LEG
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# WE FOCUS.

# WE GROW.

QUARTERLY REPORT
AS OF 30.09.2016

# KEY FACTS Q3/2016

*T1 – Key facts*

| RESULTS OF OPERATIONS | | Q3 2016 | Q3 2015 | +/– %/bp | 01.01.–30.09.2016 | 01.01.–30.09.2015 | +/– %/bp |
|---|---|---|---|---|---|---|---|
| Rental income | € million | **131.9** | 110.5 | 19.4 | **381.3** | 325.3 | 17.2 |
| Net rental and lease income | € million | **100.4** | 83.3 | 20.5 | **290.8** | 242.4 | 20.0 |
| EBITDA | € million | **115.5** | 71.8 | 60.9 | **257.3** | 217.1 | 18.5 |
| EBITDA adjusted | € million | **95.7** | 78.0 | 22.7 | **276.2** | 225.4 | 22.5 |
| EBT | € million | **80.4** | –4.6 | – | **131.0** | –9.8 | – |
| Net profit or loss for the period | € million | **62.5** | –11.6 | – | **86.0** | –21.9 | – |
| FFO I | € million | **73.0** | 57.1 | 27.8 | **210.6** | 158.5 | 32.9 |
| FFO I per share | € | **1.16** | 0.98 | 18.4 | **3.35** | 2.76 | 21.4 |
| FFO II | € million | **80.1** | 56.6 | 41.5 | **218.3** | 159.2 | 37.1 |
| FFO II per share | € | **1.27** | 0.97 | 30.9 | **3.47** | 2.77 | 25.3 |
| AFFO | € million | **55.2** | 39.6 | 39.4 | **163.8** | 125.0 | 31.0 |
| AFFO per share | € | **0.87** | 0.68 | 27.9 | **2.60** | 2.17 | 19.8 |

| PORTFOLIO | | 30.09.2016 | 30.09.2015 | +/– %/bp |
|---|---|---|---|---|
| Number residential units | | **127,941** | 109,602 | 16.7 |
| In-place rent | €/sqm | **5.25** | 5.19 | 1.3 |
| In-place rent (l-f-l) | €/sqm | **5.31** | 5.18 | 2.4 |
| EPRA vacancy rate | % | **3.5** | 3.2 | 30 bp |
| EPRA vacancy rate (l-f-l) | % | **3.1** | 3.1 | 0 bp |

| STATEMENT OF FINANCIAL POSITION | | 30.09.2016 | 31.12.2015 | +/– %/bp |
|---|---|---|---|---|
| Investment property | € million | **7,288.8** | 6,398.5 | 13.9 |
| Cash and cash equivalents | € million | **303.8** | 252.8 | 20.2 |
| Equity | € million | **2,927.0** | 2,985.0 | –1.9 |
| Total financial liabilities | € million | **3,780.3** | 3,241.6 | 16.6 |
| Current financial liabilities | € million | **385.8** | 496.0 | –22.2 |
| LTV | % | **48.8** | 44.2 | 460 bp |
| Equity ratio | % | **36.9** | 41.5 | –460 bp |
| EPRA NAV, diluted | € million | **4,061.5** | 4,027.1 | 0.9 |
| EPRA NAV per share, diluted | € | **59.32** | 59.31 | 0.0 |

bp = basis points

# CONTENT

## Portfolio segmentation and properties

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 detail in the 2015 annual report.

After the successful integration of the acquired properties in the first half of 2016, the focus in the third quarter of 2016 was on strategic optimisation of the portfolio. For this purpose, an acquisition package with 1,953 residential units was resold. This and other changes resulted in a property portfolio of 127,941 residential units, 1,145 commercial units and 31,527 garages and parking spaces as at 30 September 2016.

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

## Performance LEG-Portfolio

### *Operating performance (rents, vacancy rate)*

Organic rental growth continued to develop well. Rent per square metre on a like-for-like basis (excluding new letting) increased by 2.4% year-on-year. As at 30 September 2016, monthly in-place rent amounted to EUR 5.25 per square metre.

In-place rent in the free-financed portfolio climbed by 3.3% year-on-year to EUR 5.63 per square metre (on a like-for-like basis). The dynamic growth continued in all markets. In the high-growth markets, an increase of 3.3% to EUR 6.41 per square metre (on a like-for-like basis) was achieved. Rents in the stable markets also rose by 3.3% to EUR 5.24 per square metre (on a like-for-like basis). In the higher-yielding markets, there was an increase of 3.0% to EUR 5.14 per square metre (on a like-for-like basis).

In the rent-restricted apartments sector, the average rent generated was EUR 4.69 per square metre as at 30 September 2016 (on a like-for-like basis) and was thus 0.5% higher than in the previous year.

The EPRA vacancy rate as at 30 September 2016 remained at the low level of the previous year at 3.1% (on a like-for-like basis). As at the same reporting date, the number of vacant apartments amounted to 3,352 units (on a like-for-like basis) or, taking into account the acquisitions made during the year, 4,500 units (in absolute terms). In the high-growth markets, LEG's properties had an occupancy rate of 98.4% (on a like-for-like basis) as at the end of the quarter. The occupancy rate in the stable markets was 96.9% (on a like-for-like basis), representing an improvement of 30 basis points in comparison to the previous year. A slight vacancy reduction in the higher-yielding markets by around 10 basis points resulted in an occupancy rate of 94.6% in this segment (on a like-for-like basis).

*T2 – Portfolio segments – Top 3 locations*

| | 30.09.2016 | | | | |
|---|---|---|---|---|---|
| | *Number of LEG apartments* | *Share of LEG portfolio %* | *Living space sqm* | *In-place rent €/sqm* | *EPRA vacancy rate %* |
| **HIGH-GROWTH MARKETS** | **39,027** | **30.5** | **2,583,230** | **5.84** | **1.7** |
| District of Mettmann | 8,448 | 6.6 | 587,632 | 6.00 | 1.7 |
| Muenster | 6,075 | 4.7 | 403,371 | 6.29 | 0.5 |
| Dusseldorf | 3,487 | 2.7 | 226,086 | 6.48 | 0.7 |
| Other locations | 21,017 | 16.4 | 1,366,142 | 5.53 | 2.2 |
| **STABLE MARKETS** | **46,728** | **36.5** | **3,008,165** | **4.99** | **3.5** |
| Dortmund | 13,165 | 10.3 | 862,646 | 4.84 | 2.2 |
| Moenchengladbach | 6,448 | 5.0 | 408,517 | 5.17 | 1.7 |
| Hamm | 4,000 | 3.1 | 241,862 | 4.85 | 2.3 |
| Other locations | 23,115 | 18.1 | 1,495,139 | 5.06 | 4.8 |
| **HIGHER-YIELDING MARKETS** | **40,291** | **31.5** | **2,462,321** | **4.92** | **6.0** |
| District of Recklinghausen | 9,101 | 7.1 | 567,162 | 4.86 | 6.9 |
| Duisburg | 7,054 | 5.5 | 438,009 | 5.13 | 4.5 |
| Maerkisch District | 4,838 | 3.8 | 297,710 | 4.75 | 4.2 |
| Other locations | 19,298 | 15.1 | 1,159,440 | 4.90 | 6.7 |
| **OUTSIDE NRW** | **1,895** | **1.5** | **127,329** | **5.58** | **2.5** |
| **TOTAL** | **127,941** | **100.0** | **8,181,045** | **5.25** | **3.5** |

*T3 – Performance LEG portfolio*

| | | *High-growth markets* | | | *Stable markets* | | |
|---|---|---|---|---|---|---|---|
| | | **30.09.2016** | *30.06.2016* | *30.09.2015* | **30.09.2016** | *30.06.2016* | *30.09.2015* |
| **Subsidised residential units** | | | | | | | |
| Units | | 13,137 | 13,137 | 13,038 | 15,195 | 15,038 | 14,372 |
| Area | sqm | 926,488 | 926,488 | 916,917 | 1,034,012 | 1,018,595 | 975,509 |
| In-place rent | €/sqm | 4.91 | 4.93 | 4.94 | 4.57 | 4.59 | 4.56 |
| EPRA vacancy rate | % | 0.9 | 0.9 | 0.8 | 3.0 | 2.9 | 3.2 |
| **Free-financed residential units** | | | | | | | |
| Units | | 25,890 | 25,565 | 24,503 | 31,533 | 32,513 | 26,459 |
| Area | sqm | 1,656,742 | 1,635,741 | 1,564,295 | 1,974,152 | 2,039,400 | 1,643,658 |
| In-place rent | €/sqm | 6.36 | 6.34 | 6.21 | 5.22 | 5.18 | 5.08 |
| EPRA vacancy rate | % | 2.0 | 1.7 | 1.9 | 3.7 | 3.7 | 3.6 |
| **Total residential units** | | | | | | | |
| Units | | 39,027 | 38,702 | 37,541 | 46,728 | 47,551 | 40,831 |
| Area | sqm | 2,583,230 | 2,562,229 | 2,481,212 | 3,008,165 | 3,057,995 | 2,619,168 |
| In-place rent | €/sqm | 5.84 | 5.83 | 5.74 | 4.99 | 4.98 | 4.89 |
| EPRA vacancy rate | % | 1.7 | 1.5 | 1.6 | 3.5 | 3.4 | 3.5 |
| **Total commercial** | | | | | | | |
| Units | | | | | | | |
| Area | sqm | | | | | | |
| **Total parking** | | | | | | | |
| Units | | | | | | | |
| **Total other** | | | | | | | |
| Units | | | | | | | |

| | 30.09.2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | *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* |
| | **33,561** | **30.6** | **2,223,385** | **5.83** | **1.4** | **2.3** | **10** |
| | 8,238 | 7.5 | 570,710 | 5.82 | 1.6 | 3.0 | 0 |
| | 6,078 | 5.5 | 403,626 | 6.18 | 0.3 | 1.6 | 20 |
| | 3,509 | 3.2 | 227,482 | 6.28 | 1.0 | 3.1 | 0 |
| | 15,736 | 14.4 | 1,021,567 | 5.58 | 2.0 | 2.0 | 10 |
| | **44,148** | **40.3** | **2,827,182** | **4.91** | **3.5** | **2.3** | **–30** |
| | 12,543 | 11.4 | 820,529 | 4.79 | 2.4 | 1.4 | –10 |
| | 6,049 | 5.5 | 383,259 | 4.92 | 2.3 | 4.6 | –70 |
| | 3,974 | 3.6 | 239,782 | 4.75 | 1.7 | 2.3 | 50 |
| | 21,582 | 19.7 | 1,383,612 | 5.02 | 4.8 | 2.2 | –50 |
| | **30,436** | **27.8** | **1,879,762** | **4.80** | **5.3** | **2.3** | **–10** |
| | 6,554 | 6.0 | 408,611 | 4.83 | 7.4 | 1.0 | –20 |
| | 6,656 | 6.1 | 412,439 | 5.00 | 4.8 | 3.2 | –40 |
| | 4,679 | 4.3 | 287,067 | 4.61 | 2.9 | 3.9 | 110 |
| | 12,547 | 11.4 | 771,645 | 4.74 | 5.4 | 1.9 | –30 |
| | **1,457** | **1.3** | **96,230** | **5.46** | **1.3** | **3.2** | **110** |
| | **109,602** | **100.0** | **7,026,559** | **5.19** | **3.2** | **2.4** | **0** |

| | | *Higher-yielding markets* | | | *Outside NRW* | | | *Total* | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **30.09.2016** | *30.06.2016* | *30.09.2015* | **30.09.2016** | *30.06.2016* | *30.09.2015* | **30.09.2016** | *30.06.2016* | *30.09.2015* |
| | | 8,586 | 8,504 | 7,330 | 124 | 124 | 108 | 37,042 | 36,803 | 34,848 |
| | sqm | 566,301 | 563,854 | 483,979 | 9,894 | 9,894 | 8,824 | 2,536,695 | 2,518,832 | 2,385,230 |
| | €/sqm | 4.39 | 4.34 | 4.33 | 4.50 | 4.50 | 4.37 | 4.66 | 4.66 | 4.67 |
| | % | 5.8 | 5.2 | 6.3 | 2.7 | 1.6 | 0.7 | 2.8 | 2.6 | 2.8 |
| | | | | | | | | | | |
| | | 31,705 | 32,974 | 22,443 | 1,771 | 1,771 | 1,349 | 90,899 | 92,823 | 74,754 |
| | sqm | 1,896,020 | 1,976,803 | 1,345,971 | 117,434 | 117,434 | 87,405 | 5,644,349 | 5,769,379 | 4,641,329 |
| | €/sqm | 5.08 | 5.06 | 4.99 | 5.67 | 5.64 | 5.57 | 5.52 | 5.49 | 5.45 |
| | % | 6.1 | 5.9 | 5.3 | 2.5 | 2.4 | 1.3 | 3.8 | 3.7 | 3.4 |
| | | | | | | | | | | |
| | | 40,291 | 41,478 | 29,773 | 1,895 | 1,895 | 1,457 | 127,941 | 129,626 | 109,602 |
| | sqm | 2,462,321 | 2,540,657 | 1,829,950 | 127,329 | 127,329 | 96,230 | 8,181,045 | 8,288,211 | 7,026,559 |
| | €/sqm | 4.92 | 4.90 | 4.82 | 5.58 | 5.55 | 5.46 | 5.25 | 5.23 | 5.19 |
| | % | 6.0 | 5.8 | 5.6 | 2.5 | 2.3 | 1.3 | 3.5 | 3.4 | 3.2 |
| | | | | | | | | | | |
| | | | | | | | | **1,145** | **1,151** | **1,055** |
| | sqm | | | | | | | **192,241** | **192,642** | **183,782** |
| | | | | | | | | | | |
| | | | | | | | | **31,527** | **31,994** | **27,057** |
| | | | | | | | | | | |
| | | | | | | | | **2,171** | **1,814** | **1,514** |

## 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 7.1% (rent multiplier: 14.0x).The valuation of the residential portfolio corresponds to an EPRA net initial yield of 5.7%.

