Redefine Living

QUARTERLY REPORT AS OF 30 SEPTEMBER 2019

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About this Report

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Key Figures Q3 2019

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		Q3 2019	Q3 2018	+/– %	01.01. – 30.09.2019	01.01. – 30.09.2018	+/– %
Results of operations							
Rental income	€ million	147.3	139.6	5.5	439.8	417.0	5.5
Net rental and lease income	€ million	114.3	108.9	5.0	340.2	315.2	7.9
EBITDA	€ million	107.1	100.3	6.8	864.5	676.8	27.7
EBITDA adjusted	€ million	112.7	106.0	6.3	330.5	305.9	8.0
EBT	€ million	38.4	6.9	–	670.9	551.3	21.7
Net profit or loss for the period	€ million	19.8	– 15.3	–	488.9	407.7	19.9
FFO I	€ million	88.2	85.8	2.8	259.1	242.2	7.0
FFO I per share	€	1.38	1.36	1.5	4.09	3.83	6.7
FFO II	€ million	86.5	84.9	1.9	255.9	240.6	6.4
FFO II per share	€	1.35	1.34	0.7	4.03	3.81	5.8
AFFO	€ million	30.2	28.4	6.3	122.6	121.9	0.6
AFFO per share	€	0.47	0.45	4.4	1.93	1.93	0.0
Portfolio [1]		**30.09.2019**	30.09.2018	+/– %/bp			
Number residential units		131,135	130,170	0.7			
In-place rent	€/sqm	5.79	5.63	2.8			
In-place rent (l-f-l)	€/sqm	5.82	5.65	2.9			
EPRA vacancy rate	%	3.7	3.9	– 20 bp			
EPRA vacancy rate (l-f-l)	%	3.6	3.6	0 bp			
Statement of financial position		**30.09.2019**	31.12.2018	+/– %/bp			
Investment property	€ million	11,276.6	10,709.0	5.3			
Cash and cash equivalents	€ million	382.3	233.6	63.7			
Equity	€ million	5,549.5	4,783.9	16.0			
Total financing liabilities	€ million	4,577.2	4,598.1	– 0.5			
Current financing liabilities	€ million	257.8	484.8	– 46.8			
LTV	%	36.3	40.7	– 440 bp			
Equity ratio	%	45.7	42.7	+ 300 bp			
Adj. EPRA NAV, diluted	€ million	6,914.6	6,613.7	4.5			
Adj. EPRA NAV per share, diluted	€	100.20	96.10	4.3			
Pro forma NAV after simulated executed conversion	€ million	6,936.8	6,428.0	7.9			
Pro forma NAV after simulated executed conversion per share	€	100.52	93.40	7.6			

bp = basis points
[1] without IFRS 5

Portfolio

Portfolio segmentation and housing stock

The LEG portfolio is divided into three market clusters using a scoring system: high-growth markets, stable markets und higher-yielding markets. The indicators for the scoring system are described in the **> Annual Report 2018.**

LEG's portfolio is spread across around 170 locations with a geographical focus on North Rhine-Westphalia. The average apartment size is 64 square metres with three rooms. The buildings have an average of seven residential units split over three floors.

As of 30 September 2019, the portfolio included 131,135 residential units, 1,259 commercial units and 34,117 garages or parking spaces, excluding assets held for sale. For reasons of portfolio optimization, a package of around 2,700 residential units was sold in Q2 2019, with economic transfer in October 2019.

Performance of the LEG portfolio

Operational development

In-place rent on a like-for-like basis was EUR 5.82 per square metre as of 30 September 2019; 2.9 % up on the previous year.

In the free-financed segment which accounts for around 75 % of LEG's portfolio, rents rose by 3.7 % to EUR 6.20 per square metre/month (on a like-for-like basis). The high-growth markets recorded a plus of 4.2 % to EUR 7.14 per square metre (on a like-for-like basis). Positive effects from LEG's modernisation programme also contributed to this development. In the stable markets, in-place rent increased by 3.8 % to an average of EUR 5.79 per square metre (on a like-for-like basis). In Dortmund, the largest LEG location, rents rose by 4.6 % (on a like-for-like basis) due to both a new rent table and modernization measures. In the higher-yielding markets an increase of 2.7 % to 5.63 Euro per square metre (on a like-for-like basis) was achieved.

In the year 2019, there is no regular cost rent adjustment. Thus, the average rent in the restricted segment increased only marginally by 0.5 % to EUR 4.80 per square metre (on a like-for-like basis; previous year: EUR 4.77 per square metre).

EPRA vacancy rate on a like-for-like basis was 3.6 % as at end of the reporting period, unchanged to the previous year. With an occupancy rate of 98.1 % (on a like-for-like basis) the LEG portfolio in the high-growth markets was nearly fully let as of end of September 2019. In the stable markets the occupancy rate was 96.4 % (on a like-for-like basis). In the higher-yielding markets, it stood at 93.6 % (on a like-for-like basis).

T2

Portfolio segments – top 3 locations

	30.09.2019[1]					30.09.2018						
	Number of LEG apartments	Share of LEG-portfolio in %	Living space in sqm	In-place rent €/sqm	EPRA vacancy rate in %	Number of LEG apartments	Share of LEG-portfolio in %	Living space in sqm	In-place rent €/sqm	EPRA vacancy rate in %	Change in-place rent (in %) like-for-like	Change vacancy rate (basis points) like-for-like
High-growth markets	**41,497**	**31.6**	**2,749,984**	**6.51**	**2.0**	**41,368**	**31.8**	**2,739,398**	**6.30**	**2.5**	**3.3**	**– 50**
District of Mettmann	8,484	6.5	589,864	6.71	2.3	8,493	6.5	590,448	6.32	1.9	6.1	50
Münster	6,126	4.7	406,760	6.67	0.9	6,125	4.7	406,757	6.53	1.3	2.1	– 30
Dusseldorf	5,352	4.1	348,054	7.78	3.1	5,310	4.1	344,507	7.63	5.0	2.3	– 170
Other locations	21,535	16.4	1,405,306	6.07	1.7	21,440	16.5	1,397,685	5.91	2.2	2.7	– 50
Stable markets	**48,313**	**36.8**	**3,094,194**	**5.46**	**3.6**	**47,555**	**36.5**	**3,057,191**	**5.30**	**3.6**	**3.0**	**20**
Dortmund	13,349	10.2	871,257	5.30	3.3	13,390	10.3	875,492	5.12	3.1	3.5	20
Moenchengladbach	6,443	4.9	408,317	5.82	2.2	6,445	5.0	408,421	5.63	2.2	3.4	0
Hamm	4,338	3.3	260,529	5.23	3.0	4,164	3.2	250,367	5.13	2.6	1.6	60
Other locations	24,183	18.4	1,554,091	5.48	4.3	23,556	18.1	1,522,911	5.35	4.4	2.8	20
Higher yielding markets	**39,476**	**30.1**	**2,388,058**	**5.36**	**6.4**	**39,397**	**30.3**	**2,404,622**	**5.22**	**6.5**	**2.2**	**60**
District of Recklinghausen	8,785	6.7	533,270	5.25	4.1	9,203	7.1	572,071	5.09	6.1	1.5	10
Duisburg	6,238	4.8	376,771	5.78	6.0	6,563	5.0	408,071	5.47	4.4	4.0	150
Maerkisch District	4,567	3.5	281,400	5.20	4.2	4,567	3.5	281,419	5.11	3.8	1.8	20
Other locations	19,886	15.2	1,196,617	5.31	8.1	19,064	14.6	1,143,060	5.23	8.0	2.1	60
Outside NRW	**1,849**	**1.4**	**123,960**	**6.19**	**2.4**	**1,850**	**1.4**	**124,044**	**6.06**	**2.4**	**2.2**	**0**
Total	**131,135**	**100.0**	**8,356,195**	**5.79**	**3.7**	**130,170**	**100.0**	**8,325,255**	**5.63**	**3.9**	**2.9**	**0**

[1] adjusted for assets held for sale (IFRS 5)

T3

LEG Portfolio

		High-growth markets			Stable markets			Higher yielding markets		
		30.09.2019 [1]	30.06.2019 [1]	30.09.2018	**30.09.2019** [1]	30.06.2019 [1]	30.09.2018	**30.09.2019** [1]	30.06.2019 [1]	30.09.2018
Subsidised residential units										
Units		11,813	11,787	11,946	13,768	13,690	13,878	7,646	7,599	8,089
Area	sqm	824,131	822,245	831,590	929,217	923,536	939,345	498,113	495,669	531,839
In-place rent	€/sqm	5.05	5.05	5.03	4.72	4.72	4.68	4.52	4.52	4.47
EPRA vacancy rate	%	1.0	1.0	1.0	2.3	2.4	2.2	2.9	2.8	5.0
Free-financed residential units										
Units		29,684	29,655	29,422	34,545	34,555	33,677	31,830	31,833	31,308
Area	sqm	1,925,852	1,923,441	1,907,807	2,164,977	2,165,876	2,117,846	1,889,944	1,889,853	1,872,783
In-place rent	€/sqm	7.14	7.06	6.87	5.77	5.72	5.58	5.59	5.55	5.44
EPRA vacancy rate	%	2.2	2.1	2.9	4.1	4.1	4.1	7.2	7.1	6.8
Total residential units										
Units		41,497	41,442	41,368	48,313	48,245	47,555	39,476	39,432	39,397
Area	sqm	2,749,984	2,745,685	2,739,398	3,094,194	3,089,411	3,057,191	2,388,058	2,385,522	2,404,622
In-place rent	€/sqm	6.51	6.45	6.30	5.46	5.42	5.30	5.36	5.33	5.22
EPRA vacancy rate	%	2.0	1.8	2.5	3.6	3.7	3.6	6.4	6.4	6.5
Total commercial										
Units										
Area	sqm									
Total parking										
Units										
Total other										
Units										

[1] adjusted for assets held for sale (IFRS 5)

T3

LEG Portfolio

		Outside NRW			Total		
		30.09.2019 [1]	30.06.2019 [1]	30.09.2018	**30.09.2019 [1]**	30.06.2019 [1]	30.09.2018
Subsidised residential units							
Units		97	98	98	33,324	33,174	34,011
Area	sqm	7,640	7,733	7,733	2,259,102	2,249,183	2,310,507
In-place rent	€/sqm	4.57	4.57	4.56	4.80	4.80	4.76
EPRA vacancy rate	%	2.0	0.8	0.0	1.9	1.9	2.3
Free-financed residential units							
Units		1,752	1,751	1,752	97,811	97,794	96,159
Area	sqm	116,319	116,227	116,311	6,097,093	6,095,396	6,014,747
In-place rent	€/sqm	6.30	6.27	6.16	6.17	6.11	5.97
EPRA vacancy rate	%	2.4	3.0	2.6	4.2	4.2	4.4
Total residential units							
Units		1,849	1,849	1,850	131,135	130,968	130,170
Area	sqm	123,960	123,960	124,044	8,356,195	8,344,578	8,325,255
In-place rent	€/sqm	6.19	6.16	6.06	5.79	5.75	5.63
EPRA vacancy rate	%	2.4	2.9	2.4	3.7	3.7	3.9
Total commercial							
Units					1,259	1,232	1,231
Area	sqm				207,946	204,721	204,183
Total parking							
Units					34,117	32,837	32,703
Total other							
Units					2,611	2,598	2,486

[1] adjusted for assets held for sale (IFRS 5)

Value development

The following table shows the distribution of assets by market segment. LEG did not execute a portfolio valuation in the third quarter. The rental yield based on in-place rents was 5.3 % (rent multiplier 19.0) excluding assets held for sale. The valuation of the residential portfolio corresponds to an EPRA net initial yield of 4.1 %.

