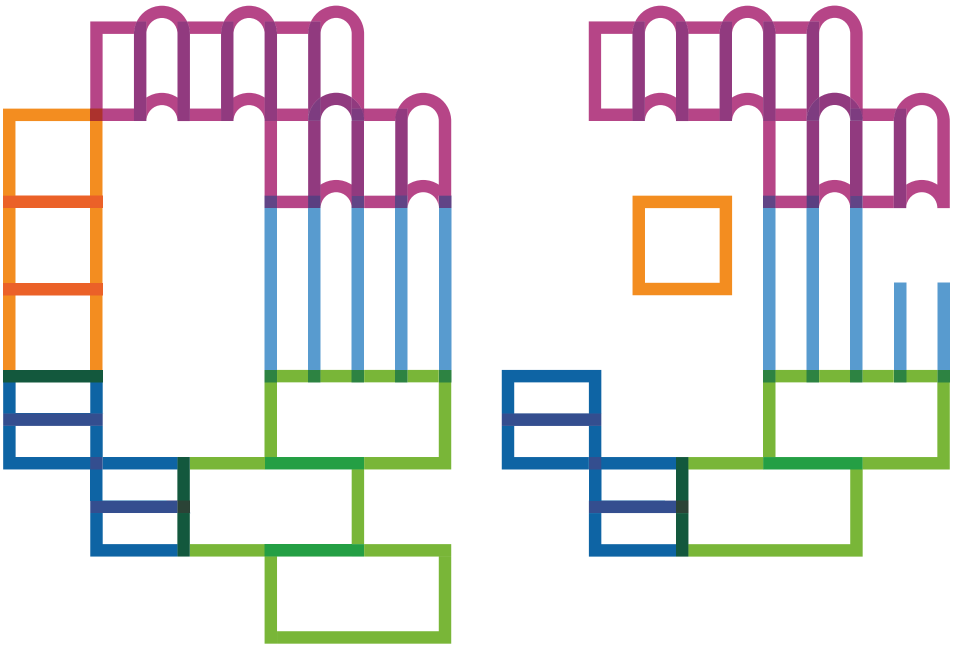
Quarterly Statement



AS OF 30.09.2017

KEY FACTS Q3 / 2017

T1 – Key facts

		Q3 2017	Q3 2016	+/– %/bp	01.01.–30.09.2017	01.01.–30.09.2016	+/– %/bp
RESULTS OF OPERATIONS							
Rental income	€ million	**134.7**	131.9	2.1	**398.4**	381.3	4.5
Net rental and lease income	€ million	**100.2**	100.4	–0.2	**302.9**	290.8	4.2
EBITDA	€ million	**96.1**	115.5	–16.8	**764.6**	257.3	197.2
EBITDA adjusted	€ million	**97.7**	95.7	2.1	**291.5**	276.2	5.5
EBT	€ million	**48.8**	80.4	–39.3	**609.4**	131.0	–
Net profit or loss for the period	€ million	**34.6**	62.5	–44.6	**458.0**	86.0	–
FFO I	€ million	**77.5**	73.0	6.2	**226.3**	210.6	7.5
FFO I per share	€	**1.23**	1.16	6.0	**3.58**	3.35	6.9
FFO II	€ million	**77.1**	80.1	–3.7	**225.2**	218.3	3.2
FFO II per share	€	**1.22**	1.27	–3.9	**3.56**	3.47	2.6
AFFO	€ million	**45.0**	55.2	–18.5	**163.6**	163.8	–0.1
AFFO per share	€	**0.71**	0.87	–18.4	**2.59**	2.60	–0.4

PORTFOLIO		30.09.2017	30.09.2016	+/– %/bp
Number residential units		**128,743**	127,941	0.6
In-place rent	€/sqm	**5.47**	5.25	4.1
In-place rent (l-f-l)	€/sqm	**5.43**	5.26	3.3
EPRA vacancy rate	%	**4.2**	3.4	80 bp
EPRA vacancy rate (l-f-l)	%	**3.8**	3.3	50 bp

STATEMENT OF FINANCIAL POSITION		30.09.2017	31.12.2016	+/– %/bp
Investment property	€ million	**8,753.9**	7,954.9	10.0
Cash and cash equivalents	€ million	**307.6**	166.7	84.5
Equity	€ million	**3,721.7**	3,436.7	8.3
Total financing liabilities	€ million	**4,460.0**	3,774.3	18.2
Current financing liabilities	€ million	**538.3**	552.0	–2.5
LTV	%	**44.9**	44.9	0 bp
Equity ratio	%	**38.8**	40.7	–190 bp
EPRA NAV, diluted	€ million	**5,172.9**	4,641.0	11.5
EPRA NAV per share, diluted	€	**75.36**	67.79	11.2

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 and higher-yielding markets. The indicators for the scoring system are described in the 2016 annual report.

LEG's portfolio is distributed across around 170 locations in North Rhine-Westphalia. The average apartment size is 64 sqm with three rooms. Buildings comprise seven residential units on average across three storeys.

Taking all changes into account, the property portfolio comprised 128,743 residential units, 1,186 commercial units and 32,016 garages and parking spaces as of 30 September 2017.

PERFORMANCE OF THE LEG PORTFOLIO

Operational development

Rent per sqm on a like-for-like basis (excluding reletting) amounted to EUR 5.43 as of 30 September 2017, up 3.3% year-on-year (EUR 5.26 per sqm) showing further continuation of the growth momentum.

Rent in the free-financed portfolio increased by 4.0% year-on-year on a like-for-like basis to EUR 5.72 per sqm with continuing dynamic growth in all market segments. The geographic regions with stable markets recorded the highest growth with an increase of 4.3% to an average rent of EUR 5.40 per sqm (like-for-like). In the high-growth markets rent rose by 3.6% to EUR 6.56 per sqm (like-for-like). In the higher-yielding markets rent also increased significantly by 3.7% to EUR 5.27 per sqm (like-for-like).

In the restricted portfolio the average rent amounted to EUR 4.74 per sqm as of 30 September 2017. On a like-for-like basis this is an increase of 1.5% year-on-year following the regular triennial cost rent adjustment at the beginning of the financial year.

The EPRA vacancy rate of the portfolio was 3.8% as of 30 September 2017 (like-for-like, previous year 3.3%). A temporary increase is due to changes in the modernization process of vacant units by using new general contractors. With an occupancy rate of 98.1% (like-for-like) the portfolio in the high-growth markets was almost fully let at the end of the quarter. In the stable markets, the occupancy rate amounted to 96.3% (like-for-like). In the higher-yielding markets 93.5% of the portfolio were let as at 30 September 2017 (on a like-for-like basis).