## Investment activity

In the first nine months of the current financial year, a total of EUR 91.7 million (previous year: EUR 70.0 million) was spent on maintenance and value-adding investments eligible for capitalisation. This equates to investment of EUR 11.3 per square metre compared to EUR 9.9 in the comparative period. EUR 46.8 million (previous year: EUR 33.5 million) of total investment relates to capital expenditure, while maintenance recognised as an expense amounted to EUR 44.9 million (previous year: EUR 36.5 million). The capitalisation rate thus reached 51,0% (previous year: 47.9%).

*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** | **39,027** | **2,971** | **42** | **1,151** | **16.6x** | **175** | **3,146** |
| District of Mettmann | 8,448 | 639 | 9 | 1,088 | 15.4x | 65 | 704 |
| Muenster | 6,075 | 566 | 8 | 1,403 | 18.5x | 37 | 602 |
| Dusseldorf | 3,487 | 311 | 4 | 1,398 | 18.0x | 19 | 330 |
| Other locations | 21,017 | 1,456 | 21 | 1,063 | 16.3x | 53 | 1,509 |
| **STABLE MARKETS** | **46,728** | **2,244** | **32** | **746** | **12.7x** | **99** | **2,344** |
| Dortmund | 13,165 | 679 | 10 | 784 | 13.7x | 37 | 716 |
| Moenchengladbach | 6,448 | 314 | 4 | 767 | 12.4x | 9 | 323 |
| Hamm | 4,000 | 160 | 2 | 660 | 11.4x | 3 | 163 |
| Other locations | 23,115 | 1,092 | 16 | 733 | 12.5x | 49 | 1,141 |
| **HIGHER-YIELDING MARKETS** | **40,291** | **1,690** | **24** | **683** | **12.2x** | **48** | **1,737** |
| District of Recklinghausen | 9,101 | 405 | 6 | 705 | 13.0x | 18 | 423 |
| Duisburg | 7,054 | 313 | 4 | 710 | 12.0x | 11 | 324 |
| Maerkisch District | 4,838 | 181 | 3 | 606 | 11.1x | 2 | 183 |
| Other locations | 19,298 | 791 | 11 | 682 | 12.2x | 17 | 807 |
| **SUBTOTAL NRW** | **126,046** | **6,905** | **98** | **856** | **14.0x** | **322** | **7,227** |
| Portfolio outside NRW | 1,895 | 123 | 2 | 961 | 14.4x | 1 | 124 |
| **TOTAL PORTFOLIO** | **127,941** | **7,027** | **100** | **858** | **14.0x** | **323** | **7,351** |
| Prepayments for property held as an investment property | | | | | | | 5 |
| Leasehold + land values | | | | | | | 33 |
| Inventories (IAS 2) | | | | | | | 2 |
| Finance lease (outside property valuation) | | | | | | | 2 |
| Consolidation effects (outside property valuation) | | | | | | | 3 |
| **TOTAL BALANCE SHEET**[3] | | | | | | | **7,396** |

[1] Excluding 322 residential units in commercial buildings; including 324 commercial and other units in mixed residential assets.
[2] Excluding 324 commercial units in mixed residential assets; including 322 residential units in commercial buildings, commercial, parking, other assets as well as IAS 16 assets.
[3] Thereof assets held for sale: EUR 76.8 million.

# INTERIM GROUP MANAGEMENT REPORT

# ANALYSIS OF NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Please see the glossary in the 2015 annual report for a definition of individual key figures and terms.

## Results of operations

A condensed form of the income statement for the reporting period (1 January to 30 September 2016) and for the same period of the previous year (1 January to 30 September 2015) is provided below:

*T5* – Condensed income statement

| *€ million* | **Q3 2016** | *Q3 2015* | **01.01.–30.09.2016** | *01.01.–30.09.2015* |
|---|---|---|---|---|
| Net rental and lease income | 100.4 | 83.3 | 290.8 | 242.4 |
| Net income from the disposal of investment properties | 8.2 | –0.5 | 8.3 | 0.7 |
| Net income from the remeasurement of investment properties | 8.3 | – | 9.3 | – |
| Net income from the disposal of real estate inventory | –0.2 | –0.5 | –1.5 | –0.5 |
| Net income from other services | 1.1 | 0.0 | 2.3 | 0.1 |
| Administrative and other expenses | –11.4 | –12.9 | –66.0 | –32.7 |
| Other income | 6.4 | 0.2 | 6.6 | 0.6 |
| **OPERATING EARNINGS** | **112.8** | **69.6** | **249.8** | **210.6** |
| Interest income | 0.0 | 0.1 | 0.0 | 0.6 |
| Interest expenses | –28.5 | –32.7 | –89.6 | –145.9 |
| Net income from investment securities and other equity investments | –0.8 | –0.1 | 2.2 | 2.7 |
| Net income from associates | – | 0.1 | 0.3 | 0.1 |
| Net income from the fair value measurement of derivatives | –3.1 | –41.6 | –31.7 | –77.9 |
| **NET FINANCE EARNINGS** | **–32.4** | **–74.2** | **–118.8** | **–220.4** |
| **EARNINGS BEFORE INCOME TAXES** | **80.4** | **–4.6** | **131.0** | **–9.8** |
| Income taxes | –17.9 | –7.0 | –45.0 | –12.1 |
| **NET PROFIT OR LOSS FOR THE PERIOD** | **62.5** | **–11.6** | **86.0** | **–21.9** |

Operating earnings amounted to EUR 249.8 million in the reporting period (previous year: EUR 210.6 million). The acquisition of a property portfolio with 13,570 units as at 1 April 2016 made a major contribution to the significant rise in net rental and lease income of 20.0% (EUR 48.4 million). The increase in reported administrative expenses is due to non-recurring effects relating to acquisitions. Current administrative expenses were reduced by EUR 0.8 million (3.3%) year-on-year to EUR 23.7 million.

During the reporting period, opportunities to optimise the portfolio were increasingly used in order to take advantage of the current favourable market for sellers. Additional earnings contributions of EUR 23.8 million were generated in this context, consisting of EUR 8.3 million reported in net sales income, EUR 9.3 million in net remeasurement income and EUR 6.2 million as other income.

In both the reporting period and the comparative period, loans were redeemed early in order to take advantage of the continued 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 5 million in the reporting period and were thus significantly lower than the figure from the comparative period of around EUR 54 million.

Despite a larger loan volume as a result of portfolio growth, cash interest expenses were reduced by EUR 4.4 million (6.6%) year-on-year in the reporting period. This was due chiefly to the refinancing.

In addition, more positive net income from the measurement of derivatives for the convertible bond (EUR +52.9 million) and on the other hand the stronger decrease in the negative fair values of interest rate hedges measured in profit or loss (EUR –6.7 million) due to the development of interest rate levels also contributed to the EUR 101.6 million improvement in net finance earnings.

The considerably higher level of earnings before taxes contributed significantly to the increase in income tax expenses.

Net profit for the period thus climbed from EUR –21.9 million in the previous year to EUR 86.0 million in the reporting period.

## *Net rental and lease income*

*T6* – Net rental and lease income

| *€ million* | **Q3 2016** | *Q3 2015* | **01.01.– 30.09.2016** | *01.01.– 30.09.2015* |
|---|---|---|---|---|
| Net cold rent | 131.9 | 110.5 | 381.3 | 325.3 |
| Profit from operating expenses | 0.6 | 1.2 | –0.9 | –0.6 |
| Maintenance | –16.1 | –13.7 | –44.9 | –36.5 |
| Staff costs | –10.6 | –8.6 | –30.2 | –27.4 |
| Allowances on rent receivables | –2.3 | –1.3 | –5.5 | –4.7 |
| Depreciation and amortisation expenses | –1.5 | –1.1 | –4.0 | –3.3 |
| Other | –1.6 | –3.7 | –5.0 | –10.4 |
| **NET RENTAL AND LEASE INCOME** | **100.4** | **83.3** | **290.8** | **242.4** |
| **NET OPERATING INCOME – MARGIN (IN %)** | **76.1** | **75.4** | **76.3** | **74.5** |
| Non-recurring project costs – rental and lease | 0.3 | 0.6 | 0.9 | 1.8 |
| Depreciation | 1.5 | 1.1 | 4.0 | 3.3 |
| **ADJUSTED NET RENTAL AND LEASE INCOME** | **102.2** | **85.0** | **295.7** | **247.5** |
| **ADJUSTED NET OPERATING INCOME – MARGIN (IN %)** | **77.5** | **76.9** | **77.6** | **76.1** |

In the reporting period, the LEG Group increased its net rental and lease income by EUR 48.4 million (20.0%) compared with the same period of the previous year. The main driver of this development was the EUR 56.0 million (17.2%) rise in net cold rent and a lower than average increase in costs. In-place rent per square metre on a like-for-like basis rose by 2.4% in the reporting period as against the previous year.

The NOI margin adjusted for one-time project costs of 77.6% was therefore considerably higher than in the previous year (76.1%) despite higher maintenance expenses.

The EPRA vacancy rate, which is the ratio of rent lost due to vacancy to potential rent in the event of full occupancy, came to 3.1% as at 30 September 2016 and was thus at a stable level on a like-for-like basis in comparison to 30 September 2015.

In terms of its regional distribution, the property portfolio with 13,570 units that was acquired as at 1 April 2016 is attributable largely to the higher-yielding markets ("purple markets"). The EPRA vacancy rate for this acquired portfolio is 5.3% at the reporting date.

*T7* – EPRA vacancy rate

| *€ million* | **30.09.2016** | *30.09.2015* |
|---|---|---|
| Rental value of vacant space – like-for-like | 13.6 | 13.6 |
| Rental value of vacant space – total | 18.2 | 14.0 |
| Rental value of the whole portfolio – like-for-like | 443.4 | 433.0 |
| Rental value of the whole portfolio – total | 515.5 | 436.7 |
| **EPRA VACANCY RATE – LIKE-FOR-LIKE (IN %)** | **3.1** | **3.1** |
| **EPRA VACANCY RATE – TOTAL (IN %)** | **3.5** | **3.2** |

In the third quarter of 2016, investing activities focused on major projects. These made a significant contribution to the year-on-year increase in total investment of EUR 21.7 million or around EUR 1.4 per square metre.