T4

Portfolio

30.09.2019	Residential units	Residential assets € million [1]	Share residential assets in %	Value €/sqm in €	In-place rent multiplier	Commercial/ other assets € million [2]	Total assets € million
High Growth Markets	**41,497**	**4,946**	**46**	**1,798**	**23.1x**	**236**	**5,182**
District of Mettmann	8,484	1,011	9	1,716	21.6x	72	1,083
Muenster	6,126	862	8	2,122	26.5x	47	910
Dusseldorf	5,352	787	7	2,269	24.5x	45	832
Other locations	21,535	2,285	21	1,623	22.3x	71	2,357
Stable Markets	**48,313**	**3,474**	**32**	**1,124**	**17.4x**	**125**	**3,599**
Dortmund	13,349	1,118	10	1,280	20.5x	47	1,165
Moenchengladbach	6,443	473	4	1,155	16.1x	12	485
Hamm	4,338	259	2	991	15.8x	5	263
Other locations	24,183	1,625	15	1,051	16.4x	61	1,686
Higher-Yielding Markets	**39,476**	**2,222**	**21**	**932**	**15.3x**	**65**	**2,287**
District of Recklinghausen	8,785	506	5	942	15.4x	18	524
Duisburg	6,238	403	4	1,069	16.1x	23	426
Maerkisch District	4,567	232	2	824	13.7x	2	234
Other locations	19,886	1,080	10	909	15.3x	22	1,102
Subtotal NRW	**129,286**	**10,642**	**98**	**1,294**	**19.0x**	**426**	**11,068**
Portfolio outside NRW	1,849	169	2	1,369	18.8x	2	171
Total portfolio	**131,135**	**10,811**	**100**	**1,295**	**19.0x**	**428**	**11,239**
Leasehold and land values							38
Balance sheet property valuation assets (IAS 40)							11,277
Inventories (IAS 2)							3
Owner-occupied property (IAS 16)							24
Held for sale (IFRS 5)							173
Total balance sheet							**11,476**

[1] Excluding 387 residential units in commercial buildings; including 452 commercial units as well as several other units in mixed residential assets.
[2] Excluding 452 commercial units in mixed residential assets; including 387 residential units in commercial buildings, commercial, parking, other assets.

Analysis of Net Assets, Financial Position and Results of Operations

Please see the **> glossary in the 2018 Annual Report** for a definition of individual key figures and terms.

Results of operations

T5

Condensed income statement

€ million	Q3 2019	Q3 2018	01.01.–30.09.2019	01.01.–30.09.2018
Net rental and lease income	114.3	108.9	340.2	315.2
Net income from the disposal of investment properties	– 0.4	– 0.2	– 0.8	– 0.7
Net income from the remeasurement of investment properties	1.4	– 0.4	551.6	383.5
Net income from the disposal of real estate inventory	– 0.7	– 0.3	– 2.0	– 1.5
Net income from other services	0.9	1.6	1.5	3.8
Administrative and other expenses	– 12.7	– 12.4	– 38.0	– 31.7
Other income	0.1	0.2	0.4	0.6
Operating earnings	**102.9**	**97.4**	**852.9**	**669.2**
Interest income	0.2	0.2	0.2	0.5
Interest expenses	– 40.6	– 24.6	– 92.7	– 72.0
Net income from investment securities and other equity investments	0.4	0.0	3.1	2.6
Net income from the fair value measurement of derivatives	– 24.5	– 66.3	– 92.6	– 49.2
Net finance earnings	**64.5**	**– 90.5**	**– 182.0**	**– 117.9**
Earnings before income taxes	**38.4**	**6.9**	**670.9**	**551.3**
Income taxes	– 18.6	– 22.2	– 182.0	– 143.6
Net profit or loss for the period	**19.8**	**– 15.3**	**488.9**	**407.7**

In the reporting period (1 January to 30 September 2019) income from net cold rent increased by 5.5 % (+ EUR 22.8 million) against the comparative period (1 January to 30 September 2018). Net rental and lease income developed disproportionately with an increase of 7.9 %.

Adjusted EBITDA increased by 8.0 % to EUR 330.5 million. Adjusted EBITDA margin increased slightly from 73.4 % (comparative period) to 75.1 % in the reporting period.

The increase of operating earnings by EUR 183.7 million in the reporting period was mainly due to EUR 168.1 million higher net income from the remeasurement of investment properties.

In the reporting period, net income from the fair value measurement of derivatives resulted primarily from changes in the fair value of embedded derivatives from the convertible bond in the amount of EUR – 91.3 million (comparative period: EUR – 49.6 million).

Current income tax expenses of EUR – 13.0 million were recorded affecting net income in the reporting period.

Net rental and lease income

T6

Net rental and lease income

€ million	Q3 2019	Q3 2018	01.01.–30.09.2019	01.01.–30.09.2018
Net cold rent	147.3	139.6	439.8	417.0
Profit from operating expenses	1.0	0.9	– 0.9	– 3.3
Maintenance for externally procured services	– 11.5	– 10.9	– 36.9	– 37.6
Staff costs	– 16.8	– 14.9	– 48.8	– 45.2
Allowances on rent receivables	– 1.5	0.2	– 5.8	– 4.1
Depreciation and amortisation expenses	– 2.6	– 1.5	– 7.0	– 4.5
Other	– 1.6	– 4.5	– 0.2	– 7.1
Net rental and lease income	**114.3**	**108.9**	**340.2**	**315.2**
Net operating income margin in %	**77.6**	**78.0**	**77.4**	**75.6**
Non-recurring project costs - rental and lease	1.3	1.0	2.9	4.7
Depreciation	2.6	1.5	7.0	4.5
Adjusted net rental and lease income	**118.2**	**111.4**	**350.1**	**324.4**
Adjusted net operating income margin (in %)	**80.2**	**79.8**	**79.6**	**77.8**

In the reporting period, the LEG Group increased its net rental and lease income by EUR 25.0 million compared to the same period of the previous year. The main driver of this development was the EUR 22.8 million rise in net cold rents. In-place rent per square metre on a like-for-like basis rose by 2.9 % in the reporting period. Moreover the lease accounting in accordance with IFRS 16 resulted in an improvement of profit from operating expenses (EUR 1.3 million) and other (EUR 3.2 million) with a simultaneous increase in depreciation and amortisation expenses (EUR 2.1 million). The increase in staff costs by EUR 3.6 million mainly resulted of a higher proportion of own craftsman services.

Due to disproportionate development of net rental and lease income compared with the development of in-place rent the NOI margin increased from 75.6 % to 77.4 % in the reporting period.

The EPRA vacancy rate stood at 3.6 % like-for-like as at 30 September 2019 and is unchanged against the comparative period (3.6 % as at 30 September 2018).

T7

EPRA vacancy rate

€ million	30.09.2019	30.09.2018
Rental value of vacant space – like-for-like	21.6	21.0
Rental value of vacant space – total	24.5	23.7
Rental value of the whole portfolio – like-for-like	596.3	585.3
Rental value of the whole portfolio – total	627.0	601.1
EPRA vacancy rate – like-for-like (in %)	**3.6**	**3.6**
EPRA vacancy rate – Total (in %)	**3.9**	**3.9**

The EPRA capex splits the capitalised expenditure of the reporting period in comparison to the comparative period in four components. On a like-for-like portfolio basis, the value-adding modernisation work as a result of the strategic investment programme surged by EUR 16.2 million to EUR 136.5 million in the reporting period. In the area of acquisitions, the upturn is due primarily to investments in portfolios already acquired in 2018. The increase in the Development area is attributable to the new construction project in Hilden.

T8

EPRA-Capex

€ million	01.01. – 30.09.2019	01.01. – 30.09.2018
Acquisitions	4.4	1.0
Development	3.1	1.1
Like-for-like portfolio	129.0	118.2
Capex	**136.5**	**120.3**

In addition to the value-adding modernisation, maintenance recognised as an expense contributed to the EUR 20.5 million increase in total investment in the reporting period to EUR 194.9 million. Total investment in investment properties therefore increased to EUR 22.25 per square metre (without new construction activities EUR 21.88 per square metre) with a capitalisation rate of 70.0 %.

T9

Maintenance and modernisation

€ million	Q3 2019	Q3 2018	01.01. – 30.09.2019	01.01. – 30.09.2018
Maintenance expenses	19.7	18.5	58.4	54.1
thereof investment properties	19.7	18.3	57.6	53.0
Capital expenditure	58.2	57.4	136.5	120.3
thereof investment properties	58,2	56.4	132.4	117.6
Total investment	**77.9**	**75.9**	**194.9**	**174.4**
thereof investment properties	77.9	74.7	190.0	170.6
Area of investment properties in million sqm	8.76	8.53	8.76	8.53
Average investment per sqm (€/sqm)	8.89	8.90	22.25	20.45
Average investment per sqm without new construction activities (€/sqm)	**8.77**	**8.90**	**21.88**	**20.32**

Net income from the disposal of investment properties

T10

Net income from the disposal of investment properties

€ million	Q3 2019	Q3 2018	01.01. – 30.09.2019	01.01. – 30.09.2018
Income from the disposal of investment	3.8	6.1	26.7	19.7
Carrying amount of the disposal of investment properties	– 3.8	– 6.1	– 26.7	– 19.8
Costs of sales of investment properties	– 0.4	– 0.2	– 0.8	– 0.6
Net income from the disposal of investment properties	**– 0.4**	**– 0.2**	**– 0.8**	**– 0.7**

Disposals of investment properties increased in the reporting period. Sales of investment properties amounted to EUR 26.7 million and relate mainly to objects, which were reported as assets held for sale and were remeasured up to the agreed property value as of 31 December 2018.

Net income from remeasurement of investment properties

The remeasurement of investment properties was conducted as of 30 June 2019. There were minor changes in the third quarter 2019 due to the remeasurement of the assets held for sale according to IFRS 5.

Net income from remeasurement of investment properties amounted to EUR 551.6 million in the reporting period which corresponds to a 5.1 % rise (incl. acquisitions) compared to the start of the financial year.

