

Redefine Living

QUARTERLY REPORT AS OF 30 JUNE 2019




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About this Report

The PDF version of our Quarterly Report was optimised for use on a PC or tablet. By displaying the report in landscape format with a single page view, the reading experience is the same as with a monitor. The linked tables of contents ensure reliable navigation through all sections. The numerous links throughout the PDF report, as well as the helpful tabs on each page, make it easier for the reader to create content references and facilitate the convenient, customised and transparent display of information.

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Key Figures Q2 2019

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		Q2 2019	Q2 2018	+/- %	01.01. – 30.06.2019	01.01. – 30.06.2018	+/- %
Results of operations							
Rental income	€ million	146.2	138.9	5.3	292.5	277.4	5.4
Net rental and lease income	€ million	116.3	107.9	7.8	225.9	206.3	9.5
EBITDA	€ million	653.4	484.5	34.9	757.5	576.6	31.4
EBITDA adjusted	€ million	111.0	105.1	5.6	217.8	200.0	8.9
EBT	€ million	671.0	450.0	49.1	632.5	544.4	16.2
Net profit or loss for the period	€ million	526.1	344.8	52.6	469.1	423.0	10.9
FFO I	€ million	86.1	82.2	4.7	171.0	156.5	9.3
FFO I per share	€	1.36	1.30	4.7	2.71	2.48	9.3
FFO II	€ million	86.2	82.2	4.9	169.4	155.8	8.7
FFO II per share	€	1.36	1.30	4.9	2.68	2.46	8.7
AFFO	€ million	37.7	41.3	-8.7	92.7	93.6	-1.0
AFFO per share	€	0.60	0.65	-8.7	1.47	1.48	-1.0
Portfolio		30.06.2019	30.06.2018	+/- %/bp			
Number residential units		130,968	130,224	0.6			
In-place rent	€/sqm	5.75	5.59	2.9			
In-place rent (I-f-I)	€/sqm	5.77	5.61	2.9			
EPRA vacancy rate	%	3.7	3.9	-20 bp			
EPRA vacancy rate (I-f-I)	%	3.6	3.5	+10 bp			
Statement of financial position		30.06.2019	31.12.2018	+/- %/bp			
Investment property	€ million	11,224.8	10,709.0	4.8			
Cash and cash equivalents	€ million	187.6	233.6	-19.7			
Equity	€ million	4,989.3	4,783.9	4.3			
Total financing liabilities	€ million	4,769.6	4,598.1	3.7			
Current financing liabilities	€ million	468.1	484.8	-3.4			
LTV	%	40.0	40.7	-70 bp			
Equity ratio	%	42.1	42.7	-60 bp			
Adj. EPRA NAV, diluted	€ million	7,117.4	6,613.7	7.6			
Adj. EPRA NAV per share, diluted	€	103.14	96.10	7.3			
Pro forma NAV after simulated executed conversion	€ million	6,871.5	6,428.0	6.9			
Pro forma NAV after simulated executed conversion per share	€	99.57	93.40	6.6			

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 [> 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 June 2019, the portfolio included 130,968 residential units, 1,232 commercial units and 32,837 garages or parking spaces, excluding assets held for sale. For reasons of portfolio optimization, a package of 2,670 residential units was sold in Q2 2019, with economic transfer probably as at end of August 2019.

Performance of the LEG portfolio

Operational development

In-place rent on a like-for-like basis was EUR 5.77 per square metre as of 30 June 2019, 2.9% up on the previous year.

In the free-financed segment which accounts for around 74% of LEG's portfolio, rents rose by 3.5% to EUR 6.14 per square metre/month (on a like-for-like basis). The high-growth markets recorded a plus of 3.8% to EUR 7.05 per square metre (on a like-for-like basis). Positive effects from LEG's modernisation programme contributed to this development. In the stable markets, in-place rent increased by 3.6% to an average of EUR 5.74 per square metre (on a like-for-like basis). In Dortmund, the largest LEG location, rents rose by 4.4% (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 EUR 5.60 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 0.6% 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 (previous year: 3.5%). With an occupancy rate of 98.2% (on a like-for-like basis) the LEG portfolio in the high-growth markets was nearly fully let as of end of June 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 93.8% (on a like-for-like basis).

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Portfolio segments – top 3 locations

	30.06.2019 ¹					30.06.2018					Change in-place rent % like-for-like	Change (basis points) vacancy rate like-for-like
	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 %		
	High-growth markets	41,442	31.6	2,745,685	6.45	1.8	41,341	31.7	2,735,144	6.26		
District of Mettmann	8,485	6.5	589,937	6.58	2.1	8,494	6.5	590,681	6.28	2.0	4.7	10
Münster	6,126	4.7	406,760	6.64	0.6	6,125	4.7	403,337	6.51	1.6	2.1	-110
Dusseldorf	5,310	4.1	344,670	7.78	3.4	5,258	4.0	341,609	7.60	5.2	2.3	-160
Other locations	21,521	16.4	1,404,318	6.02	1.6	21,464	16.5	1,399,518	5.86	2.3	2.9	-60
Stable markets	48,245	36.8	3,089,411	5.42	3.7	47,565	36.5	3,057,680	5.27	3.5	2.9	40
Dortmund	13,349	10.2	871,257	5.27	3.2	13,397	10.3	875,721	5.09	3.0	3.4	20
Moenchengladbach	6,443	4.9	408,317	5.76	1.9	6,445	4.9	408,421	5.58	1.9	3.3	10
Hamm	4,337	3.3	260,460	5.21	2.8	4,164	3.2	250,309	5.09	3.1	2.1	-20
Other locations	24,116	18.4	1,549,378	5.44	4.6	23,559	18.1	1,523,230	5.32	4.3	2.7	70
Higher yielding markets	39,432	30.1	2,385,522	5.33	6.4	39,468	30.3	2,409,889	5.20	6.3	2.2	60
District of Recklinghausen	8,787	6.7	533,270	5.23	3.8	9,202	7.1	572,285	5.08	6.0	1.7	-10
Duisburg	6,190	4.7	374,289	5.73	6.5	6,565	5.0	408,131	5.44	3.9	3.7	240
Maerkisch District	4,567	3.5	281,419	5.19	3.8	4,567	3.5	281,419	5.08	3.0	2.2	80
Other locations	19,888	15.2	1,196,543	5.28	8.0	19,134	14.7	1,148,054	5.20	8.1	2.0	40
Outside NRW	1,849	1.4	123,960	6.16	2.9	1,850	1.4	124,044	5.96	2.0	3.4	100
Total	130,968	100.0	8,344,578	5.75	3.7	130,224	100.0	8,326,757	5.59	3.9	2.9	10

¹ 30.06.2019: Adjusted by assets held for sale (IFRS 5).

