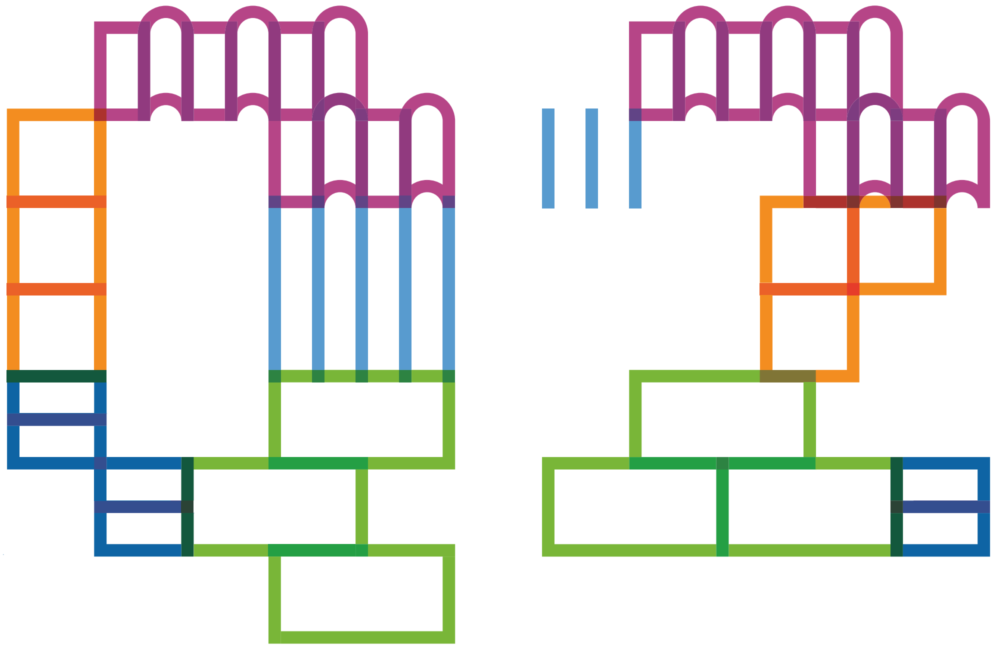
Quarterly Report



AS OF 30.06.2017

KEY FACTS Q2 / 2017

T1 – Key facts

		Q2 2017	Q2 2016	+/– %/bp	01.01.– 30.06.2017	01.01.– 30.06.2016	+/– %/bp
RESULTS OF OPERATIONS							
Rental income	€ million	**131.8**	130.8	0.8	**263.7**	249.4	5.7
Net rental and lease income	€ million	**100.0**	101.8	–1.8	**202.7**	190.4	6.5
EBITDA	€ million	**572.9**	92.1	–	**668.5**	141.8	–
EBITDA adjusted	€ million	**96.0**	96.4	–0.4	**193.8**	180.5	7.4
EBT	€ million	**513.3**	50.4	–	**560.5**	50.6	–
Net profit or loss for the period	€ million	**390.5**	35.6	–	**423.3**	23.5	–
FFO I	€ million	**73.6**	75.0	–1.9	**148.8**	137.6	8.1
FFO I per share	€	**1.17**	1.19	–1.7	**2.36**	2.19	7.8
FFO II	€ million	**72.8**	75.7	–3.8	**148.1**	138.2	7.2
FFO II per share	€	**1.15**	1.20	–4.2	**2.34**	2.20	6.4
AFFO	€ million	**52.4**	58.7	–10.7	**118.6**	108.6	9.2
AFFO per share	€	**0.83**	0.93	–10.8	**1.88**	1.73	8.7
PORTFOLIO		**30.06.2017**	*30.06.2016*	+/– %/bp			
Number residential units		**127,063**	129,626	–2.0			
In-place rent	€/sqm	**5.39**	5.23	3.1			
In-place rent (l-f-l)	€/sqm	**5.40**	5.24	3.0			
EPRA-vacancy rate	%	**3.7**	3.3	40 bp			
EPRA-vacancy rate (l-f-l)	%	**3.4**	3.1	30 bp			
STATEMENT OF FINANCIAL POSITION		**30.06.2017**	*31.12.2016*	+/– %/bp			
Investment property	€ million	**8,463.8**	7,954.9	6.4			
Cash and cash equivalents	€ million	**161.5**	166.7	–3.1			
Equity	€ million	**3,688.9**	3,436.7	7.3			
Total financing liabilities	€ million	**4,124.1**	3,774.3	9.3			
Current financing liabilities	€ million	**574.1**	552.0	4.0			
LTV	%	**45.3**	44.9	40 bp			
Equity ratio	%	**40.1**	40.7	–60 bp			
EPRA NAV, diluted	€ million	**5,093.3**	4,641.0	9.7			
EPRA NAV per share, diluted	€	**74.20**	67.79	9.5			

bp = basis points

CONTENTS

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 were 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 storys.

Taking all changes into account, the property portfolio comprised 127,063 residential units, 1,163 commercial units and 31,482 garages and parking spaces as of 30 June 2017.

PERFORMANCE OF THE LEG PORTFOLIO

Operational development

Rent per sqm on a like-for-like basis (excluding re-letting) amounted to EUR 5.40 as of 30 June 2017, up 3.0% year-on-year (EUR 5.24 Euro per sqm).

Rent in the free-financed portfolio increased by 3.7% year-on-year on a like-for-like basis to EUR 5.68 per sqm with continuing dynamic growth in all market segments. In the high-growth markets rent rose by 3.5% to EUR 6.51 per sqm. The geographic regions with stable markets recorded the highest growth with an increase of 4.0% to an average rent of EUR 5.36 per sqm. In the higher-yielding markets rent also increased significantly by 3.4% to EUR 5.23.

In the restricted portfolio the average rent amounted to EUR 4.74 per sqm as of 30 June 2017. On a like-for-like basis this is an increase of 1.2% year-on-year following the regular triennial cost rent adjustment.

The EPRA vacancy rate of the portfolio was 3.4% as of 30 June 2017 (like-for-like, previous year 3.1%). With an occupancy rate of 98.3% (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 96.7% (like-for-like). In the higher-yielding markets the occupancy rate was 94.1% (like-for-like).

T2 – Portfolio segments – Top 3 locations

	30.06.2017				
	Number of LEG apartments	*Share of LEG portfolio %*	*Living space sqm*	*In-place rent €/sqm*	*EPRA vacancy rate %*
HIGH-GROWTH MARKETS	**38,940**	**30.6**	**2,576,154**	**5.98**	**1.8**
District of Mettmann	8,418	6.6	585,874	6.13	1.7
Muenster	6,075	4.8	403,395	6.36	0.6
Dusseldorf	3,541	2.8	227,862	6.68	1.0
Other locations	20,906	16.5	1,359,024	5.69	2.3
STABLE MARKETS	**47,013**	**37.0**	**3,024,332**	**5.13**	**3.5**
Dortmund	13,164	10.4	862,626	4.98	2.1
Moenchengladbach	6,447	5.1	408,462	5.41	2.2
Hamm	4,133	3.3	248,543	4.97	2.1
Other locations	23,269	18.3	1,504,701	5.17	4.8
HIGHER-YIELDING MARKETS	**39,215**	**30.9**	**2,393,003**	**5.05**	**6.4**
District of Recklinghausen	9,136	7.2	568,455	4.97	6.6
Duisburg	6,549	5.2	406,666	5.25	5.0
Maerkisch District	4,552	3.6	280,622	4.88	3.2
Other locations	18,978	14.9	1,137,260	5.05	7.5
OUTSIDE NRW	**1,895**	**1.5**	**127,321**	**5.73**	**2.6**
TOTAL	**127,063**	**100.0**	**8,120,811**	**5.39**	**3.7**

T3 – Performance LEG portfolio

		High-growth markets			*Stable markets*		
		30.06.2017	*31.03.2017*	*30.06.2016*	**30.06.2017**	*31.03.2017*	*30.06.2016*
Subsidised residential units							
Units		12,622	12,622	13,137	13,949	13,950	15,038
Area	sqm	887,298	887,298	926,488	944,133	944,196	1,018,595
In-place rent	€/sqm	4.99	4.99	4.93	4.66	4.66	4.59
EPRA vacancy rate	%	0.7	0.7	0.8	2.7	2.8	2.9
Free-financed residential units							
Units		26,318	26,319	25,565	33,064	33,069	32,513
Area	sqm	1,688,857	1,688,807	1,635,741	2,080,199	2,080,681	2,039,400
In-place rent	€/sqm	6.51	6.45	6.34	5.35	5.31	5.18
EPRA vacancy rate	%	2.2	1.8	1.6	3.8	3.7	3.4
Total residential units							
Units		38,940	38,941	38,702	47,013	47,019	47,551
Area	sqm	2,576,154	2,576,105	2,562,229	3,024,332	3,024,877	3,057,995
In-place rent	€/sqm	5.98	5.95	5.83	5.13	5.10	4.98
EPRA vacancy rate	%	1.8	1.5	1.4	3.5	3.4	3.3
Total commercial							
Units							
Area	sqm						
Total parking							
Units							
Total other							
Units							