T2 – Portfolio segments – Top 3 locations

	30.09.2017				
	Number of LEG apartments	Share of LEG portfolio %	Living space sqm	In-place rent €/sqm	EPRA vacancy rate %
HIGH-GROWTH MARKETS	**40,716**	**31.6**	**2,697,149**	**6.11**	**2.8**
District of Mettmann	8,411	6.5	585,386	6.17	2.4
Muenster	6,075	4.7	403,395	6.39	0.8
Dusseldorf	4,954	3.8	322,218	7.37	7.4
Other locations	21,276	16.5	1,386,150	5.73	2.2
STABLE MARKETS	**47,001**	**36.5**	**3,023,529**	**5.17**	**3.9**
Dortmund	13,156	10.2	862,184	5.03	3.0
Moenchengladbach	6,447	5.0	408,462	5.45	2.4
Hamm	4,133	3.2	248,543	5.00	2.7
Other locations	23,265	18.1	1,504,340	5.20	5.0
HIGHER-YIELDING MARKETS	**39,132**	**30.4**	**2,387,586**	**5.08**	**6.8**
District of Recklinghausen	9,134	7.1	568,383	5.00	6.9
Duisburg	6,533	5.1	406,177	5.29	5.0
Maerkisch District	4,552	3.5	280,449	4.93	3.0
Other locations	18,913	14.7	1,132,577	5.08	8.3
OUTSIDE NRW	**1,894**	**1.5**	**127,211**	**5.82**	**2.1**
TOTAL	**128,743**	**100.0**	**8,235,475**	**5.47**	**4.2**

T3 – Performance LEG portfolio

		High-growth markets			Stable markets		
		30.09.2017	*30.06.2017*	*30.09.2016*	**30.09.2017**	*30.06.2017*	*30.09.2016*
Subsidised residential units							
Units		12,592	12,622	13,137	13,898	13,949	15,195
Area	sqm	885,096	887,298	926,488	940,410	944,133	1,034,012
In-place rent	€/sqm	5.00	4.99	4.91	4.67	4.66	4.57
EPRA vacancy rate	%	1.1	0.7	0.8	3.0	2.7	3.2
Free-financed residential units							
Units		28,124	26,318	25,890	33,103	33,064	31,533
Area	sqm	1,812,053	1,688,857	1,656,742	2,083,118	2,080,199	1,974,152
In-place rent	€/sqm	6.67	6.51	6.36	5.40	5.35	5.22
EPRA vacancy rate	%	3.4	2.2	1.9	4.2	3.8	3.5
Total residential units							
Units		40,716	38,940	39,027	47,001	47,013	46,728
Area	sqm	2,697,149	2,576,154	2,583,230	3,023,529	3,024,332	3,008,165
In-place rent	€/sqm	6.11	5.98	5.84	5.17	5.13	4.99
EPRA vacancy rate	%	2.8	1.8	1.6	3.9	3.5	3.4
Total commercial							
Units							
Area	sqm						
Total parking							
Units							
Total other							
Units							

	30.09.2016						
	Number of LEG apartments	Share of LEG portfolio %	Living space sqm	In-place rent €/sqm	EPRA vacancy rate %	Change in-place rent % like-for-like	Change (basis points) vacancy rate like-for-like
	39,027	**30.5**	**2,583,230**	**5.84**	**1.7**	**2.9**	**40**
	8,448	6.6	587,632	6.00	1.7	3.0	70
	6,075	4.7	403,371	6.29	0.5	1.5	40
	3,487	2.7	226,086	6.48	0.7	3.8	70
	21,017	16.4	1,366,142	5.53	2.2	3.2	10
	46,728	**36.5**	**3,008,165**	**4.99**	**3.5**	**3.4**	**40**
	13,165	10.3	862,646	4.84	2.2	3.7	80
	6,448	5.0	408,517	5.17	1.7	5.4	70
	4,000	3.1	241,862	4.85	2.3	3.2	20
	23,115	18.1	1,495,139	5.06	4.8	2.7	10
	40,291	**31.5**	**2,462,321**	**4.92**	**6.0**	**3.1**	**90**
	9,101	7.1	567,162	4.86	6.9	2.7	0
	7,054	5.5	438,009	5.13	4.5	3.2	50
	4,838	3.8	297,710	4.75	4.2	3.4	–70
	19,298	15.1	1,159,440	4.90	6.7	3.3	180
	1,895	**1.5**	**127,329**	**5.58**	**2.5**	**4.2**	**–10**
	127,941	**100.0**	**8,181,045**	**5.25**	**3.5**	**3.3**	**50**

		Higher-yielding markets			Outside NRW			Total		
		30.09.2017	30.06.2017	30.09.2016	**30.09.2017**	30.06.2017	30.09.2016	**30.09.2017**	30.06.2017	30.09.2016
		8,314	8,376	8,586	112	112	124	34,916	35,059	37,042
	sqm	545,060	549,551	566,301	8,910	8,910	9,894	2,379,477	2,389,892	2,536,695
	€/sqm	4.45	4.44	4.39	4.58	4.58	4.50	4.74	4.73	4.66
	%	5.5	5.3	5.8	1.0	0.0	2.9	2.8	2.5	2.8
		30,818	30,839	31,705	1,782	1,783	1,771	93,827	92,004	90,899
	sqm	1,842,526	1,843,452	1,896,020	118,301	118,412	117,434	5,855,998	5,730,919	5,644,349
	€/sqm	5.27	5.23	5.08	5.92	5.82	5.67	5.77	5.67	5.52
	%	7.1	6.7	6.0	2.1	2.8	2.3	4.7	4.0	3.6
		39,132	39,215	40,291	1,894	1,895	1,895	128,743	127,063	127,941
	sqm	2,387,586	2,393,003	2,462,321	127,211	127,321	127,329	8,235,475	8,120,811	8,181,045
	€/sqm	5.08	5.05	4.92	5.82	5.73	5.58	5.47	5.39	5.25
	%	6.8	6.4	5.9	2.1	2.6	2.3	4.2	3.7	3.4
								1,186	1,163	1,145
	sqm							201,381	198,704	192,241
								32,016	31,482	31,527
								2,208	2,176	2,171

Value development

The following table shows the distribution of assets by market segment. The rental yield of the portfolio based on in-place rents was 6.2% (rent multiplier: 16.1). The valuation of the residential portfolio corresponds to an EPRA net initial yield of 4.6%.

T4 – Market segments

	Residential units	Residential assets € million[1]	Share residential assets/%	Value €/sqm	In-place rent multiplier	Commercial/other assets € million[2]	Total assets € million
HIGH GROWTH MARKETS	**40,716**	**3,814**	**45**	**1,417**	**19.7x**	**198**	**4,012**
District of Mettmann	8,411	733	9	1,254	17.3x	70	803
Muenster	6,075	723	9	1,793	23.5x	41	764
Dusseldorf	4,954	603	7	1,879	22.7x	25	628
Other locations	21,276	1,755	21	1,269	18.7x	62	1,818
STABLE MARKETS	**47,001**	**2,611**	**31**	**864**	**14.4x**	**104**	**2,716**
Dortmund	13,156	771	9	891	15.2x	37	808
Moenchengladbach	6,447	379	5	926	14.4x	10	389
Hamm	4,133	197	2	792	13.5x	3	201
Other locations	23,265	1,264	15	843	14.1x	54	1,318
HIGHER-YIELDING MARKETS	**39,132**	**1,826**	**22**	**762**	**13.3x**	**60**	**1,886**
District of Recklinghausen	9,134	442	5	767	13.7x	20	462
Duisburg	6,533	332	4	815	13.4x	21	353
Maerkisch District	4,552	201	2	718	12.5x	2	204
Other locations	18,913	850	10	751	13.3x	18	867
SUBTOTAL NRW	**126,849**	**8,251**	**98**	**1,017**	**16.1x**	**363**	**8,614**
Portfolio outside NRW	1,894	144	2	1,129	16.4x	2	146
TOTAL PORTFOLIO	**128,743**	**8,395**	**100**	**1,019**	**16.1x**	**364**	**8,759**
Prepayments for property held as an investment property, construction preparation and construction costs							69
Leasehold + land values							35
Inventories (IAS 2)							4
Finance lease (outside property valuation)							3
TOTAL BALANCE SHEET[3]							**8,870**