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LEG Portfolio

		High-growth markets			Stable markets			Higher yielding markets		
		30.06.2019 ¹	31.12.2018	30.06.2018	30.06.2019 ¹	31.12.2018	30.06.2018	30.06.2019 ¹	31.12.2018	30.06.2018
Subsidised residential units										
Units		11,787	11,998	11,946	13,690	14,252	13,874	7,599	8,616	8,082
Area	sqm	822,245	836,261	831,590	923,536	965,848	938,599	495,669	569,493	531,386
In-place rent	€/sqm	5.05	5.03	5.03	4.72	4.70	4.67	4.52	4.49	4.47
EPRA vacancy rate	%	1.0	0.8	0.9	2.4	2.1	2.4	2.8	4.4	4.9
Free-financed residential units										
Units		29,655	29,425	29,395	34,555	34,713	33,691	31,833	33,115	31,386
Area	sqm	1,923,441	1,908,404	1,906,273	2,165,876	2,177,412	2,118,693	1,889,853	1,988,561	1,877,412
In-place rent	€/sqm	7.06	6.96	6.80	5.72	5.63	5.54	5.55	5.45	5.41
EPRA vacancy rate	%	2.1	2.4	3.1	4.1	3.5	3.9	7.1	6.2	6.6
Total residential units										
Units		41,442	41,423	41,341	48,245	48,965	47,565	39,432	41,731	39,468
Area	sqm	2,745,685	2,744,665	2,737,864	3,089,411	3,143,260	3,057,292	2,385,522	2,558,054	2,408,797
In-place rent	€/sqm	6.45	6.36	6.26	5.42	5.34	5.27	5.33	5.23	5.20
EPRA vacancy rate	%	1.8	2.0	2.6	3.7	3.1	3.5	6.4	5.9	6.3
Total commercial										
Units										
Area	sqm									
Total parking										
Units										
Total other										
Units										

¹ 30.06.2019: Adjusted by assets held for sale (IFRS 5).

T3

LEG Portfolio

		Outside NRW			Total		
		30.06.2019 ¹	31.12.2018	30.06.2018	30.06.2019 ¹	31.12.2018	30.06.2018
Subsidised residential units							
Units		98	98	98	33,174	34,964	34,000
Area	sqm	7,733	7,733	7,733	2,249,183	2,379,335	2,309,308
In-place rent	€/sqm	4.57	4.56	4.56	4.80	4.77	4.76
EPRA vacancy rate	%	0.8	0.0	1.0	1.9	2.1	2.3
Free-financed residential units							
Units		1,751	1,752	1,752	97,794	99,005	96,224
Area	sqm	116,227	116,311	116,311	6,095,396	6,190,688	6,018,689
In-place rent	€/sqm	6.27	6.19	6.05	6.11	6.00	5.92
EPRA vacancy rate	%	3.0	2.9	2.0	4.2	3.8	4.3
Total residential units							
Units		1,849	1,850	1,850	130,968	133,969	130,224
Area	sqm	123,960	124,044	124,044	8,344,578	8,570,023	8,327,997
In-place rent	€/sqm	6.16	6.09	5.96	5.75	5.65	5.59
EPRA vacancy rate	%	2.9	2.7	2.0	3.7	3.5	3.9
Total commercial							
Units					1,232	1,267	1,245
Area	sqm				204,721	214,927	205,459
Total parking							
Units					32,837	33,855	32,736
Total other							
Units					2,598	2,510	2,376

¹ 30.06.2019: Adjusted by assets held for sale (IFRS 5).

Value development

The following table shows the distribution of assets by market segment. Due to the ongoing dynamic market development, LEG again executed a portfolio revaluation in the second quarter, like in the previous years. This resulted in a rental yield based on in-place rents of 5.2 % (rent multiplier: 19.3). Assets held for sale are excluded. The valuation of the residential portfolio corresponds to an EPRA net initial yield of 4.1 %.

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Portfolio	Residential units	Residential assets € million ¹	Share residential asset in %	Value €/sqm in €	In-place rent multiplier	Commercial/ other assets € million ²	Total assets € million
30.06.2019							
High Growth Markets	41,442	4,919	46	1,790	23.5x	232	5,151
District of Mettmann	8,485	999	9	1,695	21.9x	72	1,071
Muenster	6,126	860	8	2,115	26.7x	47	907
Dusseldorf	5,310	781	7	2,271	24.9x	44	824
Other locations	21,521	2,279	21	1,618	22.7x	69	2,349
Stable Markets	48,245	3,454	32	1,118	17.8x	125	3,579
Dortmund	13,349	1,112	10	1,273	20.7x	47	1,159
Moenchengladbach	6,443	470	4	1,149	16.9x	12	482
Hamm	4,337	258	2	988	16.2x	5	263
Other locations	24,116	1,614	15	1,044	16.7x	61	1,675
Higher-Yielding Markets	39,432	2,216	21	924	15.3x	65	2,282
District of Recklinghausen	8,787	504	5	937	15.4x	18	522
Duisburg	6,190	400	4	1,064	16.4x	23	423
Maerkisch District	4,567	231	2	820	13.6x	2	233
Other locations	19,888	1,082	10	898	15.3x	22	1,104
Subtotal NRW	129,119	10,590	98	1,286	19.3x	422	11,012
Portfolio outside NRW	1,849	169	2	1,360	18.9x	2	171
Total portfolio	130,968	10,759	100	1,287	19.3x	424	11,183
Leasehold and land values							38
Balance sheet property valuation assets (IAS 40)							11,221
Prepayments for property held as an investment property							3
Held for sale (IFRS 5)							152
Inventories (IAS 2)							30
Owner-occupied property (IAS 16)							4
Construction costs (IAS 40 AIB)							1
Total balance sheet							11,411

¹ Excluding 376 residential units in commercial buildings; including 501 commercial units as well as several other units in mixed residential assets.

² Excluding 501 commercial units in mixed residential assets; including 376 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 Annual Report 2018](#) for a definition of individual key figures and terms.

Results of operations

T5

Condensed income statement

€ million	Q2 2019	Q2 2018	01.01.– 30.06.2019	01.01.– 30.06.2018
Net rental and lease income	116.3	107.9	225.9	206.3
Net income from the disposal of investment properties	-0.2	-0.2	-0.4	-0.5
Net income from the remeasurement of investment properties	550.3	383.9	550.2	383.9
Net income from the disposal of real estate inventory	-0.5	-0.5	-1.2	-1.2
Net income from other services	-0.8	0.7	0.6	2.2
Administrative and other expenses	-15.8	-9.9	-25.3	-19.3
Other income	0.1	0.2	0.2	0.4
Operating earnings	649.4	482.1	750.0	571.8
Interest income	0.0	0.2	0.0	0.3
Interest expenses	-26.5	-23.1	-52.1	-47.4
Net income from investment securities and other equity investments	0.1	0.2	2.7	2.6
Net income from the fair value measurement of derivatives	47.9	-9.4	-68.1	17.1
Net finance earnings	21.5	-32.1	-117.5	-27.4
Earnings before income taxes	670.9	450.0	632.5	544.4
Income taxes	-145.0	-105.2	-163.4	-121.4
Net profit or loss for the period	525.9	344.8	469.1	423.0

In the reporting period (1 January to 30 June 2019) income from net cold rent increased by 5.4% (+EUR 15.1 million) against the comparative period (1 January to 30 June 2018). Net rental and lease income increased by 9.5% to EUR 225.9 million due to a disproportionate development of expenses.

The adjusted EBITDA increased by 8.9% to EUR 217.8 million. The adjusted EBITDA margin increased slightly from 72.1% (comparative period) to 74.5% in the reporting period.

The increase of operating earnings by EUR 178.2 million in the reporting period was mainly due to EUR 166.3 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 -67.6 million (comparative period: EUR 16.9 million).

In the first half of 2019, current income tax expenses of EUR -7.5 million were recorded affecting net income.

