leg-se.com

Making living sustainable

Annual Report

2021

LEG

Brief portrait

With around 166,200 rental properties, approximately 500,000 tenants and 1,770 employees (as at 31 December 2021), Dusseldorf-based LEG is one of Germany's leading listed housing companies. The company is listed on the MDAX and generated rental and lease income of EUR 960 million in the 2021 financial year. As the biggest landlord in North Rhine-Westphalia, Germany's most populous state, in addition to being active in other states in Germany, it serves the growing demand for housing for low and medium-income earners. The company focuses on the "affordable living" segment ("pure play").

A consistently value-driven business model with a focus on growth and customers combines the interests of tenants, shareholders and society. Customer satisfaction is especially important to LEG. It is therefore constantly striving to further improve the quality of its service by focusing on its target group, neighbourhood management and personal service. LEG also fulfils its social responsibility via its two foundations, the "LEG NRW Tenant Foundation" and the "Your Home Helps" foundation.

Targeted and sustainable investments ensure the quality of LEG's property portfolio and meet growing customer needs. The company places particular emphasis on measures to protect the climate and making its portfolio more energy-efficient. As part of its new construction initiative, LEG wants to make a social contribution toward creating both free-financed and subsidised housing and intends to build or purchase at least 1,000 new apartments each year from 2026 onwards.

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Key Figures

T1

		2021	2020	+/– %/bp
Financial Key Figures				
Rental income	€ million	683.9	627.3	9.0
Net rental and lease income	€ million	540.0	493.0	9.5
EBITDA	€ million	2,272.8	1,619.5	40.3
EBITDA adjusted	€ million	512.2	466.9	9.7
EBT	€ million	2,138.7	1,395.0	53.3
Net profit or loss for the period	€ million	1,724.7	1,364.5	26.4
FFO I	€ million	423.1	383.2	10.4
FFO I per share	€	5.84	5.44	7.4
FFO II	€ million	419.9	381.3	10.1
FFO II per share	€	5.79	5.41	7.0
AFFO	€ million	92.2	92.8	–0.6
AFFO per share	€	1.27	1.32	–3.8
Dividend per share	€	4.07	3.78	7.7
Balance Sheet Key Figures		31.12.2021	31.12.2020	+/– %/bp
Investment property	€ million	19,067.7	14,582.7	30.8
Cash and cash equivalents	€ million	675.6	335.4	101.4
Equity	€ million	8,953.0	7,389.9	21.2
Total financing liabilities	€ million	8,885.1	5,869.0	51.4
Current financing liabilities	€ million	1,518.1	491.3	209.0
LTV	%	42.8	37.6	520
Equity ratio	%	43.6	48.4	–480
EPRA NTA, diluted	€ million	11,149.2	9,247.6	20.6
EPRA NTA per share, diluted	€	146.10	122.43	19.3
Other Key Figures				
Number residential units		166,189	144,530	15.0
In-place rent	€/sqm	6.13	5.94	3.2
In-place rent (l-f-l)	€/sqm	6.13	5.94	3.2
EPRA vacancy rate	%	2.8	2.8	0
EPRA vacancy rate (l-f-l)	%	2.3	2.7	–40
Employees (FTE)		1,770	1,599	10.7

bp = basis points

€ 423 million

In 2021, LEG could increase FFO I, the most important earnings indicator for the property industry by 10.4 % to EUR 423.1 million.

22,000

LEG's residential portfolio grew by almost 22,000 to around 166,200 apartments compared with the previous year. This means we now offer a home to around half a million people.

1,770

LEG had a total of 1,770 employees on 31 December 2021, 171 colleagues more than on the previous year's reporting date. At the beginning of 2022, the LEG team grew further by takingon experienced real estate professionals at the new sites in northern Germany.

€ 4.07

The Management Board and the Supervisory Board intend to propose a dividend of EUR 4.07 per share at the Annual General Meeting for the 2021 financial year.

ESG ratings

By actively participating in ESG ratings, we are transparent with the capital market about our sustainability performance and provide an indication of the extent to which our company has embedded sustainability agencies' ESG criteria in individual areas of the business strategy.

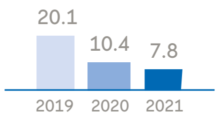
Our aim is to perform better than the sector average and continually improve. Given the high number of ratings, we take care to ensure a good balance between the work that goes into them and the knowledge gained. We have succeeded in this:

LEG continued to improve significantly in Sustainalytics's ESG risk rating in the 2021 financial year. In November 2021, we received a current rating of 7.8, putting sustainable company development in the lowest risk category "negligible". Our goal for the 2022 financial year is to maintain the current risk category.

Overview of participation in ESG ratings

Sustainalytics – ESG Global 50 Top Rated 2022

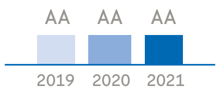
In November 2021, LEG received an ESG Risk Rating of 7.8 and was assessed by Sustainalytics to be at "negligible risk" of experiencing material financial impacts from ESG factors. Sustainalytics' ESG Risk Ratings measure a company's exposure to industry specific material ESG risks and how well a company is managing those risks. Sustainalytics, a Morningstar company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies.



Positive development

MSCI ESG Ratings

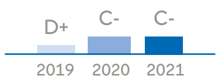
The MSCI ESG rating measures how resilient a company is to long-term, sector-relevant environmental, social and governance risks. ESG ratings range from "Leader" (AAA, AA) to "Average" (A, BBB, BB) to "Laggard" (B, CCC). LEG's "AA" rating, which it has maintained for several years, was confirmed in 2021.



Stable development

ISS ESG

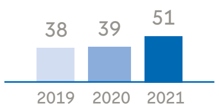
ISS analyses how a company approaches ESG issues on the basis of up to 100 assessment criteria, most of which are sector specific. LEG scored C- this year, the same as in the previous year. The ESG Corporate Rating is graded on a 12-point scale from A+ (excellent performance) to D- (poor performance).



Stable development

Moody's ESG Solutions

Vigeo Eiris is part of Moody's ESG Solutions and its ESG rating offers companies a clear understanding of their ESG performance compared to competitors in the sector and the region. The ESG score improved significantly in 2021 from 39 to 51.



Positive development

CDP

CDP is a not-for-profit charity that runs a global disclosure system for investors, companies, cities, states and regions to manage their environmental impact and detail the associated risks and opportunities. LEG took part in CDP's climate change programme for the first time in 2021. As this is the first time it has participated, the achieved score is not published.

EPRA sBPR Gold

The EPRA Sustainability Best Practice Recommendations (sBPR) aim to make public ESG information more transparent and comparable by providing a range of key metrics in the three impact categories, i. e. environment, social and governance. We were granted the Gold Award in recognition for our performance for the second time in a row in 2021. We place great value on the EPRA report, as the EPRA sBPRs are the only industry standard for the disclosure of ESG information in European listed property companies.

GRESB

GRESB (Global Real Estate Sustainability Benchmark) offers sector-specific guidance for measuring the sustainability of real estate portfolios. LEG withdrew from the benchmark in 2021 on account of the rating's granular methodology. This decision was taken in part following discussions with a working group and with other residential property companies.

2021: Our foundation "Your Home Helps" – we help people in need

Founded in 2019 with assets of EUR 16 million, the Your Home Helps Foundation had a strong second year in which it further expanded LEG's social commitment. LEG made an endowment of EUR 5 million in December 2021. In addition to continuing its coronavirus relief efforts and aid for flood victims – referred to as ad hoc action – the Foundation's work in 2021 also focused on joint neighbourhood projects and the establishment of its own team of social managers to help people in need structurally.

Ad hoc action

Coronavirus relief efforts

The coronavirus relief efforts from 2020 continued in the reporting year on account of the ongoing pandemic. 34 coronavirus relief effort projects were implemented in total, with the Foundation working with established institutions and committed charity start-ups. These ranged from local to national projects, from general through to individual relief, face-to-face or digital, all especially focused on education and help with the psychosocial consequences of the pandemic.

34

Coronavirus relief efforts

krisenchat.de – Crisis counselling by live chat
With start-up financing of EUR 250,000 for krisenchat.de, the Foundation is funding three additional positions to meet the constant rise in demand. Children and young adults up to the age of 25 can use the live chat to talk about crisis situations such as depression, addiction, violence, bullying and any other fears. The Foundation is also funding another community manager to grow the volunteer network to more than 350 people.

EUR 250,000

Lern-Fair – University students helping school kids
Lern-Fair connects volunteer university students with school pupils for free and digital tutoring in an one-to-one format. The funding provided by the Your Home Helps Foundation of EUR 80,000 goes to a local campaign to attract students, to develop explanatory videos and to optimise the website and registration forms. Also, texts are translated into the most common languages spoken in households with migrant backgrounds and world languages.

EUR 80,000

"Flicker" – Educational art project with the K20/21 and raumlabor berlin
In cooperation with the education department of Kunstsammlung NRW (K20/21) and artists from the raumlaborberlin collective, temporary workshops were set up at four selected locations for children and young people to get involved. Over four weekends, they worked together on "Flicker": a project to build experimental arcade machines like pinball or table football, and designed to be used as such.

The Flicker project, for which the Foundation has provided around EUR 50,000, combines social and artistic activities. It is hoped that by interacting with artists and going to the museum, new avenues will be opened up for children and young people.

EUR 50,000

JOBLINGE Ruhr – Special activities for disadvantaged young people
JOBLINGE gAG Ruhr was designed as a charity project to do something about youth unemployment and the skills shortage, and is primarily funded by cooperating businesses. LEG provides internships and apprenticeships for young people to give them concrete perspectives. From 2021 to 2023, the Foundation has also donated EUR 30,000 to JOBLINGE gAG to implement and help grow the programme.

EUR **90,000**

Individual help and social management

The Your Home Helps Foundation helps neighbourhood residents through its own team of social managers who identify emergency situations and clear the path to local support networks. The first locations where social managers have been deployed are Moenchengladbach, Dortmund and Gelsenkirchen.

Joint neighbourhood projects

The neighbourhood projects are all about working with charity and municipal partners, in particular the promotion of partner-based operations by professionals. Eleven medium to long-term neighbourhood projects have already been successfully set up with partners and local stakeholders, mostly at the top 15 locations of LEG.

11
neighbourhood projects

Counselling and education at the new "papageienTREFF" and "MIKADO Porz" in Cologne
Together with SKM Köln Porz, the Your Home Helps Foundation is creating the new "papageienTREFF", which offers a range of educational and counselling activities. The Foundation also funds a manager to run the centre and provides assistance to "MIKADO Porz", where children and young adults from families impacted by addiction can talk and spend their free time together. MIKADO offers advice and support for parents as well.

DRK Bielefeld – Integration through participation in open activities
DRK PIA-Treff in the district Sennestadt in Bielefeld encourages children and young people to learn German in their free time. By funding additional personnel, the Your Home Helps Foundation is helping migrant children and their parents in particular. Residents of the Heideblümchen district are offered leisure activities, such as a family breakfast and excursions.

around EUR **10,000**

Ad hoc action

Flood relief fund

Our two foundations – Your Home Helps and the LEG NRW Tenant Foundation – launched a joint EUR 250,000 flood relief fund in July 2021. This provided practical relief to LEG tenants who had lost everything in the floods. Around 40 applications were received from people affected by flooding, for whom help was quickly arranged. Funding was also provided to local relief organisations.

EUR
250,000

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TO THE SHAREHOLDERS

Letter from the Management Board

Dear Shareholders,
friends of the company,

As you know, we offer our customers good housing at fair prices in Germany – made in North Rhine-Westphalia (NRW). This is our guiding principle. It describes the business model of your LEG, but also an aspiration for ourselves. It sums it all up. Being guided by this principle, we have done very well over the last few years – and your company has been particularly successful, crisis resistant, reliable and responsible in 2021, all whilst enjoying strong growth.

2021 is the year with
- the best rental result to date
- the largest portfolio acquisition in LEG's history, and
- the strongest valuation uplift of the portfolio since LEG went public.

For LEG as a German company, 2021 was also defined by the election campaign and the change of the German government at the end of the year. It was, and is, important to us to have a voice in the housing policy debate, and to work with politicians to find tenable solutions for issues that affect the whole of society. We are engaged in a dialogue with key stakeholders at all political levels: In addition to the day-to-day contact between our branch offices and local authorities, we take a structured approach to engage with the mayors of all cities where LEG owns a large number of apartments and with politicians in the locations where we have just entered the market. All three members of the Management Board play an active part in trade associations. Traditionally, we maintain a close dialogue with the Federal state government of North Rhine-Westphalia and the major parties in the state parliament – we will use this engagement as the role model for political communication in the other German states that we now operate in. At national level, we took a back seat during the Federal election campaign in line with our corporate principles. We are thrilled that Germany's new government will again have a dedicated Ministry of Construction, which has not been the case since more than 20 years. Thus, our sector once again has a voice in the cabinet – a voice beyond our regular talks with other politicians with exposure to the sector at a German and EU level.

Moreover, we will remember 2021 as the year of sustainability at LEG. The reporting on the ongoing operational and strategic development of our business would be incomplete without looking at our comprehensive decarbonisation and sustainability agenda, which we published in spring 2021. A lot of focus was dedicated to this in this report, which we have themed "LEG – Making Living Sustainable". There are big challenges ahead. However, there are also many opportunities for LEG. As a housing company, we are, after all, used to providing people with a home over generations. Or to put it another way: Who else, but ourselves, will think in terms of sustainable solutions and development for the decades to come?

As you see, as a company we look towards the future with strong momentum and optimism. However, 2021 was also the year of devastating flooding in Rhineland-Palatinate and North Rhine-Westphalia, which also affected some of LEG's customers and co-workers. And it was year two of the coronavirus pandemic, which sadly still continues to impact our daily lives. While we have coped well financially, the emotional effects have been devastating. However, none of the above compares to the horror caused by Russia's aggression in the Ukraine, which started shortly before we published this report. We are deeply saddened by the suffering of the Ukrainian population and the LEG team has already taken first steps to help Ukrainians who are seeking protection in our country. The financial impact of the invasion on our business seems manageable from today's perspective, but it increases the uncertainty we operate in. We would like to take this opportunity to sincerely thank all our employees. In these difficult times, the LEG team has done a truly fantastic job and kept LEG on course.

The KPIs 2021 are the best evidence of LEG's successful ongoing operational and strategic development.

FFO I (funds from operations), the key performance indicator for our sector, rose by 10.4 % to more than EUR 423 million, putting it slightly ahead of our guidance.

A key contributing factor has been the ongoing **optimisation of our core business** – a key pillar of our corporate strategy > see page 17f. Average in-place rent on a like-for-like basis rose by 3.2 %. At the same time, the like-for-like vacancy rate reached 2.3 % at the end of 2021, a level equivalent to full structural occupancy. We are especially pleased with our rental result in higher-yielding markets with traditionally higher vacancy rates. The vacancy rate here was reduced by an average of 50 basis points year-on-year to 3.5 % on a like-for-like basis. This is exactly where we can differentiate ourselves. In total, we invested EUR 42.50 per square metre in the modernisation, refurbishment and maintenance of our properties in 2021 to preserve and enhance quality.

These strong figures have their basis in a changed corporate culture: We placed greater responsibility with our local teams over the past three years. We have made customers the focal point of our activities. To give you just one example, under our heating replacement programme, we are actively taking on an issue that has rightfully led to repeated tenant complaints at some locations. We are increasingly using digital applications for mass processes. As a result, we have become faster and more agile. We intend to continue this journey.

External growth and continuous portfolio optimisation > see page 20 are likewise pillars of our strategy. In the reporting year, in a highly competitive market environment, we acquired around 22,000 residential units – more than in any of the previous years. This translates into portfolio growth of 15 %. The largest single acquisition was the Adler Group portfolio of around 15,400 apartments with a strong regional focus in the north of Germany. In

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“GROWTH AND SUSTAINABILITY GO HAND IN HAND FOR LEG.”

LARS VON LACKUM (CEO)

»

“OUR INVESTORS ARE INTERESTED IN OUR FINANCIAL AND NON-FINANCIAL KEY DATA TO THE SAME EXTENT.”

SUSANNE SCHRÖTER-CROSSAN (CFO)

»

“IN OUR NEIGHBORHOODS, WITH OUR CUSTOMERS, I LEARN SOMETHING NEW EVERY DAY THAT IS IMPORTANT FOR OUR BUSINESS.”

DR VOLKER WIEGEL (COO)

connection with the acquisition, we have opened our first branch office outside North Rhine-Westphalia – in Bremen. This is a milestone for us. Around a fifth of LEG's apartments are now outside its home market of North Rhine-Westphalia. With this acquisition we also for the first time acquired a substantial number of apartments in higher-yielding markets (such as Wilhelmshaven) outside our home market NRW. We are convinced that we will be able to develop these markets over the coming years just as successfully as the higher-yielding markets in NRW, like Iserlohn, Duisburg or Hamm. All in all, in 2021, we finally took a big step from being the regional market leader in NRW to becoming one of Germany's biggest housing companies.

We have also continued our expansion **along the value chain** > page 19. Firstly, our range of value-added services is growing with the number of apartments under management. We can now offer almost half a million tenants services e. g. in the areas of minor repairs, energy, cable TV or Internet. Secondly, we have broadened our product range as well: In addition to the all-in bathroom modernisation packages first offered in 2020, we now also offer barrier-free bathroom conversions for senior customers or those with restricted mobility. We settle the accounts directly with their health insurance. And, thanks to the large portfolio acquisition in the north of Germany, for the first time LEG has its own small subsidiary for facility services from lawn mowing to house cleaning. However, we still perform many of our value-added services with experienced partners such as Vodafone, national energy providers and public utility companies.

We also plan to expand **our new construction activities,** which are part of our strategic pillar "expansion of the value chain" but also add to our ESG footprint while being financially attractive. This is because our new construction activities contribute towards creating both privately financed and publicly subsidised housing where it is urgently needed. Our subsidiary LEG Bauen (formerly LEG Solution) has been doing this since 2019 through redensification or through acquiring turnkey projects from other developers. Moving ahead, we also wish to develop land with or without building rights. The volume of 500 new apartments completed every year will double to 1,000 units from 2026 onwards – units that will offer good, modern living space and high energy standards while remaining affordable. We are thereby also responding to the clear calls from the new German government, which has made new housing a key focus area.

We financed our external growth and other business operations in 2021 with several corporate bonds, all being several times subscribed – including LEG's first sustainable bond. Average financing costs were just 1.06 % on 31 December 2021. The average term of our liabilities was 6.47 years as at the end of the reporting period. Excluding the very short-term bridge financing for the acquisition of the portfolio from the Adler Group, the average interest rate would have been 1.21 % and liabilities would have had an average term of 7.5 years. All in all, our financing costs are still at their lowest level since LEG went public. On top of this, no major refinancing is required until 2024.

Net gearing in relation to property assets (LTV) was 42.8 % as at the end of the reporting period and below our target of 43 %.

Financial stability therefore is and remains one of our defining features > page 20.

The high demand for German residential properties is unchanged. As a result, the company's net asset value has climbed significantly once again: Its EPRA NTA per share is up by 19.3 % year-on-year at EUR 146.10.

Dividend

The Management Board and the Supervisory Board intend to propose a dividend of EUR 4.07 per share at the Annual General Meeting for the 2021 financial year on 19 May 2022. The dividend proposal translates into a distribution of EUR 296.5 million in total, with the dividend per share rising by 7.7 % as against the previous year. The dividend will again be offered in cash or in shares.

LEG aims to distribute 70 % of its FFO I to shareholders on a long-term basis. Based on the closing price for 2021, the dividend yield amounts to 3.3 %.

Year of sustainability

Sustainability has long been part of our DNA. Therefore, the topic is nothing new to us. We have long been committed to high standards of ESG criteria – for environmental, social and governance aspects > page 14. But we have raised sustainability to a new level in 2021. And we have done so because we believe in it – firstly, because the serious consideration of ESG issues is personally important to us. Secondly, we intend to fulfil social expectations to ensure a broad acceptance for our business model in the long term. And thirdly, not least, we want to comply with your rising requirements in terms of sustainable business management. Sustainability is clearly a key factor for our long-term economic success. Many of our talks with you, our investors, with analysts and industry experts now frequently focus on ESG issues. Your expectations in terms of our sustainability KPIs rank equally high with your expectations regarding profitability.

What does this new level in sustainability consist of?

- The most important aspect is the completion of our decarbonisation and sustainability agenda, which sets clear guiding principles for all our sustainability activities. Positions, targets and specific milestones and projects for achieving these targets have been formulated for all three dimensions of sustainability. Our carbon reduction path is fully in line with Germany's Federal Climate Change Act.
- Since the start of the reporting year, five short-term and long-term sustainability targets have been incorporated into variable remuneration for our Management Board and senior management. Our targets are ambitious, individually measurable and thus transparent for our stakeholders (> see page 82, remuneration report). Sustainability aspects have also been embedded at all organisational levels by individual target agreements. This makes our plans for sustainability even more binding and elevates their penetration throughout the company.
- We have become even more transparent: We have broadened our active participation in ESG ratings and we have recently joined the Science Based Targets initiative (SBTi). But, at the same time, we do not intend to do everything. Our benchmark is the additional insight gained through our activities, for you, our investors. In this report, we naturally also comply with the regulatory minimum requirements of the EU Taxonomy, but have also broadened our risk reporting and reporting on TCFD aspects. It is also worth looking at our Website, where we will be documenting our ESG progress over the year.
- We have successfully issued our first sustainable bond – which was incidentally the first bond from a listed German housing company to finance social **and** green projects at the same time. That doesn't have to be a one-off: LEG has created its own externally audited set of rules for sustainable financing with the aim of investing in the areas of affordable housing, environmentally friendly buildings, property refurbishment with a strong climate protection impact, community engagement, the use of renewable energies and low-emission transport options.
- Finally, we have further expanded our ESG governance and reporting structures, for instance by creating the Sustainable Finance Committee chaired by the CFO and with regular reporting on physical and transitional risks climate risks in the Management Board as a whole.

Targets, plans and structures are one thing, but implementing ESG activities is another. You will find examples of this throughout this report. We would therefore like to take this opportunity to mention just one project that is also especially symbolic for us: In a few weeks, we will be moving to our new headquarter at Dusseldorf Airport City Sustainability played a crucial role in selecting and designing the building: It satisfies several of the latest environmental requirements – we intend to secure the DGNB (= German Sustainable Building Council) certificate in gold.

Its infrastructure connections for public transport, both locally and long-distance, the quality of the space and its flexibility are beyond compare. The new office is intended to be a place of collaboration, active discussion, of creativity and a sense of identity with our company, thereby making a significant contribution to employee satisfaction and pride for the entire LEG workforce. The openness and transparency of its architecture are proof of our corporate culture and our sound corporate governance.