	30.06.2016						
	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*
	38,702	**29.9**	**2,562,229**	**5.83**	**1.4**	**2.7**	**40**
	8,451	6.5	587,865	5.97	1.4	2.8	20
	6,076	4.7	403,461	6.26	0.6	1.5	0
	3,496	2.7	226,661	6.43	0.8	3.7	30
	20,679	16.0	1,344,243	5.53	1.8	2.9	60
	47,551	**36.7**	**3,057,995**	**4.98**	**3.3**	**3.2**	**10**
	13,165	10.2	862,697	4.82	1.8	3.3	40
	6,423	5.0	406,666	5.15	2.0	4.9	10
	4,000	3.1	241,862	4.83	1.9	3.0	–10
	23,963	18.5	1,546,770	5.06	4.7	2.6	0
	41,478	**32.0**	**2,540,657**	**4.90**	**5.8**	**2.9**	**60**
	11,071	8.5	696,667	4.92	6.9	2.0	–10
	7,058	5.4	438,194	5.09	4.2	3.1	80
	4,838	3.7	297,710	4.69	3.4	3.6	–10
	18,511	14.3	1,108,087	4.87	6.3	3.0	90
	1,895	**1.5**	**127,329**	**5.55**	**2.1**	**3.1**	**30**
	129,626	**100.0**	**8,288,211**	**5.23**	**3.3**	**3.0**	**30**

		Higher-yielding markets			*Outside NRW*			*Total*		
		30.06.2017	*31.03.2017*	*30.03.2016*	**30.06.2017**	*31.03.2017*	*30.06.2016*	**30.06.2017**	*31.03.2017*	*30.06.2016*
		8,376	8,376	8,504	112	112	124	35,059	35,060	36,803
	sqm	549,551	549,551	563,854	8,910	8,910	9,894	2,389,892	2,389,954	2,518,832
	€/sqm	4.44	4.44	4.34	4.58	4.59	4.50	4.73	4.74	4.66
	%	5.3	5.7	5.6	0.0	1.5	1.7	2.5	2.6	2.6
		30,839	30,845	32,974	1,783	1,783	1,771	92,004	92,016	92,823
	sqm	1,843,452	1,843,773	1,976,803	118,412	118,412	117,434	5,730,919	5,731,673	5,769,379
	€/sqm	5.23	5.20	5.06	5.82	5.79	5.64	5.67	5.63	5.49
	%	6.7	6.3	5.8	2.8	2.3	2.2	4.0	3.7	3.5
		39,215	39,221	41,478	1,895	1,895	1,895	127,063	127,076	129,626
	sqm	2,393,003	2,393,324	2,540,657	127,321	127,321	127,329	8,120,811	8,121,627	8,288,211
	€/sqm	5.05	5.02	4.90	5.73	5.71	5.55	5.39	5.36	5.23
	%	6.4	6.2	5.8	2.6	2.2	2.1	3.7	3.5	3.3
								1,163	1,167	1,151
	sqm							198,704	198,562	192,642
								31,482	31,483	31,994
								2,176	2,066	1,814

Value development

The following table shows the distribution of assets by market segment. As scheduled, an interim revaluation of the portfolio was conducted as at 30 June 2017. This resulted in an increase of the gross asset value by EUR 480 million or 6.0% compared to the property portfolio as at the beginning of the financial year (including acquisitions) which was particularly due to the dynamic development of in-place rents and target rents. The average value of the residential properties amounted to EUR 999 per sqm as at 30 June 2017 (including acquisitions; 31 December 2016: EUR 930 per sqm). The rental yield of the portfolio based on in-place rents was 6.3% (rent multiplier: 15.9). The valuation of the residential portfolio corresponds to an EPRA net initial yield of 4.65%

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	**38,940**	**3,547**	**44**	**1,381**	**19.4x**	**194**	**3,741**
District of Mettmann	8,418	731	9	1,249	17.2x	70	800
Muenster	6,075	720	9	1,787	23.3x	41	761
Dusseldorf	3,541	386	5	1,718	21.4x	23	408
Other locations	20,906	1,710	21	1,262	18.6x	61	1,772
STABLE MARKETS	**47,013**	**2,600**	**32**	**860**	**14.2x**	**104**	**2,704**
Dortmund	13,164	766	9	885	15.0x	37	803
Moenchengladbach	6,447	377	5	922	14.3x	10	388
Hamm	4,133	197	2	790	13.2x	3	200
Other locations	23,269	1,260	16	840	14.0x	53	1,313
HIGHER-YIELDING MARKETS	**39,215**	**1,824**	**22**	**759**	**13.3x**	**60**	**1,884**
District of Recklinghausen	9,136	441	5	765	13.7x	20	461
Duisburg	6,549	331	4	812	13.4x	21	352
Maerkisch District	4,552	201	2	715	12.5x	2	203
Other locations	18,978	851	10	748	13.2x	18	868
SUBTOTAL NRW	**125,168**	**7,971**	**98**	**997**	**15.8x**	**358**	**8,329**
Portfolio outside NRW	1,895	144	2	1,126	16.7x	2	145
TOTAL PORTFOLIO	**127,063**	**8,115**	**100**	**999**	**15.9x**	**360**	**8,475**
Prepayments for property held as an investment property							262
Leasehold + land values							35
Inventories (IAS 2)							4
Finance lease (outside property valuation)							3
TOTAL BALANCE SHEET [3]							**8,778**

[1] Excluding 362 residential units in commercial buildings; including 345 commercial and other units in mixed residential assets.
[2] Excluding 345 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 30.3 million and owner-occupied property (IAS 16) EUR 22.4 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.

Results of operations

T5 – Condensed income statement

€ million	**Q2 2017**	*Q2 2016*	**01.01.–30.06.2017**	*01.01.–30.06.2016*
Net rental and lease income	100.0	101.8	202.7	190.4
Net income from the disposal of investment properties	–0.8	0.2	–0.7	0.1
Net income from the remeasurement of investment properties	480.1	–	480.1	1.0
Net income from the disposal of real estate inventory	–0.5	–0.7	–1.6	–1.3
Net income from other services	1.3	–0.1	2.7	1.2
Administrative and other expenses	–9.4	–11.6	–19.3	–54.6
Other income	0.1	0.1	0.2	0.2
OPERATING EARNINGS	**570.8**	**89.7**	**664.1**	**137.0**
Interest income	0.2	0.0	0.2	0.0
Interest expenses	–25.7	–31.0	–64.5	–61.1
Net income from investment securities and other equity investments	0.1	1.4	2.7	3.0
Net income from associates	–	–	–	0.3
Net income from the fair value measurement of derivatives	–32.1	–9.7	–42.0	–28.6
NET FINANCE EARNINGS	**–57.5**	**–39.3**	**–103.6**	**–86.4**
EARNINGS BEFORE INCOME TAXES	**513.3**	**50.4**	**560.5**	**50.6**
Income taxes	**–122.8**	**–14.8**	**–137.2**	**–27.1**
NET PROFIT OR LOSS FOR THE PERIOD	**390.5**	**35.6**	**423.3**	**23.5**

In the reporting period 1 January to 30 June 2017 net cold rent increased by 5.7% (+EUR 14.3 million) against the comparative period (1 January to 30 June 2016). While maintaining a steady cost base, net rental and lease income increased disproportionately by 6.5% to EUR 202.7 million.

Adjusted EBITDA increased by 7.4% to EUR 193.8 million. Adjusted EBITDA margin climbed from 72.4% (comparative period) to 73.5% in the reporting period.

For the first time in an interim financial report, LEG conducted a fair value measurement of investment property leading to a valuation gain of EUR 480.1 million as of 30 June 2017. One-time expenses in the first quarter of the comparative period caused by the purchase of a real estate portfolio of 13,570 units as of 1 April 2016 contributes with EUR 34.7 million to the increase of operating earnings by EUR 527.1 million in the reporting period.

Additional interest expenses caused by refinancing amounted to EUR –12.0 million (comparative period EUR –4.5 million).

Cash interest expenses declined against the comparative period by EUR 0.8 million to EUR –40.5 million despite a higher financing volume.

In the first half of 2017, current income tax expenses of EUR –3.3 million were recorded reducing net income after taxes.

Net rental and lease income

T 6 – Net rental and lease income

€ million	**Q2 2017**	*Q2 2016*	**01.01. – 30.06.2017**	*01.01. – 30.06.2016*
Net cold rent	131.8	130.8	263.7	249.4
Profit from operating expenses	–2.4	–0.1	–3.5	–1.5
Maintenance for externally procured services	–11.1	–15.9	–20.9	–28.8
Staff costs	–13.2	–9.4	–26.6	–19.6
Allowances on rent receivables	–1.8	–1.5	–3.7	–3.2
Depreciation and amortisation expenses	–1.4	–1.1	–2.8	–2.5
Other	–1.9	–1.0	–3.5	–3.4
NET RENTAL AND LEASE INCOME	**100.0**	**101.8**	**202.7**	**190.4**
NET OPERATING INCOME-MARGIN (IN %)	**75.9**	**77.8**	**76.9**	**76.3**
Non-recurring project costs – rental and lease	0.2	0.4	0.4	0.6
Depreciation	1.4	1.1	2.8	2.5
ADJUSTED NET RENTAL AND LEASE INCOME	**101.6**	**103.3**	**205.9**	**193.5**
ADJUSTED NET OPERATING INCOME-MARGIN (IN %)	**77.1**	**79.0**	**78.1**	**77.6**

In the reporting period, the LEG Group increased its net rental and lease income by EUR 12.3 million compared with the same period of the previous year. The main driver of this development was the EUR 14.3 million rise in net cold rents. In-place rent per square metre on a like-for-like basis rose by 3.0% in the reporting period.

