

Cash and cash equivalents increased by EUR 225.3 million as against the reporting date to EUR 392.0 million. This development was mainly due to the cash flow from operating activities (EUR 76.5 million), receipts from property sales (EUR 9.3 million) and in particular the positive payment balance from the refinancing by corporate bond (EUR 495.0 million cash proceeds against EUR –341.0 million cash payments).

The increase of the equity against the reporting date was primarily due to the net profit or loss for the period (EUR 32.8 million) and the changes in the fair value of derivatives used for hedging (EUR 9.9 million).

Due to the refinancing the non-current financing liabilities increased by EUR 342.2 million; opposingly the current financing liabilities decreased by EUR –173.3 million.

T15 – Statement of changes in consolidated equity

€ million	Share capital	Capital reserves	Revenue reserves	Cumulative other reserves: Actuarial gains and losses from the measurement of pension obligations	Cumulative other reserves: Fair value adjustment of interest derivatives in hedges	Equity attributable to shareholders of the Group	Noncontrolling interests	Consolidated equity
AS OF 01.01.2016	**62.8**	**779.3**	**2,189.7**	**–30.1**	**–33.9**	**2,967.8**	**17.2**	**2,985.0**
Net profit or loss for the period	–	–	–12.3	–	–	–12.3	0.2	–12.1
Other comprehensive income	–	–	–	–	–10.3	–10.3	0.0	–10.3
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**–12.3**	**–**	**–10.3**	**–22.6**	**0.2**	**–22.4**
Change in consolidated companies	–	–	–	–	–	–	10.2	10.2
Capital increase	–	–	–	–	–	–	0.5	0.5
Withdrawals from reserves	–	–	–	–	–	–	–0.1	–0.1
Change from put options	–	–	–	–	–	–	–	–
Distributions	–	–	–	–	–	–	–	–
Contribution in connection with Management and Supervisory Board	–	–	–	–	–	–	–	–
AS OF 31.03.2016	**62.8**	**779.3**	**2,177.4**	**–30.1**	**–44.2**	**2,945.2**	**28.0**	**2,973.2**
AS OF 01.01.2017	**63.2**	**611.2**	**2,818.8**	**–39.9**	**–38.8**	**3,414.5**	**22.2**	**3,436.7**
Net profit or loss for the period	–	–	32.0	–	–	32.0	0.8	32.8
Other comprehensive income	–	–	–	2.3	9.9	12.2	0.0	12.2
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**32.0**	**2.3**	**9.9**	**44.2**	**0.8**	**45.0**
Change in consolidated companies	–	–	–	–	–	–	0.2	0.2
Capital increase	–	–	–	–	–	–	0.7	0.7
Withdrawals from reserves	–	–	–	–	–	–	–0.6	–0.6
Change from put options	–	–	–	–	–	–	–0.6	–0.6
Distributions	–	–	–	–	–	–	–	–
Contribution in connection with Management and Supervisory Board	–	–	–	–	–	0.0	–	0.0
AS OF 31.03.2017	**63.2**	**611.2**	**2,850.8**	**–37.6**	**–28.9**	**3,458.7**	**23.3**	**3,482.0**

Business combinations

On 14 December 2016, LEG Immo signed a purchase agreement with B&O Service und Messtechnik AG to acquire 51% of shares in TSP-TechnikServicePlus GmbH (formerly: B&O Service West GmbH). 280 employees were taken on in the context of the transaction. Following antitrust approval, the transaction was closed as at 1 January 2017.

As at 1 January 2017, the acquisition of the company is treated as a business combination as defined by IFRS 3 as significant business processes had been acquired.

The provisional consideration for the business combination breaks down as follows:

T16 – Provisional consideration

€ million	01.01.2017
Net purchase price	9.2
TOTAL CONSIDERATION	**9.2**

The provisional purchase price can be allocated to the assets and liabilities acquired, measured at fair value, as follows:

T17 – Provisional purchase price allocation

€ million	01.01.2017
Technical equipment and machinery	0.5
Factory and office equipment	0.0
Receivables and other assets	0.4
Cash and cash equivalents	0.2
TOTAL ASSETS	**1.1**
Provisions	0.8
Other financing liabilities	1.2
Other liabilities	1.0
TOTAL LIABILITIES	**3.0**
Net assets at fair value	–1.9
Non-controlling interests	0.2
Net assets at fair value without non-controlling interests	–2.1
CONSIDERATION	**9.2**
GOODWILL	**11.3**

Synergies from tax and cost benefits of an estimated mid-seven-figure amount per year are expected.

