GROW STEADY READY

Quarterly Report

as of 30.09.2014

KEY FIGURES

LEG IMMOBILIEN AG

TABLE 1

Key figures

		01.07.– 30.09.2014	01.07.– 30.09.2013	+/– %/bp	**01.01.– 30.09.2014**	01.01.– 30.09.2013	+/– %/bp
RESULTS OF OPERATIONS							
Rental income	€ million	**97.6**	91.1	7.1	**286.6**	269.2	6.5
Net rental and lease income	€ million	**73.6**	64.4	14.3	**213.1**	188.1	13.3
EBITDA	€ million	**63.0**	51.7	21.9	**188.8**	156.5	20.6
EBITDA ADJUSTED	€ million	**66.2**	56.9	16.3	**195.4**	170.3	14.7
EBT	€ million	**17.5**	19.6	–10.7	**94.7**	59.3	59.7
Net profit or loss for the period	€ million	**13.3**	17.2	–22.7	**68.2**	51.9	31.4
FFO I	€ million	**42.3**	35.1	20.5	**123.9**	103.5	19.7
FFO I PER SHARE	€	**0.80**	0.66	20.5	**2.34**	1.95	19.7
FFO II	€ million	**42.3**	35.0	20.9	**123.6**	102.7	20.4
FFO II PER SHARE	€	**0.80**	0.66	20.9	**2.33**	1.94	20.4
AFFO	€ million	**31.8**	22.3	42.6	**97.2**	79.0	23.0
AFFO PER SHARE	€	**0.60**	0.42	42.6	**1.84**	1.49	23.0
		30.09.2014	30.09.2013	+/– %/bp	**30.09.2014**	30.09.2013	+/– %/bp
PORTFOLIO							
Number residential units		**97,487**	93,525	4.2	**97,487**	93,525	4.2
In-place rent	€/sqm	**5.10**	4.94	3.2	**5.10**	4.94	3.2
In-place rent (l-f-l)	€/sqm	**5.10**	4.93	3.4	**5.10**	4.93	3.4
Vacancy rate	%	**3.2**	3.0	20 bp	**3.2**	3.0	20 bp
Vacancy rate (l-f-l)	%	**3.2**	2.9	30 bp	**3.2**	2.9	30 bp
		30.09.2014	31.12.2013	+/– %/bp	**30.09.2014**	31.12.2013	+/– %/bp
STATEMENT OF FINANCIAL POSITION							
Investment property	€ million	**5,348.0**	5,163.4	3.6	**5,348.0**	5,163.4	3.6
Cash and cash equivalents	€ million	**303.6**	110.7	174.3	**303.6**	110.7	174.3
Equity	€ million	**2,230.5**	2,276.1	–2.0	**2,230.5**	2,276.1	–2.0
Total financial liabilities	€ million	**2,910.7**	2,583.7	12.7	**2,910.7**	2,583.7	12.7
Current financial liabilities	€ million	**189.9**	187.0	1.4	**189.9**	187.0	1.4
LTV	%	**48.7**	47.7	100 bp	**48.7**	47.7	100 bp
Equity ratio	%	**38.4**	42.0	–360 bp	**38.4**	42.0	–360 bp
EPRA NAV	€ million	**2,587.4**	2,571.9	0.6	**2,587.4**	2,571.9	0.6
EPRA NAV PER SHARE	€	**48.85**	48.56	0.6	**48.85**	48.56	0.6

bp = basis points

CONTENT

TABLE | FIG Visualisations are abbreviated and numbered with TABLE and FIG (figure).

Dear Shareholders,
dear Ladies and Gentlemen,

LEG successfully continued its growth strategy in the third quarter. This is true both for the consistently dynamic organic growth in rent and for our value-generating acquisition strategy. Thus, taking into account the acquisition of the NRW Vitus portfolio after the end of the reporting quarter, we have significantly outperformed the acquisition targets we set ourselves when we went public.

Net in-place rent has increased by +6.5% to EUR 286.6 million in the first nine months of 2014. The organic development of rental income from the residential portfolio remains a key driver in this with an increase of 3.2%. Like-for-like rent growth per square metre was up again slightly in the third quarter, rising by 3.4%. In particular, the highly dynamic development for free financed properties, up 3.8% year-on-year, therefore confirms the high quality of the property portfolio and LEG's leading management expertise. At 3.2%, the vacancy rate at the end of September 2014 was temporarily slightly higher than the previous year's level. However, vacancy rates are expected to decline again in the current final quarter of the year with a targeted further reduction in the vacancy rate.

Investment in the portfolio amounted to EUR 8.72 per square metre in the first three quarters. Following a detailed analysis of the potential for added value, investment is expected to increase further in the fourth quarter of 2014 which, among other things, should help drive a further rise in the occupancy rate. We are therefore planning to invest around EUR 13–14 per square metre for 2014.

The foundation for a further significant acceleration of the value-generating acquisition strategy was laid in the third quarter. An agreement for the acquisition of around 2,400 residential units in our core markets was signed and the purchase of the NRW Vitus portfolio of around 9,600 residential units was prepared in September. These deals were closed after the end of the reporting quarter. Both transactions have high synergy potential with the existing portfolio and contribute to a further improvement in our leading operating profitability. At more than 8% each, their normalised FFO yields also satisfy the financial acquisition criteria, which allows us to generate value added for our shareholders.

The organic growth, the positive economies of scale from the acquisitions and high cost discipline are all reflected in a significant rise in profit in the first nine months of 2014. Thus, the key financial performance indicator FFO I increased by 19.7% year-on-year to EUR 123.9 million.

EPRA net asset value was EUR 48.85 per share as at the end of the quarter. Adjusted for the effects of the dividend distribution, this corresponds to an increase of 4.2% compared to 31 December 2013. The annual revaluation of the portfolio is scheduled for the fourth quarter of 2014.

On the basis of its positive business performance, LEG feels it is well on its way to achieving its financial goals for 2014. The outlook for FFO I of between EUR 158 and 161 million can therefore be confirmed. In addition, the first positive effects from the consolidation of the Vitus sub-portfolio are anticipated in the final quarter. LEG is assuming FFO I in a range of EUR 188 to EUR 193 million or EUR 3.29 to EUR 3.39 per share for 2015. This outlook does not yet factor in any further effects from planned future acquisitions.

LEG has a strong balance sheet with an LTV of 48.7% as at 30 September 2014, and has further increased its financial flexibility thanks to a capital increase of EUR 205 million in October 2014. LEG therefore feels that it is ideally positioned to continue its growth with value-adding acquisitions.

We would like to emphatically thank our shareholders, tenants and business partners for the confidence they have shown in us.

Dusseldorf, November 2014

Thomas Hegel

Thomas Hegel
Chief Executive Officer

Eckhard Schultz

Eckhard Schultz
Chief Financial Officer

Holger Hentschel

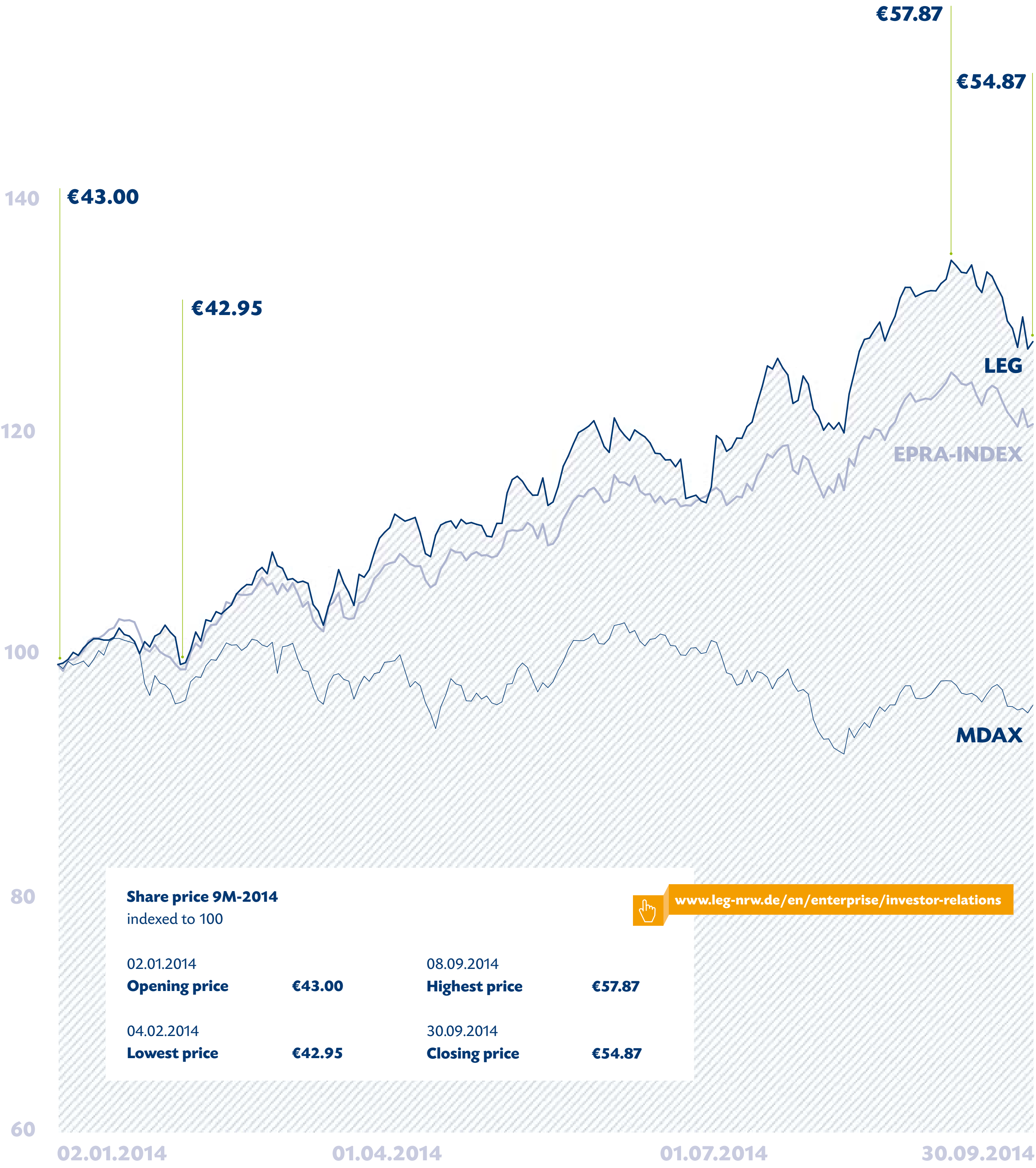
Holger Hentschel
Chief Operating Officer

LETTER TO THE SHAREHOLDERS

LEG SHARES

FIG 1

Share price development



The German stock market displayed a weaker trend overall in the third quarter against the backdrop of geopolitical tension. Thus, the DAX lost 3.6% in the reporting period. However, LEG's share price was able to separate itself from the weaker market trend and rose significantly by 11.5%, reaching a new all-time high in September.

The escalating geopolitical tension in the reporting quarter, with crises in Ukraine and the Middle East, and the negative development in economic indicators in the eurozone and China were the key factors weighing on the German stock market.

In this weaker setting, property shares outperformed the market as a whole. Thus, the index for German property shares, the FTSE EPRA/NAREIT Germany, expanded by 5.8% in the reporting period. With a performance of 11.5%, LEG's shares also did significantly better than its property company peer group.

ANALYST COVERAGE

LEG's shares are actively being monitored by analysts at 18 investment firms, which underscores the high level of investor interest. The median value of the price targets is currently EUR 58 and therefore still above the present price (as at 12 November 2014). There is only one sell recommendation for LEG shares.

