QUARTERLY STATEMENT

Q1

AS OF 31.03.2018

KEY FACTS Q1/2018

T1 – Key facts

		Q1 2018	Q1 2017	+/– %
RESULTS OF OPERATIONS				
Rental income	€ million	**138.5**	131.9	5.0
Net rental and lease income	€ million	**98.4**	102.6	–4.1
EBITDA	€ million	**92.1**	95.6	–3.7
EBITDA adjusted	€ million	**94.8**	97.8	–3.1
EBT	€ million	**94.4**	47.1	100.4
Net profit or loss for the period	€ million	**78.2**	32.8	138.4
FFO I	€ million	**74.2**	75.2	–1.3
FFO I per share	€	**1.17**	1.19	–1.3
FFO II	€ million	**73.5**	75.3	–2.4
FFO II per share	€	**1.16**	1.19	–2.4
AFFO	€ million	**52.2**	66.2	–21.1
AFFO per share	€	**0.83**	1.05	–21.1
PORTFOLIO		**31.03.2018**	31.03.2017	+/– %/bp
Number residential units		**130,208**	127,076	2.5
In-place rent	€/sqm	**5.54**	5.36	3.4
In-place rent (l-f-l)	€/sqm	**5.49**	5.37	2.3
EPRA vacancy rate	%	**3.9**	3.5	+40 bp
EPRA vacancy rate (l-f-l)	%	**3.3**	3.3	0 bp
STATEMENT OF FINANCIAL POSITION		**31.03.2018**	31.12.2017	+/– %/bp
Investment property	€ million	**9,514.1**	9,460.7	0.6
Cash and cash equivalents	€ million	**283.0**	285.4	–0.8
Equity	€ million	**4,192.0**	4,112.4	1.9
Total financing liabilities	€ million	**4,285.9**	4,299.6	–0.3
Current financing liabilities	€ million	**383.2**	478.2	–19.9
LTV	%	**42.0**	42.3	–30 bp
Equity ratio	%	**41.6**	41.1	+50 bp
Adj. EPRA NAV, diluted	€ million	**5,789.6**	5,753.0	0.6
Adj. EPRA NAV per share, diluted	€	**84.34**	83.81	0.6

bp = basis points

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 2017 annual report.

LEG's portfolio is spread across around 170 locations in North Rhine-Westphalia. As of 31 March 2018 it included 130,208 residential units with 64 square metres on average as well as 1,245 commercial units and 32,735 garages or parking spaces.

PERFORMANCE OF THE LEG PORTFOLIO

Operational development

In-place rent on a like-for-like basis (excluding reletting) was EUR 5.49 per square metre as of 31 March 2018, 2.3% up on the previous year (31 March 2017: EUR 5.37 per square metre/month). The effects from LEG's modernisation programme are still low in the first three months and will be driving rent growth with further implementation of the programme in the course of the year.

In the free-financed segment which accounts for around 74% of LEG's portfolio rents rose by 3.1% to EUR 5.80 per square metre on average (on a like-for-like basis) in the first quarter. In the high-growth markets rents increased by 3.0% to EUR 6.60 per square metre (on a like-for-like basis). The stable markets segment showed a similar development with an increase of 3.1% to an average in-place rent of EUR 5.48 per square metre (on a like-for-like basis). A rent increase of 2.7% to 5.34 Euro per square metre was achieved in the higher-yielding markets.

In the year 2018, there is no cost rent adjustment. Thus, the average rent in the rent-restricted segment remained nearly unchanged at EUR 4.75 per square metre (on a like-for-like basis; previous year: EUR 4.74 per square metre).

With 3.3% the EPRA vacancy rate on a like-for-like basis stayed on the previous year's level. The LEG portfolio in the high-growth markets kept being almost fully let with an occupancy rate of 98.4% (on a like-for-like basis). In the stable markets, as well, the occupancy rate was high at 96.8% (on a like-for-like basis). In the higher-yielding markets the occupancy rate was 94.2%, as in the previous year.

T2 – Portfolio segments – Top 3 locations

	31.03.2018				
	Number of LEG apartments	*Share of LEG portfolio %*	*Living space sqm*	*In-place rent €/sqm*	*EPRA vacancy rate %*
HIGH-GROWTH MARKETS	**41,298**	**31.7**	**2,735,144**	**6.19**	**2.5**
District of Mettmann	8,496	6.5	590,681	6.24	1.7
Muenster	6,074	4.7	403,337	6.46	0.4
Dusseldorf	5,258	4.0	341,609	7.52	7.0
Other locations	21,470	16.5	1,399,518	5.78	1.9
STABLE MARKETS	**47,569**	**36.5**	**3,057,680**	**5.23**	**3.6**
Dortmund	13,400	10.3	875,721	5.06	3.0
Moenchengladbach	6,445	4.9	408,421	5.50	2.1
Hamm	4,163	3.2	250,309	5.07	3.2
Other locations	23,561	18.1	1,523,230	5.29	4.4
HIGHER-YIELDING MARKETS	**39,491**	**30.3**	**2,409,889**	**5.15**	**6.3**
District of Recklinghausen	9,204	7.1	572,285	5.04	6.4
Duisburg	6,568	5.0	408,131	5.39	3.7
Maerkisch District	4,567	3.5	281,419	5.05	3.3
Other locations	19,152	14.7	1,148,054	5.14	8.0
OUTSIDE NRW	**1,850**	**1.4**	**124,044**	**5.93**	**1.6**
TOTAL	**130,208**	**100.0**	**8,326,757**	**5.54**	**3.9**