[1] Excluding 362 residential units in commercial buildings; including 369 commercial and other units in mixed residential assets.
[2] Excluding 369 commercial units in mixed residential assets; including 362 residential units in commercial buildings, commercial, parking, other assets as well as IAS 16 assets.
[3] Thereof assets held for sale EUR 27.5 million and owner-occupied property (IAS 16) EUR 22.9 million.

ANALYSIS OF NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Please see the glossary in the 2016 annual report for a definition of individual key figures and terms.

T5 – Consolidated statement of comprehensive income

€ million	Q3 2017	Q3 2016	01.01.–30.09.2017	01.01.–30.09.2016
Net rental and lease income	**100.2**	**100.4**	**302.9**	**290.8**
Rental and lease income	197.9	196.7	602.2	568.4
Cost of sales in connection with rental and lease income	–97.7	–96.3	–299.3	–277.6
Net income from the disposal of investment properties	**–0.2**	**8.2**	**–1.0**	**8.3**
Income from the disposal of investment properties	6.3	115.5	63.5	136.2
Carrying amount of the disposal of investment properties	–6.4	–107.0	–64.1	–127.1
Cost of sales in connection with disposed investment properties	–0.1	–0.3	–0.4	–0.8
Net income from the remeasurement of investment properties	**1.0**	**8.3**	**481.1**	**9.3**
Net income from the disposal of real estate inventory	**–0.6**	**–0.2**	**–2.2**	**–1.5**
Income from the real estate inventory disposed of	0.1	1.3	0.2	1.8
Carrying amount of the real estate inventory disposed of	–0.1	–0.7	–0.2	–1.1
Costs of sales of the real estate inventory disposed of	–0.6	–0.8	–2.2	–2.2
Net income from other services	**2.3**	**1.1**	**5.0**	**2.3**
Income from other services	3.2	2.5	9.0	7.1
Expenses in connection with other services	–0.9	–1.4	–4.0	–4.8
Administrative and other expenses	**–9.2**	**–11.4**	**–28.5**	**–66.0**
Other income	**0.2**	**6.4**	**0.6**	**6.6**
OPERATING EARNINGS	**93.7**	**112.8**	**757.9**	**249.8**
Interest income	0.2	0.0	0.4	0.0
Interest expenses	–24.3	–28.5	–88.8	–89.6
Net income from investment securities and other equity investments	0.0	–0.8	2.7	2.2
Net income from associates	0.4	–	0.4	0.3
Net income from the fair value measurement of derivatives	–21.2	–3.1	–63.2	–31.7
EARNINGS BEFORE INCOME TAXES	**48.8**	**80.4**	**609.4**	**131.0**
Income taxes	–14.2	–17.9	–151.4	–45.0
NET PROFIT OR LOSS FOR THE PERIOD	**34.6**	**62.5**	**458.0**	**86.0**
Change in amounts recognised directly in equity				
Thereof recycling				
Fair value adjustment of interest rate derivatives in hedges	**0.0**	**–1.5**	**14.0**	**–15.0**
Change in unrealised gains/(losses)	0.1	–1.8	18.9	–19.7
Change in income taxes on amounts recognised directly in equity	–0.1	0.3	–4.9	4.7
Thereof non-recycling				
Actuarial gains and losses from the measurement of pension obligations	**–1.6**	**–22.6**	**3.4**	**–22.6**
Change in unrealised gains/losses	–2.2	–29.2	5.2	–29.2
Change in income taxes on amounts recognised directly in equity	0.6	6.6	–1.8	6.6
TOTAL COMPREHENSIVE INCOME	**33.0**	**38.4**	**475.4**	**48.4**
Net profit or loss for the period attributable to:				
Non-controlling interests	0.3	0.0	1.1	0.4
Parent shareholders	34.4	62.5	456.9	85.6
Total comprehensive income attributable to:				
Non-controlling interests	0.3	0.0	1.1	0.4
Parent shareholders	32.7	38.4	474.3	48.0
EARNINGS PER SHARE (BASIC AND DILUTED) IN €	**0.54**	**0.99**	**7.23**	**1.36**

Results of operations

In the reporting period (1 January 2017 to 30 September 2017) income from net cold rents rose by 4.5% up to EUR 398.4 million against the comparative period (1 January 2016 to 30 September 2016). Net rental and lease income likewise climbed by 4.2% in spite of higher maintenance expenses.

Operating earnings amounted to EUR 757.9 million in the reporting period up by EUR 508.1 million against the comparative period. Key driver for this improvement is the fair value measurement of investment property as at 30 June 2017 (for the first time in an interim financial statement) resulting in a net profit from remeasurement of investment property of EUR 479.3 million. Further EUR 1.8 million revaluation income has been realised in the course of sales.

The adjusted EBITDA rose by 5.5% (EUR 291.5 million in the reporting period) at a higher rate than net cold rents.

In spite of higher maintenance expenses the adjusted EBITDA margin climbed to 73.2% in the reporting period (comparative period 72.4%).

In both the reporting and the comparative period, loans were concluded in order to take advantage of the attractive financing environment. The resulting additional interest expenses in form of redemption fees for fixed and floating-rate loans and additional loan amortisation amounted to approximately EUR 12.3 million during the reporting period (comparative period approximately EUR 4.5 million).

In spite of the increase in average loan volume of 11.5% cash interest expenses dropped by 2.9% or EUR 1.8 million to EUR 60.5 million year-on-year in the reporting period.

In the reporting period current taxes in the amount of EUR 5.1 million were directly recorded affecting net income.

Net rental and lease income

T6 – Net rental and lease income

€ million	Q3 2017	Q3 2016	01.01.–30.09.2017	01.01.–30.09.2016
Net cold rent	134.7	131.9	398.4	381.3
Profit from operating expenses	0.4	0.6	–3.1	–0.9
Maintenance for externally procured services	–14.1	–16.1	–35.0	–44.9
Staff costs	–13.4	–10.6	–40.0	–30.2
Allowances on rent receivables	–1.7	–2.3	–5.4	–5.5
Depreciation and amortisation expenses	–1.7	–1.5	–4.5	–4.0
Other	–4.0	–1.6	–7.5	–5.0
NET RENTAL AND LEASE INCOME	**100.2**	**100.4**	**302.9**	**290.8**
NET OPERATING INCOME- MARGIN (IN %)	**74.4**	**76.1**	**76.0**	**76.3**
Non-recurring project costs – rental and lease	0.9	0.3	1.3	0.9
Depreciation and amortisation expenses	1.7	1.5	4.5	4.0
ADJUSTED NET RENTAL AND LEASE INCOME	**102.8**	**102.2**	**308.7**	**295.7**
ADJUSTED NET OPERATING INCOME-MARGIN (IN %)	**76.3**	**77.5**	**77.5**	**77.6**

In the reporting period, the LEG Group increased its net rental and lease income by EUR 17.1 million or 4.5% against the comparative period. In-place rent per square metre on a like-for-like basis rose by 3.3% in the reporting period.