The average value of investment properties (incl. IFRS 5 objects) is EUR 1,295 per square metre including acquisitions (31 December 2018: EUR 1,198 per square metre).

The increase in the value of the portfolio is the result of the further increase in rents as well as further reduction in the discount and capitalisation rates.

Administrative and other expenses

T11

Administrative and other expenses

€ million	**Q3 2019**	Q3 2018	**01.01. – 30.09.2019**	01.01. – 30.09.2018
Other operating expenses	– 2.7	– 3.9	– 10.1	– 10.2
Staff costs	– 9.0	– 7.6	– 24.4	– 19.6
Purchased services	– 0.3	– 0.2	– 0.9	– 0.7
Depreciation and amortisation	– 0.7	– 0.7	– 2.6	– 1.2
Administratve and other expenses	**– 12.7**	**– 12.4**	**– 38.0**	**– 31.7**
Depreciation and amortisation	0.7	0.7	2.6	1.2
Non-recurring project costs and extraordinary and prior-period expenses	4.7	3.9	12.0	5.8
Adjusted administrative and other expenses	**– 7.2**	**– 7.9**	**– 23.3**	**– 24.7**

The increase in staff costs is mainly attributable to severance payments. Depreciation and amortisation expenses rose as a result of the initial application of IFRS 16. In the reporting period, the adjusted administrative expenses are slightly lower than the comparative amount.

Net finance earnings

T12

Net finance earnings

€ million	Q3 2019	Q3 2018	01.01. – 30.09.2019	01.01. – 30.09.2018
Interest income	0.2	0.2	0.2	0.5
Interest expenses	– 40.6	– 24.6	– 92.7	– 72.0
Net interest income	**– 40.4**	**– 24.4**	**– 92.5**	**– 71.5**
Net income from other financial assets and other investments	0.4	–	3.1	2.6
Net income from associates	–	0.2	–	0.2
Net income from the fair value measurement of derivatives	– 24.5	– 66.3	– 92.6	– 49.2
Net finance earnings	**– 64.5**	**– 90.5**	**– 182.0**	**– 117.9**

The increase in interest expense is mainly the result of loan amortisation. This interest expense increased by EUR 20.3 million year on year to EUR 29.5 million. The main driver of this increase is the conversion of the formerly outstanding convertible bond in the amount of EUR 17.7 million. In addition, the early repayment of subsidised and bank loans led to an increase of interest expenses from loan amortisation by EUR 2.5 million.

Year-on-year the average interest rate increase to 1.64 % as at 30 September 2019 (1.63 % as at 30 September 2018) on an average term of 7.3 years (7.1 years as at 30 September 2018). Without consideration of the commercial paper, the average interest rate increased to 1.68 % as at 30 September 2019 on an average term of 7.4 years.

Dividends received from equity investments in non-consolidated and non-associated companies increased by EUR 0.5 million year-on-year to EUR 3.1 million in the reporting period.

In the reporting period, net income from the fair value measurement of derivatives resulted primarily from changes in the fair value of embedded derivatives from the convertible bond in the amount of EUR – 91.3 million (comparative period: EUR – 49.6 million).

Income tax expenses

T13

Income tax expenses

€ million	Q3 2019	Q3 2018	01.01. – 30.09.2019	01.01. – 30.09.2018
Current tax expenses	– 5.5	– 0.9	– 13.0	– 5.0
Deferred tax expenses	– 13.1	– 21.3	– 169.0	– 138.6
Income tax expenses	**– 18.6**	**– 22.2**	**– 182.0**	**– 143.6**

An effective Group tax rate of 22.8 % was assumed in the reporting period in accordance with Group tax planning (comparative period: 23.4 %).

The higher gain from the remeasurement of investment property and the higher group tax rate are the main drivers of the year-on-year increase in income tax expense.

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:

T14

Calculation of FFO I, FFO II and AFFO

€ million	Q3 2019	Q3 2018	01.01. – 30.09.2019	01.01. – 30.09.2018
Net cold rent	147.3	139.6	439.8	417.0
Profit from operating expenses	1.0	0.9	– 0.9	– 3.3
Maintenance for externally procured services	– 11.5	– 10.9	– 36.9	– 37.6
Staff costs	– 16.8	– 14.9	– 48.8	– 45.2
Allowances on rent receivables	– 1.5	0.2	– 5.8	– 4.1
Other	– 1.6	– 4.3	– 0.3	– 7.0
Non-recurring project costs (rental and lease)	1.3	1.0	2.9	4.7
Current net rental and lease income	**118.2**	**111.6**	**350.0**	**324.5**
Current net income from other services	**1.6**	**2.2**	**3.4**	**5.6**
Staff costs	– 9.0	– 7.6	– 24.4	– 19.6
Non-staff operating costs	– 2.9	– 4.2	– 10.9	– 10.9
Non-recurring project costs (admin.)	4.7	3.9	12.0	5.8
Extraordinary and prior-period expenses	0.0	0.0	0.0	0.0
Current administrative expenses	**– 7.2**	**– 7.9**	**– 23.3**	**– 24.7**
Other income and expenses	0.1	0.1	0.4	0.5
Adjusted EBITDA	**112.7**	**106.0**	**330.5**	**305.9**
Cash interest expenses and income	– 19.4	– 20.0	– 58.4	– 58.8
Cash income taxes from rental and lease	– 3.8	– 0.5	– 10.0	– 4.1
FFO I (before adjustment of non-controlling interests)	**89.5**	**85.5**	**262.1**	**243.0**
Adjustment of non-controlling interests	– 1.3	0.3	– 3.0	– 0.8
FFO I (after adjustment of non-controlling interests)	**88.2**	**85.8**	**259.1**	**242.2**
Weighted average number of shares outstanding	**63,904,421**	**63,188,185**	**63,426,930**	**63,188,185**
FFO I per share	**1.38**	**1.36**	**4.09**	**3.83**
Net income from the disposal of investment properties	– 0.1	– 0.8	– 0.3	– 0.9
Cash income taxes from disposal of investment properties	– 1.6	– 0.1	– 2.9	– 0.7
FFO II (incl. disposal of investment properties)	**86.5**	**84.9**	**255.9**	**240.6**
Capex	– 58.0	– 57.4	– 136.5	– 120.3
Capex-adjusted FFO I (AFFO)	**30.2**	**28.4**	**122.6**	**121.9**

At EUR 259.1 million, FFO I was 7.0 % higher in the reporting period than in the same period of the previous year (EUR 242.2 million). In particular, this increase is attributable to the positive impact from the rise in net cold rent including the effects of the concluded acquisitions. This development is partly compensated by temporary higher cash income taxes from rental business.

With interest expenses nearly unchanged, there is an increase of the interest coverage ratio (ratio of adjusted EBITDA to cash interest expense) from 520 % in the same period of the previous year to 566 % in the reporting period with simultaneously reduced net gearing.

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):

T15

EPRA earnings per share (EPS)

€ million	**Q3 2019**	Q3 2018	**01.01. – 30.09.2019**	01.01. – 30.09.2018
Net profit or loss for the period attributable to parent shareholders	19.1	– 15.8	486.2	405.1
Changes in value of investment properties	– 1.4	0.4	– 551.6	– 383.5
Profits or losses on disposal of investment properties, development properties held for investment, other interests and sales of trading properties including impairment charges in respect of trading properties	1.1	0.5	2.8	2.2
Tax on profits or losses on disposals	1.5	0.1	2.9	0.7
Changes in fair value of financial instruments and associated close-out costs	24.5	66.3	92.6	49.2
Acquisition costs on share deals and non-controlling joint venture interests	– 0.1	0.1	0.0	0.7
Deferred tax in respect of EPRA adjustments	– 0.9	2.6	125.3	89.7 [1]
Refinancing expenses	4.5	1.0	4.9	1.0
Other interest expenses	0.0	0.0	0.2	0.1
Non-controlling interests in respect of the above	0.0	– 0.2	0.3	0.3
EPRA earnings	**48.3**	**55.0**	**163.6**	**165.5**
Weighted average number of shares outstanding	63,904,421	63,188,185	63,426,930	63,188,185
EPRA earnings per share (undiluted) in €	0.76	0.87	2.58	2.62
Potentially diluted shares	5,370,572	5,635,729	5,609,317	5,635,729
Interest coupon on convertible bond after taxes	– 0.6	0.3	–	0.9
Amortisation expenses convertible bond after taxes	10.5	1.6	13.2	4.3
EPRA earnings (diluted)	**58.2**	**56.9**	**176.8**	**170.7**
Number of diluted shares	69,274,993	68,823,914	69,036,247	68,823,914
EPRA earnings per share (diluted) in €	**0.84**	**0.83**	**2.56**	**2.48**

[1] amendment of previous year's figure due to changes in calculation

Net assets (Consolidated statement of financial position)

T16

Condensed statement of financial position

€ million	30.09.2019	31.12.2018
Investment properties	11,276.6	10,709.0
Prepayments for investment properties	4.3	0.0
Other non-current assets	218.3	175.9
Non-current assets	11,499.2	10,884.9
Receivables and other assets	96.2	55.4
Cash and cash equivalents	382.3	233.6
Current assets	478.5	289.0
Assets held for sale	172.5	20.3
Total assets	**12,150.2**	**11,194.2**
Equity	5,549.5	4,783.9
Non-current financial liabilities	4,319.4	4,113.3
Other non-current liabilities	1,618.1	1,382.3
Non-current liabilities	5,937.5	5,495.6
Current financial liabilities	257.8	484.8
Other current liabilities	405.4	429.9
Current liabilities	663.2	914.7
Total equity and liabilities	**12,150.2**	**11,194.2**

A fair value measurement of investment property was conducted as at 30 June 2019. The resulting profit from remeasurement of investment property of EUR 551.6 million (comparative period: EUR 383.5 million) was the main driver for the increase of the position compared to 31 December 2018. Furthermore, additions from acquisitions with EUR 25.9 million and capitalisation of property modernisation measures with EUR 132.4 million contributed to the increase of investment properties as well as a reclassification to Assets held for sale with EUR 178.9 million.

The recognition of real estate tax expense as other inventories (EUR 5.9 million) for the remainder of the financial year and the deferral of prepaid operating costs (EUR 34.3 million) contributed significantly to the development of the current assets.

Cash and cash equivalents increased by EUR 148.7 million to EUR 382.3 million. This development is mainly due to the cash flow from operating activities (EUR 224.8 million). The financing of the investments led to receipts from new loans of EUR 436.5 million. Scheduled and unscheduled repayments of loans amounted to a cash outflow of EUR 270.2 million. A dividend of EUR 223.1 million has been paid for financial year 2018.

The development of equity since 31 December 2018 was primarily due to the increase in equity from the conversion of the convertible bond issued in 2014 (EUR 551.5 million), the net profit for the period (EUR 447.4 million) and the dividend payment (EUR 223.1 million).

