
QUARTERLY STATEMENT

Q3

AS OF 30.09.2018

KEY FACTS Q3 / 2018

T1 – Key facts

		Q3 2018	Q3 2017	+/- %/bp	01.01.– 30.09.2018	01.01.– 30.09.2017	+/- %/bp
RESULTS OF OPERATIONS							
Rental income	€ million	139.6	134.7	3.6	417.0	398.4	4.7
Net rental and lease income	€ million	108.9	100.2	8.7	315.2	302.9	4.1
EBITDA	€ million	100.3	96.1	4.4	676.9	764.6	-11.5
EBITDA adjusted	€ million	106.0	97.7	8.5	305.9	291.5	4.9
EBT	€ million	6.9	48.8	-85.9	551.3	609.4	-9.5
Net profit or loss for the period	€ million	-15.3	34.6	-144.2	407.7	458.0	-11.0
FFO I	€ million	85.8	77.5	10.7	242.2	226.3	7.0
FFO I per share	€	1.36	1.23	10.6	3.83	3.58	7.0
FFO II	€ million	84.9	77.1	10.1	240.6	225.2	6.8
FFO II per share	€	1.34	1.22	10.1	3.81	3.56	6.8
AFFO	€ million	28.4	45.0	-36.9	121.9	163.6	-25.5
AFFO per share	€	0.45	0.71	-36.9	1.93	2.59	-25.5
PORTFOLIO							
		30.09.2018	30.09.2017	+/- %/bp			
Number residential units		130,170	128,743	1.1			
In-place rent	€/sqm	5.63	5.47	2.9			
In-place rent (I-f-I)	€/sqm	5.62	5.47	2.7			
EPRA vacancy rate	%	3.9	4.2	-30 bp			
EPRA vacancy rate (I-f-I)	%	3.7	4.1	-40 bp			
STATEMENT OF FINANCIAL POSITION							
		30.09.2018	31.12.2017	+/- %/bp			
Investment property	€ million	9,998.5	9,460.7	5.7			
Cash and cash equivalents	€ million	185.3	285.4	-35.1			
Equity	€ million	4,341.5	4,112.4	5.6			
Total financing liabilities	€ million	4,553.9	4,299.6	5.9			
Current financing liabilities	€ million	635.7	478.2	32.9			
LTV	%	42.7	42.3	+40 bp			
Equity ratio	%	40.6	41.1	-50 bp			
Adj. EPRA NAV, diluted	€ million	6,208.5	5,753.0	7.9			
Adj. EPRA NAV per share, diluted	€	90.21	83.81	7.6			

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 30 September 2018 it included 130,170 residential units with 64 square metres on average as well as 1,231 commercial units and 32,703 garages or parking spaces.

PERFORMANCE OF THE LEG PORTFOLIO

Operational development

In-place rent on a like-for-like basis was EUR 5.62 per square metre as of 30 September 2018, 2.7% up on the previous year (30 June 2017: EUR 5.47 per square metre/month).

In the free-financed segment which accounts for around 74% of LEG's portfolio rents rose significantly by 3.4% to EUR 5.95 per square metre on average (on a like-for-like basis). All of LEG market segments contributed to this development on a similar level. In-place rent in the high-growth markets increased by 3.5% to EUR 6.84 per square metre (on a like-for-like basis). In the stable markets, an increase of 3.4% to an average in-place rent of EUR 5.58 per square metre (on a like-for-like basis) was achieved. The higher-yielding markets recorded a plus of 3.4% to EUR 5.44 per square metre against previous year's reporting date. Rent growth also gained momentum from first effects of LEG's modernisation programme that was initiated in 2017.

In the year 2018, there is no regular cost rent adjustment. Thus, the average rent in the restricted segment increased only marginally to EUR 4.77 per square metre (on a like-for-like basis; previous year: EUR 4.75 per square metre).

With 3.7% the EPRA vacancy rate on a like-for-like basis could be reduced by 40 basis points against the previous year's level. The LEG portfolio in the high-growth markets kept being let to a high degree with an occupancy rate of 97.6% (on a like-for-like basis), despite the acquisition of portfolios with relatively high vacancy levels. In the stable markets the occupancy rate rose by 50 basis points to 96.7% (on a like-for-like basis). In the higher-yielding markets the occupancy rate rose by 30 basis points to 93.9% (on a like-for-like basis), benefitting amongst others from vacancy reduction at LEG's two largest locations (District of Recklinghausen, Duisburg).

T2 – Portfolio segments – Top 3 locations

	30.09.2018				
	Number of LEG apartments	Share of LEG portfolio %	Living space sqm	In-place rent €/sqm	EPRA vacancy rate %
HIGH-GROWTH MARKETS	41,368	31.8	2,739,398	6.30	2.5
District of Mettmann	8,493	6.5	590,448	6.32	1.9
Muenster	6,125	4.7	406,757	6.53	1.3
Dusseldorf	5,310	4.1	344,507	7.63	5.0
Other locations	21,440	16.5	1,397,685	5.91	2.2
STABLE MARKETS	47,555	36.5	3,057,191	5.30	3.6
Dortmund	13,390	10.3	875,492	5.12	3.1
Moenchengladbach	6,445	5.0	408,421	5.63	2.2
Hamm	4,164	3.2	250,367	5.13	2.6
Other locations	23,556	18.1	1,522,911	5.35	4.4
HIGHER-YIELDING MARKETS	39,397	30.3	2,404,622	5.22	6.5
District of Recklinghausen	9,203	7.1	572,071	5.09	6.1
Duisburg	6,563	5.0	408,071	5.47	4.4
Maerkisch District	4,567	3.5	281,419	5.11	3.8
Other locations	19,064	14.6	1,143,060	5.23	8.0
OUTSIDE NRW	1,850	1.4	124,044	6.06	2.4
TOTAL	130,170	100.0	8,325,255	5.63	3.9