*T8* – Maintenance and modernisation of investment properties

| *€ million* | **Q3 2016** | *Q3 2015* | **01.01.–30.09.2016** | *01.01.–30.09.2015* |
|---|---|---|---|---|
| Maintenance expenses for investment properties | 16.1 | 13.7 | 44.9 | 36.5 |
| Capital expenditure | 17.8 | 17.5 | 46.8 | 33.5 |
| **TOTAL INVESTMENT** | **33.9** | **31.2** | **91.7** | **70.0** |
| Area of investment properties in million sqm | 8.40 | 7.20 | 8.15 | 7.09 |
| **AVERAGE INVESTMENT PER SQM (€/SQM)** | **4.0** | **4.3** | **11.3** | **9.9** |

As planned, the continued implementation of major projects will account for the majority of the investing activities in the final quarter. A capitalisation rate of over 50 % is therefore anticipated for the financial year as a whole.

Portfolios acquired since the end of the comparative period accounted for EUR 6.0 million of total investment.

Compliance with the social charter requirements regarding the minimum investment volume is ensured.

## *Net income from the disposal of investment properties*

*T9* – Net income from the disposal of investment properties

| *€ million* | **Q3 2016** | *Q3 2015* | **01.01.–30.09.2016** | *01.01.–30.09.2015* |
|---|---|---|---|---|
| Income from the disposal of investment properties | 115.5 | 8.9 | 136.2 | 66.9 |
| Carrying amount of the disposal of investment properties | –107.0 | –8.3 | –127.1 | –64.7 |
| Costs of sales of investment properties sold | –0.3 | –1.1 | –0.8 | –1.5 |
| **NET INCOME FROM THE DISPOSAL OF INVESTMENT PROPERTIES** | **8.2** | **–0.5** | **8.3** | **0.7** |

Income generated from disposals of investment properties in the reporting period was EUR 69.3 higher than in the same period of the previous year.

As a result of the portfolio disposals, income of EUR 9.3 million was also recognised from the revaluation of investment property. This income resulted from the revaluation of the contractually agreed sales value. EUR 8.3 million relate to portfolios with a signed sales agreement at the reporting date and with disposal after the reporting date.

Including the remeasurement of investment properties triggered by portfolios already disposed of, investment properties in the amount of EUR 10.1 million above carrying amount were sold in the reporting period.

*T10* – Book gains from disposal of property portfolios

| *€ million* | **Q3 2016** | *Q3 2015* | **01.01.–30.09.2016** | *01.01.–30.09.2015* |
|---|---|---|---|---|
| Income from the disposal of investment properties | 115.5 | 8.9 | 136.2 | 66.9 |
| Carrying amount of investment properties disposed of | –107.0 | –8.3 | –127.1 | –64.7 |
| Income from the remeasurement of investment properties, triggered by disposals | – | – | 1.0 | – |
| **ADJUSTED DISPOSAL OF BOOK VALUE** | **–107.0** | **–8.3** | **–126.1** | **–64.7** |
| **ADJUSTED BOOK GAINS** | **8.5** | **0.6** | **10.1** | **2.2** |

## *Net income from the disposal of real estate inventory*

*T11* – Net income from the disposal of real estate inventory

| *€ million* | **Q3 2016** | *Q3 2015* | **01.01.–30.09.2016** | *01.01.–30.09.2015* |
|---|---|---|---|---|
| Income from the disposal of inventory properties | 1.3 | 0.5 | 1.8 | 0.9 |
| Carrying amount of the real estate inventory disposed of | –0.7 | –0.4 | –1.1 | –0.6 |
| Cost of sales of the real estate inventory disposed of | –0.8 | –0.6 | –2.2 | –0.8 |
| **NET INCOME FROM THE DISPOSAL OF REAL ESTATE INVENTORY** | **–0.2** | **–0.5** | **–1.5** | **–0.5** |

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 30 September 2016 amounted to EUR 2.5 million, of which EUR 1.1 million related to land under development.

Current staff and non-staff operating costs remained stable in the reporting period. The release of a provision for a completed development project in the comparative period resulted in an increase in costs of sales of EUR –1.4 million in the reporting period.

## *Net income from other services*

*T 12* – Other services

| *€ million* | **Q3 2016** | *Q3 2015* | **01.01.–30.09.2016** | *01.01.–30.09.2015* |
|---|---|---|---|---|
| Income from other services | 2.5 | 2.1 | 7.1 | 6.1 |
| Expenses in connection with other services | –1.4 | –2.1 | –4.8 | –6.0 |
| **NET INCOME FROM OTHER SERVICES** | **1.1** | **0.0** | **2.3** | **0.1** |

Net income from other services includes mostly income from electricity and heat fed into the grid, as well as IT services for third parties.

After the planned overhaul of the biomass power plant was completed in the second quarter, the positive business development continued in the third quarter. This made a significant contribution to the year-on-year increase in net income from other services of EUR 2.2 million.

## *Administrative and other expenses*

*T 13* – Administrative and other expenses

| *€ million* | **Q3 2016** | *Q3 2015* | **01.01.–30.09.2016** | *01.01.–30.09.2015* |
|---|---|---|---|---|
| Other operating expenses | –5.2 | –6.9 | –47.3 | –14.0 |
| Staff costs | –5.3 | –5.2 | –16.0 | –16.4 |
| Purchased services | –0.2 | –0.3 | –0.8 | –0.8 |
| Depreciation and amortisation | –0.7 | –0.5 | –1.9 | –1.5 |
| **ADMINISTRATIVE AND OTHER EXPENSES** | **–11.4** | **–12.9** | **–66.0** | **–32.7** |
| Depreciation and amortisation | 0.7 | 0.5 | 1.9 | 1.5 |
| Non-recurring project costs and extraordinary and prior-period expenses | 2.5 | 4.5 | 40.4 | 6.5 |
| LTIP (long-term incentive programme) | 0.0 | 0.1 | 0.0 | 0.2 |
| **Adjusted administrative and other expenses** | **–8.2** | **–7.8** | **–23.7** | **–24.5** |

Administrative and other expenses increased by EUR 33.3 million year-on-year.

This increase was due chiefly to one-time incidental acquisition and integration costs for the acquisition of property portfolios, which contributed to project costs rising by EUR 34.0 million to EUR 40.4 million. EUR 34.4 million of this is attributable to real estate transfer tax, which was recognised directly under expenses instead of being capitalised as cost because the acquisitions were accounted for as business combinations.

Adjusted for these non-recurring effects, current administrative expenses were reduced as planned due to the implementation of efficiency enhancement measures and were down by EUR 0.8 million (3.3%) year-on-year at EUR 23.7 million in the reporting period.

## *Net finance earnings*

*T14* – Net finance earnings

| *€ million* | **Q3 2016** | *Q3 2015* | **01.01. – 30.09.2016** | *01.01. – 30.09.2015* |
|---|---|---|---|---|
| Interest income | 0.0 | 0.1 | 0.0 | 0.6 |
| Interest expenses | –28.5 | –32.7 | –89.6 | –145.9 |
| **NET INTEREST INCOME** | **–28.5** | **–32.6** | **–89.6** | **–145.3** |
| Net income from other financial assets and other investments | –0.8 | –0.1 | 2.2 | 2.7 |
| Net income from associates | – | 0.1 | 0.3 | 0.1 |
| Net income from the fair value measurement of derivatives | –3.1 | –41.6 | –31.7 | –77.9 |
| **NET FINANCE EARNINGS** | **–32.4** | **–74.2** | **–118.8** | **–220.4** |

The decline in interest expenses from EUR 145.9 million in the comparative period to EUR 89.6 million in the reporting period is attributable primarily to the effects of the refinancing concluded in the comparative period. Expenses of EUR 54.0 million were incurred for this purpose in the comparative period.

The reduction in the average interest rate achieved by concluding refinancing in the reporting period (2.05% as at 30 September 2016 compared to 2.27% as at 30 September 2015), partly offset by new acquisition financing, caused cash interest expenses to decrease by EUR 4.4 million (6.6%) to EUR 62.3 million.

As a result, interest expense from loan amortisation fell by EUR 10.8 million year-on-year to EUR 16.6 million. This includes the measurement of the convertible bond at amortised cost in the amount of EUR 4.9 million (comparative period: EUR 4.8 million). Alongside the one-time, additional amortisation expense of EUR 7.3 million in the comparative period, the decrease in interest expense from loan amortisation was attributable in particular to the lower scheduled amortisation as a result of the refinancing.

The average term for the entire loan portfolio was around 10.9 years on 30 September 2016.

Dividends received from equity investments in non-consolidated and non-associated companies amounted to EUR 2.1 million in the reporting period, up 10.5% on the same period of the previous year (EUR 1.9 million). In the comparative period, payments of VAT arrears for external tax audits for the years 2005 to 2007 were reimbursed by the former shareholder in the amount of EUR 1.0 million. This was also recognised in net income from other financial assets and other investments.

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 –23.8 million (previous year: EUR –76.7 million).

## *Income tax expenses*

*T15* – Income tax expenses

| *€ million* | **Q3 2016** | *Q3 2015* | **01.01. – 30.09.2016** | *01.01. – 30.09.2015* |
|---|---|---|---|---|
| Current tax expenses | –1.9 | – | –3.7 | –1.1 |
| Deferred tax expenses | –16.0 | –7.0 | –41.3 | –11.0 |
| **Income tax expenses** | **–17.9** | **–7.0** | **–45.0** | **–12.1** |

An effective Group tax rate of 22.6% was assumed in the reporting period in accordance with Group tax planning (previous year: 22.7%).

Current income taxes of EUR 3.7 million are attributable to the reporting period; this figure takes account of the anticipated tax-reducing utilisation of loss carry forwards.

A higher level of earnings before taxes contributed significantly to the year-on-year increase in income tax expense by EUR 32.9 million to EUR 45.0 million in the reporting period, including deferred tax expense of EUR 41.3 million.

Prior-period tax expenses of EUR 1.0 million were included in current income taxes in the comparative 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:

*T 16* – Calculation of FFO I, FFO II and AFFO

| *€ million* | **Q3 2016** | *Q3 2015* | **01.01. – 30.09.2016** | *01.01. – 30.09.2015* |
|---|---|---|---|---|
| Net cold rent | 131.9 | 110.5 | 381.3 | 325.3 |
| Profit from operating expenses | 0.6 | 1.2 | –0.9 | –0.6 |
| Maintenance | –16.1 | –13.7 | –44.9 | –36.5 |
| Staff costs | –10.6 | –8.6 | –30.2 | –27.4 |
| Allowances on rent receivables | –2.3 | –1.3 | –5.5 | –4.7 |
| Other | –1.6 | –3.7 | –5.0 | –10.4 |
| Non-recurring project costs (rental and lease) | 0.3 | 0.6 | 0.9 | 1.8 |
| **CURRENT NET RENTAL AND LEASE INCOME** | **102.2** | **85.0** | **295.7** | **247.5** |
| **CURRENT NET INCOME FROM OTHER SERVICES** | **1.7** | **0.6** | **4.0** | **1.8** |
| Staff costs | –5.3 | –5.2 | –16.0 | –16.4 |
| Non-staff operating costs | –5.4 | –7.2 | –48.1 | –14.8 |
| LTIP (long-term incentive programme) | 0.0 | 0.1 | 0.0 | 0.2 |
| Non-recurring project costs (admin.) | 2.5 | 4.8 | 40.4 | 6.4 |
| Extraordinary and prior-period expenses | 0.0 | –0.3 | 0.0 | 0.1 |
| **CURRENT ADMINISTRATIVE EXPENSES** | **–8.2** | **–7.8** | **–23.7** | **–24.5** |
| Other income and expenses | 0.0 | 0.2 | 0.2 | 0.6 |
| **ADJUSTED EBITDA** | **95.7** | **78.0** | **276.2** | **225.4** |
| Cash interest expenses and income | –21.0 | –20.8 | –62.3 | –66.7 |
| Cash income taxes from rental and lease | –1.8 | –0.1 | –3.1 | –0.2 |
| **FFO I (BEFORE ADJUSTMENT OF NON-CONTROLLING INTERESTS)** | **72.9** | **57.1** | **210.8** | **158.5** |
| Adjustment of non-controlling interests | 0.1 | – | –0.2 | – |
| **FFO I (AFTER ADJUSTMENT OF NON-CONTROLLING INTERESTS)** | **73.0** | **57.1** | **210.6** | **158.5** |
| Net income from the disposal of investment properties | 7.2 | –0.5 | 8.3 | 0.7 |
| Cash income taxes from disposal of investment properties | –0.1 | – | –0.6 | – |
| **FFO II (INCL. DISPOSAL OF INVESTMENT PROPERTIES)** | **80.1** | **56.6** | **218.3** | **159.2** |
| Capex | –17.8 | –17.5 | –46.8 | –33.5 |
| **CAPEX-ADJUSTED FFO I (AFFO)** | **55.2** | **39.6** | **163.8** | **125.0** |

At EUR 210.6 million, FFO I was EUR 52.1 million (32.9%) higher in the reporting period than in the same period of the previous year. In particular, this development reflects the rise in in-place rent including the effects of the acquisitions concluded, the slower increase in operating costs and the reduced cash interest expenses.