Net rental and lease income

T6

Net rental and lease income

€ million	Q2 2019	Q2 2018	01.01.– 30.06.2019	01.01.– 30.06.2018
Net cold rent	146.2	138.9	292.5	277.4
Profit from operating expenses	-0.1	-1.4	-1.8	-4.2
Maintenance for externally procured services	-11.6	-11.2	-25.4	-26.7
Staff costs	-16.0	-15.3	-32.1	-30.3
Allowances on rent receivables	-1.9	-1.9	-4.3	-4.3
Depreciation and amortisation expenses	-2.2	-1.3	-4.3	-3.0
Other	1.9	0.1	1.3	-2.6
Net rental and lease income	116.3	107.9	225.9	206.3
Net operating income-margе in %	79.5	77.7	77.2	74.4
Non-recurring project costs – rental and lease	0.9	2.4	1.6	3.7
Depreciation	2.2	1.3	4.3	3.0
Adjusted net rental and lease income	119.4	111.6	231.8	213.0
Adjusted net operating income-margin (in %)	81.7	80.3	79.2	76.8

In the reporting period, the LEG Group increased its net rental and lease income by EUR 19.6 million compared to the same period of the previous year. The main driver of this development was the EUR 15.1 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 initial application of IFRS 16 resulted in an improvement of the positions profit from operating expenses, other, as well as in an increase of depreciation and amortisation expenses. This was partly offset by the increase in staff costs with EUR 1.8 million which resulted from a volume and price increase.

Due to the disproportionate development of net rental and lease income compared with the development of in-place rent the NOI margin increased from 74.4% to 77.2% in the reporting period.

The EPRA vacancy rate stood at 3.6% like-for-like as at 30 June 2019 and was almost stable against the comparative period (3.5% as at 30 June 2018).

T7

EPRA vacancy rate

€ million	30.06.2019	30.06.2018
Rental value of vacant space – like-for-like	21.3	20.7
Rental value of vacant space – total	24.2	23.3
Rental value of the whole portfolio – like-for-like	596.6	585.8
Rental value of the whole portfolio – total	626.0	600.7
EPRA vacancy rate – like-for-like (in %)	3.6	3.5
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 modernization work as a result of the strategic investment program surged by EUR 15.4 million to EUR 78.3 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. – 30.06.2019	01.01. – 30.06.2018
Acquisitions	2.7	0.6
Development	2.1	1.1
Like-for-like portfolio	73.5	61.2
Other	0.0	0.0
Capex	78.3	62.9

In addition to the value-adding modernisation, maintenance recognised as an expense contributed to the EUR 18.5 million increase in total investment to EUR 117.0 million. Total investment in investment properties therefore increased to EUR 13.36 per square metre (without new construction activities EUR 13.12 per square metre) with a capitalisation rate of 66.9%.

T9

Maintenance and modernisation

€ million	Q2 2019	Q2 2018	01.01. – 30.06.2019	01.01. – 30.06.2018
Maintenance expenses	18.3	15.8	38.7	35.6
thereof investment properties	17.8	15.3	37.9	34.7
Capital expenditure	48.4	40.9	78.3	62.9
thereof investment properties	45.2	39.9	74.1	61.2
Total investment	66.7	56.7	117.0	98.5
thereof investment properties	63.0	55.2	112.0	95.9
Area of investment properties in million sqm	8.76	8.53	8.76	8.54
Average investment per sqm (€/sqm)	7.61	6.65	13.36	11.53
Average investment per sqm without new construction activities (€/sqm)	7.42	6.58	13.12	11.41

A further increase in investments in major projects is scheduled for the further course of the financial year.

Net income from the disposal of investment properties

T10

Net income from the disposal of investment properties

€ million	Q2 2019	Q2 2018	01.01. – 30.06.2019	01.01. – 30.06.2018
Income from the disposal of investment	5.4	3.5	22.9	13.6
Carrying amount of the disposal of investment properties	-5.4	-3.5	-22.9	-13.7
Costs of sales of investment properties	-0.2	-0.2	-0.4	-0.4
Net income from the disposal of investment properties	-0.2	-0.2	-0.4	-0.5

Sales of investment property amounted to EUR 22.9 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 property

Net income from remeasurement of investment property amounted to EUR 550.2 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) was EUR 1,272 per square metre including acquisitions (31 December 2018: EUR 1,198 per square metre). Excluding IFRS 5 objects the average value was EUR 1,287 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 rate.

Net income from the disposal of real estate inventory

The disposal 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 June 2019 amounted to EUR 1.8 million, of which EUR 0.4 million related to land under development.

Administrative and other expenses

T11

Administrative and other expenses

€ million	Q2 2019	Q2 2018	01.01. – 30.06.2019	01.01. – 30.06.2018
Other operating expenses	-4.7	-3.1	-7.4	-6.3
Staff costs	-9.8	-6.3	-15.4	-12.0
Purchased services	-0.3	-0.2	-0.6	-0.5
Depreciation and amortisation	-1.0	-0.3	-1.9	-0.5
Administrative and other expenses	-15.8	-9.9	-25.3	-19.3
Depreciation and amortisation	1.0	0.3	1.9	0.5
Non-recurring project costs and extraordinary and prior-period expenses	6.4	1.5	7.2	1.9
Adjusted administrative and other expenses	-8.5	-8.1	-16.2	-16.8

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

Net finance earnings

T12

Net finance earnings

€ million	Q2 2019	Q2 2018	01.01. – 30.06.2019	01.01. – 30.06.2018
Interest income	0.0	0.2	0.0	0.3
Interest expenses	-26.5	-23.1	-52.1	-47.4
Net interest income	-26.5	-22.9	-52.1	-47.1
Net income from other financial assets and other investments	0.1	0.2	2.7	2.6
Net income from associates	-	-	-	-
Net income from the fair value measurement of derivatives	47.9	-9.4	-68.1	17.1
Net finance earnings	21.5	-32.1	-117.5	-27.4

Interest expense from loan amortisation increased by EUR 5.4 million year on year to EUR 11.2 million. This includes the measurement of the convertible and corporate bonds at amortised cost in the amount of EUR 5.2 million (comparative period: EUR 5.0 million). In addition, the issuance of registered bonds as well as further cash payments and repayments of new loans led to an increase of interest expenses from loan amortisations by EUR 3.0 million.

Year-on-year a further reduction in the average interest rate to 1.60% was achieved as at 30 June 2019 (1.75% as at 30 June 2018) based on an average term of around 7.30 years (7.83 years as at 30 June 2018).

Dividends received from equity investments in non-consolidated and non-associated companies increased by EUR 0.1 million year-on-year to EUR 2.7 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 bonds in the amount of EUR -67.6 million (comparative period: EUR 16.9 million). The change in fair value is mainly caused by the change in the share price of LEG Immobilien AG.

Income tax expenses

T13

Income tax expenses

€ million	Q2 2019	Q2 2018	01.01. – 30.06.2019	01.01. – 30.06.2018
Current tax expenses	- 4.3	- 2.7	- 7.5	- 4.1
Deferred tax expenses	- 140.7	- 102.5	- 155.9	- 117.3
Income tax expenses	- 145.0	- 105.2	- 163.4	- 121.4

An effective Group tax rate of 23.0% was assumed in the reporting period in accordance with Group tax planning (comparative period: 22.7%).

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 2018](#).