Due to the acquisition of 51% of the shares of Technik ServicePlus GmbH (TSP) and the consequential consolidation as at 1 January 2017 the LEG Group provides the main part of the maintenance services on their own. As a result, the staff costs climbed by EUR 5.9 million whereas the externally procured maintenance decreased.

Adjusted by the effect of the own provided maintenance services the rental-related staff costs developed at a slightly slower rate (4.7%) than the net cold rent (increase of 5.7%).

The NOI margin of 76.9% was slightly higher than in the comparative period (76.3%).

The EPRA vacancy rate, which is the ratio of rent lost due to vacancy to potential rent in the event of full occupancy, came up to 3.4% on a like-for-like basis as at 30 June 2017.

T 7 – EPRA vacancy rate

€ million	**30.06.2017**	*30.06.2016*
Rental value of vacant space – like-for-like	18.3	16.4
Rental value of vacant space – total	19.8	18.2
Rental value of the whole portfolio – like-for-like	534.5	533.9
Rental value of the whole portfolio – total	541.6	549.0
EPRA VACANCY RATE – LIKE-FOR-LIKE (IN %)	**3.4**	**3.1**
EPRA VACANCY RATE – TOTAL (IN %)	**3.7**	**3.3**

Turn cost measures increased in the second quarter of 2017 as scheduled. Total investment and capitalisation rate therefore came up to the level of the comparative period, amounting to EUR 7.2 per square metre or 50.4%.

T8 – Maintenance and modernisation of investment properties

€ million	**Q2 2017**	*Q2 2016*	**01.01.–30.06.2017**	*01.01.–30.06.2016*
Maintenance expenses for investment properties	16.8	15.9	29.7	28.8
Capital expenditure	21.2	16.3	30.2	29.0
TOTAL INVESTMENT	**38.0**	**32.2**	**59.9**	**57.8**
Area of investment properties in million sqm	8.30	8.50	8.31	8.02
AVERAGE INVESTMENT PER SQM (€)	**4.6**	**3.8**	**7.2**	**7.2**

A further considerable increase in investments in major projects is scheduled for the further course of the financial year. This will be driven by LEG's strategic investment programme that has started in the second half of 2017.

Portfolios acquired since the beginning of the comparative period accounted for EUR 6.4 million of total investment.

Net income from the disposal of investment properties

T9 – Net income from the disposal of investment properties

€ million	**Q2 2017**	*Q2 2016*	**01.01.–30.06.2017**	*01.01.–30.06.2016*
Income from the disposal of investment properties	0.1	15.3	57.3	20.7
Carrying amount of the disposal of investment properties	–0.8	–14.8	–57.7	–20.1
Costs of sales of investment properties sold	–0.1	–0.3	–0.3	–0.5
NET INCOME FROM THE DISPOSAL OF INVESTMENT PROPERTIES	**–0.8**	**0.2**	**–0.7**	**0.1**

Income from disposals of investment properties rose by EUR 36.6 million against the comparative period to EUR 57.3 million. The disposals of carrying amount increased by EUR 37.6 million in the reporting period.

The realised income included primarily sales of investment properties, which were reported as assets held for sale and were remeasured up to the agreed property value as of 31 December 2016.

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

Net income from the remeasurement of investment property

As of 30 June 2017, LEG conducted a half-year fair value measurement of investment property for the first time in an interim financial report.

Net income from remeasurement amounted to EUR 480.1 million in the reporting period which corresponds to a 6.0% rise (incl. acquisitions) compared to the start of the financial year.

The average value of investment property (incl. IFRS 5 objects) is EUR 999 per square metre including acquisitions (31 December 2016: EUR 930 per square metre) and EUR 1,000 per square metre excluding acquisitions.

The increase in property value reflects the dynamic development of in place and target rents. The discount rate remained unchanged compared to 31 December 2016 and therefore had no impact on net income from remeasurement 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 June 2017 amounted to EUR 2.8 million, of which EUR 1.4 million related to land under development.

Administrative and other expenses

T10 – Administrative and other expenses

€ million	**Q2 2017**	*Q2 2016*	**01.01.–30.06.2017**	*01.01.–30.06.2016*
Other operating expenses	–4.0	–5.5	–7.6	–42.1
Staff costs	–5.1	–5.2	–10.8	–10.7
Purchased services	–0.2	–0.3	–0.6	–0.6
Depreciation and amortisation	–0.1	–0.6	–0.3	–1.2
ADMINISTRATIVE AND OTHER EXPENSES	**–9.4**	**–11.6**	**–19.3**	**–54.6**
Depreciation and amortisation	0.1	0.6	0.3	1.2
Non-recurring project costs and extraordinary and prior-period expenses	1.6	3.4	2.8	37.9
ADJUSTED ADMINISTRATIVE AND OTHER EXPENSES	**–7.7**	**–7.6**	**–16.2**	**–15.5**

The main driver for the reduction in administrative and other expenses by EUR 35.3 million year-on-year were incidental acquisition and integration costs for portfolio acquisitions in the comparative period in the amount of EUR 34.7 million.

Taking volume growth into account, current administrative expenses climbed only moderately by 4.5%.

Net finance earnings

T11 – Net finance earnings

€ million	**Q2 2017**	*Q2 2016*	**01.01.–30.06.2017**	*01.01.–30.06.2016*
Interest income	0.2	0.0	0.2	0.0
Interest expenses	–25.7	–31.0	–64.5	–61.1
NET INTEREST INCOME	**–25.5**	**–31.0**	**–64.3**	**–61.1**
Net income from other financial assets and other investments	0.1	1.4	2.7	3.0
Net income from associates	–	–	–	0.3
Net income from the fair value measurement of derivatives	–32.1	–9.7	–42.0	–28.6
NET FINANCE EARNINGS	**–57.5**	**–39.3**	**–103.6**	**–86.4**

The increase of interest expenses from EUR 61.1 million in the comparative period to EUR 64.5 million in the reporting period results primarily from the effects of the refinancing concluded in the reporting period. Expenses of EUR 12.0 million were incurred for this purpose in the reporting period, which comprised additional loan amortisation (EUR 4.9 million), prepayment penalties for fixed rate loans (EUR 0.4 million) and swap breakage fees (EUR 7.4 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 500.0 million, annual interest expenses of 1.34% and a maturity of seven years.

In June 2017 commercial papers amounting to EUR 200.0 million were issued. The issue was split into three tranches with a maturity of three, four and five months. The weighted average interest rate is –0.07% p.a.

As a result, the average interest rate was reduced to 1.85% as at 30 June 2017 (2.04% as at 31 December 2016 and 2.09% as at 30 June 2016) based on an average term of 8.98 years (11.05 years as at 31 December 2016).

Without the short term commercial papers average interest rate would be 1.95% as at 30 June 2017 at an average maturity of 9.41 years.

Interest expense from loan amortisation raised by EUR 2.8 million year-on-year to EUR 14.6 million. The one-time, additional amortisation expense amounted to EUR 4.9 million. As a result of the refinancing, the lower scheduled amortisation acted against.

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 bond in the amount of EUR –42.3 million (comparative period: EUR –21.2 million).

Income tax expenses

T12 – Income tax expenses

€ million	**Q2 2017**	*Q2 2016*	**01.01.– 30.06.2017**	*01.01.– 30.06.2016*
Current tax expenses	–1.9	–0.7	–3.3	–1.8
Deferred tax expenses	–120.9	–14.1	–133.9	–25.3
INCOME TAX EXPENSES	**–122.8**	**–14.8**	**–137.2**	**–27.1**

An effective Group tax rate of 22.5% was assumed in the reporting period in accordance with Group tax planning (previous year: 22.7%).

The significantly higher level of earnings before taxes due to the valuation gain from the remeasurement of investment property for the first time in an interim financial report is the main driver of the year-on-year increase in income tax expense by EUR 110.1 million to EUR 137.2 million.

