LEG
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WE FOCUS.

WE GROW.

QUARTERLY REPORT
AS OF 30.06.2016

KEY FACTS 2016

T1 – Key facts

RESULTS OF OPERATIONS		**Q2 2016**	Q2 2015	+/– %/bp	**01.01.–30.06.2016**	01.01.–30.06.2015	+/– %/bp
Rental income	€ million	**130.8**	107.5	21.7	**249.4**	214.8	16.1
Net rental and lease income	€ million	**101.8**	78.3	30.0	**190.4**	159.1	19.7
EBITDA	€ million	**92.1**	70.5	30.6	**141.8**	145.3	–2.4
EBITDA adjusted	€ million	**96.4**	72.5	33.0	**180.5**	147.4	22.5
EBT	€ million	**50.4**	16.2	211.1	**50.6**	–5.2	–
Net profit or loss for the period	€ million	**35.6**	20.1	77.1	**23.5**	–10.3	–
FFO I	€ million	**75.0**	50.0	50.0	**137.6**	101.4	35.7
FFO I per share	€	**1.19**	0.87	36.8	**2.19**	1.78	23.0
FFO II	€ million	**75.7**	49.9	51.7	**138.2**	102.6	34.7
FFO II per share	€	**1.20**	0.87	37.9	**2.20**	1.80	22.2
AFFO	€ million	**58.7**	39.8	47.5	**108.6**	85.4	27.2
AFFO per share	€	**0.93**	0.70	32.9	**1.73**	1.50	15.3

PORTFOLIO		**30.06.2016**	30.06.2015	+/– %/bp
Number residential units		**129,626**	107,347	20.8
In-place rent	€/sqm	**5.23**	5.16	1.4
In-place rent (l-f-l)	€/sqm	**5.29**	5.20	2.4
EPRA vacancy rate	%	**3.4**	3.3	10 bp
EPRA vacancy rate (l-f-l)	%	**2.8**	3.2	–40 bp

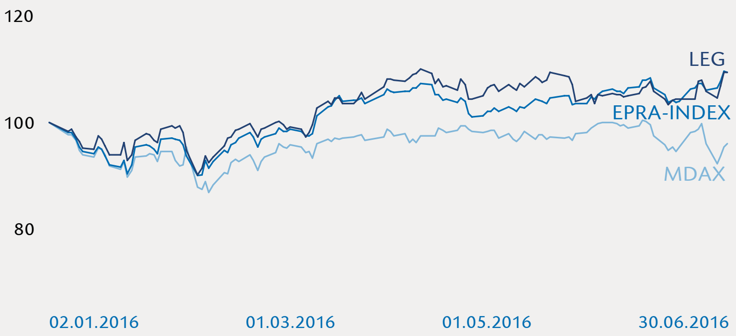
STATEMENT OF FINANCIAL POSITION		**30.06.2016**	31.12.2015	+/– %/bp
Investment property	€ million	**7,430.7**	6,398.5	16.1
Cash and cash equivalents	€ million	**165.3**	252.8	–34.6
Equity	€ million	**2,900.0**	2,985.0	–2.8
Total financial liabilities	€ million	**3,761.2**	3,241.6	16.0
Current financial liabilities	€ million	**383.5**	496.0	–22.7
LTV	%	**49.9**	44.2	570 bp
Equity ratio	%	**36.7**	41.5	–480 bp
EPRA NAV, diluted	€ million	**4,021.3**	4,027.1	–0.1
EPRA NAV per share, diluted	€	**58.73**	59.31	–1.0

bp = basis points

CONTENT

THE SHARE

G1 – Share price development



Share price development

04.01.2016	08.04.2016
Open	**High**
€74.19	*€84.48*
08.02.2016	30.06.2016
Low	**Close**
€66.79	*€83.89*

Share price H1 2016 indexed to 100

German residential property shares post further increases in volatile market

In the second quarter of 2016, the development on the German stock market was strongly influenced by the unexpected outcome of the Brexit referendum. The DAX® thus ended the three-month period down 2.9% at 9,680 points. Financial and export-oriented securities in particular fell sharply after the Brexit vote. Investors increasingly sought refuge in defensive investments such as gold or German government bonds. As a result of strong demand, the return on ten-year German government bonds entered negative territory for the first time, reaching a provisional low of –0.13% as at the end of the quarter. Equities were in turn subject to high pressure to sell.

By contrast, defensive German property stocks remained very robust overall. LEG shares achieved an overall performance of 4.0% in the second quarter of 2016, including the dividend payment.

Dividend on LEG shares up 15.3%

LEG's Annual General Meeting on 19 May 2016 approved the proposal by the Management Board and the Supervisory Board to distribute a dividend of EUR 2.26 per share for the 2015 financial year. This corresponds to an increase of 15.3% compared to the previous year.

Latest information online

The Investor Relations/Share section of www.leg.ag contains the latest information on price performance, shareholder structure, analysts' recommendations and price targets.

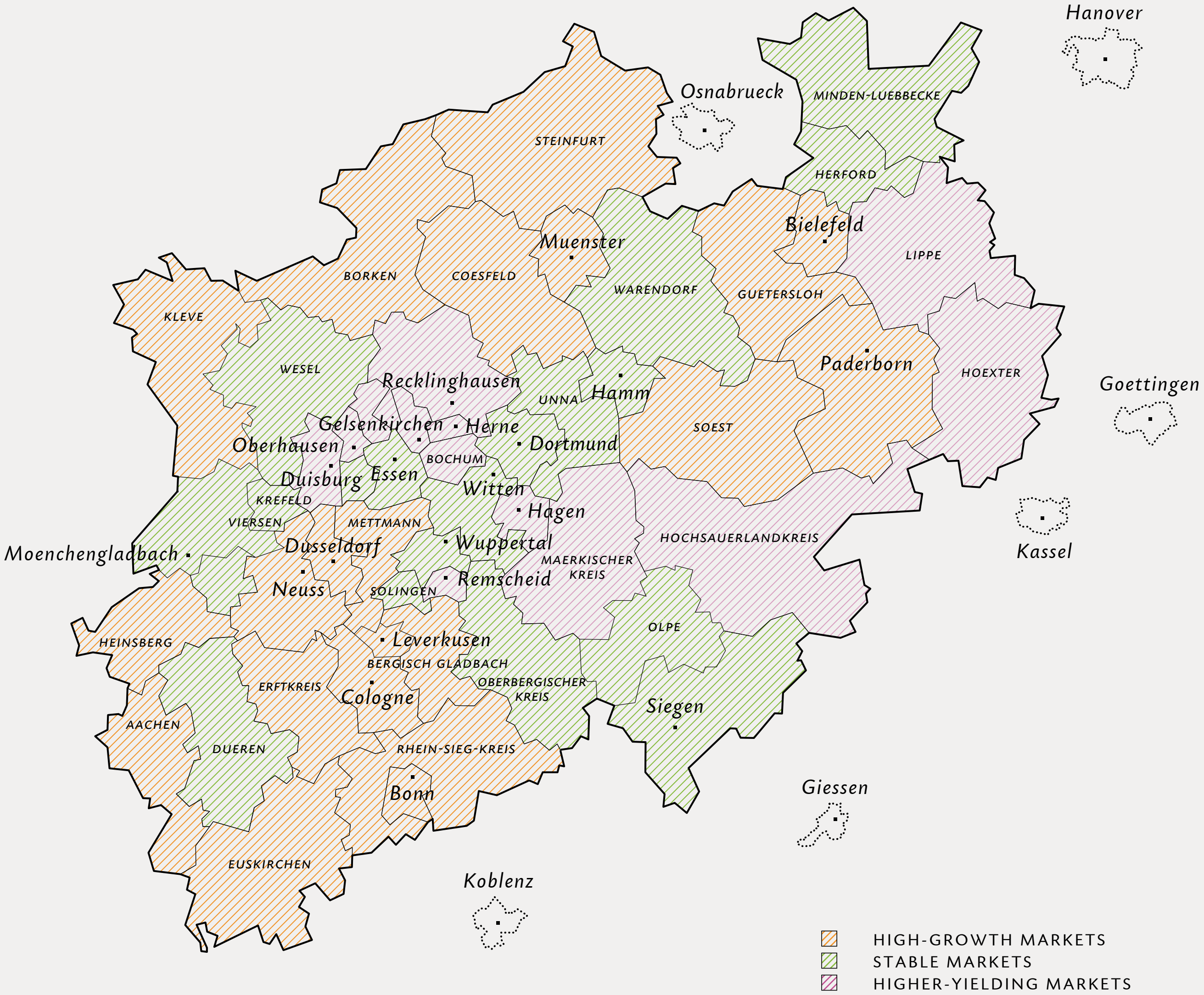
T2 – Share performance indicators

Ticker symbol/ISIN	**LEG/DE000LEG1110**
Number of shares (30 June 2016)	**63,188,185**
Market segment	**Prime Standard**
Indices	**MDAX, FTSE EPRA/NAREIT, GPR Indizes, Stoxx Europe 600**
Market capitalisation (30 June 2016)	**€5,300.86 million**
Free float (30 June 2016)	**100%**
Weighting in the MDAX (30 June 2016)	**3.42%**
Weighting in the EPRA Europe (30 June 2016)	**2.7%**
Average single-day trading volume (H1 2016)	**153,187 shares**

PORTFOLIO

As at 30 June 2016, LEG Immobilien AG's portfolio comprised 129,626 residential units, 1,151 commercial units and 31,994 garages and parking spaces. The assets are 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.