Always be better

You see, we have achieved a lot in 2021. We have put new ideas on the agenda and started many things. So are we completely satisfied? No. There is still a lot to do. We are working constantly on the optimisation of our processes and our efficiency, on our customer focus and employee focus, our transparency, and our communication. We want to be constantly improving – but with an even higher level of dependability, stability and respectability. In short, we always strive to be better – continuously, day in, day out. For you and with you.

Thank you for your trust in LEG.

We would also like to thank our customers, our employees, our Supervisory Board and our partners in business and dialogue.

These days, we feel extremely grateful to live and work in a stable, wealthy and free country. Therefore, we do not want to end this letter without our deep expression of solidarity with the Ukrainian people and the hope for a world in peace.

LARS VON LACKUM
CEO

SUSANNE SCHRÖTER-CROSSAN
CFO

DR VOLKER WIEGEL
COO

Our Strategy

Our clear strategic profile is one of our defining features. We are focused on the residential asset class and, within this category, the affordable rent segment. Since 2019, we have been actively expanding our regional presence beyond NRW to include other German federal states.

In the reporting year 2021 as well, we have made further progress in all our key strategy areas. The Year of Sustainability then brought a very special significance to the three ESG criteria of environmental, social and governance. In spring 2021, we presented our ambitious decarbonisation and sustainability strategy to the public. The quality and commitment of our sustainability involvement have thus reached a new level. Sustainable action and financial stability are equal principles of our strategy house. In the schematic presentation of our strategy house, they therefore also form a combined foundation. Built on this foundation are the three pillars of our business strategy, the **optimisation of core business**, the **expansion of the value chain** and **portfolio enhancement.** The implementation of various ESG policies, a strong customer focus and systematic **Digitisation** bring the whole house to life.

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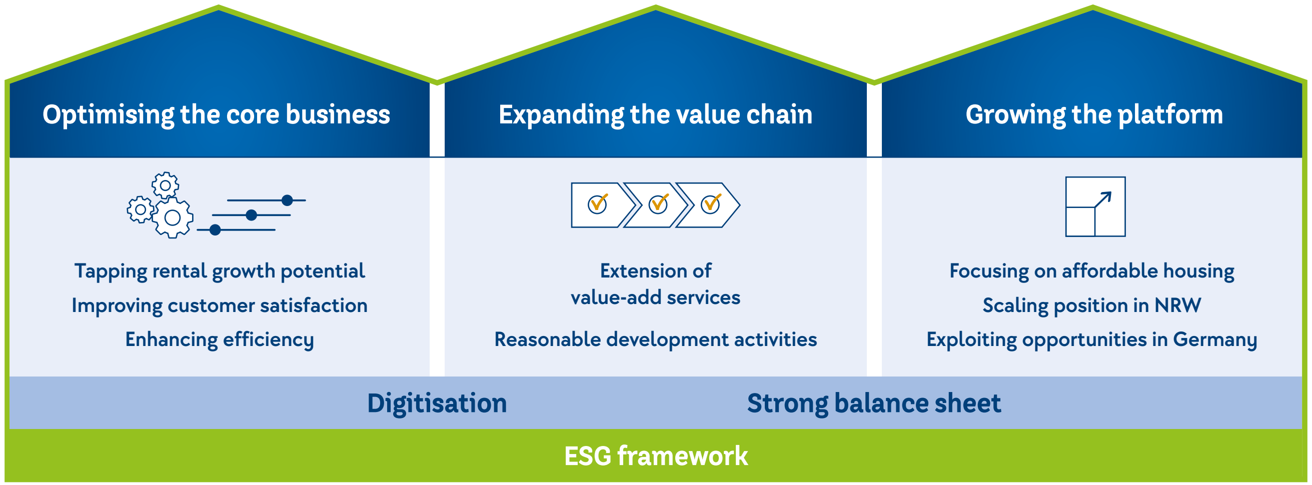
Our strategy



ESG Strategy continued

The theme for this year's annual report has been deliberately chosen: **LEG – Making Living Sustainable.**

This is because our 2021 financial year was defined by sustainability. In the first quarter, LEG completed its bold 2024 sustainability strategy, which will serve as a guideline for its ongoing ESG evolution (environment, social and governance). In addition to the financial performance criteria, ESG targets are now also taken into account in determining the overall performance of the Management Board and senior management: As envisaged at the AGM 2020, specific ESG targets were already agreed at the end of 2020. The ESG targets for the respective financial year are set and adopted by the Supervisory Board before the start of the financial year in question. These targets have been defined with sufficient precision to guarantee the transparent measurement of performance. Together with the details on performance, the specific ESG targets will be disclosed ex-post in the remuneration report: They have therefore been reported for the first time in the remuneration report of this annual report. We have thus raised our previous sustainability efforts to a new, advanced level.

T2

Our ESG targets for 2021 – 2022 Long-term incentive (LTI) and short-term incentive (STI) targets

ESG targets 2021

Environment	Environment	2021 – 2024	Reduction of CO_2 emissions by 10 % in 4 years[1]	LTI
		2021	Energetic refurbishment of 3 % of units[1]	STI
Social	Social	2021 – 2024	Maintain high employee satisfaction level (**66 %** Trust Index)	LTI
		2021	Reduction of iteration calls from tenants by 15 %	STI
Governance	Governance	2021	Maintain Sustainalytics-Rating at a score of 10.4	STI

ESG targets 2022

Environment	Environment	2022 – 2025	Reduction of CO_2 emissions by 10 % based CO_2e kg/sqm	LTI
		2022	4,000 tons CO_2 reductions from modernization projects	STI
Social	Social	2022 – 2025	Improve Customer Satisfaction Index **(CSI) to 70 %**	LTI
		2022	Maintain high employee satisfaction level (**66 %** Trust Index)	STI
Governance	Governance	2022	Maintain Sustainalytics rating within the negligible risk range (< 10)	STI

[1] Units as at 12/19.

Environment – on the path to climate neutrality

In the area of **environmental** aspects, our goal is for our company to achieve climate neutrality by 2045, and we have outlined how we mean to achieve this. We intend to reduce our carbon emissions by 10 % by 2024. To achieve this goal, LEG is planning to invest up to EUR 500 million in energy upgrades. The company's carbon emissions are starting at a baseline of 36.7 kg CO_2e/m^2 (as at 2020) and it plans to reduce them to 33 kg CO_2e/m^2 in 2024. Based on the reduction trajectory for climate protection, LEG is planning to reach a corridor of just 22 kg to 23 kg CO_2e/m^2 by 2030 and a mere 3 kg CO_2e/m^2 by 2045.

Our climate strategy is founded on sustainable data. The energy and heating turnaround, i. e. the transition from fossil to renewable energy sources and the low-energy modernisation of our properties, is the focal point of our activities. Changing consumption patterns on the part of our tenants will also have a part to play.

Another key component of our environmental efforts is LEG's own Siegerland biomass co-generation plant, which would reduce LEG's carbon footprint by 18 % if counted fully. It feeds green electricity equivalent to the annual requirements of around 45,000 LEG residential units into the general grid.

Key contributions to cutting carbon emissions are to come from:

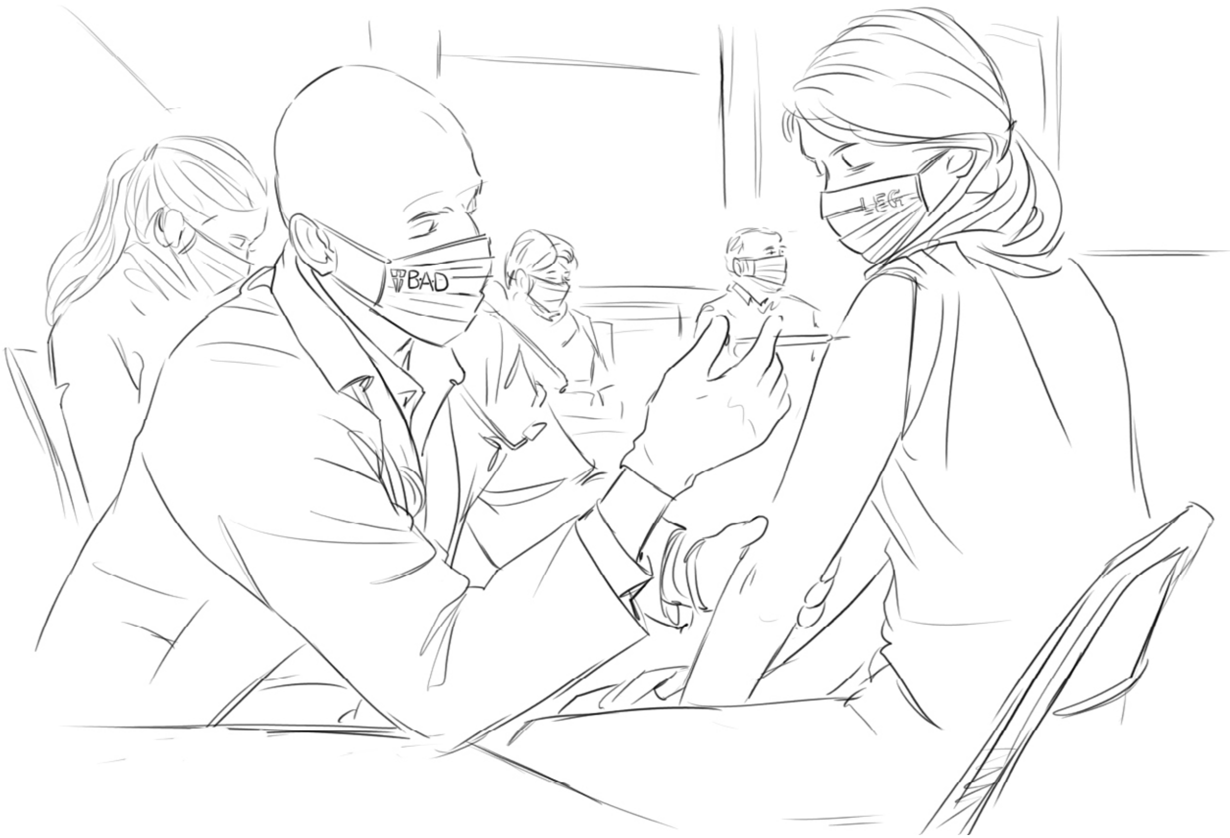
- **25 % to 30 % reduction thanks to energetic refurbishment:** In the field of energy upgrades, we want to be much more efficient, more cost-effective and faster in order to better leverage this key driver in cutting carbon emissions. Our goal is therefore to plan LEG's modernisation activities more comprehensively and more consistently. We want to advance serial refurbishment throughout the industry. To do so, we are trialling a novel refurbishment concept based on the Dutch Energiesprong principle in our LEG Future House pilot project in Moenchengladbach-Hardt. In this LEG neighbourhood, 16 buildings will be given an efficient, pre-fabricated building shell and equipped with state-of-the-art heating and ventilation technology. This is the biggest project of its kind anywhere in Germany to date, with four construction partners implementing different solutions. The buildings will be both visually and technologically different after undergoing their upgrade. We hope that by researching different solutions, we will learn more about the best possible approaches to low-energy refurbishment.

- **65 % to 70 % reduction thanks to energy and heating transition:** Our starting position here is very good by industry standards, as our own supply predominantly relies on modern gas heating, and around 30 % of our neighbourhoods are already connected to district heating networks with the potential for future expansion. We are in talks with utility companies about green district heating and will see where they lead. A heat pump programme is in planning and will be implemented from 2022. We are also currently looking at how we can offer tenants deals on their electricity based on changing regulations. We have already implemented one such project at the car-free Weissenburg estate in Münster: Since the end of 2021, we have been generating green photovoltaic power here that customers can use at their own tenant power rate. Weissenburg's solar power is carbon-neutral.

- **Up to 5 % reduction thanks to changes in tenant behaviour:** We are currently working on a pilot project in this area. In order to tap the full potential of our efficiency upgrades, we will have to hope for the support of our tenants, which includes changes in their own consumption.

Social – focus on social responsibility

LEG's social goals are defined by affordable housing and responsibility for customers and employees. With 22 % social housing and an average rent of EUR 6.13 per square metre for the entire building stock, we provide a home for broad sections of the population. In 2022, the company introduced a customer satisfaction index (CSI) as one of its long-term social goals. The CSI is to be improved to 70 % by 2025.



BAD is our partner for occupational medicine, safety and health management.

As a provider of affordable housing, we are also increasingly being pulled between the priorities of climate protection, customer focus and profitability. Wherever we modernise our neighbourhoods, there are always uniform standards for hardship schemes that we have coordinated with a number of other housing companies and in a constructive dialogue with the German Tenants' Association. By doing so, we would like to guarantee that tenants who cannot afford the change in rent as a result of modernisation can continue to live in their familiar neighbourhood. This way, we strive to preserve stable neighbourhood structures that have developed over time, prevent gentrification and promote acceptance for the necessary investment in climate protection.

LEG is also counting on the ongoing progress in the work of its foundations. The foundation "Your Home Helps" delivers relief right where it is needed. Its focus in 2020 was on coronavirus relief projects, some of which we continued as the pandemic persisted. In 2021 the foundation also concentrated on building sustainable social work with its own social managers and experienced partners at its residential neighbourhoods. As an ad hoc action, the LEG foundations "Your Home Helps" and the "LEG NRW Tenant Foundation" joined forces in July 2021 and launched a EUR 250,000 relief fund to provide financial support for tenants who had lost everything in the floods. Beyond its foundation work as well, LEG lent active support to its tenants – from immediate placement in alternative housing and covering the costs of clearing properties through to sending food trucks to feed people in the flooded regions. Employees affected by the floods were also given financial support and two weeks' leave from work.

In terms of employee satisfaction, LEG achieved a trust index of 66 % in the Great Place to Work employee survey in the 2020 financial year and, together with five other companies, was named a "Best Employer in NRW" in 2021. Things that were important to us in the ongoing coronavirus pandemic were a contemporary work environment, employee development and healthcare. A health aspect was especially close to our hearts in the past financial year: We offered our employees vaccinations against COVID-19.

HR development was a priority at LEG in 2021 as well. We see employee satisfaction and workplace culture as a success factor, and thus we make them sustainable, systematic and empathic within the company. Our strategy for training and continuing professional development is geared towards providing every worker with the necessary tools for their primary responsibilities and the chance of personal development. Furthermore, LEG's continuing professional development range includes various technical seminars, for example on current tenancy law, public safety or construction project management, management training and courses for developing personal skills. All new employees also received digital compliance training. In the reporting year, we launched the LEG Academy, a digital training platform based on SAP Success Factors, and introduced it in early 2022.

Working from home and remote working have become integral parts of management work. Digital media such as MS Teams were the main channels for sharing and conveying information in 2020 and at times in 2021. And we are proud of this format as well: The employee dialogue is a vital communication tool between LEG's employees and management. It enables the discussion of expectations and requirements plus an assessment of both employee performance and the quality of leadership and cooperation. Regular participation in the "Great Place to Work" competition highlights LEG's aspirations to quality and long-term shared success. The 2020 survey showed that our employee satisfaction remained very high, even in a year defined by the pandemic.

Good corporate governance with high transparency

As an indicator for good corporate governance, LEG is still striving for a strong ESG risk rating from the experts at the independent Sustainalytics agency. LEG received an ESG risk rating of 7.8 in 2021, putting it in the lowest risk category – "negligible". Our goal is to maintain – or continuously improve – a constant rating across all ESG-agencies. Our short-term ambition for 2022 is therefore to have Sustainalytics' ESG rating in the "negligible" risk category confirmed.

We published the "Sustainable Procurement" and "Training and Further Education" policies in the financial year – and reviewed all other guidelines to ensure that they are still current, confirming their validity on our website. The certification of LEG's compliance management system by the Institute for Corporate Governance (ICG) in the German Real Estate Industry was also confirmed in 2021. The certification is now valid until 2024. Also, from the 2022 Annual General Meeting onwards, one third of the seats on the Supervisory Board will be hold by women – currently there is one woman on the Supervisory Board.

Overall, we have further enhanced our transparency in terms of ESG: We joined the UN Global Compact in the 2021 financial year and the Science Based Targets initiative (SBTi). Our 2020 sustainability reporting earned a EPRA sBPR gold award. A balanced focus on both mandatory reporting requirements and voluntary activities in the field of sustainability reporting is important to us to provide our investors with comparability and meaningful information.

In addition to taking part in various ratings and initiatives, such as IW.2050, the change in reporting structures since 2020 with a non-financial report audited with limited assurance as part of the annual report and a more extensive sustainability report, we are rising to meet the higher reporting and transparency requirements for our stakeholders.

Sustainable Development Goals

Our strategic sustainability goals are derived primarily, but not exclusively, from the following United Nations Sustainable Development Goals (SDGs)

Sustainable Development Goals

We further optimised our whistleblowing system in the reporting year. A digital whistleblowing portal allows employees, customers and third parties to report potential white collar crimes and conduct harmful to the company round the clock, seven days a week. Furthermore, we made preparations in 2021 to expand our compliance training. From the start of 2022, there will also be annual compliance, data protection and IT security training for all employees. A new e-learning tool can be used for this.

Financial and non-financial aspects on an equal footing

Financial and non-financial aspects on an equal footing – both together form the foundation of our corporate strategy. This is increasingly being reflected in our internal processes as well. One example of this is the ESG cube, in which non-financial indicators are entered and analysed in a system parallel to financial data. The merging of non-financial and financial KPIs is also illustrated by our Sustainable Finance Framework and the issuance of our first sustainable bond. All this shows that the balance and compatibility of ESG aspects with our core business forms the framework of our corporate strategy.

Optimisation of core business

We are constantly working on the optimisation of our core business with the utmost motivation. Reliability and capability are just as important to our tenants as profitability and productivity for our shareholders, or creating a climate-neutral portfolio by 2045 for all of us. These are therefore the key strategic points for offering our customers attractive, affordable housing and guaranteeing our investors an appropriate return on their capital. We can fulfil customers' rising expectations for their apartments – flexibility in where and when they can contact their landlord, speed and reliability in all communications with us and a focus on a holistic solution – and we are constantly striving for optimisation. The coronavirus pandemic showed us that the digitalisation processes that we have already initiated not only lead to more efficiency, but also to more security – above all contactless rentals that allow potential tenants to view properties in person by themselves. Our digital solutions in customer communications are now established, and we are working in coordination with our customers to enrich these channels with further functions. Examples include our tenant app, the tenant portal, the digital lease, digital deposit guarantees and the cooperation with Amazon Key, enabling contactless parcel delivery for our customers.

In addition to our property and customer managers, repairmen and fitters out and about in neighbourhoods, hundreds of people are working behind the scenes to provide our customers with a good, functional product every day. At our Central Customer Services alone, almost 90 property experts are the first port of call for all tenant concerns. Invisible to customers but extremely helpful in practice: we now use 27 RPA solutions with 53 robots and cobots, which efficiently handle processes that are simple but sometimes prone to error, allowing our experts in operations and shared functions to instead focus on complex tasks and customer concerns. These are typically small programmes developed by the very people in charge of the process, such as our TiZu system, which directs customer inquiries straight to the most suitable expert based on certain key words. In the technical area as well, such as budgeting approved modernisation projects in SAP, the ProBu accounting robot is now helping out with the around 1,300 processed approvals per year that we used to have to enter into SAP manually.

Feedback from our customers is highly valuable to us. Since 2021, we have therefore supplemented our regular customer satisfaction analysis with digital contact customer surveys. After a telephone call with Central Customer Services and the Rental Management, Operating Costs and Receivables Management departments, we ask our customers by e-mail to assess our service quality. We plan to expand this to more areas in the months ahead. Customer assessments are both our reward and our incentive to strive for continuous improvement. We have received good feedback, for example, on the new lock systems on our residential buildings, which we optimised significantly in 2021 to facilitate access for tenants, property managers and workers. 90 % of locks have already been replaced; we plan to complete the project in 2022. The feedback on our clear-up work after the flooding in Ahrtal was positive as well, and illustrates the close operating proximity to the tenants and properties affected. Many of the residential properties have already been restored following successful cleaning, renovation and demolitions work in the general area. The fact that LEG achieved its best rental result to date in 2021 shows that we are on the right path. This is no doubt also due to the fact that we have stepped up our investment strategy for the modernisation and maintenance of our property portfolio with a view to value enhancement, energy efficiency and climate protection: For 2022 we are planning investments of EUR 46 to EUR 48 per square metre.

Extension of the value chain

In 2021 as well, in addition to our core business of rentals, our goal was to further expand our range of residential services in line with customer demand.

Despite the ongoing coronavirus pandemic, we continued our commitment in the field of new construction this financial year and created new privately financed and publicly subsidised housing: In 2021, we purchased project developments with around 740 residential units, some of which publicly subsidised. Also, in the spring we completed, and went on to let, 28 new apartments of our own a month earlier than planned. Futhermore we have completed the construction of 28 new apartments on our own one month earlier than planned in spring 2021. Additionally, we began construction on 151 privately financed residential units on company-owned land, in addition to purchasing land on which to build 250 more apartments.

Moving ahead, we will be raising our construction programme to a new level: The previously planned volume of 500 new apartments completed every year from 2023 will double to 1,000 units from 2026 – all of which will offer modern comforts and high energy standards. LEG is thus helping to gradually increase the availability of affordable housing right where it is needed, without losing sight of economic viability for tenants. From 2022, some of LEG's construction programme will be implemented in cooperation with Goldbeck, Europe's market leader for serial and modular construction.

We have also continued to develop our energy services: Building on cooperations with solar energy specialists, public utility companies and tenant electricity providers, EnergieServicePlus (ESP) – together with LEG – has laid the foundation for the ongoing development in the area of tenant electricity from photovoltaic systems. In addition to building several hundred kWp of photovoltaic output and green electricity "straight from the roof", we are working with energy industry partners to offer our tenants attractive eco-power tariffs at virtually all LEG locations. Finally, our joint offer with our partner Vodafone, through which around 80 % of our customers can directly get TV, telephone and Internet connections from the day they move in, continues to be highly popular, especially when many are working from home.

After acquiring the experienced project manager in the field of vacant apartment renovation, Fischbach Service GmbH, last year, the company was smoothly integrated as LEG's new subsidiary, LWS Plus, in 2021. The company is successively taking on the renovation of more vacant apartments and continuing its path in other business areas as well, such as the refurbishment of commercial properties, first-time heating installation, meter centralisation, insurance claim processing and bathroom conversions for improved accessibility.