Due to the acquisition of 51% of the shares of TechnikServicePlus GmbH (TSP) and the consequential consolidation as at 1 January 2017 the LEG Group provides an essential part of the maintenance services by itself. As a result, the staff costs increased by EUR 8.7 million whereas the expenses for externally procured maintenance decreased.

Adjusted by the effect of the own performed maintenance services rental related staff costs developed at a slower rate (3.4%) than the net cold rent (increase of 4.5%).

The EPRA vacancy rate, which is the ratio of rent loss due to vacancy to potential rent in the event of full occupancy, stands at 3.8% like-for-like as at 30 September 2017.

The NOI margin (76.0%) remains stable.

T7 – EPRA vacancy rate

€ million	30.09.2017	30.09.2016
Rental value of vacant space – like-for-like	20.4	17.4
Rental value of vacant space – total	23.5	18.6
Rental value of the whole portfolio – like-for-like	537.2	534.1
Rental value of the whole portfolio – total	555.1	543.1
EPRA VACANCY RATE – LIKE-FOR-LIKE (IN %)	**3.8**	**3.3**
EPRA VACANCY RATE – TOTAL (IN %)	**4.2**	**3.4**

According to plan, a higher amount of value enhancing modernisation measures were conducted in the third quarter of the reporting period. These made a significant contribution to the year-on-year increase in total investment of EUR 19.4 million or around EUR 2.0 per square metre.

T8 – Maintenance and modernisation of investment properties

€ million	Q3 2017	Q3 2016	01.01.–30.09.2017	01.01.–30.09.2016
Maintenance expenses for investment properties	18.7	16.1	48.4	44.9
Capital expenditure	32.5	17.8	62.7	46.8
TOTAL INVESTMENT	**51.2**	**33.9**	**111.1**	**91.7**
Area of investment properties in million sqm	8.43	8.40	8.35	8.15
AVERAGE INVESTMENT PER SQM (€/SQM)	**6.1**	**4.0**	**13.3**	**11.3**

Portfolios acquired since the end of the comparative period accounted for EUR 6.0 million of total investment.

For the fiscal year 2017 total investments are forecasted to the amount of around EUR 24 per square metre. This includes in particular the strategic modernisation programme which already ramped up in the third quarter.

Net income from the disposal of investment properties

There were fewer disposals of investment properties in the reporting period. Sales of investment property amounted to EUR 63.5 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 2016.

In the second quarter of 2017 a subsequent sales price adjustment of EUR –0.7 million was recognised affecting net profit from disposal of investment property.

Net income from the disposal of real estate inventory

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

The remaining real estate inventory held as at 30 September 2017 amounted to EUR 2.7 million, of which EUR 1.3 million related to land under development.

Administrative and other expenses

T9 – Administrative and other expenses

€ million	Q3 2017	Q3 2016	01.01.–30.09.2017	01.01.–30.09.2016
Other operating expenses	–3.5	–5.2	–11.1	–47.3
Staff costs	–5.3	–5.3	–16.1	–16.0
Purchased services	–0.3	–0.2	–0.9	–0.8
Depreciation and amortisation	–0.1	–0.7	–0.4	–1.9
ADMINISTRATIVE AND OTHER EXPENSES	**–9.2**	**–11.4**	**–28.5**	**–66.0**
Depreciation and amortisation	0.1	0.7	0.4	1.9
Non-recurring project costs and extraordinary and prior-period expenses	1.0	2.5	3.8	40.4
ADJUSTED ADMINISTRATIVE AND OTHER EXPENSES	**–8.1**	**–8.2**	**–24.3**	**–23.7**

The main driver for the reduction in administrative and other expenses by EUR 37.5 million year-on-year was the omission of the incidental acquisition and integration costs for the acquisition of property portfolios, which conducted in project costs in the amount of EUR 40.4 million in the comparative period.

Current administrative expenses in the amount of EUR 24.3 million increased moderately at a rate of 2.5%.

Net finance earnings

T10 – Net finance earnings

€ million	Q3 2017	Q3 2016	01.01.–30.09.2017	01.01.–30.09.2016
Interest income	0.2	0.0	0.4	0.0
Interest expenses	–24.3	–28.5	–88.8	–89.6
NET INTEREST INCOME	**–24.1**	**–28.5**	**–88.4**	**–89.6**
Net income from other financial assets and other investments	0.0	–0.8	2.7	2.2
Net income from associates	0.4	–	0.4	0.3
Net income from the fair value measurement of derivatives	–21.2	–3.1	–63.2	–31.7
NET FINANCE EARNINGS	**–44.9**	**–32.4**	**–148.5**	**–118.8**

Interest expenses in the reporting period (EUR 88.8 million) result primarily from the effects of the refinancing concluded in the reporting period. Expenses of EUR 12.3 million were incurred for this purpose in the reporting period, which comprised additional loan amortisation (EUR 5.5 million; comparative period: EUR 0 million), prepayment penalties for fixed rate loans (EUR 0.4 million; comparative period: EUR 0.3 million) and swap breakage fees for floating rate loans (EUR 7.1 million; comparative period: EUR 4.2 million). EUR 0.7 million of the swap breakage fees were looked ahead in the previous years.

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

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

As a result, the average interest rate dropped to 1.75% as at 30 September 2017 (2.04% as at 31 December 2016 and 2.05% as at 30 September 2016) based on an average term of around 8.76 years (11.05 years as at 31 December 2016).

Adjusted for short term commercial papers the average interest rate as at 30 September 2017 would be 1.81% at an average maturity of 9.05 years.

Interest expense from loan amortisation increased by EUR 0.8 million year-on-year to EUR 17.4 million. This includes the measurement of the convertible bonds at amortised cost in the amount of EUR 4.3 million (comparative period: EUR 4.9 million). The one-time, additional amortisation expense amounted to EUR 5.5 million. As a result of the refinancing the lower scheduled amortisation acted against.

Dividends received from equity investments in non-consolidated and non-associated companies rose by EUR 0.6 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 derivatives from the convertible bonds in the amount of EUR –63.6 million (comparative period: EUR –23.8 million).

Income tax expenses

T11 – Income tax expenses

€ million	**Q3 2017**	*Q3 2016*	**01.01.– 30.09.2017**	*01.01.– 30.09.2016*
Current tax expenses	–1.8	–1.9	–5.1	–3.7
Deferred tax expenses	–12.4	–16.0	–146.3	–41.3
INCOME TAX EXPENSES	–14.2	–17.9	**–151.4**	**–45.0**

An effective Group tax rate of 22.2% was assumed in the reporting period in accordance with Group tax planning (previous year: 22.6%).