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:

T13 – Calculation of FFO I, FFO II and AFFO

€ million	**Q2 2017**	*Q2 2016*	**01.01. – 30.06.2017**	*01.01. – 30.06.2016*
Net cold rent	131.8	130.8	263.7	249.4
Profit from operating expenses	–2.4	–0.1	–3.5	–1.5
Maintenance for externally procured services	–11.1	–15.9	–20.9	–28.8
Staff costs	–13.2	–9.4	–26.6	–19.6
Allowances on rent receivables	–1.8	–1.5	–3.7	–3.2
Other	–1.9	–1.0	–3.5	–3.4
Non-recurring project costs (rental and lease)	0.2	0.4	0.4	0.6
CURRENT NET RENTAL AND LEASE INCOME	**101.6**	**103.3**	**205.9**	**193.5**
CURRENT NET INCOME FROM OTHER SERVICES	**1.9**	**0.6**	**3.8**	**2.3**
Staff costs	–5.1	–5.2	–10.8	–10.7
Non-staff operating costs	–4.2	–5.8	–8.2	–42.7
Non-recurring project costs (admin.)	1.6	3.4	2.8	37.9
Extraordinary and prior-period expenses	0.0	0.0	0.0	0.0
CURRENT ADMINISTRATIVE EXPENSES	**–7.7**	**–7.6**	**–16.2**	**–15.5**
Other income and expenses	0.2	0.1	0.3	0.2
ADJUSTED EBITDA	**96.0**	**96.4**	**193.8**	**180.5**
Cash interest expenses and income	–19.6	–21.1	–40.5	–41.3
Cash income taxes from rental and lease	–1.9	–0.2	–3.2	–1.3
FFO I (BEFORE ADJUSTMENT OF NON-CONTROLLING INTERESTS)	**74.5**	**75.1**	**150.1**	**137.9**
Adjustment of non-controlling interests	–0.9	–0.1	–1.3	–0.3
FFO I (AFTER ADJUSTMENT OF NON-CONTROLLING INTERESTS)	**73.6**	**75.0**	**148.8**	**137.6**
Net income from the disposal of investment properties	–0.8	1.2	–0.7	1.1
Cash income taxes from disposal of investment properties	–	–0.5	–	–0.5
FFO II (INCL. DISPOSAL OF INVESTMENT PROPERTIES)	**72.8**	**75.7**	**148.1**	**138.2**
Capex	–21.2	–16.3	–30.2	–29.0
CAPEX-ADJUSTED FFO I (AFFO)	**52.4**	**58.7**	**118.6**	**108.6**

At EUR 148.8 million, FFO I was 8.1% higher in the reporting period than in the same period of the previous year (EUR 137.6 million). In particular, this increase is attributable to the rise in net cold rent including the effects of the acquisitions concluded, in connection with a slightly higher EBITDA margin and a reduced average interest rate.

The reduced average interest rate due to the refinancing is reflected in the increase of the interest coverage ratio (ratio of adjusted EBITDA to cash interest expense) at 479% in the reporting period (comparative period: 437%) despite a slightly rised Loan to Value (LTV) ratio.

EPRA earnings per share (EPS)

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

T14 – EPRA-earnings per share (EPS)

€ million	**Q2 2017**	*Q2 2016*	**01.01. – 30.06.2017**	*01.01. – 30.06.2016*
NET PROFIT OR LOSS FOR THE PERIOD ATTRIBUTABLE TO PARENT SHAREHOLDERS	**390.5**	**35.4**	**422.5**	**23.1**
Changes in value of investment properties	−480.1	–	−480.1	−1.0
Profits or losses on disposal of investment properties, development properties held for investment, other interests and sales of trading properties including impairment charges in respect of trading properties	1.3	0.5	2.3	1.2
Tax on profits or losses on disposals	2.7	–	2.7	0.1
Changes in fair value of financial instruments	28.4	9.7	42.0	28.6
Acquisition costs on share deals and non-controlling joint venture interests	0.6	1.6	0.8	35.0
Deferred tax in respect of EPRA-adjustments	125.1	1.5	121.4	8.7
Refinancing expenses	–	–	5.3	0.1
Other interest expenses	–	2.3	6.5	4.4
Non-controlling interests in respect of the above	0.2	0.2	−0.1	0.0
EPRA EARNINGS	**68.7**	**51.2**	**123.3**	**100.2**
Weighted average number of shares outstanding	63,188,185	62,909,254	63,188,185	62,839,521
EPRA earnings per share (undiluted) in €	1.09	0.81	1.95	1.59
Potentially diluted shares	5,455,398	5,277,945	5,455,398	5,277,945
Interest coupon on convertible bond	0.3	0.3	0.6	0.6
Amortisation expenses convertible bond after taxes	1.5	1.4	2.9	2.6
EPRA-EARNINGS (DILUTED)	**70.5**	**52.9**	**126.8**	**103.4**
Number of diluted shares	68,643,583	68,187,199	68,643,583	68,117,466
EPRA-EARNINGS PER SHARE (DILUTED) IN €	**1.03**	**0.78**	**1.85**	**1.52**

Condensed statement of financial position

A fair value measurement of investment property was conducted as at 30 June 2017 for the first time in an interim financial report. The resulting profit from remeasurement of investment property (EUR 480.1 million) was the main driver for the increase compared to 31 December 2016. Furthermore additions from acquisitions (EUR 28.9 million, of which EUR 27.3 million reclassifications from prepayments as at December 31, 2016) and capitalisation of property modernisation measures contributed to the increase of investment properties.

Prepayments of EUR 258.4 million were paid for the acquisition of a property portfolio with 1,792 units. The closing was at 1 July 2017 (for further information about this transaction, please see the group notes, section "events after the reporting period").

The recognition of real estate tax expense as other inventories (EUR 10.5 million) for the remainder of the financial year, the deferral of prepaid operating costs (EUR 30.3 million) and the development of the receivables from not yet invoiced operating costs (increase by EUR 13.7 million) significantly contribute to the development of the current assets.

Cash and cash equivalents remained stable (decrease by EUR −5.2 million to EUR 161.5 million). This development was mainly due to the cash flow from operating activities (EUR 107.9 million), offset by payments for acquisitions and modernisations (net cash outflow EUR −271.1 million). The financing of the investments lead to receipts from new loans of EUR 707.3 million. Scheduled and unscheduled repayments of loans amounted to a cash outflow of EUR −372.5 million.

A dividend of EUR 174.4 million has been paid for financial year 2016.

The development of equity was primarily due to the net profit for the period (EUR 423.3 million) and the dividend payment (EUR –174.4 million).

Due to the refinancing the non-current financing liabilities increased by EUR 327.7 million. The decrease of current financing liabilities resulting from the refinancing was compensated by the issue of commercial papers (EUR 200.0 million). Current financing liabilities therefore remained stable compared to 31 December 2016.

Driven by the property valuation, deferred tax liabilities increased by EUR 134.0 million as at 30 June 2017. SWAP repayments in the course of the refinancing in the first quarter of 2017 and the remeasurement of the remaining interest rate SWAPs led to a decrease of negative fair value by EUR 19.5 million. Both effects are recognised in other non-current liabilitites.

Due to the remeasurement of the derivatives of the convertible bond, other current liabilities climbed by EUR 42.4 million. Liabilities from operating expenses not invoiced yet climbed by EUR 7.8 million. Furthermore, EUR 15.9 million operating expenses had to be accrued as well as real estate tax for the remainder of the financial year amounting to EUR 10.7 million.

T15 – Condensed statement of financial position

€ million	**30.06.2017**	*31.12.2016*
Investment properties	8,463.8	7,954.9
Prepayments for investment properties	258.4	27.3
Other non-current assets	173.9	182.3
Non-current assets	8,896.1	8,164.5
Receivables and other assets	102.1	47.7
Cash and cash equivalents	161.5	166.7
Current assets	263.6	214.4
Assets held for sale	30.3	57.0
TOTAL ASSETS	**9,190.0**	**8,435.9**
Equity	3,688.9	3,436.7
Non-current financing liabilities	3,550.0	3,222.3
Other non-current liabilities	989.5	870.3
Non-current liabilities	4,539.5	4,092.6
Current financing liabilities	574.1	552.0
Other current liabilities	387.5	354.6
Current liabilities	961.6	906.6
TOTAL EQUITY AND LIABILITIES	**9,190.0**	**8,435.9**

Net asset value (NAV)

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

The LEG Group reported a basic EPRA NAV of EUR 4,597.8 million as at 30 June 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 5,040.6 million at the reporting date.

T16 – EPRA NAV

€ million	**30.06.2017 undiluted**	**30.06.2017 Effect of exercise of convertibles/ options**	**30.06.2017 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	**3,665.5**	**–**	**3,665.5**	**3,414.5**	**–**	**3,414.5**
NON-CONTROLLING INTERESTS	**23.4**	**–**	**23.4**	**22.2**	**–**	**22.2**
EQUITY	**3,688.9**	**–**	**3,688.9**	**3,436.7**	**–**	**3,436.7**
Effect of exercise of options, convertibles and other equity interests	–	495.5	495.5	–	435.6	435.6
NAV	**3,665.5**	**495.5**	**4,161.0**	**3,414.5**	**435.6**	**3,850.1**
Fair value measurement of derivative financial instruments	168.8	–	168.8	146.7	–	146.7
Deferred taxes on WFA loans and derivatives	17.8	–	17.8	20.0	–	20.0
Deferred taxes on investment property	777.8	–	777.8	656.3	–	656.3
Goodwill resulting from deferred taxes on EPRA adjustments	–32.1	–	–32.1	–32.1	–	–32.1
EPRA NAV	**4,597.8**	**495.5**	**5,093.3**	**4,205.4**	**435.6**	**4,641.0**
NUMBER OF SHARES	**63,188,185**	**5,455,537**	**68,643,722**	**63,188,185**	**5,277,973**	**68,466,158**
EPRA NAV PER SHARE	**72.76**	**–**	**74.20**	**66.55**	**–**	**67.79**
Goodwill resulting from synergies	52.7	–	52.7	43.8	–	43.8
ADJUSTED EPRA NAV (W/O EFFECTS FROM GOODWILL)	**4,545.1**	**495.5**	**5,040.6**	**4,161.6**	**435.6**	**4,597.2**
ADJUSTED EPRA NAV PER SHARE	**71.93**	**–**	**73.43**	**65.86**	**–**	**67.15**
EPRA NAV	**4,597.8**	**495.5**	**5,093.3**	**4,205.4**	**435.6**	**4,641.0**
Fair value measurement of derivative financial instruments	–168.8	–	–168.8	–146.7	–	–146.7
Deferred taxes on WFA loans and derivatives	–17.8	–	–17.8	–20.0	–	–20.0
Deferred taxes on investment property	–777.8	–	–777.8	–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	–253.3	–	–253.3	–312.2	–	–312.2
Valuation uplift resulting from FV measurement of financing liabilities	214.1	–	214.1	196.5	–	196.5
EPRA NNNAV	**3,626.3**	**495.5**	**4,121.8**	**3,298.8**	**435.6**	**3,734.4**
EPRA NNNAV per share	**57.39**	**–**	**60.05**	**52.21**	**–**	**54.54**

Loan-to-value ratio (LTV)

Net gearing in relation to property assets slightly rose in the reporting period as compared with 31 December 2016 due to the dividend payment and the financing of an acquisition with closing at 1 Juli 2017. The fair value measurement of investment properties acted against. The loan-to-value ratio (LTV) as at 30 June 2017 is therefore 45.3% (31 December 2016: 44.9%).