Our repair service subsidiary TSP has been reliably carrying out small fixes and repairs in our properties since 2017: Even during the ongoing pandemic, our tenants were able to count on the TSP team, which now numbers more than 400 employees, at all times from the start of the year – even outside normal working hours and on weekends in case of emergency.

LEG is also actively looking into how to achieve greater service quality. In analysing this question, the company is clearly focused on its tenants and what they need and wish for where they live. The goal is to digitalise service provider management in the long term, enabling tenants to make their own decisions on the contracts that they already pay for with their operating costs.

„TOGETHER WITH LEG, WE ARE CREATING NEW AFFORDABLE HOUSING: SERIAL CONSTRUCTION IS THE KEY."

HANS WALTER KLEIN, MANAGING DIRECTOR GOLDBECK-WEST

Targeted portfolio management

LEG performed its biggest acquisition in the company's history in the reporting year. Our property portfolio has grown by around 22,000 apartments in total. Above all, we have expanded our market positions outside our home state of North Rhine-Westphalia – around 20 % of our apartments are now in other federal states. LEG has therefore finally established itself as one of Germany's biggest property managers.

The acquisition of around 15,400 apartments in December 2021, mainly in the north of Germany, brought a highly successful year to an impressive close for our acquisitions team. Even before this, we had continued the journey that began in 2019 – to provide good housing at fair prices in other western German states as well – with several mid-sized acquisitions outside our home state of NRW. Here, too, locations in the north of the country were represented, such as Bremen and Kiel. But we continued to build and expand our market presence in the southwest of Germany in 2021 as well. And we continued our growth in North Rhine-Westphalia as well with a series of smaller acquisitions. In total, LEG has grown its portfolio by 15 % to around 166,200 units.

Within three years, we have increased our portfolio outside our home market from formerly 3 % to 20 % – always while upholding our strict acquisition criteria. These criteria include:

- an appropriate purchase price and solid key financial data
- the properties for purchase have to be in the "affordable housing" market segment
- a distinct regional proximity to our existing portfolio and a size that warrants the establishment of local teams.

Given the concentrated location of a large part of the properties acquired in 2021, we made the decision for the first time to open not just a few smaller tenant offices, but an entirely new branch office outside North Rhine-Westphalia: in Bremen.

Portfolio optimisation also means saying goodbye to properties that are not – or no longer – right for us. We did not perform any notable disposals in 2021. Among other things, in 2022 we are planning to sell around 1,300 units from the major December acquisition. This is because they are spread too thinly across a number of locations in eastern Germany, and therefore are not a good fit for our expansion strategy. The number of disposals in 2022 will therefore be significantly higher than in 2021.

Moreover, by acquiring 32 % in Brack Capital Properties (BCP) and a call option for a further 63 %, which also took place in December, we have laid the foundations for our expansion strategy to continue successfully in 2022. BCP has a portfolio of around 12,100 apartments in Germany. As in previous years, we definitely intend to acquire at least 7,000 residential units in 2022.

Financial stability

Financial stability is the foundation of our business strategy. Customers, employees, investors and business partners can count on this. Our conservative financing strategy and our long-term, low-interest financing structure are a key competitive advantage, especially in times of rising interest rates. We address the high level of market interest in sustainable financing in our "Sustainable Finance Framework", which we already used for a first bond issuance in 2021.

2021 was both a challenging and successful year for LEG in the area of finance. Among other things …

- … on 16 March 2021, LEG successfully placed an unsecured, fixed-rate corporate bond with a nominal value of EUR 500 million, primarily to refinance existing liabilities and for general business purposes. With a coupon of 0.875 % and a term of twelve years, the bond had a positive impact on average maturity and average interest costs.
- … on 23 June 2021, we became the first listed housing company to issue a sustainable bond intended to serve both green **and** social projects, such as the financing of social housing and energy-efficient apartments or the capitalisation of LEG's foundations. The bond has a nominal value of EUR 600 million, a coupon of 0.75 % and a term of ten years.
- … bridge financing was agreed at the end of 2021 for the acquisition of around 15,400 residential units from the Adler Group, the largest single portfolio acquisition in the company's history.

  This bridge financing was refinanced just a few days into the new year with a bond of EUR 1.5 billion over several tranches. The planned disposal of apartments outside our core markets will have a positive effect on our financing structure.

All issuances met with high investor interest – being several times oversubscribed – which serves as proof of the capital market's great faith in LEG's stable business model.

Despite the rise in general interest rates at the end of the year, average financing costs amounted to just 1.06 % on 31 December 2021. The average term of our liabilities was 6.47 years as at the reporting date. Not including the very short-term financing for the acquisition of a portfolio from the Adler Group, the average interest would have amounted to 1.21 % and liabilities would have had an average term of 7.5 years. LEG's financing, befitting its long-term strategic outlook, is around 94 % hedged by fixed-rate agreements or interest rate swaps. Taking the bridge financing into account, the hedge share comes to around 79 %. These values contribute to a high level of security for stable earnings and dividend growth in the medium term.

In order to maintain a defensive risk profile in the long term, LEG has set a target that the loan to value ratio (LTV) should not exceed a maximum value of 43 % in the medium term.This target was met with an LTV of 42.8 % as of the balance sheet date of 31 December 2021.

Since 2015, we have had a credit rating from the independent and external agency Moody's, which gave us a long-term rating of "Baa1" in May 2015 and has consistently confirmed this since then. This investment grade rating is a testament to the durability of our business model, even in challenging times. It also grants us access to a wide range of financing instruments.

Equity Story

"Pure play" in the housing sector across Germany

LEG focuses on the asset category affordable housing in Germany and is the second-largest German housing company with around 166,200 units. LEG's domestic market is North Rhine-Westphalia. 20 % of its homes are now located in neighbouring states. This regional expansion has been increasingly stepped up since 2019 but remains careful and targeted. By concentrating on one asset category and thus a homogeneous customer group, LEG can implement standardised processes, pool investments and use them target-oriented.

Sustainability and social responsibility

In June 2021, LEG produced a detailed ESG strategy on the basis of its corporate strategy. This serves as a guideline for all business decisions relating to the three drivers environment (E), social (S) and governance (G). ESG targets are placed on an equal footing with financial targets and published. Since the start of the 2021 financial year, these have also been taken into account in Management Board remuneration. LEG provides affordable housing to approximately 500,000 tenants in a strained housing market, with an average rent of EUR 6.13 per square meter. Around a quarter of the units are subsidised housing, guaranteeing tenants that rent will stay low in the long term. LEG will build about 500 new homes each year starting in 2023, rising to about 1,000 from 2026, to help ease housing shortages in Germany.

Sustainalytics, a well-known company that specialises in sustainability ratings, ranked LEG in the top 1 % out of more than 14,000 listed companies in November in terms of its sustainable actions. One of the reasons for this impressive result is that LEG demonstrated its willingness to take responsibility for environmental and social issues at an early stage and made an explicit commitment to carbon neutrality by 2045.

Actively seizing growth opportunities

LEG expanded its residential portfolio by around 22,000 units in 2021. As well as around 7,000 units from small and medium-size acquisitions, a major transaction of more than 15,000 units also contributed to this. Regional expansion into neighbouring states helps the company grow in new target markets and significantly expand its potential market. The units outside NRW accounted for 20 % at the end of the year (previous year: 8 %). At the same time, tenants are offered value-adding services in the new portfolios. This external growth, in conjunction with the target of increasing rents through the portfolio by an average of 3.0 %, are the key drivers in the goal of improving FFO I from EUR 423 million to between EUR 475 million and EUR 490 million in 2022. This does not include the ambition to acquire around 7,000 units in the current financial year.

Attractive yields with low interest rates

The gross yield, i. e. the ratio of net cold rent to gross asset value, was 4.2 % at the end of the 2021 financial year. Given the robust business model and the fact that interest rates on the capital market remain low or negative despite a slight rise in interest rates, LEG is continuing to generate attractive yields. Steadily increasing dividends since the IPO also play a part in this. LEG paid out about 70 % of FFO I for the 2020 financial year, representing a dividend of EUR 3.78 per share and a yield of 3.1 % on the share price on the day of the Annual General Meeting.

Strong financial position allows for growth

LEG's strong capital base allowed it to harness significant growth opportunities in 2021 and remain within its debt limits of a maximum loan-to-value ratio (LTV = ratio of financing liabilities to real estate assets) of 43 %, despite the high pace of acquisition. A strong capital base will also remain one of the cornerstones of LEG's actions.

The share

Despite continued high case rates in connection with the Covid-19 pandemic in 2021, the DAX closed the year up a substantial 16 %, benefiting from the economic recovery at times. LEG's share did not see the same performance on account of the stable and far less cyclical business model. Rising interest rates proved a considerable strain on the property sector. Including the dividend paid, investors generated a return of 0 % on LEG's share in 2021. Nonetheless, the share performed far better than the benchmark index for German property stocks, which declined by 7 %.

The 2021 trading year was again shaped by the coronavirus pandemic. Cheap liquidity pumped into markets by central banks and global vaccination campaigns helped prop up the economy. By contrast, supply chain problems, new virus variants and a sharp hike in inflation in connection with signals by central banks to scale back liquidity injections curbed the euphoria on stock markets. On balance, however, the trend was positive. After the substantial slump at the beginning of 2020, the recovery process continued and more new records were set into the third quarter of 2021, before volatility picked up once again. The DAX reached its annual high of 16,251 points on 17 November. This was followed by a correction when the new coronavirus variant Omicron emerged. After a brief end-of-year rally, the DAX ended the 2021 trading year at 15,885 points, representing year-on-year growth of 16 %. International indices such as the MSCI World performed similarly.

The ten-year German government bonds yield remained well into negative territory in 2021, too, ranging from –0.61 % to –0.1 % and averaging –0.3 %.

LEG share outperforms EPRA index

A strong start to the year for the LEG share was followed by a strong correction until the start of March to the annual low of EUR 110.92. This was triggered by rising interest rates and the expectation of another rapid interest rate hike. However, this trend began to reverse at the end of March, with good figures for LEG's 2020 financial year, a positive outlook and encouraging news about the residential property market. The share rose continually until mid-August, peaking at EUR 139.10 – equal to market capitalisation of over EUR 10 billion. Volatility subsequently increased on account of fears of a Bundestag election outcome that would hurt the property sector (which did not materialise), a return to higher interest rates and, finally, the emergence of the Omicron variant. The LEG share ended the year at EUR 122.70, 3 % lower than at the end of 2020. Including the dividend paid in 2021 of EUR 3.78 per share, the return was 0 %. The benchmark index for German property stocks (EPRA Germany) fell by 7 % in the same period. The underperformance of German property stocks compared to the DAX is essentially because investors had a greater affinity for more cyclical stocks and because of the rise in interest rates. LEG shareholders were again able to choose between a stock dividend and a cash dividend in the reporting year. For approximately 32 % of shares, investors opted to take the dividend in stocks.

T3

Share performance indicators

Ticker symbol	LEG
German Securities Code Number (WKN)	LEG111
ISIN	DE000LEG1110
Number of shares (31 December 2021)	72,839,625
Initial listing	1 February 2013
Market segment	Prime Standard
Indices	MDAX , FTSE EPRA/NAREIT, GPR Indizes, Stoxx® Europe 600, S&P EUROPE 350, GPR IPCM LFFS Sustainable GRES Index, DAX 50 ESG, MSCI Europe ex UK, MSCI World ex USA, MSCI World Custom ESG Climate Series
Closing price (31 December 2021)	EUR 122.70
Market capitalisation (31 December 2021)	EUR 8,937 million
Free float (31 December 2021)	100 %
Weighting in the MDAX (31 December 2021)	4.79 %
Weighting in the EPRA Europe (31 December 2021)	3.19 %
Average single-day trading volume (2021)	150,750 shares
Highest price (16 August 2021)	EUR 139.10
Lowest price (10 March 2021)	EUR 110.92

Virtual communication

Active and transparent communications with capital market participants are at the heart of LEG's investor relations activities. In particular, this also includes personal dialogues with shareholders. The LEG share also attracted particularly high interest among international and national investors in the 2021 financial year. LEG held roadshows or took part in investor conferences on 47 days. With one exception, these were held virtually on account of the pandemic. It also conducted numerous conversations with investors outside these events. One highlight of 2021 was the publishing of the ESG strategy, which drew considerable interest thanks to the high level of information it contains.

Due to the coronavirus pandemic, the Annual General Meeting was again held virtually in the reporting year on 27 May 2021. The entire event was streamed on a portal set up for this purpose and accessible only to shareholders.

Successful capital market transactions

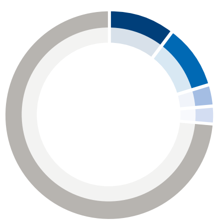
LEG increased its portfolio by around 21,700 residential units in 2021. In addition, a stake of about 32 % was acquired in the listed company Brack Capital Properties, which has a portfolio of around 12,100 units, and an option to acquire a further 63 % was assured. Three bonds with a total volume of EUR 1.7 billion were placed to finance the expansion. Demand was high. The terms of the bonds were 10, 11 and 12 years respectively, with interest rates of 0.75 %, 1.0 % and 0.875 %. One bond was the first of its kind: it was the first bond from a listed German residential company intended to finance social and green projects.

Top rankings in prestigious sustainability ratings

The quality of LEG's financial reporting in 2021 again earned the Gold Award from EPRA – the European Public Real Estate Association. LEG received EPRA's Gold Award for sustainability reporting for the first time in the previous year and this success was repeated in 2021. The rating from ratings agency Sustainalytics, which specialises in ESG, improved further. LEG secured a position in the top 1 % of the more than 14,000 listed companies that were evaluated. LEG ranks among the top 2 % of the more than 1,000 property companies rated, placing it in the "Negligible" risk category. The LEG share is also represented in multiple sustainability indices such as the DAX 50 ESG.

G2

Shareholder structure (in %)

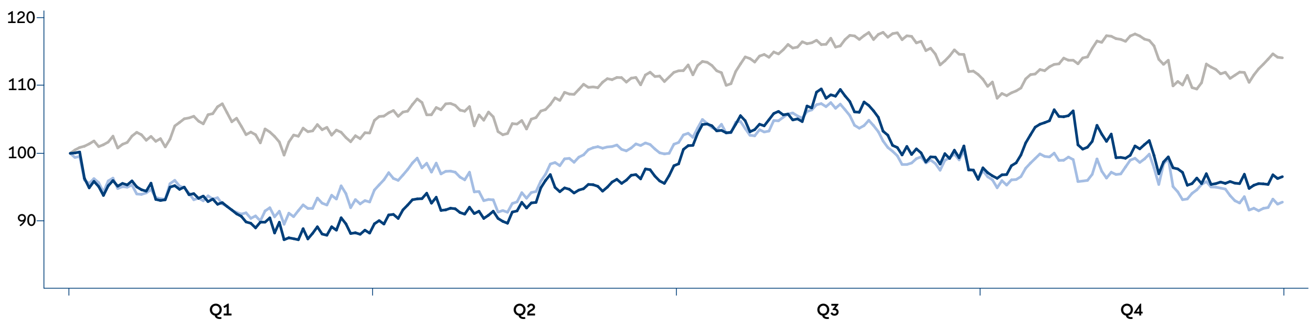


MFS	10.5
BlackRock, Inc.	10.0
BNP Paribas Asset Management	3.2
Flossbach von Storch	2.9
Other free float	73.4

On the sell-side, 17 analysts from renowned research companies currently value the shares. A current overview of analysts' recommendations and price targets can be found at https://ir.leg-se.com/investor-relations/share. Analysts' average price target was EUR 154.00 on 28 February 2022, with predominantly positive recommendations.

G3

Share price development



04.01.2021	10.03.2021	16.08.2021	30.12.2021
Open	Low	High	Close
127.14	110.92	139.1	122.7

LEG EPRA Germany MDAX

Share Price 2021 indexed to 100

EPRA key figures

With more than 280 members, including LEG Immobilien SE, EPRA (European Public Real Estate Association) represents the listed real estate industry in Europe. EPRA strives to establish best practices to provide high-quality information to investors.

Financial key figures

Transparent and fair reporting form the basis for LEG's communications with the capital market. In light of this, LEG also actively supports the initiative of the sector association of EPRA to harmonise key financial figures. The table below provides an overview of the key figures in accordance with EPRA's Best Practice Recommendations. Further information can be found in the management report of this annual report. For a definition of the key figures please see the > glossary of this annual report.

Sustainability

For sustainability reporting according to EPRA sBPR please see our website.

T4

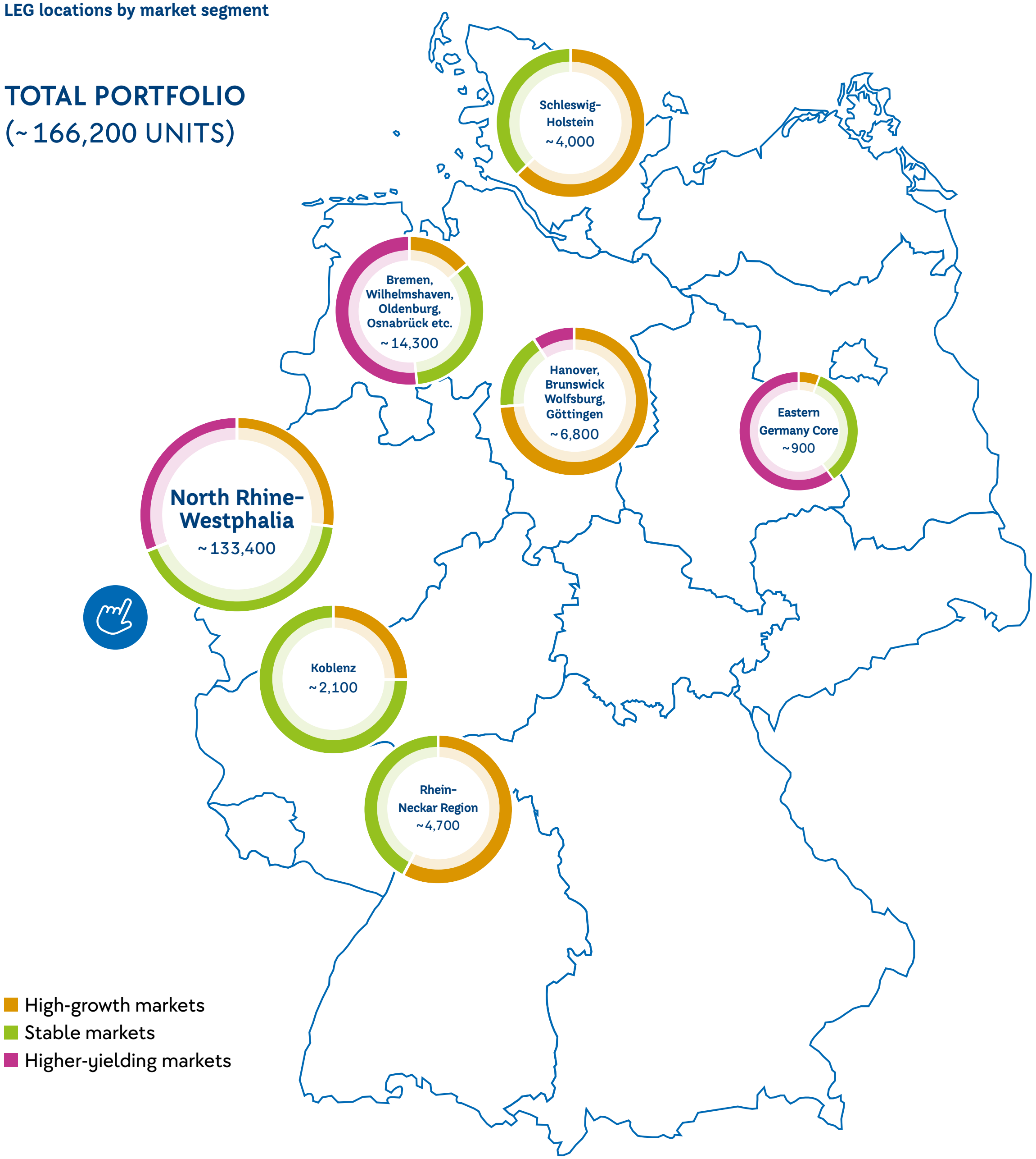
EPRA key figures

		2021	2020	Details
EPRA Net Initial Yield	%	3.2	3.6	See page 59
EPRA „topped-up" Net Initial Yield	%	3.3	3.6	See page 59
EPRA Cost Ratio incl. direct vacancy costs	%	24.5	25.0	See page 58
EPRA Cost Ratio excl. direct vacancy costs	%	22.8	23.1	See page 58
EPRA Cost Ratio, adjusted by maintenance incl. direct vacancy costs	%	14.9	15.0	See page 58
EPRA Cost Ratio, adjusted by maintenance excl. direct vacancy costs	%	13.2	13.1	See page 58
EPRA Vacancy (like-for-like)	%	2.3	2.7	See page 56
EPRA Earnings per share	€	2.82	6.32	See page 191
EPRA Capex	€ million	1,348.7	1,375.1	See page 57
EPRA NRV	€ million	13,111.9	10,729.7	See page 64
EPRA NRV per share	€	171.82	142.05	See page 64
EPRA NTA	€ million	11,149.1	9,247.6	See page 64
EPRA NTA per share	€	146.10	122.43	See page 64
EPRA NDV	€ million	8,765.0	7,374.5	See page 64
EPRA NDV per share	€	114.86	97.63	See page 64

Portfolio

G4

LEG locations by market segment



Following the acquisitions in the 2021 financial year, LEG's property portfolio is spread across around 270 locations, chiefly in our home state of North Rhine-Westphalia as well as in Lower Saxony, Bremen, Schleswig-Holstein, Hesse, Rhineland-Palatinate and Baden-Württemberg. The 166,189 residential units in the portfolio have an average of seven residential units per building and an average apartment size of 63 square metres. LEG also manages 1,576 commercial units and 45,438 parking spaces.

LEG's systematic scoring divides the portfolio into three main clusters: high growth markets, stable markets and higher yielding markets. The scoring is based on external market studies and comparisons of demographic and economic factors, supplemented by property industry parameters such as rents and vacancy rates.

High-growth markets are characterised by demographically and economically strong locations with above-average rental growth expectations and low vacancy rates. Stable markets are more varied than high-growth markets in terms of their demographic and socio-economic development, while their attractiveness as housing industry locations is sound to high on average. Higher-yielding markets are generally subject to a greater risk of declining demand but offer opportunities for attractive yields on cost if efficiently managed.