Due to the valuation gain from the remeasurement of investment property conducted for the first time in an interim report, i.e., as of 30 June 2017, the deferred tax expenses are significantly higher than in the comparative period.

Reconciliation to FFO

FFO I is a key financial performance indicator of the LEG Group. The LEG Group distinguishes between FFO I (not including net income from the disposal of investment properties), FFO II (including net income from the disposal of investment properties) and AFFO (FFO I adjusted for capex). The calculation methods for these key figures can be found in the glossary in the annual report.

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

T12 – Calculation of FFO I, FFO II and AFFO

€ million	Q3 2017	Q3 2016	01.01.–30.09.2017	01.01.–30.09.2016
Net cold rent	134.7	131.9	398.4	381.3
Profit from operating expenses	0.4	0.6	–3.1	–0.9
Maintenance for externally procured services	–14.1	–16.1	–35.0	–44.9
Staff costs	–13.4	–10.6	–40.0	–30.2
Allowances on rent receivables	–1.7	–2.3	–5.4	–5.5
Other	–4.0	–1.6	–7.5	–5.0
Non-recurring project costs (rental and lease)	0.9	0.3	1.3	0.9
CURRENT NET RENTAL AND LEASE INCOME	**102.8**	**102.2**	**308.7**	**295.7**
CURRENT NET INCOME FROM OTHER SERVICES	**2.9**	**1.7**	**6.7**	**4.0**
Staff costs	–5.4	–5.3	–16.2	–16.0
Non-staff operating costs	–3.7	–5.4	–11.9	–48.1
Non-recurring project costs (admin.)	1.0	2.5	3.8	40.4
Extraordinary and prior-period expenses	0.0	0.0	0.0	0.0
CURRENT ADMINISTRATIVE EXPENSES	**–8.1**	**–8.2**	**–24.3**	**–23.7**
Other income and expenses	0.1	–	0.4	0.2
ADJUSTED EBITDA	**97.7**	**95.7**	**291.5**	**276.2**
Cash interest expenses and income	–20.0	–21.0	–60.5	–62.3
Cash income taxes from rental and lease	0.2	–1.8	–3.0	–3.1
FFO I (BEFORE ADJUSTMENT OF NON-CONTROLLING INTERESTS)	**77.9**	**72.9**	**228.0**	**210.8**
Adjustment of non-controlling interests	–0.4	0.1	–1.7	–0.2
FFO I (AFTER ADJUSTMENT OF NON-CONTROLLING INTERESTS)	**77.5**	**73.0**	**226.3**	**210.6**
Adjusted net income from the disposal of investment properties	1.7	7.2	1.0	8.3
Cash income taxes from disposal of investment properties	–2.1	–0.1	–2.1	–0.6
FFO II (INCL. DISPOSAL OF INVESTMENT PROPERTIES)	**77.1**	**80.1**	**225.2**	**218.3**
Capex	–32.5	–17.8	–62.7	–46.8
CAPEX-ADJUSTED FFO I (AFFO)	**45.0**	**55.2**	**163.6**	**163.8**

At EUR 226.3 million, FFO I was 7.5% higher in the reporting period. In particular, this increase is attributable to the rise in net cold rent including the effects of the acquisitions concluded, in connection with a considerably higher EBITDA margin and a reduced average interest rate.

The reduced average interest rate is reflected in the increase of the interest coverage ratio (ratio of adjusted EBITDA to cash interest expense) from 440% in the comparative period to 480%.

EPRA-earnings per share (EPS)

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

T13 – EPRA-earnings per share (EPS)

€ million	Q3 2017	Q3 2016	01.01. – 30.09.2017	01.01. – 30.09.2016
NET PROFIT OR LOSS FOR THE PERIOD ATTRIBUTABLE TO PARENT SHAREHOLDERS	**34.4**	**62.5**	**456.9**	**85.6**
Changes in value of investment properties	–1.0	–8.3	–481.1	–9.3
Profits or losses on disposal of investment properties, development properties held for investment, other interests and sales of trading properties including impairment charges in respect of trading properties	0.9	–8.0	3.2	–6.8
Tax on profits or losses on disposals	–0.6	1.8	2.1	1.9
Changes in fair value of financial instruments and associated close-out costs	21.2	3.1	63.2	31.7
Acquisition costs on share deals and non-controlling joint venture interests	–	1.1	0.8	36.1
Deferred tax in respect of EPRA-adjustments	8.9	–7.5	130.3	1.2
Refinancing expenses	0.2	0.2	5.5	0.3
Other interest expenses	–0.1	–0.1	6.4	4.3
Non-controlling interests in respect of the above	0.7	0.2	0.6	0.2
EPRA EARNINGS	**64.6**	**45.0**	**187.9**	**145.2**
Weighted average number of shares outstanding	63,188,185	63,188,185	63,188,185	62,955,742
EPRA earnings per share (undiluted) in €	1.02	0.71	2.97	2.31
Potentially diluted shares	5,455,398	5,277,945	5,455,398	5,277,945
Interest coupon on convertible bond	0.3	0.3	0.9	0.9
Amortisation expenses convertible bond after taxes	0.8	1.2	3.7	3.8
EPRA-EARNINGS (DILUTED)	**65.7**	**46.5**	**192.5**	**149.9**
Number of diluted shares	68,643,583	68,466,130	68,643,583	68,233,687
EPRA-EARNINGS PER SHARE (DILUTED) IN €	**0.96**	**0.68**	**2.80**	**2.20**

T14 – Consolidated statement of financial position
Assets

€ million	30.09.2017	31.12.2016
Non-current assets	**8,996.0**	**8,164.5**
Investment properties	8,753.9	7,954.9
Prepayments for investment properties	62.1	27.3
Property, plant and equipment	64.1	63.2
Intangible assets and goodwill	85.2	77.0
Investments in associates	9.5	9.1
Other financial assets	3.2	2.8
Receivables and other assets	8.4	13.9
Deferred tax assets	9.6	16.3
Current assets	**580.6**	**214.4**
Real estate inventory and other inventory	9.2	3.9
Receivables and other assets	261.6	41.5
Income tax receivables	2.2	2.3
Cash and cash equivalents	307.6	166.7
Assets held for sale	**27.5**	**57.0**
TOTAL ASSETS	**9,604.1**	**8,435.9**

Equity and liabilities

€ million	30.09.2017	31.12.2016
Equity	**3,721.7**	**3,436.7**
Share capital	63.2	63.2
Capital reserves	611.2	611.2
Cumulative other reserves	3,023.8	2,740.1
Equity attributable to shareholders of the parent company	3,698.2	3,414.5
Non-controlling interests	23.5	22.2
Non-current liabilities	**4,949.6**	**4,092.6**
Pension provisions	149.2	154.8
Other provisions	11.4	12.0
Financing liabilities	3,921.7	3,222.3
Other liabilities	132.9	115.4
Deferred tax liabilities	734.4	588.1
Current liabilities	**932.8**	**906.6**
Pension provisions	5.3	6.9
Other provisions	13.5	15.8
Provisions for taxes	0.0	0.4
Financing liabilities	538.3	552.0
Other liabilities	361.8	316.5
Tax liabilities	13.9	15.0
TOTAL EQUITY AND LIABILITIES	**9,604.1**	**8,435.9**

Net assets

The increase in investment properties resulted in particular from the fair value measurement as at 30 June 2017 (profit of EUR 479.3 million), additions from acquisitions (EUR 290.3 million, thereof EUR 27.3 million by reclassification of prepaid purchase prices as at 31 December 2016) and capitalised modernisation measures (EUR 62.7 million).