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	Q2 2019	Q2 2018	01.01. – 30.06.2019	01.01. – 30.06.2018
Net cold rent	146.2	138.9	292.5	277.4
Profit from operating expenses	-0.1	-1.4	-1.8	-4.2
Maintenance for externally procured services	-11.6	-11.2	-25.4	-26.7
Staff costs	-16.0	-15.3	-32.1	-30.3
Allowances on rent receivables	-1.9	-1.9	-4.3	-4.3
Other	1.9	0.1	1.3	-2.6
Non-recurring project costs (rental and lease)	0.9	2.4	1.6	3.7
Current net rental and lease income	119.4	111.6	231.8	213.0
Current net income from other services	-0.1	1.4	1.9	3.4
Staff costs	-9.8	-6.3	-15.4	-12.0
Non-staff operating costs	-5.1	-3.3	-8.0	-6.7
Non-recurring project costs (admin.)	6.4	1.5	7.2	1.9
Extraordinary and prior-period expenses	0.0	0.0	0.0	0.0
Current administrative expenses	-8.5	-8.1	-16.2	-16.8
Other income and expenses	0.2	0.2	0.3	0.4
Adjusted EBITDA	111.0	105.1	217.8	200.0
Cash interest expenses and income	-19.8	-19.4	-39.0	-38.8
Cash income taxes from rental and lease	-4.1	-2.6	-6.1	-3.6
FFO I (before adjustment of non-controlling interests)	87.1	83.1	172.7	157.6
Adjustment of non-controlling interests	-1.0	-0.9	-1.7	-1.1
FFO I (after adjustment of non-controlling interests)	86.1	82.2	171.0	156.5
Net income from the disposal of investment properties	0.2	0.1	-0.2	-0.1
Cash income taxes from disposal of investment properties	-0.1	-0.1	-1.4	-0.6
FFO II (incl. Disposal of investment properties)	86.2	82.2	169.4	155.8
Capex	-48.4	-40.9	-78.3	-62.9
Capex-adjusted FFO I (AFFO)	37.7	41.3	92.7	93.6

At EUR 171.0 million, FFO I was 9.3 % higher in the reporting period than in the same period of the previous year (EUR 156.5 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 higher cash income taxes from rental business.

With interest expenses stable on absolute basis, there is an increase of the interest coverage ratio (ratio of adjusted EBITDA to cash interest expense) to 558 % in the reporting period (comparative period: 515 %) with a slightly lower loan-to-value (LTV) ratio.

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	Q2 2019	Q2 2018	01.01. – 30.06.2019	01.01. – 30.06.2018
Net profit or loss for the period attributable to parent shareholders	525.3	343.5	467.1	420.9
Changes in value of investment properties	- 550.4	- 383.9	- 550.2	- 383.9
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	0.7	0.8	1.7	1.7
Tax on profits or losses on disposals	0.1	0.1	1.4	0.6
Changes in fair value of financial instruments and associated close-out costs	- 47.9	9.4	68.1	- 17.1
Acquisition costs on share deals and non-controlling joint venture interests	-	0.5	0.1	0.6
Deferred tax in respect of EPRA adjustments	126.2	87.1	126.2	87.1 ¹
Refinancing expenses	0.4	-	0.4	-
Other interest expenses	0.1	0.1	0.2	0.1
Non-controlling interests in respect of the above	0.3	0.5	0.3	0.5
EPRA earnings	54.8	58.1	115.3	110.5
Weighted average number of shares outstanding	63,188,185	63,188,185	63,188,185	63,188,185
EPRA earnings per share (undiluted) in €	0.87	0.92	1.82	1.75
Potentially diluted shares	5,821,682	5,635,729	5,821,682	5,635,729
Interest coupon on convertible bond	0.3	0.3	0.6	0.6
Amortisation expenses convertible bond after taxes	1.0	1.1	2.7	2.7
EPRA earnings (diluted)	56.1	59.5	118.6	113.8
Number of diluted shares	69,009,867	68,823,914	69,009,867	68,823,914
EPRA earnings per share (diluted) in €	0.81	0.86	1.72	1.65

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	30.06.2019	31.12.2018
Investment properties	11,224.8	10,709.0
Prepayments for investment properties	0.7	0.0
Other non-current assets	203.8	175.9
Non-current assets	11,429.3	10,884.9
Receivables and other assets	92.5	55.4
Cash and cash equivalents	187.6	233.6
Current assets	280.1	289.0
Assets held for sale	152.2	20.3
Total assets	11,861.6	11,194.2
Equity	4,989.3	4,783.9
Non-current financial liabilities	4,301.5	4,113.3
Other non-current liabilities	1,581.8	1,382.3
Non-current liabilities	5,883.3	5,495.6
Current financial liabilities	468.1	484.8
Other current liabilities	520.9	429.9
Current liabilities	989.0	914.7
Total equity and liabilities	11,861.6	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 550.2 million (comparative period: EUR 383.9 million) was the main driver for the increase compared to 31 December 2018. Furthermore, additions from acquisitions with EUR 10.8 million and capitalisation of property modernisation measures with EUR 74.1 million contributed to change in investment properties as well as a reclassification to assets held for sale with EUR 154.9 million.

The recognition of real estate tax expense as other inventories (EUR 11.7 million) for the remainder of the financial year and the deferral of prepaid operating costs (EUR 26.1 million) contributed significantly to the development of the current assets.

Cash and cash equivalents decreased by EUR 46.0 million to EUR 187.6 million. This development was mainly due to the cash flow from operating activities (EUR 156.4 million), offset by payments for acquisitions and modernisations as well as cash inflow from property disposals (net EUR 64.4 million). The financing of the investments led to receipts from new loans of EUR 271.5 million. Scheduled and unscheduled repayments of loans amounted to a cash outflow of EUR 167.7 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 net profit for the period (EUR 438.5 million) and the dividend payment (EUR 223.1 million).

Driven by the property valuation, deferred tax liabilities shown in other non-current liabilities increased by EUR 155.2 million as at 30 June 2019.

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 Annual Report 2018](#).

The LEG Group reports a basic EPRA NAV of EUR 6,552.1 million as at 30 June 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 7,117.4 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 expects an increasing probability of early conversion. For reasons of improved transparency, LEG would like to clarify the economic impact of an assumed conversion as of the relevant reporting date by publishing an additional pro forma NAV. As of the reporting date, there is thus a diluted pro forma NAV per share of EUR 99.57. In comparison to 31 December 2018, this is an increase of 6.6%.

T17

EPRA NAV

	30.06.2019			31.12.2018		
	undiluted	Effect of exercise of convertibles and options	diluted	undiluted	Effect of exercise of convertibles and options	diluted
€ million						
Equity attributable to shareholders of the parent company	4,967.3	–	4,967.3	4,757.6	–	4,757.6
Non-controlling interests	22.0	–	22.0	26.3	–	26.3
Equity	4,989.3	–	4,989.3	4,783.9	–	4,783.9
Effect of exercise of options, convertibles and other equity interests	–	618.0	618.0	–	553.9	553.9
NAV	4,967.3	618.0	5,585.3	4,757.6	553.9	5,311.5
Fair value measurement of derivative financial instruments	313.0	–	313.0	222.2	–	222.2
Deferred taxes on WFA loans and derivatives	7.3	–	7.3	13.1	–	13.1
Deferred taxes on investment property	1,296.6	–	1,296.6	1,151.7	–	1,151.7
Goodwill resulting from deferred taxes on EPRA adjustments	–32.1	–	–32.1	–32.1	–	–32.1
EPRA NAV	6,552.1	618.0	7,170.1	6,112.5	553.9	6,666.4
Number of shares	63,188,185	5,821,682	69,009,867	63,188,185	5,635,729	68,823,914
EPRA NAV per share (€)	103.69	–	103.90	96.73	–	96.86
Goodwill resulting from synergies	52.7	–	52.7	52.7	–	52.7
Adjusted EPRA NAV (w/o effects from goodwill)	6,499.4	618.0	7,117.4	6,059.8	553.9	6,613.7
Number of shares	63,188,185	5,821,682	69,009,867	63,188,185	5,635,729	68,823,914
Adjusted EPRA NAV per share (€)	102.86	–	103.14	95.90	–	96.10
Effects from a simulated executed conversion	–245.9	–	–245.9	–185.7	–	–185.7
Pro forma NAV (w/o effects from goodwill), after simulated executed conversion	6,253.5	618.0	6,871.5	5,874.1	553.9	6,428.0
Pro forma NAV per share (€)	98.97	–	99.57	92.96	–	93.40
EPRA NAV	6,552.1	618.0	7,170.1	6,112.5	553.9	6,666.4
Fair value measurement of derivative financial instruments	–313.0	–	–313.0	–222.2	–	–222.2
Deferred taxes on WFA loans and derivatives	–7.3	–	–7.3	–13.1	–	–13.1
Deferred taxes on investment property	–1,296.6	–	–1,296.6	–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	–422.0	–	–422.0	–149.1	–	–149.1
Valuation uplift resulting from fair value measurement financing liabilities	123.0	–	123.0	104.0	–	104.0
EPRA NNAV	4,668.3	618.0	5,286.3	4,712.5	553.9	5,266.4
Number of shares	63,188,185	5,821,682	69,009,867	63,188,185	5,635,729	68,823,914
EPRA NNAV per share (€)	73.88	–	76.60	74.58	–	76.52