FIG 2

Shareholder structure
(as of 30. September 2014)

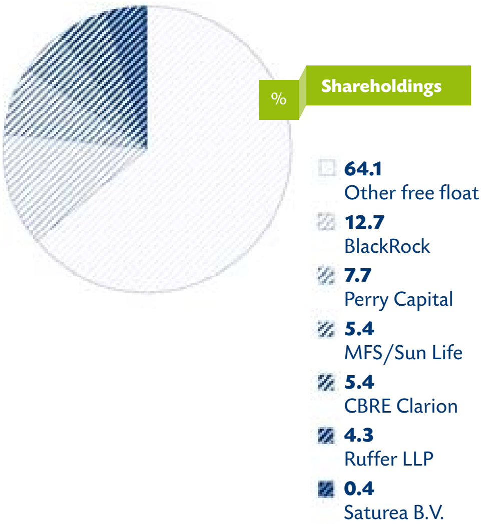


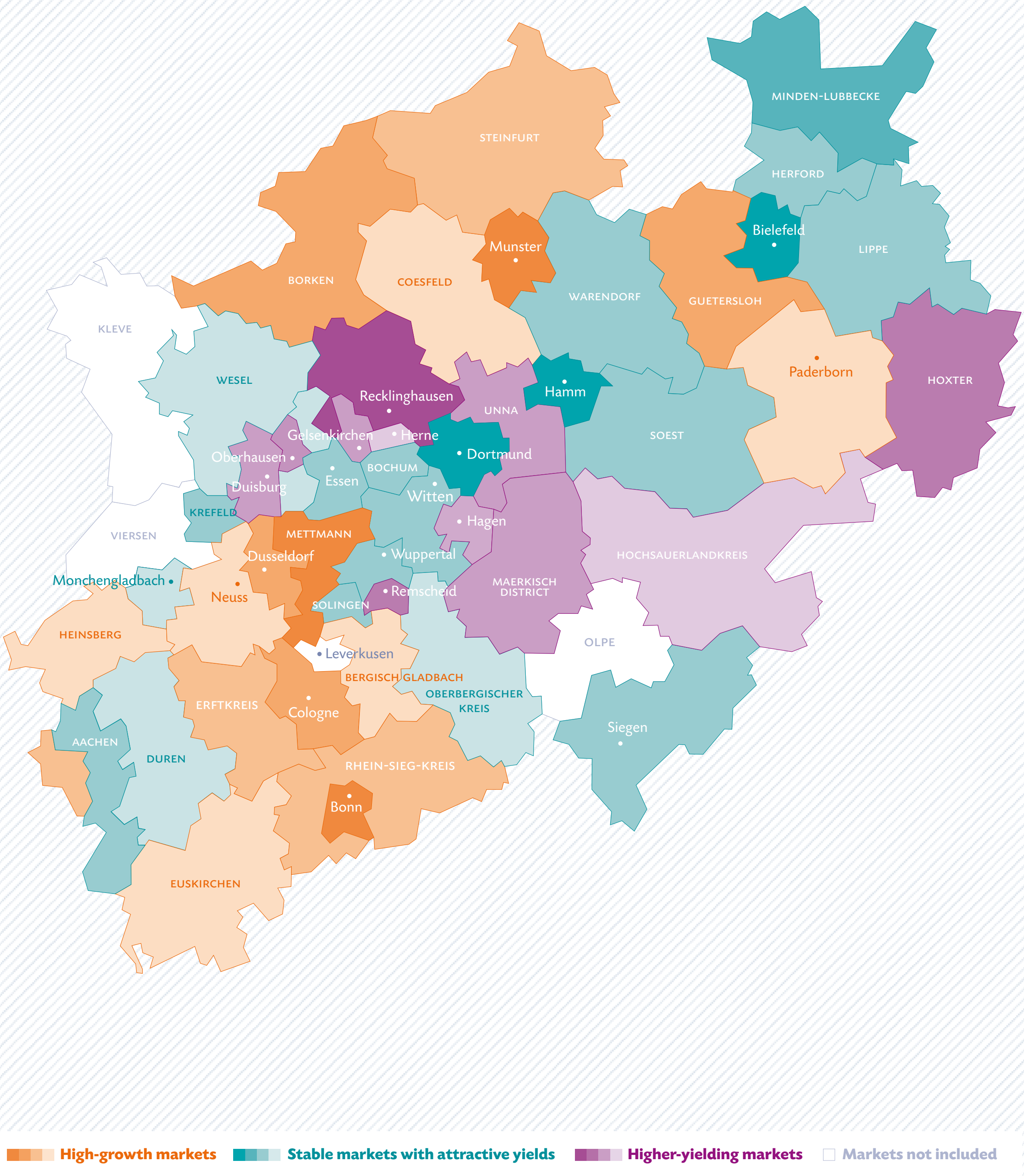
TABLE 2

Share performance indicators

Ticker symbol	**LEG**
German Securities Code Number (WKN)	**LEG111**
ISIN	**DE000LEG1110**
Number of shares	**52,963,444**
Initial listing	**1 February 2013**
Market segment	**Prime Standard**
Indices	**MDAX, FTSE EPRA/NAREIT, STOXX Europe 600, GPR Indizes**
Closing price (30 September 2014)	**€54.87**
Market capitalisation (30 September 2014)	**€ 2,906.1 million**
Free float (30 September 2014)	**92.3%**
Weighting in the MDAX (30 September 2014)	**2.15%**
Weighting in the EPRA Europe (30 September 2014)	**1.86%**
Average single-day trading volume	**131,083**
Highest price (9M-2014)	**€ 57.87**
Lowest price (9M-2014)	**€ 42.95**

PORTFOLIO

LEG IN NORTH RHINE-WESTPHALIA BY MARKET SEGMENTS



As at 30 September 2014, the LEG Immobilien AG portfolio comprised 97,487 residential units, 1,018 commercial units and 23,746 garages and parking spaces. The assets are essentially distributed across around 160 locations in North Rhine-Westphalia. The average apartment size is 64 square metres and the average number of rooms is three. Buildings comprise an average of 6.5 residential units and three stories.

PORTFOLIO SEGMENTATION

The LEG portfolio is divided into three market clusters using a scoring system developed by CBRE: GROWTH MARKETS, STABLE MARKETS and HIGHER YIELDING MARKETS. All 54 municipalities and districts of North Rhine-Westphalia were analysed. As of 30 September 2014 the portfolio is spread across the entire state with the exception of the city of Leverkusen and the Districts of Olpe, Kleve and Viersen. Following an acquisition after the interim balance sheet date the LEG portfolio now also covers the area of Leverkusen.

GROWTH MARKETS are characterised by a positive population trend, positive household projections and consistently high demand for residential units. STABLE MARKETS are more heterogeneous than growth markets in terms of their demographic and socio-economic development; their housing industry appeal, on average, is solid to high. HIGHER YIELDING MARKETS are subject to a considerable risk of population decline. However, a strong local presence, attractive micro-locations and good market penetration mean there are still opportunities for attractive returns in these sub-markets.

The underlying indicators are based on the following demographic, socio-economic and property market data:

- **Population development from 2000 to 2010**
- **Household forecasts 2010 to 2020**
- **Purchasing power index**
- **Number of employees subject to social security payments from 2000 to 2010**
- **Rent level in EUR per square metre**
- **Rental price multipliers for apartment buildings**

The scoring model is updated on a three-year basis and was unchanged as against the previous year.

PERFORMANCE OF THE LEG PORTFOLIO

Operational development (rent, vacancy rate, fluctuation)

A portfolio acquisition for a total of 1,922 residential units mainly in the stable market segment was integrated into the LEG portfolio as at 1 September 2014. 224 residential units were sold in the third quarter for reasons of portfolio strategy. In net terms, the size of the residential portfolio increased from 95,783 residential units in the previous quarter to a total of 97,487 residential units.

Year-on-year, the trend towards positive rent development (not including new leases) is continuing on all sub-markets:

As against the previous year's figure, average net in-place rent climbed by 3.4% from EUR 4.93 per square metre to EUR 5.10 per square metre on a like-for-like basis.

Broken down by type of financing, there was an increase of 3.8% to EUR 5.40 per square metre in the free-financed segment.

A rise in rents of 4.0% year-on-year to EUR 6.12 per square metre was generated for free-financed apartments in the growth markets. Rent on the stable markets was up by 3.6% compared to the same period of the previous year at EUR 5.04 per square metre and by 3.2% at EUR 4.91 per square metre like-for-like on the higher-yielding markets.

In the rent-controlled apartment segment, the average rent generated climbed to EUR 4.61 per square metre on a like-for-like basis as a result of the rent adjustment in January 2014.

At 96.8% as at the end of the reporting period, the occupancy rate was largely stable as against the previous year (like-for-like). In total, the number of vacant apartments as at 30 September 2014 was 2,963 units (like-for-like) and 3,148 units taking into account the acquisitions during the year (absolute). After a temporary slight increase in the vacancy rate in the third quarter of 2014, it is assumed that this will drop again in the closing quarter. For the year as a whole it is still assumed that the vacancy rate will decrease slightly on a like-for-like basis.

Value development

The following table TAB 5 shows the distribution of assets by market segment. The rental yield on the portfolio based on in-place rents is 7.3% (rent multiplier: 13.6x).

TABLE 3

Portfolio segments – Top 3 locations

	30.09.2014				
	Number of LEG apartments	Share of LEG portfolio %	Living space sqm	In-place rent €/sqm	Vacancy rate %
HIGH-GROWTH MARKETS	**31,702**	**32.5**	**2,090,825**	**5.71**	**1.2**
District of Mettmann	**8,088**	**8.3**	**560,681**	**5.70**	**1.4**
Muenster	**6,100**	**6.3**	**404,755**	**6.04**	**0.4**
Dusseldorf	**3,286**	**3.4**	**213,008**	**6.07**	**0.8**
Other locations	**14,228**	**14.6**	**912,381**	**5.48**	**1.6**
STABLE MARKETS WITH ATTRACTIVE YIELDS	**36,028**	**37.0**	**2,305,969**	**4.81**	**3.7**
Dortmund	**12,559**	**12.9**	**821,095**	**4.71**	**3.2**
Hamm	**3,975**	**4.1**	**239,894**	**4.59**	**1.6**
Bielefeld	**2,329**	**2.4**	**142,211**	**5.47**	**2.6**
Other locations	**17,165**	**17.6**	**1,102,769**	**4.85**	**4.8**
HIGHER-YIELDING MARKETS	**28,288**	**29.0**	**1,745,547**	**4.71**	**4.9**
District of Recklinghausen	**6,567**	**6.7**	**410,197**	**4.73**	**7.0**
Duisburg	**5,676**	**5.8**	**351,792**	**4.91**	**3.7**
Maerkisch District	**4,412**	**4.5**	**269,730**	**4.55**	**2.7**
Other locations	**11,633**	**11.9**	**713,828**	**4.66**	**5.1**
OUTSIDE NRW	**1,469**	**1.5**	**96,989**	**5.29**	**1.9**
TOTAL	**97,487**	**100.0**	**6,239,331**	**5.10**	**3.2**

TABLE 4

Performance LEG-Portfolio

		HIGH-GROWTH MARKETS			STABLE MARKETS WITH ATTRACTIVE YIELDS		
		30.09.2014	30.06.2014	30.09.2013	**30.09.2014**	30.06.2014	30.09.2013
Subsidised residential units							
Units		**11,210**	11,266	11,462	**14,566**	14,141	14,365
Area	sqm	**777,405**	780,953	794,584	**995,582**	963,083	983,341
In-place rent	€/sqm	**5.01**	5.00	4.88	**4.49**	4.47	4.34
Vacancy rate	%	**1.1**	1.1	1.2	**3.6**	3.1	3.3
Free-financed residential units							
Units		**20,492**	20,413	20,080	**21,462**	21,085	19,443
Area	sqm	**1,313,420**	1,309,244	1,288,932	**1,310,388**	1,284,406	1,177,929
In-place rent	€/sqm	**6.12**	6.08	5.90	**5.06**	5.02	4.91
Vacancy rate	%	**1.3**	1.4	1.4	**3.9**	3.9	3.7
Total residential units							
Units		**31,702**	31,679	31,542	**36,028**	35,226	33,808
Area	sqm	**2,090,825**	2,090,198	2,083,516	**2,305,969**	2,247,490	2,161,270
In-place rent	€/sqm	**5.71**	5.67	5.51	**4.81**	4.78	4.65
Vacancy rate	%	**1.2**	1.3	1.3	**3.7**	3.6	3.5
Total commercial							
Units							
Area	sqm						
Total parking							
Units							
Total other							
Units							