T3 – Performance LEG portfolio

		High-growth markets			*Stable markets*		
		31.03.2018	*31.12.2017*	*31.03.2017*	**31.03.2018**	*31.12.2017*	*31.03.2017*
Subsidised residential units							
Units		12,040	12,592	12,622	13,875	13,896	13,950
Area	sqm	839,888	885,096	887,298	938,674	940,250	944,196
In-place rent	€/sqm	5.00	4.99	4.99	4.67	4.67	4.66
EPRA vacancy rate	%	0.9	0.6	0.7	2.6	2.2	2.8
Free-financed residential units							
Units		29,258	28,408	26,319	33,694	33,754	33,069
Area	sqm	1,895,256	1,829,982	1,688,807	2,119,006	2,123,149	2,080,681
In-place rent	€/sqm	6.73	6.72	6.45	5.48	5.44	5.31
EPRA vacancy rate	%	2.9	2.1	1.8	4.0	3.9	3.7
Total residential units							
Units		41,298	41,000	38,941	47,569	47,650	47,019
Area	sqm	2,735,144	2,715,078	2,576,105	3,057,680	3,063,398	3,024,877
In-place rent	€/sqm	6.19	6.15	5.95	5.23	5.20	5.10
EPRA vacancy rate	%	2.5	1.7	1.5	3.6	3.5	3.4
Total commercial							
Units							
Area	sqm						
Total parking							
Units							
Total other							
Units							

	31.03.2017						
	Number of LEG apartments	*Share of LEG portfolio %*	*Living space sqm*	*In-place rent €/sqm*	*EPRA vacancy rate %*	*Change in-place rent % like-for-like*	*Change (basis points) vacancy rate like-for-like*
	38,941	**30.6**	**2,576,105**	**5.95**	**1.5**	**2.1**	**10**
	8,418	6.6	585,874	6.09	1.4	2.5	40
	6,075	4.8	403,395	6.35	0.6	1.7	–20
	3,542	2.8	227,876	6.63	0.9	3.8	100
	20,906	16.5	1,358,960	5.65	2.0	1.8	–10
	47,019	**37.0**	**3,024,877**	**5.10**	**3.4**	**2.3**	**–10**
	13,165	10.4	862,702	4.95	2.3	2.0	30
	6,447	5.1	408,462	5.36	1.7	2.5	50
	4,133	3.3	248,543	4.95	2.2	2.3	90
	23,274	18.3	1,505,169	5.15	4.8	2.3	–60
	39,221	**30.9**	**2,393,324**	**5.02**	**6.2**	**2.2**	**0**
	9,138	7.2	568,572	4.96	6.8	1.3	–30
	6,550	5.2	406,653	5.21	5.3	3.4	–160
	4,553	3.6	280,703	4.85	3.6	4.1	–30
	18,980	14.9	1,137,396	5.03	6.8	1.8	90
	1,895	**1.5**	**127,321**	**5.71**	**2.2**	**3.3**	**–40**
	127,076	**100.0**	**8,121,627**	**5.36**	**3.5**	**2.3**	**0**

		Higher-yielding markets			*Outside NRW*			*Total*		
		31.03.2018	*31.12.2017*	*31.03.2017*	**31.03.2018**	*31.12.2017*	*31.03.2017*	**31.03.2018**	*31.12.2017*	*31.03.2017*
		8,090	8,314	8,376	98	112	112	34,103	34,914	35,060
	sqm	531,864	545,060	549,551	7,733	8,910	8,910	2,318,159	2,379,316	2,389,954
	€/sqm	4.47	4.45	4.44	4.56	4.58	4.59	4.75	4.74	4.74
	%	4.9	4.1	5.7	0.0	0.0	1.5	2.5	2.0	2.6
		31,401	31,245	30,845	1,752	1,764	1,783	96,105	95,171	92,016
	sqm	1,878,025	1,868,380	1,843,773	116,311	117,046	118,412	6,008,598	5,938,556	5,731,673
	€/sqm	5.34	5.31	5.20	6.02	5.96	5.79	5.85	5.81	5.63
	%	6.7	6.4	6.3	1.7	1.0	2.3	4.3	4.0	3.7
		39,491	39,559	39,221	1,850	1,876	1,895	130,208	130,085	127,076
	sqm	2,409,889	2,413,440	2,393,324	124,044	125,956	127,321	8,326,757	8,317,872	8,121,627
	€/sqm	5.15	5.11	5.02	5.93	5.86	5.71	5.54	5.50	5.36
	%	6.3	6.0	6.2	1.6	0.9	2.2	3.9	3.5	3.5
								1,245	1,256	1,167
	sqm							205,356	209,702	198,562
								32,735	32,629	31,483
								2,334	2,333	2,066

Value development

The following table shows the distribution of assets by market segment. The rental yield on the portfolio based on in-place rents was 5.9% as of 31 March 2018 (rent multiplier: 16.9). The valuation of the residential portfolio corresponds to an EPRA net initial yield of 4.4 %.