Loan-to-value ratio (LTV)

Net debt at the end of the reporting period is slightly higher compared with 31 December 2018, mainly as a result of the dividend payment. The fair value measurement of investment properties had an impact in the opposite direction leading to a continued declining loan-to-value ratio (LTV) as at 30 June 2019 of 40.0% (31 December 2018: 40.7%).

T18

LTV

€ million	30.06.2019	31.12.2018
Financing liabilities	4,769.6	4,598.1
Deferred purchase price liabilities	32.9	0.0
Less cash and cash equivalents	187.6	233.6
Net financing liabilities	4,549.1	4,364.5
Investment properties	11,224.8	10,709.0
Assets held for sale	152.2	20.3
Prepayments for investment properties	0.7	–
Real estate assets	11,377.7	10,729.3
Loan-to-value ratio (LTV) in %	40.0	40.7

Financial position

A net profit for the period of EUR 469.1 million was realised in the reporting period (comparative period: EUR 423.0 million). Equity amounted to EUR 4,989.3 million at the reporting date (31 December 2018: EUR 4,783.9 million). This corresponds to an equity ratio of 42.1% (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. – 30.06.2019	01.01. – 30.06.2018
Cash flow from operating activities	156.4	130.1
Cash flow from investing activities	– 72.4	– 94.2
Cash flow from financing activities	– 130.0	– 168.4
Change in cash and cash equivalents	– 46.0	– 132.5

Higher receipts from net cold rent 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 of EUR – 87.6 million. Furthermore, cash proceeds from property disposals (EUR 23.2 million) resulted in a net cash flow from investing activities of EUR – 72.4 million.

In the first half of 2019, the redemption of the commercial papers of EUR 50.0 million as well as scheduled repayments (EUR – 167.7 million) of subsidised loans and bank loans and the dividend payment (EUR – 223.1 million) were the main drivers of the cashflow from financing activities amounting to EUR – 130.0 million. The valuation of loans had an effect in the opposite direction with EUR 271.5 million.

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

Supplementary Report

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

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 six months of 2019, LEG believes it is well positioned overall to confirm its earnings targets for the financial years 2019 and 2020. For more details, please refer to the forecast report in the [> Annual Report 2018 \(page 70 f.\)](#).

T23

Outlook 2019

FFO I	in the range of EUR 338 million to EUR 344 million
Like-for-like rental growth	3.0 % – 3.2 %
Like-for-like vacancy	slight decrease compared to financial year-end 2018
Investments	c. EUR 30 – 32 per sqm
LTV	43 % max. ¹
Dividend	70 % of FFO I

Outlook 2020

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

¹ Adjustment due to portfolio revaluation (yield compression)

Consolidated statement of financial position

T21

Consolidated statement of financial position Assets

€ million	30.06.2019	31.12.2018
Non-current assets	11,429.3	10,884.9
Investment properties	11,224.8	10,709.0
Prepayments for investment properties	0.7	–
Property, plant and equipment	79.3	62.5
Intangible assets and goodwill	85.9	85.3
Investments in associates	9.7	9.7
Other financial assets	10.5	10.8
Receivables and other assets	0.2	0.2
Deferred tax assets	18.2	7.4
Current assets	280.1	289.0
Real estate inventory and other inventory	15.7	6.1
Receivables and other assets	70.5	47.5
Income tax receivables	6.3	1.8
Cash and cash equivalents	187.6	233.6
Assets held for sale	152.2	20.3
Total Assets	11,861.6	11,194.2

Equity and liabilities

€ million	30.06.2019	31.12.2018
Equity	4,989.3	4,783.9
Share capital	63.2	63.2
Capital reserves	611.2	611.3
Cumulative other reserves	4,292.9	4,083.1
Equity attributable to shareholders of the parent company	4,967.3	4,757.6
Non-controlling interests	22.0	26.3
Non-current liabilities	5,883.3	5,495.6
Pension provisions	159.7	142.4
Other provisions	4.9	4.5
Financing liabilities	4,301.5	4,113.3
Other liabilities	161.4	134.8
Deferred tax liabilities	1,255.8	1,100.6
Current liabilities	989.0	914.7
Pension provisions	5.8	6.9
Other provisions	15.3	17.8
Provisions for taxes	0.0	0.2
Financing liabilities	468.1	484.8
Other liabilities	483.5	396.0
Tax liabilities	16.3	9.0
Total Equity and liabilities	11,861.6	11,194.2

Consolidated statement of comprehensive income

T22

Consolidated statement of comprehensive income

€ million	Q2 2019	Q2 2018	01.01.– 30.06.2019	01.01.– 30.06.2018
Net rental and lease income	116.3	107.9	225.9	206.3
Rental and lease income	197.8	185.3	400.4	375.5
Cost of sales in connection with rental and lease income	-81.5	-77.4	-174.5	-169.2
Net income from the disposal of investment properties	-0.2	-0.2	-0.4	-0.5
Income from the disposal of investment properties	5.4	3.5	22.9	13.6
Carrying amount of the disposal of investment properties	-5.4	-3.5	-22.9	-13.7
Cost of sales in connection with disposed investment properties	-0.2	-0.2	-0.4	-0.4
Net income from the remeasurement of investment properties	550.3	383.9	550.2	383.9
Net income from the disposal of real estate inventory	-0.5	-0.5	-1.2	-1.2
Income from the real estate inventory disposed of	-	-	-	0.1
Carrying amount of the real estate inventory disposed of	-	-	-	-0.1
Costs of sales of the real estate inventory disposed of	-0.5	-0.5	-1.2	-1.2
Net income from other services	-0.8	0.7	0.6	2.2
Income from other services	0.6	2.5	3.2	5.4
Expenses in connection with other services	-1.4	-1.8	-2.6	-3.2
Administrative and other expenses	-15.8	-9.9	-25.3	-19.3
Other income	0.1	0.2	0.2	0.4
Operating Earnings	649.4	482.1	750.0	571.8
Interest income	0.0	0.2	0.0	0.3
Interest expenses	-26.5	-23.1	-52.1	-47.4
Net income from investment securities and other equity investments	0.1	0.2	2.7	2.6
Net income from the fair value measurement of derivatives	47.9	-9.4	-68.1	17.1
Earnings before income taxes	670.9	450.0	632.5	544.4
Income taxes	-145.0	-105.2	-163.4	-121.4
Net profit or loss for the period	525.9	344.8	469.1	423.0