	30.09.2013					Change in-place rent % like-for-like (30.09.2013–30.09.2014) excl. new lettings 30.09.2013–30.09.2014	Change (basis points) Vacancy rate % like-for-like (30.09.2014)
	Number of LEG apartments	Share of LEG portfolio %	Living space sqm	In-place rent €/sqm	Vacancy rate %		
	31,542	**33.7**	**2,083,516**	**5.51**	**1.3**	**3.5**	**–10**
	8,096	8.7	561,254	5.51	1.7	3.6	– 20
	6,103	6.5	405,044	5.89	0.5	2.4	–10
	3,505	3.7	237,134	5.74	0.5	4.5	–10
	13,838	14.8	880,084	5.28	1.7	3.7	10
	33,808	**36.1**	**2,161,270**	**4.65**	**3.5**	**3.1**	**30**
	12,563	13.4	821,341	4.58	3.1	2.9	10
	3,976	4.3	239,995	4.43	2.6	3.7	–100
	2,327	2.5	142,210	5.24	2.3	4.5	20
	14,942	16.0	957,723	4.68	4.4	2.9	70
	26,698	**28.5**	**1,648,096**	**4.56**	**4.3**	**3.0**	**60**
	6,553	7.0	409,450	4.56	5.5	3.7	160
	4,747	5.1	291,441	4.73	3.2	3.4	70
	4,412	4.7	269,730	4.47	3.0	2.0	– 30
	10,986	11.7	677,475	4.52	4.5	2.8	30
	1,477	**1.6**	**97,476**	**5.06**	**1.1**	**5.3**	**80**
	93,525	**100.0**	**5,990,358**	**4.94**	**3.0**	**3.4**	**26**

	HIGHER-YIELDING MARKETS			OUTSIDE NRW			TOTAL		
	30.09.2014	30.06.2014	30.09.2013	**30.09.2014**	30.06.2014	30.09.2013	**30.09.2014**	30.06.2014	30.09.2013
	8,621	8,454	8,932	**120**	135	154	**34,517**	33,996	34,913
	573,446	560,222	592,345	**9,809**	10,997	12,415	**2,356,241**	2,315,256	2,382,685
	4.29	4.28	4.19	**4.33**	4.30	4.17	**4.62**	4.60	4.49
	4.9	4.5	4.0	**0.8**	0.0	0.0	**3.1**	2.8	2.8
	19,667	18,951	17,766	**1,349**	1,338	1,323	**62,970**	61,787	58,612
	1,172,101	1,127,065	1,055,752	**87,181**	86,234	85,061	**3,883,090**	3,806,950	3,607,673
	4.91	4.86	4.77	**5.40**	5.37	5.19	**5.39**	5.35	5.24
	4.9	5.0	4.4	**2.0**	2.4	1.2	**3.3**	3.4	3.1
	28,288	27,405	26,698	**1,469**	1,473	1,477	**97,487**	95,783	93,525
	1,745,547	1,687,288	1,648,096	**96,989**	97,231	97,476	**6,239,331**	6,122,206	5,990,358
	4.71	4.67	4.56	**5.29**	5.25	5.06	**5.10**	5.07	4.94
	4.9	4.8	4.3	**1.9**	2.2	1.1	**3.2**	3.2	3.0
							1,018	**1,001**	**1,028**
							191,429	**190,595**	**197,635**
							23,746	**23,148**	**22,112**
							913	**875**	**811**

Investing activities

EUR 20.2 million was spent on maintenance and value-adding investments eligible as capital expenditure in the third quarter of 2014 (previous year: EUR 24.3 million), bringing the figure for the first nine months of 2014 to EUR 55.0 million (previous year: EUR 57.9 million). This corresponds to an average investment volume of EUR 8.7 per square metre in the first nine months (previous year: EUR 9.3 per square metre).

EUR 26.7 million (previous year: EUR 24.5 million) of total expenses in the first nine months related to capital expenditure while maintenance recognised as an expense amounted to EUR 28.3 million (previous year: EUR 33.4 million).

The capitalisation rate in the third quarter of 2014 was 52.0% (previous year: 52.7%). A further rise in investment is expected as the year progresses. For the year as a whole investments of around EUR 13 – 14 per square metre are planned. In line with planning, the share of value-adding investments eligible as capital expenditure in 2014 as a whole is expected to be around 50%.

TABLE 5

Market segments

	Residential units	Residential assets € million	Share residential assets %	Value/sqm (€)	In-place rent multiplier	Commercial/other assets € million	Total assets € million
HIGH-GROWTH MARKETS	**31,702**	**2,212**	**44**	**1,064**	**15.7x**	**168**	**2,380**
District of Mettmann	8,088	544	11	972	14.4x	67	612
Muenster	6,100	504	10	1,248	17.3x	36	541
Dusseldorf	3,286	254	5	1,217	16.6x	20	275
Other locations	14,228	909	18	1,004	15.5x	45	953
STABLE MARKETS WITH ATTRACTIVE YIELDS	**36,028**	**1,641**	**33**	**707**	**12.7x**	**86**	**1,728**
Dortmund	12,559	597	12	724	13.2x	38	634
Hamm	3,975	139	3	579	10.6x	4	143
Bielefeld	2,329	132	3	923	14.5x	10	142
Other locations	17,165	774	15	695	12.5x	35	809
HIGHER-YIELDING MARKETS	**28,288**	**1,103**	**22**	**632**	**11.7x**	**45**	**1,149**
District of Recklinghausen	6,567	273	5	634	12.1x	15	288
Duisburg	5,676	241	5	681	11.9x	11	251
Maerkisch District	4,412	154	3	572	10.7x	2	157
Other locations	11,633	435	9	630	11.8x	18	452
NRW PORTFOLIO	**96,018**	**4,957**	**98**	**807**	**13.6x**	**300**	**5,257**
Portfolio outside NRW	1,469	86	2	880	14.0x	10	95
TOTAL PORTFOLIO	**97,487**	**5,043**	**100**	**808**	**13.6x**	**309**	**5,352**
Property, Plant and Equipment (IAS 16, outside property valuation)							3
Leasehold + Land Values							21
Inventories (IAS 2)							4
TOTAL PORTFOLIO							**5,380**

DETAILED INDEX INTERIM MANAGEMENT REPORT

INTERIM MANAGEMENT REPORT

ANALYSIS OF NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Please see the glossary in the 2013 annual report for a definition of individual figures and terms.

RESULTS OF OPERATIONS

The condensed income statement for the reporting period (1 January to 30 September 2014) and the comparative period (1 January to 30 September 2013) is as follows:

TABLE 6

Condensed income statement

€ million	**01.07. – 30.09.2014**	01.07. – 30.09.2013	**01.01. – 30.09.2014**	01.01. – 30.09.2013
Rental and lease income	**73.6**	64.4	**213.1**	188.1
Net income from the disposal of investment properties	**0.0**	– 0.1	**– 0.3**	– 0.8
Net income from the disposal of inventory properties	**–1.0**	0.3	**– 2.6**	–1.4
Net income from other services	**– 0.6**	0.4	**0.0**	1.9
Administrative and other expenses	**–11.6**	–15.8	**– 28.4**	– 38.3
Other income	**0.4**	0.2	**0.6**	0.5
OPERATING EARNINGS	**60.8**	**49.4**	**182.4**	**150.0**
Interest income	**0.3**	0.2	**0.8**	0.8
Interest expense	**– 32.8**	– 29.8	**– 93.8**	– 95.2
Net income from other financial assets and associates	**0.0**	0.0	**7.2**	1.4
Net income from the fair value measurement of derivatives	**–10.8**	– 0.2	**–1.9**	2.3
NET FINANCE EARNINGS	**– 43.3**	**– 29.8**	**– 87.7**	**– 90.7**
EARNINGS BEFORE INCOME TAXES	**17.5**	**19.6**	**94.7**	**59.3**
INCOME TAXES	**– 4.2**	**– 2.4**	**– 26.5**	**– 7.4**
NET PROFIT OR LOSS FOR THE PERIOD	**13.3**	**17.2**	**68.2**	**51.9**

Operating earnings (before taxes) amounted to EUR 182.4 million in the first nine months (previous year: EUR 150.0 million). The main driver in the EUR 32.4 million improvement in operating earnings was the net rental and lease income, which improved as a result of the higher net in-place rent of EUR 17.4 million and lower maintenance expenses. The decline in administrative expenses, which was essentially due to lower project costs and a non-recurring effect as a result of an addition to the provision for a former development project in the same period of the previous year, contributed EUR 9.9 million to the improvement in operating earnings.

The EUR 3.0 million improvement in net finance costs was largely a result of the change in the fair value of derivatives from the convertible bond (EUR 7.0 million) and the reimbursement of payments of income tax arrears by the former owner of the LEG Group under the external audit for periods prior to 2008 (EUR 5.7 million) in the second quarter. The corresponding expense from these income tax payments is reported under income taxes.

Despite a rise in income taxes owing to payments of income tax arrears under the external audit for periods prior to 2008 (EUR 6.1 million) and higher expenses for deferred taxes, the net income for the reporting period was therefore up significantly at EUR 68.2 million.

The condensed income statement for segment reporting in the reporting period from 1 January to 30 September 2014 is as follows:

TABLE 7

Segment reporting 01.01. – 30.09.2014

€ million	Residential	Other	Reconciliation	Group
Rental and lease income	425.3	4.3	–1.6	428.0
Costs of sales of rental and lease	– 214.6	–1.9	1.6	– 214.9
NET RENTAL AND LEASE INCOME	**210.7**	**2.4**	**0,0**	**213.1**
Net income from the disposal of IAS 40 property	– 0.1	– 0.2	–	– 0.3
Net income from remeasurement of IAS 40 property	–	–	–	–
Net income from the disposal of real estate inventory	– 0.3	– 2.3	–	– 2.6
Net income from other services	0.3	19.9	– 20.2	0,0
Administrative and other expenses	– 23.5	– 25.1	20.2	– 28.4
Other income	0.4	0.2	–	0.6
SEGMENT EARNINGS	**187.5**	**– 5.1**	**0,0**	**182.4**

The Housing segment generated operating segment earnings of EUR 187.5 million in the reporting period. The Other segment generated operating segment earnings of EUR – 5.1 million.

The condensed income statement for the comparative period from 1 January to 30 September 2013 by segment is as follows:

TABLE 8

Segment reporting 01.01. – 30.09.2013

€ million	Residential	Other	Reconciliation	Group
Rental and lease income	394.5	5.1	– 0.7	398.9
Costs of sales of rental and lease	– 210.6	–1.8	1.6	– 210.8
NET RENTAL AND LEASE INCOME	**183.9**	**3.3**	**0.9**	**188.1**
Net income from the disposal of IAS 40 property	– 0.3	– 0.5	–	– 0.8
Net income from remeasurement of IAS 40 property	–	–	–	–
Net income from the disposal of real estate inventory	0.4	–1.9	0.1	–1.4
Net income from other services	0.3	26.4	– 24.8	1.9
Administrative and other expenses	– 31.7	– 30.3	23.7	– 38.3
Other income	0.5	–	–	0.5
SEGMENT EARNINGS	**153.1**	**– 3.0**	**– 0.1**	**150.0**

The Housing segment generated operating segment earnings of EUR 153.1 million in the same period of the previous year. The Other segment generated operating segment earnings of EUR – 3.0 million.

The largest share of income in the Other segment is accounted for by income from service agreements between LEG Management GmbH and property companies in the Housing segment. The resulting income in the Other segment and the corresponding expenses in the Housing segment are internal to the Group and are eliminated in the »Reconciliation« column.

Intragroup transactions between the segments are conducted at arm's length conditions.

NET RENTAL AND LEASE INCOME

TABLE 9

Net rental and lease income

€ million	01.07. – 30.09.2014	01.07. – 30.09.2013	01.01. – 30.09.2014	01.01. – 30.09.2013
Gross rental income	**226.2**	149.0	**447.8**	340.3
of which: rental income	**97.6**	91.1	**286.6**	269.2
Other income	**– 84.0**	– 10.4	**– 19.8**	58.6
RENTAL AND LEASE INCOME (GROSS)	**142.2**	**138.6**	**428.0**	**398.9**
Purchased services	**– 54.8**	– 62.0	**– 173.7**	– 172.9
Staff costs	**– 7.7**	– 7.7	**– 24.4**	– 25.2
thereof IPO costs	**–**	–	**–**	– 2.1
Depreciation and amortisation expenses	**– 1.0**	– 1.0	**– 3.1**	– 3.1
Other operating income	**– 5.1**	– 3.5	**– 13.7**	– 11.7
Reimbursement of IPO costs by shareholders	**–**	–	**–**	2.1
COSTS OF SALES IN CONNECTION WITH RENTAL AND LEASE INCOME	**– 68.6**	**– 74.2**	**– 214.9**	**– 210.8**
NET RENTAL AND LEASE INCOME	**73.6**	**64.4**	**213.1**	**188.1**
NET OPERATING INCOME – MARGIN %	**75.4**	**70.7**	**74.4**	**69.9**

In the first nine months of 2014, the LEG Group increased its net rental and lease income by EUR 25.0 million compared to the previous year. The main drivers in this development were the EUR 17.4 million rise in net in-place rent and the lower maintenance expenses (down EUR 5.1 million).

