

LEG Immobilien AG

# Quarterly Report as of 30<sup>th</sup> September 2013



# KEY FIGURES

HIGHLIGHTS						
	01.07.-30.09.2013	01.07.-30.09.2012	Change	01.01.-30.09.2013	01.01.-30.09.2012	Change
<b>Results of operations</b>						
Rental income	€911 m	€86.6 m	5.2 %	€269.2 m	€257.8 m	4.4 %
Net rental and lease income	€64.4 m	€63.2 m	1.9 %	€188.1 m	€180.2 m	4.4 %
EBITDA	€51.6 m	€162.0 m	-68.1 %	€156.5 m	€264.5 m	-40.8 %
EBITDA adjusted	€56.8 m	€62.4 m	-9.0 %	€170.3 m	€170.5 m	-0.1 %
EBT	€19.6 m	€126.0 m	-84.4 %	€59.3 m	€113.7 m	-47.8 %
Consolidated net profit	€17.2 m	€118.4 m	-85.5 %	€51.9 m	€108.1 m	-52.0 %
FFO I	€35.0 m	€39.5 m	-11.4 %	€103.5 m	€101.2 m	2.3 %
FFO I per share	€0.66	€0.75	-11.4 %	€1.95	€1.91	2.3 %
FFO II	€34.9 m	€38.8 m	-10.1 %	€102.7 m	€100.0 m	2.7 %
FFO II per share	€0.66	€0.73	-10.1 %	€1.94	€1.89	2.7 %
AFFO	€22.2 m	€32.5 m	-31.7 %	€79.0 m	€75.3 m	4.9 %
AFFO per share	€0.42	€0.61	-31.7 %	€1.49	€1.42	4.9 %
<b>Portfolio</b>						
Residential units	93,525	89,742	4.2 %	93,525	89,742	4.2 %
In-place rent	€4.94 /sqm	€4.85 /sqm	1.9 %	€4.94 /sqm	€4.85 /sqm	1.9 %
In-place rent (I-f-I)	€4.95 /sqm	€4.85 /sqm	2.1 %	€4.95 /sqm	€4.85 /sqm	2.1 %
Vacancy rate	3.0 %	3.6 %	-	3.0 %	3.6 %	-
	30.09.2013	31.12.2012	Veränderung	30.09.2013	31.12.2012	Veränderung
<b>Statement of financial position</b>						
Investment property	€5,050.6 m	€4,937.1 m	2.3 %	€5,050.6 m	€4,937.1 m	2.3 %
Cash and cash equivalents	€43.0 m	€133.7 m	-67.8 %	€43.0 m	€133.7 m	-67.8 %
Equity	€2,184.0 m	€2,085.5 m	4.7 %	€2,184.0 m	€2,085.5 m	4.7 %
Total financial liabilities	€2,517.6 m	€2,499.7 m	0.7 %	€2,517.6 m	€2,499.7 m	0.7 %
Current financial liabilities	€127.0 m	€396.8 m	-68.0 %	€127.0 m	€396.8 m	-68.0 %
LTV	48.8 %	47.9 %	-	48.8 %	47.9 %	-
Equity ratio	41.4 %	39.8 %	-	41.4 %	39.8 %	-
EPRA NAV	€2,446.3 m	€2,368.3 m	3.3 %	€2,446.3 m	€2,368.3 m	3.3 %
EPRA NAV per share	€46.19	€44.72	3.3 %	€46.19	€44.72	3.3 %

Last year's results per share on a pro forma basis

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*Dear Shareholders and Readers,*

The third quarter of the current financial year confirmed the overall positive performance and stable growth of LEG as planned. LEG, therefore, feels that it is well on its way to achieving its goals for both organic and external growth. The purchase of a further 735 residential units announced after the end of the reporting quarter provided further evidence of the consistent implementation of our communicated acquisition strategy.

In the first nine months of the 2013 financial year, rental income increased by 4.4 per cent compared to the previous year. A key driver in this remains the dynamic organic growth of 2.6 per cent, which is still supported by a highly gratifying development in vacancies. The portfolio has a vacancy rate of 3.0 per cent. Adjusted for the consolidation effects of acquisitions, the vacancy rate was reduced to a low level of 2.8 per cent, corresponding to a significant decrease compared to the previous year's level of 80 basis points. In-place rents per square metre rose by 1.9 per cent to €4.94 in the reporting period. Adjusted for the effects of the vacancy reduction, growth amounted to 2.1 per cent.

These operating figures are a clear indicator of the quality of LEG's property portfolio, the positive fundamental development of the rental markets and LEG's pronounced management expertise. Against this backdrop, an acceleration is anticipated in comparable in-place rents per square metre in the final quarter, and the positive trend in the occupancy rate should continue.

The key performance indicator FFO I improved by 2.3 per cent in the first three quarters to €103.5 million. The actual earnings momentum was overlaid by temporarily higher investment in maintenance in the amount of €8.9 million. In particular, these investments should be considered in relation to successful new letting activities. A slight decline in maintenance expenses is expected as the year progresses.

The net asset value as of 30<sup>th</sup> September was €2,446.3 million or €46.19 per share, and therefore around 3.3 per cent above the value as of 31<sup>st</sup> December 2012. The improved portfolio

indicators will be taken into account overall in the forthcoming remeasurement of the portfolio as of the end of the financial year.

A key pillar of LEG's business strategy remains the strength of its balance sheet and its recognised solidity. With a low loan-to-value (LTV) ratio of 48.8 per cent, LEG still has an outstandingly strong financial position in the residential property sector.

This also entails a defensive risk profile and the potential for growth through acquisitions.

LEG uses a selective, value-oriented acquisition strategy with clearly defined return criteria. On this basis, the fourth portfolio transaction in the current financial year with an investment volume of around €26 million was signed in November. This latest deal comprises 735 residential units in stable micro locations in our core markets. With a current rental income of over €2.1 million, the forecast FFO yield, including the use of the synergy potential available, is over eight per cent. Thus, we have already been able to acquire a total of more than 4,200 residential units in 2013 and are optimistic of achieving our acquisition target of 5,000 units in 2013. We are currently holding advanced talks for further portfolios.

In light of this business performance, LEG reiterates its overall outlook for 2013 with a forecast FFO I of between €138.5 million and €141.5 million. Given the positive prospects for organic growth and the additional positive earnings effects anticipated from the transactions already concluded, we predict an FFO I growth for 2014 of around ten per cent. This earnings outlook does not yet factor in any effects from planned future acquisitions.

After the end of the reporting quarter, the original shareholders placed seven million shares on the market. The free float of LEG shares rose to 63.22% and due to the increased liquidity, increased the attractiveness of the share.

We would like to expressly thank our shareholders, tenants, and business partners for the confidence they have in us.

Dusseldorf, November 2013

  
Thomas Hegel  
(CEO)

  
Eckhard Schultz  
(CFO)

  
Holger Hentschel  
(COO)

## LETTER TO SHAREHOLDERS

LEG SHARES

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## LEG SHARES

### Share price performance

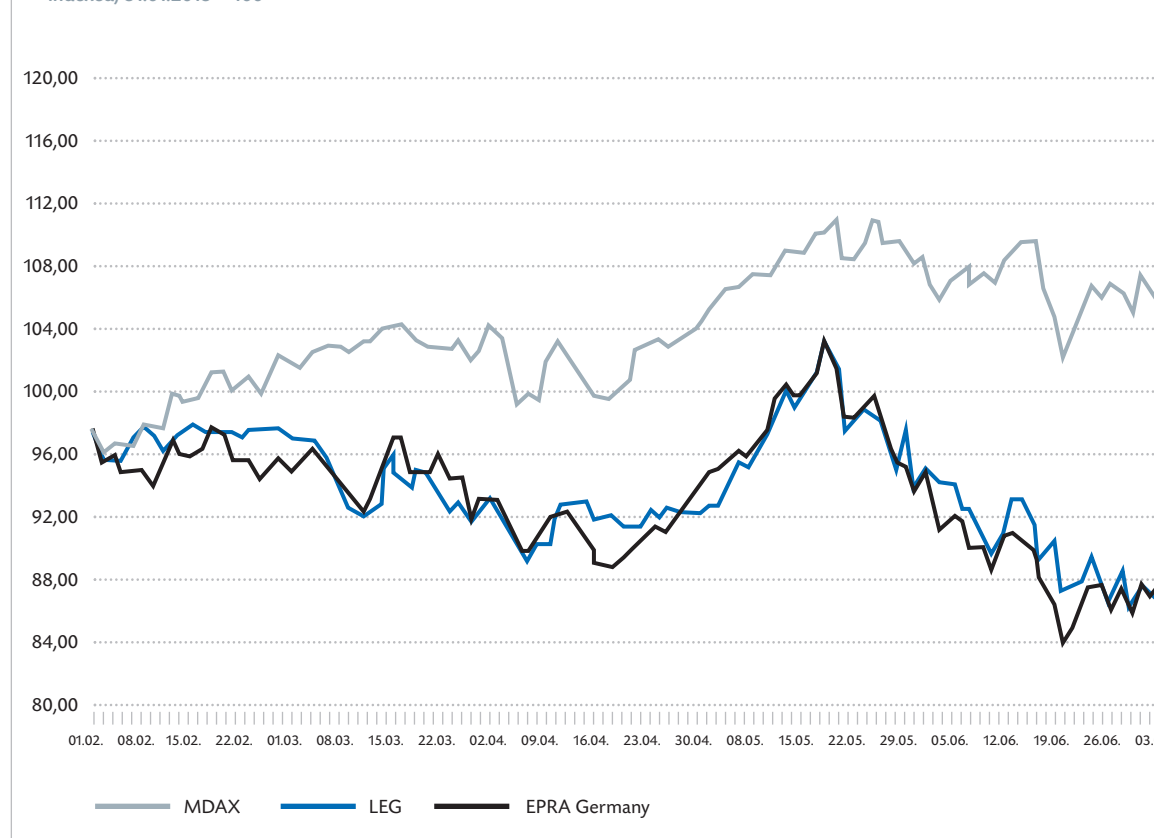
German stock market expanded overall significantly in the third quarter of 2013. The German benchmark index, the DAX®, climbed from 7,959.22 to 8,594.40 points as of the end of the quarter, an increase of 8.0 per cent.

The main factors driving the stock markets were the global recovery of leading economic indicators, such as purchasing manager indices and the prospects that the relaxed monetary policy of central banks would continue. The economy in the euro area grew by 0.3 per cent in the third quarter, thereby ending a recession phase of seven quarters. Germany was again the engine behind this with growth of 0.7 per cent. The comments by the ECB, that interest rates would remain at a low level for a prolonged period, and those of the Fed, that the US economy needs an unchanged expansive monetary policy, lent the markets a further boost.

The index for German property shares also developed positively in the third quarter. However, with a rise of 4.9 per cent, the EPRA Germany Index was unable to match the performance of the market as a whole. In the run-up to Germany's general election, the political risk of introducing rent control unsettled investors and thereby cast a shadow over sector sentiment, even though the impact of such a move on LEG's business model is only classified as very low. Meanwhile, LEG's shares performed overall better than its peer index with growth of 6.4 per cent. Including the pro rata dividend of €0.41 per share for 2012, which was distributed after the Annual General Meeting in July, the total return on LEG shares was 7.5 per cent.