T4 – Market segments

	Residential units	Residential assets € million [1]	Share residential assets %	Value €/sqm	In-place rent multiplier	Commercial/ other assets € million [2]	Total assets € million
HIGH GROWTH MARKETS	**41,298**	**4,216**	**46**	**1,544**	**20.9x**	**206**	**4,422**
District of Mettmann	8,496	837	9	1,419	19.0x	65	902
Muenster	6,074	756	8	1,877	24.1x	42	798
Dusseldorf	5,258	688	8	2,017	23.5x	36	724
Other locations	21,470	1,934	21	1,386	20.0x	64	1,998
STABLE MARKETS	**47,569**	**2,842**	**31**	**929**	**15.1x**	**99**	**2,941**
Dortmund	13,400	884	10	1,004	16.8x	31	914
Moenchengladbach	6,445	399	4	976	14.8x	11	410
Hamm	4,163	217	2	866	14.4x	4	221
Other locations	23,561	1,341	15	883	14.2x	54	1,396
HIGHER-YIELDING MARKETS	**39,491**	**1,926**	**21**	**795**	**13.6x**	**57**	**1,983**
District of Recklinghausen	9,204	463	5	471	14.0x	16	480
Duisburg	6,568	356	4	476	13.8x	21	378
Maerkisch District	4,567	203	2	721	12.2x	2	205
Other locations	19,152	903	10	786	13.6x	17	920
SUBTOTAL NRW	**128,358**	**8,983**	**98**	**1,094**	**16.9x**	**362**	**9,346**
Portfolio outside NRW	1,850	145	2	1,163	16.5x	2	146
TOTAL PORTFOLIO	**130,208**	**9,128**	**100**	**1,095**	**16.9x**	**364**	**9,492**
Leasehold + Land Values							33
Balance Sheet property valuation assets (IAS 40/IFRS 5) [3]							**9,525**
Inventories (IAS 2)							3
Owner-occupied property (IAS 16)							23
Construction Costs (IAS 40 AIB)							10
Finance Lease (outside property valuation)							3
TOTAL BALANCE SHEET [3]							**9,564**

[1] Excluding 375 residential units in commercial buildings; including 420 commercial and other units in mixed residential assets.
[2] Excluding 420 commercial units in mixed residential assets; including 375 residential units in commercial buildings, commercial, parking, other assets as well as IAS 16 assets.
[3] Thereof assets held for sale EUR 24.3 million.

ANALYSIS OF NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Please see the glossary in the 2017 annual report for a definition of individual key figures and terms.

T5 – Consolidated statement of comprehensive income

€ million	**01.01. – 31.03.2018**	*01.01. – 31.03.2017*
Net rental and lease income	**98.4**	**102.6**
Rental and lease income	190.2	198.6
Cost of sales in connection with rental and lease income	–91.8	–96.0
Net income from the disposal of investment properties	**–0.3**	**0.1**
Income from the disposal of investment properties	10.1	57.2
Carrying amount of the disposal of investment properties	–10.2	–56.9
Cost of sales in connection with disposed investment properties	–0.2	–0.2
Net income from the remeasurement of investment properties	**–**	**0.0**
Net income from the disposal of real estate inventory	**–0.7**	**–1.0**
Income from the real estate inventory disposed of	0.1	0.1
Carrying amount of the real estate inventory disposed of	–0.1	–0.1
Costs of sales of the real estate inventory disposed of	–0.7	–1.0
Net income from other services	**1.5**	**1.4**
Income from other services	2.9	2.8
Expenses in connection with other services	–1.4	–1.4
Administrative and other expenses	**–9.4**	**–9.8**
Other income	**0.2**	**0.2**
OPERATING EARNINGS	**89.7**	**93.5**
Interest income	0.1	0.0
Interest expenses	–24.3	–38.9
Net income from investment securities and other equity investments	2.4	2.5
Net income from the fair value measurement of derivatives	26.5	–10.0
EARNINGS BEFORE INCOME TAXES	**94.4**	**47.1**
Income taxes	–16.2	–14.3
NET PROFIT OR LOSS FOR THE PERIOD	**78.2**	**32.8**
Change in amounts recognised directly in equity	**2.4**	**12.2**
Thereof recycling		
Fair value adjustment of interest rate derivatives in hedges	**2.4**	**9.9**
Change in unrealised gains/losses	3.0	13.6
Income taxes on amounts recognised directly in equity	–0.6	–3.7
Thereof non-recycling		
Actuarial gains and losses from the measurement of pension obligations	**0.0**	**2.3**
Change in unrealised gains/losses	0.0	3.4
Income taxes on amounts recognised directly in equity	0.0	–1.1
TOTAL COMPREHENSIVE INCOME	**80.6**	**45.0**
Net profit or loss for the period attributable to:		
Non-controlling interests	0.8	0.8
Parent shareholders	77.4	32.0
Total comprehensive income attributable to:		
Non-controlling interests	0.8	0.8
Parent shareholders	79.8	44.2
EARNINGS PER SHARE (BASIC) IN €	**1.23**	**0.51**
EARNINGS PER SHARE (DILUTED) IN €	**0.75**	**0.51**

Results of operations

In the reporting period (1 January 2018 to 31 March 2018) income from net cold rents climbed by 5.0% up to EUR 138.5 million against the comparative period (1 January 2017 to 31 March 2017). The reduction of net rental and lease income mainly results from a change in presentation of revenues and corresponding expenses for specific transferable operating costs (net presentation) due to the initial application of IFRS 15 as at 1 January 2018. Higher maintenance expenses compared to a very low basis of comparison in the previous year led to a scheduled decrease of net rental and lease income by 4.1% against the comparative period.

The adjusted EBITDA declined by EUR 3.0 million to EUR 94.8 million. The effect of higher maintenance expenses is thereby at EUR 5.3 million. The adjusted EBITDA margin decreased to 68.4% in the reporting period (comparative period 74.1%).