LEG in North Rhine-Westphalia by market segment



Portfolio segmentation

The LEG portfolio is divided into three market clusters using a scoring system: high-growth markets, stable markets and higher-yielding markets. Please refer to the 2015 annual report for a presentation of the indicators used in the scoring system.

Performance of the LEG portfolio

Operating performance (rents, vacancy rate)

In the second quarter of 2016, LEG's portfolio was increased by a total of 14,661 residential units as a result of two acquisitions. A total of 454 residential units were sold for strategic reasons. Other changes resulted in an overall portfolio of 129,626 residential units, 1,151 commercial units and 31,994 garages and parking spaces as at 30 June 2016.

Organic rental growth continued. Rent per square metre on a like-for-like basis (excluding new letting) increased by 2.4% year on year. The monthly in-place rent per square metre reached an average of EUR 5.29 as at 30 June 2016.

In the free-financed residential portfolio, rental growth of 3.4% to EUR 5.61 per square metre (on a like-for-like basis) was achieved in the first half of 2016. The biggest increase was posted by the high-growth markets, where rent rose by 3.6% to EUR 6.37 per square metre (on a like-for-like basis). Rent also continued to develop dynamically in the stable markets with growth of 3.3% to EUR 5.21 per square metre (on a like-for-like basis). In the higher-yielding markets, rent rose by 2.8% compared with 30 June 2016 to EUR 5.10 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 June 2016 (on a like-for-like basis) and was thus 0.5% higher than on the same reporting date in the previous year.

The occupancy rate was 97.2% as at 30 June 2016 (on a like-for-like basis), representing a further improvement in comparison to the previous year (96.8% on a like-for-like basis). The number of vacant apartments amounted to 3,039 units (on a like-for-like basis) or, taking into account the acquisitions made during the year, 4,415 units (in absolute terms). In the high-growth markets, LEG's properties had an occupancy rate of 98.6% (on a like-for-like basis) as at 30 June 2016. The occupancy rate in the stable markets was increased by 60 basis points to 97.0% (on a like-for-like basis). The higher-yielding markets recorded an occupancy rate of 95.0% (on a like-for-like basis).

T3 – Portfolio segments – Top 3 locations

	30.06.2016				
	Number of LEG apartments	*Share of LEG portfolio %*	*Living space sqm*	*In-place rent €/sqm*	*EPRA vacancy rate %*
HIGH-GROWTH MARKETS	**38,702**	**29.9**	**2,562,229**	**5.83**	**1.5**
District of Mettmann	8,451	6.5	587,865	5.97	1.4
Muenster	6,076	4.7	403,461	6.26	0.6
Dusseldorf	3,496	2.7	226,661	6.43	0.9
Other locations	20,679	16.0	1,344,243	5.53	1.9
STABLE MARKETS	**47,551**	**36.7**	**3,057,995**	**4.98**	**3.4**
Dortmund	13,165	10.2	862,697	4.82	1.9
Moenchengladbach	6,423	5.0	406,666	5.15	2.1
Hamm	4,000	3.1	241,862	4.83	1.9
Other locations	23,963	18.5	1,546,770	5.06	4.9
HIGHER-YIELDING MARKETS	**41,478**	**32.0**	**2,540,657**	**4.90**	**5.8**
District of Recklinghausen	11,071	8.5	696,667	4.92	6.9
Duisburg	7,058	5.4	438,194	5.09	4.2
Maerkisch District	4,838	3.7	297,710	4.69	3.4
Other locations	18,511	14.3	1,108,087	4.87	6.3
OUTSIDE NRW	**1,895**	**1.5**	**127,329**	**5.55**	**2.3**
TOTAL	**129,626**	**100.0**	**8,288,211**	**5.23**	**3.4**

T4 – Performance LEG portfolio

		High-growth markets			*Stable markets*		
		30.06.2016	*31.03.2016*	*30.06.2015*	**30.06.2016**	*31.03.2016*	*30.06.2015*
Subsidised residential units							
Units		13,137	12,922	13,038	15,038	14,301	14,423
Area	sqm	926,488	909,396	916,917	1,018,595	968,012	979,770
In-place rent	€/sqm	4.93	4.95	4.94	4.59	4.61	4.56
EPRA vacancy rate	%	0.9	0.9	1.2	2.9	2.8	3.4
Free-financed residential units							
Units		25,565	25,310	24,516	32,513	29,764	24,898
Area	sqm	1,635,741	1,617,189	1,565,194	2,039,400	1,863,691	1,542,610
In-place rent	€/sqm	6.34	6.29	6.16	5.18	5.18	5.05
EPRA vacancy rate	%	1.7	1.6	1.9	3.7	3.6	3.8
Total residential units							
Units		38,702	38,232	37,554	47,551	44,065	39,321
Area	sqm	2,562,229	2,526,585	2,482,112	3,057,995	2,831,703	2,522,380
In-place rent	€/sqm	5.83	5.80	5.70	4.98	4.98	4.86
EPRA vacancy rate	%	1.5	1.4	1.7	3.4	3.3	3.6
Total commercial							
Units							
Area	sqm						
Total parking							
Units							
Total other							
Units							

	30.06.2015						
	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*
	33,574	**31.3**	**2,224,272**	**5.79**	**1.5**	**2.5**	**–20**
	8,242	7.7	571,051	5.78	1.7	3.4	–30
	6,078	5.7	403,626	6.12	0.3	2.3	30
	3,511	3.3	227,592	6.24	1.3	2.9	–30
	15,743	14.7	1,022,004	5.55	2.0	2.1	–20
	42,638	**39.7**	**2,730,407**	**4.89**	**3.7**	**2.3**	**–60**
	12,547	11.7	820,747	4.78	2.2	1.3	–40
	6,049	5.6	383,259	4.90	3.1	4.6	–130
	3,974	3.7	239,782	4.70	1.9	2.9	–10
	20,068	18.7	1,286,618	4.99	5.1	2.2	–60
	29,678	**27.6**	**1,833,441**	**4.78**	**5.3**	**2.1**	**–40**
	6,555	6.1	408,695	4.82	7.2	1.1	–50
	5,894	5.5	365,828	5.01	5.0	2.6	–80
	4,679	4.4	287,067	4.58	2.9	3.4	40
	12,550	11.7	771,852	4.72	5.3	1.9	–50
	1,457	**1.4**	**96,230**	**5.43**	**1.5**	**3.1**	**80**
	107,347	**100.0**	**6,884,350**	**5.16**	**3.3**	**2.4**	**–40**

		Higher-yielding markets			*Outside NRW*			*Total*		
		30.06.2016	*31.03.2016*	*30.06.2015*	**30.06.2016**	*31.03.2016*	*30.06.2015*	**30.06.2016**	*31.03.2016*	*30.06.2015*
		8,504	7,769	7,331	124	108	108	36,803	35,100	34,900
	sqm	563,854	513,418	484,132	9,894	8,824	8,824	2,518,832	2,399,651	2,389,644
	€/sqm	4.34	4.34	4.33	4.50	4.37	4.37	4.66	4.69	4.66
	%	5.2	5.1	5.8	1.6	1.8	0.8	2.6	2.5	2.9
		32,974	23,896	21,684	1,771	1,349	1,349	92,823	80,319	72,447
	sqm	1,976,803	1,432,875	1,299,497	117,434	87,405	87,405	5,769,379	5,001,160	4,494,706
	€/sqm	5.06	5.03	4.97	5.64	5.67	5.54	5.49	5.51	5.43
	%	5.9	5.0	5.5	2.4	2.2	1.6	3.7	3.2	3.4
		41,478	31,665	29,015	1,895	1,457	1,457	129,626	115,419	107,347
	sqm	2,540,657	1,946,293	1,783,629	127,329	96,230	96,230	8,288,211	7,400,811	6,884,350
	€/sqm	4.90	4.85	4.80	5.55	5.55	5.43	5.23	5.24	5.16
	%	5.8	5.0	5.6	2.3	2.1	1.5	3.4	3.0	3.3
								1,151	**1,090**	**1,059**
	sqm							**192,642**	**187,103**	**185,248**
								31,994	**28,462**	**26,648**
								1,814	**1,657**	**1,307**

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: EUR 14.1x). The valuation of the residential portfolio corresponds to an EPRA net initial rental yield of 5.6%.