Prepayments amounting to EUR 65.9 million have been paid for acquisitions closed after the end of the reporting period, thereof EUR 62.1 million for asset deals (presented as prepayments for investment properties) and EUR 3.8 million for share deals (presented as other non-current assets).

The acquisition of 51% of shares in the craftsmen company TechnikServicePlus GmbH as of 1 January 2017 resulted in goodwill of EUR 8.9 million.

The recognition of real estate tax expense as other inventories (EUR 5.2 million) for the financial year, the deferral of prepaid operating costs in the amount of EUR 23.0 million and the development of the receivables from not yet invoiced operating costs (increase EUR 19.9 million) significantly contribute to the development of the current assets.

Cash and cash equivalents increased by EUR 140.9 million up to EUR 307.6 million. This development is attributable mainly to the cashflow from operating acitivities (EUR 194.3 million), sales of investment properties (EUR 16.1 million) and net proceeds from the refinancing via bond and convertible bond (net repayment of bank loans EUR –218.1 million versus proceeds from issues of bond and convertible bond EUR 891.2 million). Cash payments for acquisitions and modernisation (EUR –382.5 million), the temporary investment in a money market fund (EUR –180.0 million) and the dividend payment (EUR –174.4 million) acted against.

Compared to 31 December 2016 equity increased in particular because of the net profit (EUR 458.0 million) and changes in the fair value of derivatives used for hedging (EUR 14.0 million). Firm commitments for guaranteed dividends to non controlling interest have been recorded directly in the equity reserves (EUR –16.2 million).

As a result of the refinancing, non-current financing liabilities rose by EUR 699.4 million whereas current financing liabilities dropped by EUR –13.7 million.

Changes in the fair value of the derivatives from the convertible bonds lead to an increase of other liabilities by EUR 78.9 million, thereof EUR 24.1 million from the convertible bond issued on 1 September 2017 (non-current) and EUR 54.8 million from the existing convertible bond.

T15 – Statement of changes in consolidated equity

			Cumulative other reserves					
€ million	Share capital	Capital reserves	Revenue reserves	Actuarial gains and losses from the measurement of pension obligations	Fair value adjustment of interest derivatives in hedges	Equity attributable to shareholders of the Group	Non-controlling interests	Consolidated equity
AS OF 01.01.2016	**62.8**	**779.3**	**2,189.7**	**–30.1**	**–33.9**	**2,967.8**	**17.2**	**2,985.0**
Net profit or loss for the period	–	–	85.6	–	–	85.6	0.4	86.0
Other comprehensive income	–	–	–	–22.6	–15.0	–37.6	0.0	–37.6
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**85.6**	**–22.6**	**–15.0**	**48.0**	**0.4**	**48.4**
Change in consolidated companies	–	–	–	–	–	–	12.4	12.4
Capital increase	0.4	32.0	–	–	–	32.4	1.2	33.6
Withdrawals from reserves	–	–	–	–	–	–	–0.4	–0.4
Change from put options	–	–	–2.2	–	–	–2.2	–	–2.2
Distributions	–	–	–141.9	–	–	–141.9	–7.9	–149.8
Contribution in connection with Management and Supervisory Board	–	–	–	–	–	–	–	–
AS OF 30.09.2016	**63.2**	**811.3**	**2,131.2**	**–52.7**	**–48.9**	**2,904.1**	**22.9**	**2,927.0**
AS OF 01.01.2017	**63.2**	**611.2**	**2,818.8**	**–39.9**	**–38.8**	**3,414.5**	**22.2**	**3,436.7**
Net profit or loss for the period	–	–	456.9	–	–	456.9	1.1	458.0
Other comprehensive income	–	–	–	3.4	14.0	17.4	0.0	17.4
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**456.9**	**3.4**	**14.0**	**474.3**	**1.1**	**475.4**
Change in consolidated companies/other	–	–	–	–	–	–	0.2	0.2
Capital increase	–	–	–	–	–	–	0.8	0.8
Withdrawals from reserves	–	–	–16.2	–	–	–16.2	–0.8	–17.0
Change from put options	–	–	–	–	–	–	–	–
Distributions	–	–	–174.4	–	–	–174.4	–	–174.4
Contribution in connection with Management and Supervisory Board	–	–	–	–	–	–	–	0.0
AS OF 30.09.2017	**63.2**	**611.2**	**3,085.1**	**–36.5**	**–24.8**	**3,698.2**	**23.5**	**3,721.7**

Business combinations

On 14 December 2016, LEG Immo signed a purchase agreement with B&O Service und Messtechnik AG to acquire 51% of shares in TSP – TechnikServicePlus GmbH (formerly: B&O Service West GmbH). 280 employees were taken on in the context of the transaction. Following antitrust approval, the transaction was closed as at 1 January 2017.

As at 1 January 2017, the acquisition of the company is treated as a business combination as defined by IFRS 3 as significant business processes had been acquired.

The purchase price allocation was final as at 30 June 2017. The consideration for the business combination breaks down as follows:

T16 – Consideration

€ million	**01.01.2017 final**	*01.01.2017 provisional*	*change*
Net purchase price	9.2	9.2	–
Pre-existing relationship	–2.4	0.0	–2.4
TOTAL CONSIDERATION	**6.8**	**9.2**	**–2.4**

The purchase price can be allocated to the assets and liabilities acquired, measured at fair value, as follows:

T17 – Purchase price allocation

€ million	**01.01.2017 final**	*01.01.2017 provisional*	*change*
Technical equipment and machinery	0.5	0.5	–
Factory and office equipment	0.0	0.0	–
Receivables and other assets	0.4	0.4	–
Cash and cash equivalents	0.2	0.2	–
TOTAL ASSETS	**1.1**	**1.1**	**–**
Provisions	0.8	0.8	–
Other financing liabilities	1.2	1.2	–
Other liabilities	1.0	1.0	–
TOTAL LIABILITIES	**3.0**	**3.0**	**–**
Net assets at fair value	–1.9	–1.9	–
Non-controlling interests	0.2	0.2	–
Net assets at fair value without non-controlling interests	–2.1	–2.1	–
CONSIDERATION	**6.8**	**9.2**	**–2.4**
GOODWILL	**8.9**	**11.3**	**–2.4**

Synergies from tax and cost benefits of an estimated seven-figure amount per year are expected.

Portfolio acquisition

On 30 September 2017, the LEG Group held 128,743 apartments and 1,186 commercial units in its portfolio.