### *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):

*T17* – EPRA earnings per share (EPS)

| *€ million* | **Q3 2016** | *Q3 2015* | **01.01.–30.09.2016** | *01.01.–30.09.2015* |
|---|---|---|---|---|
| **NET PROFIT OR LOSS FOR THE PERIOD ATTRIBUTABLE TO PARENT SHAREHOLDERS** | **62.5** | **–11.5** | **85.6** | **–21.9** |
| Changes in value of investment properties | –8.3 | – | –9.3 | – |
| 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 | –8.0 | 0.3 | –6.8 | –0.9 |
| Tax on profits or losses on disposals | 1.8 | –1.8 | 1.9 | –1.1 |
| Changes in fair value of financial instruments and associated close-out costs | 3.1 | 41.6 | 31.7 | 77.9 |
| Acquisition costs on share deals and non-controlling joint venture interests | 1.1 | 0.3 | 36.1 | 0.6 |
| Deferred tax in respect of EPRA adjustments | –7.5 | –30.1 | 1.2 | 4.9 |
| Refinancing expenses | 0.2 | – | 0.3 | 12.6 |
| Other interest expenses | –0.1 | 2.8 | 4.3 | 39.6 |
| Non-controlling interests in respect of the above | 0.2 | 0.3 | 0.2 | 0.1 |
| **EPRA EARNINGS** | **45.0** | **1.9** | **145.2** | **111.8** |
| | | | | |
| Weighted average number of shares outstanding | 63,188,185 | 58,259,788 | 62,955,742 | 57,493,242 |
| EPRA earnings per share (undiluted) in € | 0.71 | 0.03 | 2.31 | 1.94 |
| Potentially diluted shares | 5,277,945 | 5,134,199 | 5,277,945 | 5,134,199 |
| Interest coupon on convertible bond | 0.3 | 0.3 | 0.9 | 0.9 |
| Amortisation expenses convertible bond after taxes | 1.2 | 1.3 | 3.8 | 3.7 |
| **EPRA EARNINGS (DILUTED)** | **46.5** | **3.5** | **149.9** | **116.4** |
| Number of diluted shares | 68,466,130 | 63,393,987 | 68,233,687 | 62,627,441 |
| **EPRA EARNINGS PER SHARE (DILUTED) IN €** | **0.68** | **0.06** | **2.20** | **1.86** |

## Condensed statement of financial position

The condensed statement of financial position is as follows:

*T18 – Condensed statement of financial position*

| *€ million* | **30.09.2016** | *31.12.2015* |
|---|---|---|
| Investment properties | 7,288.8 | 6,398.5 |
| Prepayments for investment properties | 5.1 | 203.1 |
| Other non-current assets | 176.0 | 296.8 |
| Non-current assets | 7,469.9 | 6,898.4 |
| Receivables and other assets | 79.1 | 37.2 |
| Cash and cash equivalents | 303.8 | 252.8 |
| Current assets | 382.9 | 290.0 |
| Assets held for sale | 76.8 | 6.7 |
| **TOTAL ASSETS** | **7,929.6** | **7,195.1** |
| | | |
| Equity | 2,927.0 | 2,985.0 |
| Non-current financial liabilities | 3,394.5 | 2,745.6 |
| Other non-current liabilities | 749.0 | 673.7 |
| Non-current liabilities | 4,143.5 | 3,419.3 |
| Current financial liabilities | 385.8 | 496.0 |
| Other current liabilities | 473.3 | 294.8 |
| Current liabilities | 859.1 | 790.8 |
| **TOTAL EQUITY AND LIABILITIES** | **7,929.6** | **7,195.1** |

The main assets of the LEG Group are its investment properties, which amounted to EUR 7,288.8 million as at 30 September 2016 (31 December 2015: EUR 6,398.5 million). This corresponds to 91.9% of total assets at the reporting date (31 December 2015: 88.9%).

The increase in investment properties resulted primarily from additions by way of acquisitions of EUR 1,030.8 million and capitalisation of modernisation measures in the amount of EUR 46.8 million.

The acquisition of a property portfolio with 3,539 residential units resulted in goodwill of EUR 14.9 million (comprising EUR –3.2 million from deferred taxes on EPRA adjustments and EUR 18.1 million from synergies), reported under other non-current assets.

The acquisition of a property portfolio with 13,570 units resulted in provisional goodwill of EUR 0.2 million. Deferred taxes on EPRA adjustments had the effect of increasing this goodwill by EUR 7.2 million; adjusted for these effects, the transaction would have resulted in negative goodwill of EUR –7.0 million.

The increase in receivables and other assets was attributable to the recognition of the full property tax expense for the financial year as a whole as other inventories during the year (EUR 4.8 million), the deferral of prepaid operating costs in the amount of EUR 26.2 million, an increase in receivables from work in progress (EUR 5.2 million) and receivables from purchase price reductions of acquired property portfolios (EUR 6.5 million).

Cash and cash equivalents increased by EUR 51.0 million as against the reporting date to EUR 303.8 million. This development was due mainly to the utilisation of new loans (net amount of EUR 486.5 million; primarily from acquisition financing), receipts from property sales (EUR 119.1 million) and cash flow from operating activities in the amount of EUR 146.1 million. These factors were countered by payments for acquisitions and capex measures (EUR –544.6 million) and the dividend distribution for 2015 (EUR –141.9 million).

The main items on the equity and liabilities side are the reported equity of EUR 2,927.0 million (31 December 2015: EUR 2,985.0 million) and financing liabilities, which increased to EUR 3,780.3 million (31 December 2015: EUR 3,241.6 million) primarily as a result of concluded acquisition financing.

The main driver for the slight temporary reduction in equity was the dividend distribution of EUR 141.9 million. In addition, distributions to non-controlling shareholders reduced equity by EUR 7.9 million. These factors were countered by total comprehensive income including other comprehensive income (OCI) recognised directly in equity of EUR 48.4 million, a capital increase of EUR 32.4 million, and an addition to non-controlling interests as a result of the first-time consolidation of newly acquired companies in the amount of EUR 12.4 million.

Deferred tax liabilities rose by EUR 26.6 million (reported in other non-current liabilities), of which EUR 3.8 million was recognised in profit or loss (increasing goodwill) in connection with the purchase price allocations of acquisitions to be recognised as business combinations.

The increase in the negative fair value of derivatives used for hedging contributed EUR 20.9 million of the increase in other non-current liabilities.

The change in the fair value of the derivatives for the convertible bond contributed EUR 23.9 million of the increase in other current liabilities. Other current liabilities were also increased by the recognition of the full property tax expense as a liability during the year (EUR +4.9 million), the deferral of operating cost discounts to be paid in arrears (EUR +11.0 million) and an increase in liabilities for advanced payments received (EUR +5.9 million).

Deferred purchase price liabilities for acquired property portfolios (EUR 119.3 million) also contributed to the increase in other current liabilities.

## *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 2015 annual report.

The LEG Group reported basic EPRA NAV of EUR 3,570.0 million as at 30 September 2016. 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 4,024.8 million at the reporting date.

*T19* – EPRA-NAV

| *€ million* | **30.09.2016 undiluted** | **30.09.2016 Effect of exercise of convertibles/ options** | **30.09.2016 diluted** | *31.12.2015 undiluted* | *31.12.2015 Effect of exercise of convertibles/ options* | *31.12.2015 diluted* |
|---|---|---|---|---|---|---|
| **EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY** | 2,904.1 | – | 2,904.1 | 2,967.8 | – | 2,967.8 |
| **NON-CONTROLLING INTERESTS** | 22.9 | – | 22.9 | 17.2 | – | 17.2 |
| **EQUITY** | **2,927.0** | **–** | **2,927.0** | **2,985.0** | **–** | **2,985.0** |
| Effect of exercise of options, convertibles and other equity interests | – | 491.5 | 491.5 | – | 427.2 | 427.2 |
| **NAV** | **2,904.1** | **491.5** | **3,395.6** | **2,967.8** | **427.2** | **3,395.0** |
| Fair value measurement of derivative financial instruments | 208.3 | – | 208.3 | 165.5 | – | 165.5 |
| Deferred taxes on WFA loans and derivatives | 25.3 | – | 25.3 | 35.4 | – | 35.4 |
| Deferred taxes on investment property | 471.6 | – | 471.6 | 465.7 | – | 465.7 |
| Goodwill resulting from deferred taxes on EPRA adjustments | –39.3 | – | –39.3 | –34.5 | – | –34.5 |
| **EPRA NAV** | **3,570.0** | **491.5** | **4,061.5** | **3,599.9** | **427.2** | **4,027.1** |
| **NUMBER OF SHARES** | **63,188,185** | **5,277,945** | **68,466,130** | **62,769,788** | **5,134,199** | **67,903,987** |
| **EPRA NAV PER SHARE** | **56.50** | **–** | **59.32** | **57.35** | **–** | **59.31** |
| | | | | | | |
| **EPRA NAV** | 3,570.0 | 491.5 | 4,061.5 | 3,599.9 | 427.2 | 4,027.1 |
| Goodwill resulting from synergies | 36.7 | – | 36.7 | 26.4 | – | 26.4 |
| **ADJUSTED EPRA NAV (W/O EFFECTS FROM GOODWILL)** | **3,533.3** | **491.5** | **4,024.8** | **3,573.5** | **427.2** | **4,000.7** |
| **NUMBER OF SHARES** | **63,188,185** | **5,277,945** | **68,466,130** | **62,769,788** | **5,134,199** | **67,903,987** |
| **ADJUSTED EPRA NAV PER SHARE** | **55.92** | **–** | **58.79** | **56.93** | **–** | **58.92** |
| | | | | | | |
| **EPRA NAV** | 3,570.0 | 491.5 | 4,061.5 | 3,599.9 | 427.2 | 4,027.1 |
| Fair value measurement of derivative financial instruments | –208.3 | – | –208.3 | –165.5 | – | –165.5 |
| Deferred taxes on WFA loans and derivatives | –25.3 | – | –25.3 | –35.4 | – | –35.4 |
| Deferred taxes on investment property | –471.6 | – | –471.6 | –465.7 | – | –465.7 |
| Goodwill resulting from deferred taxes on EPRA adjustments | 39.3 | – | 39.3 | 34.5 | – | 34.5 |
| Fair value measurement of financing liabilities | –498.5 | – | –498.5 | –327.6 | – | –327.6 |
| Valuation uplift resulting from FV measurement financing liabilities | 295.9 | – | 295.9 | 295.9 | – | 295.9 |
| **EPRA NNNAV** | **2,701.5** | **491.5** | **3,193.0** | **2,936.1** | **427.2** | **3,363.3** |
| **NUMBER OF SHARES** | **63,188,185** | **5,277,945** | **68,466,130** | **62,769,788** | **5,134,199** | **67,903,987** |
| **EPRA NNNAV PER SHARE** | **42.75** | **–** | **46.64** | **46.78** | **–** | **49.53** |

### *Loan-to-value ratio (LTV)*

Net gearing in relation to property assets increased as planned compared with 31 December 2015 due to acquisition financing in the reporting period. The loan-to-value ratio (LTV) is therefore 48.8% (31 December 2015: 44.2%).