Operational development

In-place rent on a like-for-like basis came to EUR 6.13 per square metre as at 31 December 2021. Compared to the same date in the previous year, this corresponded to an increase of 3.2 % (previous year: EUR 5.94 per square metre).

The free financed portfolio represented around 78 % of the portfolio as at 31 December 2021 in relation to the number of units. In-place rent in the free financed portfolio rose by 3.9 % on a like-for-like basis to EUR 6.54 per square metre (previous year: EUR 6.30 per square metre). All market segments contributed to this trend: The high-growth markets recorded an increase of 3.9 % to EUR 7.52 per square metre (on a like-for-like basis). In the stable markets, rents increased significantly by an average of 4.3 % to EUR 6.25 per square metre (on a like-for-like basis). In the higher-yielding markets an increase of 3.3 % to EUR 5.93 per square metre (on a like-for-like basis) was achieved.

The average rent for rent-restricted apartments increased by 0.5 % to EUR 4.96 per square metre as at 31 December 2021 (on a like-for-like basis). There were no changes in 2021 to the II. Berechnungsverordnung (Second Computation Ordinance – II. BV), which is relevant to most rent-restricted properties.

The EPRA vacancy rate for the housing portfolio on a like-for-like basis stood at 2.3 % at the end of the 2021, and therefore below the previous year's level (2.7 %). With an occupancy rate of 98.5 % (on a like-for-like basis), the LEG portfolio in the high-growth markets was nearly fully let as at the end of 2021. In the stable markets, the occupancy rate reached 97.8 % (like-for-like), with the figure in higher yielding markets at 96.5 % (like-for-like). The annualised fluctuation rate remained low at 9.2 % (on a like-for-like basis; previous year: 9.7 %).

Value development

> Table T7 shows the distribution of assets by market segment. The rental yield on the residential portfolio based on annualised in-place rents is 4.2 %, representing a rent factor of 23.9. The valuation of the residential portfolio corresponds to an EPRA net initial yield of 3.2 %.

Investing activities

Investment in 2021 focused on further improving the quality of housing and buildings to increase tenant satisfaction and optimise energy efficiency in the portfolio. Total investment in the portfolio amounted to EUR 406.8 million in the 2021 financial year. This corresponds to an increase of EUR 36.5 million or 9.9 % compared to the previous year. The share of value-enhancing and thus capitalised measures was adjusted at 73.4 % (previous year: 74.7 %). The average investments per square meter of living and usable space were increased by about EUR 1.50 compared to the previous year and amounted to EUR 42.50 in 2021. To continue systematically reducing the portfolio's CO_2 emissions in the years ahead, we assume that investment levels will increase in this period.

Investment focused on major maintenance and modernisation and was spread throughout all of LEG's areas of activity. EUR 20 million was invested in Münster, EUR 18 million in Dortmund, EUR 13 million in Unna, around EUR 13 million in Gelsenkirchen and EUR 12 million in Essen. Investment centred around exterior walls (chiefly installing exterior insulation finishing system), roofs (in particular roof refurbishment in connection with ceiling insulation) and balconies (renovating and building new balconies).

T5

Portfolio segments – top 5 locations

	31.12.2021					31.12.2020					Change on a like-for-like basis	
	Number of LEG apartments	Share of LEG-portfolio in %	Living space in sqm	In-place rent €/sqm	EPRA vacancy rate in %	Number of LEG apartments	Share of LEG-portfolio in %	Living space in sqm	In-place rent €/sqm	EPRA vacancy rate in %	In-place rent in % like-for-like	Vacancy rate (basis points) like-for-like
High-growth markets	**49,227**	**29.6**	**3,237,319**	**6.89**	**2.1**	**41,915**	**29.0**	**2,793,778**	**6.70**	**1.8**	**3.2**	**–20**
District of Mettmann	8,523	5.1	592,007	7.25	1.5	8,495	5.9	590,651	6.91	1.5	4.9	10
Münster	6,197	3.7	412,075	6.90	0.9	6,197	4.3	412,093	6.78	0.9	1.7	0
Dusseldorf	5,705	3.4	371,824	8.19	1.2	5,421	3.8	352,400	8.02	2.2	2.2	–90
Cologne	4,235	2.5	286,809	7.51	2.1	3,970	2.7	266,114	7.20	1.3	2.5	40
Aachen	2,431	1.5	164,313	5.41	2.6	2,300	1.6	153,886	5.23	3.4	2.4	–90
Other locations	22,136	13.3	1,410,292	6.43	2.8	15,532	10.7	1,018,634	6.18	2.2	3.4	–20
Stable markets	**66,420**	**40.0**	**4,234,615**	**5.90**	**2.6**	**60,543**	**41.9**	**3,856,023**	**5.69**	**2.8**	**3.4**	**–50**
Dortmund	13,752	8.3	898,960	5.69	2.2	13,717	9.5	896,520	5.49	2.8	3.5	–60
District of Unna	6,809	4.1	424,264	5.35	2.5	6,845	4.7	427,255	5.23	2.7	2.2	0
Moenchengladbach	6,440	3.9	408,077	6.26	1.4	6,441	4.5	408,146	6.05	1.8	3.3	–50
Essen	3,447	2.1	222,756	5.85	3.6	3,372	2.3	217,538	5.68	2.6	2.7	90
Bielefeld	3,234	1.9	201,168	6.59	2.0	3,205	2.2	199,286	6.35	1.4	3.3	30
Other locations	32,738	19.7	2,079,389	5.97	2.9	28,266	19.6	1,786,142	5.76	2.9	3.8	–30
Higher yielding markets	**50,542**	**30.4**	**3,054,764**	**5.63**	**4.0**	**42,072**	**29.1**	**2,555,421**	**5.48**	**4.2**	**2.8**	**–50**
District of Recklinghausen	9,029	5.4	549,303	5.49	2.6	9,022	6.2	548,869	5.39	3.0	1.9	–30
Gelsenkirchen	7,252	4.4	414,360	5.75	7.2	7,261	5.0	414,951	5.60	8.7	2.6	–150
Wilhelmshaven	6,858	4.1	397,657	5.62	6.4	0	0.0	0	0.00	0.0	0.0	0
Duisburg	6,327	3.8	382,844	6.05	2.8	6,323	4.4	382,644	5.86	2.1	3.3	80
Hamm	4,818	2.9	288,365	5.60	2.0	4,817	3.3	288,314	5.33	2.7	5.0	–60
Other locations	16,258	9.8	1,022,236	5.53	3.1	14,649	10.1	920,642	5.38	3.3	2.7	–20
Total	**166,189**	**100.0**	**10,526,699**	**6.13**	**2.8**	**144,530**	**100.0**	**9,205,221**	**5.94**	**2.8**	**3.2**	**–40**

T6

LEG Portfolio

		High-growth markets		Stable markets		Higher yielding markets		Total	
		31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Subsidised residential units									
Units		11,916	11,913	15,888	15,900	8,082	8,142	35,886	35,955
Area	sqm	814,490	817,827	1,077,493	1,079,254	530,412	534,763	2,422,395	2,431,844
In-place rent	€/sqm	5.38	5.25	4.93	4.88	4.57	4.54	5.00	4.93
EPRA vacancy rate	%	1.1	0.9	2.1	2.1	1.7	2.1	1.7	1.7
Free-financed residential units									
Units		37,311	30,002	50,532	44,643	42,460	33,930	130,303	108,575
Area	sqm	2,422,828	1,975,950	3,157,123	2,776,768	2,524,352	2,020,658	8,104,303	6,773,376
In-place rent	€/sqm	7.40	7.31	6.23	6.00	5.87	5.74	6.47	6.31
EPRA vacancy rate	%	2.3	2.1	2.7	2.9	4.4	4.5	3.0	3.1
Total residential units									
Units		49,227	41,915	66,420	60,543	50,542	42,072	166,189	144,530
Area	sqm	3,237,319	2,793,778	4,234,615	3,856,023	3,054,764	2,555,421	10,526,699	9,205,221
In-place rent	€/sqm	6.89	6.70	5.90	5.69	5.63	5.48	6.13	5.94
EPRA vacancy rate	%	2.1	1.8	2.6	2.8	4.0	4.2	2.8	2.8
Total commercial									
Units								1,576	1,346
Area	sqm							254,164	226,357
Total parking									
Units								45,438	39,205
Total other									
Units								3,123	2,814

T7

Market segments

31.12.2021	Residential units	Residential assets in € million[1]	Share residential assets in %	Value/sqm in €	In-place rent multiplier	Commercial/ other assets in € million[2]	Total assets in € million
High-growth markets	**49,227**	**7,825**	**44**	**2,410**	**29.8x**	**333**	**8,158**
District of Mettmann	8,523	1,498	8	2,532	29.5x	73	1,571
Münster	6,197	1,097	6	2,658	32.3x	55	1,152
Dusseldorf	5,705	1,181	7	3,135	32.3x	54	1,234
Cologne	4,235	900	5	3,117	35.2x	30	930
Aachen	2,431	292	2	1,767	28.1x	7	299
Other locations	22,136	2,857	16	2,023	27.1x	114	2,971
Stable markets	**66,420**	**6,618**	**37**	**1,562**	**22.6x**	**230**	**6,848**
Dortmund	13,752	1,544	9	1,709	25.5x	58	1,602
District of Unna	6,809	510	3	1,210	19.2x	20	530
Moenchengladbach	6,440	679	4	1,658	22.3x	16	695
Essen	3,447	331	2	1,478	21.9x	12	343
Bielefeld	3,234	392	2	1,936	25.0x	11	403
Other locations	32,738	3,163	18	1,523	22.0x	112	3,275
Higher yielding markets	**50,542**	**3,535**	**20**	**1,156**	**18.0x**	**115**	**3,650**
District of Recklinghausen	9,029	674	4	1,216	18.9x	20	694
Gelsenkirchen	7,252	450	3	1,078	16.8x	10	460
Wilhelmshaven	6,858	364	2	913	14.5x	21	385
Duisburg	6,327	545	3	1,427	20.1x	30	575
Hamm	4,818	352	2	1,218	18.5x	5	358
Other locations	16,037	1,151	6	1,132	18.2x	28	1,180
Total portfolio	**166,189**	**17,978**	**100**	**1,706**	**23.9x**	**677**	**18,656**
Leasehold and land values							239
Balance sheet property valuation assets (IAS 40)							**18,895**
Prepayments for investment properties and construction costs							23
Assets under construction (IAS 40)							173
Inventories (IAS 2)							0
Owner-occupied property (IAS 16)							28
Assets held for sale (IFRS 5)							37
Total balance sheet							**19,157**

[1] Excluding 472 residential units in commercial buildings; including 731 commercial units as well as several other units in mixed residential assets.
[2] Excluding 731 commercial units in mixed residential assets; including 472 residential units in commercial buildings, commercial, parking, other assets.

Report of the Supervisory Board

MICHAEL ZIMMER
Chairman of the Supervisory Board

Dear Shareholders,

LEG has increased its dividends each year since its IPO in 2013. It did so again in 2021. The company also further improved its very ambitious key figures. Continuity, appropriate social welfare and continuous, environmentally-oriented improvement in line with climate protection goals are at the heart of LEG's principles. Employees, the Management Board and the Supervisory Board are delighted and proud to be constantly working on these. Our goal is to continually maintain this success. Last year, we noted that economies of scale will be all the more important in changing times in terms of cost efficiency and optimal capital allocation, and LEG is ideally positioned to harness market opportunities. The company demonstrated this in 2021 by making important acquisitions, expanding its portfolio in and outside of NRW.

2021: a year for growth through acquisitions and an optimised portfolio
Portfolio acquisitions remain a key strategic growth driver for LEG. With an increase of 21,659 properties in 2021, LEG expanded its portfolio by about 15 % to 166,189 units in a tough and highly competitive market environment. The acquisition of a portfolio with about 15,400 units from the Adler Group was instrumental to this. In addition, a stake of about 32 % was acquired in the listed company Brack Capital Properties (BCP), which has a portfolio of around 12,100 units, and an option was obtained to acquire a further 63 %. If this option is exercised, LEG will secure additional growth potential via these 12,100 units. The Adler and BCP transactions represent another milestone for LEG and will play a major role in future growth.

The portfolio growth opens up operating and development opportunities for LEG outside its home market in NRW. On the basis of its tried-and-tested acquisition strategy, the LEG Group also acquired other portfolios in 2021 in addition to the acquisitions listed above as part of large-volume and small-scale acquisitions to strengthen its portfolio. As most of the new properties were located in a concentrated area, it was possible to open the first branch outside North Rhine-Westphalia, in Bremen. In line with our strategy, the acquisition team focuses exclusively on the "affordable living" market segment in Germany. While we do not expressly rule out the opportunistic acquisition of portfolios abroad, it is not part of our strategy. If economic advantages present themselves, in particular the possibility of harnessing management synergies, LEG will also assess reasonable acquisitions of student residences and commercial properties.

LEG is valued on the market as a serious and reliable partner, not only thanks to its existing management platform and management expertise but also thanks to its social and sustainable structures.

LEG remains a net buyer on the market. This is also reflected in its sales planning. The sales of 307 units notarised in the 2021 financial year were part of an efficient portfolio realignment and were more than offset by acquisitions.

2021: a year of financial stability and a strong financial position
Having a stable financial foundation is essential to further growth at LEG. LEG continued to build on its financial foundation on the capital market in 2021 through targeted financing and capital measures, further consolidating its good reputation. 2021 was the year of LEG's first sustainable bond. This is also the first sustainable bond issued by a listed housing company in Germany intended to fund green and social projects. The reporting year was also a year in which growth potential was consistently unlocked. The current LTV meant that the transactions described, such as the acquisition of the Adler Group portfolio, could go ahead smoothly.

Three bonds with a total volume of EUR 1.7 billion were placed in 2021. Demand was high. The terms of the bonds were 10, 11 and 12 years respectively, with interest rates of 0.75 %, 1.0 % and 0.875 %. The funds were used for refinancing, external growth and general company purposes.

The capital market has confidence in LEG and provides constructive support. Its attractive and steadily rising dividend yield contributes to this.

Regarding the 2021 trading year, it should be noted that the successes described above are not yet reflected in the share price. Nonetheless, with an average yield of 0% the LEG share outperforms the EPRA sector index at minus 7%.

2021 is a year that saw FFO I rise by 10.4% compared to the previous year to EUR 423 million. The EPRA NTA as at 31 December 2021 was EUR 146.10 per share, up more than 19% on the previous year's reporting date on 31 December 2020. This means that the company exceeded the targets it published for 2021.

2021: a year of growth through new construction activities

LEG successfully continued to develop its project pipeline in 2021 with LEG Bauen GmbH. LEG Bauen GmbH pools capacities and expertise to extend the value chain through its own project developments. In the future, LEG will not limit new construction activities to its own land or the acquisition of turnkey project developments, it will also develop purchased land itself. The number of completed homes is to increase from the 500 currently planned from 2023 onwards to 1,000 units a year by 2026. As part of this, we will work alongside distinguished partners such as the family-run company Goldbeck, which specialises in serial and modular construction. Further developing the project development division also supports our ESG goals. Creating affordable housing is part of LEG's social responsibility. Political conditions for new housing construction play a key role in this.

2021: a year of value-add services

Expanding the value chain is a key strategic pillar at LEG. As well as the expanded new construction programme described above, this also includes value-add services for the company's tenants. LEG successfully expanded value-added services in the Group in 2021 together with LWS Plus GmbH, our company for vacant apartment renovations, TSP-TechnikServicePlus GmbH, our company for trades work, and EnergieServicePlus GmbH, our company for energy services. Through its partner Vodafone, the company also offers its tenants network services such as cable television and internet.

2021: a year of continuing to optimise core business

Continuing to optimise core business is fundamental to LEG and part of our day-to-day work. In 2021, LEG continued to commit to stepping up focus topics such as optimising rental growth, improving customer satisfaction and bolstering process and cost efficiency. Key measures here include measures to reduce vacancy durations by efficiently expanding LWS Plus GmbH and further developing neighbourhoods and social neighbourhood management to improve customer satisfaction and sustainable rentability. The measures are clearly having an effect as LEG achieved its best-ever vacancy rate in 2021.

Improving customer satisfaction is one of LEG's primary aims. For example, the Customer Satisfaction-Index was introduced in 2021. This demonstrates and benchmarks what customers think of our service, our products, our image and our price/performance ratio. LEG will regularly collect this key figure and use customer suggestions to develop measures to improve customer satisfaction.

A glance at the main key figures such as changes in net cold rent or the occupancy rate clearly shows that we are still successfully optimising core business. Like-for-like in-place rent rose by 3.2% in the 2021 reporting period to an average of EUR 6.13 per square metre, confirming the course we anticipated for our target of 3% for 2021 as a whole. Our vacancy rate as at 31 December 2021 is equally encouraging. On a like-for-like basis, this was a very low 2.3% (previous year: 2.7%) and represents a real success for our operating team.

Unfortunately, 2021 was again dominated by the Covid-19 pandemic. We consider ourselves fortunate that the pandemic did not result in any material risks for LEG in the reporting year.

2021: a year of a high-quality strategic investment programme

Increasing the value of our portfolio remains a key task for LEG, especially given the target of making our portfolio carbon neutral by 2045. LEG's portfolio management defines an annual investment programme. The EUR 406.8 million (EUR 42.50 per square metre) investment budget for 2021 highlights how important portfolio optimisation is to LEG. LEG invests almost seven months' rent in maintaining properties in good condition and carrying out energy efficiency upgrades. The success of the investment programme is also reflected in various key figures, such as the capitalisation ratio, the property valuation and CO_2 reduction.

2021: a year of sustainability and meeting LEG ESG targets
LEG's ESG strategy is especially important to the Management Board and Supervisory Board. To suitably acknowledge this, for the second year in a row LEG has set ambitious non-financial environmental, social and governance targets, which are also incorporated in the Management Board remuneration systems and in the management of our company.

In particular, 2021 was a year where ESG targets were achieved. The Management Board achieved its planned targets for 2021 as follows: the "Environmental" sub-target was achieved by 150 % and the "Social" sub-target was achieved by 77 %. The sub-target "Governance" was clearly exceeded.

Below, I would like to describe the key Management Board targets for 2022 approved by the Supervisory Board:

LEG aims to reduce its CO_2 emissions by 10 % by 2025. Its short-term target for 2022 is to reduce CO_2 by 4,000 tons through our own modernisation work alone. One way we intend to achieve this is with serial modernisation. LEG has launched several pilot projects to reduce CO_2 emissions in its portfolio, including major decarbonisation projects in neighbourhoods.

In terms of social objectives, LEG plans to achieve a Customer Satisfaction Index (CSI) of 70 % in the customer satisfaction analysis by 2025, compared to 56.4 % at present. LEG also remains committed to employee satisfaction and employee retention. The next "Great Place to Work" employee survey is scheduled for 2022. The objective here is to maintain the high satisfaction level of 66 % in the Trust Index from the last survey.

As in 2021, the Sustainalytics rating, which evaluates comprehensive governance aspects at companies, is again to be used as a suitable target for measuring governance. LEG received an exceptionally good Sustainalytics rating in 2021. Internationally, LEG places eighth out of all 1,043 property companies assessed by Sustainalytics, putting it in the most sustainable 2 % in this segment. LEG ranked second among property managers out of the 154 companies analysed. LEG also placed among the top 1 % out of around 14,600 companies rated in various sectors around the world. We are delighted that our major commitment to ESG has been recognised in this way.

2021: a year of challenges for the energy transition
Given the importance of the challenges posed by the energy transition for LEG, in the 2021 reporting year the company identified three major action areas and launched corresponding projects to accelerate the CO_2 reduction and thus help achieve carbon neutrality by 2045. These are projects to realise the energy supplier transformation, carry out energy efficiency upgrades and alter user behaviour. The implementation of specific concepts, such as to reduce buildings' heat loss and switch from fossil fuel providers to renewable energy suppliers, has already started. For example, the expansion of serial energy efficiency upgrades should lower the costs of modernisation while simultaneously reducing CO_2 emissions.

LEG identified the necessary transformation at an early stage and is actively on track to achieve carbon neutrality in 2045 through its ESG strategy and specific initiatives. In light of this, LEG has expanded and further qualified its capacities in these areas. LEG will invest in future technology in order to create its own competence centre, clearly stand out from the competition and tap new business areas.

2021: a year of advances in digitalisation
LEG's Group IT company, LCS Consulting und Service GmbH, provides LEG with a solid foundation for digitalisation. The five major building blocks of this foundation are exclusively industry and sector standards such as the Microsoft 365 collaboration platform, ERP applications via SAP, enabling remote working using Apple products, BI products from Microsoft and Microsoft's Power Automate, as these guarantee functional, technological development and thus support the Group's long-term strategic direction. 2021: a year of trouble-free IT support and continuing advances in digitalisation at the company. All programmes are up to date. Using these five base technologies, IT supports the implementation of the strategic elements "optimising core business", "expanding the value chain" and "portfolio growth".

Based on this, new colleagues from the Adler transaction were quickly brought into line with LEG IT standards and equipped to work in the LEG system at the start of 2022.

2021: a year of political changes
Following the Bundestag elections in September 2021, the first-ever three-way coalition was needed to form a government. From LEG's perspective, it is highly significant that a strategy for good housing is high on the federal government's agenda. This is demonstrated in part by the coalition agreement, the housing aspects of which focus on the new construction programme – which promises cost reductions through serial construction, digitalisation, lower red tape and standardisation – the "Alliance for Affordable Housing", assessing new regulations for the non-profit housing sector (known as "neue Wohngemeinnützigkeit") and a broad obligation to use solar power. The coalition agreement presents opportunities for LEG but is also in need of further development. Working on the basis of LEG's position paper "A good home for everyone – safe, environmentally friendly and affordable", LEG will work together with the government to develop solutions to the challenges facing the housing industry.

2021: a year of flood relief
Unfortunately, 2021 was also the year of the flood of the century, which inflicted damage on thousands of people in the flooded areas and took away their homes and surroundings. LEG tenants and employees were also affected and they received direct assistance from the company with a minimum of red tape. In addition, the "Your Home Helps" foundation together with the "LEG NRW Tenant Foundation" launched an emergency fund to provide LEG tenants who had been affected with financial assistance in the form of emergency relief.