T3 – Performance LEG portfolio

		High-growth markets			Stable markets		
		30.09.2018	30.06.2018	30.09.2017	30.09.2018	30.06.2018	30.09.2017
Subsidised residential units							
Units		11,946	11,946	12,592	13,878	13,874	13,898
Area	sqm	831,590	831,590	885,096	939,345	938,599	940,410
In-place rent	€/sqm	5.03	5.03	5.00	4.68	4.67	4.67
EPRA vacancy rate	%	1.0	0.9	1.1	2.2	2.4	3.0
Free-financed residential units							
Units		29,422	29,395	28,124	33,677	33,691	33,103
Area	sqm	1,907,807	1,906,273	1,812,053	2,117,846	2,118,693	2,083,118
In-place rent	€/sqm	6.87	6.80	6.67	5.58	5.54	5.40
EPRA vacancy rate	%	2.9	3.1	3.4	4.1	3.9	4.2
Total residential units							
Units		41,368	41,341	40,716	47,555	47,565	47,001
Area	sqm	2,739,398	2,737,864	2,697,149	3,057,191	3,057,292	3,023,529
In-place rent	€/sqm	6.30	6.26	6.11	5.30	5.27	5.17
EPRA vacancy rate	%	2.5	2.6	2.8	3.6	3.5	3.9
Total commercial							
Units							
Area	sqm						
Total parking							
Units							
Total other							
Units							

30.09.2017							
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	
40,716	31.6	2,697,149	6.11	2.8	2.7	-40	
8,411	6.5	585,386	6.17	2.4	2.5	-40	
6,075	4.7	403,395	6.39	0.8	1.8	10	
4,954	3.8	322,218	7.37	7.4	2.8	-250	
21,276	16.5	1,386,150	5.73	2.2	3.0	0	
47,001	36.5	3,023,529	5.17	3.9	2.5	-50	
13,156	10.2	862,184	5.03	3.0	1.7	-30	
6,447	5.0	408,462	5.45	2.4	3.3	-20	
4,133	3.2	248,543	5.00	2.7	2.5	-30	
23,265	18.1	1,504,340	5.20	5.0	2.7	-70	
39,132	30.4	2,387,586	5.08	6.8	2.8	-30	
9,134	7.1	568,383	5.00	6.9	1.9	-70	
6,533	5.1	406,177	5.29	5.0	3.4	-70	
4,552	3.5	280,449	4.93	3.0	3.7	60	
18,913	14.7	1,132,577	5.08	8.3	2.7	-40	
1,894	1.5	127,211	5.82	2.1	3.5	50	
128,743	100.0	8,235,475	5.47	4.2	2.7	-40	

	Higher-yielding markets			Outside NRW			Total		
	30.09.2018	30.06.2018	30.09.2017	30.09.2018	30.06.2018	30.09.2017	30.09.2018	30.06.2018	30.09.2017
	8,089	8,082	8,314	98	98	112	34,011	34,000	34,916
sqm	531,839	531,386	545,060	7,733	7,733	8,910	2,310,507	2,309,308	2,379,477
€/sqm	4.47	4.47	4.45	4.56	4.56	4.58	4.76	4.76	4.74
%	5.0	4.9	5.5	0.0	1.0	1.0	2.3	2.3	2.8
	31,308	31,386	30,818	1,752	1,752	1,782	96,159	96,224	93,827
sqm	1,872,783	1,877,412	1,842,526	116,311	116,311	118,301	6,014,747	6,018,689	5,855,998
€/sqm	5.44	5.41	5.27	6.16	6.05	5.92	5.97	5.92	5.77
%	6.8	6.6	7.1	2.6	2.0	2.1	4.4	4.3	4.7
	39,397	39,468	39,132	1,850	1,850	1,894	130,170	130,224	128,743
sqm	2,404,622	2,408,797	2,387,586	124,044	124,044	127,211	8,325,255	8,327,997	8,235,475
€/sqm	5.22	5.20	5.08	6.06	5.96	5.82	5.63	5.59	5.47
%	6.5	6.3	6.8	2.4	2.0	2.1	3.9	3.9	4.2
							1,231	1,245	1,186
sqm							204,183	205,459	201,381
							32,703	32,736	32,016
							2,486	2,376	2,208

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 of the portfolio based on in-place rents was 5.7% (rent multiplier: 17.5). The valuation of the residential portfolio corresponds to an EPRA net initial yield of 4.3%.