Driven by the property valuation as of June 2019, deferred tax liabilities shown in other non-current liabilities increased by EUR 168.4 million as at 30 September 2019. Current financial liabilities decreased by EUR 259.8 million due to the exercise of the conversion right of the bondholders, while other current liabilities declined by EUR 195.0 million. In contrast, the purchase price payments received increased the other current liabilities by EUR 157.6 million.

Net asset value (NAV)

A further key metric relevant in the property industry is NAV. The calculation method for the respective key figure can be found in the **> glossary in the 2018 Annual Report**.

The LEG Group reports a basic EPRA NAV of EUR 6,880.6 million as at 30 September 2019. 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, the adjusted diluted EPRA NAV amounts to EUR 6,914.6 million at the reporting date.

As a result of the call and put options of the convertible bond issued in 2014, from 2019 onward LEG expected an increasing probability of early conversion. All convertible bondholders exercised their conversion rights during the reporting period. 5,385,031 new shares were created until 30 September 2019, the remaining 436,620 shares were created after the balance sheet date. For reasons of improved transparency, LEG would like to clarify the economic impact of an assumed conversion as of the relevant reporting date by showing an additional pro forma NAV. As of the reporting date, there is thus a pro forma NAV per share of EUR 100.52. In comparison to 31 December 2018, this is an increase of 7.6 %.

T17

EPRA NAV

	30.09.2019			31.12.2018		
€ million	undiluted	Effect of exercise of convertibles and options	diluted	undiluted	Effect of exercise of convertibles and options	diluted
Equity attributable to shareholders of the parent company	**5,527.4**	**–**	**5,527.4**	**4,757.6**	**–**	**4,757.6**
Non-controlling interests	22.1	–	22.1	**26.3**	**–**	**26.3**
Equity	**5,549.5**	**–**	**5,549.5**	**4,783.9**	**–**	**4,783.9**
Effect of exercise of options, convertibles and other equity interests	–	86.7	86.7	–	553.9	553.9
NAV	**5,527.4**	**86.7**	**5,614.1**	**4,757.6**	**553.9**	**5,311.5**
Fair value measurement of derivative financial instruments	71.5	–	71.5	222.2	–	222.2
Deferred taxes on WFA loans and derivatives	4.9	–	4.9	13.1	–	13.1
Deferred taxes on investment property	1,308.9	–	1,308.9	1,151.7	–	1,151.7
Goodwill resulting from deferred taxes on EPRA adjustments	– 32.1	–	– 32.1	– 32.1	–	– 32.1
EPRA NAV	**6,880.6**	**86.7**	**6,967.3**	**6,112.5**	**553.9**	**6,666.4**
Number of shares	**68,573,216**	**436,620**	**69,009,836**	**63,188,185**	**5,635,729**	**68,823,914**
EPRA NAV per share (€)	**100.34**	**–**	**100.96**	**96.73**	**–**	**96.86**
Goodwill resulting from synergies	52.7	–	52.7	52.7	–	52.7
Adjusted EPRA NAV (w/o effects from goodwill)	**6,827.9**	**86.7**	**6,914.6**	**6,059.8**	**553.9**	**6,613.7**
Number of shares	**68,573,216**	**436,620**	**69,009,836**	**63,188,185**	**5,635,729**	**68,823,914**
Adjusted EPRA NAV per share (€)	**99.57**	**–**	**100.20**	**95.90**	**–**	**96.10**
Effects from a simulated executed conversion	22.2	–	22.2	– 185.7	–	– 185.7
Pro forma NAV (w/o effects from goodwill), after simulated executed conversion	**6,850.1**	**86.7**	**6,936.8**	**5,874.1**	**553.9**	**6,428.0**
Pro forma NAV per share (€)	**99.89**	**–**	**100.52**	**92.96**	**–**	**93.40**
EPRA NAV	**6,880.6**	**86.7**	**6,967.3**	**6,112.5**	**553.9**	**6,666.4**
Fair value measurement of derivative financial instruments	– 71.5	–	– 71.5	– 222.2	–	– 222.2
Deferred taxes on WFA loans and derivatives	– 4.9	–	– 4.9	– 13.1	–	– 13.1
Deferred taxes on investment property	– 1,308.9	–	– 1,308.9	– 1,151.7	–	– 1,151.7
Goodwill resulting from deferred taxes on EPRA adjustments	32.1	–	32.1	32.1	–	32.1
Fair value measurement of financing liabilities	– 151.3	–	– 151.3	– 149.1	–	– 149.1
Valuation uplift resulting from fair value measurement financing liabilities	123.0	–	123.0	104.0	–	104.0
EPRA NNNAV	**5,499.1**	**86.7**	**5,585.8**	**4,712.5**	**553.9**	**5,266.4**
Number of shares	**68,573,216**	**436,620**	**69,009,836**	**63,188,185**	**5,635,729**	**68,823,914**
EPRA NNNAV per share (€)	**80.19**	**–**	**80.94**	**74.58**	**–**	**76.52**

Loan-to-value ratio (LTV)

Net debt at the end of the reporting period decreased compared with 31 December 2018, due to the increase in equity by exercising the conversion right of the bond creditors, leading to a continued declining loan-to-value ratio (LTV) of 36.3 % at the interim reporting date (31 December 2018: 40.7 %).

T18

LTV

€ million	**30.09.2019**	31.12.2018
Financing liabilities	4,577.2	4,598.1
Deferred purchase price liabilities	32.1	0.0
Less cash and cash equivalents	382.3	233.6
Net financing liabilities	**4,162.8**	**4,364.5**
Investment properties	11,276.6	10,709.0
Assets held for sale	172.5	20.3
Prepayments for investment properties	4.3	–
Real estate assets	**11,453.4**	**10,729.3**
Loan-to-value ratio (LTV) in %	**36.3**	**40.7**

Financial position

A net profit for the period of EUR 488.9 million was realised in the reporting period (comparative period: EUR 407.7 million). Equity amounted to EUR 5,549.5 million at the reporting date (31 December 2018: EUR 4,783.9 million). This corresponds to an equity ratio of 45.7 % (31 December 2018: 42.7 %).

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

T19

Statement of cash flows

€ million	**01.01. – 30.09.2019**	01.01. – 30.09.2018
Cash flow from operating activities	224.8	211.0
Cash flow from investing activities	– 4.7	– 362.2
Cash flow from financing activities	– 71.4	51.1
Change in cash and cash equivalents	**148.7**	**– 100.1**

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

Essentially, acquisitions and modernisation work on the existing portfolio contributed to the net cash flow from investing activities with cash payments of EUR – 166.4 million. Furthermore, cash proceeds mainly from property disposals (EUR 184.3 million) resulted in a net cash flow from investing activities of EUR – 4.7 million.

In the reporting period, the scheduled repayments of subsidised and bank loans (EUR – 270.2 million) and the dividend payment (EUR – 223.1 million) were the main drivers of the cashflow from financing activities amounting to EUR – 71.4 million. The cash payments of loans had an effect in the opposite direction with EUR 436.5 million.

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

Risk and opportunity report

The risks and opportunities faced by LEG in its operating activities were described in detail in the > **Annual Report 2018**. To date, no further risks that would lead to a different assessment have arisen or become discernible in the fiscal year 2019.

Forecast

Based on the business performance in the first nine months of 2019, LEG believes it is well positioned overall to confirm its earnings targets for the financial year 2019. The forecast for rental growth on a like-for-like basis was narrowed to c. 3.0 % (previously: 3.0 % - 3.2 %). The current forecast for like-for-like vacancy is no longer a slight decrease but a stable development. LEG plans a dividend payment of EUR 3.60 per share for fiscal year 2019. Based on the new diluted number of shares the target payment ratio of 70 % of FFO I will therefore be temporarily exceeded.

The outlook for fiscal year 2020 was increased due to both signed acquisitions and refinancing measures. LEG now expects an FFO I in the range of EUR 370 million to EUR 380 million (previously: EUR 356 million to EUR 364 million). The forecast for rental growth on a like-for-like basis was adjusted to c. 2.8 % (previously: 3.2 % to 3.4 %) considering effects from loan refinancing which lead to lower rents at the corresponding subsidised units. Furthermore, a partial waiving of rent increases on a voluntary basis, especially following modernisation measures, was taken into account.

For more details, please refer to the forecast report in the > **Annual Report 2019 (page 70 f.)**.

T20

Outlook 2019

FFO I	in the range of EUR 338 million to EUR 344 million
Like-for-like rental growth	c. 3.0 %
Like-for-like vacancy	stable compared to financial year-end 2018
Investments	c. EUR 30 - 32 per sqm
LTV	43 % max.
Dividend	EUR 3.60

Outlook 2020

FFO I	in the range of EUR 370 million to EUR 380 million
Like-for-like rental growth	c. 2.8 %
Like-for-like vacancy	slight decrease

Consolidated statement of financial position

T21

Consolidated statement of financial position
Assets

€ million	30.09.2019	31.12.2018
Non-current assets	**11,499.2**	**10,884.9**
Investment properties	11,276.6	10,709.0
Prepayments for investment properties	4.3	–
Property, plant and equipment	80.0	62.5
Intangible assets and goodwill	85.9	85.3
Investments in associates	9.7	9.7
Other financial assets	20.9	10.8
Receivables and other assets	0.3	0.2
Deferred tax assets	21.5	7.4
Current assets	**478.5**	**289.0**
Real estate inventory and other inventory	10.9	6.1
Receivables and other assets	76.0	47.5
Income tax receivables	9.3	1.8
Cash and cash equivalents	382.3	233.6
Assets held for sale	**172.5**	**20.3**
Total Assets	**12,150.2**	**11,194.2**

Equity and liabilities

€ million	30.09.2019	31.12.2018
Equity	**5,549.5**	**4,783.9**
Share capital	68.6	63.2
Capital reserves	1,157.3	611.2
Cumulative other reserves	4,301.5	4,083.2
Equity attributable to shareholders of the parent company	5,527.4	4,757.6
Non-controlling interests	22.1	26.3
Non-current liabilities	**5,937.5**	**5,495.6**
Pension provisions	165.6	142.4
Other provisions	7.1	4.5
Financing liabilities	4,319.4	4,113.3
Other liabilities	176.4	134.8
Deferred tax liabilities	1,269.0	1,100.6
Current liabilities	**663.2**	**914.7**
Pension provisions	5.3	6.9
Other provisions	13.9	17.8
Provisions for taxes	–	0.2
Financing liabilities	257.8	484.8
Other liabilities	367.4	396.0
Tax liabilities	18.8	9.0
Total Equity and Liabilities	**12,150.2**	**11,194.2**