*T20* – Loan-to-value ratio

| *€ million* | **30.09.2016** | *31.12.2015* |
|---|---|---|
| Financial liabilities | 3,780.3 | 3,241.6 |
| Deferred purchase price liabilities | 119.3 | – |
| Less cash and cash equivalents | 303.8 | 252.8 |
| **NET FINANCING LIABILITIES** | **3,595.8** | **2,988.8** |
| Investment properties | 7,288.8 | 6,398.5 |
| Assets held for disposal | 76.8 | 6.7 |
| Prepayments for investment properties | 5.1 | 203.1 |
| Prepayments for business combinations | – | 146.1 |
| **REAL ESTATE ASSETS** | **7,370.7** | **6,754.4** |
| **LOAN TO VALUE RATIO (LTV) IN %** | **48.8** | **44.2** |

## Financial position

A net profit or loss for the period of EUR 86.0 million was recorded in the reporting period (previous year: net profit or loss for the period of EUR –21.9 million). Equity amounted to EUR 2,927.0 million at the reporting date (31 December 2015: EUR 2,985.0 million). This corresponds to an equity ratio of 36.9% (31 December 2015: 41.5%).

A condensed form of the LEG Group's statement of cash flows for the reporting period is shown below:

*T21* – Statement of cash flows

| *€ million* | **01.01.–30.09.2016** | *01.01.–30.09.2015* |
|---|---|---|
| Cash flow from operating activities | 146.1 | 120.0 |
| Cash flow from investing activities | –432.1 | –135.8 |
| Cash flow from financing activities | 337.0 | 264.1 |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | **51.0** | **248.3** |

Higher receipts from in-place 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 payments in the amount of EUR –544.6 million. Furthermore, receipts from property disposals in the amount of EUR 119.1 million resulted in a net cash flow from investing activities of EUR –432.1 million.

Acquisition financing and the dividend distribution (EUR –141.9 million) were the main drivers of cash flow from financing activities of EUR 337.0 million.

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

# SUPPLEMENTARY REPORT

There were no significant events after the end of the interim reporting period on 30 September 2016.

# RISK AND OPPORTUNITY REPORT

The risks and opportunities faced by LEG in its operating activities were described in detail in the 2015 annual report. To date, no further risks that would lead to a different assessment have arisen or become discernible in the fiscal year 2016.

# FORECAST REPORT

Based on its business performance in the first nine months of the 2016 financial year, LEG believes that it is well positioned to achieve – and in some cases surpass – its goals for its key financial and operating figures. LEG is therefore confirming its forecast for FFO I in a range of EUR 261 million to EUR 265 million for the 2016 financial year and in a range of EUR 284 million to EUR 289 million for 2017. The profit forecast for 2017 does not yet include the initial positive contribution to be expected from an additional investment programme. For the 2018 financial year, LEG anticipates a further increase in FFO I to between EUR 307 million and EUR 313 million. This outlook is based on the assumption of a stable portfolio and therefore does not take account of effects from planned acquisitions.

The forecast for the development of key operating figures is unchanged. In 2016, there will be no significant adjustments to the cost of rent in the rent-restricted portfolio. Accordingly, rental growth of between 2.4% and 2.6% is still forecast on a like-for-like basis. With the next regular adjustment of the cost rent scheduled for 2017, this is expected to contribute to a further acceleration of the rental growth rate to between 3.0% and 3.3%. Including the effects from the additional investment programme, growth of around 3.0% is also anticipated for 2018.

The vacancy rate already reached a very low level at the end of 2015 and is expected to remain stable on a like-for-like basis in 2016.

In order to maintain the quality of the property portfolio and take advantage of opportunities for value-adding measures, around EUR 18 per square metre is to be invested in the 2016 financial year. Newly acquired properties will account for an above-average share of this figure.

In view of the sharp rise in purchase prices, the market environment for acquisitions has become challenging in North Rhine-Westphalia, too. However, LEG will adhere to its strict acquisition criteria and to the principle of capital discipline even in this environment. Depending on the market situation, it therefore cannot currently be ruled out that the acquisitions in the 2016 financial year may fall short of the previously anticipated level of 5,000 residential units.

LEG intends to distribute a dividend of 65% of FFO I on a sustainable basis.

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

T22 – Consolidated statement of financial position
Assets

| *€ million* | **30.09.2016** | *31.12.2015* |
|---|---|---|
| **Non-current assets** | **7,469.9** | **6,898.4** |
| Investment properties | 7,288.8 | 6,398.5 |
| Prepayments for investment properties | 5.1 | 203.1 |
| Property, plant and equipment | 61.2 | 59.1 |
| Intangible assets | 78.0 | 63.1 |
| Investments in associates | 9.1 | 8.8 |
| Other financial assets | 2.9 | 148.8 |
| Receivables and other assets | 6.1 | 2.7 |
| Deferred tax assets | 18.7 | 14.3 |
| | | |
| **Current assets** | **382.9** | **290.0** |
| Real estate inventory and other inventory | 7.2 | 5.1 |
| Receivables and other assets | 70.0 | 30.5 |
| Income tax receivables | 1.9 | 1.6 |
| Cash and cash equivalents | 303.8 | 252.8 |
| **Assets held for sale** | **76.8** | **6.7** |
| **TOTAL ASSETS** | **7,929.6** | **7,195.1** |

Equity and liabilities

| *€ million* | **30.09.2016** | *31.12.2015* |
|---|---|---|
| **Equity** | **2,927.0** | **2,985.0** |
| Share capital | 63.2 | 62.8 |
| Capital reserves | 811.3 | 779.2 |
| Cumulative other reserves | 2,029.6 | 2,125.8 |
| Equity attributable to shareholders of the parent company | 2,904.1 | 2,967.8 |
| Non-controlling interests | 22.9 | 17.2 |
| | | |
| **Non-current liabilities** | **4,143.5** | **3,419.3** |
| Pension provisions | 172.3 | 142.8 |
| Other provisions | 11.3 | 11.4 |
| Financing liabilities | 3,394.5 | 2,745.6 |
| Other liabilities | 134.2 | 106.7 |
| Tax liabilities | 0.3 | 8.5 |
| Deferred tax liabilities | 430.9 | 404.3 |
| | | |
| **Current liabilities** | **859.1** | **790.8** |
| Pension provisions | 5.2 | 7.0 |
| Other provisions | 18.1 | 19.1 |
| Provisions for taxes | 0.4 | 0.4 |
| Financing liabilities | 385.8 | 496.0 |
| Other liabilities | 421.5 | 253.1 |
| Tax liabilities | 15.5 | 15.2 |
| Liabilities directly associated with assets classified as held for sale | 12.6 | – |
| **TOTAL EQUITY AND LIABILITIES** | **7,929.6** | **7,195.1** |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*T23 – Consolidated statement of comprehensive income*

| *€ million* | **Q3 2016** | *Q3 2015* | **01.01. – 30.09.2016** | *01.01. – 30.09.2015* |
|---|---|---|---|---|
| **Net rental and lease income** | **100.4** | **83.3** | **290.8** | **242.4** |
| Rental and lease income | 196.7 | 161.8 | 568.4 | 482.1 |
| Cost of sales in connection with rental lease income | –96.3 | –78.5 | –277.6 | –239.7 |
| **Net income from the disposal of investment properties** | **8.2** | **–0.5** | **8.3** | **0.7** |
| Income from the disposal of investment properties | 115.5 | 8.9 | 136.2 | 66.9 |
| Carrying amount of the disposal of investment properties | –107.0 | –8.3 | –127.1 | –64.7 |
| Cost of sales in connection with disposed investment properties | –0.3 | –1.1 | –0.8 | –1.5 |
| **Net income from the remeasurement of investment properties** | **8.3** | **–** | **9.3** | **–** |
| **Net income from the disposal of real estate inventory** | **–0.2** | **–0.5** | **–1.5** | **–0.5** |
| Income from the real estate inventory disposed of | 1.3 | 0.5 | 1.8 | 0.9 |
| Carrying amount of the real estate inventory disposed of | –0.7 | –0.4 | –1.1 | –0.6 |
| Costs of sales of the real estate inventory disposed of | –0.8 | –0.6 | –2.2 | –0.8 |
| **Net income from other services** | **1.1** | **0.0** | **2.3** | **0.1** |
| Income from other services | 2.5 | 2.1 | 7.1 | 6.1 |
| Expenses in connection with other services | –1.4 | –2.1 | –4.8 | –6.0 |
| **Administrative and other expenses** | **–11.4** | **–12.9** | **–66.0** | **–32.7** |
| **Other income** | **6.4** | **0.2** | **6.6** | **0.6** |
| **OPERATING EARNINGS** | **112.8** | **69.6** | **249.8** | **210.6** |
| Interest income | 0.0 | 0.1 | 0.0 | 0.6 |
| Interest expenses | –28.5 | –32.7 | –89.6 | –145.9 |
| Net income from investment securities and other equity investments | –0.8 | –0.1 | 2.2 | 2.7 |
| Net income from associates | – | 0.1 | 0.3 | 0.1 |
| Net income from the fair value measurement of derivatives | –3.1 | –41.6 | –31.7 | –77.9 |
| **EARNINGS BEFORE INCOME TAXES** | **80.4** | **–4.6** | **131.0** | **–9.8** |
| Income taxes | –17.9 | –7.0 | –45.0 | –12.1 |
| **NET PROFIT OR LOSS FOR THE PERIOD** | **62.5** | **–11.6** | **86.0** | **–21.9** |
| **Change in amounts recognised directly in equity** | | | | |
| **Thereof recycling** | | | | |
| **Fair value adjustment of interest rate derivatives in hedges** | **–1.5** | **–5.1** | **–15.0** | **31.4** |
| Change in unrealised gains/(losses) | –1.8 | –6.5 | –19.7 | 41.8 |
| Change in income taxes on amounts recognized directly in equity | 0.3 | 1.4 | 4.7 | –10.4 |
| **Thereof non-recycling** | | | | |
| **Actuarial gains and losses from the measurement of pension obligations** | **–22.6** | **–** | **–22.6** | **–** |
| Change in unrealised gains/losses | –29.2 | – | –29.2 | – |
| Income taxes on amounts recognised directly in equity | 6.6 | – | 6.6 | – |
| **TOTAL COMPREHENSIVE INCOME** | **38.4** | **–16.7** | **48.4** | **9.5** |
| **Net profit or loss for the period attributable to:** | | | | |
| Non-controlling interests | 0.0 | –0.1 | 0.4 | 0.0 |
| Parent shareholders | 62.5 | –11.5 | 85.6 | –21.9 |
| **Total comprehensive income attributable to:** | | | | |
| Non-controlling interests | 0.0 | –0.1 | 0.4 | 0.0 |
| Parent shareholders | 38.4 | –16.6 | 48.0 | 9.5 |
| **EARNINGS PER SHARE (BASIC AND DILUTED) IN €** | **0.99** | **–0.20** | **1.36** | **–0.38** |

# STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

*T24 – Statement of changes in consolidated equity*

| | | | Cumulative other reserves | | | | | |
|---|---|---|---|---|---|---|---|---|
| € million | Share capital | Capital reserves | Revenue 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 | Noncontrolling interests | Consolidated equity |
| **AS OF 01.01.2015** | **57.1** | **578.9** | **1,944.9** | **–38.5** | **–65.1** | **2,477.3** | **14.3** | **2,491.6** |
| Adjustment arising from final PPA Vitus | – | – | –1.2 | – | – | –1.2 | – | –1.2 |
| **AS OF 01.01.2015 ADJUSTED** | **57.1** | **578.9** | **1,943.7** | **–38.5** | **–65.1** | **2,476.1** | **14.3** | **2,490.4** |
| Net profit or loss for the period | – | – | –21.9 | – | – | –21.9 | 0.0 | –21.9 |
| Other comprehensive income | – | – | – | – | 31.4 | 31.4 | 0.0 | 31.4 |
| **TOTAL COMPREHENSIVE INCOME** | **–** | **–** | **–21.9** | **–** | **31.4** | **9.5** | **0.0** | **9.5** |
| Change in consolidated companies | – | – | –4.3 | – | – | –4.3 | 5.6 | 1.3 |
| Capital increase | 1.2 | 71.7 | 8.1 | – | – | 81.0 | 0.5 | 81.5 |
| Withdrawals from reserves | – | – | –0.1 | – | – | –0.1 | – | –0.1 |
| Change in put options | – | – | –39.8 | – | – | –39.8 | – | –39.8 |
| Distributions | – | – | –111.9 | – | – | –111.9 | –4.2 | –116.1 |
| Contribution in connection with Management and Supervisory Board | – | 0.1 | – | – | – | 0.1 | – | 0.1 |
| **AS OF 30.09.2015** | **58.3** | **650.7** | **1,773.8** | **–38.5** | **–33.7** | **2,410.6** | **16.2** | **2,426.8** |
| | | | | | | | | |
| **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 | – | – | 85.6 | – | – | 85.6 | 0.4 | 86.0 |
| Other comprehensive income | – | – | – | –22.6 | –15.0 | –37.6 | 0.0 | –37.6 |
| **TOTAL COMPREHENSIVE INCOME** | **–** | **–** | **85.6** | **–22.6** | **–15.0** | **48.0** | **0.4** | **48.4** |
| Change in consolidated companies/other | – | – | – | – | – | – | 12.4 | 12.4 |
| Capital increase | 0.4 | 32.0 | – | – | – | 32.4 | 1.2 | 33.6 |
| Withdrawals from reserves | – | – | – | – | – | – | –0.4 | –0.4 |
| Change in put options | – | – | –2.2 | – | – | –2.2 | – | –2.2 |
| Distributions | – | – | –141.9 | – | – | –141.9 | –7.9 | –149.8 |
| Contribution in connection with Management and Supervisory Board | – | 0.0 | – | – | – | 0.0 | – | 0.0 |
| **AS OF 30.09.2016** | **63.2** | **811.3** | **2,131.2** | **–52.7** | **–48.9** | **2,904.1** | **22.9** | **2,927.0** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

*T25* – Consolidated statement of cash flows

| *€ million* | **01.01. – 30.09.2016** | *01.01. – 30.09.2015* |
|---|---|---|
| **Operating earnings** | **249.8** | **210.6** |
| Depreciation on property, plant and equipment and amortisation on intangible assets | 7.6 | 6.5 |
| (Gains)/Losses from the remeasurement of investment properties | –9.3 | – |
| (Gains)/Losses from the disposal of assets held for sale and investment properties | –9.1 | –2.2 |
| (Gains)/Losses from the disposal of intangible assets and property, plant and equipment | 0.1 | 0.0 |
| (Decrease)/Increase in pension provisions and other non-current provisions | –1.6 | –2.8 |
| Other non-cash income and expenses | –1.3 | 4.8 |
| (Decrease)/Increase in receivables, inventories and other assets | –39.6 | –28.2 |
| Decrease/(Increase) in liabilities (not including financing liabilities) and provisions | 22.1 | 3.7 |
| Interest paid | –62.4 | –67.3 |
| Interest received | 0.1 | 0.6 |
| Received income from investments | 1.8 | 2.9 |
| Taxes received | 0.2 | 1.4 |
| Taxes paid | –12.3 | –10.0 |
| **NET CASH FROM/(USED IN) OPERATING ACTIVITIES** | **146.1** | **120.0** |
| **Cash flow from investing activities** | | |
| Investments in investment properties | –526.0 | –202.1 |
| Proceeds from disposals of non-current assets held for sale and investment properties | 13.1 | 75.6 |
| Investments in intangible assets and property, plant and equipment | –6.6 | –1.2 |
| Proceeds from disposals of intangible assets and property, plant and equipment | 0.0 | 0.1 |
| Acquisition of shares in consolidated companies | –18.6 | –8.2 |
| Proceeds from disposals of shares in consolidated companies | 106.0 | – |
| **NET CASH FROM/(USED IN) INVESTING ACTIVITIES** | **–432.1** | **–135.8** |
| **Cash flow from financing activities** | | |
| Borrowing of bank loans | 842.3 | 1,320.9 |
| Repayment of bank loans | –355.8 | –1,016.4 |
| Repayment of lease liabilities | –2.6 | –2.5 |
| Other proceeds | 4.2 | 5.2 |
| Other payments | –9.2 | –4.2 |
| Capital increase | – | 72.9 |
| Distribution to shareholders | –141.9 | –111.8 |
| **NET CASH FROM/(USED IN) FINANCING ACTIVITIES** | **337.0** | **264.1** |
| **Change in cash and cash equivalents** | **51.0** | **248.3** |
| Cash and cash equivalents at beginning of period | 252.8 | 129.9 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **303.8** | **378.2** |
| **Composition of cash and cash equivalents** | | |
| Cash in hand, bank balances | 303.8 | 378.2 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **303.8** | **378.2** |

# SELECTED NOTES ON THE IFRS INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2016

## 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 residential companies in Germany. The LEG Group held a portfolio of 129,086 units (residential and commercial) on 30 September 2016.

LEG Immo and its subsidiaries engage in two core activities as an integrated property company: the value-adding long-term management of its residential property portfolio in connection with the strategic acquisition of residential portfolios in order to generate economies of scale for its management platform and the expansion of tenant-oriented services.

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

## 2. Interim consolidated financial statements

LEG Immo prepared the interim consolidated 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 (IFRS IC). Based on the option under IAS 34.10, the notes to the financial statements were presented in a condensed form. The condensed interim consolidated financial statements have not been audited or subjected to an audit review.

The LEG Group primarily generates income from the rental and letting of investment properties. Rental and lease business, in essence, is unaffected by seasonal and cyclical influences.

## 3. Accounting policies

The accounting policies applied in the interim consolidated 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 2015. Income tax expenses in the reporting period were deferred on the basis of the tax rate expected for the fiscal year as a whole. These interim consolidated financial statements as at 30 September 2016 should therefore be read in conjunction with the consolidated financial statements as at 31 December 2015.

The LEG Group has fully applied the new standards and interpretations that are mandatory from 1 January 2016. This did not affect the net assets, financial position, or results of operations. The amendment to IAS 1 will affect the representation of the notes to the consolidated financial statements as at the end of the year.

## 4. Changes in the Group

In the course of various portfolio acquisitions (see section 7) four companies were acquired and included in consolidation for the first time as at 1 January 2016. Some of the acquisitions are business combinations (see section 5).

LEG Wohnen Service GmbH was consolidated for the first time as at 31 March 2016. The company was established as part of the reorganization of the LEG Group's operating platform.

LEG Marl GmbH (formerly Deutsche Annington Wohnungsgesellschaft III mbH) was included in consolidation for the first time as at 1 April 2016, followed by Grainger Recklinghausen Portfolio one GmbH and Grainger Recklinghausen Portfolio two GmbH as at 1 June 2016.

As at 31 May 2016, all shares in Johannismarkt Grundstücksgesellschaft mbH were sold and deconsolidated.

As at 1 July 2016, LEG Achte Grundstücksverwaltung GmbH and LEG Neunte Grundstücksverwaltung GmbH were included in consolidation for the first time.

As at 30 September 2016, the shares in LEG Marl GmbH were sold and deconsolidated.

## 5. Business combinations

On 30 November 2015, LEG Immo signed a purchase agreement with Sahle Wohnen GmbH & Co. KG to acquire 94.9% of shares in SW Westfalen Invest GmbH and three other asset purchase agreements, consisting of a property portfolio of 3,539 residential units. The portfolio is distributed over twelve different locations in NRW, while its most important local markets are Detmold (1,151 units), Bielefeld (950 units) and Lippstadt (315 units). 23 employees (FTEs) were taken on in the context of the transaction. Following antitrust approval, the transaction was closed on 1 January 2016.

As at 1 January 2016, the acquisition of these companies is treated as a business combination as defined by IFRS 3 as significant business processes had been acquired.

The purchase price allocation presented in the notes to the consolidated financial statements as at 31 December 2015 was still provisional here with respect to the following items:

— Measurement of investment properties
— Total consideration
— Contingent liabilities
— Operating costs
— Accounting for leases
— Deferred taxes

After the conclusion of purchase price allocation, adjustments are made retrospectively as at the acquisition date 1 January 2016. The following changes were made in comparison to the provisional purchase price allocation:

— Measurement of investment properties: The improved data situation, particularly with regard to the buildings' technical condition and rental agreements, led to a fair value adjustment of EUR –4.1 million to EUR 200.9 million.
— Deferred taxes and scope of the busines combination: After the evaluation of the transaction in terms of income tax and contractual agreements was completed, the properties' carrying amounts for tax purposes were increased. This will result in higher tax-reducing depreciation in the future and contributes significantly to the decline in deferred taxes from EUR –22.0 million (deferred tax liability) to EUR 3.6 million (deferred tax asset). Furthermore, the liability for the put option was recognised as a separate transaction (EUR 8.2 million).
— Operating costs: The net amount of receivables and liabilities from not yet invoiced operating costs for the period before the acquisition comes to EUR –0.5 million and accordingly reduces the net assets acquired. Because it was agreed that net invoicing amounts for periods before the acquisition date are to be borne by the seller, there is no effect on goodwill (decrease in cash purchase price component of EUR 0.5 million).

The purchase price allocation is final as at 30 September 2016. The consideration for the business combination breaks down as follows:

*T26 – Consideration*

| *€ million* | **01.01.2016 final** | *01.01.2016 preliminary* | *Change* |
|---|---|---|---|
| Net purchase price | 201.1 | 201.6 | –0.5 |
| **TOTAL CONSIDERATION** | **201.1** | **201.6** | **–0.5** |

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

*T27 – Purchase price allocation*

| *€ million* | **01.01.2016 final** | *01.01.2016 preliminary* | *Change* |
|---|---|---|---|
| Investment properties | 200.9 | 205.0 | –4.1 |
| Deferred tax assets | 3.6 | – | 3.6 |
| Other assets | 0.6 | – | 0.6 |
| **TOTAL ASSETS** | **205.1** | **205.0** | **0.1** |
| Financing liabilities | –11.0 | –11.0 | – |
| Liabilities for put options | – | –8.2 | 8.2 |
| Deferred tax liabilities | – | –22.0 | 22.0 |
| Other financing liabilities | –0.6 | – | –0.6 |
| Other liabilities | –0.5 | – | –0.5 |
| **TOTAL LIABILITIES** | **–12.1** | **–41.2** | **29.1** |
| Net assets at fair value | 193.0 | 163.8 | 29.2 |
| Non-controlling interests | 6.8 | 5.7 | 1.1 |
| Net assets at fair value without non-controlling interests | 186.2 | 158.1 | 28.1 |
| **CONSIDERATION** | **201.1** | **201.6** | **–0.5** |
| **GOODWILL** | **14.9** | **43.5** | **–28.6** |

The synergies anticipated from the business combination essentially consist of planned cost savings, additional income potential and tax savings.

On 22 December 2015, LEG Immo concluded a purchase agreement with Vonovia SE regarding the acquisition of 13,570 residential units. The purchase price was around EUR 600 million, equating to an initial rental yield of 8.0%. The portfolio is spread over various locations in and on the border of North Rhine-Westphalia. 26 employees were taken on in the wake of the transaction. Following antitrust approval, the transaction was closed on 1 April 2016.

As at 1 April 2016, the acquisition of the company was treated as a business combination as defined by IFRS 3 as significant business processes had been acquired. The acquisition was a combined asset and share deal.

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

*T28 – Provisional consideration*

| *€ million* | *01.04.2016* |
|---|---|
| Net purchase price | 589.1 |
| **TOTAL CONSIDERATION** | **589.1** |

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

*T29 – Provisional purchase price allocation*

| *€ million* | *01.04.2016* |
|---|---|
| Investment properties | 604.6 |
| Property, plant and equipment | 0.1 |
| Inventory | 2.9 |
| Receivables and other assets | 0.2 |
| Cash and cash equivalents | 1.7 |
| **TOTAL ASSETS** | **609.5** |
| Other financing liabilities | –5.1 |
| Pension provisions | –0.1 |
| Deferred tax liabilities | –7.4 |
| Other liabilities | –3.3 |
| **TOTAL LIABILITIES** | **–15.9** |
| Net assets at fair value | 593.6 |
| Non-controlling interests | 4.7 |
| Net assets at fair value without non-controlling interests | 588.9 |
| **CONSIDERATION** | **589.1** |
| **GOODWILL** | **0.2** |

The transaction costs of the business combination amount to EUR 33.4 million and include essentially real estate transfer tax. Non-controlling interests in LEG Marl GmbH (formerly: Deutsche Annington WG III mbH) amount to 5.1% and were measured at the proportionate share of the recognised net assets acquired.