### SHARE CHART

indexed; 31.01.2013 = 100



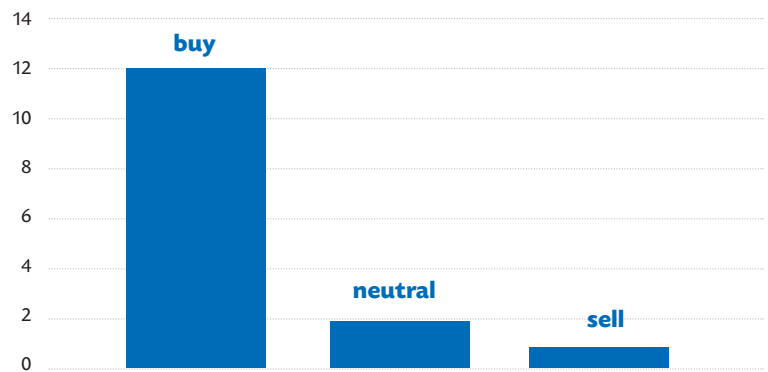
#### SHARE PERFORMANCE INDICATORS

Ticker symbol	LEG
WKN	LEG111
ISIN	DE000LEG1110
Number of shares	52,963,444
Initial listing	1 <sup>st</sup> February 2013
Market segment	Prime Standard
Indexes	MDAX, FTSE EPRA/NAREIT, GPR Indexes
Reference date (30 <sup>th</sup> September 2013)	€42.57
Free float (30 <sup>th</sup> September)	€2,254.7 million
Free float (30 <sup>th</sup> September)	50% plus one share
Average single-day trading volume (Q1-Q3)	164,668 shares
High (Q1-Q3)	€46.27
Low (Q1-Q3)	€37.85

#### Investor Relations activities

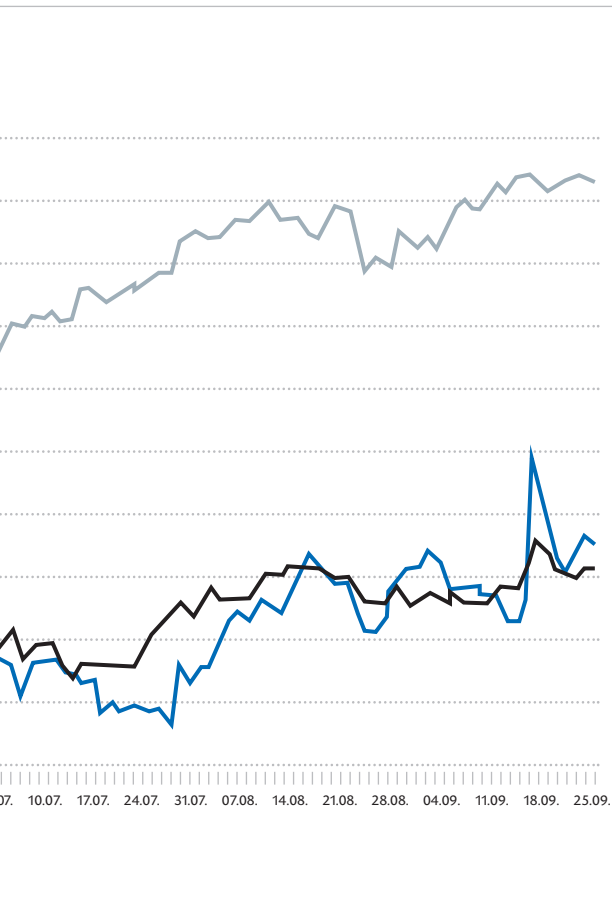
LEG puts great emphasis in active dialogue with its investors. After the IPO, IR activities aimed to intensify existing investor contacts and to build new ones at international financial centres. In the last few months, LEG was represented on key capital market conferences, and were on roadshows in New York, Boston, London, Paris, Frankfurt, Amsterdam, Brussels, Copenhagen, Munich and Zurich.

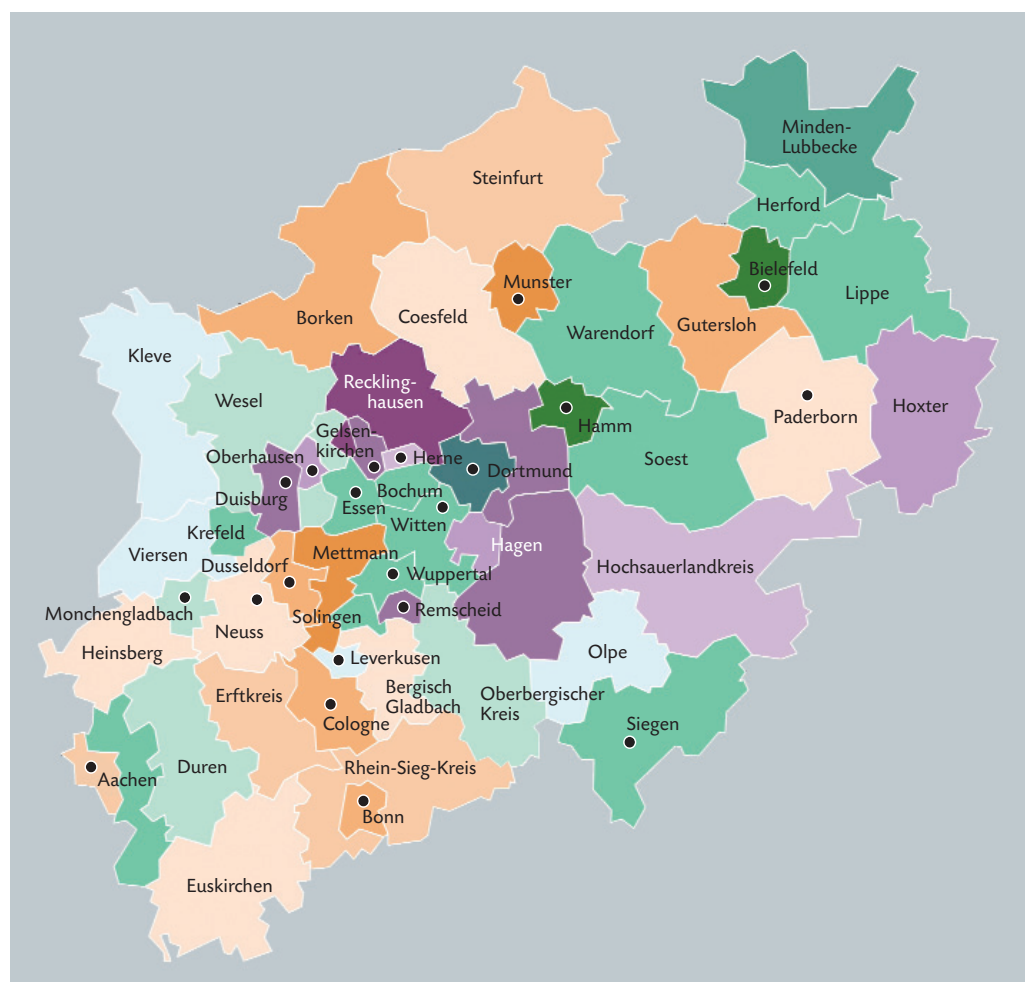
#### ANALYST COVERAGE



#### Analyst coverage

Analyst coverage has already been stepped up significantly in the short period since the IPO, reflecting the considerable interest in LEG shares. The shares are currently being actively monitored by 15 analysts. These analysts' verdict was unambiguously positive with 12 purchase recommendations. This was countered by just one recommendation to sell. Analysts' average upside target is €47.50 per share.





■ Growth markets
 ■ Stable markets
 ■ Higher yielding markets

#### PORTFOLIO SEGMENTATION TOP THREE LOCATIONS

by number of apartments per cluster

30.09.2013

	Number of LEG apartments	Share of LEG portfolio in %	Living space in sqm	In-place rent €/sqm	Vacancy rate in %
<b>High growth markets</b>	<b>31,542</b>	<b>33.7</b>	<b>2,083,516</b>	<b>5.51</b>	<b>1.3</b>
District of Mettmann	8,096	8.7	561,254	5.51	1.7
Munster	6,103	6.5	405,044	5.89	0.5
Cologne	3,505	3.7	237,134	5.74	0.5
Other locations	13,838	14.8	880,084	5.28	1.7
<b>Stable markets with attractive yields</b>	<b>33,808</b>	<b>36.1</b>	<b>2,161,270</b>	<b>4.65</b>	<b>3.5</b>
Dortmund	12,563	13.4	821,341	4.58	3.1
Hamm	3,976	4.3	239,995	4.43	2.6
Bielefeld	2,327	2.5	142,210	5.24	2.3
Other locations	14,942	16.0	957,723	4.68	4.4
<b>Higher yielding markets</b>	<b>26,698</b>	<b>28.5</b>	<b>1,648,096</b>	<b>4.56</b>	<b>4.3</b>
District of Recklinghausen	6,553	7.0	409,450	4.56	5.5
Duisburg	4,747	5.1	291,441	4.73	3.2
Maerkisch District	4,412	4.7	269,730	4.47	3.0
Other locations	10,986	11.7	677,475	4.52	4.5
<b>Outside NRW</b>	<b>1,477</b>	<b>1.6</b>	<b>97,476</b>	<b>5.06</b>	<b>1.1</b>
<b>Total</b>	<b>93,525</b>	<b>100.0</b>	<b>5,990,358</b>	<b>4.94</b>	<b>3.0</b>



# PORTFOLIO

## Overview

As of 30<sup>th</sup> September 2013, the LEG Immobilien AG portfolio comprised 93,525 residential units, 1,028 commercial units and 22,112 garages and parking spaces. The assets are essentially distributed across around 160 locations in North Rhine-Westphalia. On average, the residential units measure 64 square metres and have three rooms. Buildings comprise an average of 6.5 residential units and three stories.

## Portfolio segmentation

LEG's portfolio is divided into three market clusters using a scoring system developed by CBRE: Orange (growth markets), Green (stable markets) and Purple (higher yielding markets). All 54 municipalities and districts of North Rhine-Westphalia were analysed. Except for the city of Leverkusen and the Olpe, Kleve and Viersen districts, the portfolio is spread over the entire state.

**Growth markets (orange)** are characterised by a positive population trend, positive household projections and consistently high demand for residential units. **Stable markets (green)** are

more heterogeneous than growth markets in terms of their demographic and socio-economic development; their housing industry appeal, on average, is solid to high. **Higher yielding markets (purple)** are subject to a higher risk of population decline due to ageing and migration. However, with a strong local presence and good market access, there is still potential for these submarkets and opportunities for attractive risk-adjusted returns.

The underlying indicators in the scoring system are regularly reviewed and are based on various demographic, socio-economic and property market data such as population trends, household forecasts, purchasing power, rent levels and rent multipliers. Our analysis of the various local markets in NRW was unchanged compared to the end of 2012.

Based on this system, Bonn and Munster are the highest ranking markets, followed by Rhein-Sieg District, Cologne and Dusseldorf. A further 15 growth markets are distributed across the Rhineland area, parts of Munsterland and the District of Paderborn. The list of stable markets is headed by the District of Aachen, Oberbergisch

30.09.2012						Change	
Number of LEG apartments	Share of LEG Portfolio in %	Living space in sqm	In-place rent €/sqm	Vacancy rate in %		In-place rent in %	Vacancy rate in basis points
<b>30,271</b>	<b>33.7</b>	<b>2,010,935</b>	<b>5.36</b>	<b>1.5</b>		<b>2.8</b>	<b>-20</b>
8,100	9.0	561,579	5.30	2.2		3.9	-50
6,113	6.8	406,069	5.69	0.5		3.5	0
3,514	3.9	237,631	5.51	0.8		4.1	-30
12,544	14.0	805,657	5.18	1.7		2.0	0
<b>32,051</b>	<b>35.7</b>	<b>2,066,052</b>	<b>4.61</b>	<b>4.5</b>		<b>0.9</b>	<b>-100</b>
11,563	12.9	766,666	4.58	3.1		-0.1	0
3,976	4.4	239,995	4.37	3.7		1.4	-110
2,328	2.6	142,355	5.17	3.1		1.2	-80
14,184	15.8	917,036	4.61	6.1		1.4	-170
<b>26,035</b>	<b>29.0</b>	<b>1,610,109</b>	<b>4.52</b>	<b>5.0</b>		<b>0.9</b>	<b>-70</b>
6,425	7.2	402,151	4.53	6.8		0.7	-130
4,734	5.3	290,296	4.61	3.9		2.6	-70
4,412	4.9	269,730	4.45	2.7		0.4	30
10,460	11.7	647,932	4.49	5.3		0.8	-80
<b>1,385</b>	<b>1.5</b>	<b>92,084</b>	<b>4.87</b>	<b>0.9</b>		<b>3.9</b>	<b>20</b>
<b>89,742</b>	<b>100.0</b>	<b>5,779,180</b>	<b>4.85</b>	<b>3.6</b>		<b>1.9</b>	<b>-60</b>

District and Bielefeld. There are 20 further submarkets spread across the whole of NRW. The District of Unna heads the higher yielding market segment, followed by ten further submarkets predominantly in the Ruhr area and Sauerland.

### ■ Performance of the LEG portfolio

#### Operational development (rents, vacancies, fluctuation)

The size of the residential portfolio increased year-on-year in the third quarter of 2013. This was due to the acquisition of 2,664 residential units and 20 commercial units that were transferred as of 1<sup>st</sup> August 2013. The residential units acquired are predominantly assigned to the stable markets segment (1,791 units).

By contrast, 36 residential units at selected locations were sold in the third quarter in the context of minor portfolio streamlining.