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	41,368	4,463	46	1,627	21.7x	216	4,679
District of Mettmann	8,493	904	9	1,532	20.3x	66	970
Muenster	6,125	802	8	1,974	25.2x	43	845
Dusseldorf	5,310	713	7	2,075	23.3x	41	754
Other locations	21,440	2,044	21	1,458	20.7x	66	2,110
STABLE MARKETS	47,555	2,970	31	970	15.5x	100	3,070
Dortmund	13,390	931	10	1,058	17.5x	31	962
Moenchengladbach	6,445	413	4	1,010	15.0x	11	424
Hamm	4,164	222	2	883	14.3x	4	225
Other locations	23,556	1,404	15	924	14.7x	55	1,459
HIGHER-YIELDING MARKETS	39,397	2,014	21	834	14.0x	58	2,072
District of Recklinghausen	9,203	476	5	819	14.2x	17	492
Duisburg	6,563	389	4	950	14.9x	22	411
Maerkisch District	4,567	210	2	747	12.5x	2	212
Other locations	19,064	939	10	821	13.9x	18	957
SUBTOTAL NRW	128,320	9,447	98	1,149	17.4x	374	9,821
Portfolio outside NRW	1,850	157	2	1,260	17.7x	2	159
TOTAL PORTFOLIO	130,170	9,604	100	1,151	17.5x	376	9,980
Leasehold + Land Values							36
Balance Sheet property valuation assets (IAS 40/IFRS 5)³							10,016
Inventories (IAS 2)							3
Owner-occupied property (IAS 16)							21
Construction Costs (IAS 40 AIB)							0
Prepayments for property held as an investment property							208
Finance Lease (outside property valuation)							3
TOTAL BALANCE SHEET³							10,252

¹ Excluding 366 residential units in commercial buildings; including 434 commercial and other units in mixed residential assets.

² Excluding 434 commercial units in mixed residential assets; including 366 residential units in commercial buildings, commercial, parking, other assets as well as IAS 16 assets.

³ Thereof assets held for sale EUR 20.9 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	Q3 2018	Q3 2017	01.01. – 30.09.2018	01.01. – 30.09.2017
Net rental and lease income	108.9	100.2	315.2	302.9
Rental and lease income	191.9	197.9	567.4	602.2
Cost of sales in connection with rental and lease income	-83.0	-97.7	-252.2	-299.3
Net income from the disposal of investment properties	-0.2	-0.2	-0.7	-1.0
Income from the disposal of investment properties	6.1	6.3	19.7	63.5
Carrying amount of the disposal of investment properties	-6.1	-6.4	-19.8	-64.1
Cost of sales in connection with disposed investment properties	-0.2	-0.1	-0.6	-0.4
Net income from the remeasurement of investment properties	-0.4	1.0	383.5	481.1
Net income from the disposal of real estate inventory	-0.3	-0.6	-1.5	-2.2
Income from the real estate inventory disposed of	0.3	0.1	0.4	0.2
Carrying amount of the real estate inventory disposed of	-0.2	-0.1	-0.3	-0.2
Costs of sales of the real estate inventory disposed of	-0.4	-0.6	-1.6	-2.2
Net income from other services	1.6	2.3	3.8	5.0
Income from other services	2.9	3.2	8.3	9.0
Expenses in connection with other services	-1.3	-0.9	-4.5	-4.0
Administrative and other expenses	-12.4	-9.2	-31.7	-28.5
Other income	0.2	0.2	0.6	0.6
OPERATING EARNINGS	97.4	93.7	669.2	757.9
Interest income	0.2	0.2	0.5	0.4
Interest expenses	-24.6	-24.3	-72.0	-88.8
Net income from investment securities and other equity investments	0.0	0.0	2.6	2.7
Net income from associates	0.2	0.4	0.2	0.4
Net income from the fair value measurement of derivatives	-66.3	-21.2	-49.2	-63.2
EARNINGS BEFORE INCOME TAXES	6.9	48.8	551.3	609.4
Income taxes	-22.2	-14.2	-143.6	-151.4
NET PROFIT OR LOSS FOR THE PERIOD	-15.3	34.6	407.7	458.0
Change in amounts recognised directly in equity	5.1	-1.6	6.2	17.4
Thereof recycling				
Fair value adjustment of interest rate derivatives in hedges	4.1	0.0	4.3	14.0
Change in unrealised gains/(losses)	5.2	0.1	5.5	18.9
Income taxes on amounts recognised directly in equity	-1.1	-0.1	-1.2	-4.9
Thereof non-recycling				
Actuarial gains and losses from the measurement of pension obligations	1.0	-1.6	1.9	3.4
Change in unrealised gains/(losses)	1.4	-2.2	2.7	5.2
Income taxes on amounts recognised directly in equity	-0.4	0.6	-0.8	-1.8
TOTAL COMPREHENSIVE INCOME	-10.2	33.0	413.9	475.4
Net profit or loss for the period attributable to:				
Non-controlling interests	0.5	0.3	2.6	1.1
Parent shareholders	-15.8	34.4	405.1	456.9
Total comprehensive income attributable to:				
Non-controlling interests	0.5	0.3	2.6	1.1
Parent shareholders	-10.7	32.7	411.3	474.3
EARNINGS PER SHARE (BASIC) IN €	-0.25	0.54	6.41	7.23
EARNINGS PER SHARE (DILUTED) IN €	0.74	0.54	6.41	7.23

Results of operations

In the reporting period (1 January 2018 to 30 September 2018) income from net cold rents climbed by 4.7% up to EUR 417.0 million against the comparative period (1 January 2017 to 30 September 2017). In spite of higher maintenance expenses net rental and lease income rose by 4.1% against the comparative period.

The adjusted EBITDA increased by EUR 14.4 million to EUR 305.9 million. The adjusted EBITDA margin slightly decreased to 73.4% in the reporting period (comparative period 73.2%) despite higher maintenance expenses.