€ million	Q2 2019	Q2 2018	01.01.– 30.06.2019	01.01.– 30.06.2018
Change in amounts recognised directly in equity	-12.7	-1.3	-30.6	1.1
Thereof recycling				
Fair value adjustment of interest rate derivatives in hedges	-8.3	-2.2	-18.4	0.2
Change in unrealised gains/(losses)	-10.3	-2.7	-22.8	0.3
Income taxes on amounts recognised directly in equity	2.0	0.5	4.4	-0.1
Thereof non-recycling				
Actuarial gains and losses from the measurement of pension obligations	-4.4	0.9	-12.2	0.9
Change in unrealised gains/(losses)	-6.4	1.3	-17.6	1.3
Income taxes on amounts recognised directly in equity	2.0	-0.4	5.4	-0.4
Total comprehensive income	513.2	343.5	438.5	424.1
Net profit or loss for the period attributable to:				
Non-controlling interests	0.7	1.3	2.0	2.1
Parent shareholders	525.2	343.5	467.1	420.9
Total comprehensive income attributable to:				
Non-controlling interests	0.7	1.3	2.0	2.1
Parent shareholders	512.5	342.2	436.5	422.0
Basic earnings per share in €	8.31	5.43	7.39	6.66
Diluted earnings per share in €	8.31	4.92	7.39	5.67

Statement of changes in consolidated equity

T23

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 01.01.2018	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	-	-	420.9	-	-	420.9	2.1	423.0
Other comprehensive income	-	-	-	0.9	0.2	1.1	0.0	1.1
Total comprehensive income	-	-	420.9	0.9	0.2	422.0	2.1	424.1
Change in consolidated companies	-	-	-	-	-	-	1.0	1.0
Capital increase	-	-	10.6	-	-	10.6	0.8	11.4
Withdrawals from reserves	-	-	- 1.8	-	-	- 1.8	- 2.0	- 3.8
Changes from put options	-	-	-	-	-	-	-	-
Distributions	-	-	- 192.1	-	-	- 192.1	-	- 192.1
As of 30.06.2018	63.2	611.2	3,709.9	- 36.7	- 21.5	4,326.1	26.9	4,353.0
As of 01.01.2019	63.2	611.2	4,131.4	- 35.1	- 13.1	4,757.6	26.3	4,783.9
Net profit/loss for the period	-	-	467.1	-	-	467.1	2.0	469.1
Other comprehensive income	-	-	-	- 12.2	- 18.4	- 30.6	0.0	- 30.6
Total comprehensive income	-	-	467.1	- 12.2	- 18.4	436.5	2.0	438.5
Initial application of IFRS 16	-	-	- 4.6	-	-	- 4.6	0.0	- 4.6
Change in consolidated companies/other	-	-	-	-	-	-	-	-
Capital increase	-	-	0.9	-	-	0.9	0.7	1.6
Withdrawals from reserves	-	-	-	-	-	-	- 2.5	- 2.5
Changes from put options	-	-	-	-	-	-	-	-
Distributions	-	-	- 223.1	-	-	- 223.1	- 4.5	- 227.6
As of 30.06.2019	63.2	611.2	4,371.7	- 47.3	- 31.5	4,967.3	22.0	4,989.3

Consolidated statement of cash flows

T24

Consolidated statement of cash flows

€ million	01.01.– 30.06.2019	01.01.– 30.06.2018
Operating earnings	750.0	571.8
Depreciation on property, plant and equipment and amortisation on intangible assets	7.4	4.8
(Gains)/Losses from the measurement of investment properties	- 550.2	- 383.9
(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	- 1.0	- 2.4
Other non-cash income and expenses	3.0	4.3
(Decrease)/Increase in receivables, inventories and other assets	- 40.1	- 45.5
Decrease/(Increase) in liabilities (not including financing liabilities) and provisions	27.8	20.3
Interest paid	- 39.0	- 39.1
Interest received	0.1	0.2
Received income from investments	2.7	2.6
Taxes received	0.1	0.0
Taxes paid	- 4.4	- 3.1
Net cash from/(used in) operating activities	156.4	130.1
Cashflow from investing activities		
Investments in investment properties	- 87.6	- 103.4
Proceeds from disposals of non-current assets held for sale and investment properties	23.2	12.6
Investments in intangible assets and property, plant and equipment	- 8.0	- 2.7
Acquisition of shares in consolidated companies	0.0	- 0.7
Net cash from/(used in) investing activities	- 72.4	- 94.2

€ million	01.01.– 30.06.2019	01.01.– 30.06.2018
Cash flow from financing activities		
Borrowing of bank loans	271.5	200.2
Repayment of bank loans	- 167.7	- 173.6
Repayment of lease liabilities	- 5.1	- 1.8
Other proceeds	0.7	0.7
Distribution to shareholders	- 223.1	- 192.1
Distribution and withdrawal from reserves of non-controlling interest	- 6.3	- 1.8
Net cash from/(used in) financing activities	- 130.0	- 168.4
Change in cash and cash equivalents	- 46.0	- 132.5
Cash and cash equivalents at beginning of period	233.6	285.4
Cash and cash equivalents at end of period	187.6	152.9
Composition of cash and cash equivalents		
Cash in hand, bank balances	187.6	152.9
Cash and cash equivalents at end of period	187.6	152.9

Selected notes

on the IFRS interim consolidated financial statements as at 30 June 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 134,954 residential and commercial units on 30 June 2019 (132,200 units excluding IFRS 5 objects).

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

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

2. Interim consolidated financial statements

LEG Immo prepared the interim consolidated financial statements in accordance with the provisions of the International Financial Reporting Standards (IFRS) for interim reporting, as endorsed in the EU, and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC). Based on the option under IAS 34.10, the notes to the financial statements were presented in a condensed form. The condensed interim consolidated financial statements have not been audited or subjected to an audit review.

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

3. Accounting policies

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

The LEG Group 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 81.9 million were 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 change-over 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
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

4. Changes in the Group

As of 30 June 2019, there were no changes in the scope of consolidation.

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 June 2019, the LEG Group held 133,694 apartments and 1,260 commercial units in its portfolio (132,200 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				Commercial assets	Parking and other assets	Lease-hold	Land values
		High-growth markets	Stable markets	Higher-yielding markets	Non NRW				
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	10.8	9.1	-0.4	1.0	0.0	0.2	0.9	0.0	0.0
Other additions	74.1	30.4	26.2	15.1	1.3	1.4	-0.4	0.1	0.0
Reclassified to assets held for sale	-154.9	-1.2	-41.9	-105.2	0.0	-0.9	-3.4	0.0	-2.3
Reclassified from assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassified to property, plant and equipment	-0.3	0.2	-0.1	0.0	0.0	-0.2	0.0	-0.2	0.0
Reclassified from property, plant and equipment	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Fair value adjustment	550.2	261.7	167.1	77.9	3.4	3.3	22.1	11.2	3.5
Carrying amount as of 30.06.2019	11,224.8	4,881.1	3,438.5	2,183.0	166.4	213.3	204.0	106.7	31.8

€ million

Fair value adjustment as of 30.06.2019:	550.2
– hereupon as of 30.06.2019 in the portfolio:	550.1
– hereupon in the first half year of disposed investment properties:	0.1

T28

Investment properties

€ million	Total	Residential assets				Commercial assets	Parking and other assets	Lease-hold	Land values
		High-growth markets	Stable markets	Higher-yielding markets	Non NRW				
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 as of 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 2,699 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 will be disposed with closing of the transaction on 1 September 2019.

Investment property was remeasured by the LEG Group as of the interim reporting date of 30 June 2019.