Rent increases and the acquisitions of property portfolios contributed to a rise in net in-place rent of 6.5% year-on-year to EUR 286.6 million in the reporting period. Organic growth in apartment rent for this period was 3.2%.

Significantly more utility bills were issued in the first three quarters of 2014 than in the same period of the previous year. This resulted in a shift in reporting in favour of income from cost allocations (reported in rental income) and at the expense of the reduction of work in progress in the same amount (reported in other income).

The LEG Group continued to invest selectively in its properties in the reporting period. At EUR 55.0 million to date, total investment has been EUR 2.9 million lower than in the same period of the previous year. EUR 2.7 million of total investments related to acquisitions.

TABLE 10

Maintenance and modernisation of investment properties

€ million	01.07. – 30.09.2014	01.07. – 30.09.2013	01.01. – 30.09.2014	01.01. – 30.09.2013
Maintenance expenses for investment properties	**9.7**	11.5	**28.3**	33.4
Capital expenditure	**10.5**	12.8	**26.7**	24.5
TOTAL INVESTMENT	**20.2**	**24.3**	**55.0**	**57.9**
Area of investment properties in million sqm	**6.30**	6.20	**6.30**	6.20
AVERAGE INVESTMENT PER SQM (€/SQM)	**3.2**	**3.9**	**8.7**	**9.3**

In particular, investments in vacant apartments led to a rise in capitalised modernisation work from EUR 24.5 million in total in the same period of the previous year to EUR 26.7 million in the reporting period.

An unusually high share of maintenance work was performed in the first nine months of the same period of the previous year, which largely led to a reduction in maintenance work to EUR 28.3 million in the reporting period. One key area of maintenance work was in connection with renovation work for successful new lease signings.

The planned modernisation activities are set to increase as the financial year progresses, and thus a rise in investment is anticipated in the fourth quarter. This is expected to entail a further planned slight increase in value enhancing measures eligible for capitalisation. Compliance with the requirements of the social charter relating to the minimum investment volume is assured.

NET INCOME FROM THE DISPOSAL OF INVESTMENT PROPERTY

TABLE 11

Net income from the disposal of investment properties

€ million	01.07. – 30.09.2014	01.07. – 30.09.2013	01.01. – 30.09.2014	01.01. – 30.09.2013
Income from the disposal of investment properties	**11.3**	3.5	**31.4**	8.0
Carrying amount of the disposal of investment properties	**–11.1**	–3.2	**–31.0**	–7.8
Costs of sales of investment properties sold	**–0.2**	–0.4	**–0.7**	–1.0
NET INCOME FROM THE DISPOSAL OF INVESTMENT PROPERTIES	**0.0**	**–0.1**	**–0.3**	**–0.8**

Investment property was again sold in the reporting period for the purposes of selective portfolio streamlining. A commercial property for which the purchase agreement was signed in December 2013 was transferred to the buyer in the second quarter of 2014. The purchase price and the carrying amount were both EUR 14.2 million.

Some of the residential properties that are not a part of the strategic core portfolio were sold in block sales. The sales proceeds were slightly higher than the carrying amounts overall.

Minor savings in staff costs and legal and consulting costs for the sale of investment property contributed to a slight decline in the cost of sales.

NET INCOME FROM THE DISPOSAL OF REAL ESTATE INVENTORY

TABLE 12

Net income from the disposal of inventory properties

€ million	**01.07. – 30.09.2014**	01.07. – 30.09.2013	**01.01. – 30.09.2014**	01.01. – 30.09.2013
Income from the disposal of inventory properties	**1.6**	5.0	**5.5**	5.8
Carrying amount of inventory properties sold	**–1.2**	–3.8	**–4.9**	–4.3
Costs of sales in connection with inventory properties sold	**–1.4**	–0.9	**–3.2**	–2.9
NET INCOME FROM THE DISPOSAL OF INVENTORY PROPERTIES	**–1.0**	**0.3**	**–2.6**	**–1.4**

The sale of the remaining properties of the former Development division continued successfully in the reporting period. The sale of developed land in Bonn contributed to this result with proceeds of EUR 3.2 million and a carrying amount disposal of EUR 3.1 million. Development land in Dortmund was sold in the third quarter of the reporting period for EUR 1.3 million. Its carrying amount was EUR 1.0 million.

The remaining real estate inventory as at 30 September 2014 amounted to EUR 4.3 million, EUR 3.0 million of which related to properties under development.

The cost of sales of real estate inventory sold was therefore at a similar level to the same period of the previous year. The provisions for services yet to be performed for a property already sold were increased slightly by EUR 0.5 million. This was offset by a drop in staff costs of EUR 0.3 million for the disposal of real estate inventory.

NET INCOME FROM OTHER SERVICES

TABLE 13

Other services

€ million	**01.07. – 30.09.2014**	01.07. – 30.09.2013	**01.01. – 30.09.2014**	01.01. – 30.09.2013
Income from other services	**2.0**	2.2	**6.6**	7.1
Expenses in connection with other services	**–2.6**	–1.8	**–6.6**	–5.2
NET INCOME FROM OTHER SERVICES	**–0.6**	**0.4**	**0.0**	**1.9**

Net income from other services essentially includes income from electricity and heat fed to the grid in addition to IT services for third parties.

The decline in income resulted from a decrease in sales from the generation of electricity. Rising costs of materials for the generation of electricity and heat and the one-time addition to a provision contributed to the increase in expenses in connection with other services.

ADMINISTRATIVE AND OTHER EXPENSES

TABLE 14

Administrative and other expenses

€ million	01.07. – 30.09.2014	01.07. – 30.09.2013	01.01. – 30.09.2014	01.01. – 30.09.2013
Other operating expenses	**– 5.4**	– 9.0	**– 9.8**	– 25.7
Staff costs	**– 5.3**	– 5.9	**–16.3**	–19.2
Purchased services	**– 0.3**	– 0.2	**– 0.7**	– 0.8
Depreciation and amortisation	**– 0.6**	– 0.5	**–1.6**	–1.7
IPO costs reimbursement	**–**	– 0.2	**–**	9.1
ADMINISTRATIVE AND OTHER EXPENSES	**–11.6**	**–15.8**	**– 28.4**	**– 38.3**

The decline in other operating expenses essentially results from non-recurring effects. The IPO in the same period of the previous year caused consulting and non-staff operating costs of EUR 6.6 million; project-related, non-recurring costs declined by EUR 2.8 million. The increase in the provision for risks from a former Development project added EUR 4.1 million to other operating expenses in the same period of the previous year.

A main reason for the reduction in staff costs is the absence of performance bonuses, which were paid as part of the IPO in 2013. The share attributable to administrative and other expenses amounted to EUR 2.5 million. The long-term incentive (LTI) programme resulted in EUR 1.5 million lower expenses in the reporting period. This was offset by rising ongoing staff costs, which were affected by higher expenses under the short-term incentive (STI) programme (increase of EUR 0.5 million).

Despite the growing size of the portfolio and the adjustment of standard wages, current administrative expenses were reduced slightly from EUR 25.4 million in the same period of the previous year to EUR 23.9 million in the reporting period. In particular, this reflects the positive cost effects of the reduction in the number of Supervisory Board members and the decline in consulting and non-staff operating costs.

NET FINANCE COSTS

TABLE 15

Net finance costs

€ million	01.07. – 30.09.2014	01.07. – 30.09.2013	01.01. – 30.09.2014	01.01. – 30.09.2013
Interest income	**0.3**	0.2	**0.8**	0.8
Interest expenses	**– 32.8**	– 29.8	**– 93.8**	– 95.2
NET INTEREST INCOME	**– 32.5**	**– 29.6**	**– 93.0**	**– 94.4**
Net income from other financial assets and other investments	**0,0**	0,0	**7.2**	1.4
Net income from the fair value measurement of derivatives	**–10.8**	– 0.2	**–1.9**	2.3
NET FINANCE COSTS	**– 43.3**	**– 29.8**	**– 87.7**	**– 90.7**

The reduction in interest expenses from EUR 95.2 million in the same period of the previous year to EUR 93.8 million in the period under review is essentially due to the decline in interest expenses from loan amortisation (EUR 1.3 million). The drop in interest expenses from loan amortisation results in particular from the refinancing activities in 2013 and the refinancing of high fixed-rate WFA loans in the 2014 financial year. This was countered by the effects of acquisition financing.

The interest expenses from loan amortisation include the measurement of the convertible bond at amortised cost in the amount of EUR 2.9 million.

After adjustment for prepayment penalties and other items, cash interest expenses thus climbed to EUR 70.4 million (previous year: EUR 67.0 million). The main factors driving this increase were new loans in the context of acquisition financing.

The rise in net income from investment securities essentially results from the reimbursement of payments of tax arrears by the former shareholder for external tax audits for the years 2005 to 2008 in the amount of EUR 5.7 million. The corresponding cost of EUR 6.1 million is reported in income taxes. Provisions were recognised in previous years for the risk of the portion to be paid by the company in the amount of EUR 0.4 million. The utilisation of the provision is reported in administrative expenses.

The net income from the fair value measurement of derivatives in the reporting period primarily results from changes in the fair value of derivatives from the convertible bond of EUR 7.0 million, EUR – 9.1 million of which in the third quarter.

The average interest rate for the entire loan portfolio declined to 2.93% (30 September 2013: 3.3%) on an average term of 9.8 years.

INCOME TAXES

TABLE 16

Income taxes

€ million	**01.07. – 30.09.2014**	01.07. – 30.09.2013	**01.01. – 30.09.2014**	01.01. – 30.09.2013
Current income taxes	**– 0.2**	– 0.0	**– 6.8**	0.2
Deferred taxes	**– 4.0**	– 2.4	**–19.7**	– 7.6
INCOME TAXES	**– 4.2**	**– 2.4**	**– 26.5**	**– 7.4**

As in the same period of the previous year, an effective Group tax rate of 21.3% was assumed as at 30 September 2014 in accordance with tax planning.

The rise in income taxes from EUR – 7.4 million in the previous year to EUR – 26.5 million in the reporting period is essentially due to higher consolidated earnings before taxes and payments of tax arrears from external audits.

The current income taxes as at 30 September 2014 of EUR 6.1 million include payments of tax arrears from external audits for the years 2005 to 2008. Around EUR 5.7 million of this was reimbursed by the shareholder at the time on the basis of an obligation under the sale agreement. The reimbursement amount is reported in net income from investment securities.

Furthermore, in the same period of the previous year, deferred tax income of EUR 5.0 million from the recognition of deferred tax assets on tax loss carryforwards was taken into account. As a partial utilisation of tax loss carryforwards is assumed for the 2014 financial year, a deferred tax expense of EUR 1.3 million was recognised in the reporting period. In connection with the higher consolidated earnings before taxes, this led to a rise in deferred tax expense of EUR 12.1 million as against the same period of the previous year.