Rent development was positive compared to the third quarter of 2012 on all submarkets: The average in-place rent climbed by 1.9 per cent year-on-year to €4.93 per square metre (on an unchanged portfolio) and from €4.85 per square metre to €4.94 per square metre (in absolute terms). Adjusted for the effects of the vacancy reduction, primarily on the stable markets and higher yielding markets, rent per square metre increased from €4.85 to €4.95, corresponding to a like-for-like growth of 2.1 per cent.

In the free financed portfolio, rents increased by 3.0 per cent to €5.24 per square metre on a like-for-like basis and by 2.8 per cent to also €5.24 per square metre absolute. The next rent adjustment for rent-controlled apartments is scheduled for January 2014.

In our growth markets, rents per square metre rose significantly by 3.0 per cent compared to the previous year. The growth in our stable

#### DEVELOPMENT OF THE LEG-PORTFOLIO

Residential units	30.09.2013	30.06.2013	30.09.2012	30.09.2013	30.06.2013	30.09.2012
	High growth markets			Stable markets with attractive yields		
<b>Rent-controlled apartments</b>						
Number	11,462	11,481	11,498	14,365	14,502	15,007
Area (in sqm)	794,584	795,632	795,761	983,341	992,005	1,024,133
In-place rent (in €/sqm)	4.88	4.89	4.87	4.34	4.34	4.40
Vacancy rate (in %)	1.16	1.38	1.49	3.34	3.61	4.77
<b>Free financed apartments</b>						
Number	20,080	19,997	18,773	19,443	17,521	17,044
Area (in sqm)	1,288,932	1,283,417	1,215,174	1,177,929	1,072,632	1,041,919
In-place rent (in €/sqm)	5.90	5.84	5.67	4.91	4.90	4.82
Vacancy rate (in %)	1.41	1.46	1.55	3.68	3.69	4.33
<b>Total apartments</b>						
Number	31,542	31,478	30,271	33,808	32,023	32,051
Area (in sqm)	2,083,516	2,079,049	2,010,935	2,161,270	2,064,636	2,066,052
In-place rent (in €/sqm)	5.51	5.48	5.36	4.65	4.63	4.61
Vacancy rate (in %)	1.32	1.43	1.53	3.53	3.66	4.54
<b>Total commercial</b>						
Number						
Area (in sqm)						
<b>Total parking</b>						

markets was 0.9 per cent. Non-recurring rent reductions were implemented on stable markets in connection with the advantageous refinancing of development loans in the final quarter of 2012, distorting the underlying development of rents in this segment which was actually stronger. Adjusted for this effect, the rise in rent was 1.9 per cent. An increase of 1.1 per cent (like-for-like) was achieved on higher yielding markets.

The occupancy rate was 97.0 per cent as of the end of the reporting period. Adjusted for the consolidation effects from the newly acquired portfolios, there was a slight positive development in the occupancy rate quarter-on-quarter, and vacancies were reduced further from a low level of 3.0 per cent to 2.8 per cent. In comparison to the previous year, this means a significant like-for-like vacancy reduction of 80 basis points. This positive development is being driven by all market segments. The vacancy rate decreased to

1.3 per cent on the growth markets. This corresponds to a further reduction of 20 basis points on the same quarter of the previous year from an already very low level. Rent development was again very dynamic on the stable markets and the higher yielding markets in particular. The vacancy rate on these markets was reduced by around 120 and 100 basis points to 3.3 per cent and 4.0 per cent, respectively (like-for-like).

An important indicator for tenant satisfaction is the fluctuation rate. This decreased again compared to the same period of the previous year (Q3 2012: 12.2 per cent) and is at 11.3 per cent.

	30.09.2013	30.06.2013	30.09.2012	30.09.2013	30.06.2013	30.09.2012	30.09.2013	30.06.2013	30.09.2012
	Higher yielding markets			Non-NRW			Total		
	8,932	8,898	9,377	154	220	220	34,913	35,101	36,102
	592,345	590,950	619,538	12,415	17,192	17,192	2,382,685	2,395,779	2,456,624
	4.19	4.19	4.22	4.17	4.20	4.19	4.49	4.49	4.51
	4.04	4.51	6.11	0.00	0.49	1.82	2.79	3.09	4.06
	17,766	17,106	16,658	1,323	1,169	1,165	58,612	55,793	53,640
	1,055,752	1,017,036	990,571	85,061	74,892	74,892	3,607,673	3,447,976	3,322,556
	4.77	4.74	4.70	5.19	5.17	5.01	5.24	5.21	5.11
	4.38	4.03	4.40	1.21	1.43	0.94	3.06	2.95	3.31
	26,698	26,004	26,035	1,477	1,389	1,385	93,525	90,894	89,742
	1,648,096	1,607,986	1,610,109	97,476	92,084	92,084	5,990,358	5,843,755	5,779,181
	4.56	4.54	4.52	5.06	5.00	4.87	4.94	4.92	4.85
	4.27	4.20	5.02	1.08	1.30	1.08	2.96	3.00	3.57
							1,028	1,008	988
							197,635	195,709	192,991
							22,112	21,770	21,188

### Value development

The following table shows the distribution of assets by market segment. The market valuation of the portfolio was not updated in the third quarter. The rental yield on the portfolio based on in-place rents is 7.3 per cent (rent multiplier: 13.8x).

VALUE DEVELOPMENT							
Market	Residential Units	GAV Residential Assets (€m)	% of Total Residential GAV	GAV/sqm (€/sqm)	In-Place Rent Multiple	GAV Commercial/ Other Assets (€m)	Total GAV (€m)
High growth markets	31,542	2,144	45	1,028	15.8 x	179	2,323
Stable markets with attractive yields	33,808	1,499	32	692	12.9 x	82	1,581
Higher yielding markets	26,698	1,025	22	621	11.9 x	43	1,068
<b>Subtotal NRW</b>	<b>92,048</b>	<b>4,668</b>	<b>98</b>	<b>791</b>	<b>13.8 x</b>	<b>304</b>	<b>4,973</b>
Non-NRW	1,477	83	2	850	14.0 x	15	98
<b>Total Portfolio</b>	<b>93,525</b>	<b>4,751</b>	<b>100</b>	<b>792</b>	<b>13.8 x</b>	<b>319</b>	<b>5,070</b>
Leasehold + Land Values							25
Inventories (IAS 2)							12
<b>Total Balance Sheet</b>							<b>5,108</b>

### Investment activities

In the first three quarters of 2013, €57.9 million were spent on maintenance and value-adding investments eligible for capitalisation. Investment was therefore up by 14.9 per cent compared to the same period of the previous year (€50.4 million). Around €0.2 million of this relates to the newly acquired portfolios to date. The higher investments are predominantly in connection with the positive development in new letting activities (turn costs), which reflects the significant rise in the occupancy rate in particular.

€24.5 million (previous year: €25.9 million) of total expenses were related to capital expenditure while maintenance recognised as an expense amounted to €33.4 million (previous year: €24.5 million). In the current 2013 year, the capitalisation rate has dropped from 51.4 per cent in the previous year to 42.3 per cent. On the basis of the projects initiated, investments of approximately €14 per square metre are still expected for the year as a whole with a normalised capitalisation rate of almost 50 per cent (€9.30 per square metre as of 30<sup>th</sup> September 2013).

## INTERIM MANAGEMENT REPORT

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# ANALYSIS OF NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Please see the glossary in the annual report for a definition of individual ratios and terms.

## Results of operations

The condensed income statement for the reporting period (1<sup>st</sup> January to 30<sup>th</sup> September 2013) and the comparative period (1<sup>st</sup> January to 30<sup>th</sup> September 2012) is as follows:

CONDENSED INCOME STATEMENT				
€ million	Q3 2013	Q3 2012	01.01.- 30.09.2013	01.01.- 30.09.2012
Net rent and lease income	64.4	63.2	188.1	180.2
Net income from the disposal of investment property	-0.1	-0.7	-0.8	-1.2
Net income from the remeasurement of investment property	-	109.3	-	109.3
Net income from the disposal of real estate inventory	0.3	-0.3	-1.4	-1.3
Net income from other services	0.4	2.2	1.9	3.4
Administrative and other expenses	-15.8	-14.8	-38.3	-34.5
Other income and expenses	0.2	0.9	0.5	2.1
<b>Operating earnings</b>	<b>49.4</b>	<b>159.8</b>	<b>150.0</b>	<b>258.0</b>
Interest income	0.2	0.4	0.8	1.3
Interest expense	-29.8	-33.3	-95.2	-145.7
Net income from other financial assets and associates	0.0	0.2	1.4	1.8
Net income from the fair value measurement of derivatives	-0.2	-1.1	2.3	-1.7
<b>Net finance costs</b>	<b>-29.8</b>	<b>-33.8</b>	<b>-90.7</b>	<b>-144.3</b>
<b>Earnings before income taxes</b>	<b>19.6</b>	<b>126.0</b>	<b>59.3</b>	<b>113.7</b>
Income taxes	-2.4	-7.6	-7.4	-5.6
<b>Net profit or loss for the period</b>	<b>17.2</b>	<b>118.4</b>	<b>51.9</b>	<b>108.1</b>

Operating earnings in the third quarter of 2013 amounted to €49.4 million and were down €110.4 million on the third quarter of 2012. The investment property of the LEG Group was measured at fair value as of 30<sup>th</sup> September 2012 in the 2012 financial year. This measurement will be carried out as of 31<sup>st</sup> December in the current financial year. In the reporting period of the first nine months, therefore, without the remeasurement of the portfolio, the operating earnings generated were €108.0 million lower than in the same period of the previous year at €150.0 million. In addition to the effect of the measurement of property described, the impact on earnings of temporarily higher expenses for maintenance of €8.9 million was noted in the reporting period.

The net finance costs for the same period of the previous year were affected by prepayment penalties of €25.8 million as part of the since then completed refinancing. Only insignificant prepayment penalties have been incurred in 2013. This was a key factor in the €53.6 million improvement in net finance costs in the reporting period compared to the same period of the previous year. In total, a net profit of €51.9 million was generated in the reporting period.

The condensed income statement for segment reporting in the reporting period from 1<sup>st</sup> January to 30<sup>th</sup> September 2013 is as follows:

CONDENSED INCOME STATEMENT FOR SEGMENT REPORTING 01.01.-30.09.2013				
€ million	Residential	Other	Reconciliation	Group
Rental and lease income	394.5	5.1	-0.7	398.9
Cost of sales of rental and lease	-210.6	-1.8	1.6	-210.8
<b>Net rental and lease income</b>	<b>183.9</b>	<b>3.3</b>	<b>0.9</b>	<b>188.1</b>
Net income from the disposal of investment property	-0.3	-0.5	-	-0.8
Net income from the remeasurement of investment property	-	-	-	-
Net income from the disposal of real estate inventory	0.4	-1.9	0.1	-1.4
Net income from other services	0.3	26.4	-24.8	1.9
Administrative and other expenses	-31.7	-30.3	23.7	-38.3
Other income	0.5	-	-	0.5
<b>Segment earnings</b>	<b>153.1</b>	<b>-3.0</b>	<b>-0.1</b>	<b>150.0</b>

The Housing segment generated operating segment earnings of €153.1 million in the reporting period. The Other segment generated operating segment earnings of €-3.0 million.

The condensed income statement by segment for the comparative period from 1<sup>st</sup> January to 30<sup>th</sup> September 2012 was as follows:

CONDENSED INCOME STATEMENT FOR SEGMENT REPORTING 01.01.-30.09.2012				
€ million	Residential	Other	Reconciliation	Group
Rental and lease income	379.3	5.3	-1.8	382.8
Cost of sales of rental and lease	-203.9	-1.5	2.8	-202.6
<b>Net rental and lease income</b>	<b>175.4</b>	<b>3.8</b>	<b>1.0</b>	<b>180.2</b>
Net income from the disposal of investment property	-0.8	-0.4	-	-1.2
Net income from the remeasurement of investment property	107.2	2.1	-	109.3
Net income from the disposal of real estate inventory	0.1	-1.4	-	-1.3
Net income from other services	1.7	32.4	-30.7	3.4
Administrative and other expenses	-29.0	-27.6	22.1	-34.5
Other income	1.9	0.2	-	2.1
<b>Segment earnings</b>	<b>256.5</b>	<b>9.1</b>	<b>-7.6</b>	<b>258.0</b>

The Housing segment generated operating segment earnings of €256.5 million in the same period of the previous year. The Other segment generated operating segment earnings of €9.1 million.