If the portfolio had already been acquired on 1 January 2016, income from property management would have increased by around EUR 12 million.

Given that the set of data has still to be completed the purchase price allocation is provisional with regard to the following items:

— Measurement of investment properties
— Total consideration
— Contingent liabilities
— Operating costs
— Accounting for leases
— Deferred taxes

## 6. Judgements and estimates

The preparation of interim consolidated financial statements in accordance with IFRS requires assumptions and estimates to be made that affect the recognition of assets and liabilities, income and expenses and the disclosure of contingent liabilities. These assumptions and estimates particularly relate to the measurement of investment properties, the recognition and measurement of pension provisions, the recognition and measurement of other provisions, the measurement of financing liabilities, and the eligibility for recognition of deferred tax assets.

Although the management believes that the assumption and estimates used are appropriate, any unforeseeable changes in these assumptions could impact the net assets, financial position and results of operations.

For further information, please refer to the consolidated financial statements as at 31 December 2015.

## 7. Selected notes to the consolidated statement of financial position

On 30 September 2016, the LEG Group held 127,941 apartments and 1,145 commercial units in its portfolio.

Investment property developed as follows in the financial year 2015 and in 2016 up to the reporting date of the interim consolidated financial statements:

*T30 – Investment properties*

| *€ million* | **30.09.2016** | *31.12.2015* |
|---|---|---|
| **CARRYING AMOUNT AS OF 01.01.** | **6,398.5** | **5,914.3** |
| Acquisitions | 1,030.8 | 189.6 |
| Other additions | 46.4 | 64.7 |
| Reclassified to assets held for sale | −92.4 | −55.7 |
| Reclassified from assets held for sale | 0.0 | 0.4 |
| Reclassified to property, plant and equipment | −1.2 | −0.3 |
| Reclassified from property, plant and equipment | 0.1 | – |
| Disposal of carrying amount | −102.7 | – |
| Fair value adjustment | 9.3 | 285.5 |
| **CARRYING AMOUNT AS OF 30.09./31.12.** | **7,288.8** | **6,398.5** |

The additions included the following acquisitions:

### Portfolio acquisition 1

Portfolio acquisition 1 comprises the recognition of property portfolios that were purchased as part of the acquisition of Sahle Wohnen GmbH & Co. KG. See section 5, Business combinations.

### Portfolio acquisition 2

The acquisition of a property portfolio of around 2,037 residential units was notarised on 11 August 2015. The portfolio generates annual net cold rent of around EUR 7.7 million. The average in-place rent is around EUR 5.04 per square metre and the initial vacancy rate is around 6.7%. The transaction was closed on 1 January 2016. The portfolio acquisition does not constitute a business combination.

### Portfolio acquisition 3

The acquisition of a property portfolio of around 1,291 residential units was notarised on 16 December 2015. The portfolio generates annual net cold rent of initially around EUR 4.6 million. The average in-place rent is EUR 5.16 per square metre; the initial vacancy rate is 17.3%. The economic transfer of 999 residential units took place as at 1 January 2016. For the remaining 292 residential units, the transaction was closed as at 1 July 2016. The portfolio acquisition does not constitute a business combination.

### Portfolio acquisition 4

Portfolio 4 includes the recognition of property portfolios acquired from LEG in the context of the business combination. See section 5, Business combinations.

### Portfolio acquisition 5

On 12 April 2016, LEG Immo signed a contract for the acquisition of a portfolio of approximately 1,100 apartments, located in LEG's core market, by way of a share purchase. The agreed purchase price is EUR 53 million; liabilities of around EUR 20 million were assumed. LEG's obligations under the contract were settled by issuing new LEG shares. The portfolio generated rental income of around EUR 4 million in the last financial year. The transaction was closed as at 30 May 2016 and does not constitute a business combination.

The reclassification to assets held for disposal and carrying amount disposals mainly relate to four block sales.

### Portfolio sale 1

439 residential units were sold by way of a purchase agreement dated 12 April 2016. In connection with the sale negotiations, the property portfolio was revalued resulting in income from the remeasurement of investment properties of EUR 960 thousand. The carrying amount was disposed with closing of the transaction on 31 May 2016.

### Portfolio sale 2

The sale of a property portfolio with 1,286 residential units was notarised on 29 September 2016. The revaluation of the property portfolio resulted in income from the remeasurement of investment properties of EUR 6.8 million. The carrying amount will be disposed with closing of the transaction on 1 January 2017.

### Portfolio sale 3

Another block sale of 426 residential units took place on 16 September 2016. The revaluation of the property portfolio resulted in income from remeasurement of investment properties of EUR 1.5 million. The carrying amount will be disposed with closing of the transaction on 31 December 2016.

### Portfolio sale 4

A property portfolio of 1,953 residential units was sold on 31 August 2016. The carrying amount was disposed with closing of the transaction on 30 September 2016.

The carrying amounts of all properties disposed of until 30 September 2016 amounted to EUR 126.1 million in total. All in all, EUR 106.0 million proceeds from disposals of investment properties were paid in cash.

Apart from the two block sales described above, investment property was measured regularly at the reporting date. No further fair value adjustment was made as at 30 September 2016. With regard to the calculation methods and parameters, please refer to the consolidated financial statements as at 31 December 2015.

Significant market developments and measurement parameters affecting the market values of LEG Immo are reviewed each quarter. If necessary, the property portfolio is revalued. As at 30 September 2016, the results of this review did not require any value adjustment. However, this reflects the value development resulting from our extensive modernisation work, which is shown in the capitalised modernisation costs.

In addition, the LEG Group's portfolio still includes land and buildings accounted for in accordance with IAS 16.

Cash and cash equivalents mainly consist of bank balances.

Changes in the components of consolidated equity are shown in the statement of changes in consolidated equity.

Financing liabilities are composed as follows:

*T31* – Financing liabilities

| *€ million* | **30.09.2016** | *31.12.2015* |
|---|---|---|
| Financing liabilities from real estate financing | 3,752.8 | 3,215.0 |
| Financing liabilities from lease financing | 27.5 | 26.6 |
| **FINANCING LIABILITIES** | **3,780.3** | **3,241.6** |

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 acquisition financing and refinancing was performed in the first nine months of the year. The disbursement in connection with these transactions served to increase financing liabilities by EUR 852.5 million. This was offset by the derecognition of the previous loans and repayments, which reduced total financing liabilities by EUR 314.6 million.

The change in maturities compared with 31 December 2015 is due in particular to the financing in the first nine months of the year, which led to an increase in medium-term and non-current financing liabilities.

The LEG Group concludes derivative financial instruments to hedge against interest rate risks from real estate financing, unless fixed-rate loans are chosen. Stand-alone derivative financial instruments are accounted for at fair value through profit or loss. Derivatives included in hedge accounting are accounted for on a pro rata basis directly in equity in other comprehensive income for the designated component of the hedge, and through profit or loss for the non-designated component including accrued interest.

*T32* – Maturity of financing liabilities from real estate financing

| *€ million* | *Remaining term < 1 year* | *Remaining term > 1 and 5 years* | *Remaining term > 5 years* | **Total** |
|---|---|---|---|---|
| 30.09.2016 | 380.3 | 835.2 | 2,537.3 | 3,752.8 |
| 31.12.2015 | 491.3 | 638.7 | 2,085.0 | 3,215.0 |

## 8. Selected notes to the consolidated statement of comprehensive income

Net rental and lease income is broken down as follows:

*T33 – Net rental and lease income*

| *€ million* | **01.01.–30.09.2016** | *01.01.–30.09.2015* |
|---|---|---|
| Net cold rent | 381.3 | 325.3 |
| Net income from operating costs | –0.9 | –0.6 |
| Maintenance expenses | –44.9 | –36.5 |
| Staff costs | –30.2 | –27.4 |
| Impairment losses on rent receivables | –5.5 | –4.7 |
| Depreciation | –4.0 | –3.3 |
| Others | –5.0 | –10.4 |
| **NET RENTAL AND LEASE INCOME** | **290.8** | **242.4** |
| **NET OPERATING INCOME MARGIN (IN %)** | **76.3** | **74.5** |
| Non-recurring project costs – rental and lease | 0.9 | 1.8 |
| Depreciation | 4.0 | 3.3 |
| **ADJUSTED NET RENTAL AND LEASE INCOME** | **295.7** | **247.5** |
| **ADJUSTED NET OPERATING INCOME – MARGIN (IN %)** | **77.6** | **76.1** |

In the reporting period, the LEG Group increased its net rental and lease income by EUR 48.4 million (20.0%) compared with the same period of the previous year. The main driver of this development was the EUR 56.0 million (17.2%) rise in net cold rent. In-place rent per square metre on a like-for-like basis rose by 2.4% in the reporting period as against the previous year. This was offset by a EUR 8.4 million (23.0%) increase in maintenance expenses.

The rental-related staff costs rose by 10.2% to EUR 30.2 million and at a considerably slower year-on-year rate than in-place rent. The NOI margin adjusted for one-time project costs of 77.6% was considerably higher than in the previous year (76.1%) despite higher maintenance expenses.

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

*T34 – Net income from the disposal of investment properties*

| *€ million* | **01.01.–30.09.2016** | *01.01.–30.09.2015* |
|---|---|---|
| Income from the disposal of investment properties | 136.2 | 66.9 |
| Carrying amount of investment properties disposed of | –127.1 | –64.7 |
| **INCOME/LOSS FROM THE DISPOSAL OF INVESTMENT PROPERTIES** | **9.1** | **2.2** |
| Staff costs | –0.5 | –0.5 |
| Other operating expenses | –0.3 | –0.3 |
| **COST OF SALE IN CONNECTION WITH INVESTMENT PROPERTIES SOLD** | **–0.8** | **–1.5** |
| **NET INCOME FROM THE DISPOSAL OF INVESTMENT PROPERTIES** | **8.3** | **0.7** |

Administrative and other expenses are composed as follows:

*T35 – Administrative and other expenses*

| *€ million* | **01.01.–30.09.2016** | *01.01.–30.09.2015* |
|---|---|---|
| Other operating expenses | –47.3 | –14.0 |
| Staff costs | –16.0 | –16.4 |
| Purchased services | –0.8 | –0.8 |
| Depreciation, amortisation and write-downs | –1.9 | –1.5 |
| **ADMINISTRATIVE AND OTHER EXPENSES** | **–66.0** | **–32.7** |
| Depreciation and amortisation | 1.9 | 1.5 |
| Non-recurring project costs and extraordinary and prior-period expenses | 40.4 | 6.5 |
| LTIP (long-term incentive programme) | 0.0 | 0.2 |
| **Adjusted administrative and other expenses** | **–23.7** | **–24.5** |

Administrative and other expenses increased by EUR 33.3 million year-on-year.

This increase was due chiefly to one-time incidental acquisition and integration costs for the acquisition of property portfolios, which contributed to project costs rising by EUR 34.0 million to EUR 40.4 million. EUR 34.4 million of this is attributable to real estate transfer tax, which was recognised directly under expenses instead of being capitalised as cost because the acquisitions were accounted for as business combinations.

Adjusted for these non-recurring effects, current administrative expenses decreased slightly as planned due to the implementation of efficiency enhancement measures and amounted to EUR 23.7 million in the reporting period, down EUR 0.8 million (3.3%) year-on-year.

Net interest income is composed as follows:

*T36* – Interest income

| *€ million* | **01.01.– 30.09.2016** | *01.01.– 30.09.2015* |
|---|---|---|
| Interest income from bank balances | 0.0 | 0.2 |
| Interest income from finance leases | 0.0 | 0.3 |
| Other interest income | 0.0 | 0.1 |
| **INTEREST INCOME** | **0.0** | **0.6** |

*T37* – Interest expenses

| *€ million* | **01.01.– 30.09.2016** | *01.01.– 30.09.2015* |
|---|---|---|
| Interest expenses from real estate financing | –51.1 | –49.7 |
| Interest expense from loan amortisation | –16.6 | –27.4 |
| Prepayment penalty | –0.3 | –7.2 |
| Interest expense from interest derivatives for real estate financing | –11.3 | –17.5 |
| Interest expense from change in pension provisions | –2.4 | –2.2 |
| Interest expense from interest on other assets and liabilities | –2.1 | –1.3 |
| Interest expenses from lease financing | –1.5 | –1.0 |
| Other interest expenses | –4.3 | –39.6 |
| **INTEREST EXPENSES** | **–89.6** | **–145.9** |

The decline in interest expenses from loan amortisation and prepayment penalties was due in particular to the discontinuation of the non-recurring effects of the loans that were replaced as part of the planned refinancing in the 2015 financial year. Other interest expense resulted mainly from the reversal of the amounts for interest rate derivatives reported in OCI for hedge accounting amounting to EUR 4.2 million (previous year: EUR 39.5 million), which were released in connection with the refinancing.