RECONCILIATION TO FFO

A key performance indicator in the LEG Group is FFO I. The LEG Group distinguishes between FFO I (not including net income from the disposal of investment property), FFO II (including net income from the disposal of investment property) and AFFO (FFO I adjusted for capex). Details of the calculation system for each indicator 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:

TABLE 17

Calculation of FFO I, FFO II and AFFO

€ million	**01.07. – 30.09.2014**	01.07. – 30.09.2013	**01.01. – 30.09.2014**	01.01. – 30.09.2013
NET PROFIT OR LOSS FOR THE PERIOD (IFRS)	**13.3**	**17.2**	**68.2**	**51.9**
Interest income	**– 0.3**	– 0.2	**– 0.8**	– 0.8
Interest expenses	**32.8**	29.8	**93.8**	95.2
NET INTEREST INCOME	**32.5**	**29.6**	**93.0**	**94.4**
Other financial expenses	**10.8**	0.2	**– 5.3**	– 3.7
Income taxes	**4.2**	2.4	**26.5**	7.4
EBIT	**60.8**	**49.4**	**182.4**	**150.0**
Depreciation and amortisation expenses	**2.2**	2.3	**6.4**	6.5
EBITDA	**63.0**	**51.7**	**188.8**	**156.5**
Measurement at fair value of investment properties	**–**	–	**–**	–
LTIP (long-term incentive programme)	**0.3**	0.8	**0.9**	2.6
Non-recurring project costs	**1.9**	1.1	**2.7**	5.8
Extraordinary and prior-period expenses and income	**–**	3.5	**0.1**	3.2
Net income from the disposal of investment properties	**0.0**	0.1	**0.3**	0.8
Net income from the disposal of real estate inventory	**1.0**	– 0.3	**2.6**	1.4
ADJUSTED EBITDA	**66.2**	**56.9**	**195.4**	**170.3**
Cash interest expenses and income	**– 23.7**	– 21.8	**– 70.4**	– 67.0
Cash income taxes	**– 0.2**	–	**– 1.1**	0.2
FFO I (NOT INCLUDING DISPOSAL OF INVESTMENT PROPERTIES)	**42.3**	**35.1**	**123.9**	**103.5**
Net income from the disposal of investment properties	**0.0**	– 0.1	**– 0.3**	– 0.8
FFO II (INCL. DISPOSAL OF INVESTMENT PROPERTIES)	**42.3**	**35.0**	**123.6**	**102.7**
Capex	**– 10.5**	– 12.8	**– 26.7**	– 24.5
CAPEX-ADJUSTED FFO I (AFFO)	**31.8**	**22.3**	**97.2**	**79.0**

At EUR 123.9 million in the reporting period, FFO I (not including net income from the disposal of investment property) was 19.7% higher than in the same period of the previous year (EUR 103.5 million). In particular, the increase shows the effects of the rise in net in-place rent including the effects of the acquisitions performed and the lower maintenance expenses as against the same period of the previous year. An increase in maintenance expenses is expected in the remainder of the 2014 financial year.

NET ASSET SITUATION (CONDENSED STATEMENT OF FINANCIAL POSITION)

The condensed statement of financial position is as follows:

TABLE 18

Net assets (condensed balance sheet)

€ million	30.09.2014	31.12.2013
Investment properties	**5,348.0**	5,163.4
Prepayments for investment properties	**–**	6.9
Other non-current assets	**91.7**	91.9
Non-current assets	**5,439.7**	5,262.2
Receivables and other assets	**60.3**	33.8
Cash and cash equivalents	**303.6**	110.7
Current assets	**363.9**	144.5
Assets held for disposal	**6.8**	16.4
TOTAL ASSETS	**5,810.4**	**5,423.1**
Equity	**2,230.5**	2,276.1
Non-current financial liabilities	**2,720.8**	2,396.7
Other non-current liabilities	**542.2**	443.9
Non-current liabilities	**3,263.0**	2,840.6
Current financial liabilities	**189.9**	187.0
Other current liabilities	**127.0**	119.4
Current liabilities	**316.9**	306.4
TOTAL EQUITY AND LIABILITIES	**5,810.4**	**5,423.1**

Total assets amounted to EUR 5,810.4 million as at the end of the reporting period (31 December 2013: EUR 5,423.1 million).

The largest item on the assets side is non-current assets at EUR 5,439.7 million. The main asset of the LEG Group is its investment property in the amount of EUR 5,348.0 million as at 30 September 2014 (31 December 2013: EUR 5,163.4 million). This corresponds to 92.0% of total assets as at 30 September 2014 (31 December 2013: 95.2%).

The issue of the convertible bond, cash flow from operating activities of EUR 96.6 million and, offsetting this, the dividend distribution (EUR 91.6 million) and the payments for the property portfolios acquired were key aspects in the development of cash and cash equivalents, which rose to EUR 303.6 million as against 31 December 2013.

The main items of equity and liabilities were the reported equity in the amount of EUR 2,230.5 million (31 December 2013: EUR 2,276.1 million) and financial liabilities of EUR 2,910.7 million (31 December 2013: EUR 2,583.7 million).

The net income for the period (EUR 68.2 million), the distribution of EUR 91.6 million and losses on the measurement at market value of interest rate derivatives reported in other comprehensive income (EUR 28.8 million) were the main drivers behind the temporarily slight decline in equity. The rise in financial liabilities as at 30 September 2014 as against 31 December 2013 is essentially due to the convertible bond (EUR 253.9 million).

NET ASSET VALUE (NAV)

Another key performance indicator in the LEG Group is NAV. Details of the calculation system can be found in the glossary in the 2013 annual report.

The LEG Group reported EPRA NAV of EUR 2,587.4 million as at 30 September 2014.

TABLE 19

EPRA-NAV

€ million	30.09.2014	31.12.2013
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	**2,197.4**	**2,248.8**
NON-CONTROLLING INTERESTS	**33.1**	**27.3**
EQUITY	**2,230.5**	**2,276.1**
Effect of exercising options, convertible bonds and other rights	**–**	–
NAV	**2,197.4**	**2,248.8**
Fair value measurement of derivative financial instruments	**93.8**	52.0
Deferred taxes	**296.2**	271.1
EPRA NAV	**2,587.4**	**2,571.9**
Number of shares	**52,963,444**	52,963,444
EPRA NAV PER SHARE IN €	**48.85**	**48.56**

LOAN TO VALUE VERHÄLTNIS (LTV)

Net debt in relation to property assets rose slightly compared to 31 December 2013. The loan-to-value ratio (LTV) is therefore 48.7% (31 December 2013: 47.7%).

TABLE 20

Loan-to-value ratio

€ million	30.09.2014	31.12.2013
Financial liabilities	**2,910.7**	2,583.7
less cash and cash equivalents	**303.6**	110.7
NET FINANCIAL LIABILITIES	**2,607.1**	**2,473.0**
Investment properties	**5,348.0**	5,163.4
Assets held for disposal	**6.8**	16.4
Prepayments for investment properties	**–**	6.9
REAL ESTATE ASSETS	**5,354.8**	**5,186.7**
LOAN TO VALUE RATIO (LTV) IN %	**48.7**	**47.7**

FINANCIAL POSITION

Net income of EUR 68.2 million was generated in the reporting period (previous year: EUR 51.9 million). Equity amounted to EUR 2,230.5 million as at the end of the reporting period (31 December 2013: EUR 2,276.1 million). This corresponds to an equity ratio of 38.4% (31 December 2013: 42.0%).

On 7 April 2014 LEG Immobilien AG issued a non-subordinated, unsecured convertible bond maturing in 2021 with a total nominal amount of EUR 300 million.

The condensed statement of cash flows of the LEG Group for the reporting period is as follows:

TABLE 21

Statement of cash flows

€ million	01.01. – 30.09.2014	01.01. – 30.09.2013
Cash flow from operating activities	**96.6**	59.8
Cash flow from investing activities	**–167.6**	–128.3
Cash flow from financing activities	**263.9**	– 22.2
CHANGE IN CASH AND CASH EQUIVALENTS	**192.9**	**– 90.7**

In a year-to-date comparison, the higher payments of net in-place rent and advances on incidental costs in addition to lower payments for operating costs as a result of later payment dates in particular affected the cash flow from operating activities. This was offset by higher cash interest expenses.

Acquisitions and modernisation work on the existing portfolio contributed to the cash flow from investing activities with payments of EUR –197.4 million. Furthermore, proceeds from properties sold of EUR 31.4 million contributed to a cash flow from investing activities of EUR –167.6 million.

The rise in cash flow from financing activities to EUR 263.9 million was essentially due to the issue of the convertible bond. EUR 295.9 million was recognised from the issue of the convertible bond less all incidental costs of acquisition in the second quarter of 2014. This was offset in particular by the dividend distribution in June 2014 in the amount of EUR 91.6 million.

The LEG Group was solvent at all times in the reporting period.

SUPPLEMENTARY REPORT

On 9 October 2014 LEG Immobilien AG signed an agreement for the acquisition of shares as well as a property portfolio transaction of around 9,600 residential units of Deutsche Annington. Including the transaction costs, the total investment amounts to EUR 484 million. The portfolio is distributed over various locations in NRW, while its most important local markets are Mönchengladbach, Wuppertal and Leverkusen. The current in-place rent is around EUR 35 million, rent per square metre EUR 4.76 and the vacancy rate is 3.9%. 55 employees (FTEs) will be taken on in the context of the transaction. Following antitrust approval, the transaction was closed on 23 October 2014.

At the same time, LEG Immobilien AG increased its share capital by a nominal amount of EUR 4,100,000 by issuing 4,100,000 new, registered shares in the company at EUR 50 each. The shares were offered to institutional investors by way of accelerated bookbuilding. The net issue proceeds are to be used to continue the acquisition strategy and thereby to generate further positive economies of scale while at the same time optimising the capital structure.

Furthermore, 2,365,940 shares from the holdings of Perry Luxco RE S.à r.l. were placed at the accelerated bookbuilding on 9 October 2014. Its share of the voting rights in LEG Immobilien AG is therefore 2.99% (1,711,902 voting rights) and below the threshold of 3%. The new placement of the shares had the effect of further increasing the free float of LEG shares.

A loan of EUR 38.0 million was disbursed as at 22 October 2014 in the context of acquisition financing for various property portfolios.

There were no other significant events after the end of the interim reporting period on 30 September 2014.

RISK AND OPPORTUNITY REPORT

The risks and opportunities faced by LEG in its operating activities were described in detail in the 2013 annual report. To date, no further risks that would lead to a different assessment have arisen or become discernible in the fiscal year 2014.

FORECAST REPORT

On the basis of the business performance in the first nine months of the current financial year, LEG feels it is well on its way to achieving – and in some cases surpassing – its goals for 2014 as a whole.

The forecast range for the key performance indicator FFO I of EUR 158 to EUR 161 million can be confirmed. In addition, the first positive effects are expected from the pro rata temporis inclusion in consolidation of the approximately 9,600 residential units recently acquired effective from the end of October 2014.

After the first three quarters, LEG is still assuming that it can achieve its intended rent growth per square metre of around 3% on a like-for-like basis in line with planning. The occupancy rate is also expected to continue developing positively. Investment is set to be around EUR 13 – 14 per square metre.

Including the most recent acquisition of around 9,600 residential units on 9 October 2014, roughly 19,000 residential units have been acquired since the IPO. The acquisition target of 10,000 residential units by the end of 2014 has therefore already been significantly exceeded.

The expected earnings effects of the acquisitions and the positive prospects for organic growth indicate that the momentum in profit performance will continue in 2015. LEG is assuming FFO I in a range of EUR 188 to EUR 193 million or EUR 3.29 to EUR 3.39 per share for 2015. This earnings outlook does not yet factor in any further effects expected from planned future acquisitions.