Investment activity

In the first half of the year, a total of EUR 57.8 million (previous year: EUR 38.8 million) was spent on maintenance and value-adding investments eligible for capitalisation. This equates to investment of EUR 7.2 per square metre compared to EUR 5.5 in the comparative period. EUR 29.0 million (previous year: EUR 16.0 million) of the total spending from January to June 2016 related to capital expenditure, while maintenance recognised as an expense amounted to EUR 28.8 million (previous year: EUR 22.8 million). The capitalisation rate reached 50.2% in the first half of 2016 (previous year: 41.2%).

T5 – Market segments

	Residential units	*Residential assets € million*[1]	*Share residential assets / %*	*Value € / sqm*	*In-place rent multiplier*	*Commercial / other assets € million*[2]	*Total assets € million*
HIGH GROWTH MARKETS	**38,702**	**2,586**	**36**	**1,201**	**17.0x**	**159**	**2,745**
District of Mettmann	8,451	637	9	1,085	15.3x	65	703
Muenster	6,076	565	8	1,402	18.6x	37	602
Dusseldorf	3,496	311	4	1,398	18.1x	19	330
Other locations	20,679	1,072	15	1,140	16.9x	38	1,110
STABLE MARKETS	**47,551**	**2,572**	**36**	**773**	**13.1x**	**98**	**2,670**
Dortmund	13,165	677	10	782	13.7x	37	714
Moenchengladbach	6,423	313	4	765	12.5x	9	323
Hamm	4,000	162	2	673	11.6x	3	165
Other locations	23,963	1,420	20	784	13.2x	49	1,469
HIGHER-YIELDING MARKETS	**41,478**	**1,818**	**26**	**689**	**12.4x**	**63**	**1,881**
District of Recklinghausen	11,071	504	7	769	13.8x	22	526
Duisburg	7,058	311	4	706	11.9x	11	322
Maerkisch District	4,838	178	3	597	11.0x	2	180
Other locations	18,511	826	12	662	12.1x	28	854
SUBTOTAL NRW	**127,731**	**6,976**	**98**	**859**	**14.1x**	**320**	**7,296**
Portfolio outside NRW	1,895	123	2	959	14.4x	1	124
TOTAL PORTFOLIO	**129,626**	**7,098**	**100**	**861**	**14.1x**	**322**	**7,420**
Prepayments for property held as an investment property							14
Leasehold + land values							32
Inventories (IAS 2)							3
Finance lease (outside property valuation)							3
Consolidation effects (outside property valuation)							3
TOTAL BALANCE SHEET[3]							**7,476**

[1] Excluding 323 residential units in commercial buildings; including 330 commercial and other units in mixed residential assets.
[2] Excluding 330 commercial units in mixed residential assets; including 323 residential units in commercial buildings, commercial, parking, other assets as well as IAS 16 assets.
[3] Thereof assets held for sale: EUR 4.9 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 June 2016) and for the comparative period (1 January to 30 June 2015) is provided below:

T6 – Condensed income statement

€ million	**Q2 2016**	*Q2 2015*	**01.01. – 30.06.2016**	*01.01. – 30.06.2015*
Net rental and lease income	101.8	78.3	190.4	159.1
Net income from the disposal of investment properties	0.2	–0.1	0.1	1.2
Net income from the remeasurement of investment properties	–	–	1.0	–
Net income from the disposal of real estate inventory	–0.7	0.7	–1.3	0.0
Net income from other services	–0.1	0.2	1.2	0.1
Administrative and other expenses	–11.6	–10.9	–54.6	–19.8
Other income	0.1	0.2	0.2	0.4
OPERATING EARNINGS	**89.7**	**68.4**	**137.0**	**141.0**
Interest income	0.0	0.1	0.0	0.5
Interest expenses	–31.0	–69.0	–61.1	–113.2
Net income from investment securities and other equity investments	1.4	0.3	3.0	2.8
Net income from associates			0.3	–
Net income from the fair value measurement of derivatives	–9.7	16.4	–28.6	–36.3
NET FINANCE EARNINGS	**–39.3**	**–52.2**	**–86.4**	**–146.2**
EARNINGS BEFORE INCOME TAXES	**50.4**	**16.2**	**50.6**	**–5.2**
Income taxes	–14.8	3.9	–27.1	–5.1
NET PROFIT OR LOSS FOR THE PERIOD	**35.6**	**20.1**	**23.5**	**–10.3**

Operating earnings amounted to EUR 137.0 million in the reporting period (previous year: EUR 141.0 million). The closing of 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 EUR 31.3 million in the second quarter. The increase in reported administrative expenses is due primarily to non-recurring effects relating to acquisitions. As a result of the successful implementation of efficiency enhancement measures, ongoing administrative expenses were reduced by EUR 1.2 million year-on-year to EUR 15.5 million.

Disposals of investment properties for the purposes of portfolio streamlining had no material effect on the results of operations in the reporting period (result of disposal: EUR 0.1 million).

In connection with the contract negotiations regarding the sale of a residential portfolio, income from the remeasurement of investment properties of EUR 1.0 million was recognised in the first quarter.

In both the reporting period and the comparative period, loans were redeemed early in order to take advantage of the attractive financing environment. The resulting additional interest expenses in the form of redemption fees for fixed and floating-rate loans and additional loan amortisation amounted to approximately EUR 5 million in the reporting period and were thus significantly lower than the figure from the comparative period of around EUR 50 million.

Despite a larger loan volume as a result of portfolio growth, cash interest expenses were reduced by EUR 4.6 million year-on-year in the reporting period. This was due chiefly to the refinancing carried out.

In addition, more positive net income from the measurement of derivatives for the convertible bond (EUR +14.6 million) and on the other hand the stronger decrease in the negative fair values of interest rate hedges measured in profit or loss (EUR 22.3 million) due to the development of interest rate levels also contributed to the EUR 59.8 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 –10.3 million in the previous year to EUR 23.5 million in the reporting period.

Net rental and lease income

T7 – Net rental and lease income

€ million	**Q2 2016**	*Q2 2015*	**01.01. – 30.06.2016**	*01.01. – 30.06.2015*
Net cold rent	130.8	107.5	249.4	214.8
Profit from operating expenses	–0.1	–0.3	–1.5	–1.8
Maintenance	–15.9	–12.9	–28.8	–22.8
Staff costs	–9.4	–9.4	–19.6	–18.8
Allowances on rent receivables	–1.5	–1.6	–3.2	–3.4
Depreciation and amortisation expenses	–1.1	–1.0	–2.5	–2.2
Other	–1.0	–4.0	–3.4	–6.7
NET RENTAL AND LEASE INCOME	**101.8**	**78.3**	**190.4**	**159.1**
NET OPERATING INCOME – MARGIN (IN %)	**77.8**	**72.8**	**76.3**	**74.1**
Non-recurring project costs – rental and lease	0.4	1.0	0.6	1.2
Depreciation	1.1	1.0	2.5	2.2
ADJUSTED NET RENTAL AND LEASE INCOME	**103.3**	**80.3**	**193.5**	**162.5**
ADJUSTED NET OPERATING INCOME – MARGIN (IN %)	**79.0**	**74.7**	**77.6**	**75.7**

In the reporting period, the LEG Group increased its net rental and lease income by EUR 31.3 million compared with the same period of the previous year. The main driver of this development was the EUR 34.6 million or 16.1% 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. The new energy services business commenced on 1 January 2016 made a slightly positive contribution to earnings. This was offset by a EUR 6.0 million increase in maintenance expenses.