Consolidated statement of comprehensive income

T22

Consolidated statement of comprehensive income

€ million	Q3 2019	Q3 2018	01.01.–30.09.2019	01.01.–30.09.2018
Net rental and lease income	**114.3**	**108.9**	**340.2**	**315.2**
Rental and lease income	204.2	191.9	604.6	567.4
Cost of sales in connection with rental and lease income	–89.9	–83.0	–264.4	–252.2
Net income from the disposal of investment properties	**–0.4**	**–0.2**	**–0.8**	**–0.7**
Income from the disposal of investment properties	3.8	6.1	26.7	19.7
Carrying amount of the disposal of investment properties	–3.8	–6.1	–26.7	–19.8
Cost of sales in connection with disposed investment properties	–0.4	–0.2	–0.8	–0.6
Net income from the remeasurement of investment properties	**1.4**	**–0.4**	**551.6**	**383.5**
Net income from the disposal of real estate inventory	**–0.7**	**–0.3**	**–2.0**	**–1.5**
Income from the real estate inventory disposed of	–	0.3	–	0.4
Carrying amount of the real estate inventory disposed of	–	–0.2	–	–0.3
Costs of sales of the real estate inventory disposed of	–0.7	–0.4	–2.0	–1.6
Net income from other services	**0.9**	**1.6**	**1.5**	**3.8**
Income from other services	2.5	2.9	5.8	8.3
Expenses in connection with other services	–1.6	–1.3	–4.3	–4.5
Administrative and other expenses	**–12.7**	**–12.4**	**–38.0**	**–31.7**
Other income	**0.1**	**0.2**	**0.4**	**0.6**
Operating Earnings	**102.9**	**97.4**	**852.9**	**669.2**
Interest income	0.2	0.2	0.2	0.5
Interest expenses	–40.6	–24.6	–92.7	–72.0
Net income from investment securities and other equity investments	0.4	0.0	3.1	2.6
Net income from associates	–	0.2	0.0	0.2
Net income from the fair value measurement of derivatives	–24.5	–66.3	–92.6	–49.2
Earnings before income taxes	**38.4**	**6.9**	**670.9**	**551.3**
Income taxes	–18.6	–22.2	–182.0	–143.6
Net profit or loss for the period	**19.8**	**–15.3**	**488.9**	**407.7**

€ million	Q3 2019	Q3 2018	01.01.–30.09.2019	01.01.–30.09.2018
Change in amounts recognised directly in equity	**–10.9**	**5.1**	**–41.5**	**6.2**
Thereof recycling				
Fair value adjustment of interest rate derivatives in hedges	**–6.7**	**4.1**	**–25.1**	**4.3**
Change in unrealised gains/(losses)	–8.2	5.2	–31.0	5.5
Income taxes on amounts recognised directly in equity	1.5	–1.1	5.9	–1.2
Thereof non-recycling				
Actuarial gains and losses from the measurement of pension obligations	**–4.2**	**1.0**	**–16.4**	**1.9**
Change in unrealised gains/(losses)	–6.0	1.4	–23.6	2.7
Income taxes on amounts recognised directly in equity	1.8	–0.4	7.2	–0.8
Total comprehensive income	**8.9**	**–10.2**	**447.4**	**413.9**
Net profit or loss for the period attributable to:				
Non-controlling interests	0.7	0.5	2.7	2.6
Parent shareholders	19.1	–15.8	486.2	405.1
Total comprehensive income attributable to:				
Non-controlling interests	0.7	0.5	2.7	2.6
Parent shareholders	8.2	–10.7	444.7	411.3
Basic earnings per share in €	**0.30**	**–0.25**	**7.67**	**6.41**
Diluted earnings per share in €	**0.30**	**–0.25**	**7.67**	**6.41**

Statement of changes in consolidated equity

T23

Statement of changes in consolidated equity

€ million	Share capital	Capital reserves	Revenue reserves	Cumulative other reserves: Actuarial gains and losses from the measurement of pension obligations	Cumulative other reserves: Fair value adjustment of interest derivatives in hedges	Equity attributable to shareholders of the Group	Non-controlling interests	Consolidated equity
As of 01.01.2018	**63.2**	**611.2**	**3,472.3**	**– 37.6**	**– 21.7**	**4,087.4**	**25.0**	**4,112.4**
Initial application of IFRS 9	–	–	7.8	–	–	7.8	–	7.8
As of 01.01.2018, adjusted	**63.2**	**611.2**	**3,480.1**	**– 37.6**	**– 21.7**	**4,095.2**	**25.0**	**4,120.2**
Net profit or loss for the period	–	–	405.1	–	–	405.1	2.6	407.7
Other comprehensive income	–	–	–	1.9	4.3	6.2	0.0	6.2
Total comprehensive income	**–**	**–**	**405.1**	**1.9**	**4.3**	**411.3**	**2.6**	**413.9**
Change in consolidated companies	–	–	–	–	–	–	1.0	1.0
Capital increase	–	–	–	–	–	–	–	–
Other	–	–	1.4	–	–	1.4	0.8	2.2
Withdrawals from reserves	–	–	–	–	–	–	– 2.7	– 2.7
Changes from Put-Options	–	–	–	–	–	–	–	–
Distributions	–	–	– 192.1	–	–	– 192.1	– 1.0	– 193.1
As of 30.09.2018	**63.2**	**611.2**	**3,694.5**	**– 35.7**	**– 17.4**	**4,315.8**	**25.7**	**4,341.5**
As of 01.01.2019	**63.2**	**611.2**	**4,131.4**	**– 35.1**	**– 13.1**	**4,757.6**	**26.3**	**4,783.9**
Initial application of IFRS 16	–	–	– 4.6	–	–	– 4.6	–	– 4.6
As of 01.01.2019, adjusted	**63.2**	**611.2**	**4,126.8**	**– 35.1**	**– 13.1**	**4,753.0**	**26.3**	**4,779.3**
Net profit/loss for the period	–	–	486.2	–	–	486.2	2.7	488.9
Other comprehensive income	–	–	–	– 16.4	– 25.1	– 41.5	0.0	– 41.5
Total comprehensive income	**–**	**–**	**486.2**	**– 16.4**	**– 25.1**	**444.7**	**2.7**	**447.4**
Change in consolidated companies/other	–	–	–	–	–	–	–	–
Capital increase	5.4	546.1	–	–	–	551.5	–	551.5
Other	–	–	1.3	–	–	1.3	0.8	2.1
Withdrawals from reserves	–	–	–	–	–	–	– 1.8	– 1.8
Changes from Put-Options	–	–	–	–	–	–	–	–
Distributions	–	–	– 223.1	–	–	– 223.1	– 5.9	– 229.0
As of 30.09.2019	**68.6**	**1,157.3**	**4,391.2**	**– 51.5**	**– 38.2**	**5,527.4**	**22.1**	**5,549.5**

Consolidated statement of cash flows

T24

Consolidated statement of cash flows

€ million	01.01.– 30.09.2019	01.01.– 30.09.2018
Operating earnings	**852.9**	**669.2**
Depreciation on property, plant and equipment and amortisation on intangible assets	11.6	7.6
(Gains)/Losses from the measurement of investment properties	– 551.6	– 383.5
(Gains)/Losses from the disposal of assets held for sale and investment properties	0.0	0.1
(Decrease)/Increase in pension provisions and other non-current provisions	0.5	– 2.5
Other non-cash income and expenses	4.0	4.0
(Decrease)/Increase in receivables, inventories and other assets	– 45.5	– 41.9
Decrease/(Increase) in liabilities (not including financing liabilities) and provisions	18.4	19.1
Interest paid	– 58.6	– 59.2
Interest received	0.2	0.4
Received income from investments	3.1	2.6
Taxes received	0.4	0.0
Taxes paid	– 10.6	– 4.9
Net cash from/(used in) operating activities	**224.8**	**211.0**
Cashflow from investing activities		
Investments in investment properties	– 166.4	– 374.6
Proceeds from disposals of non-current assets held for sale and investment properties	184.3	17.4
Investments in intangible assets and property, plant and equipment	– 12.7	– 4.2
Investments in financial assets and other assets	– 9.9	–
Acquisition of shares in consolidated companies	0.0	– 0.8
Net cash from/(used in) investing activities	**– 4.7**	**– 362.2**

€ million	01.01.– 30.09.2019	01.01.– 30.09.2018
Cash flow from financing activities		
Borrowing of bank loans	436.5	490.2
Repayment of bank loans	– 270.2	– 242.3
Repayment of lease liabilities	– 7.7	– 2.6
Other proceeds	0.7	0.7
Distribution to shareholders	– 223.1	– 192.1
Distribution and withdrawal from reserves of non-controlling interest	– 7.6	– 2.8
Net cash from/(used in) financing activities	**– 71.4**	**51.1**
Change in cash and cash equivalents	**148.7**	**– 100.1**
Cash and cash equivalents at beginning of period	233.6	285.4
Cash and cash equivalents at end of period	**382.3**	**185.3**
Composition of cash and cash equivalents		
Cash in hand, bank balances	382.3	185.3
Cash and cash equivalents at end of period	**382.3**	**185.3**

Selected notes
on the IFRS interim consolidated financial statements as at 30 September 2019

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 135,065 residential and commercial units on 30 September 2019 (132,019 units excluding IFRS 5 objects).

LEG Immo and its subsidiaries engage in three core activities as an integrated property company: the optimisation of the core business, the expansion of the value chain as well as the portfolio strengthening.

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 interim consolidated financial statements of LEG Immo are the same as those presented in the IFRS consolidated financial statements of LEG Immo as of 31 December 2018. These interim consolidated financial statements as at 30 September 2019 should therefore be read in conjunction with the consolidated financial statements as at 31 December 2018.

LEG Immo has fully applied the new standards and interpretations that are mandatory from 1 January 2019. The first-time adoption of IFRS 16 led to that for lessees all leases will be shown "on-balance". From the date at which the leased asset is available for use, the lessee generally recognises a right-of-use asset and a lease liability at present value. The leasing rate is divided into a repayment and financing share. The finance costs are recognised in profit or loss over the term of the leases.

The rights of use assets are amortized on a straight-line basis over the term of the lease or, if shorter, over the useful life of the asset. The subsequent valuation of investment property is measured at fair value in accordance with IAS 40, therefore the subsequent valuation of the rights of use of leasehold is also measured at fair value.

Lease liabilities of the LEG Group may include the present value of fixed lease payments less leasing incentives to be received as well as variable lease payments linked to an index.

If determinable, the discounting of lease payments is based on the implicit interest rate on which the lease is based. Otherwise, the incremental borrowing rate of the LEG group is used for the discounting.

The rights of use assets are valued at acquisition cost, which can be assembled composed of the amount of the initial valuation of the lease liability as well as of all lease payments made at or before the provision less any leasing incentives that may have been received. Subsequent valuation is at amortised cost with the exception of leasehold, which are measured at fair value in accordance with IAS 40.