The largest share of income in the Other segment is accounted for by income from service agreements between LEG Management GmbH and property companies in the Housing segment. The resulting income in the Other segment and the corresponding expenses in the Housing segment are internal to the Group and are eliminated in the "Reconciliation" column.

Intragroup transactions between the segments are conducted at arm's length conditions.

#### Net rental and lease income

NET RENTAL AND LEASE INCOME				
€ million	Q3 2013	Q3 2012	01.01.- 30.09.2013	01.01.- 30.09.2012
Gross rental income	149.0	165.9	340.3	337.5
of which: rental income	91.1	86.6	269.2	257.8
Other income	-10.4	-29.5	58.6	45.3
<b>Rental and lease income (gross)</b>	<b>138.6</b>	<b>136.4</b>	<b>398.9</b>	<b>382.8</b>
Purchased services	-62.0	-59.9	-172.9	-160.6
Staff costs	-7.7	-7.2	-25.2	-22.8
of which IPO costs	-	-	-2.1	-
Depreciation and amortisation expenses	-1.0	-0.9	-3.1	-3.0
Other operating expenses	-3.5	-5.2	-9.6	-16.2
<b>Cost of sales of in connection with rental and letting income</b>	<b>-74.2</b>	<b>-73.2</b>	<b>-210.8</b>	<b>-202.6</b>
<b>Net rental and lease income</b>	<b>64.4</b>	<b>63.2</b>	<b>188.1</b>	<b>180.2</b>
<b>Net operating income – margin (in %)</b>	<b>70.9</b>	<b>73.0</b>	<b>69.9</b>	<b>69.9</b>

Rent increases, a significant reduction in vacancies, and the acquisition of three property portfolios contributed to a 4.4 per cent rise in rental income from €257.8 million in the same period of the previous year to €269.2 million in the reporting period. The positive trend of the first two quarters continued in the third. The organic rent growth on the basis of rent increases and vacancy reductions amounted to 2.6 per cent.

Fewer utility bills were issued in the first three quarters of 2013 than in the same period of the previous year. This resulted in a shift in reporting at the expense of income from cost allocations (reported in rental income) and in favour of the



reduction of work in progress (reported in other income).

The LEG Group invested selectively in its assets in the reporting period. At €57.9 million to date, total investment has been €7.5 million higher than in the same period of the previous year. Around €0.2 million of total investments are related to the newly acquired properties.

MAINTENANCE AND MODERNISATION OF INVESTMENT PROPERTY				
€ million	Q3 2013	Q3 2012	01.01.-30.09.2013	01.01.-30.09.2012
Maintenance expenses of investment property	11.5	8.4	33.4	24.5
Capital expenditure	12.8	7.0	24.5	25.9
<b>Total investment</b>	<b>24.3</b>	<b>15.4</b>	<b>57.9</b>	<b>50.4</b>
Area of investment property in million per sqm	6.20	6.00	6.20	6.00
<b>Average investment (€ per sqm)</b>	<b>3.9</b>	<b>2.6</b>	<b>9.3</b>	<b>8.4</b>

Investments in vacant apartments in particular resulted in a rise in capitalised modernisation work in the third quarter of 2013. However, this effect was more than compensated for by the lower number of major projects in the reporting period, which contributed to a slight decline in capitalised modernisation work from €25.9 million in the same period of the previous year to €24.5 million in the reporting period.

An unusually large amount of maintenance work was performed in the first nine months of 2013. Compared to the same period of the previous year, maintenance expenses climbed from €24.5 million in the same period of the previous year to €33.4 million in the reporting period. Given the high letting momentum, maintenance expenses focused on renovation work in connection with successful new letting activities.

Modernisation work will increase as planned as the financial year progresses. This will entail a planned increase in value-enhancing measures eligible for capitalisation. Compliance with the requirements of the social charter is assured.

### Net income from the disposal of investment property

NET INCOME FROM THE DISPOSAL OF INVESTMENT PROPERTY				
€ million	Q3 2013	Q3 2012	01.01.- 30.09.2013	01.01.- 30.09.2012
Income from the disposal of investment property	3.5	3.2	8.0	8.5
Carrying amount of investment property sold	-3.2	-3.6	-7.8	-9.0
Cost of sales of investment property sold	-0.4	-0.3	-1.0	-0.7
<b>Net income from the disposal of investment property</b>	<b>-0.1</b>	<b>-0.7</b>	<b>-0.8</b>	<b>-1.2</b>

As a result of selective portfolio streamlining, less investment property was sold again in the reporting period. The LEG Group sold these properties at slightly more than their book value. The book losses totalling €0.8 million on two properties sold were therefore more than offset.

Staff and non-staff operating costs for the disposal of investment property rose slightly in the reporting period.

### Net income from the remeasurement of investment property

The investment property of the LEG Group was measured at fair value as of 30<sup>th</sup> September 2012 in the 2012 financial year. This measurement will be carried out as scheduled as of 31<sup>st</sup> December in the current financial year.

### Net income from the disposal of real estate inventory

NET INCOME FROM THE DISPOSAL OF REAL ESTATE INVENTORY				
€ million	Q3 2013	Q3 2012	01.01.- 30.09.2013	01.01.- 30.09.2012
Income from the disposal of real estate inventory	5.0	1.1	5.8	6.2
Carrying amount of real estate inventory sold	-3.8	-1.4	-4.3	-5.6
Cost of sales of real estate inventory sold	-0.9	0.0	-2.9	-1.9
<b>Net income from the disposal of real estate inventory</b>	<b>0.3</b>	<b>-0.3</b>	<b>-1.4</b>	<b>-1.3</b>

The sale of the remaining properties of the former Development division continued successfully in the reporting period. An area of developed land in Cologne was sold in the third quarter of the reporting period. This disposal resulted in an income

of €4.1 million in the third quarter of 2013 and a book value disposal of €3.0 million in income from the disposal of inventory properties. A provision of €0.7 million was recognised for pending services on the land sold.

The remaining inventory properties as of 30<sup>th</sup> September 2013 amounted to €12.5 million, €11.1 million of which relate to properties under development.

The cost of sales of disposed inventory properties – excluding the addition of provisions for the land sold – therefore almost matched the level in the same period of the previous year.

#### Net income from other services

OTHER SERVICES				
€ million	Q3 2013	Q3 2012	01.01.- 30.09.2013	01.01.- 30.09.2012
Income from other services	2.2	6.0	7.1	11.5
Expenses in connection with other services	-1.8	-3.8	-5.2	-8.1
<b>Net income from other services</b>	<b>0.4</b>	<b>2.2</b>	<b>1.9</b>	<b>3.4</b>

Net income from other services essentially includes income from electricity and heat fed to the grid in addition to IT services for third parties. There were also non-recurring effects in both the reporting period and the comparative period.

A decline in income from electricity and heat generation resulted in a lesser coverage of fixed costs. Income benefited from a drop in the cost of materials in connection with other services.

A land purchase agreement originally intended for development purposes was reversed in the same period of the previous year. The original purchase price of €2.9 million was reimbursed in full. An impairment loss of €0.5 million had since been recognised on the property and was reversed when the agreement was rescinded.

## Administrative and other expenses

ADMINISTRATIVE AND OTHER EXPENSES				
€ million	Q3 2013	Q3 2012	01.01.- 30.09.2013	01.01.- 30.09.2012
Other operating expenses	-9.0	-9.4	-25.7	-19.0
Staff costs	-5.9	-4.5	-19.2	-13.0
Purchased services	-0.2	-0.4	-0.8	-1.0
Depreciation and amortisation	-0.5	-0.5	-1.7	-1.5
IPO cost reimbursement	-0.2	-	9.1	-
<b>Administrative and other expenses</b>	<b>-15.8</b>	<b>-14.8</b>	<b>-38.3</b>	<b>-34.5</b>

Administrative and other expenses were strongly defined by non-recurring effects overall.

The IPO in 2013 caused consulting and non-staff operating costs of €6.6 million that are reported in other operating expenses. In addition, this item benefited from the reversal of a provision in the amount of €2.1 million in the same period of the previous year.

There was a negative non-recurring effect of €4.1 million in connection with obligations from a former residential property development project consisting of 47 single-family homes. This is reflected in the increase in other operating expenses. A correspondingly higher provision shows the change in the risk assessment for this project.

Staff costs also include €2.6 million for long-term, performance-based remuneration components (long-term incentive programme), which are non-cash, non-dilutive items that do not affect equity. Performance bonuses for the successful IPO resulted in an increase of €2.5 million in the staff cost portion of administrative expenses.

Staff and non-staff operating costs caused by the IPO were passed on in full to the shareholders Saturea B.V. and Perry Luxco RE S.à r.l. The share of the cost reimbursement attributable to administrative expenses (and the corresponding IPO costs) amounts to €9.1 million.

Adjusted for the extraordinary effects described, recurring administrative and other expenses amounted to €26.1 million. In particular, a slight increase compared to the previous year is due to changing requirements in connection with the IPO.

### Net finance costs

NET FINANCE COSTS				
€ million	Q3 2013	Q3 2012	01.01.- 30.09.2013	01.01.- 30.09.2012
Interest income	0.2	0.4	0.8	1.3
Interest expense	-29.8	-33.3	-95.2	-145.7
<b>Net interest income</b>	<b>-29.6</b>	<b>-32.9</b>	<b>-94.4</b>	<b>-144.4</b>
Net income from other financial assets	-	0.1	1.4	1.7
Net income from associates	-	0.1	0.0	0.1
Net income from the fair value measurement of derivatives	-0.2	-1.1	2.3	-1.7
<b>Net finance costs</b>	<b>-29.8</b>	<b>-33.8</b>	<b>-90.7</b>	<b>-144.3</b>

The refinancing amounts drawn in the reporting period resulted from agreements concluded in 2012. Prepayment penalties on refinancing activity in 2013 were therefore already reflected in provisions as of 31<sup>st</sup> December 2012. In contrast to the same period of the previous year (prepayment penalties: €25.8 million), there were, therefore, only insignificant expenses for prepayment penalties in the reporting period.

After adjustment for prepayment penalties and other items, cash interest expenses were thus reduced to €67.0 million (previous year: €70.6 million). The main factor driving this was the drop in interest costs to 3.3 per cent as part of the refinancing (3.6 per cent in the same period of the previous year).

### Reconciliation to FFO

The FFO is a key performance indicator of the LEG Group. The LEG Group distinguishes between FFO I (not including net income from the disposal of investment property), FFO II (including net income from the disposal of investment property) and AFFO (FFO I adjusted for capex). Details of the calculation system for each indicator 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:

CALCULATION OF FFO I, FFO II AND AFFO				
€ million	Q3 2013	Q3 2012	01.01.- 30.09.2013	01.01.- 30.09.2012
<b>Net profit or loss for the period (IFRS)</b>	<b>17.2</b>	<b>118.4</b>	<b>51.9</b>	<b>108.1</b>
Interest income	-0.2	-0.4	-0.8	-1.3
Interest expenses	29.8	33.3	95.2	145.7
<b>Net interest income</b>	<b>29.6</b>	<b>32.9</b>	<b>94.4</b>	<b>144.4</b>
Other financial expenses	0.2	0.9	-3.7	-0.1
Income taxes	2.4	7.6	7.4	5.6
<b>EBIT</b>	<b>49.4</b>	<b>159.8</b>	<b>150.0</b>	<b>258.0</b>
Depreciation, amortisation and write-downs	2.2	2.2	6.5	6.5
<b>EBITDA</b>	<b>51.6</b>	<b>162.0</b>	<b>156.5</b>	<b>264.5</b>
Measurement at fair value of investment property	-	-109.3	-	-109.3
LTIP (long-term incentive programme)	0.8	-	2.6	-
Non-recurring project costs	1.1	9.5	5.8	14.0
Extraordinary and aperiodic expenses and income	3.5	-0.8	3.2	-1.2
Net income of investment property sold	0.1	0.7	0.8	1.2
Net income of real estate inventory sold	-0.3	0.3	1.4	1.3
<b>Adjusted EBITDA</b>	<b>56.8</b>	<b>62.4</b>	<b>170.3</b>	<b>170.5</b>
Cash interest expenses and income	-21.8	-22.5	-67.0	-70.6
Cash income taxes	-	-0.4	0.2	1.3
<b>FFO I (not including disposal of investment property)</b>	<b>35.0</b>	<b>39.5</b>	<b>103.5</b>	<b>101.2</b>
Net income from the disposal of investment property	-0.1	-0.7	-0.8	-1.2
<b>FFO II (including disposal of investment property)</b>	<b>34.9</b>	<b>38.8</b>	<b>102.7</b>	<b>100.0</b>
Capex expenditure	-12.8	-7.0	-24.5	-25.9
<b>Adjusted FFO I (AFFO)</b>	<b>22.2</b>	<b>32.5</b>	<b>79.0</b>	<b>75.3</b>

At €103.5 million in the reporting period, FFO I (not including net income from the disposal of investment property) was 2.1 per cent higher than in the same period of the previous year (€101.2 million). In particular, the increase reflects the effects of the rise in rental income and the lower cash expenses. These effects more than compensate the temporary rise in maintenance expenses in the reporting period.