The rental-related staff costs rose by 4.3% to EUR 19.6 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 significantly higher than in the comparative period (75.7%) despite higher maintenance expenses, partly reflecting the successful leveraging of economies of scale as a result of the acquisitions in LEG's core markets.

The EPRA vacancy rate, which is a ratio of rent lost due to vacancy to potential rent in the event of full occupancy, was reduced from 3.2% as at 30 June 2015 to 2.8% on a like-for-like basis as at 30 June 2016.

T8 – EPRA vacancy rate

€ million	**30.06.2016**	*30.06.2015*
Rental value of vacant space – like-for-like	12.3	13.6
Rental value of vacant space – total	17.8	14.0
Rental value of the whole portfolio – like-for-like	432.2	422.0
Rental value of the whole portfolio – total	520.3	425.9
EPRA VACANCY RATE – LIKE-FOR-LIKE (IN %)	**2.8**	**3.2**
EPRA VACANCY RATE – TOTAL (IN %)	**3.4**	**3.3**

In the second quarter of 2016, investing activities focused on measures aimed at facilitating the new letting of vacant apartments and the scheduled implementation of major projects. These made a significant contribution to the year-on-year increase in total investment of EUR 19.0 million or around EUR 1.7 per square metre.

T9 – Maintenance and modernisation of investment properties

€ million	**Q2 2016**	*Q2 2015*	**01.01. – 30.06.2016**	*01.01. – 30.06.2015*
Maintenance expenses for investment properties	15.9	12.9	28.8	22.8
Capital expenditure	16.3	10.2	29.0	16.0
TOTAL INVESTMENT	**32.2**	**23.1**	**57.8**	**38.8**
Area of investment properties in million sqm	8.50	7.00	8.02	7.03
AVERAGE INVESTMENT PER SQM (€/SQM)	**3.8**	**3.3**	**7.2**	**5.5**

A further considerable increase in investments, particularly for major projects, is expected in the further course of the financial year.

Portfolios acquired since the end of the comparative period accounted for EUR 3.9 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

T10 – Net income from the disposal of investment properties

€ million	**Q2 2016**	*Q2 2015*	**01.01. – 30.06.2016**	*01.01. – 30.06.2015*
Income from the disposal of investment properties	15.3	9.5	20.7	58.0
Carrying amount of the disposal of investment properties	–14.8	–9.4	–20.1	–56.4
Costs of sales of investment properties sold	–0.3	–0.2	–0.5	–0.4
NET INCOME FROM THE DISPOSAL OF INVESTMENT PROPERTIES	**0.2**	**–0.1**	**0.1**	**1.2**

Additional investment properties were sold in the reporting period for the purposes of selective portfolio streamlining. Block sales were implemented at a carrying amount of EUR 14.9 million, while individual sales contributed a book gain of EUR 0.6 million (sales receipts of EUR 5.8 million, carrying amount disposals of EUR 5.2 million) to net income from the disposal of investment properties.

Net income from the disposal of real estate inventory

T11 – Net income from the disposal of real estate inventory

€ million	**Q2 2016**	*Q2 2015*	**01.01.–30.06.2016**	*01.01.–30.06.2015*
Income from the disposal of inventory properties	0.1	0.2	0.5	0.4
Carrying amount of the real estate inventory disposed of	–0.1	–0.1	–0.4	–0.2
Cost of sales of the real estate inventory disposed of	–0.7	0.6	–1.4	–0.2
NET INCOME FROM THE DISPOSAL OF REAL ESTATE INVENTORY	**–0.7**	**0.7**	**–1.3**	**0.0**

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 of 30 June 2016 amounted to EUR 3.2 million, of which EUR 1.8 million related to land under development.

Current staff and non-staff operating costs remained stable. The release of a provision for a completed development project in the comparative period resulted in an increase in costs of sales of EUR –1.2 million.

Net income from other services

T12 – Other services

€ million	**Q2 2016**	*Q2 2015*	**01.01.–30.06.2016**	*01.01.–30.06.2015*
Income from other services	1.9	2.5	4.6	4.0
Expenses in connection with other services	–2.0	–2.3	–3.4	–3.9
NET INCOME FROM OTHER SERVICES	**–0.1**	**0.2**	**1.2**	**0.1**

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

In the second quarter of the reporting period, a planned revision of electricity and heat generation capacity was performed. Over the remainder of the financial year, the positive business performance since the final quarter of 2015 is expected to continue as planned.

Administrative and other expenses

T 13 – Administrative and other expenses

€ million	**Q2 2016**	*Q2 2015*	**01.01. – 30.06.2016**	*01.01. – 30.06.2015*
Other operating expenses	–5.5	–4.3	–42.1	–7.1
Staff costs	–5.2	–5.9	–10.7	–11.2
Purchased services	–0.3	–0.2	–0.6	–0.5
Depreciation and amortisation	–0.6	–0.5	–1.2	–1.0
ADMINISTRATIVE AND OTHER EXPENSES	**–11.6**	**–10.9**	**–54.6**	**–19.8**
Depreciation and amortisation	0.6	0.5	1.2	1.0
Non-recurring project costs and extraordinary and prior-period expenses	3.4	1.6	37.9	2.0
LTIP (long-term incentive programme)	–	–	0.0	0.1
Adjusted administrative and other expenses	**–7.6**	**–8.8**	**–15.5**	**–16.7**

Administrative and other expenses increased by EUR 34.8 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 36.3 million to EUR 37.9 million. EUR 34.4 million of this is attributable to real estate transfer tax, which is recognised directly under expenses instead of being capitalised as cost because the acquisitions are 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 1.2 million year-on-year at EUR 15.5 million in the reporting period.

Net finance earnings

T 14 – Net finance earnings

€ million	**Q2 2016**	*Q2 2015*	**01.01. – 30.06.2016**	*01.01. – 30.06.2015*
Interest income	0.0	0.1	0.0	0.5
Interest expenses	–31.0	–69.0	–61.1	–113.2
NET INTEREST INCOME	**–31.0**	**–68.9**	**–61.1**	**–112.7**
Net income from other financial assets and other investments	1.4	0.3	3.0	2.8
Net income from associates	–	–	0.3	–
Net income from the fair value measurement of derivatives	–9.7	16.4	–28.6	–36.3
NET FINANCE EARNINGS	**–39.3**	**–52.2**	**–86.4**	**–146.2**

The decline in interest expenses from EUR 113.2 million in the comparative period to EUR 61.1 million in the reporting period is attributable primarily to the effects of the refinancing concluded in the comparative period. Expenses of EUR 49.6 million were incurred for this in the comparative period, which comprised additional loan amortisation (EUR 6.0 million), prepayment penalties for fixed-rate loans (EUR 6.6 million) and SWAP redemption fees for floating-rate loans (EUR 37.0 million).

The reduction in the average interest rate achieved by concluding refinancing (2.09% as at 30 June 2016 compared to 2.34% as at 30 June 2015 and 2.8% as at 31 March 2015), partly offset by new acquisition financing, caused cash interest expenses to decrease by EUR 4.6 million to EUR 41.3 million.

As a result, interest expense from loan amortisation fell by EUR 8.9 million year-on-year to EUR 11.8 million. This includes the measurement of the convertible bond at amortised cost in the amount of EUR 3.3 million (comparative period: EUR 3.2 million). Alongside the one-time, additional amortisation expense of EUR 6.0 million in the comparative period, the decrease in interest expense from loan amortisation was attributable in particular to lower scheduled amortisation as a result of the refinancing.

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

Dividends received from equity investments in non-consolidated and non-associated companies amounted to EUR 2.3 million in the first half of 2016, EUR 0.5 million higher than in the comparative period. 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. Provisions had already been recognised for the expected payments of VAT arrears in previous years. In the reporting period, the deconsolidation of a property portfolio sold in a share deal resulted in net income of EUR 0.7 million. Net income from investment securities and other equity investments remains nearly unchanged compared to the previous year.

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 −21.2 million (previous year: EUR −35.8 million).

Income tax expenses

T15 – Income tax expenses

€ million	**Q2 2016**	*Q2 2015*	**01.01.–30.06.2016**	*01.01.–30.06.2015*
Current tax expenses	−0.7	–	−1.8	−1.1
Deferred tax expenses	−14.1	3.9	−25.3	−4.0
Income tax expenses	**−14.8**	**3.9**	**−27.1**	**−5.1**

An effective Group tax rate of 22.7% was assumed in the reporting period in accordance with Group tax planning (previous year: 24.9%).