Investment property developed as follows in the financial year 2016 and in 2017 up to the reporting date of the interim consolidated financial statements:

T18 – Investment properties

€ million	30.09.2017	31.12.2016
CARRYING AMOUNT AS OF 01.01.	**7,954.9**	**6,398.5**
Acquisitions	290.3	1,064.2
Other additions	62.0	76.8
Reclassified to assets held for sale	–34.3	–96.3
Disposal of carrying amount	–	–103.3
Reclassified to property, plant and equipment	–1.5	–2.2
Reclassified from property, plant and equipment	1.7	0.6
Fair value adjustment	480.8	616.6
CARRYING AMOUNT AS OF 30.09. / 31.12.	**8,753.9**	**7,954.9**

The acquisitions include the following portfolios:

Portfolio acquisition 1

The acquisitions include primarily the acquisition of a property portfolio of around 322 residential units, which was notarised on 17 August 2016. The portfolio generates annual net cold rent of initially around EUR 2.0 million. The average in-place rent is EUR 4.62 per square metre; the initial vacancy rate is 2.1%. The transaction was closed on 1 January 2017. The portfolio acquisition does not constitute a business combination.

Portfolio acquisition 2

The acquisition of a property portfolio of around 1,792 residential units was notarised on 10 May 2017. The portfolio generates annual net cold rent of around EUR 9.6 million. The average in-place rent is around EUR 8.07 per square metre and the initial vacancy rate is around 20.6%. The transaction was closed on 1 July 2017. The portfolio acquisition does not constitute a business combination.

Investment property is measured as of 31 December 2017. No further fair value adjustments were made as at 30 September 2017. With regard to the calculation methods and parameters, please refer to the consolidated financial statements as of 31 December 2016.

Financing liabilities

Financing liabilities are composed as follows:

T19 – Financing liabilities

€ million	30.09.2017	31.12.2016
Financing liabilities from real estate financing	4,432.6	3,746.0
Financing liabilities from lease financing	27.4	28.3
FINANCING LIABILITIES	**4,460.0**	**3,774.3**

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

Financing liabilities from real estate financing include a convertible bond with a nominal value of EUR 300 million. The convertible bond was classified as a financing liability on account of the issuer's contractual cash settlement option and recognised in accordance with IAS 39. There are several embedded and separable derivatives that are treated as a single compound derivative in accordance with IAS 39.AG29 and carried at fair value. The underlying debt instrument is recognised at amortised cost.

In the third quarter a convertible bond with a nominal value of EUR 400 million was issued. The convertible bond was classified as a financing liability on account of the issuer's contractual cash settlement option and recognised in accordance with IAS 39. There are several embedded and separable derivatives that are treated as a single compound derivative in accordance with IAS 39. AG29 and carried at fair value. The underlying debt instrument is recognised at amortised cost.

Extensive refinancing was performed in the first quarter. The emission of a corporate bond increased the financing liabilities by EUR 495 million. This was offset by the repayments of subsidized loans in the amount of EUR 190 million and bank loans in the amount of EUR 191.9 million, which reduced total financing liabilities by EUR 382.5 million.

The main drivers for the changes in maturities of financing liabilities against the reporting date are the emission of the corporate bond and the repayments of the loans.

T20 – Maturity of financing liabilities from real estate financing

€ million	Remaining term < 1 year	Remaining term > 1 and 5 years	Remaining term > 5 years	Total
30.09.2017	532.6	854.8	3,045.2	**4,432.6**
31.12.2016	545.7	761.4	2,438.9	**3,746.0**

Net asset value (NAV)

A further key figure relevant in the property industry is NAV. The calculation method for the respective key figure can be found in the glossary in the 2016 annual report.

The LEG Group reported basic EPRA NAV of EUR 4,659.3 million as at 30 September 2017. The effects of the possible conversion of the convertible bond are shown by the additional calculation of diluted EPRA NAV. After further adjustment for goodwill effects, adjusted diluted EPRA NAV amounted to EUR 5,120.2 million at the reporting date.

T21 – EPRA NAV

€ million	30.09.2017 undiluted	30.09.2017 Effect of exercise of convertibles/ options	30.09.2017 diluted	31.12.2016 undiluted	31.12.2016 Effect of exercise of convertibles/ options	31.12.2016 diluted
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	**3,698.2**	**–**	**3,698.2**	**3,414.5**	**–**	**3,414.5**
NON-CONTROLLING INTERESTS	**23.5**	**–**	**23.5**	**22.2**	**–**	**22.2**
EQUITY	**3,721.7**	**–**	**3,721.7**	**3,436.7**	**–**	**3,436.7**
Effect of exercise of options, convertibles and other equity interests	–	513.6	513.6	–	435.6	435.6
NAV	**3,698.2**	**513.6**	**4,211.8**	**3,414.5**	**435.6**	**3,850.1**
Fair value measurement of derivative financial instruments	189.9	–	189.9	146.7	–	146.7
Deferred taxes on WFA loans and derivatives	16.6	–	16.6	20.0	–	20.0
Deferred taxes on investment property	786.7	–	786.7	656.3	–	656.3
Goodwill resulting from deferred taxes on EPRA adjustments	–32.1	–	–32.1	–32.1	–	–32.1
EPRA NAV	**4,659.3**	**513.6**	**5,172.9**	**4,205.4**	**435.6**	**4,641.0**
NUMBER OF SHARES	**63,188,185**	**5,455,398**	**68,643,583**	**63,188,185**	**5,277,973**	**68,466,158**
EPRA NAV PER SHARE	**73.74**	**–**	**75.36**	**66.55**	**–**	**67.79**
Goodwill resulting from synergies	52.7	–	52.7	43.8	–	43.8
ADJUSTED EPRA NAV (W/O EFFECTS FROM GOODWILL)	**4,606.6**	**513.6**	**5,120.2**	**4,161.6**	**435.6**	**4,597.2**
ADJUSTED EPRA NAV PER SHARE	**72.90**	**–**	**74.59**	**65.86**	**–**	**67.15**
EPRA NAV	**4,659.3**	**513.6**	**5,172.9**	**4,205.4**	**435.6**	**4,641.0**
Fair value measurement of derivative financial instruments	–189.9	–	–189.9	–146.7	–	–146.7
Deferred taxes on WFA loans and derivatives	–16.6	–	–16.6	–20.0	–	–20.0
Deferred taxes on investment property	–786.7	–	–786.7	–656.3	–	–656.3
Goodwill resulting from deferred taxes on EPRA adjustments	32.1	–	32.1	32.1	–	32.1
Fair value measurement of financing liabilities	–271.3	–	–271.3	–312.2	–	–312.2
Valuation uplift resulting from FV measurement financing liabilities	214.1	–	214.1	196.5	–	196.5
EPRA NNNAV	**3,641.0**	**513.6**	**4,154.6**	**3,298.8**	**435.6**	**3,734.4**
EPRA NNNAV per share	**57.62**	**–**	**60.52**	**52.21**	**–**	**54.54**

Loan-to-value ratio (LTV)

The effects of the debt financing of acquisitions and dividend payment were compensated by the cash flows from operating activities and the development in the value of properties. Therefore net gearing in relation to property assets remains stable at EUR 44.9% as compared with 31 December 2016.