### Net asset situation (condensed statement of financial position)

The condensed statement of financial position is as follows:

CONDENSED BALANCE SHEET		
€ million	30.09.2013	31.12.2012
Investment property	5,050.6	4,937.1
Prepayments for investment properties	13.8	0.0
Other non-current assets	106.0	114.1
<b>Non-current assets</b>	<b>5,170.4</b>	<b>5,051.2</b>
Receivables and other assets	62.2	50.7
Cash and cash equivalents	43.0	133.7
<b>Current assets</b>	<b>105.2</b>	<b>184.4</b>
Assets held for disposal	2.8	2.2
<b>Total assets</b>	<b>5,278.4</b>	<b>5,237.8</b>
<b>Equity</b>	<b>2,184.0</b>	<b>2,085.5</b>
Non-current financial liabilities	2,390.6	2,102.9
Other non-current liabilities	455.2	480.2
<b>Non-current borrowed capital</b>	<b>2,845.8</b>	<b>2,583.1</b>
Current financial liabilities	127.0	396.8
Other current liabilities	121.6	172.4
<b>Current borrowed capital</b>	<b>248.6</b>	<b>569.2</b>
<b>Total equity and liabilities</b>	<b>5,278.4</b>	<b>5,237.8</b>

Total assets amounted to €5,278.4 million as of the end of the reporting period (31<sup>st</sup> December 2012: €5,237.8 million).

The largest item on the assets side is non-current assets at €5,170.4 million. The main asset of the LEG Group is investment property at €5,050.6 million as of 30<sup>th</sup> September 2013 (31<sup>st</sup> December 2012: €4,937.1 million). This corresponds to 95.7 per cent of total assets as of 30<sup>th</sup> September 2013 (31<sup>st</sup> December 2012: 94.3 per cent).

As of the end of the interim reporting period, €13.8 million in advance payments for investment property was reported for the acquisition of further property portfolios. Around 829 units will be transferred in the fourth quarter of 2013, documenting the growth course embarked on by LEG. The main equity and liability items are the reported equity of €2,184.0 million (31<sup>st</sup> Decem-

ber 2012: €2,085.5 million) and the financial liabilities of €2,517.6 million (31<sup>st</sup> December 2012: €2,499.7 million).

By 30<sup>th</sup> September, incoming payments of €17.8 million were posted for the claims accruing from IPO cost reimbursement (€11.3 million for the reporting period; €7.4 million for the 2012 financial year, amounting to total receivables of €18.7 million). The remaining €0.9 million in receivables is expected to be received in the fourth quarter of 2013.

In the first quarter of the reporting period, an amount of €40.5 million was paid into the capital reserves by the shareholders Perry Luxco RE S.à r.l. and Restio B.V. by way of transfer of a shareholder loan to LEG Immobilien AG. The transaction resulted in the conversion of debt under other current liabilities into equity.

### Net asset value (NAV)

Another key performance indicator of the LEG Group is NAV. Details of the calculation system can be found in the glossary in the annual report.

As of 30<sup>th</sup> September 2013, the LEG Group reported EPRA NAV of €2,446.3 million.

EPRA-NAV		
€ million	30.09.2013	31.12.2012
<b>Equity</b>	<b>2,184.0</b>	<b>2,085.5</b>
<b>Note: shareholder loans were converted to equity in 2013</b>	<b>-</b>	<b>40.5</b>
Effect of exercising options, convertible bonds and other rights	-	-
<b>NAV</b>	<b>2,184.0</b>	<b>2,085.5</b>
Fair value measurement of derivative financial instruments	53.6	89.7
Deferred taxes	208.7	193.1
<b>EPRA-NAV</b>	<b>2,446.3</b>	<b>2,368.3</b>
Number of share	52,963,444	
<b>EPRA-NAV per share in €</b>	<b>46.19</b>	<b>44.72*</b>
*pro forma		

**Loan-to-value ratio**

Net debt in relation to property assets rose slightly compared to 31<sup>st</sup> December 2012. The loan-to-value ratio (LTV) is therefore 48.84 per cent (31<sup>st</sup> December 2012: 47.90 per cent).

LOAN TO VALUE RATIO		
€ million	30.09.2013	31.12.2012
Financial liabilities	2,517.6	2,499.7
Less cash and cash equivalents	43.0	133.7
<b>Net financial liabilities</b>	<b>2,474.6</b>	<b>2,366.0</b>
Investment property	5,050.6	4,937.1
Assets held for sale	2.8	2.2
Prepayments for investment properties	13.8	-
<b>Real estate assets</b>	<b>5,067.2</b>	<b>4,939.3</b>
<b>Loan to Value Ratio (LTV) in %</b>	<b>48.84</b>	<b>47.90</b>

**Financial position**

A net profit of €51.9 million was generated in the reporting period (previous year: €108.1 million). Equity amounted to €2,184.0 million as of the end of the reporting period (31<sup>st</sup> December 2012: €2,085.5 million). This corresponds to an equity ratio of 41.3 per cent (31<sup>st</sup> December 2012: 39.8 per cent).

As part of the refinancing, new loans in the amount of €275.6 million were drawn in 2013 as of 30<sup>th</sup> September 2013. The newly borrowed loans were primarily used for the repayment of existing loans.

Equity was enhanced by an additional €40.5 million by the transfer of a shareholder loan by Restio B.V. and Perry Luxco RE S.à r.l. to LEG Immobilien AG (as a contribution to capital reserves) in the first quarter of the reporting period.

The condensed statement of cash flows of the LEG Group for the reporting period is as follows:

STATEMENT OF CASH FLOWS		
€ million	01.01.- 30.09.2013	01.01.- 30.09.2012
Cash flows from/used operating activities	59.8	75.7
Cash flows from/used investing activities	-128.3	-22.6
Cash flows from/used financing activities	-22.2	-80.8
<b>Changes in cash and cash equivalents</b>	<b>-90.7</b>	<b>-27.7</b>

In a year-to-date comparison, the higher payments for maintenance expenses in particular have had a negative impact on cash flow from operating activities.

Acquisitions of property portfolios contributed to the cash flow from investing activities with payments of €104.4 million. Furthermore, payments for the modernisation of the property portfolio resulted in cash flow used in investing activities of €128.3 million.

Low loan drawdowns and the dividend payments resulted in a negative cash flow from financing activities of €22.2 million in the reporting period.

The LEG Group was solvent at all times in the reporting period.



## SUPPLEMENTARY REPORT

## REPORT ON RISKS AND OPPORTUNITIES

### Share placement

On 22<sup>nd</sup> October 2013, the original shareholders placed seven million shares (13.22 per cent of the shares outstanding) at €41.25 per share on the market as part of an accelerated book-building process. The free float of LEG shares rose to 63.22 per cent as a result. The shareholdings of Saturea B.V. and Perry Luxco RE S.à r.l. declined to around 29 per cent and 7.7 per cent, respectively.

### Acquisition

The acquisition of a property portfolio of 735 residential units for a purchase price of around €26 million, including incidental costs of acquisition, was notarised on 7<sup>th</sup> November 2013. The portfolio currently generates an annual rental income of over €2.1 million and is situated in stable micro locations in our core markets. Average in-place rents amount to €4.68 per square metre at this time and the initial vacancy rate is approximately seven per cent. The portfolio offers attractive synergy potential with the existing LEG portfolio, which is the basis for a forecast FFO yield of more than eight per cent. There is further potential for value creation through vacancy reduction and rent developments.

Including this transaction, more than 4,200 residential units have already been acquired since the IPO.

The risks and opportunities to which LEG is exposed in its operating activities were described in detail in the 2012 annual report. The risk assessment for a former residential property development project has changed in the 2013 financial year, which accordingly lead to an addition to the provisions. Other than this, no further risks that could lead to a different assessment have arisen or become identifiable. Sufficient provisions were recognised for all known risks in the interim financial statements.

## FORECAST

On the basis of the business performance in the first nine months of the 2013 financial year, we feel we are still well on our way to achieving our goals. LEG is reiterating its guidance of an FFO I in the range of €138.5 million to €141.5 million (€2.62 to €2.67 per share), including the initial positive effects of the acquisitions implemented in 2013. This earnings forecast is based on projected rent growth per square metre of more than two per cent on a like-for-like basis. We also anticipate that the very gratifying trend in vacancies will continue in the final quarter.

Investments are developing in line with planning and reflect the higher level of letting activity. For the full year, we expect investments of around €14 per square metre for the original portfolio (i.e. not including the newly acquired residential units) with an approximately 50 per cent share of the measures eligible for capitalisation.

Acquisitions remain a key element of the growth strategy. More than 4,200 units have already been acquired in the current financial year. Given the current acquisition pipeline, we are standing by our target of acquiring around 5,000 units by the end of the year.

On the basis of the positive prospects for organic growth and for the positive earnings contributions anticipated from the acquisitions already secured, we are forecasting growth in FFO I of around ten per cent in the 2014 financial year. This does not yet factor in any positive effects from planned acquisitions.

In line with planning, the company is set to distribute a dividend of 65 per cent of its FFO I.

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# LEG IMMOBILIEN AG

## IFRS CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30<sup>TH</sup> SEPTEMBER 2013

ASSETS		
€ million	30.09.2013	31.12.2012
<b>Non-current assets</b>	<b>5,170.4</b>	<b>5,051.2</b>
Investment property	5,050.6	4,937.1
Prepayments for investment properties	13.8	-
Property, plant and equipment	68.6	72.3
Intangible assets	4.7	5.9
Investments in associates	8.3	8.3
Other financial assets	4.8	4.9
Receivables and other assets	1.8	1.9
Deferred tax assets	17.8	20.8
<b>Current assets</b>	<b>105.2</b>	<b>184.4</b>
Inventory properties and other inventories	12.5	17.4
Receivables and other assets	47.0	31.3
Income tax receivables	2.7	2.0
Cash and cash equivalents	43.0	133.7
<b>Assets held for sale</b>	<b>2.8</b>	<b>2.2</b>
<b>Total assets</b>	<b>5,278.4</b>	<b>5,237.8</b>

EQUITY AND LIABILITIES		
€ million	30.09.2013	31.12.2012
<b>Equity</b>	<b>2,184.0</b>	<b>2,085.5</b>
Share capital	53.0	53.0
Capital reserves	479.3	436.1
Cumulative other reserves	1,625.6	1,571.5
Equity attributable to shareholders of the parent company	2,157.9	2,060.6
Non-controlling interests	26.1	24.9
<b>Non-current liabilities</b>	<b>2,845.8</b>	<b>2,583.1</b>
Provisions for pensions	125.5	121.5
Other provisions	14.5	12.2
Financial liabilities	2,390.6	2,102.9
Other liabilities	64.9	101.2
Tax liabilities	23.8	31.4
Deferred tax liabilities	226.5	213.9
<b>Current liabilities</b>	<b>248.6</b>	<b>569.2</b>
Provisions for pensions	1.4	5.8
Other provisions	15.4	20.1
Provisions for taxes	0.0	0.1
Financial liabilities	127.0	396.8
Other liabilities	85.0	125.5
Tax liabilities	19.8	20.9
<b>Total equity and liabilities</b>	<b>5,278.4</b>	<b>5,237.8</b>

# LEG IMMOBILIEN AG

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS OF 30<sup>TH</sup> SEPTEMBER 2013