A very low corporate income and trade tax liability is still expected to arise in the 2016 financial year. To this end, a provision for current income taxes of EUR 1.8 million was recognised in the reporting period of which EUR 0.5 million are related to disposals of investment properties. This provision takes account of the tax-reducing utilisation of loss carryforwards.

Adjusted for real estate transfer tax recognised under expenses (incidental acquisition costs requiring capitalisation for income tax purposes instead of deductible operating expenses) and the measurement effect of derivatives for the convertible bond, which is not recoverable for income tax purposes, earnings before taxes increased from EUR 30.6 million in the previous year to EUR 106.2 million in the reporting period. The main factors driving this development were the lower interest expenses due to the refinancing concluded in the comparative period and the significant rise in net rental and lease income.

The higher level of earnings before taxes thus contributed significantly to the increase in income tax expense by EUR 22.0 million to EUR 27.1 million in the reporting period.

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:

T16 – Calculation of FFO I, FFO II and AFFO

€ million	**Q2 2016**	*Q2 2015*	**01.01. – 30.06.2016**	*01.01. – 30.06.2015*
Net cold rent	130.8	107.5	249.4	214.8
Profit from operating expenses	–0.1	–0.3	–1.5	–1.8
Maintenance	–15.9	–12.9	–28.8	–22.8
Staff costs	–9.4	–9.4	–19.6	–18.8
Allowances on rent receivables	–1.5	–1.6	–3.2	–3.4
Other	–1.0	–4.0	–3.4	–6.7
Non-recurring project costs (rental and lease)	0.4	1.0	0.6	1.2
CURRENT NET RENTAL AND LEASE INCOME	**103.3**	**80.3**	**193.5**	**162.5**
CURRENT NET INCOME FROM OTHER SERVICES	**0.6**	**0.8**	**2.3**	**1.2**
Staff costs	–5.2	–5.9	–10.7	–11.2
Non-staff operating costs	–5.8	–4.5	–42.7	–7.6
LTIP (long-term incentive programme)	0.0	0.0	0.0	0.1
Non-recurring project costs (admin.)	3.4	1.2	37.9	1.6
Extraordinary and prior-period expenses	0.0	0.4	0.0	0.4
CURRENT ADMINISTRATIVE EXPENSES	**–7.6**	**–8.8**	**–15.5**	**–16.7**
Other income and expenses	0.1	0.2	0.2	0.4
ADJUSTED EBITDA	**96.4**	**72.5**	**180.5**	**147.4**
Cash interest expenses and income	–21.1	–22.6	–41.3	–45.9
Cash income taxes from rental business	–0.2	0.1	–1.3	–0.1
FFO I (BEFORE ADJUSTMENT OF NON-CONTROLLING INTERESTS)	**75.1**	**50.0**	**137.9**	**101.4**
Adjustment of non-controlling interests	–0.1	0.0	–0.3	0.0
FFO I (AFTER ADJUSTMENT OF NON-CONTROLLING INTERESTS)	**75.0**	**50.0**	**137.6**	**101.4**
Net income from the disposal of investment properties	1.2	–0.1	1.1	1.2
Cash income taxes from disposal of investment properties	–0.5	–	–0.5	–
FFO II (INCL. DISPOSAL OF INVESTMENT PROPERTIES)	**75.7**	**49.9**	**138.2**	**102.6**
Capex	–16.3	–10.2	–29.0	–16.0
CAPEX-ADJUSTED FFO I (AFFO)	**58.7**	**39.8**	**108.6**	**85.4**

At EUR 137.6 million, FFO I was 35.7% higher in the reporting period than in the same period of the previous year (EUR 101.4 million). In particular, this development reflects the rise in in-place rent including the effects of the acquisitions concluded and the lower cash interest expenses, which is partially offset by the EUR 6.0 million rise in maintenance 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	**Q2 2016**	*Q2 2015*	**01.01. – 30.06.2016**	*01.01. – 30.06.2015*
NET PROFIT OR LOSS FOR THE PERIOD ATTRIBUTABLE TO PARENT SHAREHOLDERS	**35.4**	**20.0**	**23.1**	**–10.4**
Changes in value of investment properties	–	–	–1.0	–
Profits or losses on disposal of investment properties, development properties held for investment, other interests and sales of trading properties including impairment charges in respect of trading properties	0.5	–0.6	1.2	–1.2
Tax on profits or losses on disposals	–	–0.2	0.1	0.7
Changes in fair value of financial instruments and associated close-out costs	9.7	–16.4	28.6	36.3
Acquisition costs on share deals and non-controlling joint venture interests	1.6	0.2	35.0	0.3
Deferred tax in respect of EPRA adjustments	1.5	26.0	8.7	35.0
Refinancing expenses	–	–0.4	0.1	12.6
Other interest expenses	2.3	36.8	4.4	36.8
Non-controlling interests in respect of the above	0.2	–0.2	0.0	–0.2
EPRA EARNINGS	**51.2**	**65.2**	**100.2**	**109.9**
Weighted average number of shares outstanding	62,909,254	57,156,493	62,839,521	57,109,968
EPRA earnings per share (undiluted) in €	0.81	1.14	1.59	1.92
Potentially diluted shares	5,134,199	5,134,199	5,134,199	5,134,199
Interest coupon on convertible bond	0.3	0.3	0.6	0.6
Amortisation expenses convertible bond after taxes	1.3	1.2	2.6	2.4
EPRA EARNINGS (DILUTED)	**52.8**	**66.7**	**103.4**	**112.9**
Number of diluted shares	68,043,453	62,290,692	67,973,720	62,244,167
EPRA EARNINGS PER SHARE (DILUTED) IN €	**0.78**	**1.07**	**1.52**	**1.81**

Condensed statement of financial position

The condensed statement of financial position is as follows:

T18 – Condensed statement of financial position

€ million	**31.06.2016**	*31.12.2015*
Investment properties	7,430.7	6,398.5
Prepayments for investment properties	13.6	203.1
Other non-current assets	197.7	296.8
Non-current assets	7,642.0	6,898.4
Receivables and other assets	85.3	37.2
Cash and cash equivalents	165.3	252.8
Current assets	250.6	290.0
Assets held for sale	4.9	6.7
TOTAL ASSETS	**7,897.5**	**7,195.1**
Equity	2,900.0	2,985.0
Non-current financial liabilities	3,377.7	2,745.6
Other non-current liabilities	747.0	673.7
Non-current liabilities	4,124.7	3,419.3
Current financial liabilities	383.5	496.0
Other current liabilities	489.3	294.8
Current liabilities	872.8	790.8
TOTAL EQUITY AND LIABILITIES	**7,897.5**	**7,195.1**

The main assets of the LEG Group are its investment properties, which amounted to EUR 7,430.7 million as of 30 June 2016 (31 December 2015: EUR 6,398.5 million). This corresponds to 94.1% 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 1,021.2 million and capitalisation of modernisation measures in the amount of EUR 29.0 million.

The acquisition of a property portfolio with 3,539 residential units resulted in provisional goodwill of EUR 43.5 million (comprising EUR 22.1 million from deferred taxes on EPRA adjustments and EUR 21.4 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 9.3 million), the deferral of prepaid operating costs in the amount of EUR 20.4 million, an increase in receivables from work in progress (EUR 11.6 million) and receivables from purchase price reductions of acquired property portfolios (EUR 6.5 million).

Cash and cash equivalents decreased by EUR –87.5 million as against the reporting date to EUR 165.3 million. This development was due mainly to the utilisation of new loans (net amount of EUR 474.9 million; primarily from acquisition financing), receipts from property sales (EUR 9.0 million) and cash flow from operating activities in the amount of EUR 89.0 million. These factors were countered by payments for acquisitions and capex measures (EUR –524.6 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 2,900.0 million (31 December 2015: EUR 2,985.0 million) and financing liabilities, which increased to EUR 3,761.2 million (31 December 2015: EUR 3,241.6 million) primarily as a result of acquisition financing.

The main driver for the slight temporary reduction in equity was the dividend distribution of EUR 141.9 million. In addition, liabilities for put options of EUR 2.0 million recognised directly in equity also reduced equity. These factors were countered by total comprehensive income including other comprehensive income (OCI) recognised directly in equity of EUR 10.0 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 16.1 million.

Deferred tax liabilities rose by EUR 51.8 million (reported in other non-current liabilities), of which EUR 29.4 million was recognised in profit or loss 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 18.9 million of the increase in other non-current liabilities.