In addition to the total consideration, the purchase price allocation is essentially provisional for the following items as the data are not yet complete:

— Contingent liabilities
— Accounting for leases
— Deferred taxes

Portfolio acquisition

On 31 March 2017, the LEG Group held 127,076 apartments and 1,167 commercial units in its portfolio.

Investment property developed as follows in the financial year 2016 and in 2017 up to the reporting date of the interim consolidated financial statements:

T18 – Investment properties

€ million	**31.03.2017**	31.12.2016
CARRYING AMOUNT AS OF 01.01.	**7,954.9**	**6,398.5**
Acquisitions	29.2	1,064.2
Other additions	9.0	76.8
Reclassified to assets held for sale	–0.1	–96.3
Disposal of carrying amount	0.0	–103.3
Reclassified to property, plant and equipment	–0.1	–2.2
Reclassified from property, plant and equipment	0.1	0.6
Fair value adjustment	0.0	616.6
CARRYING AMOUNT AS OF 31.03. / 31.12.	**7,993.0**	**7,954.9**

The acquisitions include primarily the acquisition of a property portfolio of around 322 residential units, which was notarised on 17 August 2016. The portfolio generates annual net cold rent of initially around EUR 2.0 million. The average in-place rent is EUR 4.62 per square metre; the initial vacancy rate is 2.1%. The transaction was closed on 1 January 2017. The portfolio acquisition does not constitute a business combination.

Investment property is measured as of 30 June 2017. No further fair value adjustment was made as at 31 March 2017. With regard to the calculation methods and parameters, please refer to the consolidated financial statements as of 31 December 2016.

Financing liabilities

Financing liabilities are composed as follows:

T19 – Financing liabilities

€ million	31.03.2017	31.12.2016
Financing liabilities from real estate financing	3,915.5	3,746.0
Financing liabilities from lease financing	27.7	28.3
FINANCING LIABILITIES	**3,943.2**	**3,774.3**

Financing liabilities from property financing serve the financing of investment properties.

Financing liabilities from real estate financing include a convertible bond with a nominal value of EUR 300.0 million. The convertible bond was classified as a financing liability on account of the issuer's contractual cash settlement option and recognised in accordance with IAS 39. There are several embedded and separable derivatives that are treated as a single compound derivative in accordance with IAS 39.AG29 and carried at fair value. The underlying debt instrument is recognised at amortised cost.

Extensive refinancing was performed in the first quarter. The emission of a corporate bond increased the financing liabilities by EUR 495 million. This was offset by the repayments of subsidized loans in the amount of EUR 182 million and bank loans in the amount of EUR 159 million, which reduced total financing liabilities by EUR 341.0 million.

The main drivers for the changes in maturities of financing liabilities against the reporting date are the emission of the corporate bond and the repayments of the loans.

T20 – Maturity of financing liabilities from real estate financing

€ million	Remaining term < 1 year	Remaining term > 1 and 5 years	Remaining term > 5 years	Total
31.03.2017	373.1	767.6	2,774.8	3,915.5
31.12.2016	545.7	761.4	2,438.9	3,746.0

Net asset value (NAV)

A further key figure relevant in the property industry is NAV. The calculation method for the respective key figure can be found in the glossary in the 2016 annual report.

The LEG Group reported basic EPRA NAV of EUR 4,223.5 million as at 31 March 2017. The effects of the possible conversion of the convertible bond are shown by the additional calculation of diluted EPRA NAV. After further adjustment for goodwill effects, adjusted diluted EPRA NAV amounted to EUR 4,620.2 million at the reporting date.