In spite of the increase in average net gearing, cash interest expenses dropped by EUR 1.7 million to EUR 58.8 million year-on-year in the reporting period.

Current taxes in the amount of EUR 5.0 million were directly recorded affecting net income.

Net rental and lease income

T 6 – Net rental and lease income

€ million	Q3 2018	Q3 2017	01.01.– 30.09.2018	01.01.– 30.09.2017
Net cold rent	139.6	134.7	417.0	398.4
Profit from operating expenses	0.9	0.4	-3.3	-3.1
Maintenance for externally procured services	-10.9	-14.1	-37.6	-35.0
Staff costs	-14.9	-13.4	-45.2	-40.0
Allowances on rent receivables	0.2	-1.7	-4.1	-5.4
Depreciation and amortisation expenses	-1.5	-1.7	-4.5	-4.5
Other	-4.3	-4.0	-7.0	-7.5
NET RENTAL AND LEASE INCOME	108.9	100.2	315.2	302.9
NET OPERATING INCOME-MARGIN (IN %)	78.0	74.4	75.6	76.0
Non-recurring project costs – rental and lease	1.0	0.9	4.7	1.3
Depreciation	1.5	1.7	4.5	4.5
ADJUSTED NET RENTAL AND LEASE INCOME	111.4	102.8	324.4	308.7
ADJUSTED NET OPERATING INCOME-MARGIN (IN %)	79.8	76.3	77.8	77.5

The LEG Group increased its net rental and lease income by EUR 18.6 million (4.7%) against the comparative period. In-place rent per square metre on a like-for-like basis rose by 2.7% in the reporting period.

The NOI margin amounts to 75.6% and decreased by 0.4%-points against the comparative period (76.0%). Higher maintenance expenses in the reporting period are the main reason. The NOI margin before maintenance expenses, however, increased further to 88.6% (comparative period 88.2%).

T 7 – EPRA vacancy rate

€ million	30.09.2018	30.09.2017
Rental value of vacant space – like-for-like	21.7	22.5
Rental value of vacant space – total	23.7	23.5
Rental value of the whole portfolio – like-for-like	589.8	552.2
Rental value of the whole portfolio – total	601.1	555.1
EPRA VACANCY RATE – LIKE-FOR-LIKE (IN %)	3.7	4.1
EPRA VACANCY RATE – TOTAL (IN %)	3.9	4.2

The EPRA vacancy rate stands at 3.7% like-for-like as at 30 September 2018 and was reduced against the comparative period.

T8 – Maintenance and modernisation

€ million	Q3 2018	Q3 2017	01.01.– 30.09.2018	01.01.– 30.09.2017
Maintenance expenses	18.5	18.7	54.1	48.4
thereof investment properties	18.2	18.7	53.0	48.4
Capital expenditure	57.4	32.5	120.3	62.7
thereof investment properties	56.4	32.5	117.6	62.7
TOTAL INVESTMENT	75.9	51.2	174.4	111.1
thereof investment properties	74.6	51.2	170.6	111.1
Area of investment properties in million sqm	8.53	8.43	8.53	8.35
AVERAGE INVESTMENT PER SQM (€)	8.9	6.1	20.4	13.3

Value enhancing measures increased significantly in the reporting period due to the current strategic investment programme and higher investments in individual apartments. Total investment therefore increased to EUR 20.4 per square metre with a capitalisation rate of 68.9%.

Portfolios acquired since the end of the comparative period accounted for EUR 2.0 million of total investment. For the financial year 2018 total investments are forecast to the amount of around EUR 30 per square metre.

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 19.7 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 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 30 September 2018 amounted to EUR 2.4 million, of which EUR 1.0 million related to land under development.

Administrative and other expenses**T9 – Administrative and other expenses**

€ million	Q3 2018	Q3 2017	01.01.– 30.09.2018	01.01.– 30.09.2017
Other operating expenses	-3.9	-3.5	-10.2	-11.1
Staff costs	-7.6	-5.3	-19.6	-16.1
Purchased services	-0.2	-0.3	-0.7	-0.9
Depreciation and amortisation	-0.7	-0.1	-1.2	-0.4
ADMINISTRATIVE AND OTHER EXPENSES	-12.4	-9.2	-31.7	-28.5
Depreciation and amortisation	0.7	0.1	1.2	0.4
Non-recurring project costs and extraordinary and prior-period expenses	3.9	1.0	5.8	3.8
ADJUSTED ADMINISTRATIVE AND OTHER EXPENSES	-7.8	-8.1	-24.7	-24.3

Adjusted administrative expenses in the amount of EUR 24.7 million increased moderately by 1.6%, a lower rate than rental and lease income.

Net finance earnings

T10 – Net finance earnings

€ million	Q3 2018	Q3 2017	01.01.– 30.09.2018	01.01.– 30.09.2017
Interest income	0.2	0.2	0.5	0.4
Interest expenses	-24.6	-24.3	-72.0	-88.8
NET INTEREST INCOME	-24.4	-24.1	-71.5	-88.4
Net income from other financial assets and other investments	0.0	0.0	2.6	2.7
Net income from associates	0.2	0.4	0.2	0.4
Net income from the fair value measurement of derivatives	-66.3	-21.2	-49.2	-63.2
NET FINANCE EARNINGS	-90.5	-44.9	-117.9	-148.5

Interest expense from loan amortisation decreased by EUR 8.2 million year on year to EUR 9.2 million. This includes the measurement of the convertible bonds at amortised cost in the amount of EUR 7.5 million (comparative period: EUR 4.3 million). One-time, additional amortisation expense as part of the refinancing amounted to EUR 0.9 million (EUR 4.9 million in the comparative period). The conducted refinancings of the previous year reduced amortisation effects in the reporting period. Expenses were further reduced by positive valuation effects from subsidised loans.