The change in the fair value of the derivative for the convertible bond contributed EUR 21.2 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 +9.8 million), the deferral of operating cost discounts to be paid in arrears (EUR +23.9 million) and an increase in liabilities for advanced payments received (EUR +13.9 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 3,536.9 million as of 30 June 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 3,981.4 million at the reporting date.

T19 – EPRA-NAV

€ million	**30.06.2016 undiluted**	**30.06.2016 Effect of exercise of convertibles/ options**	**30.06.2016 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	2,865.9	–	2,865.9	2,967.8	–	2,967.8
NON-CONTROLLING INTERESTS	34.1	–	34.1	17.2	–	17.2
EQUITY	**2,900.0**	**–**	**2,900.0**	**2,985.0**	**–**	**2,985.0**
Effect of exercise of options, convertibles and other equity interests	–	484.4	484.4	–	427.2	427.2
NAV	**2,865.9**	**484.4**	**3,350.3**	**2,967.8**	**427.2**	**3,395.0**
Fair value measurement of derivative financial instruments	203.7	–	203.7	165.5	–	165.5
Deferred taxes on WFA loans and derivatives	27.3	–	27.3	35.4	–	35.4
Deferred taxes on investment property	504.8	–	504.8	465.7	–	465.7
Goodwill resulting from deferred taxes on EPRA adjustments	–64.8	–	–64.8	–34.5	–	–34.5
EPRA NAV	**3,536.9**	**484.4**	**4,021.3**	**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	**55.97**	**–**	**58.73**	**57.35**	**–**	**59.31**
EPRA NAV	3,536.9	484.4	4,021.3	3,599.9	427.2	4,027.1
Goodwill resulting from synergies	39.9	–	39.9	26.4	–	26.4
ADJUSTED EPRA NAV (W/O EFFECTS FROM GOODWILL)	**3,497.0**	**484.4**	**3,981.4**	**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	**55.34**	**–**	**58.15**	**56.93**	**–**	**58.92**
EPRA NAV	3,536.9	484.4	4,021.3	3,599.9	427.2	4,027.1
Fair value measurement of derivative financial instruments	–203.7	–	–203.7	–165.5	–	–165.5
Deferred taxes on WFA loans and derivatives	–27.3	–	–27.3	–35.4	–	–35.4
Deferred taxes on investment property	–504.8	–	–504.8	–465.7	–	–465.7
Goodwill resulting from deferred taxes on EPRA adjustments	64.8	–	64.8	34.5	–	34.5
Fair value measurement of financing liabilities	–435.2	–	–435.2	–327.6	–	–327.6
Valuation uplift resulting from FV measurement financing liabilities	295.9	–	295.9	295.9	–	295.9
EPRA NNNAV	**2,726.6**	**484.4**	**3,211.0**	**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	**43.15**	**–**	**46.90**	**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 49.9% (31 December 2015: 44.2%).

T20 – Loan-to-value ratio

€ million	**30.06.2016**	*31.12.2015*
Financial liabilities	3,761.2	3,241.6
Deferred purchase price liabilities	119.3	0.0
Less cash and cash equivalents	165.3	252.8
NET FINANCING LIABILITIES	**3,715.2**	**2,988.8**
Investment properties	7,430.7	6,398.5
Assets held for disposal	4.9	6.7
Prepayments for investment properties	13.6	203.1
Prepayments for business combinations	–	146.1
REAL ESTATE ASSETS	**7,449.2**	**6,754.4**
LOAN TO VALUE RATIO (LTV) IN %	**49.9**	**44.2**

Financial position

A net profit or loss for the period of EUR 23.5 million was recorded in the reporting period (previous year: net profit or loss for the period of EUR –10.3 million). Equity amounted to EUR 2,900.0 million at the reporting date (31 December 2015: EUR 2,985.0 million). This corresponds to an equity ratio of 36.7% (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.–30.06.2016**	*01.01.–30.06.2015*
Cash flow from operating activities	89.0	68.2
Cash flow from investing activities	–509.8	–160.1
Cash flow from financing activities	333.3	209.5
CHANGE IN CASH AND CASH EQUIVALENTS	**–87.5**	**117.6**

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 –524.6 million. Furthermore, receipts from property disposals in the amount of EUR 9.0 million resulted in a net cash flow from investing activities of EUR –509.8 million.

Acquisition financing and the dividend distribution (EUR –141.9 million) were the main drivers of cash flow from financing activities of EUR 333.3 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 June 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 half of 2016, LEG believes that it is well positioned to achieve – and in some cases surpass – its goals for its key financial and operating figures. In light of the good progress made in implementing the planned efficiency enhancement measures, the outlook for FFO I in 2016 can be raised slightly again. LEG now expects FFO I to increase to a range of EUR 261 million to EUR 265 million (previously: EUR 257 million to EUR 262 million). For 2017, the FFO I forecast of between EUR 284 million and EUR 289 million is being confirmed. These figures do not yet include any effects from planned further portfolio growth.

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 forecast on a like-for-like basis. With the next regular adjustment of the cost of 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%.

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, the forecast for portfolio investments in 2016 is being raised slightly to around EUR 18 Euro per square metre. Newly acquired properties will account for an above-average share of this investment.

The market environment for concluding value-adding acquisitions has become more challenging in North Rhine-Westphalia, too. However, the goal of acquiring at least 5,000 residential units per year is currently still considered realistic.

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	**30.06.2016**	*31.12.2015*
Non-current assets	**7,642.0**	**6,898.4**
Investment properties	7,430.7	6,398.5
Prepayments for investment properties	13.6	203.1
Property, plant and equipment	60.9	59.1
Intangible assets	107.2	63.1
Investments in associates	9.1	8.8
Other financial assets	2.6	148.8
Receivables and other assets	2.1	2.7
Deferred tax assets	15.8	14.3
Current assets	**250.6**	**290.0**
Real estate inventory and other inventory	12.6	5.1
Receivables and other assets	71.0	30.5
Income tax receivables	1.7	1.6
Cash and cash equivalents	165.3	252.8
Assets held for sale	**4.9**	**6.7**
TOTAL ASSETS	**7,897.5**	**7,195.1**

Equity and liabilities

€ million	**30.06.2016**	*31.12.2015*
Equity	**2,900.0**	**2,985.0**
Share capital	63.2	62.8
Capital reserves	811.3	779.2
Cumulative other reserves	1,991.4	2,125.8
Equity attributable to shareholders of the parent company	2,865.9	2,967.8
Non-controlling interests	34.1	17.2
Non-current liabilities	**4,124.7**	**3,419.3**
Pension provisions	143.0	142.8
Other provisions	11.5	11.4
Financing liabilities	3,377.7	2,745.6
Other liabilities	127.7	106.7
Tax liabilities	8.7	8.5
Deferred tax liabilities	456.1	404.3
Current liabilities	**872.8**	**790.8**
Pension provisions	5.8	7.0
Other provisions	18.2	19.1
Provisions for taxes	0.4	0.4
Financing liabilities	383.5	496.0
Other liabilities	447.9	253.1
Tax liabilities	17.0	15.2
TOTAL EQUITY AND LIABILITIES	**7,897.5**	**7,195.1**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