The decrease in interest expenses relates to refinancings completed in the comparative period, which caused higher interest expenses in the form of redemption fees for fixed and floating-rate loans and additional loan amortisation of approximately EUR 12 million.

In spite of the increase in average net debt, cash interest expenses dropped by 7.2% or EUR 1.5 million to EUR 19.4 million in the reporting period.

Current taxes in the amount of EUR 1.4 million were directly recorded affecting net income.

Net rental and lease income

T6 – Net rental and lease income

€ million	**01.01.–31.03.2018**	*01.01.–31.03.2017*
Net cold rent	138.5	131.9
Profit from operating expenses	–2.8	–1.1
Maintenance for externally procured services	–15.5	–9.8
Staff costs	–15.0	–13.4
Allowances on rent receivables	–2.4	–1.9
Depreciation and amortisation expenses	–1.6	–1.5
Other	–2.8	–1.6
NET RENTAL AND LEASE INCOME	**98.4**	**102.6**
NET OPERATING INCOME-MARGIN (IN %)	**71.0**	**77.8**
Non-recurring project costs – rental and lease	1.3	0.2
Depreciation and amortisation expenses	1.6	1.5
ADJUSTED NET RENTAL AND LEASE INCOME	**101.3**	**104.3**
ADJUSTED NET OPERATING INCOME-MARGIN (IN %)	**73.1**	**79.1**

The LEG Group increased its net rental and lease income by EUR 6.6 million (5.0%) against the comparative period. In-place rent per square metre on a like-for-like basis rose by 2.3% in the reporting period.

The EPRA vacancy rate, which is the ratio of rent loss due to vacancy to potential rent in the event of full occupancy, stood at 3.3% like-for-like as at 31 March 2018.

T7 – EPRA vacancy rate

€ million	**31.03.2018**	*31.03.2017*
Rental value of vacant space – like-for-like	19.2	17.4
Rental value of vacant space – total	23.3	18.6
Rental value of the whole portfolio – like-for-like	575.6	534.1
Rental value of the whole portfolio – total	599.0	543.1
EPRA VACANCY RATE – LIKE-FOR-LIKE (IN %)	**3.3**	**3.3**
EPRA VACANCY RATE – TOTAL (IN %)	**3.9**	**3.4**

According to plan, a higher amount of value enhancing modernisation measures in connection with re-letting was conducted in the first quarter of the reporting period. These made a significant contribution to the year-on-year increase in total investment of EUR 19.8 million or around EUR 2.2 per square metre.

T8 – Maintenance and modernisation of investment properties

€ million	01.01.– 31.03.2018	01.01. – 31.03.2017
Maintenance expenses for investment properties	19.8	13.0
Capital expenditure	22.0	9.0
TOTAL INVESTMENT	**41.8**	**22.0**
Area of investment properties in million sqm	8.53	8.15
AVERAGE INVESTMENT PER SQM (€)	**4.9**	**2.7**

Portfolios acquired since the end of the comparative period accounted for EUR 1.2 million of total investment.

For the fiscal year 2018 total investments are forecasted to the amount of around EUR 30 per square metre. This includes in particular the additional modernisation programme which already ramped up in the third quarter of 2017.

Net income from the disposal of investment properties

There were fewer disposals of investment property in the reporting period. Sales of investment property amounted to EUR 10.1 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 2017.

Net income from the disposal of real estate inventory

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

The remaining real estate inventory held as at 31 March 2018 amounted to EUR 2.5 million, of which EUR 1.1 million related to land under development.

Administrative and other expenses

T9 – Administrative and other expenses

€ million	01.01.– 31.03.2018	01.01. – 31.03.2017
Other operating expenses	−3.3	−3.6
Staff costs	−5.7	−5.7
Purchased services	−0.2	−0.4
Depreciation and amortisation	−0.2	−0.1
ADMINISTRATIVE AND OTHER EXPENSES	**−9.4**	**−9.8**
Depreciation and amortisation	0.2	0.1
Non-recurring project costs and extraordinary and prior-period expenses	0.4	1.2
ADJUSTED ADMINISTRATIVE AND OTHER EXPENSES	**−8.7**	**−8.5**

Current administrative expenses in the amount of EUR 8.7 million increased moderately by 2.4%, a lower rate than rental and lease income.

Net finance earnings

T10 – Net finance earnings

€ million	01.01.– 31.03.2018	01.01. – 31.03.2017
Interest income	0.1	–
Interest expenses	–24.3	–38.9
NET INTEREST INCOME	**–24.2**	**–38.9**
Net income from other financial assets and other investments	2.4	2.5
Net income from associates	–	–
Net income from the fair value measurement of derivatives	26.5	–10.0
NET FINANCE EARNINGS	**4.7**	**–46.4**

Interest expense from loan amortisation dropped by EUR 6.3 million year on year to EUR 3.6 million. This includes the measurement of the convertible bonds at amortised cost in the amount of EUR 2.5 million (comparative period: EUR 1.8 million). The decrease resulted mainly from the one-time amortisation expense as part of the redemption of subsidized loans in the amount of EUR 4.9 million in the comparative period.

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

On 1 September 2017 LEG issued a convertible bond with a nominal volume of EUR 400 million, annual interest expenses of 0,875% and a maturity of eight years.

As a result, a further reduction in the average interest rate to 1.76% was achieved as at 31 March 2018 (1.95% as at 31 March 2017) based on an average term of around 8.1 years (9.7 years as at 31 March 2017).