T17 – Loan-to-value ratio

€ million	**30.06.2017**	*31.12.2016*
Financing liabilities	4,124.1	3,774.3
Less cash and cash equivalents	161.5	166.7
NET FINANCING LIABILITIES	**3,962.6**	**3,607.6**
Investment properties	8,463.8	7,954.9
Assets held for sale	30.3	57.0
Prepayments for investment properties	258.4	27.3
REAL ESTATE ASSETS	**8,752.5**	**8,039.2**
LOAN TO VALUE RATIO (LTV) IN %	**45.3**	**44.9**

Financial position

A net profit for the period of EUR 423.3 million was realised in the reporting period (comparative period: EUR 23.5 million). Equity amounted to EUR 3,688.9 million at the reporting date (31 December 2016: EUR 3,436.7 million). This corresponds to an equity ratio of 40.1% (31 December 2016: 40.7%).

A condensed form of the LEG Group's statement of cash flows for the reporting period is shown below:

T18 – Statement of cash flows

€ million	**01.01.– 30.06.2017**	*01.01.– 30.06.2016*
Cash flow from operating activities	107.9	89.0
Cash flow from investing activities	–272.4	–509.8
Cash flow from financing activities	159.3	333.3
CHANGE IN CASH AND CASH EQUIVALENTS	**–5.2**	**–87.5**

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

Acquisitions and modernisation work on the existing portfolio contributed to the net cash flow from investing activities with cash payments of EUR –280.8 million. Furthermore, cash proceeds from property disposals (EUR 9.7 million) resulted in a net cash flow from investing activities of EUR –272.4 million.

The issue of a corporate bond (net cash inflow EUR 495.0 million) for the early refinancing of subsidized loans and bank loans as well as scheduled repayments (EUR –372.5 million), the issue of commercial papers (EUR 200.0 million) and the dividend payment (EUR –174.4 million) were the main drivers of the cashflow from financing activities of EUR 159.3 million.

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

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 half of 2017, LEG believes it is well positioned to achieve its goals for the financial years 2017 and 2018. In consideration of the signing of acquisitions the previous outlook for FFO I in the years 2017 and 2018 has been raised.

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

T19 – Forecast

OUTLOOK 2017	
FFO I	in the range of EUR 290 million to EUR 295 million (previously: in the range of EUR 288 million to EUR 293 million)
Like-for-like rental growth	3.0% to 3.3%
Like-for-like vacancy	around –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 (previously: in the range of EUR 310 million to EUR 316 million)
Like-for-like rental growth	c. 3.0%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

T20 – Consolidated statement of financial position
Assets

€ million	**30.06.2017**	*31.12.2016*
Non-current assets	**8,896.1**	**8,164.5**
Investment properties	8,463.8	7,954.9
Prepayments for investment properties	258.4	27.3
Property, plant and equipment	62.5	63.2
Intangible assets and goodwill	85.2	77.0
Investments in associates	9.1	9.1
Other financial assets	3.5	2.8
Receivables and other assets	4.6	13.9
Deferred tax assets	9.0	16.3
Current assets	**263.6**	**214.4**
Real estate inventory and other inventory	14.3	3.9
Receivables and other assets	85.3	41.5
Income tax receivables	2.5	2.3
Cash and cash equivalents	161.5	166.7
Assets held for sale	**30.3**	**57.0**
TOTAL ASSETS	**9,190.0**	**8,435.9**

Equity and liabilities

€ million	**30.06.2017**	*31.12.2016*
Equity	**3,688.9**	**3,436.7**
Share capital	63.2	63.2
Capital reserves	611.2	611.2
Cumulative other reserves	2,991.1	2,740.1
Equity attributable to shareholders of the parent company	3,665.5	3,414.5
Non-controlling interests	23.4	22.2
Non-current liabilities	**4,539.5**	**4,092.6**
Pension provisions	147.1	154.8
Other provisions	11.9	12.0
Financing liabilities	3,550.0	3,222.3
Other liabilities	108.4	115.4
Deferred tax liabilities	722.1	588.1
Current liabilities	**961.6**	**906.6**
Pension provisions	5.9	6.9
Other provisions	14.0	15.8
Provisions for taxes	0.0	0.4
Financing liabilities	574.1	552.0
Other liabilities	351.1	316.5
Tax liabilities	16.5	15.0
TOTAL EQUITY AND LIABILITIES	**9,190.0**	**8,435.9**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

T21 – Consolidated statement of comprehensive income

€ million	**Q2 2017**	*Q2 2016*	**01.01.–30.06.2017**	*01.01.–30.06.2016*
Net rental and lease income	**100.0**	**101.8**	**202.7**	**190.4**
Rental and lease income	205.7	193.1	404.3	371.7
Cost of sales in connection with rental and lease income	–105.7	–91.3	–201.6	–181.3
Net income from the disposal of investment properties	**–0.8**	**0.2**	**–0.7**	**0.1**
Income from the disposal of investment properties	0.1	15.3	57.3	20.7
Carrying amount of the disposal of investment properties	–0.8	–14.8	–57.7	–20.1
Cost of sales in connection with disposed investment properties	–0.1	–0.3	–0.3	–0.5
Net income from the remeasurement of investment properties	**480.1**	**–**	**480.1**	**1.0**
Net income from the disposal of real estate inventory	**–0.5**	**–0.7**	**–1.6**	**–1.3**
Income from the real estate inventory disposed of	0.1	0.1	0.1	0.5
Carrying amount of the real estate inventory disposed of	–0.1	–0.1	–0.1	–0.4
Costs of sales of the real estate inventory disposed of	–0.5	–0.7	–1.6	–1.4
Net income from other services	**1.3**	**–0.1**	**2.7**	**1.2**
Income from other services	2.9	1.9	5.8	4.6
Expenses in connection with other services	–1.6	–2.0	–3.1	–3.4
Administrative and other expenses	**–9.4**	**–11.6**	**–19.3**	**–54.6**
Other income	**0.1**	**0.1**	**0.2**	**0.2**
OPERATING EARNINGS	**570.8**	**89.7**	**664.1**	**137.0**
Interest income	0.2	0.0	0.2	0.0
Interest expenses	–25.7	–31.0	–64.5	–61.1
Net income from investment securities and other equity investments	0.1	1.4	2.7	3.0
Net income from associates	–	–	–	0.3
Net income from the fair value measurement of derivatives	–32.1	–9.7	–42.0	–28.6
EARNINGS BEFORE INCOME TAXES	**513.3**	**50.4**	**560.5**	**50.6**
Income taxes	–122.8	–14.8	–137.2	–27.1
NET PROFIT OR LOSS FOR THE PERIOD	**390.5**	**35.6**	**423.3**	**23.5**
Change in amounts recognised directly in equity				
Thereof recycling				
Fair value adjustment of interest rate derivatives in hedges	**4.1**	**–3.2**	**14.0**	**–13.5**
Change in unrealised gains/(losses)	5.2	–4.2	18.8	–17.9
Income taxes on amounts recognised directly in equity	–1.1	1.0	–4.8	4.4
Thereof non-recycling				
Actuarial gains and losses from the measurement of pension obligations	**2.8**	**–**	**5.1**	**–**
Change in unrealised gains/losses	4.1	–	7.5	–
Income taxes on amounts recognised directly in equity	–1.3	–	–2.4	–
TOTAL COMPREHENSIVE INCOME	**397.4**	**32.4**	**442.4**	**10.0**
Net profit or loss for the period attributable to:				
Non-controlling interests	0.0	0.2	0.8	0.4
Parent shareholders	390.5	35.4	422.5	23.1
Total comprehensive income attributable to:				
Non-controlling interests	0.0	0.2	0.8	0.4
Parent shareholders	397.4	32.2	441.6	9.6
EARNINGS PER SHARE (BASIC AND DILUTED) IN €	**6.18**	**0.56**	**6.69**	**0.37**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