Interest expenses from loan amortisation include the measurement of the convertible bond at amortised cost in the amount of EUR 4.9 million.

In addition, the increase in the loan volume due to acquisition financing resulted in a slight rise in interest expenses from financing of real estate. The refinancing in 2015 and 2016 and the related replacement of derivatives also had the effect of reducing interest expenses from interest rate derivatives. This was offset by the effects of the lower interest rates on interest rate derivatives.

## *Income taxes*

*T38* – Income taxes

| *€ million* | **01.01.– 30.09.2016** | *01.01.– 30.09.2015* |
|---|---|---|
| Current income taxes | –3.7 | –1.1 |
| Deferred taxes | –41.3 | –11.0 |
| **INCOME TAXES** | **–45.0** | **–12.1** |

An effective Group tax rate of 22.6% was assumed as at 30 September 2016 in accordance with Group tax planning (previous year: 22.7%).

Current income taxes as at the comparative reporting date of 30 September 2015 included prior-period tax expenses of EUR 1.0 million.

A deferred tax expense of EUR 4.7 million was recognised for the change in deferred tax assets for tax loss carryforwards as against 31 December 2015 (previous year: deferred tax income of EUR 4.2 million).

### *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 reporting period.

On 30 May 2016, LEG Immo implemented a capital increase against contributions in kind in a nominal amount of EUR 418,397, with shareholders' preemptive rights disapplied.

*T39* – Earnings per share (basic)

| | **01.01.–30.09.2016** | *01.01.–30.09.2015* |
|---|---|---|
| Net profit or loss attributable to shareholders in € million | 85.6 | –21.9 |
| Average numbers of shares outstanding | 62,955,742 | 57,493,242 |
| **EARNINGS PER SHARE (BASIC) IN €** | **1.36** | **–0.38** |

As at 30 September 2016, LEG Immo had potential ordinary shares from a convertible bond, which authorise the bearer to convert it into up to 5.3 million shares.

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/loss for the period is adjusted for the expenses no longer incurring for the interest coupon, the measurement of the embedded derivatives and the amortisation of the convertible bond and the resulting tax effect in the event of the conversion rights being exercised in full.

Owing in particular to the expenses no longer incurring in the event of conversion for the measurement of the embedded derivative, the potential ordinary shares from the convertible bond are not dilutive within the meaning of IAS 33.41.

The diluted earnings per share are therefore equal to the basic earnings per share.

## 9. Notes on Group segment reporting

As a result of the restructuring of internal management reporting in the 2016 financial year, the management of LEG Immo in two segments has no longer applied since 30 June 2016. In future, the Group will be managed as one segment.

## 10. Financial instruments

The table below 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-financing 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 of the end of the reporting period. The fair values of derivative financial instruments are determined based on the benchmark interest rates in place as of the reporting date.

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 of the end of the reporting period, which are obtained from recognised external sources. The derivatives are therefore attributable to Level 2 of the fair value hierarchy as defined in IFRS 13.72 ff (measurement on the basis of observable inputs).

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.

*T40 – Classes of financial instruments for financial assets and liabilities 2016*

| | | Measurement (IAS 39) | | Measurement | |
|---|---|---|---|---|---|
| *€ million* | *Carrying amounts as per statement of financial positions 30.09.2016* | *Amortised cost* | *Fair value through profit or loss* | *IAS 17* | *Fair value 30.09.2016* |
| **Assets** | | | | | |
| **Other financial assets** | **2.9** | | | | **2.9** |
| LaR | 0.2 | 0.2 | | | 0.2 |
| AfS | 2.7 | 2.7 | | | n/a* |
| **Receivables and other assets** | **76.1** | | | | **76.1** |
| LaR | 45.0 | 45.0 | | | 45.0 |
| Other non-financial assets | 31.1 | | | | 31.1 |
| **Cash and cash equivalents** | **303.8** | | | | **303.8** |
| LaR | 303.8 | 303.8 | | | 303.8 |
| **TOTAL** | **382.8** | **351.7** | | | **382.8** |
| **Of which IAS 39 measurement categories** | | | | | |
| LaR | 349.0 | 349.0 | | | 349.0 |
| AfS | 2.7 | 2.7 | | | n/a* |
| **Equity and liabilities** | | | | | |
| **Financial liabilities** | **–3,780.3** | | | | **–4,252.8** |
| FLAC | –3,752.8 | –3,752.8 | | | –4,224.6 |
| Liabilities from lease financing | –27.5 | | | –27.5 | –28.2 |
| **Other liabilities** | **–555.7** | | | | **–555.7** |
| FLAC | –52.5 | –52.5 | | | –52.5 |
| Derivatives HFT | –185.1 | | –185.1 | | –185.1 |
| Hedge accounting derivatives | –68.8 | | | | –68.8 |
| Other non-financial liabilities | –249.3 | | | | –249.3 |
| Liabilities directly associated with assets classified as held for sale | –12.6 | –12.6 | | | –12.5 |
| **TOTAL** | **–4,348.6** | **–3,817.9** | **–185.1** | **–27.5** | **–4,821.0** |
| **Of which IAS 39 measurement categories** | | | | | |
| FLAC | –3,817.9 | –3,817.9 | | | –4,289.4 |
| Derivatives HFT | –185.1 | | –185.1 | | –185.1 |

* The fair value of shares valuated at cost could not reliably be calculated. There is no intention of disposal.
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

*T41* – Classes of financial instruments for financial assets and liabilities 2015

| *€ million* | *Carrying amounts as per statement of financial positions 31.12.2015* | *Measurement (IAS 39)* Amortised cost | *Measurement (IAS 39)* Fair value through profit or loss | *Measurement* IAS 17 | *Fair value 31.12.2015* |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Other financial assets** | **148.8** | | | | **148.8** |
| LaR | 0.1 | 0.1 | 0.0 | | 0.1 |
| AfS | 148.7 | 148.7 | | | n/a* |
| **Receivables and other assets** | **33.2** | | | | **29.6** |
| LaR | 27.6 | 27.6 | | | 27.6 |
| Other non-financial assets | 5.6 | | | | 5.6 |
| **Cash and cash equivalents** | **252.8** | | | | **252.8** |
| LaR | 252.8 | 252.8 | | | 252.8 |
| **TOTAL** | **434.8** | **429.2** | **0.0** | | **431.2** |
| **Of which IAS 39 measurement categories** | | | | | |
| LaR | 280.5 | 155.2 | | | 155.2 |
| AfS | 148.7 | 148.7 | | | n/a* |
| **Equity and liabilities** | | | | | |
| **Financial liabilities** | **–3,241.6** | | | | **–3,570.0** |
| FLAC | –3,215.0 | –3,215.0 | | | –3,542.7 |
| Liabilities from lease financing | –26.6 | | | –26.6 | –27.3 |
| **Other liabilities** | **–359.8** | | | | **–359.8** |
| FLAC | –31.3 | –31.3 | | | –31.3 |
| Derivatives HFT | –168.8 | | –168.8 | | –168.8 |
| Hedge accounting derivatives | –42.3 | | | | –42.3 |
| Other non-financial liabilities | –117.4 | | | | –117.4 |
| Liabilities directly associated with assets classified as held for sale | | | | | |
| **TOTAL** | **–3,601.4** | **–3,246.3** | **–168.8** | **–26.6** | **–3,929.8** |
| **Of which IAS 39 measurement categories** | | | | | |
| FLAC | –3,246.3 | –3,246.3 | | | –3,574.0 |
| Derivatives HFT | –168.8 | | –168.8 | | –168.8 |

* The fair value of shares valuated at cost could not reliably be calculated. There is no intention of disposal.
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

## 11. Related-party disclosures

Please see the IFRS consolidated financial statements as at 31 December 2015 for the presentation of the IFRS 2 programmes for long-term incentive Management Board agreements.

By resolution of the Supervisory Board on 31 May 2016, a new Management Board agreement was concluded with Mr Holger Hentschel. The following adjustments to Mr Holger Hentschel's remuneration were resolved with effect from 1 July 2016:

— Increase in basic remuneration from EUR 300,000.00 p.a. to EUR 350,000.00 p.a.
— Increase in the STI programme (in the case of 100% target attainment) from EUR 200,000.00 p.a. to EUR 250,000.00 p.a.
— Increase in the annual LTI programme (in the case of 100% target attainment) from EUR 250,000.00 p.a. to EUR 300,000.00 p.a.

The replacement of the old agreement by the new agreement is accounted for as a modification of existing agreements in accordance with IFRS 2.28 f. This requires that the old commitment of the LTI programme for Mr Holger Hentschel is accounted for as before, and any incremental fair value arising from the new commitment is also recognised as an expense from the modification date. The incremental fair value is defined as the difference between the fair value of the original programme and the fair value of the new programme, each calculated as at the date of modification.

*T42* – Fair value of LTI commitments 2016

| *€ thousand* | *Fair value existing contract* | *Fair value new contract* | *Incremental fair value* |
|---|---|---|---|
| Holger Hentschel | 144 | 172 | 28 |
| **TOTAL** | **144** | **172** | **28** |

For the 2016 financial year, the employment agreements for the other Management Board members provide for an LTI programme that is subject to the same contractual premises as the LTI remuneration in 2015.

## 12. Other

LEG has acquired certain portfolios in combined asset deal/share deal transaction structures. The real estate transfer tax assessments issued in this regard have so far followed LEG's evaluation under tax law.

For the most recent acquisition made according to this model, the tax authorities expressed a different legal opinion, which would result in EUR 9.5 million higher real estate transfer tax on this acquisition. LEG appealed against the basic assessment notice issued in this context and applied for a suspension of execution, which was granted even without the provision of collateral. Because LEG estimates the appeal will prevail, as do various tax experts, the matter does not need to be recognised on the balance sheet. It will be presented as a contingent liability.

Should LEG's tax assessment regarding all portfolio acquisitions undertaken in this transaction structure be proven inaccurate, higher real estate transfer tax would be charged on the total market value of the land in these transactions. The additional charge would be approximately EUR 26.8 million (including the above-mentioned EUR 9.5 million).

Other than this, there were no changes with regard to contingent liabilities in comparison to 31 December 2015.

## 13. The Management Board and the Supervisory Board

Mr Jürgen Schulte-Laggenbeck resigned as a member of the Supervisory Board effective 31 December 2015. Dr Claus Nolting was elected to the Supervisory Board as his successor by the Annual General Meeting on 19 May 2016.

There were no other changes to the composition of the Management Board and the Supervisory Board as at 30 September 2016 compared with the disclosures as at 31 December 2015.

## 14. Events after the end of the reporting period

There were no significant events after the end of the interim reporting period on 30 September 2016.

Dusseldorf, 9 November 2016

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 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, 9 November 2016

LEG Immobilien AG, Dusseldorf

The Management Board
**THOMAS HEGEL**
**ECKHARD SCHULTZ**
**HOLGER HENTSCHEL**

# FURTHER INFORMATION

# TABLES AND FIGURES

## Tables and figures

### KEY FACTS 2016



### TO THE SHAREHOLDERS



### INTERIM GROUP MANAGEMENT REPORT



### INTERIM CONSOLIDATED FINANCIAL STATEMENTS

# FINANCIAL CALENDAR 2016/2017

**LEG FINANCIAL CALENDAR 2016 / 2017**

| | |
|---|---|
| Publication of the interim report as of 30 September 2016 | **9 November 2016** |
| Publication of the interim report as of 31 December 2016 | **9 March 2017** |

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The quarterly report as of 30 September 2016 is also available in German. In case of doubt, the German version takes precedence.

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