Dividends received from equity investments in non-consolidated and non-associated companies decreased by EUR –0.1 million year-on-year to EUR 2.4 million in the reporting period.

In the reporting period, net income from the fair value measurement of derivatives resulted primarily from changes in the fair value of derivatives from the convertible bonds in the amount of EUR 26.3 million (comparative period: EUR –10.0 million).

Income tax expenses

T11 – Income tax expenses

€ million	01.01.– 31.03.2018	01.01. – 31.03.2017
Current tax expenses	–1.4	–1.3
Deferred tax expenses	–14.8	–13.0
INCOME TAX EXPENSES	**–16.2**	**–14.3**

An effective Group tax rate of 22.61% was assumed in the reporting period in accordance with Group tax planning (comparative period: 23.07%).

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 2017 annual report.

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

T12 – Calculation of FFO I, FFO II and AFFO

€ million	**01.01.– 31.03.2018**	*01.01.– 31.03.2017*
Net cold rent	138.5	131.9
Profit from operating expenses	–2.8	–1.1
Maintenance for externally procured services	–15.5	–9.8
Staff costs	–15.0	–13.4
Allowances on rent receivables	–2.4	–1.9
Other	–2.8	–1.6
Non-recurring project costs (rental and lease)	1.3	0.2
CURRENT NET RENTAL AND LEASE INCOME	**101.3**	**104.3**
CURRENT NET INCOME FROM OTHER SERVICES	**2.0**	**1.9**
Staff costs	–5.7	–5.7
Non-staff operating costs	–3.4	–4.0
Non-recurring project costs (admin.)	0.4	1.2
Extraordinary and prior-period expenses	0.0	0.0
CURRENT ADMINISTRATIVE EXPENSES	**–8.7**	**–8.5**
Other income and expenses	0.2	0.1
ADJUSTED EBITDA	**94.8**	**97.8**
Cash interest expenses and income	–19.4	–20.9
Cash income taxes from rental and lease	–1.0	–1.3
FFO I (BEFORE ADJUSTMENT OF NON-CONTROLLING INTERESTS)	**74.4**	**75.6**
Adjustment of non-controlling interests	–0.2	–0.4
FFO I (AFTER ADJUSTMENT OF NON-CONTROLLING INTERESTS)	**74.2**	**75.2**
Adjusted net income from the disposal of investment properties	–0.2	0.1
Cash income taxes from disposal of investment properties	–0.5	–
FFO II (INCL. DISPOSAL OF INVESTMENT PROPERTIES)	**73.5**	**75.3**
CAPEX	–22.0	–9.0
CAPEX-ADJUSTED FFO I (AFFO)	**52.2**	**66.2**

Due to higher maintenance expenses in the reporting period compared to a very low level in the same period of the previous year FFO I at EUR 74.2 million is slightly lower in the reporting period (previous year: EUR 75.2 million).

The reduced average interest rate as a result of the refinancing is reflected in the increase of the interest coverage ratio (ratio of adjusted EBITDA to cash interest expense) from 470% in the comparative period to 490% in the reporting period.

EPRA earnings per share (EPS)

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

T13 – EPRA earnings per share (EPS)

€ million	**01.01. – 31.03.2018**	*01.01. – 31.03.2017*
Net profit or loss for the period attributable to parent shareholders	77.4	32.0
Changes in value of investment properties	0.0	0.0
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	0.9	1.0
Tax on profits or losses on disposals	0.5	0.0
Changes in fair value of financial instruments and associated close-out costs	–26.5	13.6
Acquisition costs on share deals and non-controlling joint venture interests	0.1	0.2
Deferred tax in respect of EPRA adjustments	10.9	–3.7
Refinancing expenses	0.0	5.3
Other interest expenses	0.0	6.5
Non-controlling interests in respect of the above	0.0	–0.3
EPRA EARNINGS	**63.3**	**54.6**
Weighted average number of shares outstanding	63,188,185	63,188,185
EPRA earnings per share (undiluted) in €	1.00	0.86
Potentially diluted shares	5,455,398	5,277,945
Interest coupon on convertible bond	0.3	0.3
Amortisation expenses convertible bond after taxes	1.6	1.4
EPRA earnings (diluted)	65.2	56.3
Number of diluted shares	68,643,583	68,466,130
EPRA EARNINGS PER SHARE (DILUTED) IN €	**0.95**	**0.82**

T14 – Consolidated statement of financial position
Assets

€ million	31.03.2018	31.12.2017
Non-current assets	**9,683.4**	**9,633.0**
Investment properties	9,514.1	9,460.7
Property, plant and equipment	62.7	63.4
Intangible assets and goodwill	85.4	85.4
Investments in associates	9.5	9.5
Other financial assets	3.5	3.0
Receivables and other assets	0.2	2.3
Deferred tax assets	8.0	8.7
Current assets	**379.6**	**349.1**
Real estate inventory and other inventory	20.9	5.3
Receivables and other assets	72.7	56.4
Income tax receivables	3.0	2.0
Cash and cash equivalents	283.0	285.4
Assets held for sale	**24.3**	**30.9**
TOTAL ASSETS	**10,087.3**	**10,013.0**