T22 – Loan-to-value ratio

€ million	**30.09.2017**	*31.12.2016*
Financing liabilities	4,460.0	3,774.3
Less cash and cash equivalents	487.6	166.7
NET FINANCING LIABILITIES	**3,972.4**	**3,607.6**
Investment properties	8,753.9	7,954.9
Assets held for sale	27.5	57.0
Prepayments for investment properties	65.9	27.3
REAL ESTATE ASSETS	**8,847.3**	**8,039.2**
LOAN TO VALUE RATIO (LTV) IN %	**44.9**	**44.9**

Financial position

A net profit or loss for the period of EUR 458.0 million was realised in the reporting period (previous year: net profit or loss for the period of EUR 86.0 million). Equity amounted to EUR 3,721.7 million at the reporting date (31 December 2016: EUR 3,436.7 million). This corresponds to an equity ratio of 38.8% (31 December 2016: 40.7%).

Higher receipts from net cold rent also had a positive impact on the net cash flow from operating activities in the reporting period. The change in payed taxes as of 30 September 2017 against the comparative period results from a later partial payment of the EK02-tax in October 2017 in the amount of EUR 7.1 million.

Acquisitions and modernisation work on the existing portfolio contributed to the net cash flow from investing activities with cash payments in the amount of EUR −382.5 million. Furthermore, cash proceeds from property disposals in the amount of EUR 16.1 million and payments for provisional financial investments in a money market fund (EUR −180.0 million) resulted in a net cash flow from investing activities of EUR −550.2 million.

The early refinancing of subsidized loans and other bank loans as well as scheduled repayments (EUR −432.9 million), the issue of a corporate and convertible bond (net EUR 891 million) were the main drivers of cash flow from financing activities of EUR 496.8 million.

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

T23 – Consolidated statement of cash flows

€ million	01.01.–30.09.2017	01.01.–30.09.2016
Operating earnings	757.9	249.8
Depreciation on property, plant and equipment and amortisation on intangible assets	6.8	7.6
(Gains)/Losses from the remeasurement of investment properties	–481.1	–9.3
(Gains)/Losses from the disposal of assets held for sale and investment properties	0.5	–9.1
(Gains)/Losses from the disposal of intangible assets and property, plant and equipment	0.0	0.1
(Decrease)/Increase in pension provisions and other non-current provisions	–2.6	–1.6
Other non-cash income and expenses	4.9	–1.3
(Decrease)/Increase in receivables, inventories and other assets	–50.0	–39.6
Decrease/(Increase) in liabilities (not including financing liabilities) and provisions	21.9	22.1
Interest paid	–61.0	–62.4
Interest received	0.5	0.1
Received income from investments	2.8	1.8
Taxes received	0.5	0.2
Taxes paid	–6.8	–12.3
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**194.3**	**146.1**
Cash flow from investing activities		
Investments in investment properties	–382.5	–526.0
Proceeds from disposals of non-current assets held for sale and investment properties	16.1	13.1
Investments in intangible assets and property, plant and equipment	–4.0	–6.6
Proceeds from disposals of intangible assets and property, plant and equipment	0.0	0.0
Acquisition of shares in consolidated companies	0.2	–18.6
Proceeds from disposals of shares in consolidated companies	–	106.0
Change in investments in securities	–180.0	–
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**–550.2**	**–432.1**
Cash flow from financing activities		
Borrowing of bank loans	214.8	842.3
Repayment of bank loans	–432.9	–355.8
Issue of convertible bond/corporate bond	891.2	–
Repayment of lease liabilities	–2.6	–2.6
Other proceeds	0.7	4.2
Other payments	–	–9.2
Distribution to shareholders	–174.4	–141.9
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**496.8**	**337.0**
Change in cash and cash equivalents	**140.9**	**51.0**
Cash and cash equivalents at beginning of period	166.7	252.8
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**307.6**	**303.8**
Composition of cash and cash equivalents		
Cash in hand, bank balances	307.6	303.8
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**307.6**	**303.8**

SUPPLEMENTARY REPORT

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

The acquisition of a property portfolio of around 1,145 residential units was notarised on 23 August 2017. The portfolio generates annual net cold rent of around EUR 3.5 million. The average in-place rent is around EUR 5.5 per square metre and the initial vacancy rate is around 32.5%. The transaction was closed on 1 October 2017. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

For this acquisition, prepayments for investment properties in the amount of EUR 62.1 million were paid as of 30 September 2017.

In addition, the property portfolio of the Düsseldorfer Ton- und Ziegelwerke AG was purchased by a takeover offer. The LEG Group acquired a high quality portfolio of around 250 residential units mainly in the area of Dusseldorf. The portfolio generates annual net cold rent of around EUR 2.1 million. The average in-place rent is around EUR 8.6 per square metre and the initial vacancy rate is around 0.1%. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

Other than this, there were no significant events after the end of the interim reporting period on 30 September 2017.

RISK AND OPPORTUNITY REPORT

The risks and opportunities faced by LEG in its operating activities were described in detail in the 2016 annual report. To date, no further risks that would lead to a different assessment have arisen or become discernible in the fiscal year 2017.

FORECAST REPORT

Based on its business performance in the first nine months of 2017, LEG believes it is well positioned to achieve its earnings targets, which were partially raised in August 2017, for the financial years 2017 and 2018. With the earnings release as at 30 September 2017, the outlook has been extended by the targets for financial year 2019.

For more details, please refer to the forecast report in the Annual Report 2016 (page 89).

T24 – Forecast

OUTLOOK 2017	
FFO I	in the range of EUR 290 million to EUR 295 million
Like-for-like rental growth	3.0% to 3.3%
Like-for-like vacancy	approx. stable to –20 basis points compared to financial year-end 2016
Investments	around EUR 24 per sqm
LTV	45% to 50% max.
Dividend	65% of FFO I
OUTLOOK 2018	
FFO I	in the range of EUR 315 million to EUR 323 million
Like-for-like rental growth	c. 3.0 %
OUTLOOK 2019	
FFO I	in the range of EUR 338 million to EUR 344 million
Like-for-like rental growth	c. 3.5 %

RESPONSIBILITY STATEMENT

"To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the LEG Group, and the 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, 10 November 2017

LEG Immobilien AG, Dusseldorf

The Management Board

THOMAS HEGEL
ECKHARD SCHULTZ
HOLGER HENTSCHEL

FINANCIAL CALENDAR 2017/2018

LEG financial calendar 2017/2018

Publication of the Quarterly Statement as of 30 September 2017	**10 November 2017**
Publication of the 2017 Annual Report	**8 March 2018**
Publication of the Quarterly Statement as of 31 March 2018	**8 May 2018**
Annual General Meeting, Dusseldorf	**17 May 2018**
Publication of the Quarterly Report as of 30 June 2018	**10 August 2018**
Publication of the Quarterly Statement as of 30 September 2018	**9 November 2018**

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