The fair values of investment property are calculated on the basis of the forecast net cash flows from property management using the discounted cash flow (DCF) method.

The table below shows 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 (€ million)	Valuation technique	Market rent residential/commercial €/sqm			Maintenance €/sqm			Administrative cost rate €/unit			Stabilised vacancy ratio %		
			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 residential %		
	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 (€ million)	Valuation technique	Market rent residential/commercial €/sqm			Maintenance €/sqm			Administrative cost rate €/unit			Stabilised vacancy ratio %		
			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 residential %		
	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.

Sensitivities were as follows as at 30 June 2019:

T31

Sensitivities as at 30 June 2019

	GAV investment properties (€ million)	Valuation technique	Sensitivities (in %)													
			Administrative cost		Stabilised vacancy		Maintenance cost		Capitalisation rate		Discount rate		Market rent		Market rent development	
			+ 10%	- 10%	+ 1%-point	- 1%-point	+ 10%	- 10%	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%	+ 2%	- 2%	+ 0.2%	- 0.2%
Residential assets																
High growth markets	4,882	DCF	-0.7	0.7	-1.5	1.5	-1.8	1.8	-4.8	5.2	-2.9	3.3	0.6	-0.6	3.8	-3.5
Stable markets	3,438	DCF	-1.0	1.0	-1.7	1.7	-2.5	2.5	-4.2	4.5	-2.5	2.7	1.5	-1.4	3.2	-3.0
Higher-yielding markets	2,183	DCF	-1.2	1.1	-1.8	1.8	-2.8	2.8	-3.9	4.2	-2.0	2.2	1.3	-1.2	2.7	-2.5
Non NRW	166	DCF	-0.8	0.8	-1.6	1.6	-2.1	2.2	-4.0	4.3	-2.4	2.6	0.9	-0.9	3.1	-2.9
Commercial assets																
Leasehold	107	DCF	-1.0	1.0	-1.8	1.8	-2.5	2.5	-3.0	3.2	-2.0	2.2	1.5	-1.5	2.8	-2.6
Parking and other assets	204	DCF														
Land values	32	Earnings/reference value method														
Total portfolio (IAS 40) ¹	11,225	DCF	-0.9	0.9	-1.6	1.6	-2.2	2.2	-4.4	4.7	-2.6	2.8	1.1	-1.0	3.3	-3.1

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.

Sensitivities were as follows as at 31 December 2018:

T32

Sensitivities as at 31 December 2018

	GAV investment properties (€ million)	Valuation technique	Sensitivities (in %)													
			Administrative cost		Stabilised vacancy		Maintenance cost		Capitalisation rate		Discount rate		Market rent		Market rent development	
			+ 10%	- 10%	+ 1%-point	- 1%-point	+ 10%	- 10%	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%	+ 2%	- 2%	+ 0.2%	- 0.2%
Residential assets																
High growth markets	4,611	DCF	-0.7	0.7	-1.6	1.6	-1.8	1.8	-2.9	3.2	-4.7	5.1	0.5	-0.7	3.7	-3.5
Stable markets	3,297	DCF	-1.0	1.0	-1.7	1.8	-2.6	2.6	-2.4	2.6	-4.1	4.4	1.5	-1.4	3.1	-2.9
Higher-yielding markets	2,212	DCF	-1.2	1.2	-1.8	1.8	-2.8	2.8	-2.0	2.2	-3.9	4.1	1.2	-1.1	2.8	-2.6
Non NRW	165	DCF	-0.8	0.8	-1.6	1.6	-2.1	2.1	-2.3	2.5	-4.1	4.4	0.9	-0.9	3.1	-2.8
Commercial assets																
Leasehold	0	DCF	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking and other assets	185	DCF														
Land values	31	Earnings/reference value method														
Total portfolio (IAS 40) ¹	10,709	DCF	-0.9	0.9	-1.7	1.7	-2.3	2.3	-2.5	2.8	-4.3	4.6	1.0	-1.1	3.2	-3.1

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.

With regard to the calculation methods, please refer to the [> consolidated financial statements as of 31 December 2018](#).

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 Düsseldorf as well as individual branch offices), cars, peripheral devices (printers and photocopiers) as well as software. The asset classes heat contracting as well as measurement and reporting technology were already 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 June 2019.

T33

Right of use leases

€ million	30.06.2019
Right of use buildings	31.4
Right of use technical equipment and machinery	6.9
Right of use operating and office equipment	19.5
Property, plant and equipment	5.0
Right of use software	0.6
Intangible assets	0.6

In the reporting period further right of uses in the amount of EUR 2.87 million were added.

Financing liabilities are composed as follows:

T34

Financing liabilities

€ million	30.06.2019	31.12.2018
Financing liabilities from real estate financing	4,688.9	4,575.0
Financing liabilities from lease financing	80.7	23.1
Financing liabilities	4,769.6	4,598.1

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

In the first half of 2019 the repayment of the commercial papers in the amount of EUR 140 million as well as scheduled and unscheduled repayments reduced the financing liabilities. The new issued commercial papers in the amount of EUR 90 million and cash payments in the amount of EUR 181.5 million raised the financing liabilities.

Financing liabilities from real estate financing include two convertible bonds and one corporate bond as of 30 June 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 result in cash outflows in the amount of EUR 0.1 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.

T35

Maturity of financing liabilities from real estate financing

€ million	Remaining term			Total
	< 1 year	> 1 to 5 years	> 5 years	
30.06.2019	458.5	1,703.3	2,527.1	4,688.9
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:

T36

Net rental and lease income

€ million	01.01.– 30.06.2019	01.01.– 30.06.2018
Net cold rent	292.5	277.4
Profit from operating expenses	- 1.8	- 4.2
Maintenance for externally procured services	- 25.4	- 26.7
Staff costs	- 32.1	- 30.3
Allowances on rent receivables	- 4.3	- 4.3
Depreciation and amortisation expenses	- 4.3	- 3.0
Other	1.3	- 2.6
Net rental and lease income	225.9	206.3
Net operating income-margin in %	77.2	74.4
Non-recurring project costs – rental and lease	1.6	3.7
Depreciation	4.3	3.0
Adjusted net rental and lease income	231.8	213.0
Adjusted net operating income-margin (in %)	79.2	76.8

In the reporting period, the LEG Group increased its net rental and lease income by EUR 19.6 million compared to the same period of the previous year. The main driver of this development was the EUR 15.1 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 initial application of IFRS 16 resulted in an improvement of the positions profit from operating expenses, other, as well as in an increase of depreciation and amortisation expenses. This was partly offset by the increase in staff costs with EUR 1.8 million which resulted from a volume and price increase.

Due to disproportionate development of net rental and lease income compared with the development of in-place rent the NOI margin increased from 74.4% to 77.2% in the reporting period.

Depreciation and amortization 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.

T37

Depreciation expense of leases

€ million	01.01.– 30.06.2019
Right of use buildings	0.1
Right of use technical equipment and machinery	2.1
Right of use operating and office equipment	1.0
Depreciation expense of leases	3.2

In the reporting period depreciation expenses of leases of a low-value asset in the amount of EUR 0.1 million were included.

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

T38

Net income from the disposal of investment properties

€ million	01.01.– 30.06.2019	01.01.– 30.06.2018
Income from the disposal of investment	22.9	13.6
Carrying amount of the disposal of investment properties	- 22.9	- 13.7
Costs of sales of investment properties	- 0.4	- 0.4
Net income from the disposal of investment properties	- 0.4	- 0.5

Net income from the remeasurement of investment properties

Net income from remeasurement of investment property amounted to EUR 550.2 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) was 1,272 per square metre including acquisitions (31 December 2018: 1,198 per square metre). Excluding IFRS 5 objects the average value was EUR 1,287 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 rate.