Equity and liabilities

€ million	31.03.2018	31.12.2017
Equity	**4,192.0**	**4,112.4**
Share capital	63.2	63.2
Capital reserves	611.2	611.2
Cumulative other reserves	3,491.4	3,413.0
Equity attributable to shareholders of the parent company	4,165.8	4,087.4
Non-controlling interests	26.2	25.0
Non-current liabilities	**5,068.6**	**4,980.2**
Pension provisions	148.4	148.6
Other provisions	9.1	9.4
Financing liabilities	3,902.7	3,821.4
Other liabilities	138.4	145.6
Deferred tax liabilities	870.0	855.2
Current liabilities	**826.7**	**920.4**
Pension provisions	6.4	7.0
Other provisions	11.6	12.9
Provisions for taxes	0.2	0.2
Financing liabilities	383.2	478.2
Other liabilities	415.8	413.6
Tax liabilities	9.5	8.5
TOTAL EQUITY AND LIABILITIES	**10,087.3**	**10,013.0**

Net assets

The increase in investment properties resulted mainly from additions due to acquisitions amounting to EUR 35.6 million as well as capitalization of modernisation expenses with EUR 21.3 million.

The recognition of property tax expense as other inventories (EUR 17.0 million) for the financial year, the deferral of prepaid operating costs in the amount of EUR 9.0 million and the development of the receivables from not yet invoiced ancillary costs (increase EUR 6.8 million) significantly contributed to the development of the current assets.

Cash and cash equivalents decreased by EUR –2.4 million up to EUR 283.0 million. This development is attributable mainly to the cashflow from operating acitivities (EUR 78.1 million), sales of investment properties (EUR 8.2 million), a negative cash balance from refinancing of bank loans (EUR –13.8 million) as well as cash payments for acquisitions and modernisation (EUR –71.1 million).

Compared to 31 December 2017 equity increased in particular because of the net profit (EUR 78.2 million) and changes in the fair value of derivatives used for hedging (EUR 2.4 million).

As a result of the refinancing, non-current financing liabilities rose by EUR 81.3 million whereas current financing liabilities dropped by EUR –95.0 million.

Changes in the fair value of the derivatives from the convertible bonds led to a decrease of other liabilities by EUR 26.3 million, thereof EUR 3.7 million from the convertible bond issued in 2017 (non-current) and EUR 22.6 million from the convertible bond issued in 2014 (current).

T15 – 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*	*Non-controlling interests*	*Consolidated equity*
AS OF 01.01.2017	**63.2**	**611.2**	**2,818.8**	**–39.9**	**–38.8**	**3,414.5**	**22.2**	**3,436.7**
Net profit or loss for the period	–	–	32.0	–	–	32.0	0.8	32.8
Other comprehensive income	–	–	–	2.3	9.9	12.2	0.0	12.2
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**32.0**	**2.3**	**9.9**	**44.2**	**0.8**	**45.0**
Change in consolidated companies	–	–	–	–	–	–	0.2	0.2
Capital increase	–	–	–	–	–	–	0.7	0.7
Withdrawals from reserves	–	–	–	–	–	–	–0.6	–0.6
Change from put options	–	–	–	–	–	–	–	–
Distributions	–	–	–	–	–	–	–	–
Contribution in connection with Management and Supervisory Board	–	–	–	–	–	–	–	–
AS OF 31.03.2017	**63.2**	**611.2**	**2,850.8**	**–37.6**	**–28.9**	**3,458.7**	**23.3**	**3,482.0**
AS OF 01.01.2018	**63.2**	**611.2**	**3,472.3**	**–37.6**	**–21.7**	**4,087.4**	**25.0**	**4,112.4**
Net profit or loss for the period	–	–	77.4	–	–	77.4	0.8	78.2
Other comprehensive income	–	–	–	–	2.4	2.4	0.0	2.4
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**77.4**	**–**	**2.4**	**79.8**	**0.8**	**80.6**
Change in consolidated companies	–	–	–	–	–	–	1.0	1.0
Capital increase	–	–	0.4	–	–	0.4	0.8	1.2
Withdrawals from reserves	–	–	–1.8	–	–	–1.8	–1.4	–3.2
Change from put options	–	–	–	–	–	–	–	–
Distributions	–	–	–	–	–	–	–	–
Contribution in connection with Management and Supervisory Board	–	–	–	–	–	–	–	0.0
AS OF 31.03.2018	**63.2**	**611.2**	**3,548.3**	**–37.6**	**–19.3**	**4,165.8**	**26.2**	**4,192.0**

Portfolio acquisitions

On 31 March 2018, the LEG Group held 130,208 apartments and 1,245 commercial units in its portfolio.

Investment property developed as follows in the financial year 2017 and in 2018 up to the reporting date of the interim consolidated financial statements:

T16 – Investment properties

€ million	31.03.2018	31.12.2017
CARRYING AMOUNT AS OF 01.01.	**9,460.7**	**7,954.9**
Acquisitions	35.6	396.8
Other additions	21.3	112.7
Reclassified to assets held for sale	–3.7	–41.0
Reclassified to property, plant and equipment	–	–4.4
Reclassified from property, plant and equipment	0.1	4.9
Fair value adjustment	0.1	1,036.8
CARRYING AMOUNT AS OF 31.03. / 31.12.	**9,514.1**	**9,460.7**

Portfolio acquisition

The acquisition of a property portfolio of around 304 residential units was notarised on 2 August 2017. The portfolio generates annual net cold rent of around EUR 1.7 million. The average in-place rent was around EUR 6.7 per square metre and the initial vacancy rate was around 1.4%. The transaction was closed on 1 January 2018. The portfolio acquisition did not constitute a business combination as defined by IFRS 3.