DETAILED INDEX CONSOLIDATED INTERIM FINANCIAL STATEMENT

CONSOLIDATED INTERIM FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TABLE 22

Assets

€ million	30.09.2014	31.12.2013
Non-current assets	**5,439.7**	**5,262.2**
Investment properties	**5,348.0**	5,163.4
Prepayments for investment properties	**–**	6.9
Property, plant and equipment	**62.4**	66.7
Intangible assets	**3.2**	4.3
Investments in associates	**8.5**	9.2
Other financial assets	**2.5**	3.6
Receivables and other assets	**0.9**	2.8
Deferred tax assets	**14.2**	5.3
Current assets	**363.9**	**144.5**
Real estate inventory and other inventory	**4.5**	10.1
Receivables and other assets	**54.0**	21.0
Income tax receivables	**1.8**	2.7
Cash and cash equivalents	**303.6**	110.7
Assets held for sale	**6.8**	**16.4**
TOTAL ASSETS	**5,810.4**	**5,423.1**

Equity and liabilities

€ million	30.09.2014	31.12.2013
Equity	**2,230.5**	**2,276.1**
Share capital	**53.0**	53.0
Capital reserves	**441.8**	440.9
Cumulative other reserves	**1,702.6**	1,754.9
Equity attributable to shareholders of the parent company	**2,197.4**	2,248.8
Non-controlling interests	**33.1**	27.3
Non-current liabilities	**3,263.0**	**2,840.6**
Pension provisions	**111.7**	112.3
Other provisions	**15.2**	12.7
Financing liabilities	**2,720.8**	2,396.7
Other liabilities	**149.5**	63.5
Tax liabilities	**16.3**	24.2
Deferred tax liabilities	**249.5**	231.2
Current liabilities	**316.9**	**306.4**
Pension provisions	**6.1**	6.1
Other provisions	**16.9**	17.9
Provisions for taxes	**0.1**	0.0
Financing liabilities	**189.9**	187.0
Other liabilities	**85.9**	77.6
Tax liabilities	**18.0**	17.8
TOTAL EQUITY AND LIABILITIES	**5,810.4**	**5,423.1**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TABLE 23

Consolidated statement of comprehensive income

€ million	01.07. – 30.09.2014	01.07. – 30.09.2013	01.01. – 30.09.2014	01.01. – 30.09.2013
Net rental and lease income	73.6	64.4	213.1	188.1
Rental and lease income	142.2	138.6	428.0	398.9
Cost of sales in connection with rental lease income	–68.6	–74.2	–214.9	–210.8
Net income from the disposal of investment properties	0.0	–0.1	–0.3	–0.8
Income from the disposal of investment properties	11.3	3.5	31.4	8.0
Carrying amount of the disposal of investment properties	–11.1	–3.2	–31.0	–7.8
Cost of sales in connection with disposed investment properties	–0.2	–0.4	–0.7	–1.0
Net income from the disposal of real estate inventory	–1.0	0.3	–2.6	–1.4
Income from the real estate inventory disposed of	1.6	5.0	5.5	5.8
Carrying amount of the real estate inventory disposed of	–1.2	–3.8	–4.9	–4.3
Costs of sales of the real estate inventory disposed of	–1.4	–0.9	–3.2	–2.9
Net income from other services	–0.6	0.4	0.0	1.9
Income from other services	2.0	2.2	6.6	7.1
Expenses in connection with other services	–2.6	–1.8	–6.6	–5.2
Administrative and other expenses	–11.6	–15.8	–28.4	–38.3
Other income	0.4	0.2	0.6	0.5
OPERATING EARNINGS	**60.8**	**49.4**	**182.4**	**150.0**
Interest income	0.3	0.2	0.8	0.8
Interest expenses	–32.8	–29.8	–93.8	–95.2
Net income from investment securities and other equity investments	0.0	0.0	7.2	1.4
Net income from the fair value measurement of derivatives	–10.8	–0.2	–1.9	2.3
EARNINGS BEFORE INCOME TAXES	**17.5**	**19.6**	**94.7**	**59.3**
Income taxes	–4.2	–2.4	–26.5	–7.4
NET PROFIT OR LOSS FOR THE PERIOD	**13.3**	**17.2**	**68.2**	**51.9**
Change in amounts recognised directly in equity				
Fair value adjustment of interest rate derivatives in hedges	–6.0	–	–28.8	24.8
Change in unrealised gains/losses	–8.2	–	–39.1	32.7
Income taxes on amounts recognised directly in equity	2.2	–	10.3	–7.9
TOTAL COMPREHENSIVE INCOME	**7.3**	**17.2**	**39.4**	**76.7**
Net profit or loss for the period attributable to:				
Non-controlling interests	0.0	0.2	0.3	0.7
Parent shareholders	13.3	17.0	67.9	51.2
Total comprehensive income attributable to:				
Non-controlling interests	0.0	0.2	0.1	0.9
Parent shareholders	7.3	17.0	39.3	75.8
EARNINGS PER SHARE (UNDILUTED) IN €	**0.3**	**0.4**	**1.3**	**1.0**
EARNINGS PER SHARE (DILUTED) IN €	**0.2**	**0.4**	**1.2**	**1.0**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

TABLE 24

Statement of changes in consolidated equity

€ million	Share capital	Capital reserves	Revenue reserves
AS OF 01.01.2013	**53.0**	**436.1**	**1,653.4**
Net profit or loss for the period	–	–	51.2
Other comprehensive income	–	–	–
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**51.2**
Change in consolidated companies	–	–	–
Capital increase	–	40.6	–
Withdrawals from reserves	–	–	–
Distributions	–	–	– 21.7
Contribution in connection with Management and Supervisory Board	–	2.6	–
AS OF 30.09.2013	**53.0**	**479.3**	**1,682.9**
AS OF 01.01.2014	**53.0**	**440.9**	**1,805.9**
Net profit or loss for the period	–	–	67.9
Other comprehensive income	–	–	–
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**67.9**
Change in consolidated companies	–	–	–
Capital increase	–	–	–
Withdrawals from reserves	–	–	–
Distributions	–	–	– 91.6
Contribution in connection with Management and Supervisory Board	–	0.9	–
AS OF 30.09.2014	**53.0**	**441.8**	**1,782.2**

Cumulative other reserves					
	Actuarial gains and losses from the measurement of pension obligations	Fair value adjustment of interest derivatives in hedges	Equity attributable to shareholders of the Group	Non-controlling interests	Consolidated equity
	– 22.3	**– 59.6**	**2,060.6**	**24.9**	**2,085.5**
	–	–	51.2	0.7	51.9
	–	24.6	24.6	0.2	24.8
	–	**24.6**	**75.8**	**0.9**	**76.7**
	–	–	–	–	–
	–	–	40.6	0.3	40.9
	–	–	–	–	–
	–	–	– 21.7	–	– 21.7
	–	–	2.6	–	2.6
	– 22.3	**– 35.0**	**2,157.9**	**26.1**	**2,184.0**
	–16.6	**– 34.4**	**2,248.8**	**27.3**	**2,276.1**
	–	–	67.9	0.3	68.2
	–	– 28.6	– 28.6	– 0.2	– 28.8
	–	**– 28.6**	**39.3**	**0.1**	**39.4**
	–	–	–	5.1	5.1
	–	–	–	0.6	0.6
	–	–	–	–	–
	–	–	– 91.6	–	– 91.6
	–	–	0.9	–	0.9
	–16.6	**– 63.0**	**2,197.4**	**33.1**	**2,230.5**

CONSOLIDATED STATEMENT OF CASH FLOWS

TABLE 25

Consolidated statement of cash flows

€ million	01.01. – 30.09.2014	01.01. – 30.09.2013
Operating earnings	182.4	150.0
Depreciation on property, plant and equipment and amortisation on intangible assets	6.4	6.4
(Gains)/Losses from the disposal of assets held for sale and investment properties	– 0.4	– 0.2
(Reduction)/Increase in pension provisions and other non-current provisions	1.8	1.9
Other non-cash income and expenses	4.5	5.8
(Reduction)/Increase in receivables, inventories and other assets	– 28.2	– 5.8
Reduction/(Increase) in liabilities (not including financing liabilities) and provisions	8.0	– 23.1
Interest paid	– 71.2	– 67.9
Interest received	0.8	0.9
Received income from investments	7.9	1.4
Taxes received	1.4	0.3
Taxes paid	–16.8	– 9.9
NET CASH FROM/USED IN OPERATING ACTIVITIES	96.6	59.8
Cash flow from investing activities		
Investments in investment properties	–197.4	–136.5
Proceeds from disposals of non-current assets held for sale and investment properties	31.4	8.0
Investments in intangible assets and property, plant and equipment	–1.9	– 0.4
Proceeds from disposals of financial assets and other assets	0.3	0.6
NET CASH FROM/USED IN INVESTING ACTIVITIES	–167.6	–128.3
Cash flow from financing activities		
Borrowing of bank loans	134.8	349.5
Repayment of bank loans	– 73.7	– 348.0
Emission of convertible bonds	296.1	–
Repayment of lease liabilities	– 2.1	– 2.0
Investments via shareholders	0.4	–
Distribution to shareholders	– 91.6	– 21.7
NET CASH FROM/USED IN FINANCING ACTIVITIES	263.9	– 22.2
Change in cash and cash equivalents	192.9	– 90.7
Cash and cash equivalents at beginning of period	110.7	133.7
CASH AND CASH EQUIVALENTS AT END OF PERIOD	303.6	43.0
Composition of cash and cash equivalents		
Cash in hand, bank balances	303.6	43.0
CASH AND CASH EQUIVALENTS AT END OF PERIOD	303.6	43.0

SELECTED NOTES ON THE IFRS CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

1. BASIC INFORMATION ON THE GROUP

LEG Immobilien AG, Dusseldorf (hereinafter: »LEG Immo«), its subsidiary LEG NRW GmbH, Dusseldorf (hereinafter: »LEG«) and the subsidiaries of the latter company (hereinafter referred to collectively as the »LEG Group«) are among the largest housing companies in Germany. As at 30 September 2014, the LEG Group had a portfolio of 98,505 units (residential and commercial).

LEG Immo, Hans-Boeckler-Strasse 38, 40476 Dusseldorf, Germany, was formed on 9 May 2008 and is entered in the commercial register of the Dusseldorf Local Court under HRB 69386. LEG NRW, the main subsidiary of LEG Immo, was formed in 1970. The company is also domiciled at Hans-Boeckler-Strasse 38, 40476 Dusseldorf, Germany, and is entered in the commercial register of the Dusseldorf Local Court under HRB 12200.

As an integrated property company, LEG Immo and its subsidiaries perform three core activities: the long-term, value-adding management of its residential property portfolio, the strategic acquisition of residential portfolios to generate long-term value enhancement and the expansion of tenant-oriented services.

By way of entry in the commercial register on 11 January 2013, LEG Immobilien GmbH underwent a change in legal form and was renamed LEG Immobilien AG.

LEG Immo went public on 1 February 2013 with the initial listing of its shares in the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange.

The consolidated interim financial statements have been prepared in euro. Unless indicated otherwise, all figures are rounded to millions of euro (EUR million). For technical reasons, tables and references may contain rounded figures that differ from the exact mathematical values.

2. THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

LEG Immo has prepared its consolidated interim financial statements in accordance with the provisions of the International Financial Reporting Standards (IFRS) for interim reporting, as endorsed in the EU, and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC). The notes have been presented in condensed form in accordance with the option under IAS 34.10. The condensed consolidated interim financial statements have neither been audited nor reviewed by an auditor.

The LEG Group primarily generates income from the rental and letting of investment property. Rental and letting is largely unaffected by seasonal and economic influences.

3. ACCOUNTING POLICIES

The accounting policies applied in the consolidated interim financial statements of the LEG Group are the same as those presented in the IFRS consolidated financial statements of LEG Immo as at 31 December 2013. These consolidated interim financial statements as at 30 September 2014 should therefore be read in conjunction with the consolidated financial statements as at 31 December 2013.

The new standards and interpretations effective from 1 January 2014 have been adopted by the LEG Group in full, though their application has no significant effect on the net assets, financial position or results of operations.

4. CHANGES IN THE GROUP

There were three mergers within the Group in the first quarter of 2014, with the result that the number of subsidiaries included in consolidation in the LEG Group was reduced accordingly. These changes in consolidation have no effect on the net assets, financial position and results of operations of the Group.

Grundstücksgesellschaft DuHa mbH, Dusseldorf, was acquired and included in consolidation for the first time as at 1 July 2014 in the context of a portfolio acquisition.

5. JUDGEMENTS AND ESTIMATES

The preparation of IFRS interim consolidated financial statements requires assumptions and estimates affecting the carrying amounts of the assets and liabilities recognised, income and expenses and the disclosure of contingent liabilities. In particular, these assumptions and estimates relate to the measurement of investment property, the recognition and measurement of provisions for pensions, the recognition and measurement of other provisions, the measurement of financial liabilities and the recognition of deferred tax assets.

Although the management believes the assumptions and estimates to be appropriate, unforeseeable changes to these assumptions can influence the Group's net assets, financial position and results of operations.

For further information, please see the consolidated financial statements as at 31 December 2013.

6. SELECTED NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014, the LEG Group had a portfolio of 97,487 residential units and 1,018 commercial units.