T22 – 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*	*Noncontrolling 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	–	–	23.1	–	–	23.1	0.4	23.5
Other comprehensive income	–	–	–	–	–13.5	–13.5	0.0	–13.5
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**23.1**	**–**	**–13.5**	**9.6**	**0.4**	**10.0**
Change in consolidated companies	–	–	–	–	–	–	16.1	16.1
Capital increase	0.4	32.0	–	–	–	32.4	0.5	32.9
Withdrawals from reserves	–	–	–	–	–	–	–0.1	–0.1
Change from put options	–	–	–2.0	–	–	–2.0	–	–2.0
Distributions	–	–	–141.9	–	–	–141.9	–	–141.9
Contribution in connection with Management and Supervisory Board	–	0.0	–	–	–	0.0	–	0.0
AS OF 30.06.2016	**63.2**	**811.3**	**2,068.9**	**–30.1**	**–47.4**	**2,865.9**	**34.1**	**2,900.0**
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	–	–	422.5	–	–	422.5	0.8	423.3
Other comprehensive income	–	–	–	5.1	14.0	19.1	0.0	19.1
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**422.5**	**5.1**	**14.0**	**441.6**	**0.8**	**442.4**
Change in consolidated companies/other	–	–	–	–	–	–	0.2	0.2
Capital increase	–	–	–	–	–	–	0.8	0.8
Withdrawals from reserves	–	–	–16.2	–	–	–16.2	–0.6	–16.8
Change from put options	–	–	–	–	–	–	–	–
Distributions	–	–	–174.4	–	–	–174.4	–	–174.4
Contribution in connection with Management and Supervisory Board	–	–	–	–	–	–	–	–
AS OF 30.06.2017	**63.2**	**611.2**	**3,050.7**	**–34.8**	**–24.8**	**3,665.5**	**23.4**	**3,688.9**

CONSOLIDATED STATEMENT OF CASH FLOWS

T23 – Consolidated statement of cash flows

€ million	**01.01. – 30.06.2017**	*01.01. – 30.06.2016*
Operating earnings	664.1	137.0
Depreciation on property, plant and equipment and amortisation on intangible assets	4.3	4.9
(Gains)/Losses from the remeasurement of investment properties	–480.1	–1.0
(Gains)/Losses from the disposal of assets held for sale and investment properties	0.4	–0.6
(Decrease)/Increase in pension provisions and other non-current provisions	–1.4	–0.8
Other non-cash income and expenses	3.3	3.3
(Decrease)/Increase in receivables, inventories and other assets	–54.9	–38.8
Decrease/(Increase) in liabilities (not including financing liabilities) and provisions	12.2	24.6
Interest paid	–40.8	–41.4
Interest received	0.3	0.1
Received income from investments	2.7	1.8
Taxes received	0.0	0.2
Taxes paid	–2.2	–0.3
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**107.9**	**89.0**
Cash flow from investing activities		
Investments in investment properties	–280.8	–506.0
Proceeds from disposals of non-current assets held for sale and investment properties	9.7	9.0
Investments in intangible assets and property, plant and equipment	–1.5	–5.4
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	–	11.2
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**–272.4**	**–509.8**
Cash flow from financing activities		
Borrowing of bank loans	212.3	813.2
Repayment of bank loans	–372.5	–338.3
Issue of convertible bond	495.0	–
Repayment of lease liabilities	–1.8	–1.8
Other proceeds	0.7	3.5
Other payments	–	–1.4
Distribution to shareholders	–174.4	–141.9
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**159.3**	**333.3**
Change in cash and cash equivalents	**–5.2**	**–87.5**
Cash and cash equivalents at beginning of period	166.7	252.8
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**161.5**	**165.3**
Composition of cash and cash equivalents		
Cash in hand, bank balances	161.5	165.3
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**161.5**	**165.3**

SELECTED NOTES ON THE IFRS INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2017

1. BASIC INFORMATION ON THE GROUP

LEG Immobilien AG, Dusseldorf (hereinafter: "LEG Immo"), its subsidiary LEG NRW GmbH, Dusseldorf (hereinafter: "LEG") and the subsidiaries of the latter company (hereinafter referred to collectively as the "LEG Group") are among the largest residential companies in Germany. The LEG Group held a portfolio of 128.226 units (residential and commercial) on 30 June 2017.

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

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

2. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

3. ACCOUNTING POLICIES

The accounting policies applied in the interim consolidated financial statements of the LEG Group are the same as those presented in the IFRS consolidated financial statements of LEG Immo as of 31 December 2016. These interim consolidated financial statements as at 30 June 2017 should therefore be read in conjunction with the consolidated financial statements as at 31 December 2016.

The LEG Group has fully applied the new standards and interpretations that are mandatory from 1 January 2017. There are no effects on the net assets, financial position and results of operations position.

4. CHANGES IN THE GROUP

As at 1 January 2017 TSP-TechnikServicePlus GmbH was acquired and consolidated for the first time. The acquisition of the shares is a business combination (see section 5).

5. 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 is final as at 30 June 2017. The consideration for the business combination breaks down as follows:

T24 – 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:

T25 –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**	**0.0**
Provisions	0.8	0.8	–
Other financing liabilities	1.2	1.2	–
Other liabilities	1.0	1.0	–
TOTAL LIABILITIES	**3.0**	**3.0**	**0.0**
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.

6. JUDGEMENTS AND ESTIMATES

The preparation of interim consolidated financial statements in accordance with IFRS requires assumptions and estimates to be made that affect the recognition of assets and liabilities, income and expenses and the disclosure of contingent liabilities. These assumptions and estimates particularly relate to the measurement of investment properties, the recognition and measurement of pension provisions, the recognition and measurement of other provisions, the measurement of financing liabilities, and the eligibility for recognition of deferred tax assets.

Although the management believes that the assumption and estimates used are appropriate, any unforeseeable changes in these assumptions could impact the net assets, financial position and results of operations.

For further information, please refer to the consolidated financial statements as at 31 December 2016.

7. SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

On 30 June 2017, the LEG Group held 127,063 apartments and 1,163 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:

T26 – Investment properties

€ million	30.06.2017	*31.12.2016*
CARRYING AMOUNT AS OF 01.01.	**7,954.9**	**6,398.5**
Acquisitions	28.9	1,064.2
Other additions	30.2	76.8
Reclassified to assets held for sale	–30.9	–96.3
Disposal of carrying amount	0.0	–103.3
Reclassified to property, plant and equipment	–0.8	–2.2
Reclassified from property, plant and equipment	1.4	0.6
Fair value adjustment	480.1	616.6
CARRYING AMOUNT AS OF 30.06. / 31.12.	**8,463.8**	**7,954.9**

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.

Concerning the prepayments of investment properties see section 13.

Investment property is measured by the LEG Group for the first time during the period as of 30 June 2017.

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

The table below shows the parameters which determine the DCF-measurement as of 30 June 2017.

T27 – Cash Flow parameter

	30.06.2017 Ø	*31.12.2016 Ø*
BUILDING UNITS WITH PREDOMINANT USAGE TYPE HOUSING		
Net cold rent (€/sqm/month)	5.39	5.27
Vacancy rate (exclusively IAS 40 by sqm)	3.6 %	3.4 %
Maintenance costs (€/sqm/year)	11.63	11.24
Administrative costs (€/residential unit/year)	287.31	284.46
Maintenance costs (€/garage/year)	84.95	84.11
Maintenance costs (€/parking space/year)	32.61	32.29
Administrative costs (€/parking space, garage/year)	37.47	37.10
Development of maintenance and management costs (year)	2.00 %	2.00 %
BUILDING UNITS WITH PREDOMINANT COMMERCIAL USE		
Commercial building units (addresses)	1.28 %	1.25 %
Average rent (€/sqm/month)	7.01	6.95
Vacancy rate (by sqm)	13.58 %	12.54 %
Maintenance costs (€/sqm/year)	7.47	7.22
Administrative costs (percentage of gross rental income)	1.00 %	1.00 %
Development of maintenance and management costs (year)	2.00 %	2.00 %

Commercial units: properties with commercial use from 1,000 sqm usable area or 50% of the building space. Others: mobile communications antennae and outdoor advertising media

The table below shows the measurement method used to determine the fair value of investment property and the material unobservable inputs used:

T28 – Information about fair value measurements using significant unobservable inputs (Level 3) 30.06.2017

			Discount rate *(sqm-weighted, in %)*[4]			**Capitalisation rate** *(sqm-weighted, in %)*[4]		
Segment € million	**GAV assets**	**Valuation technique**[3]	*min.*	*avg.*	*max.*	*min.*	*avg.*	*max.*
Residential assets[1]								
High-growth markets	3,547	DCF	4.1	5.4	7.1	2.4	6.0	10.3
Stable markets	2,600	DCF	4.3	5.5	6.5	3.4	6.6	12.5
Higher-yielding markets	1,824	DCF	4.5	5.7	6.5	3.6	7.1	13.0
Non NRW	144	DCF	4.3	5.4	6.1	4.1	6.5	9.0
Commercial assets[2]	189	DCF	5.0	6.4	10.0	4.1	7.0	10.2
Parking + other assets	151	DCF	5.1	–	6.7	3.8	–	13.1
Leasehold + land values	33	Earnings/ reference value method						
TOTAL IAS 40/ IFRS 5	**8,488**	**DCF**	**4.1**	**5.6**	**10.0**	**2.4**	**6.6**	**13.1**

[1] Excluding 362 residential units in commercial buildings; including 345 commercial and other units in mixed residential assets.
[2] Excluding 345 commercial units in mixed residential assets; including 362 residential units in commercial buildings.
[3] Valuation technique information without consideration of IAS 16 assets. In exceptional cases liquidation value approach.
[4] Sqm-weighted interest rates refer to residential and commercial assets.