Administrative and other expenses

T39

Administrative and other expenses

€ million	01.01. – 30.06.2019	01.01. – 30.06.2018
Other operating expenses	-7.4	-6.3
Staff costs	-15.4	-12.0
Purchased services	-0.6	-0.5
Depreciation and amortisation	-1.9	-0.5
Administrative and other expenses	-25.3	-19.3
Depreciation and amortisation	1.9	0.5
Non-recurring project costs and extraordinary and prior-period expenses	7.2	1.9
Adjusted administrative and other expenses	-16.2	-16.8

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

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

T40

Depreciation expense of leases

€ million	01.01. – 30.06.2019
Right of use buildings	1.0
Right of use technical equipment and machinery	0.2
Right of use operating and office equipment	0.1
Right of use software	0.1
Depreciation expense of leases	1.4

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

Net interest income

Net interest income is composed as follows:

T41

Interest income

€ million	01.01. – 30.06.2019	01.01. – 30.06.2018
Other interest income	0.0	0.3
Interest income	0.0	0.3

T42

Interest expenses

€ million	01.01. – 30.06.2019	01.01. – 30.06.2018
Interest expenses from real estate financing	-34.1	-33.7
Interest expense from loan amortisation	-11.2	-5.8
Prepayment penalty	-0.4	0.0
Interest expense from interest derivatives for real estate financing	-3.8	-5.7
Interest expense from change in pension provisions	-1.2	-1.2
Interest expense from interest on other assets and liabilities	-0.4	-0.6
Interest expenses from lease financing	-1.1	-0.5
Other interest expenses	0.1	0.1
Interest expenses	-52.1	-47.4

Interest expense from loan amortisation increased by EUR 5.4 million year on year to EUR 11.2 million. This includes the measurement of the convertible and corporate bonds at amortised cost in the amount of EUR 5.2 million (comparative period: EUR 5.0 million). In addition, the issuance of registered bonds as well as further cash payments and repayments of new loans led to an increase of interest expenses from loan amortisations by EUR 3.0 million.

The refinancing and the related redemption of derivatives in 2018 had the effect of reducing interest expenses from interest rate derivatives by EUR 1.9 million.

The increase of interest expenses from lease financing (EUR 0.6 million) resulted from the initial application of IFRS 16.

Income taxes

T43

Income tax expenses

€ million	01.01. – 30.06.2019	01.01. – 30.06.2018
Current tax expenses	-7.5	-4.1
Deferred tax expenses	-155.9	-117.3
Income tax expenses	-163.4	-121.4

An effective Group tax rate of 23.0% was assumed in the reporting period in accordance with Group tax planning (previous year: 22.7%).

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.

T44

Earnings per share (basic)

	01.01. – 30.06.2019	01.01. – 30.06.2018
Net profit or loss attributable to shareholders in € million	467.1	420.9
Average numbers of shares outstanding	63,188,185	63,188,185
Earnings per share (basic) in €	7.39	6.66

T45

Earnings per share (diluted)

	01.01. – 30.06.2019	01.01. – 30.06.2018
Net profit or loss attributable to shareholders in € million	467.1	420.9
Convertible bond coupon after taxes	1.9	1.9
Measurement of derivatives after taxes	67.6	-16.9
Amortisation of the convertible bond after taxes	4.0	3.9
Net profit or loss for the period for diluted earnings per share	540.6	409.8
Average weighted number of shares outstanding	63,188,185	63,188,185
Number of potentially new shares in the event of exercise of conversion rights	9,233,059	9,022,414
Number of shares for diluted earnings per share	72,421,244	72,210,599
Diluted earnings per share in €	7.46	5.67

As at 30 June 2019, LEG Immo had potential ordinary shares from convertible bonds, which authorise the bearer to convert it into up to 9.2 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.

8. Financial instruments

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

T46

Classes of financial instruments for financial assets and liabilities 2019

	Carrying amounts as per statement of financial positions 30.06.2019	Measurement (IFRS 9)		Measurement (IAS 17)	Fair value 30.06.2019
		Amortised cost	Fair value through profit or loss		
€ million					
Assets					
Other financial assets	10.6				10.6
Hedge accounting derivatives	–				–
AC	0.2	0.2	0.0		0.2
FVtPL	10.4	10.4			n/a
Receivables and other assets	70.7				70.7
AC	42.5	42.5			42.5
Other non-financial assets	28.2				28.2
Cash and cash equivalents	187.6				187.6
AC	187.6	187.6			187.6
Total	268.9	240.7	0.0		268.9
Of which IFRS 9 measurement categories					
AC	230.3	230.3			230.3
FVtPL	10.4	10.4			n/a

AC = Amortized Cost

FVtPL = Fair Value through profit and loss

FLAC = Financial Liabilities at Cost

HFT = Held for Trading

	Carrying amounts as per statement of financial positions 30.06.2019	Measurement (IFRS 9)		Measurement (IAS 17)	Fair value 30.06.2019
		Amortised cost	Fair value through profit or loss		
€ million					
Liabilities					
Financial liabilities	– 4,769.7				– 5,110.7
FLAC	– 4,688.9	– 4,688.9			– 5,110.7
Other liabilities	– 644.9				– 644.4
FLAC	– 129.2	– 129.2			– 128.7
Derivatives HFT	– 329.9		– 329.9		– 329.9
Hedge accounting derivatives	– 43.5				– 43.5
Other non-financial liabilities	– 142.3				– 142.3
Total	– 5,414.6	– 4,818.1	– 329.9	–	– 5,755.1
Of which IFRS 9 measurement categories					
FLAC	– 4,818.1	– 4,818.1			– 5,239.4
Derivatives HFT	– 329.9		– 329.9		– 329.9

T47

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)		Measurement (IAS 17)	Fair value 31.12.2018
		Amortised cost	Fair value through profit or loss		
Assets					
Other financial assets					
	10.7				10.7
Hedge accounting derivatives	–				–
AC	0.1	0.1	0.0		0.1
FVtPL	10.6	10.6			10.6
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	282.4	0.0		292.0
Of which IFRS 9 measurement categories					
AC	271.8	271.8			271.8
FVtPL	10.6	10.6			n/a

AC = Amortized Cost

FVtPL = Fair Value through profit and loss

FLAC = Financial Liabilities at Cost

HFT = Held for Trading

€ million	Carrying amounts as per statement of financial positions 31.12.2018	Measurement (IFRS 9)		Measurement (IAS 17)	Fair value 31.12.2018
		Amortised cost	Fair value through profit or loss		
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
Derivate HFT	– 262.2		– 262.2		– 262.2

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.

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 June 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 with effect from 1 June 2019. Dr Volker Wiegel has assumed the function of COO on 1 June 2019.

12. Supplementary Report

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

Dusseldorf, 9 August 2019

LEG Immobilien AG
The Management Board

**Lars von Lackum, Cologne
(CEO)**

**Eckhard Schultz, Neuss
(CFO)**

**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, 9 August 2019

LEG Immobilien AG, Dusseldorf
The Management Board

Lars von Lackum
(CEO)

Eckhard Schultz
(CFO)

Dr Volker Wiegel
(COO)

Financial calendar 2019

LEG Financial Calendar 2019

Release of Quarterly Statement Q3
as of 30 September 2019

15 November

For additional dates see the Investor Relations Calendar on our [> website](#).

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is also available in German.

In case of doubt, the German version takes precedence.

LEG
gewohnt gut.

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