€ million	Q3 2013	Q3 2012	01.01.- 30.09.2013	01.01.- 30.09.2012
<b>Net rental and lease income</b>	<b>64.4</b>	<b>63.2</b>	<b>188.1</b>	<b>180.2</b>
Rental and lease income	138.6	136.4	398.9	382.8
Cost of sales in connection with rental and lease income	-74.2	-73.2	-210.8	-202.6
<b>Net income from the disposal of investment property</b>	<b>-0.1</b>	<b>-0.7</b>	<b>-0.8</b>	<b>-1.2</b>
Income from the disposal of investment property	3.5	3.2	8.0	8.5
Carrying amount of investment property sold	-3.2	-3.6	-7.8	-9.0
Cost of sales in connection with investment property sold	-0.4	-0.3	-1.0	-0.7
<b>Net income from the remeasurement of investment property</b>	<b>-</b>	<b>109.3</b>	<b>-</b>	<b>109.3</b>
<b>Net income from the disposal of inventory properties</b>	<b>0.3</b>	<b>-0.3</b>	<b>-1.4</b>	<b>-1.3</b>
Income from the disposal of real estate inventory	5.0	11	5.8	6.2
Carrying amount of real estate inventory sold	-3.8	-1.4	-4.3	-5.6
Cost of sales in connection with real estate inventory sold	-0.9	0.0	-2.9	-1.9
<b>Net income from other services</b>	<b>0.4</b>	<b>2.2</b>	<b>1.9</b>	<b>3.4</b>
Income from other services	2.2	6.0	7.1	11.5
Expenses in connection with other services	-1.8	-3.8	-5.2	-8.1
<b>Administrative and other expenses</b>	<b>-15.8</b>	<b>-14.8</b>	<b>-38.3</b>	<b>-34.5</b>
<b>Other income and expenses</b>	<b>0.2</b>	<b>0.9</b>	<b>0.5</b>	<b>2.1</b>
<b>Operating earnings</b>	<b>49.4</b>	<b>159.8</b>	<b>150.0</b>	<b>258.0</b>
Interest income	0.2	0.4	0.8	1.3
Interest expenses	-29.8	-33.3	-95.2	-145.7
Net income from investment securities and associates	0.0	0.1	1.4	1.7
Net income from other associates	-	0.1	0.0	0.1
Net income from the fair value measurement of derivatives	-0.2	-1.1	2.3	-1.7
<b>Earnings before income taxes</b>	<b>19.6</b>	<b>126.0</b>	<b>59.3</b>	<b>113.7</b>
Income taxes	-2.4	-7.6	-7.4	-5.6
<b>Net profit or loss for the period</b>	<b>17.2</b>	<b>118.4</b>	<b>51.9</b>	<b>108.1</b>
<b>Change in amounts recognised directly in equity</b>				
<b>    Thereof recycling</b>				
<b>        Fair value adjustment of interest rate derivatives in hedges</b>	<b>-</b>	<b>-14.4</b>	<b>24.8</b>	<b>-34.0</b>
Change in unrealised gains/losses	-	-19.1	32.7	-45.3
Income taxes on amounts recognised directly in equity	-	4.7	-7.9	11.3
<b>    Thereof non-recycling</b>				
<b>        Actuarial gains and losses from the measurement of pension obligations</b>	<b>-</b>	<b>-11.6</b>	<b>-</b>	<b>-11.6</b>
<b>Total comprehensive income</b>	<b>17.2</b>	<b>92.4</b>	<b>76.7</b>	<b>62.5</b>
<b>Net profit loss for the period attributable to:</b>				
Non-controlling interests	0.2	21.3	0.7	19.4
Parent shareholders	17.0	97.1	51.2	88.7
<b>Total comprehensive income attributable to:</b>				
Non-controlling interests	0.2	17.8	0.9	12.6
Parent shareholders	17.0	74.6	75.8	49.9
<b>Earnings per share (basic and undiluted) in €</b>	<b>0.4</b>	<b>6.5</b>	<b>1.0</b>	<b>5.9</b>

# LEG IMMOBILIEN AG

## CONSOLIDATED STATEMENT OF CASH FLOWS

### AS OF 30<sup>TH</sup> SEPTEMBER 2013

€ million	01.01.- 30.09.2013	01.01.- 30.09.2012
<b>Earnings before interest and taxes</b>	<b>150.0</b>	<b>258.0</b>
Depreciation on property, plant and equipment and amortisation on intangible assets	6.4	6.6
(Gains)/losses from the remeasurement of investment property	-	-109.3
(Gains)/losses from the disposal of assets held for sale and investment property	-0.2	0.5
(Gains)/losses from the disposal of intangible assets and property, plant and equipment	0.0	0.0
(Gains)/losses from the disposal of investments in associates	-	0.0
(Reduction)/increase in pension provisions and other non-current provisions	1.9	-4.7
(Gains)/losses on the fair value measurement of derivatives	-	1.7
Other non-cash income and expenses	5.8	-9.4
(Reduction)/increase in receivables, inventories and other assets	-5.8	-20.0
Reduction/(increase) in liabilities (not including financial liabilities) and provisions	-23.1	39.6
Change in deferred taxes in profit or loss	-	-7.1
Interest paid	-67.9	-71.9
Interest received	0.9	1.3
Received income from investments	1.4	-
Taxes received	0.3	0.1
Taxes paid	-9.9	-9.7
<b>Net cash from/(used in) operating activities</b>	<b>59.8</b>	<b>75.7</b>
<b>Cash flow from investing activities</b>		
Investments in investment property	-136.5	-28.4
Proceeds from disposals of non-current assets held for sale and investment property	8.0	8.5
Investments in intangible assets and property, plant and equipment	-0.4	-2.6
Proceeds from disposals of intangible assets and property, plant and equipment	0.0	0.0
Investments in financial assets and other assets	-	-
Proceeds from the disposal of financial assets and other assets	0.6	0.0
Proceeds from disposals of associates	-	0.0
Acquisition of shares in consolidated companies	-	-0.2
Proceeds from disposals of shares in consolidated companies	-	0.1
<b>Net cash from/(used in) investing activities</b>	<b>-128.3</b>	<b>-22.6</b>
<b>Cash flow from financing activities</b>		
Borrowing of bank loans	349.5	558.2
Repayment of bank loans	-348.0	-547.5
Repayment of lease liabilities	-2.0	-2.5
Loan repayments to shareholders	-	-79.5
Dividend to shareholders	-21.7	-
Distributions and withdrawals from reserves from non non-controlling interests	-	-9.5
<b>Net cash from/(used in) financing activities</b>	<b>-22.2</b>	<b>-80.8</b>
<b>Change in cash and cash equivalents</b>	<b>-90.7</b>	<b>-27.7</b>
Cash and cash equivalents at beginning of period	133.7	81.8
<b>Cash and cash equivalents at end of period</b>	<b>43.0</b>	<b>54.1</b>
<b>Composition of cash and cash equivalents</b>		
Cash in hand, bank balances	43.0	54.1
<b>Cash and cash equivalents at end of period</b>	<b>43.0</b>	<b>54.1</b>

# SELECTED NOTES ON THE IFRS CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30<sup>TH</sup> SEPTEMBER 2013

## 1. Basic information on the Group

LEG Immobilien AG, Dusseldorf (hereinafter: "LEG Immo"; formerly LEG Immobilien GmbH, formerly Lancaster GmbH & Co. KG), its subsidiary LEG NRW GmbH, Dusseldorf (formerly: LEG Landesentwicklungsgesellschaft Nordrhein-Westfalen GmbH, Dusseldorf, hereinafter: "LEG") and the subsidiaries of the latter company (hereinafter referred to collectively as the "LEG Group") are among the largest housing companies in the state of North Rhine-Westphalia. As of 30<sup>th</sup> September 2013, the LEG Group had a portfolio of 94,553 units (residential and commercial).

LEG Immo, Hans-Boeckler-Strasse 38, 40476 Dusseldorf, Germany, was formed on 9<sup>th</sup> May 2008 and is entered in the commercial register of the Dusseldorf Local Court under HRB 69386. LEG NRW, the main subsidiary of LEG Immo, was formed in 1970. The company is also domiciled at Hans-Boeckler-Strasse 38, 40476 Dusseldorf, Germany, and is entered in the commercial register of the Dusseldorf Local Court under HRB 12200.

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 and the strategic acquisition of residential portfolios in order to generate long-term value enhancement.

By way of entry in the commercial register on 11<sup>th</sup> January 2013, LEG Immobilien GmbH underwent a change in legal form and was renamed LEG Immobilien AG.

LEG Immo went public on 1<sup>st</sup> February 2013 with the initial listing of its shares in the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange.

The consolidated interim financial statements have been prepared in euro. Unless indicated otherwise, all figures are rounded to millions of euro (€ million). For technical reasons, tables and references may contain rounded figures that differ from the exact mathematical values.

## 2. The consolidated interim financial statements

LEG Immo has prepared its consolidated interim 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). The notes have been presented in condensed form in accordance with the option under IAS 34.10. The condensed consolidated interim financial statements have neither been audited nor reviewed by an auditor.

The LEG Group primarily generates income from the rental and letting of investment property. Rental and letting is largely unaffected by seasonal and economic influences.

## 3. Accounting policies

The accounting policies applied in the consolidated interim financial statements of the LEG Group are the same as those presented in the IFRS consolidated financial statements of LEG Immo as of 31<sup>st</sup> December 2012. These consolidated interim financial statements as of 30<sup>th</sup> September 2013 should therefore be read in conjunction with the consolidated financial statements as of 31<sup>st</sup> December 2012.

Effective from 1<sup>st</sup> January 2013, the LEG Group has fully applied the new standards and interpretations. The fair values of investment property and derivative financial instruments were calculated in line with



the definition of IFRS 13. IFRS 13.9 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the day of the valuation. Fair value measurement of investment property is assigned to level 3 of the measurement hierarchy of IFRS 13.86 (measurement based on unobservable input factors). Please see the comments in the consolidated financial statements for information on the measurement of investment property. Please see note 9 for details of the effects of the first-time adoption of IFRS 13 for derivative financial instruments.

The fair value hierarchy can be summarised as follows:

FAIR VALUE HIERARCHY			
	Level 1	Level 2	Level 3
Investment properties			X
Financial liabilities		X	
Other liabilities (particular derivatives)		X	

#### 4. Changes in the Group

LEG Erste Grundstücksverwaltungs GmbH and LEG Zweite Grundstücksverwaltungs GmbH were included in consolidation for the first time as of 30<sup>th</sup> June 2013.

LEG Dritte Grundstücksverwaltungs GmbH was included in consolidation for the first time as of 30<sup>th</sup> September 2013.

The companies were formed in connection with the acquisition of a property portfolio. Further details can be found in section 6.

#### 5. Judgements and estimates

The preparation of IFRS interim consolidated financial statements requires assumptions and estimates affecting the carrying amounts of the assets and liabilities recognised, income and expenses, and the disclosure of contingent liabilities. In particular, these assumptions and estimates relate to the measurement of investment property, the recognition and measurement of provisions for pensions, the recognition and measurement of other provisions, the measurement of financial liabilities and the recognition of deferred tax assets.

Although the management believes the assumptions and estimates to be appropriate, unforeseeable changes to these assumptions can influence the Group's net assets, financial position and results of operations.

For further information, please see the consolidated financial statements as of 31<sup>st</sup> December 2012.

## 6. Selected notes on the consolidated statement of financial position

As of 30<sup>th</sup> September 2013, the LEG Group had a portfolio of 93,525 residential units and 1,028 commercial units.

Investment property developed as follows in the 2012 financial year and in 2013 up to the date of the consolidated interim financial statements:

INVESTMENT PROPERTIES		
€ million	30.09.2013	31.12.2012
<b>Carrying amount as of 01 January</b>	<b>4,937.1</b>	<b>4,736.1</b>
Acquisitions	98.2	52.5
Other additions	24.4	41.5
Reclassification of assets held for sale	-8.8	-13.1
Reclassification of property, plant and equipment	-0.3	-0.3
Reclassification from property, plant and equipment	-	0.1
Fair value adjustment	-	120.3
<b>Carrying amount as of 30 September / 31 December</b>	<b>5,050.6</b>	<b>4,937.1</b>

The reclassification of assets held for sale essentially relates to a block sale in Bergheim and individual sales from the residential portfolio. The following acquisitions were performed in the interim reporting period:

The acquisition of a property portfolio of around 2,200 residential units was notarised on 15<sup>th</sup> May 2013. The portfolio generates annual rental income of €6.1 million. The average in-place rent is €4.74 per square metre; the initial vacancy rate is eight per cent. The transaction was closed on 1<sup>st</sup> August 2013. The acquisition price is subject to a non-disclosure agreement with the seller.

A further property portfolio of around 538 residential units was acquired by way of a purchase agreement dated 4<sup>th</sup> June 2013. The portfolio generates annual rental income of €2.0 million. The average in-place rent is €4.92 per square metre; the vacancy rate is 8.7 per cent. The rights and obligations were transferred on 1<sup>st</sup> August 2013. The purchase price was €23.0 million not including incidental costs.