T29 – Information about fair value measurements using significant unobservable inputs (Level 3) 31.12.2016

			Discount rate *(sqm-weighted, in %)*[4]			**Capitalisation rate** *(sqm-weighted, in %)*[4]		
Segment € million	**GAV assets**	**Valuation technique**[3]	*min.*	*avg.*	*max.*	*min.*	*avg.*	*max.*
Residential assets[1]								
High-growth markets	3,324	DCF	4.1	5.4	7.1	2.4	6.0	9.1
Stable markets	2,439	DCF	4.3	5.5	6.5	3.3	6.7	9.5
Higher-yielding markets	1,754	DCF	4.5	5.7	6.8	3.5	7.2	13.4
Non NRW	131	DCF	4.3	5.4	6.1	4.1	6.9	9.3
Commercial assets[2]	179	DCF	5.0	6.4	10.0	4.0	6.9	10.2
Parking + other assets	149	DCF	5.1	–	6.7	3.7	–	13.2
Leasehold + land values	33	Earnings/ reference value method						
TOTAL IAS 40/ IFRS 5	**8,009**	**DCF**	**4.1**	**5.5**	**10.0**	**2.4**	**6.6**	**13.4**

[1] Excluding 321 residential units in commercial buildings; including 290 commercial and other units in mixed residential assets.
[2] Excluding 290 commercial units in mixed residential assets; including 321 residential units in commercial buildings.
[3] Valuation technique information without consideration of IAS 16 assets. In exceptional cases liquidation value approach.
[4] Sqm-weighted interest rates refer to residential and commercial assets.

	Sensitivities GAV *(variance discount rate, in %)*		**Sensitivities GAV** *(variance discount rate, in %)*		**Estimated rental development Residential** *(sqm-weighted, in %)*			**Estimated vacancy development Residential** *(sqm-weighted, in %)*
	−25 bp	*+25 bp*	*−25 bp*	*+25 bp*	*min.*	*avg.*	*max.*	T_0
	4.7	−4.4	2.7	−2.5	0.6	1.4	1.8	1.7
	4.0	−3.8	2.1	−2.0	0.5	0.9	1.4	3.5
	3.8	−3.7	1.9	−1.8	0.3	0.7	1.2	6.6
	4.1	−3.8	2.2	−2.0	0.5	1.1	1.5	2.0
	2.4	−2.3	2.0	−1.8	–	–	–	–
	4.5	−4.8	1.5	−2.0	–	–	–	–
	3.8	**−4.3**	**1.9**	**−2.5**				

	Sensitivities GAV *(variance discount rate, in %)*		**Sensitivities GAV** *(variance discount rate, in %)*		**Estimated rental development Residential** *(sqm-weighted, in %)*			**Estimated vacancy development Residential** *(sqm-weighted, in %)*
	−25 bp	*+25 bp*	*−25 bp*	*+25 bp*	*min.*	*avg.*	*max.*	T_0
	4.6	−4.4	2.6	−2.5	0.6	1.4	1.8	1.5
	3.8	−3.8	2.0	−2.1	0.5	0.9	1.4	3.0
	3.5	−3.9	1.5	−2.0	0.3	0.7	1.2	5.7
	3.8	−3.7	1.9	−2.0	0.5	1.1	1.5	2.3
	2.8	−2.0	2.4	−1.5	–	–	–	–
	4.7	−4.4	1.9	−1.8	–	–	–	–
	4.1	**−4.1**	**2.1**	**−2.2**				

With regard to the calculation methods, please refer to the consolidated financial statements as of 31 December 2016.

In addition, the LEG Group's portfolio still includes land and buildings accounted for in accordance with IAS 16.

Cash and cash equivalents mainly consist of bank balances.

Changes in the components of consolidated equity are shown in the statement of changes in consolidated equity.

Financing liabilities are composed as follows:

T30 – Financing liabilities

€ million	30.06.2017	31.12.2016
Financing liabilities from real estate financing	4,096.6	3,746.0
Financing liabilities from lease financing	27.5	28.3
FINANCING LIABILITIES	**4,124.1**	**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 300.0 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.

Extensive refinancing was performed in the first half of the year. The emission of a corporate bond increased the financing liabilities by EUR 495.0 million. Furthermore, commercial papers in the amount of EUR 200.0 million were issued. This was offset by the early repayments of subsidized loans in the amount of EUR 182.2 million and bank loans in the amount of EUR 165.7 million, which reduced total financing liabilities by EUR 347.7 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.

T31 – Maturity of financing liabilities from real estate financing

€ million	Remaining term < 1 year	Remaining term > 1 and 5 years	Remaining term > 5 years	Total
30.06.2017	568.4	841.9	2,686.3	**4,096.6**
31.12.2016	545.7	761.4	2,438.9	**3,746.0**

8. SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Net rental and lease income is broken down as follows:

T32 – Net rental and lease income

€ million	**01.01.– 30.06.2017**	*01.01. – 30.06.2016*
Net cold rent	263.7	249.4
Profit from operating expenses	–3.5	–1.5
Maintenance for externally procured services	–20.9	–28.8
Staff costs	–26.6	–19.6
Allowances on rent receivables	–3.7	–3.2
Depreciation and amortisation expenses	–2.8	–2.5
Other	–3.5	–3.4
NET RENTAL AND LEASE INCOME	**202.7**	**190.4**
NET OPERATING INCOME-MARGIN (IN %)	**76.9**	**76.3**
Non-recurring project costs – rental and lease	0.4	0.6
Depreciation	2.8	2.5
ADJUSTED NET RENTAL AND LEASE INCOME	**205.9**	**193.5**
ADJUSTED NET OPERATING INCOME-MARGIN (IN %)	**78.1**	**77.6**

In the reporting period, the LEG Group increased its net rental and lease income by EUR 12.3 million compared with the same period of the previous year. The main driver of this development was the EUR 14.3 million rise in net cold rents. In-place rent per square metre on a like-for-like basis rose by 3.0% in the reporting period.

Due to the acquisition of 51% of the shares of Technik ServicePlus GmbH (TSP) and the consequential consolidation as at 1 January 2017 the LEG Group provides the main part of the maintenance services on their own. As a result, the staff costs climbed by EUR 5.9 million whereas the externally procured maintenance decreased.

Adjusted by the effect of the own provided maintenance services the rental-related staff costs developed at a slightly slower rate (4.7%) than the net cold rent (increase of 5.7%).

The NOI margin of 76.9% was slightly higher than in the comparative period (76.3%).

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

T33 – Net income from the disposal of investment properties

€ million	**01.01.– 30.06.2017**	*01.01. – 30.06.2016*
Income from the disposal of investment properties	57.3	20.7
Carrying amount of investment properties disposed of	–57.7	–20.1
COSTS OF SALES OF INVESTMENT PROPERTIES	**–0.3**	**–0.5**
NET INCOME FROM THE DISPOSAL OF INVESTMENT PROPERTIES	**–0.7**	**0.1**

Net income from the remeasurement of investment properties

As of 30 June 2017 LEG conducted a fair value measurement of investment property for the first time in an interim financial report.

Net income from remeasurement amounted to EUR 480.1 million in the reporting period which corresponds to a 6.0% rise (incl. acquisitions) compared to the start of the financial year.

The average value of investment property (incl. IFRS 5 objects) as of 30 June 2017 is EUR 999 per square metre including acquisitions (31 December 2016: EUR 930 per square metre) and EUR 1,000 per square metre excluding acquisitions.

The increase in property value reflects the dynamic development of in place and target rents. The discount rate remained unchanged compared to 31 December 2016 and therefore had no impact on net income from remeasurement of investment property.

Administrative and other expenses are composed as follows:

T34 – Administrative and other expenses

€ million	01.01.– 30.06.2017	01.01.– 30.06.2016
Other operating expenses	–7.6	–42.1
Staff costs	–10.8	–10.7
Purchased services	–0.6	–0.6
Depreciation and amortisation	–0.3	–1.2
ADMINISTRATIVE AND OTHER EXPENSES	**–19.3**	**–54.6**
Depreciation and amortisation	0.3	1.2
Non-recurring project costs and extraordinary and prior-period expenses	2.8	37.9
ADJUSTED ADMINISTRATIVE AND OTHER EXPENSES	**–16.2**	**–15.5**

The main driver for the reduction in administrative and other expenses by EUR 35.3 million year-on-year were incidental acquisition and integration costs for portfolio acquisitions in the comparative period in the amount of EUR 34.7 million.

Taking volume growth into account, current administrative expenses climbed only moderately by 4.5%.

Net interest income is composed as follows:

T35 – Interest income

€ million	01.01.– 30.06.2017	01.01.– 30.06.2016
Other interest income	0.2	0.0
INTEREST INCOME	**0.2**	**0.0**

T36 – Interest expenses

€ million	01.01.– 30.06.2017	01.01.– 30.06.2016
Interest expenses from real estate financing	–34.2	–33.8
Interest expense from loan amortisation	–14.6	–11.8
Prepayment penalty	–0.4	–0.1
Interest expense from interest derivatives for real estate financing	–6.6	–7.6
Interest expense from change in pension provisions	–1.2	–1.6
Interest expense from interest on other assets and liabilities	–0.7	–1.1
Interest expenses from lease financing	–0.5	–0.7
Other interest expenses	–6.3	–4.4
INTEREST EXPENSES	**–64.5**	**–61.1**

Interest expense from loan amortisation raised by EUR 2.8 million year on year to EUR 14.6 million. This includes the measurement of the convertible bond and corporate bond at amortised cost in the amount of EUR 3.7 million (comparative period: EUR 3.3 million). The one-time, additional amortisation expense of the refinancing amounted to EUR 4.9 million. As a result of the refinancing the lower scheduled amortisation acted against. Other interest expense resulted mainly from the reversal of the amounts for interest rate derivatives reported in OCI for hedge accounting amounting to EUR 6.7 million (previous year: EUR 4.4 million), which were released in connection with the refinancing.