Year on year the average interest rate of financing liabilities was slightly further reduced to 1.63% as at 30 September 2018 (1.75% as at 30 September 2017). The remaining average term of these liabilities is 7.1 years (8.76 years as at 30 September 2017).

Excluding commercial papers financing in the amount of EUR 250 million the remaining average term is 7.5 years at an average interest rate of 1.73% as of 30 September 2018.

Dividends received from equity investments in non-consolidated and non-associated companies decreased by EUR -0.1 million year-on-year to EUR 2.6 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 -49.6 million (comparative period: EUR -63.6 million).

Income tax expenses

T11 – Income tax expenses

€ million	Q3 2018	Q3 2017	01.01.– 30.09.2018	01.01.– 30.09.2017
Current tax expenses	-0.9	-1.8	-5.0	-5.1
Deferred tax expenses	-21.3	-12.4	-138.6	-146.3
INCOME TAX EXPENSES	-22.2	-14.2	-143.6	-151.4

An effective Group tax rate of 23.4% was assumed in the reporting period in accordance with Group tax planning (comparative period: 22.2%). The lower gain from the remeasurement of investment property is the main driver of the slight year-on-year decrease in deferred tax expenses.

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 dis-

posal of investment properties) and AFFO (FFO I adjusted for capex). The calculation methods for these key figures can be found in the glossary in the annual report.

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

T 12 – Calculation of FFO I, FFO II and AFFO

€ million	Q3 2018	Q3 2017	01.01.– 30.09.2018	01.01.– 30.09.2017
Net cold rent	139.6	134.7	417.0	398.4
Profit from operating expenses	0.9	0.4	-3.3	-3.1
Maintenance for externally procured services	-10.9	-14.1	-37.6	-35.0
Staff costs	-14.9	-13.4	-45.2	-40.0
Allowances on rent receivables	0.2	-1.7	-4.1	-5.4
Other	-4.3	-4.0	-7.0	-7.5
Non-recurring project costs (rental and lease)	1.0	0.9	4.7	1.3
CURRENT NET RENTAL AND LEASE INCOME	111.6	102.8	324.5	308.7
CURRENT NET INCOME FROM OTHER SERVICES	2.2	2.9	5.6	6.7
Staff costs	-7.6	-5.4	-19.6	-16.2
Non-staff operating costs	-4.2	-3.7	-10.9	-11.9
Non-recurring project costs (admin.)	3.9	1.0	5.8	3.8
Extraordinary and prior-period expenses	0.0	0.0	0.0	0.0
CURRENT ADMINISTRATIVE EXPENSES	-7.9	-8.1	-24.7	-24.3
Other income and expenses	0.1	0.1	0.5	0.4
ADJUSTED EBITDA	106.0	97.7	305.9	291.5
Cash interest expenses and income	-20.0	-20.0	-58.8	-60.5
Cash income taxes from rental and lease	-0.5	0.2	-4.1	-3.0
FFO I (BEFORE ADJUSTMENT OF NON-CONTROLLING INTERESTS)	85.5	77.9	243.0	228.0
Adjustment of non-controlling interests	0.3	-0.4	-0.8	-1.7
FFO I (AFTER ADJUSTMENT OF NON-CONTROLLING INTERESTS)	85.8	77.5	242.2	226.3
Net income from the disposal of investment properties	-0.8	1.7	-0.9	1.0
Cash income taxes from disposal of investment properties	-0.1	-2.1	-0.7	-2.1
FFO II (INCL. DISPOSAL OF INVESTMENT PROPERTIES)	84.9	77.1	240.6	225.2
CAPEX	-57.4	-32.5	-120.3	-62.7
CAPEX-ADJUSTED FFO I (AFFO)	28.4	45.0	121.9	163.6

At EUR 242.2 million, FFO I developed positively as scheduled in the reporting period (previous year: EUR 226.3 million). In particular, this increase is attributable to the positive impact from the rise in net cold rent, lower interest expenses and lower impairment losses on rent receivables. This was offset by higher staff expenses due to new hires and general salary growth as well as slightly higher maintenance expenses for externally procured services.

The reduced average interest rate due to the refinancing is also reflected in the increase of the interest coverage ratio (ratio of adjusted EBITDA to cash interest expense) at 520% in the reporting period (comparative period: 480%).