Investment property is measured as of 31 December 2017. No further fair value adjustments were made as at 31 March 2018. With regard to the calculation methods and parameters, please refer to the consolidated financial statements as of 31 December 2017.

Financing liabilities

Financing liabilities are composed as follows:

T17 – Financing liabilities

€ million	31.03.2018	31.12.2017
Financing liabilities from real estate financing	4,260.7	4,273.9
Financing liabilities from lease financing	25.2	25.7
FINANCING LIABILITIES	**4,285.9**	**4,299.6**

Financing liabilities from real estate financing serve the financing of investment properties.

Financing liabilities from real estate financing include two convertible bonds as of 31 March 2018.

In the second quarter of 2014 a convertible bond with a nominal value of EUR 300.0 million was issued. 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.

In the first quarter of 2017 the emission of a corporate bond increased financing liabilities by EUR 495 million.

In the third quarter of 2017 a further convertible bond with a nominal value of EUR 400.0 million was issued. 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.

In the first quarter of 2018 the redemption of commercial papers in the amount of EUR 100 million and the scheduled debt repayment reduced the current financing liabilities. Valuation in the amount of EUR 100.1 million raised the financing liabilities.

These are also the main drivers for the changes in maturities of financing liabilities against the reporting date as of 31 December 2017.

T18 – Maturity of financing liabilities from real estate financing

€ million	*Remaining term < 1 year*	*Remaining term > 1 and 5 years*	*Remaining term > 5 years*	**Total**
31.03.2018	377.7	820.8	3,062.2	4,260.7
31.12.2017	472.5	784.4	3,017.0	4,273.9

Net asset value (NAV)

A further key figure relevant in the property industry is NAV. The calculation method for NAV can be found in the glossary ofthe 2017 annual report.

The LEG Group reported basic EPRA NAV of EUR 5,304.5 million as at 31 March 2018. The effects of the possible conversion of the convertible bond are shown by the additional calculation of diluted EPRA NAV. After further adjustments for goodwill effects, adjusted diluted EPRA NAV amounted to EUR 5,789.6 million at the reporting date.

T19 – EPRA NAV

€ million	31.03.2018 undiluted	31.03.2018 Effect of exercise of convertibles/ options	31.03.2018 diluted	31.12.2017 undiluted	31.12.2017 Effect of exercise of convertibles/ options	31.12.2017 diluted
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	**4,165.8**	**–**	**4,165.8**	**4,087.4**	**–**	**4,087.4**
Non-controlling interests	26.2	–	26.2	25.0	–	25.0
EQUITY	**4,192.0**	**–**	**4,192.0**	**4,112.4**	**–**	**4,112.4**
Effect of exercise of options, convertibles and other equity interests	–	537.8	537.8	–	559.2	559.2
NAV	**4,165.8**	**537.8**	**4,703.6**	**4,087.4**	**559.2**	**4,646.6**
Fair value measurement of derivative financial instruments	230.4	–	230.4	259.8	–	259.8
Deferred taxes on WFA loans and derivatives	10.8	–	10.8	12.7	–	12.7
Deferred taxes on investment property	929.6	–	929.6	918.7	–	918.7
Goodwill resulting from deferred taxes on EPRA adjustments	–32.1	–	–32.1	–32.1	–	–32.1
EPRA NAV	**5,304.5**	**537.8**	**5,842.3**	**5,246.5**	**559.2**	**5,805.7**
NUMBER OF SHARES	**63,188,185**	**5,455,398**	**68,643,583**	**63,188,185**	**5,455,398**	**68,643,583**
EPRA NAV PER SHARE	**83.95**	**–**	**85.11**	**83.03**	**–**	**84.58**
Goodwill resulting from synergies	52.7	–	52.7	52.7	–	52.7
ADJUSTED EPRA NAV (W/O EFFECTS FROM GOODWILL)	**5,251.8**	**537.8**	**5,789.6**	**5,193.8**	**559.2**	**5,753.0**
ADJUSTED EPRA NAV PER SHARE	**83.11**	**–**	**84.34**	**82.20**	**–**	**83.81**
EPRA NAV	**5,304.5**	**537.8**	**5,842.3**	**5,246.5**	**559.2**	**5,805.7**
Fair value measurement of derivative financial instruments	–230.4	–	–230.4	–259.8	–	–259.8
Deferred taxes on WFA loans and derivatives	–10.8	–	–10.8	–12.7	–	–12.7
Deferred taxes on investment property	–929.6	–	–929.6	–918.7	–	–918.7
Goodwill resulting from deferred taxes on EPRA adjustments	32.1	–	32.1	32.1	–	32.1
Fair value measurement of financing liabilities	–209.8	–	–209.8	–286.6	–	–286.6
Valuation uplift resulting from FV measurement financing liabilities	74.8	–	74.8	74.8	–	74.8
EPRA NNNAV	**4,030.8**	**537.8**	**4,568.6**	**3,875.6**	**559.2**	**4,434.8**
EPRA NNNAV per share	**63.79**	**–**	**66.56**	**61.33**	**–**	**64.61**

Loan-to-value ratio (LTV)

Net debt in relation to property assets slightly reduced as compared with 31 December 2017 due to the increased property assets in the reporting period. The loan-to-value ratio (LTV) was therefore EUR 42.0% (31 December 2017: 42.3%).