As changeover method the modified retrospective method was chosen. The previous year's figures were not adjusted. For short-term leases with a term of less than twelve months, the exempting provision is not used. For low value asset leases, for example mobile phones, the exempting provision is used. The payments are recognised as an expense in the income statement on a straight-line basis. Moreover LEG has made use of the option to waive of the separation of the leasing component and the non-lease component. This essentially applies leases for cars.

For the contracts relating to measurement and reporting technology previously recognised as finance leases in accordance with IAS 17, recognition is to be based on clusters (property level) because of the high number of the individual contracts in the course of the IFRS 16 transition. This results in the use of weighted durations. The exempting provision for low value asset leases are not used for the measurement and reporting technology.

Several property lease contracts of LEG group comprise extension and termination options. These contract conditions ensure the group the highest operational flexibility with regard to contract portfolio. The determination of contract term occur in consideration of all facts which offer economic incentive for exercising or not exercising the option. An adjustment of contract term will only conduct if the exercise or not exercise of an option is reasonably certain.

The reconciliation of the obligations under operating leases as at 31 December 2018 to the recognised lease liabilities in accordance with IFRS 16 as of 1 January 2019 is as follows.

T25

Reconciliation lease

€ million	01.01.2019
Operating lease obligations as of 31 December 2018	81.1
Obligations under finance leases as of 31 December 2018	40.9
Low value asset leases that are expensed directly to the income statement	– 0.3
Other	6.9
Gross lease liabilities as of 1 January 2019	**128.6**
Discounting with the incremental borrowing rate	46.7
Lease liabilities as of 1 January 2019	**81.9**

As a result of the initial application of IFRS 16 lease liabilities of EUR 55.6 million were initially recognised as of 1 January 2019. These liabilities were measured at the present value of the minimum lease payments. Discounting is performed with the incremental borrowing rate as of 1 January 2019. For all types of contracts, the weighted average incremental borrowing rate was 2.77 %.

As part of the first-time application of IFRS 16, a stock-taking of all leases was carried out again, which led to improved data quality, especially in the areas of leasehold and measurement and reporting technology. These effects are shown in the reconciliation table under other.

The first application of IFRS 16 as of 1 January 2019 resulted in the following adjustments in the opening balance sheet. Due to the changeover using the modified retrospective method, previous year's figures were not adjusted. All effects from the first-time application of IFRS 16 were recognised in retained earnings with no effect on income.

T26

Adjustment opening balance sheet as of 1 January 2019

€ million	31.12.2018	Adjustment IFRS 16	01.01.2019
Assets			
Investment properties	10,709.0	35.8	10,744.8
Property, plant and equipment	62.5	16.0	78.5
Intangible assets and goodwill	85.3	0.6	85.9
Deferred tax assets	7.4	0.4	7.8
Total	**10,864.2**	**52.8**	**10,917.0**
Equity and liabilities			
Cumulative other reserves	4,083.2	– 4.7	4,078.5
Non-current financial liabilities	4,113.3	53.8	4,167.1
Current financial liabilities	484.8	5.0	489.8
Deferred tax liabilities	1,100.6	2.0	1,102.6
Total	**9,781.9**	**56.1**	**9,838.0**

4. Changes in the Group

On 19 August 2019 VitalServicePlus GmbH was retroactively merged with LEG Holding GmbH as of 1 January 2019.

Moreover, on 28 August 2019 LEG Wohnen Service GmbH was retroactively merged with LEG Wohnen NRW GmbH as of 1 January 2019.

5. 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 2018**.

6. Selected notes to the consolidated statement of financial position

On 30 September 2019, the LEG Group held 133,806 apartments and 1,259 commercial units in its portfolio (132,019 units excluding IFRS 5 objects).

Investment property developed as follows in the financial year 2018 and in 2019 up to the reporting date of the interim consolidated financial statements:

T27

Investment properties

€ million	Total	Residential assets: High-growth markets	Residential assets: Stable markets	Residential assets: Higher-yielding markets	Residential assets: Non NRW	Commercial assets	Parking and other assets	Lease-hold	Land values
Carrying amount as of 01.01.2019	**10,709.0**	**4,607.3**	**3,296.8**	**2,212.1**	**164.5**	**209.4**	**184.9**	**3.4**	**30.6**
Initial application of IFRS 16	35.8	– 26.4	– 9.3	– 17.9	– 2.8	0.1	– 0.1	92.2	0.0
Acquisitions	25.9	17.5	5.5	2.1	0.0	0.0	1.0	– 0.2	0.0
Other additions	132.4	49.1	44.3	32.3	2.4	3.5	0.1	0.6	0.1
Reclassified to assets held for sale	– 178.9	– 3.6	– 46.4	– 119.8	– 1.8	– 0.9	– 3.6	0.0	– 2.8
Reclassified from assets held for sale	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Reclassified to property, plant and equipment	0.7	0.2	– 0.2	0.1	0.0	– 0.2	0.0	0.7	0.0
Reclassified from property, plant and equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fair value adjustment	551.6	262.0	167.2	79.6	4.0	3.3	21.8	10.0	3.7
Carrying amount as of 30.09.2019	**11,276.6**	**4,906.1**	**3,457.9**	**2,188.6**	**166.3**	**215.2**	**204.1**	**106.7**	**31.6**

€ million	
Fair value adjustment as of 30.09.2019:	**551.6**
– hereupon as of 30.09.2019 in the portfolio:	550.4
– hereupon as of 30.09.2019 disposed investment properties:	1.2

T28

Investment properties

€ million	Total	Residential assets: High-growth markets	Residential assets: Stable markets	Residential assets: Higher-yielding markets	Residential assets: Non NRW	Commercial assets	Parking and other assets	Lease-hold	Land values
Carrying amount as of 01.01.2018	**9,460.7**	**4,185.0**	**2,828.2**	**1,910.0**	**144.0**	**197.5**	**165.9**	**3.4**	**26.7**
Initial application of IFRS 16	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions	292.3	46.7	92.1	133.8	0.0	11.2	6.6	0.0	2.0
Other additions	174.0	63.3	67.3	39.1	2.8	1.4	0.0	0.0	0.0
Reclassified to assets held for sale	– 34.8	– 5.2	– 2.3	– 12.5	– 0.1	– 14.3	– 0.3	0.0	– 0.1
Reclassified from assets held for sale	15.8	0.3	4.4	9.6	0.4	1.0	0.0	0.0	0.0
Reclassified to property, plant and equipment	– 1.3	– 0.4	0.0	– 0.1	0.0	– 0.9	0.0	0.0	0.0
Reclassified from property, plant and equipment	1.5	0.0	0.1	0.0	0.0	1.2	0.2	0.0	0.0
Fair value adjustment	800.9	317.6	307.0	132.2	17.4	12.3	12.5	0.0	1.9
Carrying amount as of 31.12.2018	**10,709.0**	**4,607.3**	**3,296.8**	**2,212.1**	**164.5**	**209.4**	**184.9**	**3.4**	**30.5**

€ million	
Fair value adjustment 31.12.2018:	**800.9**
– hereupon as of 31.12.2018 in the portfolio:	800.9
– hereupon as of 31.12.2018 disposed investment properties:	0.0

The sale of a property portfolio with 2,671 residential units was notarised on 18 June 2019. The revaluation of the property portfolio resulted in loss from the remeasurement of investment properties of EUR 2.2 million. The carrying amount was disposed with closing of the transaction on 1 October 2019.

Investment property was remeasured most recently by the LEG Group as of the interim reporting date of 30 June 2019. No further fair value adjustment was made as at 30 September 2019. With regard to the calculation methods and parameters, please refer to the consolidated financial statements as at 31 December 2018.

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 2019, 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.

The following tables show the measurement method used to determine the fair value of investment property and the material unobservable inputs used as at 30 June 2019 and 31 December 2018:

T29

Valuation parameters as at 30 June 2019

	GAV investment properties	Valuation technique	Market rent residential/commercial €/sqm			Maintenance cost residential/commercial €/sqm			Administrative cost rate residential/commercial €/unit			Stabilised vacancy ratio %		
	(€ million)		min	Ø	max	min	Ø	max	min	Ø	max	min	Ø	max
Residential assets														
High growth markets	4,882	DCF	3.64	7.89	13.29	6.35	11.89	16.19	86	303	462	1.0	1.8	9.0
Stable markets	3,438	DCF	2.34	6.25	9.26	5.67	11.98	17.22	129	300	462	1.5	2.9	9.0
Higher-yielding markets	2,183	DCF	0.26	5.80	8.57	8.45	11.99	15.45	182	300	462	1.5	4.1	9.0
Non NRW	166	DCF	4.12	7.04	9.63	8.30	12.03	12.88	272	300	462	1.5	2.1	4.5
Commercial assets	213	DCF	1.00	7.51	27.00	4.46	7.32	15.37	4	277	6,046	1.0	2.5	8.0
Leasehold	107	DCF												
Parking and other assets	204	DCF												
Land values	32	Earnings/reference value method												
Total portfolio (IAS 40)[1]	11,225	DCF	0.57	5.42	34.29	4.46	11.90	17.22	4	301	6,046	1.0	3.0	9.0

	Discount rate %			Capitalisation ratio %			Estimated rent development %		
	min	Ø	max	min	Ø	max	min	Ø	max
Residential assets									
High growth markets	3.7	4.8	6.3	2.2	5.4	11.7	1.0	1.6	2.0
Stable markets	3.7	4.8	6.5	2.7	6.1	11.7	0.8	1.2	1.8
Higher-yielding markets	3.9	5.0	6.3	2.9	6.5	11.8	0.6	1.0	1.5
Non NRW	3.7	4.8	5.3	3.5	6.1	8.3	1.1	1.5	1.7
Commercial assets	2.5	6.5	9.0	2.8	7.1	9.5	0.7	1.4	2.0
Leasehold	3.7	5.1	7.3						
Parking and other assets	4.6	4.9	5.8	3.2	7.0	12.4			
Land values	4.7	4.9	5.5	7.2	11.4	12.5			
Total portfolio (IAS 40)[1]	2.5	4.9	9.0	2.2	6.2	12.5	0.6	1.3	2.0

[1] In addition, there are assets held for sale (IFRS 5) as at 30 June 2019 in the amount of EUR 152.2 million that are assigned to level 2 of the fair value hierarchy.