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):

T 13 – EPRA earnings per share (EPS)

<i>€ million</i>	Q3 2018	Q3 2017	01.01.– 30.09.2018	01.01.– 30.09.2017
Net profit or loss for the period attributable to parent shareholders	-15.8	34.4	405.1	456.9
Changes in value of investment properties	0.4	-1.0	-383.5	-481.1
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	0.4	0.9	2.2	3.2
Tax on profits or losses on disposals	0.1	-0.6	0.7	2.1
Changes in fair value of financial instruments and associated close-out costs	66.3	21.2	49.2	63.2
Acquisition costs on share deals and non-controlling joint venture interests	0.1	-	0.7	0.8
Deferred tax in respect of EPRA adjustments	16.4	8.9	126.7	130.3
Refinancing expenses	1.0	0.2	1.0	5.5
Other interest expenses	0.0	-0.1	0.1	6.4
Non-controlling interests in respect of the above	-0.2	0.7	0.3	0.6
EPRA EARNINGS	68.7	64.6	202.5	187.9
Weighted average number of shares outstanding	63,188,185	63,188,185	63,188,185	63,188,185
= EPRA earnings per share (undiluted) in €	1.09	1.02	3.20	2.97
Potentially diluted shares	5,635,729	5,455,398	5,635,729	5,455,398
Interest coupon on convertible bond	0.3	0.3	0.9	0.9
Amortisation expenses convertible bond after taxes	1.6	0.8	4.3	3.7
EPRA earnings (diluted)	70.6	65.7	207.7	192.5
Number of diluted shares	68,823,914	68,643,583	68,823,914	68,643,583
= EPRA EARNINGS PER SHARE (DILUTED) IN €	1.03	0.96	3.02	2.80

T14 – Consolidated statement of financial position*Assets*

<i>€ million</i>	30.09.2018	31.12.2017
Non-current assets	10,382.3	9,633.0
Investment properties	9,998.5	9,460.7
Prepayments for investment properties	208.2	–
Property, plant and equipment	60.7	63.4
Intangible assets and goodwill	85.3	85.4
Investments in associates	9.7	9.5
Other financial assets	13.1	3.0
Receivables and other assets	0.2	2.3
Deferred tax assets	6.6	8.7
Current assets	285.6	349.1
Real estate inventory and other inventory	10.0	5.3
Receivables and other assets	85.0	56.4
Income tax receivables	5.3	2.0
Cash and cash equivalents	185.3	285.4
Assets held for sale	20.9	30.9
TOTAL ASSETS	10,688.8	10,013.0

Equity and liabilities

<i>€ million</i>	30.09.2018	31.12.2017
Equity	4,341.5	4,112.4
Share capital	63.2	63.2
Capital reserves	611.2	611.2
Cumulative other reserves	3,641.4	3,413.0
Equity attributable to shareholders of the parent company	4,315.8	4,087.4
Non-controlling interests	25.7	25.0
Non-current liabilities	5,219.8	4,980.2
Pension provisions	145.5	148.6
Other provisions	8.9	9.4
Financing liabilities	3,918.2	3,821.4
Other liabilities	153.4	145.6
Deferred tax liabilities	993.8	855.2
Current liabilities	1,127.5	920.4
Pension provisions	5.4	7.0
Other provisions	11.0	12.9
Provisions for taxes	0.2	0.2
Financing liabilities	635.7	478.2
Other liabilities	463.4	413.6
Tax liabilities	11.8	8.5
TOTAL EQUITY AND LIABILITIES	10,688.8	10,013.0

Net assets

The increase in investment properties results mainly from additions due to acquisitions amounting to EUR 45.4 million as well as capitalization of modernisation expenses with EUR 117.6 million.

The position prepayments for investment properties includes prepayments for investment properties in the amount of EUR 208.2 million.

The recognition of real property tax expense as other inventories (EUR 5.6 million) for the financial year and the deferral of prepaid operating costs in the amount of EUR 29.9 million significantly contribute to the development of the current assets.

Cash and cash equivalents decreased by EUR 100.1 million to EUR 185.3 million. This development is attributable mainly to the cashflow from operating activities (EUR 211.0 million), sales of investment properties (EUR 17.4 million), a positive cash balance from refinancing of bank loans (EUR 247.9 million), offset by cash payments for acquisitions and modernisation (EUR -374.6 million) for investment properties as well as distributions to shareholders (EUR -192.1 million).

Compared to 31 December 2017 equity increased in particular because of the net profit (EUR 407.7 million).

Changes in the fair value of the derivatives from the convertible bonds lead to an increase of other liabilities by EUR 49.6 million, thereof EUR 11.5 million from the convertible bond issued in 2017 (non-current) and EUR 38.1 million from the existing convertible bond issued in 2014 (current).

T15 – Statement of changes in consolidated equity

€ million	Share capital	Capital reserves	Cumulative other reserves			Equity attributable to shareholders of the Group	Non-controlling interests	Consolidated equity
			Revenue reserves	Actuarial gains and losses from the measurement of pension obligations	Fair value adjustment of interest derivatives in hedges			
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/loss for the period	-	-	456.9	-	-	456.9	1.1	458.0
Other comprehensive income	-	-	-	3.4	14.0	17.4	0.0	17.4
TOTAL COMPREHENSIVE INCOME	-	-	456.9	3.4	14.0	474.3	1.1	475.4
Change in consolidated companies	-	-	-	-	-	-	0.2	0.2
Capital increase/additions to reserves	-	-	-	-	-	-	0.8	0.8
Withdrawals from reserves	-	-	-16.2	-	-	-16.2	-0.8	-17.0
Changes from put options	-	-	-	-	-	-	-	-
Distributions	-	-	-174.4	-	-	-174.4	-	-174.4
AS OF 30.09.2017	63.2	611.2	3,085.1	-36.5	-24.8	3,698.2	23.5	3,721.7
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/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/additions to reserves	-	-	11.0	-	-	11.0	0.8	11.8
Withdrawals from reserves	-	-	-1.8	-	-	-1.8	-2.7	-4.5
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

On 30 September 2018, the LEG Group held 130,170 apartments and 1,231 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:

T 16 – Investment properties

€ million	30.09.2018	31.12.2017
CARRYING AMOUNT AS OF 01.01.	9,460.7	7,954.9
Acquisitions	45.4	396.8
Other additions	117.6	112.7
Reclassified to assets held for sale	-16.4	-41.0
Reclassified from assets held for sale	6.8	0.0
Reclassified to property, plant and equipment	-0.5	-4.4
Reclassified from property, plant and equipment	1.4	4.9
Fair value adjustment	383.5	1,036.8
CARRYING AMOUNT AS OF 30.09. / 31.12.	9,998.5	9,460.7

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 is around EUR 6.7 per square metre and the initial vacancy rate is around 1.4%. The transaction was closed on 1 January 2018. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

T 18 – Maturity of financing liabilities from real estate financing

€ million	Remaining term < 1 year	Remaining term > 1 to 5 years	Remaining term > 5 years	Total
30.09.2018	629.9	1,048.4	2,851.0	4,529.3
31.12.2017	472.5	784.4	3,017.0	4,273.9

Investment property was measured as of 31 December 2017 and most recently as of 30 June 2018. No further fair value adjustments were made as at 30 September 2018. With regard to the calculation methods and parameters, please refer to the consolidated financial statements as of 31 December 2017.

Financing liabilities are composed as follows:

T 17 – Financing liabilities

€ million	30.09.2018	31.12.2017
Financing liabilities from real estate financing	4,529.3	4,273.9
Financing liabilities from lease financing	24.6	25.7
FINANCING LIABILITIES	4,553.9	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 30 September 2018.

As of September 2018 current financing liabilities include commercial papers in the amount of EUR 250 million (31 December 2017: EUR 100 million). Valuation in the amount of EUR 150.2 million raised the financing liabilities. In financial year 2018, financing liabilities were reduced by the early repayment of subsidized loans (by EUR 15.2 million) as well as by scheduled and non-scheduled repayments.

Net asset value (NAV)

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

The LEG Group reported basic EPRA NAV of EUR 5,645.1 million as at 30 September 2018. The effects of the possible conversion of the convertible bond are shown by the additional calculation of diluted EPRA NAV. After further adjustment for goodwill effects, adjusted diluted EPRA NAV amounted to EUR 6,208.5 million at the reporting date.

T19 – EPRA NAV

€ million	30.09.2018 undiluted	30.09.2018 Effect of exercise of convertibles/ options	30.09.2018 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	4,315.8	–	4,315.8	4,087.4	–	4,087.4
NON-CONTROLLING INTERESTS	25.7	–	25.7	25.0	–	25.0
EQUITY	4,341.5	–	4,341.5	4,112.4	–	4,112.4
Effect of exercise of options, convertibles and other equity interests	–	616.1	616.1	–	559.2	559.2
NAV	4,315.8	616.1	4,931.9	4,087.4	559.2	4,646.6
Fair value measurement of derivative financial instruments	303.4	–	303.4	259.8	–	259.8
Deferred taxes on WFA loans and derivatives	12.5	–	12.5	12.7	–	12.7
Deferred taxes on investment property	1,045.5	–	1,045.5	918.7	–	918.7
Goodwill resulting from deferred taxes on EPRA adjustments	–32.1	–	–32.1	–32.1	–	–32.1
EPRA NAV	5,645.1	616.1	6,261.2	5,246.5	559.2	5,805.7
NUMBER OF SHARES	63,188,185	5,635,729	68,823,914	63,188,183	5,455,398	68,643,583
EPRA NAV PER SHARE	89.34	–	90.97	83.03	–	84.58
Goodwill resulting from synergies	52.7	–	52.7	52.7	–	52.7
ADJUSTED EPRA NAV (W/O EFFECTS FROM GOODWILL)	5,592.4	616.1	6,208.5	5,193.8	559.2	5,753.0
ADJUSTED EPRA NAV PER SHARE	88.50	–	90.21	82.20	–	83.81
EPRA NAV	5,645.1	616.1	6,261.2	5,246.5	559.2	5,805.7
Fair value measurement of derivative financial instruments	–303.4	–	–303.4	–259.8	–	–259.8
Deferred taxes on WFA loans and derivatives	–12.5	–	–12.5	–12.7	–	–12.7
Deferred taxes on investment property	–1,045.5	–	–1,045.5	–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	–154.4	–	–154.4	–286.6	–	–286.6
Valuation uplift resulting from FV measurement financing liabilities	83.8	–	83.8	74.8	–	74.8
EPRA NNNAV	4,245.2	616.1	4,861.3	3,875.6	559.2	4,434.8
EPRA NNNAV per share	67.18	–	70.63	61.33	–	64.61

Loan-to-value ratio (LTV)

Net debt in relation to property assets slightly increased as compared with 31 December 2017 due to acquisitions and investments in the property portfolio. The loan-to-value ratio (LTV) is therefore EUR 42.7% (31 December 2017: 42.3%).