Investment property developed as follows in the 2013 financial year and in 2014 up to the date of the consolidated interim financial statements:

TABLE 26

Investment properties

€ million	30.09.2014	31.12.2013
CARRYING AMOUNT AS OF 01.01.	**5,163.4**	**4,937.1**
Acquisitions	**178.6**	128.5
Other additions	**26.7**	43.7
Reclassified to assets held for sale	**–21.6**	–28.4
Reclassified to property, plant and equipment	**–1.1**	–0.3
Reclassified from property, plant and equipment	**2.0**	1.2
Fair value adjustment	**–**	81.6
CARRYING AMOUNT AS OF 30.09./31.12.	**5,348.0**	**5,163.4**

The reclassification of assets held for sale essentially relates to five block sales and individual sales from the residential portfolio.

The additions include the capitalisation of a property portfolio of around 735 residential units by way of purchase agreement dated 7 November 2013. The annual in-place rent is EUR 2.1 million. The average in-place rent is EUR 4.64 per square metre; the vacancy rate is 5.2%. The purchase price including incidental costs of acquisition is around EUR 26.0 million. The transaction was closed on 1 February 2014.

A property portfolio of around 537 residential units was acquired by way of a purchase agreement dated 16 December 2013. The annual in-place rent is EUR 2.2 million. The average in-place rent is EUR 5.20 per square metre; the vacancy rate is 0.4%. The purchase price including incidental costs of acquisition is EUR 26.0 million. The transaction was closed on 1 June 2014.

The acquisition of a property portfolio of around 300 residential units was notarised on 16 April 2014. The portfolio generates annual in-place rent of EUR 1.4 million. The average in-place rent is EUR 5.43 per square metre; the initial vacancy rate is 3.2%. The purchase price is around EUR 19.0 million. The transaction was closed on 1 June 2014.

The transfer of a portfolio of 1,922 residential units in NRW and the company behind them was closed as at 1 July 2014. The purchase price including incidental acquisition costs is around EUR 106 million. The portfolio currently generates annual in-place rent of EUR 7.9 million. When the agreement was signed, the average rent on the portfolio was EUR 4.96 per square metre with a vacancy rate of 3.0%.

A property portfolio of around 2,400 residential units was acquired by way of a purchase agreement dated 17 September 2014. The purchase price is around EUR 115 million. The transaction will not close before 1 April 2015.

As the measurement of investment property was not updated as at the end of the interim reporting period the fair values were not adjusted. Please see the consolidated financial statements as at 31 December 2013 for details of the measurement methods and parameters.

The LEG Group's portfolio also includes land and buildings accounted for in accordance with IAS 16.

The cash and cash equivalents essentially include bank balances.

The changes in the components of consolidated equity can be seen in the statement of changes in consolidated equity.

Financial liabilities are composed as follows:

TABLE 27

Financing liabilities

€ million	30.09.2014	31.12.2013
Financing liabilities from real estate financing	**2,886.7**	2,558.9
Financing liabilities from lease financing	**24.0**	24.8
FINANCING LIABILITIES	**2,910.7**	**2,583.7**

Financial liabilities from property financing serve the financing of investment property.

The increase in financial liabilities from property financing results from the placement of the convertible bond with a nominal value of EUR 300.0 million. The convertible bond was classified as a financial 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.

A total volume of EUR 15.9 million was refinanced in the first nine months of 2014. Other loans extended in the amount of EUR 49.6 million resulted in increased loan liabilities. Loans of EUR 69.2 million were agreed in the context of acquisition financing. This was offset by scheduled and unscheduled repayments.

TABLE 28

Maturity of financing liabilities from real estate financing

€ million	30.09.2014	31.12.2013
Remaining term <1 year	**186.0**	183.2
Remaining term >1 to 5 years	**1,469.0**	1,279.1
Remaining term >5 years	**1,231.7**	1,096.6
TOTAL	**2,886.7**	**2,558.9**

The LEG Group uses derivative financial instruments to hedge interest rate risks from property financing. Freestanding derivative financial instruments are recognised at fair value through profit or loss. Derivatives used in hedge accounting are recognised pro rata for the designated portion of the hedge in other comprehensive income and in profit or loss for the undesignated portion including accrued interest.

7. SELECTED NOTES ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Rental and lease income break down as follows:

TABLE 29

Rental and lease income

€ million	30.09.2014	30.09.2013
Rental income	**427.8**	398.7
Other income	**0.2**	0.2
RENTAL AND LEASE INCOME	**428.0**	**398.9**

TABLE 30

Cost of sale in connection with rental and lease income

€ million	30.09.2014	30.09.2013
Purchased services	**–145.4**	–139.5
Ongoing maintenance	**–28.3**	–33.4
Staff costs	**–24.4**	–25.2
Depreciation and amortisation	**–3.1**	–3.1
Other operating expenses	**–13.7**	–11.7
Reimbursement of IPO costs by shareholders	**–**	2.1
COST OF SALE IN CONNECTION WITH RENTAL AND LEASE INCOME	**–214.9**	**–210.8**
NET RENTAL AND LEASE INCOME	**213.1**	**188.1**

The rise in rental income in the third quarter of 2014 compared to the third quarter of 2013 results from an increase in in-place rent and the acquisitions of property portfolios.

Performance bonuses of EUR 4.7 million were granted to employees following the company's successful IPO in 2013. The share of these staff costs allocated to the cost of sales of rental and letting was EUR 2.1 million and was charged in full to the shareholders Saturea B.V. and Perry Luxco RE.

Net income from the disposal of investment property is composed as follows:

TABLE 31

Net income from the disposal of investment properties

€ million	30.09.2014	30.09.2013
Income from the disposal of investment properties	**31.4**	8.0
Carrying amount of investment properties disposed of	**–31.0**	–7.8
INCOME (+)/LOSS (–) FROM THE DISPOSAL OF INVESTMENT PROPERTIES	**0.4**	**0.2**
Staff costs	**–0.4**	–0.5
Other operating expenses	**–0.3**	–0.5
COST OF SALE IN CONNECTION WITH INVESTMENT PROPERTIES SOLD	**–0.7**	**–1.0**
NET INCOME FROM THE DISPOSAL OF INVESTMENT PROPERTIES	**–0.3**	**–0.8**

Administrative and other expenses are composed as follows:

TABLE 32

Administrative and other expenses

€ million	30.09.2014	30.09.2013
Other operating expenses	**–9.8**	–25.7
Staff costs	**–16.3**	–19.2
Purchased services	**–0.7**	–0.8
Depreciation, amortisation and write-downs	**–1.6**	–1.7
Reimbursement of IPO costs by shareholders	**–**	9.1
ADMINISTRATIVE AND OTHER EXPENSES	**–28.4**	**–38.3**

The decline in other operating expenses essentially results from non-recurring effects. The IPO in the same period of the previous year caused consulting and non-staff operating costs of EUR 6.6 million; project-related, non-recurring costs declined by EUR 2.7 million. The increase in the provision for risks from a former Development project added EUR 4.1 million to other operating expenses in the same period of the previous year.

A main reason for the reduction in staff costs is the absence of performance bonuses, which were paid as part of the IPO in 2013. The share attributable to administrative and other expenses amounted to EUR 2.5 million. The long-term incentive (LTI) programme resulted in EUR 1.5 million lower expenses in the reporting period. This was offset by rising ongoing staff costs, which were affected by higher expenses under the short-term incentive (STI) programme (increase of EUR 0.5 million).

Despite the growing size of the portfolio and the adjustment of standard wages, current administrative expenses were reduced further from EUR 25.4 million in the same period of the previous year to EUR 23.9 million in the reporting period. In particular, this reflects the positive cost effects of the reduction in the number of Supervisory Board members and the decline in consulting and non-staff operating costs.

Net interest income breaks down as follows:

TABLE 33

Interest income

€ million	30.09.2014	30.09.2013
Interest income from bank balances	**0.6**	0.7
Other interest income	**0.2**	0.1
INTEREST INCOME	**0.8**	**0.8**

TABLE 34

Interest expenses

€ million	30.09.2014	30.09.2013
Interest expenses from real estate financing	**–51.5**	–51.9
Interest expense from loan amortisation	**–16.9**	–18.2
Interest expense from interest derivatives for real estate financing	**–19.6**	–18.9
Interest expense from change in pension provisions	**–2.9**	–2.9
Interest expense from interest on other assets and liabilities	**–1.7**	–1.9
Interest expenses from lease financing	**–1.0**	–1.3
Other interest expenses	**–0.2**	–0.1
INTEREST EXPENSES	**–93.8**	**–95.2**

The drop in interest expenses from loan amortisation results in particular from the refinancing activities in 2013 and the refinancing of high fixed-rate WFA loans in the 2014 financial year. This was countered by the effects of acquisition financing.

The interest expenses from loan amortisation include the measurement of the convertible bond at amortised cost in the amount of EUR 2.9 million.

In addition, lower general interest rates compared to 2013 also led to a further reduction in interest expenses from property financing and an increase in interest expenses from interest rate derivatives.

Income taxes

TABLE 35

Income taxes

€ million	30.09.2014	30.09.2013
Current income taxes	**–6.8**	0.2
Deferred taxes	**–19.7**	–7.6
INCOME TAXES	**–26.5**	**–7.4**

As in the same period of the previous year, an effective Group tax rate of 21.3% was assumed as at 30 September 2014 in accordance with tax planning.

The rise in income taxes from EUR –7.4 million in the previous year to EUR –26.5 million in the reporting period is essentially due to higher consolidated earnings before taxes and payments of tax arrears from external audits.

The current income taxes as at 30 September 2014 of EUR 6.1 million include payments of tax arrears from external audits for the years 2005 to 2008. Around EUR 5.7 million of this was reimbursed by the former shareholder on the basis of an obligation under the sale agreement as of 2008. The reimbursement amount is reported in net income from investment securities.

A deferred tax expense of EUR 1.3 million was recognised for the change in deferred tax assets on tax loss carryforwards as against 31 December 2013 (previous year: deferred tax income of EUR 5.0 million). In connection with the higher consolidated earnings before taxes, this led to a rise in deferred tax expense of EUR 12.1 million as against the same period of the previous year.

Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to the shareholders by the average number of shares outstanding during the financial year.

TABLE 36

Earnings per share – undiluted

	30.09.2014	30.09.2013
Net profit or loss attributable to shareholders in € million	**67.9**	51.2
Average number of shares outstanding	**52,963,444**	52,963,444
UNDILUTED EARNINGS PER SHARE IN €	**1.3**	**1.0**

Diluted earnings per share are calculated by increasing the average number of shares outstanding by the number of all potentially dilutive shares. The net profit for the period is adjusted for the expenses no longer incurred for the interest coupon and the resulting tax effect in the event of conversion rights being exercised in full.

As at 30 September 2014, LEG AG had potentially dilutive shares outstanding from a convertible bond, which authorise the bearer to convert it into up to 2.4 million shares.