The acquisition of a property portfolio of around 829 residential units was notarised on 11<sup>th</sup> July 2013. The portfolio generates annual rental income of €2.6 million. The average in-place rent is €4.92 per square metre; the initial vacancy rate is around six per cent. The purchase price including incidental acquisition costs is €34.0 million. The transaction was closed on 1<sup>st</sup> October 2013, i.e. after the end of the reporting quarter.

As the measurement of investment property was not updated in the interim reporting period, the fair values were not adjusted. Please see the consolidated financial statements as of 31<sup>st</sup> December 2012 for details of the measurement methods and parameters.

The LEG Group's portfolio also includes land and buildings accounted for in accordance with IAS 16. The cash and cash equivalents essentially include bank balances.

The changes in the components of consolidated equity can be seen in the statement of changes in consolidated equity.

Financial liabilities are composed as follows:

FINANCIAL LIABILITIES		
€ million	30.09.2013	31.12.2012
Financial liabilities from real estate financing	2,492.4	2,473.7
Financial liabilities from letting financing	25.2	26.0
<b>Financial liabilities</b>	<b>2,517.6</b>	<b>2,499.7</b>

Financial liabilities from property financing result from the financing of investment property. In the first nine months in 2013, there was new refinancing with a total volume of €275.6 million at LEG NRW GmbH, LEG Wohnen GmbH and GeWo Gesellschaft für Wohnungs- und Städtebau mbH. This was essentially used to repay existing loans.

This led to a further significant reduction in the number of loans. Other loans extended in the amount of €74.0 million and non-cash measurement effects resulted in increased loan liabilities. This was offset by scheduled and unscheduled repayments.

MATURITY OF FINANCIAL LIABILITIES FROM REAL ESTATE FINANCING				
€ million	Remaining term of less than 1 year	Remaining term between 1 and 5 years	Remaining term more than 5 years	Total
30.09.2013	123.2	1,195.4	1,173.8	<b>2,492.4</b>
31.12.2012	393.2	784.6	1,295.9	<b>2,473.7</b>

The main changes in financial liabilities with a remaining term of less than one year compared to the financial statements as of 31<sup>st</sup> December 2012 result from the repayment of loan liabilities due to refinancing. These were already classified as current liabilities as of 31<sup>st</sup> December 2012. The change in the capital structure as a result of refinancing led to an increase in the long-term financial liabilities.

The LEG Group uses derivative financial instruments to hedge interest rate risks from property financing. Freestanding derivative financial instruments are recognised at fair value through profit or loss. Derivatives used in hedge accounting are recognised pro rata for the designated portion of the hedge in other comprehensive income and in profit or loss for the undesignated portion including accrued interest.

**7. Selected notes on the consolidated statement of comprehensive income**

**Rental and lease income** are broken down as follows:

RENTAL AND LEASE INCOME		
€ million	30.09.2013	30.09.2012
Gross rental income	398.7	382.6
Other income	0.2	0.2
<b>Rental and lease income</b>	<b>398.9</b>	<b>382.8</b>

COST OF SALES IN CONNECTION WITH RENTAL AND LEASE INCOME		
€ million	30.09.2013	30.09.2012
Purchased services	-139.5	-136.1
Ongoing maintenance	-33.4	-24.5
Staff costs	-25.2	-22.8
Depreciation and amortisation	-3.1	-3.0
Other operating expenses	-11.7	-16.2
Reimbursement of IPO costs by shareholders	2.1	-
<b>Cost of sales of rental and lease income</b>	<b>-210.8</b>	<b>-202.6</b>
<b>Net rental and lease income</b>	<b>188.1</b>	<b>180.2</b>

The rise in rental income in the third quarter of 2013 compared to the third quarter of 2012 results in part from an increase in in-place rent and a decline in the vacancy rate.

Following the company's successful IPO, performance bonuses of €4.7 million were granted to employees. The share of these costs were allocated to the cost of sales of rental and letting was €2.1 million and was charged in full to the shareholders Saturea B.V. and Perry Luxco RE S.à r.l.

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

NET INCOME FROM THE DISPOSAL OF INVESTMENT PROPERTY		
€ million	30.09.2013	30.09.2012
Income from the disposal of investment property	8.0	8.5
Carrying amount of investment property sold	-7.8	-9.0
<b>Gain (+)/loss (-) from the disposal of investment property</b>	<b>0.2</b>	<b>-0.5</b>
Staff costs	-0.5	-0.4
Other operating expenses	-0.5	-0.2
Purchased services	-	-0.1
<b>Cost of sales in connection with investment property sold</b>	<b>-1.0</b>	<b>-0.7</b>
<b>Net income from the disposal of investment property</b>	<b>-0.8</b>	<b>-1.2</b>

**Administrative and other expenses** are composed as follows:

ADMINISTRATIVE AND OTHER EXPENSES		
€ million	30.09.2013	30.09.2012
Other operating expenses	-25.7	-19.0
Staff costs	-19.2	-13.0
Purchased services	-0.8	-1.0
Depreciation and amortisation	-1.7	-1.5
Reimbursement of IPO costs by shareholders	9.1	-
<b>Administrative and other expenses</b>	<b>-38.3</b>	<b>-34.5</b>

The IPO in 2013 caused consulting and non-staff operating costs of €6.6 million that are reported in other operating expenses. This item benefited from the reversal of a provision in the same period of the previous year. There was a negative non-recurring effect of €4.1 million in connection with obligations from a former residential property development project consisting of 47 single-family homes. This is reflected in the increase in other operating expenses. A higher provision shows the change in the risk assessment for this project.

Staff costs also include €2.6 million for long-term, performance-based remuneration components (long-term incentive programme), which are non-cash, non-dilutive items that do not affect equity. Performance bonuses for the successful IPO resulted in a rise of €2.5 million in the staff cost portion of administrative expenses.

The staff and non-staff operating costs caused by the IPO were passed on in full to the shareholders Saturea B.V. and Perry Luxco RE S.à r.l. The share of the cost reimbursement attributable to administrative expenses (and the corresponding IPO costs) amounted to €9.1 million.

Adjusted for the extraordinary effects, recurring administrative and other expenses amounted to €26.1 million in the reporting period.

**Net interest income** breaks down as follows:

INTEREST INCOME		
€ million	30.09.2013	30.09.2012
Interest income from bank balances	0.7	0.9
Other interest income	0.1	0.4
<b>Interest income</b>	<b>0.8</b>	<b>1.3</b>

INTEREST EXPENSES		
€ million	30.09.2013	30.09.2012
Interest expenses from financing of real estate	-51.9	-62.2
Interest expenses from loan amortisation	-18.2	-38.3
Prepayment penalties	0.0	-25.8
Interest expense from interest rate derivatives for real estate financing	-18.9	-10.2
Interest expenses from pension provisions	-2.9	-3.4
Interest expenses from compounding of other assets and liabilities	-1.9	-2.6
Interest expenses from lease financing	-1.3	-1.2
Other interest expenses	-0.1	-2.0
<b>Interest expense</b>	<b>-95.2</b>	<b>-145.7</b>

The decline in interest expenses from property financing is due to the refinancing transactions in the previous year. The drop in interest expenses from loan amortisation and prepayment penalties was due in particular to the refinancing of Ruhr-Lippe Wohnungsgesellschaft mbH as of 30<sup>th</sup> June 2012. The prepayment penalties for refinancing in the 2013 financial year were already taken into account in the 2012 annual financial statements. The increase in interest expenses from interest rate derivatives results from the conclusion of new interest rate derivatives in 2013.

### Income taxes

INCOME TAXES		
€ million	30.09.2013	30.09.2012
Current income taxes	0.2	1.5
Deferred taxes	-7.6	-7.1
<b>Income taxes</b>	<b>-7.4</b>	<b>-5.6</b>

The change in deferred taxes in the first three quarters of 2013 compared to the first three quarters of 2012 mainly results from the application of different effective Group tax rates. As of 30<sup>th</sup> September 2013, an effective Group tax rate of 21.3 per cent (previous year: 2.1 per cent) was assumed for the 2013 Group tax planning.

The actual effective Group tax rate of 31<sup>st</sup> December 2012 of 2.1 per cent was used to calculate income taxes for the first three quarters of 2012. The deferred taxes for the first three quarters of 2013 of €5.0 million also include changes in profit or loss on deferred tax assets on tax loss carryforwards as compared to 31<sup>st</sup> December 2012 (deferred tax income). As of 30<sup>th</sup> September 2013, deferred tax assets of €20.3 million were recognised in equity due to the measurement outside profit and loss of derivative financial instruments and pension provisions (31<sup>st</sup> December 2012: €28.2 million).

## 8. Notes on Group segment reporting

Group segment reporting for the period from 1<sup>st</sup> January to 30<sup>th</sup> September 2013:

SEGMENT REPORTING 01.01.-30.09.2013				
€ million	Housing	Other	Reconciliation	Group
Rental and lease income	394.5	5.1	-0.7	398.9
Cost of sales of rental and lease income	-210.6	-1.8	1.6	-210.8
<b>Net rental and lease income</b>	<b>183.9</b>	<b>3.3</b>	<b>0.9</b>	<b>188.1</b>
Net income from the disposal of investment property	-0.3	-0.5	-	-0.8
Net income from the remeasurement of investment property	-	-	-	-
Net income from the disposal of inventory properties	0.4	-1.9	0.1	-1.4
Net income from other services	0.3	26.4	-24.8	1.9
Administrative and other expenses	-31.7	-30.3	23.7	-38.3
Other income	0.5	-	-	0.5
<b>Segment earnings</b>	<b>153.1</b>	<b>-3.0</b>	<b>-0.1</b>	<b>150.0</b>
<b>Statement of financial position item</b>				
Segment assets of investment property	<b>4,974.6</b>	<b>76.0</b>	<b>-</b>	<b>5,050.6</b>
<b>Key figures</b>				
Rentable area in sqm	5,986,731	3,627		5,990,358
Monthly target rents as of end of reporting period	29.5	0.0		29.6
Vacancy rate by residential units in %	3.0	3.3		3.0

Group segment reporting for the period from 1<sup>st</sup> January to 30<sup>th</sup> September 2012:

SEGMENT REPORTING 01.01.-30.09.2012				
€ million	Housing	Other	Reconciliation	Group
Rental and lease income	379.3	5.3	-1.8	382.8
Cost of sales of rental and lease income	-203.9	-1.5	2.8	-202.6
<b>Net rental and lease income</b>	<b>175.4</b>	<b>3.8</b>	<b>1.0</b>	<b>180.2</b>
Net income from the disposal of investment property	-0.8	-0.4	-	-1.2
Net income from the remeasurement of investment property	107.2	2.1	-	109.3
Net income from the disposal of inventory properties	0.1	-1.4	-	-1.3
Net income from other services	1.7	32.4	-30.7	3.4
Administrative and other expenses	-29.0	-27.6	22.1	-34.5
Other income	1.9	0.2	-	2.1
<b>Segment earnings</b>	<b>256.5</b>	<b>9.1</b>	<b>-7.6</b>	<b>258.0</b>
<b>Statement of financial position item</b>				
Segment assets of investment property	<b>4,784.0</b>	<b>76.0</b>	<b>-</b>	<b>4,860.0</b>
<b>Key figures</b>				
Rentable area in sqm	5,774,709	3,769		5,778,478
Monthly target rents as of end of reporting period	27.9	-		27.9
Vacancy rate by residential units in %	3.6	3.2		3.6

## 9. Financial instruments

The following table shows the financial assets and liabilities broken down by measurement category and classes. Receivables and liabilities from finance leases and derivatives used as hedging instruments are included even though they are not assigned to an IAS 39 measurement category. Concerning reconciliation, non-financial assets and non-financial 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 calculated using the reference interest rates as of the end of the reporting period.

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. Accordingly, derivatives are

assigned to level 2 of the fair value hierarchy set out in IFRS 7.27A (measurement on the basis of observable input data).

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.