T20 – Loan-to-value ratio

€ million	30.09.2018	31.12.2017
Financing liabilities	4,553.9	4,299.6
Less cash and cash equivalents	185.3	285.4
NET FINANCING LIABILITIES	4,368.6	4,014.2
Investment properties	9,998.5	9,460.7
Assets held for sale	20.9	30.9
Prepayments for investment properties	208.2	–
Prepayments for business combinations	–	2.0
REAL ESTATE ASSETS	10,227.6	9,493.6
LOAN TO VALUE RATIO (LTV) IN %	42.7	42.3

Financial position

A net profit or loss of EUR 407.7 million was realised in the reporting period (comparative period: net profit or loss for the period of EUR 458.0 million). Equity amounted to EUR 4,341.5 million at the reporting date (31 December 2017: EUR 4,112.4 million). This corresponds to an equity ratio of 40.6% (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 –374.6 million. Furthermore, cash proceeds from property disposals in the amount of EUR 17.4 million resulted in a net cash flow from investing activities of EUR –362.2 million.

The repayments (EUR –242.3 million), the receipts from new loans (EUR 490.2 million) and the distributions to shareholders (EUR –192.1 million) were the main drivers of the cash flow from financing activities of EUR 51.1 million.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

T21 – Consolidated statement of cash flows

<i>€ million</i>	01.01.– 30.09.2018	<i>01.01.– 30.09.2017</i>
Operating earnings	669.2	757.9
Depreciation on property, plant and equipment and amortisation on intangible assets	7.6	6.8
(Gains)/Losses from the remeasurement of investment properties	-383.5	-481.1
(Gains)/Losses from the disposal of assets held for sale and investment properties	0.1	0.5
(Decrease)/Increase in pension provisions and other non-current provisions	-2.5	-2.6
Other non-cash income and expenses	4.0	4.9
(Decrease)/Increase in receivables, inventories and other assets	-41.9	-50.0
Decrease/(Increase) in liabilities (not including financing liabilities) and provisions	19.1	21.9
Interest paid	-59.2	-61.0
Interest received	0.4	0.5
Received income from investments	2.6	2.8
Income taxes received	0.0	0.5
Income taxes paid	-4.9	-6.8
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	211.0	194.3
Cash flow from investing activities		
Investments in investment properties	-374.6	-382.5
Proceeds from disposals of non-current assets held for sale and investment properties	17.4	16.1
Investments in intangible assets and property, plant and equipment	-4.2	-4.0
Acquisition of shares in consolidated companies	-0.8	0.2
Change in investments in securities	-	-180.0
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	-362.2	-550.2
Cash flow from financing activities		
Borrowing of bank loans	490.2	214.8
Repayment of bank loans	-242.3	-432.9
Issue of convertible/corporate bonds	-	891.2
Repayment of lease liabilities	-2.6	-2.6
Other proceeds	0.7	0.7
Distribution to non-controlling interests	-2.8	-
Distribution to shareholders	-192.1	-174.4
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	51.1	496.8
Change in cash and cash equivalents	-100.1	140.9
Cash and cash equivalents at beginning of period	285.4	166.7
CASH AND CASH EQUIVALENTS AT END OF PERIOD	185.3	307.6
Composition of cash and cash equivalents		
Cash in hand, bank balances	185.3	307.6
CASH AND CASH EQUIVALENTS AT END OF PERIOD	185.3	307.6

SUPPLEMENTARY REPORT

The acquisition of a property portfolio of around 3,788 residential and commercial units was notarised on 10 August 2018. The portfolio generates annual net cold rent of around EUR 13.7 million. The average in-place rent is around EUR 4.80 per square metre and the initial vacancy rate is around 4.9%. The portfolio acquisition does not constitute a business combination as defined by IFRS 3. For this acquisition, prepayments for investment properties in the amount of EUR 208.1 million were paid as of 30 September 2018.

LEG has concluded new financing and refinancing agreements for a total volume of EUR 480 million. This has also a smaller positive effect on FFO.

There were no other significant events after the end of the interim reporting period on 30 September 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 nine months of 2018 and the further mentioned factors, LEG believes it is well positioned overall to confirm its earnings targets for the financial years 2018 and 2019. The target of 3.0% rental growth (like-for-like) in 2018 is also confirmed. For financial year 2019 the rental growth forecast has been adjusted from around 3.5% to 3.0–3.2%. With the earnings release as at 30 September 2018, the outlook has been extended by the targets for financial year 2020. LEG expects a like-for-like rental growth in the range of 3.2%–3.4% for financial year 2020. In terms of FFO I, LEG expects a range of EUR 356 million to EUR 364 million. This outlook considers a slight dampening of growth caused by rent regulation and cost inflation for craftsmen.

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

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	c. EUR 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. 3.0–3.2%

OUTLOOK 2020

FFO I	in the range of EUR 356 million to EUR 364 million
Like-for-like rental growth	c. 3.2–3.4%

RESPONSIBILITY STATEMENT

“To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the LEG Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the LEG Group, together with a description of the principal opportunities and risks associated with the expected development of the LEG Group.”

Dusseldorf, 9 November 2018

LEG Immobilien AG, Dusseldorf

The Management Board

THOMAS HEGEL
ECKHARD SCHULTZ

FINANCIAL CALENDAR 2018/2019

LEG financial calendar 2018/2019

Publication of the Quarterly Statement as of 30 September 2018	9 November 2018
Publication of the Annual Report 2018	11 March 2019
Publication of the Quarterly Statement as of 31 March 2019	9 May 2019
Annual General Meeting, Dusseldorf	29 May 2019
Publication of the Quarterly Report as of 30 June 2019	9 August 2019
Publication of the Quarterly Statement as of 30 September 2019	15 November 2019

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VISUAL CONCEPT AND DESIGN

hw.design, Munich

The quarterly statement as of 30 September 2018 is also available in German.

In case of doubt, the German version takes precedence.

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