T21 – EPRA NAV

€ million	31.03.2017 undiluted	31.03.2017 Effect of exercise of convertibles/options	31.03.2017 diluted	31.12.2016 undiluted	31.12.2016 Effect of exercise of convertibles/options	31.12.2016 diluted
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	**3,458.7**	**–**	**3,458.7**	**3,414.5**	**–**	**3,414.5**
NON-CONTROLLING INTERESTS	**23.3**	**–**	**23.3**	**22.2**	**–**	**22.2**
EQUITY	**3,482.0**	**–**	**3,482.0**	**3,436.7**	**–**	**3,436.7**
Effect of exercise of options, convertibles and other equity interests	–	451.8	451.8	–	435.6	435.6
NAV	**3,458.7**	**451.8**	**3,910.5**	**3,414.5**	**435.6**	**3,850.1**
Fair value measurement of derivative financial instruments	142.4	–	142.4	146.7	–	146.7
Deferred taxes on WFA loans and derivatives	17.7	–	17.7	20.0	–	20.0
Deferred taxes on investment property	636.8	–	636.8	656.3	–	656.3
Goodwill resulting from deferred taxes on EPRA adjustments	–32.1	–	–32.1	–32.1	–	–32.1
EPRA NAV	**4,223.5**	**451.8**	**4,675.3**	**4,205.4**	**435.6**	**4,641.0**
NUMBER OF SHARES	**63,188,185**	**5,277,973**	**68,466,158**	**63,188,185**	**5,277,973**	**68,466,158**
EPRA NAV PER SHARE	**66.84**	**–**	**68.29**	**66.55**	**–**	**67.79**
Goodwill resulting from synergies	55.1	–	55.1	43.8	–	43.8
ADJUSTED EPRA NAV (W/O EFFECTS FROM GOODWILL)	**4,168.4**	**451.8**	**4,620.2**	**4,161.6**	**435.6**	**4,597.2**
ADJUSTED EPRA NAV PER SHARE	**65.97**	**–**	**67.48**	**65.86**	**–**	**67.15**
EPRA NAV	**4,223.5**	**451.8**	**4,675.3**	4,205.4	435.6	4,641.0
Fair value measurement of derivative financial instruments	–142.4	–	–142.4	–146.7	–	–146.7
Deferred taxes on WFA loans and derivatives	–17.7	–	–17.7	–20.0	–	–20.0
Deferred taxes on investment property	–636.8	–	–636.8	–656.3	–	–656.3
Goodwill resulting from deferred taxes on EPRA adjustments	32.1	–	32.1	32.1	–	32.1
Fair value measurement of financing liabilities	–263.8	–	–263.8	–312.2	–	–312.2
Valuation uplift resulting from FV measurement financing liabilities	196.5	–	196.5	196.5	–	196.5
EPRA NNNAV	**3,391.4**	**451.8**	**3,843.2**	**3,298.8**	**435.6**	**3,734.4**
EPRA NNNAV per share	**53.67**	**–**	**56.13**	**52.21**	**–**	**54.54**

Loan-to-value ratio (LTV)

Net gearing in relation to property assets slightly reduced as compared with 31 December 2016 due to positive cash flows from operating activities and sales in the reporting period. The loan-to-value ratio (LTV) is therefore EUR 44.4% (31 December 2016: 44.9%).

T22 – Loan-to-value ratio

€ million	**31.03.2017**	*31.12.2016*
Financing liabilities	3,943.2	3,774.3
Less cash and cash equivalents	392.0	166.7
NET FINANCING LIABILITIES	**3,551.2**	**3,607.6**
Investment properties	7,993.0	7,954.9
Assets held for sale	0.1	57.0
Prepayments for investment properties	–	27.3
REAL ESTATE ASSETS	**7,993.1**	**8,039.2**
LOAN TO VALUE RATIO (LTV) IN %	**44.4**	**44.9**

Financial position

A net profit or loss for the period of EUR 32.8 million was realised in the reporting period (previous year: net profit or loss for the period of EUR –12.1 million). Equity amounted to EUR 3,482.0 million at the reporting date (31 December 2016: EUR 3,436.7 million). This corresponds to an equity ratio of 40.3% (31 December 2016: 40.7%).

Higher receipts from net cold rent also had a positive impact on the net cash flow from operating activities in the reporting period.

Acquisitions and modernisation work on the existing portfolio contributed to the net cash flow from investing activities with cash payments in the amount of EUR –17.2 million. Furthermore, cash proceeds from property disposals in the amount of EUR 9.3 million resulted in a net cash flow from investing activities of EUR –9.1 million.