In addition, the increase in the loan volume resulted in a slight rise in interest expenses from financing of real estate. The refinancing and the related replacement of derivatives also had the effect of reducing interest expenses from interest rate derivatives. This was offset by the effects of the lower interest rates on interest rate derivatives.

Income taxes

T37 – Income tax expenses

€ million	01.01.– 30.06.2017	01.01.– 30.06.2016
Current income taxes	–3.3	–1.8
Deferred taxes	–133.9	–25.3
INCOME TAX EXPENSES	**–137.2**	**–27.1**

An effective Group tax rate of 22.5% was assumed in the reporting period in accordance with Group tax planning (previous year: 22.7%).

Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to the shareholders by the average number of shares outstanding during the reporting period.

T38 – Earnings per share (basic)

	01.01.–30.06.2017	*01.01.–30.06.2016*
Net profit or loss attributable to shareholders in € million	422.5	23.1
Average numbers of shares outstanding	63,188,185	62,839,521
EARNINGS PER SHARE (BASIC) IN €	**6.69**	**0.37**

As at 30 June 2017, LEG Immo had potential ordinary shares from a convertible bond, which authorise the bearer to convert it into up to 5.5 million shares.

Diluted earnings per share are calculated by increasing the average number of shares outstanding by the number of all potentially dilutive shares. The net profit/loss for the period is adjusted for the expenses no longer incurring for the interest coupon, the measurement of the embedded derivatives and the amortisation of the convertible bond and the resulting tax effect in the event of the conversion rights being exercised in full.

Owing in particular to the expenses no longer incurring in the event of conversion for the measurement of the embedded derivative, the potential ordinary shares from the convertible bond are not dilutive within the meaning of IAS 33.41.

The diluted earnings per share are therefore equal to the basic earnings per share.

9. FINANCIAL INSTRUMENTS

The following table shows the financial assets and liabilities broken down by measurement category and class. Receivables and liabilities from finance leases and derivatives used as hedging instruments are included even though they are not assigned to an IAS 39 measurement category. With respect to reconciliation, non-financial assets and non-financing liabilities are also included although they are not covered by IFRS 7.

The fair values of financial instruments are determined on the basis of corresponding market values or measurement methods. For cash and cash equivalents and other short-term primary financial instruments, the fair value is approximately the same as the carrying amount at the end of the respective reporting period.

For non-current receivables, other assets and liabilities, the fair value is calculated on the basis of the forecast cash flows, applying the reference interest rates as of the end of the reporting period. The fair values of derivative financial instruments are determined based on the benchmark interest rates in place as of the reporting date.

For financial instruments at fair value, the discounted cash flow method is used to determine fair value using corresponding quoted market prices, with individual credit ratings and other market conditions being taken into account in the form of standard credit and liquidity spreads when calculating present value. If no quoted market prices are available, the fair value is calculated using standard measurement methods applying instrument-specific market parameters.

When calculating the fair value of derivative financial instruments, the input parameters for the valuation models are the relevant market prices and interest rates observed as of the end of the reporting period, which are obtained from recognised external sources. The derivatives are therefore attributable to Level 2 of the fair value hierarchy as defined in IFRS 13.72 ff (measurement on the basis of observable inputs).

Both the Group's own risk and the counterparty risk were taken into account in the calculation of the fair value of derivatives in accordance with IFRS 13.

T39 – Classes of financial instruments for financial assets and liabilities 2017

€ million	Carrying amounts as per statement of financial positions 30.06.2017	Measurement (IAS 39) Amortised cost	Measurement (IAS 39) Fair value through profit or loss	Measurement IAS 17	Fair value 30.06.2017
Assets					
Other financial assets	**3.4**				**3.4**
Hedge accounting derivatives	0.6				0.6
LaR	0.2	0.2			0.2
AfS	2.6	2.6			n/a*
Receivables and other assets	**89.9**				**89.9**
LaR	56.7	56.7			56.7
Other non-financial assets	33.2				33.2
Cash and cash equivalents	**161.5**				**161.5**
LaR	161.5	161.5			161.5
TOTAL	**254.8**	**221.0**			**254.8**
Of which IAS 39 measurement categories					
LaR	218.4	218.4			218.4
AfS	2.6	2.6			n/a*
Liabilities					
Financial liabilities	**–4,124.1**				**–4,377.7**
FLAC	–4,096.6	–4,096.6			–4,349.8
Liabilities from lease financing	–27.5			–27.5	–27.9
Other liabilities	**–459.5**				**–458.2**
FLAC	–70.1	–70.1			–68.8
Derivatives HFT	–185.1		–185.1		–185.1
Hedge accounting derivatives	–68.8				–68.8
Other non-financial liabilities	–135.5				–135.5
TOTAL	**–4,583.6**	**–4,166.7**	**–185.1**	**–27.5**	**–4,835.9**
Of which IAS 39 measurement categories					
FLAC	–4,166.7	–4,166.7			–4,418.6
Derivatives HFT	–185.1		–185.1		–185.1

* The fair value of shares valued at cost could not reliably be calculated. There is no intention of disposal.
LaR = Loans and Receivables
HFT = Held for Trading
AfS = Available for Sale
FLAC = Financial Liabilities at Cost
FAHFT = Financial Assets Held for Trading
FLHFT = Financial Liabilities Held for Trading

T40 – Classes of financial instruments for financial assets and liabilities 2016

€ million	Carrying amounts as per statement of financial positions 31.12.2016	Measurement (IAS 39) Amortised cost	Measurement (IAS 39) Fair value through profit or loss	Measurement IAS 17	Fair value 31.12.2016
Assets					
Other financial assets	**2.8**				**2.8**
Hedge accounting derivatives	–				–
LaR	0.1	0.1	0.0		0.1
AfS	2.7	2.7			n/a*
Receivables and other assets	**55.4**				**55.4**
LaR	49.8	49.8			49.8
Other non-financial assets	5.6				5.6
Cash and cash equivalents	**166.7**				**166.7**
LaR	166.7	166.7			166.7
TOTAL	**224.9**	**219.3**	**0.0**		**224.9**
Of which IAS 39 measurement categories					
LaR	216.6	216.6			216.6
AfS	2.7	2.7			n/a*
Liabilities					
Financial liabilities	**–3,774.3**				**–4,087.0**
FLAC	–3,746.0	–3,746.0			–4,058.2
Liabilities from lease financing	–28.3			–28.3	–28.8
Other liabilities	**–431.9**				**–431.9**
FLAC	–40.3	–40.3			–40.3
Derivatives HFT	–138.6		–138.6		–138.6
Hedge accounting derivatives	–53.7				–53.7
Other non-financial liabilities	–199.3				–199.3
TOTAL	**–4,206.2**	**–3,786.3**	**–138.6**	**–28.3**	**–4,518.9**
Of which IAS 39 measurement categories					
FLAC	–3,786.3	–3,786.3			–4,098.5
Derivatives HFT	–138.6		–138.6		–138.6

* The fair value of shares valuated at cost could not reliably be calculated. There is no intention of disposal.
LaR = Loans and Receivables
HFT = Held for Trading
AfS = Available for Sale
FLAC = Financial Liabilities at Cost
FAHFT = Financial Assets Held for Trading
FLHFT = Financial Liabilities Held for Trading

10. RELATED PARTY DISCLOSURES

Please see the IFRS consolidated financial statements as at 31 December 2016 for the presentation of the IFRS 2 programmes for long-term incentive Management Board agreements.

11. OTHER

There were no changes with regard to contingent liabilities in comparison to 31 December 2016.

12. THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

There were no changes to the composition of the Management Board and the Supervisory Board as at 30 June 2017 compared with the disclosures as at 31 December 2016.

13. SUPPLEMENTARY REPORT

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 inplace 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. For this acquisition prepayments for investment properties in the amount of EUR 258.4 million were paid as of 30 June 2017.

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 inplace rent is around EUR 6.70 per square metre and the initial vacancy rate is around 1.4%. The closing of the transaction is scheduled for 1 January 2018. The portfolio acquisition does not constitute a business combination.

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

Dusseldorf, 10 August 2017

LEG Immobilien AG

The Management Board

THOMAS HEGEL, Erftstadt
(CEO)

ECKHARD SCHULTZ, Neuss
(CFO)

HOLGER HENTSCHEL, Erkrath
(COO)

RESPONSIBILITY STATEMENT

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

Dusseldorf, 10 August 2017

LEG Immobilien AG, Dusseldorf

The Management Board

THOMAS HEGEL
ECKHARD SCHULTZ
HOLGER HENTSCHEL

TABLES

Overview

Portfolio

Interim group management report

Interim consolidated financial statements

FINANCIAL CALENDAR 2017

LEG financial calendar 2017

Publication of the Quarterly Report as of 30 June 2017	**10 August**
Publication of the Quarterly Statement as of 30 September 2017	**10 November**

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The quarterly report as of 30 June 2017 is also available in German. In case of doubt, the German version takes precedence.

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