T23 – Consolidated statement of comprehensive income

€ million	**Q2 2016**	*Q2 2015*	**01.01. – 30.06.2016**	*01.01. – 30.06.2015*
Net rental and lease income	**101.8**	**78.3**	**190.4**	**159.1**
Rental and lease income	193.1	160.4	371.7	320.3
Cost of sales in connection with rental lease income	–91.3	–82.1	–181.3	–161.2
Net income from the disposal of investment properties	**0.2**	**–0.1**	**0.1**	**1.2**
Income from the disposal of investment properties	15.3	9.5	20.7	58.0
Carrying amount of the disposal of investment properties	–14.8	–9.4	–20.1	–56.4
Cost of sales in connection with disposed investment properties	–0.3	–0.2	–0.5	–0.4
Net income from the remeasurement of investment properties	**–**	**–**	**1.0**	**–**
Net income from the disposal of real estate inventory	**–0.7**	**0.7**	**–1.3**	**0.0**
Income from the real estate inventory disposed of	0.1	0.2	0.5	0.4
Carrying amount of the real estate inventory disposed of	–0.1	–0.1	–0.4	–0.2
Costs of sales of the real estate inventory disposed of	–0.7	0.6	–1.4	–0.2
Net income from other services	**–0.1**	**0.2**	**1.2**	**0.1**
Income from other services	1.9	2.5	4.6	4.0
Expenses in connection with other services	–2.0	–2.3	–3.4	–3.9
Administrative and other expenses	**–11.6**	**–10.9**	**–54.6**	**–19.8**
Other income	**0.1**	**0.2**	**0.2**	**0.4**
OPERATING EARNINGS	**89.7**	**68.4**	**137.0**	**141.0**
Interest income	0.0	0.1	0.0	0.5
Interest expenses	–31.0	–69.0	–61.1	–113.2
Net income from investment securities and other equity investments	1.4	0.3	3.0	2.8
Net income from associates	–	–	0.3	–
Net income from the fair value measurement of derivatives	–9.7	16.4	–28.6	–36.3
EARNINGS BEFORE INCOME TAXES	**50.4**	**16.2**	**50.6**	**–5.2**
Income taxes	–14.8	3.9	–27.1	–5.1
NET PROFIT OR LOSS FOR THE PERIOD	**35.6**	**20.1**	**23.5**	**–10.3**
Change in amounts recognised directly in equity				
Thereof recycling				
Fair value adjustment of interest rate derivatives in hedges	**–3.2**	**35.6**	**–13.5**	**36.5**
Change in unrealised gains/(losses)	–4.2	47.2	–17.9	48.3
Income taxes on amounts recognised directly in equity	1.0	–11.6	4.4	–11.8
TOTAL COMPREHENSIVE INCOME	**32.4**	**55.7**	**10.0**	**26.2**
Net profit or loss for the period attributable to:				
Non-controlling interests	0.2	0.1	0.4	0.1
Parent shareholders	35.4	20.0	23.1	–10.4
Total comprehensive income attributable to:				
Non-controlling interests	0.2	0.1	0.4	0.1
Parent shareholders	32.2	55.6	9.6	26.1
EARNINGS PER SHARE (BASIC AND DILUTED) IN €	**0.56**	**0.35**	**0.37**	**–0.18**

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	–	–	–10.4	–	–	–10.4	0.1	–10.3
Other comprehensive income	–	–	–	–	36.5	36.5	0.0	36.5
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**–10.4**	**–**	**36.5**	**26.1**	**0.1**	**26.2**
Change in consolidated companies	–	–	–	–	–	–	0.2	0.2
Capital increase	1.2	71.7	8.0	–	–	80.9	0.3	81.2
Withdrawals from reserves	–	–	–39.9	–	–	–39.9	–	–39.9
Distributions	–	–	–111.9	–	–	–111.9	–	–111.9
Contribution in connection with Management and Supervisory Board	–	0.1	–	–	–	0.1	–	0.1
AS OF 30.06.2015	**58.3**	**650.7**	**1,789.5**	**–38.5**	**–28.6**	**2,431.4**	**14.9**	**2,446.3**
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	–	–	23.1	–	–	23.1	0.4	23.5
Other comprehensive income	–	–	–	–	–13.5	–13.5	0.0	–13.5
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**23.1**	**–**	**–13.5**	**9.6**	**0.4**	**10.0**
Change in consolidated companies/other	–	–	–	–	–	–	16.1	16.1
Capital increase	0.4	32.0	–	–	–	32.4	0.5	32.9
Withdrawals from reserves	–	–	–2.0	–	–	–2.0	–0.1	–2.1
Distributions	–	–	–141.9	–	–	–141.9	–	–141.9
Contribution in connection with Management and Supervisory Board	–	0.0	–	–	–	0.0	–	0.0
AS OF 30.06.2016	**63.2**	**811.3**	**2,068.9**	**–30.1**	**–47.4**	**2,865.9**	**34.1**	**2,900.0**

CONSOLIDATED STATEMENT OF CASH FLOWS

T25 – Consolidated statement of cash flows

€ million	**01.01. – 30.06.2016**	*01.01. – 30.06.2015*
Operating earnings	**137.0**	**141.0**
Depreciation on property, plant and equipment and amortisation on intangible assets	4.9	4.4
(Gains)/Losses from the remeasurement of investment properties	–1.0	–1.6
(Gains)/Losses from the disposal of assets held for sale and investment properties	–0.6	–
(Decrease)/Increase in pension provisions and other non-current provisions	–0.8	–2.6
Other non-cash income and expenses	3.3	3.5
(Decrease)/Increase in receivables, inventories and other assets	–38.8	–38.5
Decrease/(Increase) in liabilities (not including financing liabilities) and provisions	24.6	5.4
Interest paid	–41.4	–46.4
Interest received	0.1	0.5
Received income from investments	1.8	2.8
Taxes received	0.2	0.6
Taxes paid	–0.3	–0.9
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**89.0**	**68.2**
Cash flow from investing activities		
Investments in investment properties	–506.0	–185.0
Proceeds from disposals of non-current assets held for sale and investment properties	9.0	31.0
Investments in intangible assets and property, plant and equipment	–5.4	–0.6
Proceeds from disposals of intangible assets and property, plant and equipment	0.0	0.1
Acquisition of shares in consolidated companies	–18.6	–5.6
Proceeds from disposals of shares in consolidated companies	11.2	–
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**–509.8**	**–160.1**
Cash flow from financing activities		
Borrowing of bank loans	813.2	1,091.1
Repayment of bank loans	–338.3	–846.1
Repayment of lease liabilities	–1.8	–1.7
Other proceeds	3.5	5.1
Other payments	–1.4	–
Capital increase	–	72.9
Distribution to shareholders	–141.9	–111.8
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**333.3**	**209.5**
Change in cash and cash equivalents	**–87.5**	**117.6**
Cash and cash equivalents at beginning of period	252.8	129.9
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**165.3**	**247.5**
Composition of cash and cash equivalents		
Cash in hand, bank balances	165.3	247.5
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**165.3**	**247.5**

SELECTED NOTES ON THE IFRS CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 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 130,777 units (residential and commercial) on 30 June 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 (IFRIC). 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 consolidated interim financial statements of the LEG Group are the same as those presented in the IFRS consolidated financial statements of LEG Immo as of 31 December 2015. These interim consolidated financial statements as of 30 June 2016 should therefore be read in conjunction with the consolidated financial statements as of 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 of 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.

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 is not yet finalised as at 30 June 2016.

On 22 December 2015, LEG Immo concluded a purchase agreement with Vonovia SE regarding the acquisition of 13,570 residential units. The purchase price is 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 will be 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:

T26 – 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:

T27 – 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 EG 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 of 31 December 2015.

7. Selected notes to the consolidated statement of financial position

On 30 June 2016, the LEG Group held 129,626 apartments and 1,151 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:

T28 – Investment properties

€ million	**30.06.2016**	*31.12.2015*
CARRYING AMOUNT AS OF 01.01.	**6,398.5**	**5,914.3**
Acquisitions	1,021.2	189.6
Other additions	29.0	64.7
Reclassified to assets held for sale	–18.0	–55.7
Reclassified from assets held for sale	0.0	0.4
Reclassified to property, plant and equipment	–1.1	–0.3
Reclassified from property, plant and equipment	0.1	–
Fair value adjustment	1.0	285.5
CARRYING AMOUNT AS OF 30.06./31.12.	**7,430.7**	**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 Vonovia SE 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 property value 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 sale relates primarily to a block sale, which had a carrying amount of EUR 11.4 million as at 1 January 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. Reclassification to assets held for sale totalled EUR 12.3 million as at 31 March 2016. The carrying amount disposal was closed on 31 May 2016.

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

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:

T29 – Financing liabilities

€ million	**30.06.2016**	*31.12.2015*
Financing liabilities from real estate financing	3,735.2	3,215.0
Financing liabilities from lease financing	26.0	26.6
FINANCING LIABILITIES	**3,761.2**	**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 half of the year. The disbursement in connection with these transactions served to increase financing liabilities by EUR 837.2 million. This was offset by the derecognition of the previous loans and repayments, which reduced total financing liabilities by EUR 317.0 million.

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

T30 – Maturity of financing liabilities from real estate financing

€ million	*Remaining term < 1 year*	*Remaining term > 1 and 5 years*	*Remaining term > 5 years*	**Total**
30.06.2016	378.7	683.8	2,672.7	3,735.2
31.12.2015	491.3	638.7	2,085.0	3,215.0

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.