T30

Valuation parameters as at 31 December 2018 [2]

	GAV investment properties	Valuation technique	Market rent residential/commercial €/sqm			Maintenance cost residential/commercial €/sqm			Administrative cost rate residential/commercial €/unit			Stabilised vacancy ratio %		
	(€ million)		min	Ø	max	min	Ø	max	min	Ø	max	min	Ø	max
Residential assets														
High growth markets	4,611	DCF	2.84	7.76	13.21	6.35	11.77	16.05	86	300	458	1.0	1.8	9.0
Stable markets	3,297	DCF	2.24	6.12	8.99	9.04	11.83	15.35	202	297	457	1.5	3.0	9.0
Higher-yielding markets	2,212	DCF	0.27	5.69	8.35	8.13	11.83	15.06	211	297	457	1.5	4.2	9.0
Non NRW	165	DCF	4.12	6.86	9.10	8.24	11.91	12.88	270	297	457	1.5	2.1	4.5
Commercial assets	208	DCF	1.00	7.50	27.00	4.46	7.29	15.37	10	269	5,277	1.0	2.6	8.0
Leasehold	0	DCF												
Parking and other assets	185	DCF												
Land values	31	Earnings/reference value method												
Total portfolio (IAS 40) [1]	10,709	DCF	0.57	5.36	34.29	4.46	11.76	16.05	10	298	5,277	1.0	3.1	9.0

	Discount rate %			Capitalisation ratio %			Estimated rent development %		
	min	Ø	max	min	Ø	max	min	Ø	max
Residential assets									
High growth markets	3.9	5.0	6.2	2.5	5.6	11.3	1.0	1.6	2.0
Stable markets	3.9	5.0	5.8	2.9	6.2	11.8	0.8	1.2	1.8
Higher-yielding markets	4.1	5.2	6.2	3.1	6.6	12.1	0.6	1.0	1.5
Non NRW	3.9	5.0	5.5	3.7	6.2	8.5	1.1	1.5	1.7
Commercial assets	2.5	6.5	9.0	2.8	7.1	10.0	0.7	1.4	2.0
Leasehold	–	–	–						
Parking and other assets	4.9	5.1	5.6	10.7	11.6	12.6			
Land values	4.2	5.2	8.1	3.7	6.6	11.5			
Total portfolio (IAS 40) [1]	2.5	5.1	9.0	2.5	6.3	12.6	0.6	1.3	2.0

[1] In addition, there are assets held for sale (IFRS 5) as at 31 December 2018 in the amount of EUR 20.3 million that are assigned to level 2 of the fair value hierarchy.
[2] In the IFRS Group Financial Statements as at 31 December 2018 the valuation parameters were weighted by square metres; henceforth valuation parameters are weighted by units.

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.

Due to the initial application of IFRS 16 all leases of which LEG is lessee become right of use. The new regulation has affected the asset classes rented land and buildings (company headquarters in Dusseldorf as well as individual branch offices), cars, IT peripheral devices (printers and photocopiers) as well as software. The asset classes heat contracting as well as measurement and reporting technology have already been recognised as finance lease in accordance with IAS 17. In total property, plant and equipment as well as intangible assets included right of uses with the following book value as of 30 September 2019.

T31

Right of use leases

€ million	30.09.2019
Right of use buildings	6.4
Right of use technical equipment and machinery	19.3
Right of use operating and office equipment	4.6
Property, plant and equipment	**30.3**
Right of use software	0.6
Intangible assets	**0.6**

In the reporting period further right of uses in the amount of EUR 5.0 million have been added.

Financing liabilities are composed as follows:

T32

Financing liabilities

€ million	30.09.2019	31.12.2018
Financing liabilities from real estate financing	4,496.6	4,575.0
Financing liabilities from lease financing	80.6	23.1
Financing liabilities	**4,577.2**	**4,598.1**

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

As of 30 September 2019 the conversion of the formerly outstanding convertible bond reduced the financing liabilities by EUR 277.5 million. At the reporting date remaining capital in the amount of EUR 22.5 million remained in the financing liabilities because the conversion into shares partly occurred after the reporting date. In addition, the repayment of the commercial papers in the amount of EUR 190.0 million as well as the scheduled and unscheduled repayment in the amount of EUR 77.8 million led also to a reduction of the financing liabilities. The new issued commercial papers in the amount of EUR 190.0 million and cash payments in the amount of EUR 246.5 million raised the financing liabilities.

The conversion of the issued convertible bond led to an increase in the share capital in the amount of EUR 5.4 million as well as to an transfer to capital reserve in the amount of EUR 546.1 million.

Besides loan liabilities, financing liabilities from real estate financing include one convertible bond (EUR 385.8 million), one corporate bond (EUR 500.2 million) as well as the remaining amount of the converted convertible bond (EUR 22.5 million) as of 30 September 2019.

Leasing liabilities were recognised as of 31 December 2018 which presented finance lease in accordance with IAS 17. Due to the initial application of IFRS 16 as of 1 January 2019 additional leasing liabilities were recognised, which were classified as operate lease so far.

Already concluded leases starting after the reporting date will arise cash outflows in the amount of EUR 0.5 million.

The main driver for the changes in maturity of financing liabilities as against 31 December 2018 is the reclassification from long-term to mid-term field due to the remaining maturity of the corporate bond. The change in the short-term field resulted mainly from the conversion of the convertible bond.

T33

Maturity of financing liabilities from real estate financing

	Remaining term			Total
€ million	< 1 year	> 1 to 5 years	> 5 years	
30.09.2019	**248.1**	**1,698.1**	**2,550.4**	**4,496.6**
31.12.2018	479.1	920.8	3,175.1	4,575.0

7. Selected notes to the consolidated statement of comprehensive income

Net rental and lease income is broken down as follows:

T34

Net rental and lease income

€ million	01.01.–30.09.2019	01.01.–30.09.2018
Net cold rent	439.8	417.0
Profit from operating expenses	– 0.9	– 3.3
Maintenance for externally procured services	– 36.9	– 37.6
Staff costs	– 48.8	– 45.2
Allowances on rent receivables	– 5.8	– 4.1
Depreciation and amortisation expenses	– 7.0	– 4.5
Other	– 0.2	– 7.1
Net rental and lease income	**340.2**	**315.2**
Net operating income margin (in %)	**77.4**	**75.6**
Non-recurring project costs – rental and lease	2.9	4.7
Depreciation	7.0	4.5
Adjusted net rental and lease income	**350.1**	**324.4**
Adjusted net operating income margin (in %)	**79.6**	**77.8**

In the reporting period, the LEG Group increased its net rental and lease income by EUR 25.0 million compared to the same period of the previous year. The main driver of this development was the EUR 22.8 million rise in net cold rents. In-place rent per square metre on a like-for-like basis rose by 2.9 % in the reporting period. Moreover the lease accounting in accordance with IFRS 16 resulted in an improvement of profit from operating expenses (EUR 1.3 million) and other (EUR 3.2 million) with a simultaneous increase in depreciation and amortisation expenses (EUR 2.1 million). The increase in staff costs by EUR 3.6 million mainly resulted of a higher proportion of own craftsman services.

Due to disproportionate development of net rental and lease income compared with the development of in-place rent the NOI margin increased from 75.6 % to 77.4 % in the reporting period.

In the reporting period following depreciation expenses for right of use from leases are included.

T35

Depreciation expense of leases

€ million	01.01.–30.09.2019
Right of use buildings	0.1
Right of use technical equipment and machinery	3.6
Right of use operating and office equipment	1.5
Depreciation expense of leases	**5.2**

In the reporting period depreciation expenses of leases of a low-value asset in the amount of EUR 0.2 million were included.

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

T36

Net income from the disposal of investment properties

€ million	01.01.–30.09.2019	01.01.–30.09.2018
Income from the disposal of investment	26.7	19.7
Carrying amount of the disposal of investment properties	– 26.7	– 19.8
Costs of sales of investment properties	– 0.8	– 0.6
Net income from the disposal of investment properties	**– 0.8**	**– 0.7**

Net income from the remeasurement of investment properties

The remeasurement of investment properties was conducted as of 30 June 2019. There were minor changes in the third quarter 2019 due to the remeasurement of the assets held for sale according to IFRS 5.

Net income from remeasurement of investment property amounted to EUR 551.6 million in the reporting period which corresponds to a 5.1 % rise (incl. acquisitions) compared to the start of the financial year.

The average value of investment property (incl. IFRS 5 objects) is 1,295 per square metre including acquisitions (31 December 2018: 1,198 per square metre).

The increase in the value of the portfolio is the result of the further increase in rents as well as further reduction in the discount and capitalisation rates.

Administrative and other expenses

T37

Administrative and other expenses

€ million	01.01. – 30.09.2019	01.01. – 30.09.2018
Other operating expenses	– 10.1	– 10.2
Staff costs	– 24.4	– 19.6
Purchased services	– 0.9	– 0.7
Depreciation and amortisation	– 2.6	– 1.2
Administratve and other expenses	**– 38.0**	**– 31.7**
Depreciation and amortisation	2.6	1.2
Non-recurring project costs and extraordinary and prior-period expenses	12.0	5.8
Adjusted administrative and other expenses	**– 23.3**	**– 24.7**

The increase in staff costs is mainly attributable to severance payments.

Depreciation and amortisation expenses rose as a result of the initial application of IFRS 16. In the reporting period following depreciation expenses for right of use from leases are included.

T38

Depreciation expense of leases

€ million	01.01.– 30.09.2019
Right of use buildings	1.5
Right of use operating and office equipment	0.2
Right of use software	0.1
Depreciation expense of leases	**1.8**

Adjusted administrative expenses are slightly lower than in the comparative period.

Net interest income

Net interest income is composed as follows:

T39

Interest income

€ million	01.01. – 30.09.2019	01.01. – 30.09.2018
Other interest income	0.2	0.5
Interest income	**0.2**	**0.5**

T40

Interest expenses

€ million	01.01. – 30.09.2019	01.01. – 30.09.2018
Interest expenses from real estate financing	– 50.9	– 50.9
Interest expense from loan amortisation	– 29.5	– 9.2
Prepayment penalty	– 2.4	– 0.1
Interest expense from interest derivatives for real estate financing	– 5.8	– 8.6
Interest expense from change in pension provisions	– 1.9	– 1.8
Interest expense from interest on other assets and liabilities	– 0.7	– 0.8
Interest expenses from lease financing	– 1.6	– 0.7
Other interest expenses	0.1	0.1
Interest expenses	**– 92.7**	**– 72.0**

Interest expense from loan amortisation increased by EUR 20.3 million year on year to EUR 29.5 million. The main driver for the increase is the conversion of the formerly outstanding convertible bond in the amount of EUR 17.7 million. Furthermore, early payments of bank and subsidised loans raised interest expense from loan amortisation by EUR 2.5 million.

The increase in prepayment penalties to EUR 2.4 million resulted from the early payment of bank and subsidised loans.

The refinancing and the related redemption of derivatives in 2018 had the effect of reducing interest expenses from interest rate derivatives by EUR 2.8 million.

The increase of interest expenses from lease financing (EUR 0.9 million) resulted from the initial application of IFRS 16.

Income taxes

T41

Income tax expenses

€ million	01.01.– 30.09.2019	01.01.– 30.09.2018
Current tax expenses	– 13.0	– 5.0
Deferred tax expenses	– 169.0	– 138.6
Income tax expenses	**– 182.0**	**– 143.6**

An effective Group tax rate of 22.8 % was assumed in the reporting period in accordance with Group tax planning (previous year: 23.4 %).