The diluted earnings per share are calculated as follows:

TABLE 37

Earnings per share – diluted

	30.09.2014	30.09.2013
Net profit or loss attributable to shareholders in € million	**67.9**	51.2
Convertible bond coupon after taxes	**0.6**	–
Net profit or loss for the period for diluted earnings per share	**68.5**	51.2
Average weighted number of shares outstanding	**52,963,444**	52,963,444
Number of potentially new shares in the event of exercise of conversion rights	**2,415,852**	–
Number of shares for diluted earnings per share	**55,379,296**	52,963,444
DILUTED EARNINGS PER SHARE IN €	**1.2**	**1.0**

8. NOTES ON GROUP SEGMENT REPORTING

Group segment reporting for the period from 1 January to 30 September 2014

TABLE 38

Segment reporting 01.01.– 30.09.2014

€ million	Residential	Other	Reconciliation	Group
Rental and lease income	425.3	4.3	–1.6	428.0
Cost of sales of rental and letting	– 214.6	–1.9	1.6	– 214.9
NET RENTAL AND LEASE INCOME	**210.7**	**2.4**	**–**	**213.1**
Net income from the disposal of IAS 40 property	– 0.1	– 0.2	–	– 0.3
Net income from the measurement of IAS 40 property	–	–	–	–
Net income from the disposal of real estate inventory	– 0.3	– 2.3	–	– 2.6
Net income from other services	0.3	19.9	– 20.2	–
Administrative and other expenses	– 23.5	– 25.1	20.2	– 28.4
Other income	0.4	0.2	–	0.6
SEGMENT EARNINGS	**187.5**	**– 5.1**	**–**	**182.4**
Statement of financial position item				
SEGMENT ASSETS (IAS 40)	**5,289.3**	**58.7**	**–**	**5,348.0**
Key figures				
Rentable area in sqm	6,235,703	3,627		6,239,330
Monthly target rents as of end of reporting period	31.8	0.0		31.8
Vacancy rate by residential units in %	3.2	3.3		3.2

Group segment reporting for the period from 1 January to 30 September 2013

TABLE 39

Segment reporting 01.01.– 30.09.2013

€ million	Residential	Other	Reconciliation	Group
Rental and lease income	394.5	5.1	– 0.7	398.9
Cost of sales of rental and letting	– 210.6	–1.8	1.6	– 210.8
NET RENTAL AND LEASE INCOME	**183.9**	**3.3**	**0.9**	**188.1**
Net income from the disposal of IAS 40 property	– 0.3	– 0.5	–	– 0.8
Net income from the measurement of IAS 40 property	–	–	–	–
Net income from the disposal of real estate inventory	0.4	–1.9	0.1	–1.4
Net income from other services	0.3	26.4	– 24.8	1.9
Administrative and other expenses	– 31.7	– 30.3	23.7	– 38.3
Other income	0.5	–	–	0.5
SEGMENT EARNINGS	**153.1**	**– 3.0**	**– 0.1**	**150.0**
Statement of financial position item				
SEGMENT ASSETS (IAS 40)	**4,974.6**	**76.0**	**–**	**5,050.6**
Key figures				
Rentable area in sqm	5,986,731	3,627		5,990,358
Monthly target rents as of end of reporting period	29.6	0.0		29.6
Vacancy rate by residential units in %	3.0	3.3		3.0

TABLE 40

Classes of financial instruments for financial assets and liabilities 2014

	Measurement (IAS 39)			Measurement (IAS 17)	
€ million	Carrying amounts as per statement of financial positions 30.09.2014	Amortised cost	Fair value through profit or loss	Carrying amounts as per statement of financial positions 30.09.2014	Fair value 30.09.2014
Assets					
Other financial assets	**2.5**				**2.5**
LaR	0.1	0.1	0.0		0.1
AfS	2.4	2.4			2.4
Receivables and other assets	**54.9**				**54.9**
LaR	28.9	28.9			28.9
Other non-financial assets	26.0				26.0
Cash and cash equivalents	**303.6**				**303.6**
LaR	303.6	303.6			303.6
TOTAL	**361.0**	**335.0**	**0.0**		**361.0**
Of which IAS 39 measurement categories					
LaR	332.6	332.6			332.6
AfS	2.4	2.4			2.4
Passiva					
Finanzschulden	**– 2,910.7**				**– 3,245.3**
FLAC	– 2,886.7	– 2,886.7			– 3,220.9
Schulden aus Leasingfinanzierung	– 24.0			– 24.0	– 24.4
Sonstige Schulden	**– 235.4**				**– 235.4**
FLAC	– 45.5	– 45.5			– 45.5
Derivate HfT	– 49.8		– 49.8		– 49.8
Derivate im Hedge Accounting	– 89.6				– 89.6
Sonstige nicht finanzielle Schulden	– 50.5				– 50.5
SUMME	**– 3,146.1**	**– 2,932.2**	**– 49.8**	**– 24.0**	**– 3,480.7**
Davon nach Bewertungskategorien des IAS 39					
FLAC	– 2,932.2	– 2,621.8			– 3,266.4
Derivate HfT	– 49.8		– 49.8		– 49.8

LaR = Loans and Receivables
HfT = Held for Trading
AfS = Available for Sale
FLAC = Financial Liabilities at Cost
FAHFT = Financial Assets Held for Trading
FLHFT = Financial Liabilities Held for Trading

TABLE 41

Classes of financial instruments for financial assets and liabilities 2013

	Measurement (IAS 39)			Measurement (IAS 17)	
€ million	Carrying amounts as per statement of financial positions 31.12.2013	Amortised cost	Fair value through profit or loss	Carrying amounts as per statement of financial positions 31.12.2013	Fair value 31.12.2013
Assets					
Other financial assets	**3.6**				**3.6**
LaR	0.1	0.1	0.0		0.1
AfS	3.5	3.5			3.5
Receivables and other assets	**23.8**				**23.8**
LaR	21.8	21.8			21.8
Other non-financial assets	2.0				2.0
Cash and cash equivalents	**110.7**				**110.7**
LaR	110.7	110.7			110.7
TOTAL	**138.1**	**136.1**	**0.0**		**138.1**
Of which IAS 39 measurement categories					
LaR	132.6	132.6			132.6
AfS	3.5	3.5			3.5
Equity and liabilities					
Financial liabilities	**– 2,583.7**				**– 2,738.0**
FLAC	– 2,558.9	– 2,558.9			– 2,713.1
Liabilities from lease financing	– 24.8			– 24.8	– 24.9
Other liabilities	**–141.1**				**–141.1**
FLAC	– 29.7	– 29.7			– 29.7
Derivatives HfT	– 2.3		– 2.3		– 2.3
Hedge accounting derivatives	– 49.7	0.0	0.0		– 49.7
Other non-financial liabilities	– 59.4				– 59.4
TOTAL	**– 2,724.8**	**– 2,588.6**	**– 2.3**	**– 24.8**	**– 2,879.1**
Of which IAS 39 measurement categories					
FLAC	– 2,588.6	– 2,588.6			– 2,742.8
Derivatives HfT	– 2.3		– 2.3		– 2.3

LaR = Loans and Receivables
HfT = Held for Trading
AfS = Available for Sale
FLAC = Financial Liabilities at Cost
FAHFT = Financial Assets Held for Trading
FLHFT = Financial Liabilities Held for Trading

9. FINANCIAL INSTRUMENTS

The previous table shows the financial assets and liabilities broken down by measurement category and class. Receivables and liabilities from finance leases and derivatives used as hedging instruments are included even though they are not assigned to an IAS 39 measurement category. With respect to reconciliation, non-financial assets and non-financial liabilities are also included although they are not covered by IFRS 7.

The fair values of financial instruments are determined on the basis of corresponding market values or measurement methods. For cash and cash equivalents and other short-term primary financial instruments, the fair value is approximately the same as the carrying amount at the end of the respective reporting period.

For non-current receivables, other assets and liabilities, the fair value is calculated on the basis of the forecast cash flows, applying the reference interest rates as at the end of the reporting period. The fair values of derivative financial instruments are calculated using the reference interest rates as at the end of the reporting period.

For financial instruments at fair value, the discounted cash flow method is used to determine fair value using corresponding quoted market prices, with individual credit ratings and other market conditions being taken into account in the form of standard credit and liquidity spreads when calculating present value. If no quoted market prices are available, the fair value is calculated using standard measurement methods applying instrument-specific market parameters.

When calculating the fair value of derivative financial instruments, the input parameters for the valuation models are the relevant market prices and interest rates observed as at the end of the reporting period, which are obtained from recognised external sources. Accordingly, derivatives are assigned to level 2 of the fair value hierarchy set out in IFRS 13.72 (measurement on the basis of observable input data).

Both the Group's own risk and the counterparty risk were taken into account in the calculation of the fair value of derivatives in accordance with IFRS 13.

10. RELATED PARTY DISCLOSURES

On 23 January 2014, the shareholder Saturea B.V. sold a package of almost 15.2 million shares in an accelerated book-building procedure, thereby reducing its interest from 28.65% to approximately 0.41%. Thus, Saturea B.V. and its officers are no longer related parties within the meaning of IAS 24.

Please see the IFRS consolidated financial statements as at 31 December 2013 for the presentation of the IFRS 2 programmes: long-term incentive plan with former shareholders, LTI Management Board agreements and the settlement agreements for Supervisory Board members.

The Management Board agreements for the 2014 financial year provide for a long-term incentive programme under the same contractual premises as the LTI remuneration in 2013. On 25 March 2014, the Supervisory Board resolved at the recommendation of the Executive Committee of the Supervisory Board to prolong Holger Hentschel's Management Board agreement until 1 January 2017 and to increase his remuneration retroactively to 1 January 2014. Other than this, there were no significant changes in related parties compared to 31 December 2013.

11. OTHER

There were no changes in contingent liabilities as against 31 December 2013.

12. THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The composition of the Management Board as at 30 September 2014 did not change as against the information provided as at 31 December 2013.

On 4 March 2014, the Supervisory Board members Heather Mulahasani, James Garman and Dr. Martin Hintze of the former major shareholder Saturea B.V. stepped down from their positions effective 2 April 2014. The Management Board and the Supervisory Board of LEG Immobilien AG resolved to reduce the Supervisory Board to six persons at the Annual General Meeting on 25 June 2014.

13. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 9 October 2014 LEG Immobilien AG signed an agreement for the acquisition of shares as well as a property transaction of around 9,600 residential units of Deutsche Annington. The portfolio is distributed over various locations in NRW, while its most important local markets are Mönchengladbach, Wuppertal and Leverkusen. The current in-place rent is around EUR 35 million, rent per square metre EUR 4.76 and the vacancy rate is 3.9%. 55 employees (FTES) will be taken on in the context of the transaction. Following antitrust approval, the transaction was closed on 23 October 2014.

As at 1 November 2014 LEG will treat the acquisition as a business combination as defined by IFRS 3 on account of the fact that significant business processes have been acquired. The provisional consideration for the business acquisition is EUR 459.4 million. The purchase price was calculated on the basis of planned balance sheets as at 30 September 2014 and will be finalised after the actual balance sheets become available. The transaction costs currently amount to EUR 12.7 million. Assets and liabilities were acquired in the context of the business combination. The fair value of the property assets acquired was EUR 453.7 million as at the acquisition date according to the expert opinion. (EUR 429.6 million of this relates to shareholders of LEG and EUR 24.1 million to non-controlling interests.) Non-controlling interests in Gladbau GmbH amount to 5.1% and in GEWG GmbH to 5.1%, and are measured in the amount of the net assets acquired. The provisional net working capital essentially includes inventories, cash and cash equivalents, other assets, advance payments received on account of orders, other provisions and other liabilities. Furthermore, prior to being purchased by Deutsche Annington and LEG, the companies acquired had tax loss carryforwards for which it is probably not possible to recognise deferred tax assets on account of the uncertainty as to whether the loss carryforwards would be lost due to one of the acquisitions and whether they could be used in LEG's future structure. In the context of the acquisition, pension obligations to employees of EUR 15.7 million and financial liabilities were assumed.

On the basis of the information available to date, goodwill will result from the transaction.

Owing to the short time between the acquisition date and the publication of the interim consolidated financial statements, at the time of going to press the information required for a full allocation of the purchase price to the fair values of the assets and liabilities acquired in line with IFRS regulations was not yet available.

At the same time, LEG Immobilien AG increased its share capital by a nominal amount of EUR 4,100,000 by issuing 4,100,000 new, registered shares in the company at EUR 50 each. The shares were offered to institutional investors by way of accelerated bookbuilding. The net issue proceeds are to be used to continue the acquisition strategy and thereby to generate further positive economies of scale while at the same time optimising the capital structure.

Furthermore, 2,365,940 shares from the holdings of Perry Luxco RE S.à r.l. were placed at the accelerated bookbuilding on 9 October 2014. Its share of the voting rights in LEG Immobilien AG is therefore 2.99% (1,711,902 voting rights) and below the threshold of 3%. The new placement of the shares had the effect of further increasing the free float of LEG shares.

A loan of EUR 38.0 million was disbursed as at 22 October 2014 in the context of acquisition financing for various property portfolios.

There were no other significant events after the end of the interim reporting period on 30 September 2014.

Dusseldorf, 14 November 2014

LEG Immobilien AG

The Management Board

Thomas Hegel, Erftstadt (CEO)

Eckhard Schultz, Neuss (CFO)

Holger Hentschel, Erkrath (COO)

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 Group management report 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, 14 November 2014

LEG Immobilien AG, Dusseldorf

The Management Board

Thomas Hegel (CEO)

Eckhard Schultz (CFO)

Holger Hentschel (COO)

FURTHER INFORMATION

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FINANCIAL CALENDAR

LEG Financial Calendar 2014

Publication of interim financial report as of 30 September 2014	**14 November 2014**
Publication of financial report 2014	**25 March 2015**

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