CLASSES OF FINANCIAL INSTRUMENTS FOR FINANCIAL ASSETS AND LIABILITIES 30.09.2013				
€ million		Measurement (IAS 39)	Measurement (IAS 17)	
	Carrying amount as per statement of financial position 30.09.2013	Amortised cost	Fair value through profit or loss	Fair value 30.09.2013
<b>Assets</b>				
Other financial instruments	4.8			4.8
LaR	0.1	0.1	0.0	0.1
AfS	4.7	4.7		4.7
Receivables and other assets	48.8			48.8
LaR	30.5	30.5		30.5
Other non-financial assets	18.3			18.3
Cash and cash equivalents	43.0			43.0
LaR	43.0	43.0		43.0
<b>Total</b>	<b>96.6</b>	<b>78.3</b>	<b>0.0</b>	<b>96.6</b>
Of which IAS 39 measurement categories				
LaR	73.6	73.6		73.6
AfS	4.7	4.7		4.7
<b>Equity and liabilities</b>				
Financial liabilities	-2,517.6			-2,666.8
FLAC	-2,492.4	-2,492.4		-2,641.6
Liabilities from lease financing	-25.2		-25.2	-25.2
Other liabilities	-149.9			-149.9
FLAC	-34.8	-34.8		-34.8
Derivates HFT	-2.3			-2.3
Hedge accounting derivatives	-51.3			-51.3
Other non-financial liabilities	-61.5			-61.5
<b>Total</b>	<b>-2,667.5</b>	<b>-2,527.2</b>	<b>-</b>	<b>-2,816.7</b>
Of which IAS 39 measurement categories				
FLAC	-2,527.2	-2,527.2		-2,676.4
Derivates HFT	-2.3		-2.3	-2.3

LaR = Loans and Receivables  
HFT = Held for Trading  
AfS = Available for Sale

FLAC = Financial Liabilities at Cost  
FAHT = Financial Assets Held for Trading  
FLHFT = Financial Liabilities Held for Trading



**CLASSES OF FINANCIAL INSTRUMENTS FOR  
FINANCIAL ASSETS AND LIABILITIES 31.12.2012**

€ million		Measurement (IAS 39)	Measurement (IAS 17)	
	Carrying amount as per statement of financial position 31.12.2012	Amortised cost	Fair value through profit or loss	Fair value 31.12.2012
<b>Assets</b>				
Other financial instruments	4.9			4.9
LaR	0.1	0.1	0.0	0.1
AfS	4.8	4.8		4.8
Receivables and other assets	33.2			33.2
LaR	31.7	31.7		31.7
Other non-financial assets	1.5			1.5
Cash and cash equivalents	133.7			133.7
LaR	133.7	133.7		133.7
<b>Total</b>	<b>171.8</b>	<b>170.3</b>	<b>0.0</b>	<b>171.8</b>
Of which IAS 39 measurement categories				
LaR	165.5	165.5		165.5
AfS	4.8	4.8		4.8
<b>Equity and liabilities</b>				
Financial liabilities	-2,499.7			-2,678.8
FLAC	-2,473.7	-2,473.7		-2,653.5
Liabilities from lease financing	-26.0		-26.0	-25.3
Other liabilities	-226.7			-226.7
FLAC	-76.8	-76.8		-76.8
Derivates HFT	-5.6		-5.6	-5.6
Hedge accounting derivatives	-84.1	0.0	0.0	-84.1
Other non-financial liabilities	-60.2			-60.2
<b>Total</b>	<b>-2,726.4</b>	<b>-2,550.5</b>	<b>-5.6</b>	<b>-2,905.5</b>
Of which IAS 39 measurement categories				
FLAC	-2,550.5	-2,550.5		-2,730.3
Derivates HFT	-5.6		-5.6	-5.6

LaR = Loans and Receivables

HFT = Held for Trading

AfS = Available for Sale

FLAC = Financial Liabilities at Cost

FAHT = Financial Assets Held for Trading

FLHFT = Financial Liabilities Held for Trading

**10. Related party disclosures**

By way of agreement dated 17<sup>th</sup> January 2013, the shareholders Restio B.V. and Perry Luxco RE S.à r.l. contributed loan receivables totalling €40.5 million to the capital reserves of LEG Immobilien AG as other contributions. Some members of the Management Board of LEG Immo have concluded bilateral agreements with the former shareholders of Saturea B.V. and Perry Luxco RE S.à r.l. (see note I.7 in the IFRS consolidated financial statements as of 31<sup>st</sup> December 2012 for details of these agreements).

As part of LEG Immo's IPO, the previous long-term incentive agreements for members of management were dissolved and replaced by new agreements for the Management Board. Such an agreement was

also concluded with a new member of the Management Board who was not a beneficiary of the old agreements.

The new agreements provide for shares in the holding company to be granted by the former shareholders to the members of the Management Board if the IPO results in a certain level of proceeds (less certain costs). The number of shares granted is determined with the aid of an established formula (partly dependent on the IPO price, IPO costs and an individual factor). Under this arrangement, the members of the Management Board are granted a third of their shares 12, 24 and 36 months after a successful IPO. In the event of the early departure of the beneficiary, the outstanding shares lapse by between 20 and 100 per cent depending on the reason for departure. The replacement of the old agreements by the new agreements is accounted for as a modification of existing agreements in accordance with IFRS 2.28 f. This requires that the old commitment is accounted for as before, and any incremental fair value arising from the new commitment is also recognised as an expense from the modification date.

The incremental fair value is defined as the difference between the fair value of the original programme and the fair value of the new programme, each calculated as of the date of modification. Owing to the design of the old and new programmes, there was a positive difference as of the date of modification, with the result that the modification of the old agreements resulted in the distribution of an additional expense of €1.1 million in total over the vesting period. The benefit granted to the new member of the Management Board was determined as of the grant date in line with the regulations of IFRS 2.10 et seq., and amounted to €0.2 million.

As a result of the successful IPO of LEG Immo, overall claims arose from the new agreements between the former shareholders and the Management Board as of 30<sup>th</sup> September 2013, subject to the early departure of members of the Management Board. The costs of these agreements do not reduce liquidity at LEG Immo. Similarly, the regulations of IFRS 2 result in the different recognition of expenses at LEG Immo, in terms of both timing and amount.

According to the regulations of IFRS 2, €0.5 million of this was recognised as an expense at LEG as of 30<sup>th</sup> September 2013.

Furthermore, in January 2013, the former shareholders concluded settlement agreements for consulting agreements with selected members of the Supervisory Board and incentive agreements with a company whose majority shareholder is a member of the Supervisory Board. In the event of a successful IPO, these consulting agreements provided for payments by the former shareholders while the incentive agreements provided for shares to be granted by the former shareholders. The agreements were recognised in accordance with the regulations on equity-settled share-based payment (see IFRS 2.43A et seq.). The benefit granted amounted to €3.4 million as of the grant date. In one case, the agreements provide for immediate vesting in the event of an IPO, in another case for graded vesting of claims by 1<sup>st</sup> December 2013 or 1<sup>st</sup> December 2014. As of 30<sup>th</sup> September 2013, the agreements result in total staff costs of €2.1 million at LEG Immo.

The new employment agreements for members of the Management Board also provide for a long-term incentive programme to be offered for each financial year. The programme is designed for a four-year period and divided into three performance periods (until the end of the first, second and third financial year following the relevant financial year). The amount of LTI remuneration is dependent on the achievement of certain performance targets. The performance targets in question are total shareholder return and the development of LEG's share price compared to the relevant EPRA Germany Index.

If a Management Board member's appointment ends under certain conditions, tranches pending as of the date of the legal end of the appointment (tranches for which the performance period has not yet ended) expire without substitution. The programme is treated as cash-settled share-based remuneration

in accordance with IFRS 2. On the basis of an assessment of the Management Board on the attainment of performance hurdles, staff costs of €197 thousand were recognised as of 30<sup>th</sup> September 2013.

Furthermore, a performance bonus was agreed between individual LEG companies and their managing directors for the successful IPO. Staff costs of €0.9 million were recognised for this as of 30<sup>th</sup> September 2013. The additional staff costs were passed on as part of the cost reimbursement by the former shareholders. There will be no reductions in liquidity or earnings at the level of LEG Immo.

Beyond this, there were no significant changes in related parties compared to 31<sup>st</sup> December 2012.

## **11. Other**

There were no changes in contingent liabilities as against 31<sup>st</sup> December 2012.

## **12. Management Board and Supervisory Board**

The composition of the Management Board and the Supervisory Board as of 30<sup>th</sup> September 2013 did not change as compared with the information provided as of 31<sup>st</sup> December 2012.

## **13. Events after the end of the reporting period**

After the end of the reporting period on 30<sup>th</sup> September 2013, further refinancing loan tranches were utilised in the amount of €10.1 million at Ruhr-Lippe Wohnungsgesellschaft.

Moreover, the refinancing totalling €40.0 million for a residential portfolio of c. 2,200 units acquired at the end of July 2013 was signed with a German bank in November 2013. The loan agreement has a term of ten years.

The acquisition of a property portfolio of 735 residential units for a purchase price of around €26 million, including incidental costs of acquisition, was notarised on 7<sup>th</sup> November 2013. The portfolio currently generates annual rental income of over €2.1 million. Average in-place rents amount to €4.68 per square metre at this time and the initial vacancy rate is approximately seven per cent.

Dusseldorf, 27<sup>th</sup> November 2013

LEG Immobilien AG  
Legal representatives of the company

**Thomas Hegel**, Erftstadt  
(CEO)

**Eckhard Schultz**, Neuss  
(CFO)

**Holger Hentschel**, Erkrath  
(COO)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY  
AS OF 30<sup>TH</sup> SEPTEMBER 2013

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

€ million

	Share Capital	Capital reserves	Revenue reserves
<b>As of 01 January 2012</b>	-	<b>544.3</b>	<b>1,246.1</b>
Net profit for the period	-	-	88.7
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	-	-	<b>88.7</b>
Change in consolidated companies	-	-	-
Capital increase	-	-	-
Withdrawals from reserves	-	-93.2	-
Distributions	-	-	-
<b>As of 30 September 2012</b>	-	<b>451.1</b>	<b>1,334.8</b>
<b>As of 01 January 2013</b>	<b>53.0</b>	<b>436.1</b>	<b>1,653.4</b>
Net profit for the period	-	-	51.2
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	-	-	<b>51.2</b>
Change in consolidated companies	-	-	-
Capital increase	-	43.2	-
Withdrawals from reserves	-	-	-
Distributions	-	-	-21.7
<b>As of 30 June 2013</b>	<b>53.0</b>	<b>479.3</b>	<b>1,682.9</b>

## Cumulative Other reserves

Actuarial gains and losses from the measurement of pension obligations	Fair value adjustment of interest derivatives in hedges	Equity attributable to shareholders of the Group	Non- controlling interests	Consolidated equity
<b>-4.2</b>	<b>-15.3</b>	<b>1,770.9</b>	<b>375.0</b>	<b>2,145.9</b>
-	-	88.7	19.4	108.1
-9.6	-29.2	-38.8	-6.8	-45.6
<b>-9.6</b>	<b>-29.2</b>	<b>49.9</b>	<b>12.6</b>	<b>62.5</b>
-	-	-	-	-
-	-	-	-	-
-	-	-93.2	-1.0	-94.2
-	-	-	-19.2	-19.2
<b>-13.8</b>	<b>-44.5</b>	<b>1,727.6</b>	<b>367.4</b>	<b>2,095.0</b>
<b>-22.3</b>	<b>-59.6</b>	<b>2,060.6</b>	<b>24.9</b>	<b>2,085.5</b>
-	-	51.2	0.7	51.9
-	24.6	24.6	0.2	24.8
-	24.6	75.8	0.9	76.7
-	-	-	-	-
-	-	43.2	0.3	43.5
-	-	-	-	-
-	-	-21.7	-	-21.7
<b>-22.3</b>	<b>-35.0</b>	<b>2,157.9</b>	<b>26.1</b>	<b>2,184.0</b>

## RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements as of 30<sup>th</sup> September 2013 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Dusseldorf, 27<sup>th</sup> November 2013

LEG Immobilien AG  
The Management Board

Thomas Hegel  
(CEO)

Eckhard Schultz  
(CFO)

Holger Hentschel  
(COO)

## FINANCIAL CALENDAR

FINANCIAL CALENDAR	
Publication of the interim report as of 30 <sup>th</sup> September 2013	27 <sup>th</sup> November 2013
Publication of the 2013 annual report	27 <sup>th</sup> March 2014
Publication of the interim report as of 31 <sup>st</sup> March 2014	15 <sup>th</sup> May 2014
Annual General Meeting, Dusseldorf	25 <sup>th</sup> June 2014
Publication of the interim report as of 30 <sup>th</sup> June 2014	12 <sup>th</sup> August 2014
Publication of the interim report as of 30 <sup>th</sup> September 2014	14 <sup>th</sup> November 2014

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The quarterly report as of 30<sup>th</sup> September 2013 is also available in German.

In case of doubt, the German version takes precedence.

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