2021: a year of close collaboration between the Management Board and the Supervisory Board

At a number of meetings and strategy meetings, the Management Board and the Supervisory Board repeatedly discussed the challenges faced by the housing sector and by LEG and the opportunities arising from these. The Supervisory Board is aware that current conditions require the LEG strategy to be updated on an ongoing basis. Nothing is more continuous than change. The energy transition, tenant satisfaction and investor requirements must be brought into line for the benefit of LEG. However, these challenges also generate fresh momentum for a company and open up new perspectives. The Supervisory Board considers itself as more than just a governing body and sees itself as a sparring partner to the Management Board. It supports the Management Board's growth strategy which, along with optimising core business and extending the value chain, is the third major building block of LEG's strategy. The LEG strategy portrays the LEG of the future. The Management Board assured the Supervisory Board at all times that the Board ensures a high level of transparency for all material strategic developments and that it actively sought to involve the Supervisory Board. As it did regularly in previous years, the Supervisory Board played an active part in establishing a strategy. This is one of the Supervisory Board's core functions, which it finds particularly gratifying.

In the transaction with the Adler Group, for example, the Supervisory Board made a promising decision for LEG by holding constructive, critical discussions with the Management Board. Of course, the Supervisory Board itself also receives regular reports about the targets set out in the acquisition plan after any acquisition.

The Supervisory Board was able to satisfy itself of the legality, appropriateness and regularity of the Management Board's work at all times. LEG is a responsible, strong and crisis-resistant company that acts in solidarity and has an extremely bright future.

LEG is committed to quality living at fair prices in Germany – made in NRW.

It was outstanding teamwork that made the 2021 financial year as such a successful year for LEG. Employees at all LEG companies contributed to this. Staff supported LEG's rapid development with great enthusiasm and expressed their delight about the projects that were launched. Despite the numerous projects and efforts to cope with the impact of the Covid-19 pandemic in day-to-day business, the company never lost sight of the needs of individual tenants. In fact, solidarity with our customers is more than important than ever during the pandemic. It is important to note here that it is not always easy for employees to protect their own health while also being exposed to an increased risk of infection as part of day-to-day business. This is why we would like to take this opportunity to sincerely thank all employees for their commitment, motivation and performance in 2021.

It was not only for its workforce that LEG implemented all necessary precautionary health measures during the coronavirus pandemic. We also exercised this care when dealing with our shareholders. As in 2020, we held our Annual General Meeting virtually in 2021, all the while respecting and safeguarding shareholder rights. In accordance with LEG's standard practice, all shareholder questions submitted were answered in detail. Many shareholders also took advantage of the option offered by the company of a stock dividend in 2021, creating 743,682 new shares in a show of loyalty to LEG.

The successful board logistics and efficient board meetings of recent years were continued in the reporting year. Close collaboration between the Management Board and the Supervisory Board is the foundation of the Supervisory Board's work. This cooperation continues to be characterised by a comprehensive and continuous dialogue on strategic, economic and financial matters and on current business developments. In addition to regular meetings required by the Articles of Association, the boards also discussed LEG's large-scale transactions at extraordinary board meetings or conference calls. Regardless of the nature of the meeting held, support for and monitoring of the Management Board was ensured by the Supervisory Board at all times. Excused absences from board meetings remain isolated incidents.

The company's extensive preparation for board meetings and other meetings of the Supervisory Board and its committees is key to efficient board work. The Management Board also reported on key issues at the meetings. The Management Board always fulfilled its information duties promptly and in sufficient depth.

There were four scheduled meetings and four extraordinary meetings of the Supervisory Board in the 2021 financial year. The Management Board generally attends the meetings. If necessary, for example when discussing personnel issues that directly affect the Management Board, the Supervisory Board also meets without the Management Board. In the reporting year, the Supervisory Board and the Executive Committee temporarily discussed matters at meetings without the presence of the Management Board.

As well as the Supervisory Board and the Management Board, it is standard practice for in-house experts such as the head of Accounting & Tax or the General Counsel to attend the meetings. The specialist discussions provide the company's executives with a deeper understanding of the Supervisory Board's suggestions. The Supervisory Board also invited external consultants to attend committee meetings as necessary. Examples here were the mandatory participation of the auditor in the meeting to adopt the annual financial statements or the participation of the property assessor, CBRE. Where necessary, the Supervisory Board is also advised by a law firm engaged by the board itself. This means that the Supervisory Board receives ongoing independent advice in the case of larger business or personnel decisions.

In 2021, the Supervisory Board updated its targets, competence profile and diversity concept in view of the new version of the 2020 German Corporate Governance Code, the conversion of LEG Immobilien AG into an SE, the future composition of the Supervisory Board and capital market expectations regarding the development and implementation of ESG criteria by listed companies.

The competence matrix below shows that the Supervisory Board is professionally structured. All members of the Supervisory Board have the proven necessary knowledge, abilities and specific experience to perform their duties properly. Each individual member of the Supervisory Board has special areas of competence that he or she makes available to the company when performing his/her work, with high levels of motivation and commitment. The 2021 Annual General Meeting appointed Dr Sylvia Eichelberg as a member of the Supervisory Board on 27 May 2021. Dr Sylvia Eichelberg is an excellent addition to the Supervisory Board thanks to her skills and expertise.

T8

Competence profile

	Competencies						
	Group management	Housing industry	Property transactions	Bank and capital market financing	Finance, accounting and audit	Management and regulation	Sustainability
Michael Zimmer (Chairman)	●●	●●	●●	●	●	●	●
Stefan Jütte (Deputy Chairman)	●●	●	●●	●●	●	●	●
Dr Sylvia Eichelberg	●●	●	●	●	●	●●	●●
Dr Johannes Ludewig	●●	●	●	●	●	●●	●●
Dr Claus Nolting	●●	●	●●	●●	●●	●●	●
Dr Jochen Scharpe	●●	●●	●●	●	●●	●	●
Martin Wiesmann	●	●	●●	●●	●	●	●●

●● = Expert knowledge; ● = General knowledge

Meetings of the Supervisory Board

The Supervisory Board met for four ordinary and four extraordinary meetings in the 2021 financial year.

16 resolutions were also adopted by written procedure. The matters to which these pertained had been covered in detail at Supervisory Board meetings beforehand, but the Board had not been ready to make a decision at the time of the meeting. It was agreed by the Supervisory Board that the corresponding resolutions would be passed by way of written procedure. These mostly related to decisions on acquisitions in connection with financing measures that were discussed intensively beforehand both on the Executive Committee and on the Supervisory Board. On account of the pandemic, these also include resolutions adopted by written procedure, for example decisions related to holding the 2021 Annual General Meeting.

T9

Meeting attendance 2021

	Supervisory Board	Risk and Audit Committee	Executive Committee/ Nomination Committee
Number of meetings in 2021	8	4	4
Member			
Michael Zimmer (Chairman)	7/8	–	4/4
Stefan Jütte[1]	7/8	1/1	4/4
Dr Johannes Ludewig	7/8	–	4/4
Dr Jochen Scharpe	7/8	4/4	–
Dr Claus Nolting	7/8	4/4	–
Martin Wiesmann[2]	8/8	3/3	
Dr Sylvia Eichelberg[3]	5/5	–	–

[1] Member of the Risk and Audit Committee until 9 March 2021
[2] Member of the Risk and Audit Committee since 10 March 2021
[3] Member of the Supervisory Board since 27 May 2021

At its inaugural extraordinary meeting on 8 March 2021, the Supervisory Board passed the constituent resolutions for LEG Immobilien SE. These included the appointment of the Chairman of the Supervisory Board and his deputy, the appointment of the Management Board, the new version of the Articles of Association due to a non-cash capital increase, the Rules of Procedure for the Management Board, Supervisory Board and the Risk and Audit Committee, appointments to the committees and the proposed resolution to the 2021 Annual General Meeting to appoint Dr Sylvia Eichelberg as a member of the Supervisory Board.

The main agenda items of the Supervisory Board meeting on 9 March 2021:

- Discussion of the remuneration system and the level of remuneration for the Supervisory Board and the future structure of the Supervisory Board.
- Preparation of an effectiveness evaluation for the Supervisory Board.
- The 2020 annual financial statements, including the management report, and the 2020 consolidated financial statements, including the Group management report, were adopted following a detailed examination and on the recommendation of the Risk and Audit Committee.
- The separate 2020 non-financial report prepared by the Management Board and audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) was discussed. The LEG Immobilien SE Supervisory Board agreed to the contents of this on the recommendation of the Risk and Audit Committee. The Supervisory Board commissioned the Chair of the Risk and Audit Committee to coordinate, prepare and review the 2021 sustainability report.
- The Supervisory Board examined and determined the short-term incentive and the long-term incentive and thus the Management Board's target achievement in the 2020 financial year. It examined this also on the basis of PwC's confirmation of the mathematical accuracy of calculations for the short-term incentive and on the basis of an actuarial opinion for the long-term incentive programme. Including a discretionary factor for the short-term incentive and the transaction bonus that was determined by the Supervisory Board, bonus claims of 98.93 % were achieved. This is described in detail in the company's remuneration report.
- Other agenda items included the resolution on the updated 2021 sales programme and the acknowledgement of the financing update, the status of acquisitions/new construction and strategic opportunities.

The main topics addressed at the Supervisory Board meeting on 5 May 2021 were as follows:

- After detailed reports from the committees, the Supervisory Board acknowledged the quarterly report on Q1 2021 and the Supervisory Board reporting as at 31 March 2021.
- The Supervisory Board resolved to update the Treasury Policy.
- The Management Board reported to the Supervisory Board on the status of portfolio acquisitions and the "new construction/ project development" strategy and explained its ideas for expanding the business model to the Supervisory Board.
- The Supervisory Board acknowledged the 2021 sustainability report on the recommendation of the Risk and Audit Committee.
- The Supervisory Board discussed the results of the efficiency analysis.
- The Supervisory Board received the report on the TSP strike, the update on the 2021 Annual General Meeting and the results of the customer satisfaction survey.

The main focus areas at the Supervisory Board meeting on 24 August 2021 were as follows:

- The quarterly report on Q2 2021 including the II/2021 forecast, and the Supervisory Board report as at 30 June 2021 including the updated liquidity plan, were acknowledged by the Supervisory Board.
- The Supervisory Board received status reports on acquisitions/ new construction, on the customer satisfaction analysis and the impact of the flooding on LEG.
- The Supervisory Board approved the updated Rules of Procedure for LEG Immobilien SE's Management Board, Supervisory Board and Risk and Audit Committee.
- The Supervisory Board selected a deputy member for the Risk and Audit Committee.
- On the recommendation of the Executive Committee, the Supervisory Board resolved to update the targets, competence profile and diversity concept for the LEG Immobilien SE Supervisory Board.
- The Supervisory Board updated the travel expenses guidelines for the Management Board.

At the extraordinary meeting of the Supervisory Board on 10 October 2021, the Supervisory Board dealt chiefly with growth opportunities for the housing sector in connection with the Adler Group portfolio.

At its last ordinary meeting of the year on 9 November 2021, the Supervisory Board discussed the following agenda items:

- The meeting opened with the committee report from the Risk and Audit Committee.
- Based on the report and recommendation of the Risk and Audit Committee, the Supervisory Board acknowledged the quarterly report on Q3 2021 and the Supervisory Board reporting as at 30 September 2021 and approved the business planning for 2022 to 2026.
- The Supervisory Board discussed updates related to financing, the acquisition and the new construction programme. It approved various new construction projects.
- The presentations on changes to data protection and compliance law, as well as how these are put into practice at the LEG Group, were discussed and acknowledged.
- The annual submission of the declaration of compliance by the Supervisory Board and the Management Board in accordance with section 161 AktG was adopted.
- The variable targets for 2022 for the STI and the LTI were defined.
- The Supervisory Board acknowledged the change to the VAT treatment of Supervisory Board remuneration.

At the extraordinary meeting of the Supervisory Board on 29 and 30 November 2021, the Supervisory Board approved the acquisition of a portfolio of more than 15,000 properties from the Adler Group and the BCP transaction.

Supervisory Board's strategy meetings

The Supervisory Board discussed the company's strategy at two meetings in the 2021 financial year. These were held immediately before the Supervisory Board meetings on 24 August 2021 and 9 November 2021. The discussions were material for LEG's future direction in terms of the opportunities and challenges presented by the energy transition and for preparing to harness growth opportunities, in this case the Adler Group transaction.

As well as this transaction, at its meetings the Supervisory Board also discussed the results of the Bundestag elections and the impact these will have on the housing industry and on LEG. It considered concepts relating to the energy transformation, energy efficiency upgrades, influencing user behaviour and ESG communication and also analysed further growth options for LEG.

Meetings of the Committees of the Supervisory Board

Executive Committee

- As in previous years, the Executive Committee is made up of Mr Michael Zimmer, Chairman of the Supervisory Board, Mr Stefan Jütte, his deputy, and Dr Johannes Ludewig. The deputy member of the Executive Committee is still Dr Jochen Scharpe. As the Chairman of the Supervisory Board, Mr Michael Zimmer is also the Chairman of the Executive Committee. The Executive Committee met three times and the Nomination Committee once in the 2021 financial year. The members' attendance is shown in the table on > page 36 of the report.
- Where needed, the Executive Committee also held a number of conference calls aside from the meetings.

- As strategic Supervisory Board meetings were held in quick succession in the third and fourth quarters of 2021 and the Supervisory Board met multiple times without the involvement of the Management Board, it was not necessary for the Executive Committee to meet in the third quarter of 2021. The Nomination Committee met in the fourth quarter of 2021.

- The Executive Committee reviewed the Supervisory Board remuneration system and amount in the context of section 113 (3) AktG as amended and recommended that the Supervisory Board maintain the existing system and amount of remuneration. The remuneration consultant confirmed the appropriateness of Supervisory Board remuneration and the underlying system.

- The Executive Committee took note of the comments made by its Chair on the 2021 Corporate Governance Roadshow.

- Key issues for the Executive Committee in the 2021 financial year were strategic discussions on growth opportunities, updating the Rules of Procedure for the Management Board, Supervisory Board and Risk and Audit Committee, refining the competence profile in line with relevant general conditions and the travel expenses guidelines. The Executive Committee issued proposed resolutions to the Supervisory Board accordingly.

- The Executive Committee advised on the restructuring of the Risk and Audit Committee.

- Particularly important aspects taken into account here included developing the new Supervisory Board structure, the competence profile approved by the Supervisory Board and the diversity concept. There are plans to launch a sustainability committee.

- At on-site and virtual meetings, in conference calls and by way of written procedure, the Executive Committee discussed acquisitions of housing portfolios and financing for this, Management Board issues such as determining the amount of variable remuneration for 2020, as well as the secondary activities of members of the Management Board and the organisational structure of LEG. It also discussed the long-term incentive targets for 2022. The Executive Committee made proposals for decisions on the matters discussed by the Supervisory Board.

- In 2021, the Executive Committee discussed decision proposals with an acquisition volume of over EUR 50 million and made proposals to the Supervisory Board for its decisions on these acquisitions.

- As in previous years, discussion of capital market developments that are relevant to LEG and, in connection with this, advice on growth opportunities, including with external consultants, is an integral part of the agenda.

Nomination Committee

The Nomination Committee consists of the members of the Executive Committee and meets as required. It suggests suitable candidates to the Supervisory Board for its nominations for Supervisory Board members to be made to the Annual General Meeting. The Nomination Committee convened in the 2021 reporting year and expressed its preference for the appointment of Dr Sylvia Eichelberg and Dr Katrin Suder to the LEG Supervisory Board.

Risk and Audit Committee

The Risk and Audit Committee is made up of Dr Claus Nolting, the Chairman, Dr Jochen Scharpe, the Deputy Chairman, and Mr Martin Wiesmann. Mr Stefan Jütte resigned from the Audit Committee after the Supervisory Board's March meeting. The Audit Committee was renamed the Risk and Audit Committee to highlight the importance of risk management for LEG.

The Risk and Audit Committee held four meetings in the 2021 financial year. The members' attendance is shown in the table on > page 36 of the report.

The Risk and Audit Committee discussed the following topics at its four scheduled meetings:

- The Risk and Audit Committee meetings focussed on discussion of the annual financial statements as at 31 December 2020 and the management report for the 2020 financial year as well as discussion of the consolidated financial statements as at 31 December 2020 and the Group management report for the 2020 financial year. Other key items at the meetings of the Risk and Audit Committee included the business plan for 2022 to 2026, the analysis and consideration of the reports of the Management Board on the quarterly figures, the internal key performance indicators, the financing strategy, the 2020 non-financial report and the 2020 sustainability report of the LEG Group.

- Furthermore, at its meetings the Risk and Audit Committee discussed the treasury policy and the development of the minimum liquidity, updates on financing, the updated sales programme for 2021, the audit planning for 2021, the report of the Management Board in accordance with section 107(3) AktG, the impact of the flooding on LEG, the reduction in vacancy durations, the portfolio valuation and LEG's internal control system (ICS).

- The Risk and Audit Committee also regularly conferred on the risk reports and the risk inventory of the LEG Group. A particular focus of several meetings was LEG's risk-bearing capacity concept presented in accordance with the new legal audit standard 340 as amended.

- The Risk and Audit Committee also regularly heard reports from Internal Audit and the Compliance Officer.

- Following its November meeting, it also held in-depth conversations with points of contact at Deloitte GmbH Wirtschaftsprüfungsgesellschaft (Deloitte) about the upcoming audit of the annual financial statements. This is the first audit Deloitte has conducted at LEG.

In four written procedures, the Risk and Audit Committee adopted three resolutions in 2021 relating to granting mandates to Deloitte to carry out a project audit of the 2021 disclosures related to the EU Sustainable Taxonomy, holding a quality assurance workshop on the risk-bearing capacity model and a resolution on capital market monitoring.

The Supervisory Board is regularly informed about the work of the respective committees at its meetings.

Corporate Governance

Working with the Management Board, in November 2021 the Supervisory Board discussed the updated version of the declaration of compliance in accordance with section 161(1) AktG that was issued in the previous year and issued this. The updated declaration has been made permanently available on the company's website www.leg-wohnen.de/fileadmin/dateien/02_Unternehmen/Corporate_Governance/Compliance_Statement_161AktG-Nov2021.pdf.

In the context of the German Act Implementing the Second Shareholder Rights Directive of 12 December 2019 (ARUG II) that came into force as at 1 January 2020 and the associated amendment of the German Corporate Governance Code, the Supervisory Board submitted to the Annual General Meeting on 26 May 2021 an adjustment of the current remuneration system, including the remuneration level for the Supervisory Board.

In accordance with the Code, a regular analysis of the efficiency of the Supervisory Board's work should be conducted in the form of a self-evaluation. This efficiency analysis was carried out again in the 2021 financial year.

At its meeting in August 2021, the Supervisory Board approved the updated Rules of Procedure for LEG Immobilien SE's Management Board, Supervisory Board and Risk and Audit Committee. On the recommendation of the Executive Committee, the Supervisory Board resolved to update the targets, competence profile and diversity concept for the LEG Immobilien SE Supervisory Board in view of the new version of the 2020 German Corporate Governance Code, the conversion of LEG Immobilien AG into an SE, the future composition of the Supervisory Board and capital market expectations regarding the development and implementation of ESG criteria by listed companies.

At its November meeting, the Supervisory Board was informed of further developments made to the current compliance management system at LEG, the status of compliance with the General Data Protection Regulation and the further optimisation of the company's data protection management system.

In addition, in January 2022 the Supervisory Board resolved a quota for the percentage of women on the Management Board and the Supervisory Board of 33.3 % by 31 December 2024. This quota is already met on the Management Board. In the case of the Supervisory Board, the quota should be met following the Supervisory Board election at the next Annual General Meeting on 19 May 2022. The Nomination Committee proposes appointing one woman and reducing the size of the Supervisory Board to six members. This would give the Supervisory Board two female and four male members.

Audit of annual and consolidated financial statements

The Management Board prepared the annual (separate) financial statements and management report for the 2020 financial year in accordance with the provisions of the Handelsgesetzbuch (HGB – German Commercial Code) and the consolidated financial statements and Group management report in accordance with the provisions of the International Financial Reporting Standards (IFRS), as endorsed in the European Union, and the additional commercial regulations of section 315a HGB. PwC was appointed as the auditor of the annual and consolidated financial statements for the 2020 financial year. PwC audited the annual financial statements, including the management report, and the consolidated financial statements, including the Group management report, for the 2020 financial year and issued an unqualified audit opinion for each.

A review of the risk management and monitoring system is included in the audit. In the report on the risk management and monitoring system of the Management Board, the auditor commented on risks jeopardising the continued existence of the company as a going concern. The auditor considers that the risk management and monitoring system is suitable for the early detection of developments that could threaten the continuation of the company.

The Supervisory Board received the audited and certified annual financial statements and the management report for the 2020 financial year in good time. The Supervisory Board conducted its own audit of the annual financial statements, taking into account the report of the auditor and the report of the Chairman of the Risk and Audit Committee on the preliminary audit. The same applies to the consolidated financial statements, the Group management report and the proposal of the Management Board for the appropriation of earnings.

At the meeting of the Risk and Audit Committee on 8 March 2021 and at the meeting of the Supervisory Board on 9 March 2021, representatives for the auditor explained the results of the audit as a whole and the individual areas of audit focus. There were no objections. The auditors found no facts during their audit that contradict the declaration of compliance. In the committee meetings, the Risk and Audit Committee and the Supervisory Board of LEG Immobilien SE discussed the separate and consolidated financial statements, heard reports from representatives for the auditor on its independence and acknowledged the corresponding independence report.

The auditors expressly stated that there were no circumstances giving rise to concern over their impartiality. There were also no objections after a thorough examination of all documents by the Supervisory Board. The Supervisory Board approved the results of the audit.

The Supervisory Board approved the (separate) financial statements and management report for 2020 and the consolidated financial statements and Group management report for 2020 in accordance with the proposal of the Risk and Audit Committee on

9 March 2021. The annual financial statements for 2020 were therefore adopted and the consolidated financial statements for 2020 were approved.

The Supervisory Board approved the Management Board's proposed resolution on the appropriation of earnings in 2020. It endorsed the Management Board's proposal to distribute EUR 272,522,664.54 as a dividend (EUR 3.78 per share). As proposed to the Annual General Meeting, the Supervisory Board also approved the decision to pay dividends either a) in cash or b) in company shares, at the shareholder's choice. The shareholder could opt to have the dividend for part of his/her shares paid in cash and in shares for the other part of shares.

The remaining unappropriated surplus of EUR 29,870,413.40 was carried forward to new account.

At its meeting on 8 March 2022, after in-depth examination and discussion, the Supervisory Board adopted the annual financial statements for 2021, including the management report, and approved the consolidated financial statements for 2021, including the Group management report, on the recommendation of the Risk and Audit Committee. The 2021 annual financial statements, including the management report and the 2021 consolidated financial statements including the Group management report, were audited by Deloitte Wirtschaftsprüfungsgesellschaft mbH. The 2021 remuneration report prepared by the Management Board and the Supervisory Board as part of the management report and Group management report was also audited by Deloitte Wirtschaftsprüfungsgesellschaft in accordance with section 162 AktG.