Current tax expenses comprise taxes relating to other periods in the amount of EUR 1.4 million (previous year: EUR 0.1 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.

Earnings per share according to IAS 33

T42

Earnings per share (basic)

	01.01. – 30.09.2019	01.01. – 30.09.2018
Net profit or loss attributable to shareholders in € million	486.2	405.1
Average numbers of shares outstanding	63,426,930	63,188,185
Earnings per share (basic) in €	**7.67**	**6.41**

T43

Earnings per share (diluted)

	01.01. – 30.09.2019	01.01. – 30.09.2018
Net profit or loss attributable to shareholders in € million	486.2	405.1
Convertible bond coupon after taxes	2.0	2.9
Measurement of derivatives after taxes	88.4	49.6
Amortisation of the convertible bond after taxes	13.9	5.7
Net profit or loss for the period for diluted earnings per share	590.5	463.3
Average weighted number of shares outstanding	63,426,930	63,188,185
Number of potentially new shares in the event of exercise of conversion rights	9,020,694	9,022,414
Number of shares for diluted earnings per share	72,447,624	72,210,599
Intermedia result	8.15	6.42
Diluted earnings per share in €	**7.67**	**6.41**

On 2 September 2019 LEG Immo announced the early redemption of its convertible bond 2014/2021. A full conversion of the bondholders has occurred. Until 30 September 2019 5,385,031 new shares were created.

As at 30 September 2019, LEG Immo had potential ordinary shares from convertible bonds, which authorise the bearer to convert it into up to 3.8 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 as at 30 September 2018.

The diluted earnings per share are therefore equal to basic earnings per share as at 30 September 2018.

8. Financial instruments

The table below shows the financial assets and liabilities broken down by measurement category and class. Receivables and liabilities from leases and derivatives used as hedging instruments are included even though they are not assigned to an IFRS 9 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.

T44

Classes of financial instruments for financial assets and liabilities 2019

€ million	Carrying amounts as per statement of financial positions 30.09.2019	Measurement (IFRS 9) Amortised cost	Measurement (IFRS 9) Fair value through profit or loss	Measurement (IAS 17)	Fair value 30.09.2019
Assets					
Other financial assets	**20.8**				**20.8**
Hedge accounting derivatives	–				–
AC	11.4	11.4			11.4
FVtPL	9.4		9.4		9.4
Receivables and other assets	**76.3**				**76.3**
AC	39.3	39.3			39.3
Other non-financial assets	37.0				37.0
Cash and cash equivalents	**382.3**				**382.3**
AC	382.3	382.3			382.3
Total	**479.4**	**433.0**	**9.4**		**479.4**
Of which IFRS 9 measurement categories					
AC	433.0	433.0			433.0
FVtPL	9.4		9.4		9.4

€ million	Carrying amounts as per statement of financial positions 30.09.2019	Measurement (IFRS 9) Amortised cost	Measurement (IFRS 9) Fair value through profit or loss	Measurement (IAS 17)	Fair value 30.09.2019
Liabilities					
Financial liabilities	**–4,577.2**				**–4,648.0**
FLAC	–4,496.6	–4,496.6			–4,648.0
Other liabilities	**–543.8**				**–543.3**
FLAC	–124.1	–124.1			–123.6
Derivatives HFT	–79.6		–79.6		–79.6
Hedge accounting derivatives	–52.8				–52.8
Other non-financial liabilities	–287.3				–287.3
Total	**–5,121.0**	**–4,620.7**	**–79.6**	**–**	**–5,191.3**
Of which IFRS 9 measurement categories					
FLAC	–4,620.7	–4,620.7			–4,771.6
Derivatives HFT	–79.6		–79.6		–79.6

AC = Amortized Cost
FVtPL = Fair Value through profit and loss
FLAC = Financial Liabilities at Amorized Cost
HFT = Held for Trading

T45

Classes of financial instruments for financial assets and liabilities 2018

€ million	Carrying amounts as per statement of financial positions 31.12.2018	Measurement (IFRS 9) Amortised cost	Measurement (IFRS 9) Fair value through profit or loss	Measurement (IAS 17)	Fair value 31.12.2018
Assets					
Other financial assets	**10.7**				**10.7**
Hedge accounting derivatives	–				–
AC [1]	1.5	1.5			1.5 [1]
FVtPL [1]	9.2		9.2		9.2 [1]
Receivables and other assets	**47.7**				**47.7**
AC	38.1	38.1			38.1
Other non-financial assets	9.6				9.6
Cash and cash equivalents	**233.6**				**233.6**
AC	233.6	233.6			233.6
Total	**292.0**	**273.2**	**9.2**		**292.0**
Of which IFRS 9 measurement categories					
AC [1]	273.2	271.8			271.8
FVtPL [1]	9.2		9.2		9.2

€ million	Carrying amounts as per statement of financial positions 31.12.2018	Measurement (IFRS 9) Amortised cost	Measurement (IFRS 9) Fair value through profit or loss	Measurement (IAS 17)	Fair value 31.12.2018
Liabilities					
Financial liabilities	**– 4,598.1**				**– 4,747.4**
FLAC	– 4,575.0	– 4,575.0			– 4,724.0
Liabilities from lease financing	– 23.1			– 23.1	– 23.4
Other liabilities	**– 530.8**				**– 530.3**
FLAC	– 109.4	– 109.4			– 108.9
Derivatives HFT	– 262.2		– 262.2		– 262.2
Hedge accounting derivatives	– 20.8				– 20.8
Other non-financial liabilities	– 138.4				– 138.4
Total	**– 5,128.9**	**– 4,684.4**	**– 262.2**	**– 23.1**	**– 5,277.7**
Of which IFRS 9 measurement categories					
FLAC	– 4,684.4	– 4,684.4			– 4,832.9
Derivates HFT	– 262.2		– 262.2		– 262.2

AC = Amortized Cost
FVtPL = Fair Value through profit and loss
FLAC = Financial Liabilities at Amortized Cost
HFT = Held for Trading

[1] Previous year's figure adjusted

9. Related-party disclosures

Please see the IFRS consolidated financial statements as at 31 December 2018 for the presentation of the IFRS 2 programmes for long-term incentive Management Board agreements.

Termination benefits

Thomas Hegel's mandate as CEO of LEG Immobilien AG was ended by mutual arrangement as of 29 May 2019. On the basis of the employment agreement which was due to run until the end of January 2021, Thomas Hegel received a severance payment of EUR 0.7 million in lieu of the fixed remuneration. Claims to additional benefits have been settled at an amount of EUR 53 thousand. Target achievement for the STI for the period from 30 May 2019 to December 2019 as well as the STI for 2020 and STI 2021 has been set at an amount of EUR 0.6 million for 100 % achievement. In the context of the severance agreement the LTI claims of EUR 1.7 million were vested early and remain classified under IFRS 2.

Eckhard Schultz's mandate as member of LEG Immobilien AG Management Board was ended by mutual arrangement as of 31 August 2019. On the basis of the employment agreement which was due to run until the end of January 2021, Eckhard Schultz received a severance payment of EUR 0.8 million in lieu of the fixed remuneration. Claims to additional benefits have been settled at an amount of EUR 25 thousand. LEG will pay his company pension until 31 December 2019. The pension cost amounts to EUR 20 thousand. Target achievement for the STI for the period from September 2019 to December 2019 as well as the STI for 2020 and STI 2021 has been set at an amount of EUR 0.5 million for 100 % achievement. In the context of the severance agreement the LTI claims of EUR 1.6 million were vested early and remain classified under IFRS 2.

10. Other

There were no changes with regard to contingent liabilities in comparison to 31 December 2018.

11. The Management Board and the Supervisory Board

There were no changes to the composition of the Supervisory Board as at 30 September 2019 compared with the disclosures as at 31 December 2018.

The composition of the Management Board has changed as follows:

Thomas Hegel resigned from the Management Board of LEG Immobilien AG at the end of the Annual General Meeting on 29 May 2018. The Supervisory Board appointed Lars von Lackum as CEO since 1 June 2019. Dr. Volker Wiegel has assumed the function of COO on 1 June 2019.

Eckhard Schultz resigned from the Management Board of LEG Immobilien AG on 31 August 2019. CEO Lars von Lackum assumed additionally to his previous duties the responsibility for the finance resort.

12. Supplementary Report

Portfolio acquisition 1

The acquisition of a property portfolio of around 276 residential and commercial units was notarised on 1 August 2019. The portfolio generates annual net cold rent of around EUR 1.2 million. The average in-place rent is around EUR 5.36 per square metre and the initial vacancy rate is around 1.6 %. The transaction was closed on 1 November 2019. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

Portfolio acquisition 2

The acquisition of a property portfolio of around 751 residential and commercial units was notarised on 2 August 2019. The portfolio generates annual net cold rent of around EUR 3.5 million. The average in-place rent is around EUR 5.28 per square metre and the initial vacancy rate is around 1.3 %. The transaction was closed for 573 units on 1 November 2019. The transition date for the remaining 178 units will be expected on 1 December 2019. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

Portfolio acquisition 3

The acquisition of a property portfolio of around 2,264 residential and commercial units was notarised on 8 November 2019. The portfolio generates annual net cold rent of around EUR 10.2 million. The average in-place rent is around EUR 6.03 per square metre and the initial vacancy rate is around 1.6 %. Subject to antitrust approval, the transaction will be closed on 1 January 2020. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

On 15 October 2019 LEG Immo placed a registered bond in the amount of EUR 50.0 million with a maturity term of 25 years and a yield of 2.0 %.

On 24 October 2019 parts of the Amundi money market funds in the amount of EUR 40.0 million were bought and, on 31 October 2019, resold.

On 15 November 2019 LEG Immobilien AG set up an European Medium Term Note (EMTN) programme.

There were no other significant events after the end of the interim reporting period on 30 September 2019.

Dusseldorf, 15 November 2019

LEG Immobilien AG
The Management Board

Lars von Lackum, Cologne
(CEO)

Dr Volker Wiegel, Dusseldorf
(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, 15 November 2019

LEG Immobilien AG
The Management Board

Lars von Lackum
(CEO)

Dr Volker Wiegel
(COO)

Financial calendar 2019/2020

LEG Financial Calendar 2019/2020

Release of Quarterly Report Q3 as of 30 September 2019	15 November 2019
Release of Annual Report 2019	9 March 2020
Release of Quarterly Report Q1 as of 31 March 2020	8 May 2020
Annual General Meeting, Dusseldorf	20 May 2020
Release of Quarterly Report Q2 as of 30 June 2020	7 August 2020
Release of Quarterly Report Q3 as of 30 September 2020	12 November 2020

For additional dates see the Investor Relations Calendar on our **> website.**

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In case of doubt, the German version takes precedence.

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