T20 – Loan-to-value ratio

€ million	**31.03.2018**	*31.12.2017*
Financing liabilities	4,285.9	4,299.6
Less cash and cash equivalents	283.0	285.4
NET FINANCING LIABILITIES	**4,002.9**	**4,014.2**
Investment properties	9,514.1	9,460.7
Assets held for sale	24.3	30.9
Prepayments for investment properties	–	–
REAL ESTATE ASSETS	**9,538.4**	**9,491.6**
LOAN TO VALUE RATIO (LTV) IN %	**42.0**	**42.3**

Financial position

A net profit of EUR 78.2 million was realised in the reporting period (comparative period: net profit for the period of EUR 32.8 million). Equity amounted to EUR 4,192.0 million at the reporting date (31 December 2017: EUR 4,112.4 million). This corresponds to an equity ratio of 41.6% (31 December 2017: 41.1%).

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

Acquisitions and modernisation work on the existing portfolio contributed to the net cash flow from investing activities with cash payments in the amount of EUR –71.1 million. Furthermore, cash proceeds from property disposals in the amount of EUR 8.2 million resulted in a net cash flow from investing activities of EUR –64.6 million.

The repayments (EUR 163.9 million) and the borrowing of new loans (EUR 150 million) were the main drivers of the cash flow from financing activities of EUR –15.9 million.

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

T21 – Consolidated statement of cash flows

€ million	01.01.–31.03.2018	01.01.–31.03.2017
Operating earnings	89.7	93.5
Depreciation on property, plant and equipment and amortisation on intangible assets	2.4	2.2
(Gains)/Losses from the disposal of assets held for sale and investment properties	0.0	–0.3
(Gains)/Losses from the disposal of intangible assets and property, plant and equipment	0.0	0.0
(Decrease)/Increase in pension provisions and other non-current provisions	–1.0	–1.0
Other non-cash income and expenses	2.4	1.7
(Decrease)/Increase in receivables, inventories and other assets	–32.6	–31.9
Decrease/(Increase) in liabilities (not including financing liabilities) and provisions	38.1	34.3
Interest paid	–19.5	–20.9
Interest received	0.1	0.1
Income taxes received	0.0	0.0
Income taxes paid	–1.5	–1.1
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**78.1**	**76.6**
Cash flow from investing activities		
Investments in investment properties	–71.1	–17.4
Proceeds from disposals of non-current assets held for sale and investment properties	8.2	9.3
Investments in intangible assets and property, plant and equipment	–1.0	–1.2
Proceeds from disposals of intangible assets and property, plant and equipment	0.0	0.0
Acquisition of shares in consolidated companies	–0.7	0.2
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**–64.6**	**–9.1**
Cash flow from financing activities		
Borrowing of bank loans	150.1	12.0
Repayment of bank loans	–163.9	–348.9
Issue of convertible bond/corporate bond	–	495.0
Repayment of lease liabilities	–1.0	–1.0
Other proceeds	0.7	0.8
Distributions to minorities	–1.8	–
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**–15.9**	**157.9**
Change in cash and cash equivalents	**–2.4**	**225.4**
Cash and cash equivalents at beginning of period	285.4	166.7
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**283.0**	**392.0**
Composition of cash and cash equivalents		
Cash in hand, bank balances	283.0	392.0
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**283.0**	**392.0**

SUPPLEMENTARY REPORT

LEG changed its dividend policy and announced in May 2018 that the payout ratio will be increased to 70% of FFO I (from 65% of FFO I) starting with the dividend payment for fiscal year 2018.

There were no other significant events after the end of the interim reporting period on 31 March 2018.

RISK AND OPPORTUNITY REPORT

The risks and opportunities faced by LEG in its operating activities were described in detail in the 2017 annual report. To date, no further risks that would lead to a different assessment have arisen or become discernible in the fiscal year 2018.

FORECAST REPORT

Based on the business performance in the first three months of 2018, LEG believes it is well positioned to confirm its earnings targets for the financial years 2018 and 2019.

Furthermore, LEG changed its dividend policy and announced in May 2018 that the payout ratio will be increased to 70% of FFO I (from 65% of FFO I) starting with the dividend payment for fiscal year 2018.

For more details on the forecast, please refer to the Annual Report 2017 (page 84).

T22 – Forecast

OUTLOOK 2018	
FFO I	in the range of EUR 315 million to EUR 323 million
Like-for-like rental growth	c. 3.0%
Like-for-like vacancy	slightly decreasing compared to financial year-end 2017
Investments	around EUR 29–30 per sqm
LTV	45% max.
Dividend	70% of FFO I
OUTLOOK 2019	
FFO I	in the range of EUR 338 million to EUR 344 million
Like-for-like rental growth	c. 3.5%

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 quarterly statement 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, 8 May 2018

LEG Immobilien AG, Dusseldorf

The Management Board

THOMAS HEGEL
ECKHARD SCHULTZ
HOLGER HENTSCHEL

LEG FINANCIAL CALENDAR 2018

LEG financial calendar 2018

Publication of the Quarterly Statement as of 31 March 2018	**8 May**
Annual General Meeting, Dusseldorf	**17 May**
Publication of the Quarterly Report as of 30 June 2018	**10 August**
Publication of the Quarterly Statement as of 30 September 2018	**9 November**

LEG Immobilien AG
Hans-Böckler-Straße 38
40476 Dusseldorf, Germany
Tel. +49 (0) 2 11 45 68 - 0
Fax +49 (0) 2 11 45 68 - 261
info@leg-wohnen.de
www.leg.ag