Sustainability

The German CSR (Corporate Social Responsibility) Directive Implementation Act to implement an EU directive in addition to the HGB was announced in the German Federal Law Gazette on 18 April 2017. This law requires companies to publish a "non-financial declaration" in the management report or in a separate document referred to in the management report no later than four months after the end of the reporting period (sustainability report). LEG has met this requirement since the 2017 financial year.

The Management Board and the Supervisory Board of LEG Immobilien SE decided to issue the non-financial declaration for the 2021 financial year as part of the 2021 annual report.

The Supervisory Board of LEG Immobilien SE, which is responsible for reviewing the content, defined the scope of this review in order to prepare for it. As support, it exercised the right to commission an external review of the content.

The Supervisory Board entrusted the Risk and Audit Committee with supporting, preparing and reviewing the sustainability report.

Corporate responsibility (CR) is a very important matter for LEG and its executive bodies. Following the resignation of Mr Stefan Jütte from the Risk and Audit Committee, Mr Martin Wiesmann took over responsibility for supporting sustainability reporting from the Supervisory Board. Within LEG, a governance structure has been implemented to incorporate the fundamental concept of sustainability in day-to-day business, among other purposes. Overall responsibility for CR activities lies with the Management Board as a whole. They are managed by the LEG Sustainability Committee, which is chaired by the CEO. It is intended to establish a sustainability committee as a Supervisory Board committee during the Supervisory Board elections.

The Management Board and the Supervisory Board

The Management Board team, comprising Lars von Lackum as Chief Executive Officer, Susanne Schröter-Crossan as Chief Financial Officer and Dr Volker Wiegel as Chief Operating Officer, successfully helped LEG Immobilien SE achieve new growth in 2021. With acquisitions of 21,742 units, outstanding operating figures and innovative and sustainable projects, the Management Board team demonstrated an excellent performance for LEG Immobilien SE on the basis of a stable financial foundation. This benefited all LEG Immobilien SE stakeholders such as employees and tenants, investors, business partners and the capital market. It must not be forgotten here that 2021 required significant work on the part of management on account of the pandemic.

The Supervisory Board places great confidence in the Management Board and supports the strategic growth track taken by the Management Board. It expressed its utmost respect and appreciation for its performance in 2021. Yet this strategic growth also means that there is more work ahead that will require strategic talent and strong management skills. The Management Board team proved in 2021 that it has what it takes. We say keep it up!

The Supervisory Board is first and foremost accountable to its shareholders. Protecting the interests of our stakeholders is the guiding principle of the Supervisory Board's work. The trust placed in the company by shareholders reflects their appreciation and we would like to sincerely thank them for this.

2021: a year of excellent performance at LEG. We would like to express our sincere appreciation and thanks the Management Board and all the employees who contributed to this performance. We are looking forward to and confident about the year ahead and the further development of the company.

Dusseldorf, 8 March 2022

On behalf of the Supervisory Board of LEG Immobilien SE

MICHAEL ZIMMER
Chairman of the Supervisory Board

Compliance

Compliance is a key element of responsible and successful corporate governance at LEG. LEG has an interest in ensuring the trust of its tenants, customers, business partners, employees, shareholders and the public in its corporate governance. LEG's compliance management system (CMS) is designed with this in mind. In particular, it includes the following elements:

Declaration of fundamental values

LEG's declaration of fundamental values describes the company's objective and strategy, as well as the values that form the basis of LEG's work with customers, employees, investors, business partners and society.

Code of Conduct

LEG's Code of Conduct describes its declaration of fundamental values in more detail and translates the values set out here for every-day business into regulations. It contains regulations for areas such as ethics, compliance, corruption prevention, conflicts of interest, data protection, discrimination and the protection of company property as well as for political and social discussion and donations and applies to everyone who works for LEG. Details on these standards of conduct can be found in internal Group rules and guidelines, which are published on the intranet.

Guidelines, especially guidelines aimed at preventing corruption and conflicts of interest

Group-wide guidelines include, in particular, guidelines aimed at preventing corruption and conflicts of interest. These serve to promote integrity among our employees and avoid corruption and conflicts of interest. The guidelines explain the terms integrity and conflict of interest, as well as explaining and defining bans related to bribery and corruption. The objective of the guidelines is to make employees aware of the development and risks of situations that are susceptible to corruption in all areas of the LEG Group and to clarify the applicable compliance requirements. They therefore help prevent corruption. It is the responsibility of every employee and manager to comply with these guidelines. There is a zero-tolerance-policy in place.

Other guidelines that are mandatory for all employees concern the topics employees and diversity, whistle-blower, environmental and water. They are published on the website of the company: www.leg-wohnen.de/en/corporation/sustainability/codes-and-guidelines/policies.

Business Partner Code

LEG's Business Partner Code is agreed with business partners, is binding and sets out collaboration principles to guarantee integrity, reliability and economically and ethically sound standards of conduct as well as standards regarding environmental protection.

Human rights guidelines

LEG is committed to upholding the human rights of all employees and all those involved in its business operations, and it expresses this in its human rights guidelines.

Based on these fundamental provisions, the CMS bundles measures intended to ensure compliance with legal provisions and internal guidelines. CMS measures include frequent and ad hoc training sessions for employees. All new LEG employees are trained in the areas of compliance and data protection. In future, all employees will additionally complete annual online training courses in these areas via LEG's learning platform, the "Academy". The LEG compliance management system also features an electronic whistle-blower system through which employees and also third parties can provide information about possible compliance violations around the clock and anonymously if desired. All information is investigated and measures are taken as appropriate.

The regular analysis of compliance risks in combination with the early recognition of significant business and litigation risks, and the corresponding countermeasures, are at the heart of the compliance system.

LEG has appointed a Compliance Officer to head up the compliance management system. The Compliance Officer assists executives in ensuring compliance. He is also in charge of employee training and advice. At regular meetings, the heads of Internal Audit, Law and Human Resources departments discuss the design of the compliance management system. Permanent benchmarking against other compliance management systems and independent assessment by external experts also serve to ensure the continuous development and improvement of our compliance management system. LEG's compliance management system was certified by the Institute for Corporate Governance in the German Real Estate Industry in 2019. Following a successful repeat audit, the certificate was awarded again in September 2021.

Compliance is assigned to the Legal, Internal Audit, Compliance, Governance Bodies and Human Resources department, whose head reports directly to the CEO of LEG.

The Audit Committee of the Supervisory Board discusses the topic of compliance on a regular basis and reports to the Supervisory Board accordingly. In the event of urgent notification of serious cases, the Management Board and the Supervisory Board committees are promptly informed of significant developments in the area of compliance.

3

GROUP MANAGEMENT REPORT

Basic information on the Group

G5

LEG Group structure

LEG Immobilien SE

- **COMPANIES WITH EMPLOYEES**
  - e. g.:
  - LEG Management GmbH
  - LEG Wohnen NRW GmbH
  - LEG Bauen GmbH
- **ASSET HOLDING COMPANIES**
  - e. g.:
  - LEG NRW GmbH
  - LEG Wohnen GmbH
  - Ravensberger Heimstättengesellschaft mbH
  - LEG Wohnungsbau Rheinland GmbH
  - Ruhr-Lippe Wohnungsgesellschaft mbH
  - Gladbau Baubetreuungs- und Verwaltungsgesellschaft mbH
  - LEG Niedersachsen GmbH
  - LEG Rhein-Neckar GmbH
- **SERVICE COMPANIES**
  - WohnServicePlus GmbH
  - EnergieServicePlus GmbH
  - TSP-TechnikServicePlus GmbH
  - LWS Plus GmbH
  - LEG Nord FM GmbH
  - LEG Nord Service GmbH
- **OTHER COMPANIES**
  - LCS Consulting und Service GmbH
  - Biomasse Heizkraftwerk Siegerland GmbH & Co. KG

Group structure and legal form

LEG Immobilien SE is the parent company of the LEG Group, which is shown in the diagram.

The Annual General Meeting of LEG Immobilien AG on 19 August 2020 resolved to change the legal form to a European Company (Societas Europaea – SE). LEG Immobilien SE was established by merging LEG Immobilien AG as the absorbing entity with LEG Immobilien N.V. as the absorbed entity. When the merger became effective, the company assumed the legal form of an SE on 11 March 2021 and has since traded under the name LEG Immobilien SE.

LEG Immobilien AG was formed in 2013 following the transformation of LEG Immobilien GmbH.

Business activities and strategy

Business activities

With a portfolio of around 166,200 rental properties at approximately 270 locations, LEG is the second-largest residential property company in Germany as well as the market leader in North Rhine-Westphalia (NRW). LEG's core business is the management and development of its own residential portfolio.

With an average apartment size of 63 square metres and an average monthly rent of EUR 6,13 per square metre, LEG's housing is aimed at broad swathes of the population. As at 31 December 2021, free-financed residential units accounted for 78 % of the portfolio and rent-restricted units for 22 %. LEG's strategic focus is on the "affordable housing in Germany" asset class. This segment is characterised by demand that outstrips supply and a defensive risk profile.

To increase the value of its business model, LEG's has a strategy of growth and increasing efficiency that is based on three pillars:

- Optimising the business
- Expanding the value chain
- Portfolio growth

LEG has defined a suitable financing structure and digitalisation as key foundations of this strategy. Corporate, environmental and social responsibility are the framework of the LEG business model. To this end, LEG created the ESG Agenda 2024 in the 2021 financial year and published its plans for further development in environmental, social and governance (ESG) aspects.

The individual components of the company strategy are described in more detail below:

Optimising the core business

To optimise its core business, LEG is committed to increasing customer satisfaction, achieving organic rental growth, reducing vacancy and improving efficiency.

Customers are supported by the central customer service and regional branches. Customers have access to various contact and information channels in line with their needs and as suitable for the occasion. As well as digital channels such as the tenant portal, tenant app, chat, messenger services and online damage reports, they can also get in touch in person, for example by calling the service hotline or using the emergency repair service. Since December 2020, LEG has conducted interviews with points of contact after handling customer concerns to measure customer satisfaction regarding the process and quality of service. These results are included in the CSI index (customer satisfaction index), which was developed in 2021 and will be used to measure customer satisfaction starting in the 2022 financial year. The direct contact is also fostered by a Customer Advisory Council, which is actively involved in the decision-making process on neighbourhood development and services improvement.

LEG believes there is also potential for rent increases in the future. In the free-financed portfolio, rents can be increased (taking into account statutory regulations) by adjusting to local reference rents (chiefly rent index) when letting properties to new tenants and in connection with modernisation measures. In the rent-restricted portfolio, cost rents can be adjusted every three years, determined primarily by the development of the consumer price index. Until 2028, rent control is set to expire for more than 23,000 residential units in the current rent-restricted portfolio. This creates further potential to increase rents, as in-place rent is in some cases far below market levels.

The EPRA vacancy rate in the LEG Portfolio on a like-for-like basis declined by 40 basis points to 2.3 % in the 2021 financial year, reflecting the success of letting activities. Thanks to reorganising its operating units in 2019, LEG offers various communication channels through which potential customers can express their interest in a rental, including on its website, by messenger service or by phone. Not least on account of the coronavirus pandemic, prospective LEG tenants can now arrange a rental entirely digitally, from the initial inquiry right up to concluding the agreement.

An efficient business model benefits both tenants and all other stakeholders. LEG believes that the company boosts efficiency through constant process optimisation – including through digitalisation – economies of growth from portfolio growth and cost discipline.

Expanding the value chain

When expanding its value chain to include services, LEG relies on cooperation to combine external technical expertise with its own management expertise. The multimedia business was launched in 2014 as the first service activity, covering digital TV and internet in cooperation with Vodafone.

In January 2016, EnergieServicePlus took on energy technology and utilisation services for LEG's properties. For example, it also initiated LEG's green electricity and gas sales concept, which began with a cooperation with the utility company lekker in 2019 and is now operated with additional partners. Environmental measures also include the photovoltaic facility in the car-free development of Weißenburg in Münster, which opened in 2021 and provides local residents with locally produced, carbon neutral green electricity at a special tenant rate.

Since 2017, LEG and B&O Service und Messtechnik AG have been running the joint venture TSP – TechnikServicePlus (51 % share held by LEG) for managing small repairs and processing insurance claims.

LEG took over Fischbach Services in Q4 2020, which operates under the name of LWS Plus as a project management company providing tradespeople capacities to renovate vacant properties. This reduces vacancy periods and improves the quality of trades work.

Expanding the value chain also includes further developing the new construction initiative. This makes a social contribution toward creating both free-financed and subsidised housing. Starting in 2023, the goal is to either construct or purchase at least 500 new-build residential units each year. The number of new residential units is to double from 2026 to a total of 1,000 units per year. LEG plans to cooperate here with the Goldbeck company in Bielefeld, a specialist for serial and modular construction.

Portfolio growth

Thanks to its strong regional presence in NRW, LEG believes it has a competitive edge in terms of property management, operating efficiency and market knowledge. On this basis, LEG has pursued the expansion of its regional focus since 2019, particularly in bordering states that have comparable structures. The portfolio now covers Lower Saxony, Bremen, Schleswig-Holstein, Hesse, Rhineland-Palatinate and Baden-Wuerttemberg. The share of the portfolio outside North Rhine-Westphalia reached 20 % at the end of the reporting year. Regardless of the location, LEG always focuses on the affordable living asset class when acquiring properties.

Given its strong presence in NRW, LEG also acquires smaller portfolios in all market locations in the state because it has the required market expertise and local employees and because it can easily integrate acquisitions into the existing portfolio.

When entering new regions outside NRW, LEG initially acquires portfolios in market locations that it defines as growth and stable markets and also aims for locations of at least 1,000 units to reduce market risk. In these new regions, LEG aims for small-scale acquisitions and acquisitions in higher-yielding markets.

LEG's aim for 2021 was to acquire around 7,000 new units and it significantly exceeded this target, purchasing 21,742 units. This includes a portfolio of around 15,400 residential units that LEG has acquired from Adler Group.

Digitisation

As a major lessor, LEG operates a large-scale business where efficiency and quality benefit from the use of digital processes. Accordingly, LEG works steadily on digitalising its business processes. LEG introduced digital leases even before the Covid-19 crisis and so was well prepared for the changes to the rental process resulting from the pandemic. The entire rental process can now be done digitally, with viewings done virtually, including digital authentication, the option to upload documents and a digital signature.

In addition, across the company LEG uses 27 robotics solutions (RPA, robotic process automation), including to process customer enquiries and recognise incoming payments and for modernisation projects and in quality management. LEG also believes that pilot tests of artificial intelligence – such as using flying drones to detect damage to buildings – and the use of sensors and data analysis help improve processes further.

Financing structure

The company's business model and ongoing growth are to be ensured by a corresponding financing structure in the interests of all stakeholders. To this end, LEG has set a maximum loan-to-value ratio (LTV) of 43 %. LTV as of 31 December 2021 was 42.8 % and therefore below the maximum value. At the same time, LEG has continually exercised refinancing options in previous years given low interest rates. At the end of the 2021 financial year, the average term of the financial liabilities was 6.47 years with average financing costs of 1.06 %. These key figures take into account a short-term, variable bridge financing for the portfolio acquisition from Adler Group. Without the bridge financing, the average interest rate would have been 1.21 % and the average term of the liabilities would have been 7.50 years. LEG has had an investment grade rating (Moody's Baa1) since May 2015 and thus has access to the widest range of debt instruments.

ESG (environmental, social, governance)

LEG exercises its social responsibility and published its ESG Agenda 2024 and environmental, social and governance targets in the 2021 financial year. The key objectives of the ESG Agenda are also part of the remuneration structure for the Management Board and the management level below the Management Board, with ESG targets accounting for 20 % of the performance criteria for the short-term and long-term variable remuneration component for Management Board members.

In terms of the environment, LEG supports the carbon-neutral transformation of the residential sector. LEG's portfolio is to achieve climate neutrality in 2045. A key measure for this is the energy refurbishment of the portfolio. For the 2021 financial year, it was planned to modernise 3 % of the residential units in terms of energy efficiency. With a target achievement of 3.5 %, the plan was exceeded. LEG is also searching for innovative solutions to modernise its existing portfolio more quickly and cost effectively – including in the interests of its tenants, and so has designed one of the first "living labs" for serial refurbishment in the city of Mönchengladbach. As well as modernisation, however, the energy transition in Germany and tenants' consumption patterns are also required to help achieve climate targets.

With a portfolio in the affordable living segment where rent-restricted units account for 22 %, LEG considers itself a socially responsible landlord that takes account both of its customers' financial situation and their general satisfaction. To measure this, LEG is introducing an index (CSI, customer satisfaction index) in 2022. The company's social concept also includes the LEG NRW Tenant Foundation and the "Your Home Helps" foundation. LEG provides a home to a wide range of people and also promotes diversity within its workforce. LEG Management GmbH has been a signatory on the Diversity Charter since 2019. Overall employee satisfaction is measured using the Great Place to Work organisation's Trust Index. As well as tenants and employees, municipalities are also a major stakeholder for LEG.

Consideration for the interests of all stakeholders, including shareholders, transparency and responsibility when making business decisions and appropriate risk management are core elements of corporate governance and the basis for LEG's actions. The company has a certified Compliance Management System (CMS), which bundles measures intended to ensure compliance with legal provisions and internal guidelines. Examples of these measures also include regular and ad hoc employee training sessions.

LEG considers external ESG ratings key guidance for its environmental, social and governance commitments. In November 2021, the ratings agency Sustainalytics gave LEG a score of 7.8, putting the company in the "negligible" risk category. This placed LEG among the top 1 % out of more than 14,000 companies rated in various sectors around the world. In its own sector of real estate management, LEG placed second out of 154 companies analysed.

Group Management System

LEG's Group management system reflects LEG's value-oriented company strategy. In turn, this is based on sustainably developing the company and consistently increasing its enterprise value. In order to take account of developments in the areas of environment, social and governance (ESG), the sustainability strategy is an integral part of the company strategy.

A control concept based on performance indicators, with the planning process serving as a key instrument, forms the basis for the Group management system. Key performance figures can be divided into financial and non-financial key figures.

Financial performance indicators

The most significant financial performance indicator for Group management is FFO I.

Other financial key figures

Other key figures, which are particularly relevant for the real estate industry, are the adjusted EBITDA margin, EPRA NTA per share and loan to value (LTV). These are also reported at Group level.

In the case of the EBITDA margin, EBITDA is adjusted for the result from remeasurement of investment properties, the result from disposals, project costs of a non-recurring nature and other extraordinary expenses and income unrelated to the accounting period.

LEG also reports on other key figures such as changes in net cold rent, like-for-like rental growth and changes in vacancy.

The key figures are calculated taking into account current business developments as part of a forecast, which is carried out multiple times a year, and multi-year planning covering a five-year period. There is also a close connection between planning and forecasts with the risk management system, with the result that corresponding countermeasures can be promptly derived and implemented for any risks ascertained. Cash flow forecasts for the development of the liquidity situation are prepared on a weekly basis and allow potential financial risks to be identified at an early stage.

The Management Board and executives are informed about the key figures and current business performance on a monthly basis in the form of standardised reporting. The Supervisory Board is informed of these on a quarterly basis. There is regular benchmarking of the key figures against the corresponding figures for competitors. In addition, executives have access to up-to-date online reports by way of a self-service system. The foundation for this reporting system is the IT-based Group data warehouse, which is connected to the Group-wide SAP system, operating sub-systems and to the planning system.

The overall system of key performance indicators is structured by functional areas (Operations, Special companies, Management/Administration) to ensure a targeted control of individual areas. There is a target definition and achievement system within the functional areas which includes both financial and non-financial key figures. Corresponding responsibilities for all key figures are defined within the organisation. The target system relates to the focus of the individual levels of hierarchy.

The nature of the industry means that debt service plays an important role in company management on account of the importance of the liquidity and earnings situation. The Corporate Finance & Treasury division, which is responsible for liquidity controlling, determines the LEG Group's liquidity requirements and establishes suitable measures to meet this demand. Based on current forecast figures and risk and opportunity reports, liquidity scenarios are included in reporting and interpreted.

Non-financial key figures

Non-financial key figures were introduced for the first time in the 2021 financial year. These include the company's carbon footprint measured as CO_2e in kg per sqm, employee satisfaction (Trust Index) and customer satisfaction (Customer Satisfaction Index) as well as the Sustainalytics rating classification.

Economic report

General economic conditions

The ongoing Covid-19 pandemic continued to shape economic development in Germany in 2021. Measures to contain case numbers, especially limits on contacts, resulted in significant losses or a temporary suspension of economic activity in the first few months of the year, chiefly in the services sector. As in 2020, sectors that have been hit particularly hard include retail (with the exception of convenience goods), the food service industry and services related to tourism, leisure and culture. This also caused private consumer spending to decline, which did not pick up again until the end of the second lockdown in May 2021 and was one of the most important drivers of the economic recovery in summer.

Accordingly, the Federal Statistical Office estimates that real gross domestic product (GDP) for the first quarter declined by 3.2 % against the previous year, before climbing significantly to grow by 10.4 % in the second quarter. This recovery process slowed down again with the emergence of the fourth wave in the autumn and the increasing spread of the Omicron variant towards the end of 2021. Overall, GDP increased by 2.8 % in 2021, according to the revised calculation of the Federal Statistical Office.

As well as the pandemic, this was also curbed by the end of the temporary reduction in VAT in the second half of 2020. In addition, shortages of raw materials, intermediate products and building materials led to considerable bottlenecks in production and in construction. According to a survey of structural engineering companies by the Ifo Institute for Economic Research, 31.3 % respondents experienced supply problems at the end of 2021. Construction prices surged, with the cost of building new, conventionally built residential buildings rising by 14.4 % year on year in November 2021, the highest increase since August 1970. Even adjusted for the VAT reduction in 2020, prices increased by 11.6 %. In many sectors, production was also affected by a shortage of microprocessors. This included the automotive industry, Germany's strongest sector in terms of revenue.

However, the Bundesbank calculates that individual components of GDP – unlike in the previous year – increased in 2021 as a whole compared to 2020. After falling substantially in the previous year (2020: down 5.9 %), private consumer spending increased again by 0.3 % and was combined with a saving rate of 15.1 % – a decrease of 100 basis points. Corporate investments picked up by 2.6 % in 2021 after declining in the previous year (2020: down 6.7 %). While investments in private residential construction were less affected by the pandemic thanks to less severe pandemic restrictions and sustained high demand, they remained down on the previous year's level at 2.1 % (previous year: 3.4 %). Exports, which fell by 9.3 % in 2020, climbed by a substantial 7.0 % in the reporting year.