Refinancing of subsidized loans and other bank loans (EUR –341 million) by issuing a corporate bond (net EUR 495 million) were the main drivers of cash flow from financing activities of EUR 157.9 million.

The LEG Group's solvency was ensured at all times in the reporting period.

T23 – Consolidated statement of cash flows

€ million	01.01. – 31.03.2017	01.01. – 31.03.2016
Operating earnings	93.4	47.3
Depreciation on property, plant and equipment and amortisation on intangible assets	2.2	2.3
(Gains)/Losses from the remeasurement of investment properties	0.0	–1.0
(Gains)/Losses from the disposal of assets held for sale and investment properties	–0.3	–0.1
(Gains)/losses from the disposal of intangible assets and property, plant and equipment	0.0	0.0
(Gains)/Losses from investments in associates	–	–
(Decrease)/Increase in pension provisions and other non-current provisions	–1.0	–0.4
Other non-cash income and expenses	1.7	1.5
(Decrease)/Increase in receivables, inventories and other assets	–31.9	–24.1
Decrease/(Increase) in liabilities (not including financing liabilities) and provisions	34.3	56.7
Interest paid	–20.9	–20.3
Interest received	0.1	0.0
Received income from investments	0.0	1.6
Taxes received	0.0	0.1
Taxes paid	–1.1	–0.1
EK-02-Payments	–	–
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**76.5**	**63.5**
Cash flow from investing activities		
Investments in investment properties	–17.4	–474.3
Proceeds from disposals of non-current assets held for sale and investment properties	9.3	5.7
Investments in intangible assets and property, plant and equipment	–1.2	–0.2
Proceeds from disposals of intangible assets and property, plant and equipment	0.0	0.0
Investments in financial assets and other assets	–	–
Proceeds from disposals of financial assets and other assets	–	–
Investments in associates	–	–
Proceeds from disposals of associates	–	–
Acquisition of shares in consolidated companies	0.2	–20.3
Proceeds from disposals of shares in consolidated companies	–	–
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**–9.1**	**–489.1**
Cash flow from financing activities		
Borrowing of bank loans	12.0	611.7
Repayment of bank loans	–348.9	–128.3
Issue of convertible bond	495.0	–
Repayment of lease liabilities	–1.0	–1.0
Other proceeds	0.8	0.5
Other payments	–	–
Capital contribution	–	–
Distribution to shareholders	–	–
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**157.9**	**482.9**
Change in cash and cash equivalents	**225.3**	**57.3**
Cash and cash equivalents at beginning of period	166.7	252.8
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**392.0**	**310.1**
Composition of cash and cash equivalents		
Cash in hand, bank balances	392.0	310.1
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**392.0**	**310.1**

SUPPLEMENTARY REPORT

There were no significant events after the end of the interim reporting period on 31 March 2017.

RESPONSIBILITY STATEMENT

"To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the LEG Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the LEG Group, together with a description of the principal opportunities and risks associated with the expected development of the LEG Group."

Dusseldorf, 10 May 2017

LEG Immobilien AG, Dusseldorf

The Management Board

THOMAS HEGEL
ECKHARD SCHULTZ
HOLGER HENTSCHEL

RISK AND OPPORTUNITY REPORT

The risks and opportunities faced by LEG in its operating activities were described in detail in the 2016 annual report. To date, no further risks that would lead to a different assessment have arisen or become discernible in the fiscal year 2017.

FORECAST REPORT

Based on its business performance in the first three months of the 2017 financial year LEG confirms its outlook for financial years 2017 and 2018. For more details, please refer to the forecast report in the Annual Report 2016 (page 89).

T24 – Forecast

OUTLOOK 2017	
FFO I	EUR 288 million to EUR 293 million
Like-for-like rental growth	3.0% to 3.3%
Like-for-like vacancy	slight decrease versus year-end 2016
Investments	around EUR 24 per sqm
LTV	45% to 50% max.
Dividend	65% of FFO I
OUTLOOK 2018	
FFO I	EUR 310 million to EUR 316 million
Like-for-like rental growth	c. 3.0%

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