8. Selected notes to the consolidated statement of comprehensive income

Net rental and lease income is broken down as follows:

T31 – Net rental and lease income

€ million	**01.01. – 30.06.2016**	*01.01. – 30.06.2015*
Net cold rent	249.4	214.8
Net income from operating costs	–1.5	–1.8
Maintenance expenses	–28.8	–22.8
Staff costs	–19.6	–18.8
Impairment losses on rent receivables	–3.2	–3.4
Depreciation	–2.5	–2.2
Others	–3.4	–6.7
NET RENTAL AND LEASE INCOME	**190.4**	**159.1**
NET OPERATING INCOME MARGIN (IN %)	**76.3**	**74.1**
Non-recurring project costs – rental and lease	0.6	1.2
Depreciation	2.5	2.2
ADJUSTED NET RENTAL AND LEASE INCOME	**193.5**	**162.5**
ADJUSTED NET OPERATING INCOME – MARGIN (IN %)	**77.6**	**75.7**

In the reporting period, the LEG Group increased its net rental and lease income by EUR 31.3 million compared with the same period of the previous year. The main driver of this development was the EUR 34.6 million or 16.1% 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. The new energy services business commenced on 1 January 2016 made a slightly positive contribution to earnings. This was offset by a EUR 6.0 million increase in maintenance expenses.

The rental-related staff costs rose by 4.3% to EUR 19.6 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 significantly higher than in the previous year (75.7%) despite higher maintenance expenses, partly reflecting the successful leveraging of economies of scale as a result of the acquisitions in LEG's core markets.

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

T32 – Net income from the disposal of investment properties

€ million	**01.01. – 30.06.2016**	*01.01. – 30.06.2015*
Income from the disposal of investment properties	20.7	58.0
Carrying amount of investment properties disposed of	–20.1	–56.4
INCOME/LOSS FROM THE DISPOSAL OF INVESTMENT PROPERTIES	**0.6**	**1.6**
Staff costs	–0.3	–0.3
Other operating expenses	–0.2	–0.1
COST OF SALE IN CONNECTION WITH INVESTMENT PROPERTIES SOLD	**–0.5**	**–0.4**
NET INCOME FROM THE DISPOSAL OF INVESTMENT PROPERTIES	**0.1**	**1.2**

Administrative and other expenses are composed as follows:

T33 – Administrative and other expenses

€ million	**01.01. – 30.06.2016**	*01.01. – 30.06.2015*
Other operating expenses	–42.1	–7.1
Staff costs	–10.7	–11.2
Purchased services	–0.6	–0.5
Depreciation, amortisation and write-downs	–1.2	–1.0
ADMINISTRATIVE AND OTHER EXPENSES	**–54.6**	**–19.8**
Depreciation and amortisation	1.2	1.0
Non-recurring project costs and extraordinary and prior-period expenses	37.9	2.0
LTIP (long-term incentive programme)	0.0	0.1
Adjusted administrative and other expenses	**–15.5**	**–16.7**

Administrative and other expenses increased by EUR 34.8 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 36.3 million to EUR 37.9 million. EUR 34.4 million of this is attributable to real estate transfer tax, which is recognised directly under expenses instead of being capitalised as cost because the acquisitions are accounted for as business combinations.

Adjusted for these non-recurring effects, current administrative expenses decreased slightly as planned and amounted to EUR 15.5 million in the reporting period.

Net interest income is composed as follows:

T34 – Interest income

€ million	**01.01. – 30.06.2016**	*01.01. – 30.06.2015*
Interest income from bank balances	0.0	0.1
Interest income from finance leases	0.0	0.3
INTEREST INCOME	**0.0**	**0.5**

T35 – Interest expenses

€ million	**01.01. – 30.06.2016**	*01.01. – 30.06.2015*
Interest expenses from real estate financing	–33.8	–32.8
Interest expense from loan amortisation	–11.8	–20.7
Prepayment penalty	–0.1	–6.6
Interest expense from interest derivatives for real estate financing	–7.6	–13.6
Interest expense from change in pension provisions	–1.6	–1.4
Interest expense from interest on other assets and liabilities	–1.1	–0.5
Interest expenses from lease financing	–0.7	–0.8
Other interest expenses	–4.4	–36.8
INTEREST EXPENSES	**–61.1**	**–113.2**

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 4.4 million (previous year: EUR 36.8 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 1.6 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 from 2015 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

T36 – Income taxes

€million	**01.01. – 30.06.2016**	*01.01. – 30.06.2015*
Current income taxes	–1.8	–1.1
Deferred taxes	–25.3	–4.0
INCOME TAXES	**–27.1**	**–5.1**

An effective Group tax rate of 22.7% was assumed as at 30 June 2016 in accordance with Group tax planning (previous year: 24.9%).

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

Adjusted for real estate transfer tax recognised under expenses (incidental acquisition costs requiring capitalisation for income tax purposes instead of deductible operating expenses) and the measurement effect of derivatives for the convertible bond, which is not recoverable for income tax purposes, earnings before taxes increased from EUR 30.6 million in the previous year to EUR 106.2 million in the reporting period. The main factors driving this development were the lower interest expenses due to the refinancing concluded in the comparative period and the significant rise in net rental and lease income.

The higher level of earnings before taxes thus contributed significantly to the increase in income tax expense by EUR 22.0 million to EUR 27.1 million in the reporting period.

A deferred tax expense of EUR 3.0 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 3.6 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' pre-emptive rights disapplied.

T37 – Earnings per share (basic)

	01.01. – 30.06.2016	*01.01. – 30.06.2015*
Net profit or loss attributable to shareholders in € million	23.1	–10.4
Average numbers of shares outstanding	62,839,521	57,109,968
EARNINGS PER SHARE (BASIC) IN €	**0.37**	**–0.18**

As at 30 June 2016, LEG Immo had potential ordinary shares from a convertible bond, which authorise the bearer to convert it into up to 5.1 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 no longer applies as at 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.

T38 – Classes of financial instruments for financial assets and liabilities 2016

€ million	Carrying amounts as per statement of financial positions 30.06.2016	Measurement (IAS 39) Amortised cost	Measurement (IAS 39) Fair value through profit or loss	Measurement IAS 17	Fair value 30.06.2016
Assets					
Other financial assets	**2.6**				**2.6**
LaR	–0.1	–0.1			–0.1
AfS	2.7	2.7			2.7
Receivables and other assets	**73.0**				**73.0**
LaR	46.1	46.1			46.1
Other non-financial assets	26.9				26.9
Cash and cash equivalents	**165.3**				**165.3**
LaR	165.3	165.3			165.3
TOTAL	**240.9**	**214.0**			**240.9**
Of which IAS 39 measurement categories					
LaR	211.3	211.3			211.3
AfS	2.7	2.7			2.7
Equity and liabilities					
Financial liabilities	**–3,761.2**				**–4,196.9**
FLAC	–3,735.2	–3,735.2			–4,170.4
Liabilities from lease financing	–26.0			–26.0	–26.5
Other liabilities	**–575.5**				**–575.5**
FLAC	–55.9	–55.9			–55.9
Derivatives HFT	–181.4		–181.4		–181.4
Hedge accounting derivatives	–67.9				–67.9
Other non-financial liabilities	–270.3				–270.3
TOTAL	**–4,336.7**	**–3,791.1**	**–181.4**	**26.0**	**–4,772.4**
Of which IAS 39 measurement categories					
FLAC	–3,791.1	–3,791.1			–4,226.3
Derivatives HFT	–181.4		–181.4		–181.4

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

T39 – Classes of financial instruments for financial assets and liabilities 2015

		Measurement (IAS 39)		*Measurement*	
€ million	*Carrying amounts as per statement of financial positions 31.12.2015*	*Amortised cost*	*Fair value through profit or loss*	*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			148.7
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			148.7
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
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

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 of 31 December 2015 for the presentation of the IFRS 2 programmes long-term incentive plan with former shareholders, LTI Management Board agreements and the settlement agreements for Supervisory Board members.

For the 2016 financial year, the Management Board employment agreements provide for a long-term incentive 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 have now expressed a different legal opinion in a letter dated 26 April 2016, which results 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 of 30 June 2016 compared with the disclosures as of 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 June 2016.

Dusseldorf, 10 August 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, 10 August 2016

LEG Immobilien AG, Dusseldorf

The Management Board
THOMAS HEGEL
ECKHARD SCHULTZ
HOLGER HENTSCHEL

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LEG FINANCIAL CALENDAR 2016

Publication of the interim report as of 30 June 2016	**10 August**
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