Forecasts for 2022 are still subject to considerable uncertainty, which the Bundesbank says is a result not only of how the pandemic develops moving forward but also of economic and fiscal policy decisions by the new federal government and the pace of price development. According to its monthly report of December 2021, the Bundesbank's scenario for 2022 assumes GDP growth of 4.1 %. Nonetheless, stricter pandemic protective measures and ongoing supply chain bottlenecks mean that lower growth rates are expected initially in the winter half of 2021 – 2022. The Ifo Institute also thinks that these factors will hamper economic growth this year and so in December 2021 it lowered its GDP growth forecast for 2022 as a whole by 140 basis points to 3.7 %.

In addition to the general economic situation, the performance of the labour market, income and prices represent additional key conditions for LEG's business model.

There was a significant increase in jobs subject to social security contributions on the labour market in 2021. Short-time work schemes continued to prop up the labour market to a substantial degree, although the German Federal Employment Agency says that this is to a lesser extent than in 2020. By contrast, "mini jobs" and self-employment continued to decline over the year on average, with the Federal Statistical Office putting the number of people in work in 2021 as a whole at around 44.9 million, unchanged on the previous year.

The overall German unemployment rate, on the other hand, improved in 2020 on average by 0.2 percentage points to 5.7 % thanks to there being more jobs subject to social security contributions. North Rhine-Westphalia also saw a 0.2 percentage point decrease to an annual average rate of 7.3 %. LEG believes that this will result in increased competition for qualified employees.

Wages and salaries also grew in 2021. According to the Bundesbank, standard wages increased by an average of 1.7 %. Gross wages and salaries per employee rose by 3.3 %. Standard wages are expected to pick up by 2.3 % in 2022 and gross wages and salaries per employee by 3.9 %.

Inflation, measured by the Harmonised Indices of Consumer Prices (HICP), rose by 3.2 % over the year on average in 2021. This development was driven largely by the temporary reduction in VAT in the previous year and higher energy costs. Excluding energy costs, the HICP was 2.3 %.

The pandemic affected eurozone countries differently depending on the spread of the virus and the severity of restrictions. Nonetheless, the European Commission estimates that the eurozone is on the path to recovery and is likely to see GDP growth of 5.0 % in 2021. Forecasts for 2022 and subsequent years remain uncertain and subject to risk – especially regarding the further spread of the pandemic, rising inflation and supply chain disruptions. In its Autumn Forecast, the European Commission anticipates GDP growth of 4.3 % in 2022. It expects this recovery phase to be followed by a period of expansion, driven chiefly by the NextGenerationEU recovery plan.

In comparison to other sectors, the economic conditions shaped by the pandemic had only a slight impact overall on business operations in the housing industry and thus on LEG. The main reasons behind this are the extensive measures taken by governments to support people in work and the fact that affordable housing is particularly important in times of crisis.

Residential market

Demographic change

North Rhine-Westphalia (NRW) accounted for around 80 % of the LEG portfolio at the end of 2021. In light of this, the general conditions on the residential market, including demographic change in the state, are particularly important. NRW's population declined slightly in 2020 for the first time since 2011, according to IT.NRW. This trend continued in the first half of 2021 with a slight decrease of 0.1 %. Like most areas in Germany, there are fewer births than deaths in NRW. This was not offset by positive net migration, which was just 7,000 people on account of the restrictions relating to the pandemic. With the baby boomer generation entering retirement, LEG assumes that immigration to Germany will increase substantially after the pandemic. This expectation is in line with pre-pandemic forecasts that assume population growth until at least 2040. NRW.Bank – based on the household model calculation 2018-2040/60 of IT.NRW – also believes that the total number of households will rise in this period. However, there are likely to be major regional differences here, as growing and shrinking regions are very close together in some parts of NRW. In structural terms and according to the model calculation by IT.NRW, the number of larger households is expected to decline, giving way to one or two-person households.

The situation is similar in Lower Saxony and Rhineland-Palatinate, which are also important states for LEG. Without immigration, the natural population trend remains negative given that there are fewer births than deaths. Nonetheless, the growing number of single-person households means that the total number of households will continue to rise, at least in the short term. Here, too, there are significant regional differences. While the economically prosperous regions around Hanover and Wolfsburg will continue to grow and rents will continue to rise, the number of residents in regions in eastern Lower Saxony and on the coast will decline further in the future, according to NBank (Investment and Development Bank of the State of Lower Saxony). Demographic trends in Rhineland-Palatinate also vary greatly between regions. While many municipalities such as Pirmasens have seen their populations decline, areas such as the Rhine-Main and Rhine-Neckar regions enjoy population growth as a result of immigration, according to ISB (Investment and Structure Bank Rhineland-Palatinate).

Construction

Construction in Germany has increased steadily since 2009. The Federal Statistical Office calculated that 306,376 homes were completed in 2020, 4.6 % higher than in the previous year. No data for calendar year 2021 was available when preparing this report. There are also regional differences when it comes to new construction. In line with demand, the highest new building rates are in growth regions and surrounding areas. Although about half of new homes were homes intended for letting, this was still not enough to meet demand. Only about 60 % of demand is met in the area of rental housing construction, according to the Federal Association of German Housing and Real Estate Companies (GdW), falling to as low as about 30 % for rent-restricted housing.

Rent-restricted housing portfolio

The number of rent-restricted apartments in NRW is continuing to decline. As calculated by NRW.Bank, there were about 452,000 subsidised rental properties at the end of 2020 (2019: 456,800). At the same time, the number of apartments subject to the 10-year grace period increased by 9.4 % to about 176,700 units. This means that rent control will expire for about 40 % of subsidised homes in NRW within the next ten years. No data for calendar year 2021 was available when preparing this report.

Development of rent

Rents continued to increase in 2021, although the pace of this growth slowed somewhat compared to previous years. The prime rent price segment is particularly affected by this, with signs of saturation gradually setting in. However, LEG does not operate in this segment.

While rental growth is slowly flattening, purchase price momentum is continuing apace. In the Rhine-Ruhr metropolitan region, for example, rents have risen by about 35 % since 2009 while purchase prices have increased by 55 % in the same period. Further to the north, the Hanover metropolitan region reported the highest growth, with rent and purchase prices increasing by 60 % and 100 % respectively, according to Deutsche Bank Research.

The average price of new lettings for existing properties in the state of NRW rose by about 1.9 % between the first and the fourth quarter of 2021, according to the property valuation company Value AG. Rents thus went up less than in the states of Lower Saxony (up 2.7 %), Bremen (up 3.2 %), Rhineland-Palatinate (up 3.7 %) and Schleswig-Holstein (up 4.5 %).

At individual submarket level in NRW, however, there are substantial price differences and regional divergences in growth. NRW's most expensive housing markets, where average rents exceed EUR 10 per square metre, are in the Rhineland and in Münster. Median rent prices in Cologne, for example, climbed to EUR 12.19 per square metre (up 4.3 % on the previous year), in Dusseldorf to EUR 11.08 per square metre (up 0.9 %) and in Bonn to EUR 10.79 per square metre (up 4.9 %). Dusseldorf thus had the lowest rental growth in NRW. In Münster, median rent was EUR 10.83, representing a 6.2 % upturn on the previous year.

Asking rents at LEG's largest location in Dortmund averaged EUR 7.88 per square metre in 2021 (up 5.1 %). In Wilhelmshaven – where the LEG portfolio saw the strongest growth in 2021 – asking rents were EUR 6.11 per square metre (up 1.8 %), similar to Gelsenkirchen at EUR 6.02 per square metre (up 1.7 %).

Individual key locations in the LEG portfolio outside NRW developed as follows: asking rents increased to EUR 9.00 per square metre (up 4.2 %) in Bremen and to EUR 8.93 per square metre in the Hanover region (up 5.1 %). In Kiel, median rent rose to EUR 8.94 per square metre in 2021 (up 5.2 %) and in Flensburg it increased to EUR 7.86 per square metre (up 2.3 %).

Asking rents for new build properties were highest in Cologne at EUR 14.61 per square metre (up 8.1 %). However, prime rents for new builds (in the 95 % percentile) were in Dusseldorf at EUR 21.43.

Development of purchase prices

Purchase prices for owner-occupied apartments and apartment buildings continued to pick up far more than rent prices, according to Value AG. In the state of NRW, the average purchase price for apartments went from about EUR 2,635 per square metre in the first quarter of 2021 to EUR 2,950 per square metre in the fourth quarter (up 11.9 %). Climbing by 10.9 % to about EUR 4,500 per square metre, purchase prices for new build properties performed similarly. The states of Lower Saxony (up 11.5 %) and Schleswig-Holstein (up 15.9 %) also reported double-digit growth. By contrast, purchase prices in Rhineland-Palatinate (up 9.1 %) and Bremen (up 9.3 %) saw single-digit growth.

Regional differences in NRW were even more pronounced for purchase prices than for rents. While average purchases prices exceeded the EUR 5,000 per square metre mark in Dusseldorf (about EUR 5,650 per square metre) and Cologne (about EUR 5,085 per square metre) in 2021, on average apartments could be bought for a third of this price in Gelsenkirchen (about EUR 1,675 per square metre) and Höxter (about EUR 1,650 per square metre). Locations such as Dortmund, which averages about EUR 2,540 per square metre (up 3.8 % on the previous year), Mönchengladbach at about EUR 2,280 per square metre (up 13.6 %) and Bielefeld at about EUR 2,950 per square metre (up 7.0 %) were within the average range for NRW in 2021.

Purchase prices in locations within metropolitan regions or key medium-sized hubs in the north west ranged between about EUR 2,800 per square metre (Göttingen) and about EUR 3,800 per square metre (Kiel). Districts such as Braunschweig (about EUR 3,220 per square metre), Wolfsburg (about EUR 2,950 per square metre), Hanover (about EUR 3,485 per square metre) and Bremen (about EUR 3,200 per square metre) came within this range but fell short of the top locations such as Hamburg, Cologne, Dusseldorf, Munich and Berlin.

Vacancy development

According to the CBRE empirica vacancy index December 2021, active vacancies in NRW were unchanged at 3.0 %. The figures are for 2020. No market data for 2021 was available when preparing this report.

After many years of declining vacancy, the vacancy rate for all of Germany stagnated at 2.8 %.

In western and northern Germany, the vacancy rate was similar in the states of Lower Saxony (3.2 %), Bremen (2.8 %), Rhineland-Palatinate (3.0 %) and Schleswig-Holstein (2.5 %).

In highly sought-after NRW markets such as Dusseldorf, Cologne, Bonn and Münster, vacancy rates remained low. Vacancies in Cologne (0.9 %) and Bonn (0.9 %) were unchanged in comparison to the previous year. In Dusseldorf, the vacancy rate rose slightly by 10 basis points to 1.4 %, while vacancies in Münster decreased to 0.3 %. This means that Munster ranks among the cities with the lowest vacancy rates in all of Germany. Only Frankfurt (0.2 %) and Munich (0.2 %) had lower vacancy rates.

In Lower Saxony, regionally important locations had lower vacancy rates than rural areas. Locations such as Braunschweig (1.9 %), Wolfsburg (1.5 %) and Hanover (1.8 %) were lower than average for the state. At 5.9 %, the vacancy rate in Wilhelmshaven is comparable to NRW locations such as Remscheid (5.7 %) and Soest (5.9 %).

In Rhineland-Palatinate, vacancy rates in districts with LEG portfolios such as Mayen-Koblenz (2.9 %), Frankenthal (1.4 %) and Germersheim (0.6 %) were lower than average.

In northern Germany, vacancy rates in the cities of Bremen (1.8 %), Kiel (1.5 %) and Flensburg (2.4 %) were lower than both the national and the state averages.

Transaction market

German residential property was again considered a crisis-proof asset category internationally in 2021. According to the global property service provider CBRE, the German residential property investment market (residential portfolios and individual properties with 50 or more residential units) generated a record result of EUR 49.1 billion, almost 140 % higher than the previous year's transaction volume. By far the largest transaction was the approximately EUR 22.3 billion takeover of Deutsche Wohnen by Vonovia (based on the residential component, excluding care facilities). Nevertheless, at almost EUR 27 billion the volume of all other transactions in 2021 was both significantly higher than in the previous year (EUR 20.4 billion) and above the average for the last five years (EUR 16.6 billion). Overall, a CBRE analysis indicates that more than 260,000 residential units were negotiated in 2021. 21,742 of these residential units were acquired by LEG.

The Covid-19 pandemic has so far left no trace on the residential investment market. Investors regarded residential, logistics, food retail, care facilities and housing for senior citizens as very attractive asset categories. Demand from many national and international investors continued to pick up. This development is driven by stable cash flows and the still widespread between yields on government bonds and average net initial yields on residential property. Following the sale of high-quality portfolios, most of the transactions were for exclusive locations (known as the core and core plus segment).

High demand far outstripped supply and resulted in slight yield compression in 2021 too. Net prime yields in the average of the top 7 markets decreased by 0.1 percentage points from 2.3 % at the end of 2020 to 2.2 % at the end of 2021.

The share of foreign buyers declined by 8 percentage points compared with the average for the last five years to 23 % in 2021. Adjusted to account for the Deutsche Wohnen takeover, however, the share of foreign buyers exceeded 40 %. CBRE noted that practically the only way to enter the German residential market, especially for new investors, is through forward or platform deals. High-net-worth investors with a background in pensions or insurance and international investors are particularly interested in project developments. All in all, the acquisition of new construction projects accounted for EUR 6.6 billion, 13 % of the transaction volume, in the reporting year. Outside the top 7 markets, factors also rose significantly for forward deals.

A comparison of the acquisitions and purchases of various groups of investors in 2021 shows that public housing companies expanded their portfolios the most. Their net purchases of EUR 3.7 billion (2020: just under EUR 400 million) were driven chiefly by the portfolio sales of Deutsche Wohnen and Vonovia to the state of Berlin and its housing companies. Listed housing companies came in second place, with investments of about EUR 3.0 billion, of which LEG accounted for EUR 2.3 billion. These were followed by open-end property and special funds, as well as insurance companies and pension funds, with net purchases of EUR 2.6 billion and EUR 722 million respectively.

The pandemic meant that 2021 was a year of temporary respite from rent rises for many tenants. Rent increases were lower as fewer people moved to major cities. At the same time, the vacancy rate for rental apartments remained steady at a very low level. As more is being built around major cities, CBRE believes that pressure on rents in many cities is likely to ease somewhat in the future. However, it should be noted that the last two years have constituted an exceptional situation caused by the pandemic and there has been no regular immigration. CBRE thinks that demand for housing will pick up again noticeably in prospering regions once current travel restrictions are lifted. This is also because the German Federal Employment Agency reckons that about 400,000 skilled workers need to arrive each year to maintain Germany's productivity at current levels.

As in the previous years, North Rhine-Westphalia was one of the most sought-after regional investment locations in the residential segment in 2021. A total of around 53,500 residential units were sold for approximately EUR 5.8 billion as part of portfolio transactions or as large-volume individual properties. This means that revenue has almost doubled on the previous year (2020: around EUR 3 billion). Forward deals accounted for about 7 % of the investment volume, with absolute figures trending upwards slightly. North Rhine-Westphalia made up about 12 % of the total German transaction volume, somewhat lower than in the previous year (2020: 15 %).

Dynamic transactions on the German residential property investment market are expected to continue in 2022. CBRE estimates an investment volume of up to EUR 30 billion, according to its release on the housing investment market in January 2022. Portfolio streamlining is likely to be one driver of this, which is done in order to adapt to the respective investment strategy.

There are numerous challenges in terms of the ESG criteria, chiefly implementing the ESG-compliant investment vehicle in accordance with Articles 8 and 9 of the Sustainable Finance Disclosure Regulation (SFDR). All in all, the sector has to incorporate all aspects of sustainability into housing while also reconciling social mixing, environmentally-friendly design and economic profitability.

Employees

The number of employees as of 31 December 2021 increased by 10.7 % to 1,770 compared to the previous year's reporting date. Further key figures on employee development and structure are shown in the table.

T10

LEG employees as of 31 December

	2021	2020
Total	1,770	1,599
male in %	64.7	64.5
female in %	35.3	35.5
Full-time[1]	1,018	950
Part-time[1]	252	183
FTE (excluding Management Board members and trainees)	1,588	1,444
Fluctuation rate in %[1]	6.2	7.5
employee-side	3.1	3.6
employer-side	3.1	3.9
Average age in years[1]	42.4	43.4

[1] without TechnikServicePlus, Biomass Heating Plant, LWS Plus

Current business activities

Despite the ongoing Covid-19 pandemic, the LEG Group maintained its good business performance in the reporting year, once again increasing its profitability. In the 2021 financial year, LEG continued to grow both organically compared to the previous year and through acquisitions.

The acquisitions that were integrated in the course of the 2020 financial year were fully included in earnings figures for the first time in 2021. These were countered by portfolio disposals in the reporting year and previous year. Overall, FFO I – the most important financial performance indicator for Group management – rose by 10.4 % from EUR 383.2 million to EUR 423.1 million in the 2021 financial year. In the previous year, LEG had defined FFO I in a range between EUR 410 million and EUR 420 million for the 2021 financial year. In the half-year report as at 30 June 2021, LEG specified that it expected to reach the upper end of this range. With FFO of EUR 423.1 million for the 2021 financial year, LEG could ultimately outperform the forecast.

As well as acquisitions, the development of existing rents and cost discipline in staff and non-staff costs played a role here. Financing costs were also reduced from 1.33 % to 1.06 %. The affiliated companies providing tenant services also increased their contribution to FFO growth.

As at 31 December 2021, LEG's property portfolio consisted of 166,189 residential units, 1,576 commercial units and 45,438 garages and parking spaces. The table shows the key portfolio data together with changes as compared to the previous year.

The housing portfolio as at 31 December 2021 increased by 21,659 residential units (net) against the previous year in connection with acquisitions and other additions (21,990 residential units incl. 28 new-build units) and a low number of unit disposals due to sale or apartments being combined (331 residential units). This represents a 15.0 % increase as at the reporting date.

Located in existing LEG markets, the portfolios offer the prospect of strong cost synergies (economies of scale) and additional potential for increasing value by reducing vacancies, adjusting rents in line with typical market levels and opportunities for mostly energy-efficient modernisation work that boosts value. As ownership was not transferred until the end of the reporting year for most acquisitions, this will not contribute to higher operating earnings until 2022.

An additional 38 residential units were added to the portfolio following new construction in Hilden. There are already specific plans for additional new building projects on existing or purchased land plots with a total volume of 1,400 residential units in the years ahead. Furthermore, LEG intends to buy turnkey new-builds.

The sales were mostly individual properties that did not fit in LEG's portfolio structure, as well as tenant privatisation sales. The portfolio was also slightly reduced partly as a result of apartments being combined or converted into commercial units, for example in the context of modernisation measures.

T11

Development of the real estate portfolio

Key figure	Usage	31.12.2021	31.12.2020	Change	in %
Number residential units	Residential	166,189	144,530	21,659	15.0
	Commercial	1,576	1,346	230	17.1
	Total residential and commercial	**167,765**	**145,876**	**21,889**	**15.0**
	Parking	45,438	39,205	6,233	15.9
	Total	**213,203**	**185,081**	**28,122**	**15.2**
Lettable area in sqm	Residential	10,526,699	9,205,221	1,321,478	14.4
	Commercial	254,164	226,357	27,806	12.3
	Total residential and commercial	**10,780,862**	**9,431,578**	**1,349,284**	**14.3**
In-place rent in €/sqm	Residential	6.13	5.94	0.19	3.2
	Residential (l-f-l)	6.13	5.94	0.19	3.2
	Commercial	7.77	7.21	0.56	7.8
	Total residential and commercial	**6.16**	**5.97**	**0.19**	**3.3**
Number of vacancies	Residential	4,987	4,218	769	18.2
	Commercial	294	255	39	15.3
	Total residential and commercial	**5,281**	**4,473**	**808**	**18.1**
EPRA vacancy in %	Residential	2.8	2.8	2 bps	
	Residential (l-f-l)	2.3	2.7	–40 bps	
	Commercial	12.7	14.6	–190 bps	
	Total residential and commercial	**3.0**	**3.1**	**–10 bps**	

The ongoing pandemic did not have any material impact on LEG's operating activities. Measures put in place to protect employees and tenants meant that leases, apartment handovers, small repairs, modernisation work and apartment inspections were able to go ahead at the rate and quality to which we are accustomed. Tenants were also allowed to pay in instalments. We have not identified any unusual payment problems or defaults here.

The key value drivers and performance figures in operating business developed as follows:

Taking into account the measures described above, the average rent for the housing portfolio was EUR 6.13 per square metre as at 31 December 2021 on a like-for-like basis. Rents were up just under 3.2 % as against the previous year. Growth in the free-financed portfolio was slightly over 3.9 %. The average for rent-restricted apartments, which accounted for around 21.6 % of the total portfolio as at the end of the year, rose by just short of 0.5 % on a like-for-like basis to EUR 4.96 per square metre in the reporting year.

The EPRA vacancy rate for all residential units of the LEG Group including the properties acquired was 2.8 % as at the end of the 2021 financial year. On a like-for-like basis, the vacancy rate was 2.3 % and therefore below the previous year's level of 2.7 %.

Various measures were implemented in the reporting year to continuously improve operating business, especially letting performance, and to avoid fluctuation. These particularly included the task of streamlining and optimising operational processes.

To further improve the quality of the housing portfolio and thereby meet growing customer requirement, LEG again adopted a sustainable, long-term approach to investments in its portfolio last year. Total investments (adjusted for new construction on own land, safety measures for acquisitions and capitalized own services) amounted to EUR 406.8 million in the 2021 financial year. This corresponds to an increase of EUR 36.5 million or 9.9 % compared to the previous year. The share of value-enhancing and thus capitalised measures, on an adjusted basis, was 73.4 % (previous year: 74.2 %). The average investments per square metre of living and usable space were increased by more than EUR 1.50 compared to the previous year and amounted to EUR 42.50 in 2021. In the coming years, LEG will continue its investment activities and, in particular, implement measures for energy optimisation and portfolio improvement.

LEG's service companies established in previous years, which include craftsmen services, the provision of energy and heating and multimedia business, were further developed and enhanced in the reporting year. Fischbach Service GmbH, which was taken over in the fourth quarter of 2020, was successfully integrated. As LWS Plus GmbH, the company extends the value chain to include the management of vacant apartment refurbishments and it already exceeded the business plan in place in the reporting year. The underlying strategy for the establishment of service companies of being able to offer residential and tenant services from a single source is having an increasingly positive impact on business performance. The contribution to FFO from service activities was also further increased in 2021, coming to around EUR 39.2 million, a 26.7 % year-on-year rise. Based on its positive experience to date, LEG is still working to develop new value-adding concepts.

Even after accounting for the impact of the ongoing pandemic, LEG has therefore enjoyed another successful financial year and a positive development in its operating activities. Key performance figures – such as FFO I and the adjusted EBITDA margin – have improved again, and negative earnings factors, which resulted in part from cost inflation for workman services, were more than offset. Internal organisational and process optimisation, additional earnings effects from acquisitions and a positive market development all contributed to the operating growth. LEG will counter the challenges the future brings by further increasing its innovation and sustainable investment propensity on the basis of a proven management platform. Against this backdrop, LEG expects to continue its profitable growth in the years ahead as well.

Financing

Financing portfolio

In the financial year 2021, LEG issued bonds with a total volume of EUR 1.7 billion, in part to finance newly acquired residential portfolios. This also included LEG's first sustainable bond, which was issued on the basis of the Sustainable Financing Framework published in June 2021. The bonds mature in 10, 11 and 12 years and have coupons of 0.750 %, 0.875 % and 0.875 % respectively. The transactions lowered average financing costs and increased the average term of debt instruments. In addition, LEG also took out bridge financing to secure interim financing for the acquisition of around 15,400 properties from the Adler Group. EUR 1.4 billion of this was drawn at the end of the year.

In addition, secured bank loans for a total of around EUR 200 million were rearranged at conditions below LEG's average interest rate in the 2021 financial year.

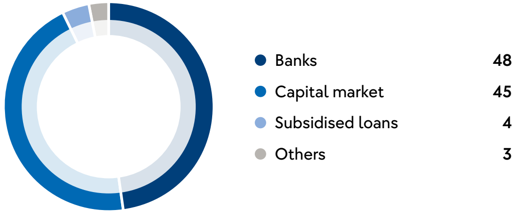
Through these financing measures, LEG again reduced its average interest rate as at the balance sheet date from 1.33 % in the previous year to 1.06 %. The average term of its liabilities fell from 8.1 years to 6.47 years. Both key figures account for the short-term, variable bridge financing to finance the portfolio acquisition from the Adler Group. Excluding this bridge financing, the average interest rate would have been 1.21 % and the average term of the liabilities 7.5 years.

Financing structure

As at the end of the reporting period, approximately 48 % of the LEG Group's total financing liabilities relate to bank loans, 45 % to capital market financing (bonds and convertible bonds), and 7 % to subsidised loans and other liabilities. The loan liabilities to banks are essentially distributed among 15 banks, mainly in the mortgage and state bank (Landesbank) sector. In addition to market conditions, diversification in the loan portfolio is another key factor in selecting financing partners, and so new business addresses were added in the current year. In line with LEG's financing strategy, the long-term share of a single bank in the total loan portfolio is capped at 20 % to avoid an excessive dependence on any one financing partner. LEG Group's largest creditor, excluding the bridge financing consortium, currently has a share of 19 % of the bank loan portfolio.

G6

Financing sources (in %)



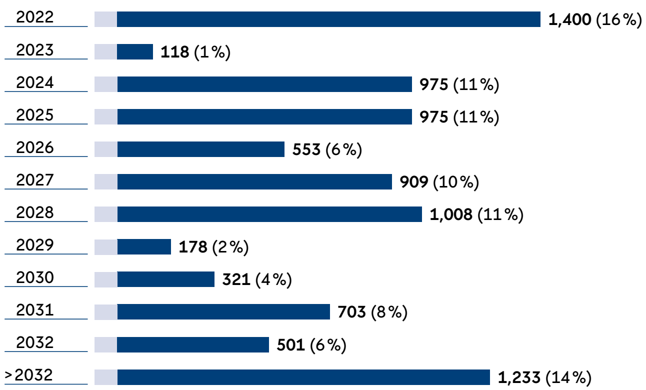
Balanced, long-term maturity profile

In line with its long-term business model and in order to ensure a defensive risk profile, LEG has a balanced, long-term financing structure. Financing is arranged with bank partners on the basis of medium- and long-term agreements with terms of up to twelve years. The funds raised on the capital market have contract terms of up to 15 years, while the financing agreed with other lenders has terms of up to 25 years. Taking into account the long-term subsidised loans (average maturity 22.9 years), the financing portfolio as a whole has an average maturity of 6.47 years including the short-term bridge financing and 7.5 years without taking this into consideration. The goal in managing contract terms is that no more than 25 % of total liabilities fall due within one year. Other than the bridge financing, LEG had only minimal liabilities at the end of 2021 that were due within a year.

Bank loans are primarily secured by the real collateral of the properties and other collateral usually provided for property portfolio financing. The capital market instruments and financing with other lenders constitute unsecured financing.

G7

Maturity profile[1]
(credit volume in € million, share of total debt in %)



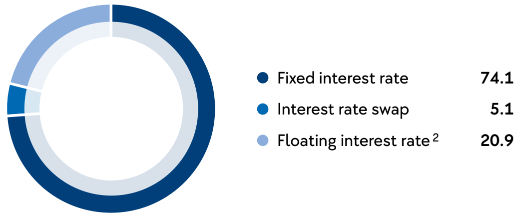
[1] Maturity profile including the short term variable bridge financing

Interest rate hedging

The financing agreements, befitting the long-term strategic outlook of the company, are around 94 % hedged by fixed-rate agreements or interest rate swaps. Taking account of the very short-term bridge financing, the hedged share is approximately 79 %. Derivative interest hedging instruments are linked to the respective hedged loan (micro hedge). In line with the internal policies of LEG, interest rate derivatives can be used only to hedge interest rate risks. Thus, the company does not maintain open or speculative items. Given the long-term interest rate hedges in place, no significant interest rate risks are anticipated in the medium term.

G8

Interest hedging instruments (in %)



[2] Taking into account the short-term bridge financing

Covenants

LEG's financing agreements usually contain regulations on compliance with defined financial covenants that the respective borrower must comply with throughout the term of the financing agreements.

The loan covenants agreed relate to key figures within the portfolio financed by the respective bank or at the level of the respective borrower. The key financial covenants are within the following ranges:

T12

Covenants 1

Loan-to-Value (LTV)	55 % – 77.5 %
Debt-Service-Coverage-Ratio (DSCR)/ Interest-Service-Coverage-Ratio (ISCR)	110 % – 510 %
Debt-to-Rent-Ratio (DRR)	650 % – 1,493 %

Furthermore, individual loan agreements contain stipulations regarding compliance with occupancy and vacancy rates.

With regard to unsecured financing instruments, the following key covenants apply at the level of LEG Immobilien SE:

T13

Covenants 2

Consolidated Net Financial Indebtedness to Total Assets	max. 60 %
Secured Financial Indebtedness to Total Assets	max. 45 %
Unencumbered Assets to Unsecured Financial Indebtedness	min. 125 %
Consolidated Adjusted EBITDA to Net Cash Interest	min. 180 %

As part of its risk management for the company as a whole, LEG has implemented a process for the continuous monitoring of compliance with covenants. LEG has fully complied with the covenants of its loan agreements. Breaches are also not anticipated moving ahead.

Corporate ratings

LEG has had a "Baa1" long-term issuer rating since 2015, which has since then been continuously confirmed by Moody's. The rating particularly reflects the strong market position, leading portfolio management and long-term financing strategy of LEG. The strong corporate rating forms the basis for LEG's broadly diversified financing portfolio.

Since 2017, LEG has also had a "P-2" short-term issuer rating, which attests to the company having a high level of creditworthiness for issuing current debt securities on the basis of its liquidity, the credit facilities available and its balanced maturity profile.

Dividend

For the 2021 financial year, the Management Board and the Supervisory Board intend to propose a dividend of EUR 4.07 per share at the Annual General Meeting on 19 May 2022. The proposal translates into a total distribution of EUR 296.5 million or 70.1 % of FFO I. LEG intends to distribute 70 % of its FFO I to shareholders as a dividend on a sustainable basis.

The dividend per share increased by 7.7 % compared to the previous year. The dividend yield amounts to 3.3 % based on the year-end closing price for 2021 of EUR 122.70.

Depending on company-specific developments and the situation on the capital market, LEG intends to propose to the Annual General Meeting again for financial year 2021 that shareholders be able to choose between a dividend in cash or in shares.

Analysis of net assets, financial position and results of operations

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

Results of operations

Aggregate income statement
The condensed income statement is as follows:

T14

Condensed income statement

€ million	unaudited Q4 2021	unaudited Q4 2020	01.01. – 31.12.2021	01.01. – 31.12.2020
Net rental and lease income	114.9	64.1	522.1	429.8
Net income from the disposal of investment properties	–0.3	–0.4	–1.0	–1.3
Net income from the remeasurement of investment properties	743.9	577.0	1,863.7	1,170.4
Net income from the disposal of real estate inventory	0.7	0.9	0.5	–1.5
Net income from other services	0.7	–0.2	5.7	4.2
Administrative and other expenses	–99.6	–33.8	–136.4	–66.4
Other income	0.0	0.0	0.1	0.1
Operating earnings	**760.3**	**607.6**	**2,254.7**	**1,535.3**
Interest income	1.2	1.8	1.3	1.9
Interest expenses	–37.2	–31.1	–121.7	–102.2
Net income from investment securities and other equity investments	3.0	1.7	6.4	3.5
Net income from associates	0.3	0.3	0.3	0.3
Net income from the fair value measurement of derivatives	–7.8	–0.1	–2.3	–43.8
Net finance earnings	**–40.5**	**–27.4**	**–116.0**	**–140.3**
Earnings before income taxes	**719.8**	**580.2**	**2,138.7**	**1,395.0**
Income taxes	–135.9	128.1	–414.0	–30.5
Net profit or loss for the period	**583.9**	**708.3**	**1,724.7**	**1,364.5**

Net rental and lease income increased primarily due to higher net cold rents by 21.5 % to EUR 522.1 million.

Adjusted EBITDA increased by EUR 45.3 million to EUR 512.2 million. Adjusted EBITDA margin increased from 74.4 % (previous year) to 74.9 % in the reporting period.

In the context of portfolio remeasurement to the end of the year, valuation gains of EUR 1,863.7 million were determined (previous year: EUR 1,170.4 million).

The increase in administrative expenses by EUR –70.0 million was due primarily to non-recurring special effects, in particular the real estate transfer tax expenses in connection with a larger property portfolio acquired from the Adler Group to the end of the year.

In the reporting period, net income from the fair value measurement of derivatives resulted primarily from changes in the fair value of embedded derivatives from the convertible bond of EUR 3.5 million (previous year: EUR –43.6 million). The valuation of a derivative for the acquisition of further shares in BCP had an opposite effect of EUR –5.7 million (previous year: EUR 0.0 million) on the result.

The tax expense is almost entirely attributable to deferred taxes.

Net rental and lease income

Net rental and lease income for 2021 is composed as follows:

T15

Net rental and lease income

€ million	unaudited Q4 2021	unaudited Q4 2020	01.01. – 31.12.2021	01.01. – 31.12.2020
Net cold rent	174.2	162.8	683.9	627.3
Profit from operating expenses	–1.9	–1.3	–2.4	–2.5
Maintenance for externally procured services	–22.1	–24.9	–65.7	–62.3
Employee benefits	–26.4	–21.7	–87.9	–75.4
Allowances on rent receivables	–4.5	–5.0	–10.3	–10.6
Depreciation and amortisation expenses	–3.2	–48.7	–11.5	–56.2
Others	–1.2	3.0	16.0	9.5
Net rental and lease income	**114.9**	**64.2**	**522.1**	**429.8**
Net operating income-margin (in %)	**66.0**	**39.4**	**76.3**	**68.5**
Non-recurring special effects – rental and lease	1.9	3.8	6.4	7.0
Depreciation	3.2	48.7	11.5	56.2
Recurring net rental and lease income	**120.0**	**116.7**	**540.0**	**493.0**
Recurring net operating income-margin (in %)	**68.9**	**71.7**	**79.0**	**78.6**

The LEG Group increased its net cold rent by EUR 56.6 million (+9.0 %) against the comparative period. In-place rent per square metre on a like-for-like basis rose by 3.2 % in the reporting period. The increase in Other by EUR 6.5 million is mainly due to the expansion of value-added services as well as raise in own work capitalised. This was countered by the increase in staff costs by EUR 12.5 million, which was mainly due to an increase in the number of employees. Lower depreciation and amortisation expenses relate to the EUR 45.6 million goodwill impairment of the previous year.

Recurring net rental and lease income rose by 9.5 %, more strongly than the net cold rent. As a result, the adjusted net operating income (NOI) margin further increased to 79.0 % in the 2021 financial year (previous year: 78.6 %).

The EPRA vacancy rate, which is a ratio of rent lost due to vacancy to potential rent in the event of full occupancy on the basis of market rental on the current reporting date, was reduced year on year both on a like-for-like basis by 40 bp to 2.3 %.

T16

EPRA vacancy rate

€ million	2021	2020
Rental value of vacant space – like-for-like	17.1	19.0
Rental value of vacant space – total	23.4	20.1
Rental value of the whole portfolio – like-for-like	743.2	715.1
Rental value of the whole portfolio – total	844.8	719.4
EPRA vacancy rate – like-for-like (in %)	**2.3**	**2.7**
EPRA vacancy rate – total (in %)	**2.8**	**2.8**

The EPRA capex splits the capitalised expenditure and reconciles to cash outflows for investment properties. The value-adding modernisation work, divided into development (new development on own land in an amount of EUR 14.2 million) and investments in investment properties (EUR 321.4 million), increased by 16.8 % to EUR 335.6 million in the reporting period. Acquisitions increased by EUR 1,204.2 million, mainly due to the portfolio purchase from the Adler Group.

T17

EPRA capex

€ million	2021	2020
Acquisitions	2,343.8	1,139.6
Development	14.2	4.8
Investments in investment properties	321.4	280.0
thereof incremental lettable space	5.6	3.1
thereof no incremental lettable space	315.8	276.9
EPRA-Capex	**2,679.4**	**1,424.4**
Correction for acquisitions within the meaning of IFRS 3	–1,256.7	–
Additions to/utilisation of provisions for capex	–15.0	–3.3
Allocation to/utilisation of provisions for incidental purchase price costs	–59.0	–46.0
Payments for investments in investment properties	**1,348.7**	**1,375.1**

In addition to the value-adding modernisation, the increase in maintenance expenses by EUR 12.6 million to EUR 110.9 million resulted in total investments of EUR 452.1 million in the reporting period (previous year: EUR 388.7 million). These also include the maintenance expenses incurred within the Group. Investments for new construction activities on company-owned land, public safety measures in connection with acquisitions and own work capitalised were eliminated from total investment when calculating total investment per square meter. Adjusted total investment was EUR 406.8 million and average total investment per square metre in the reporting year was EUR 42.50 per square metre (previous year: EUR 41.00 per square metre). The capitalisation rate decreased to 73.4 % in the reporting year (previous year: 74.7 %).

T18

Maintenance and modernisation

€ million	unaudited Q4 2021	unaudited Q4 2020	01.01. – 31.12.2021	01.01. – 31.12.2020
Non-capitalised maintenance expenses	40.0	38.2	110.9	98.3
thereof investment properties	39.4	37.5	105.8	95.3
Capital expenditure	103.6	87.7	341.2	290.4
thereof investment properties	101.7	84.1	335.6	284.8
Total investment	**143.6**	**125.9**	**452.1**	**388.7**
thereof investment properties	141.1	121.6	441.4	380.1
Area of investment properties in million sqm	9.94	9.29	9.57	9.03
Adjusted total investment	**126.8**	**109.1**	**406.8**	**370.3**
Adjusted average investment per sqm (€)	**12.76**	**11.74**	**42.50**	**41.00**

The EPRA Cost Ratio, as an indicator for the operating performance, is the percentage of operating and administrative expenses in gross rental income. By definition, non-recurring special effects are not adjusted. There are adjustments for leasehold land interests and directly attributable vacancy costs. For reasons of transparency and comparability, a further adjustment is made for maintenance expenses in the financial year as the maintenance expenses of a property company depend to a high degree on the accounting standard used and on the specific maintenance strategy.

T19

EPRA cost ratio

€ million	2021	2020
EBITDA	2,272.8	1,619.5
Net income from the remeasurement of investment properties	–1,863.7	–1,170.4
Non-recurring special effects	102.8	15.0
Net income from the disposal of investment properties	0.9	1.3
Net income from the disposal of real estate inventory	–0.6	1.5
Adjusted EBITDA	–512.2	–466.9
Rental income	683.9	627.3
Maintenance expenses	–65.7	–62.3
Management costs	106.0	98.1
Maintenance expenses	65.7	62.3
Leasehold land interests	–5.2	–4.9
EPRA costs (including direct vacancy costs)	166.5	155.5
Direct vacancy costs	–11.5	–11.8
EPRA costs (excluding direct vacancy costs)	155.0	143.7
Rental income	683.9	627.3
Leasehold land interests	–5.2	–4.9
Gross rental income	678.7	622.4
EPRA cost ratio (including direct vacancy costs)	**24.5%**	**25.0%**
EPRA cost ratio (excluding direct vacancy costs)	**22.8%**	**23.1%**
Adjustment for maintenance	65.7	62.3
Adjusted EPRA costs (including direct vacancy costs)	100.8	93.2
Adjusted EPRA costs (excluding direct vacancy costs)	89.3	81.4
Adjusted EPRA cost ratio (including direct vacancy costs)	**14.9%**	**15.0%**
Adjusted EPRA cost ratio (excluding direct vacancy costs)	**13.2%**	**13.1%**

To ensure comparability with previous periods, EBITDA is adjusted for non-recurring special effects. All items that are not attributable to the period from an operational perspective and that have a significant impact on EBITDA are adjusted. These non-recurring special effects include project costs for business model and process optimisation, personnel-related matters, acquisitions and integration costs, capital market financing and M&A activities as well as other special effects that distort the sustainable result for the period. These are composed as follows:

T20

Non-recurring special effects

€ million	01.01–31.12.2021	01.01.–31.12.2020
Project costs for business model and process optimisation	9.4	3.6
Personnel-related matters	5.0	4.9
Acquisition and integration costs	80.0	1.2
Capital market financing and M&A activities	2.5	4.5
Others special effects	5.8	0.8
Non-recurring special effects	**102.7**	**15.0**

The acquisition and integration costs of EUR 80 million result primarily from the purchase of the 13 companies of the Adler Group. This purchase was recognised as a business combination in accordance with IFRS 3 and all ancillary acquisition costs are therefore to be expensed, in particular the real estate transfer tax of EUR 65.3 million. Other special effects include the donation of EUR 5.0 million to the "Your Home Helps" foundation which was made in connection with the aforementioned property acquisition.

Net income from the disposal of investment properties

In 2021, net income from the disposal of investment properties is composed as follows:

T21

Net income from the disposal of investment properties

€ million	unaudited Q4 2021	unaudited Q4 2020	01.01. – 31.12.2021	01.01. – 31.12.2020
Income from the disposal of investment properties	3.6	18.1	31.8	48.2
Carrying amount of the disposal of investment properties	–3.6	–18.1	–31.8	–48.4
Costs of sales of investment properties sold	–0.3	–0.4	–1.0	–1.1
Net income from the disposal of investment properties	**–0.3**	**–0.4**	**–1.0**	**–1.3**
Valuation gains induced by disposals (included in net income from the remeasurement of investment properties)	0.4	0.3	1.6	0.9
Adjusted net income from disposals	**0.1**	**–0.1**	**0.6**	**–0.4**

Disposals of investment properties decreased in the reporting period.

Income from disposals came to EUR 31.8 million (previous year: EUR 48.2 million). This decline in sales proceeds is attributable chiefly to two block sales in the 2020 financial year.

Net income from the remeasurement of investment properties
Net income from the remeasurement of investment property amounted to EUR 1,863.7 million in the reporting year (previous year: EUR 1,170.4 million). Based on the property portfolio at the beginning of the financial year (EUR 14,582.7 million) and taking into account the valued purchases (EUR 279.5 million), this corresponds to an increase of 12.5 % (previous year: 9.4 %).

The average value of residential investment property (including IFRS 5 properties and acquisitions) was EUR 1,706 per square metre as at 31 December 2021 (previous year: EUR 1,503 per square metre) including acquisitions and EUR 1,734 per square metre (previous year: 1,504 per square metre) not including acquisitions. The average portfolio value thus rose by 15.4 % in the financial year (previous year: 11.2 %).

The increase in the value of the portfolio is largely a result of the positive development of in-place rents and the reduction in the discount and capitalisation rate.

The EPRA Net Initial Yield is calculated on the basis of the annualised net cash rental income of the financial year divided by the gross market value of the residential property portfolio. The topped-up net initial yield results from an adjustment of the annualised net cash rental income for the costs of rental incentives granted.

T22

EPRA net initial yield

€ million	31.12.2021	31.12.2020
Residential investment properties	17,978.5	14,350.7
Assets held for sale	32.3	21.6
Market value of the residential property portfolio (net)	18,010.8	14,372.3
Estimated incidental costs of acquisition	1,765.1	1,401.7
Market value of the residential property portfolio (gross)	19,775.9	15,774.0
Annualised net cash rental income of the financial year	743.9	633.1
Cash income from operating and heating costs	348.9	286.2
Cash expenses from operating and heating costs	–360.7	–285.5
Annualised gross cash rental income of the financial year	732.1	633.8
Annualised maintenance expenses	–80.5	–63.5
Vacancy and non-allocable operating costs	–7.0	–5.2
Legal and consulting costs	–3.9	–3.2
Property manager fee owners' association	–0.4	–0.4
Annualised property expenses	–91.8	–72.3
Annualised net cash rental income of the financial year	640.3	561.5
Adjustments for rental incentives	4.7	4.5
Topped-up annualised net cash rental income of the financial year	645.0	566.0
EPRA Net Initial Yield in %	**3.2**	**3.6**
EPRA topped-up Net Initial Yield in %	**3.3**	**3.6**

Net income from the disposal of real estate inventory
In the past financial year, net income from the disposal of real estate inventory amounted to EUR 0.5 million. The remaining real estate inventory held as at 31 December 2021 amounted to EUR 0.2 million is land under development.

Net income from other services

T23

Other services

€ million	unaudited Q4 2021	unaudited Q4 2020	01.01. – 31.12.2021	01.01. – 31.12.2020
Income from other services	3.5	2.8	13.6	12.2
Expenses in connection with other services	–2.8	–3.0	–7.9	–8.0
Net income from other services	**0.7**	**–0.2**	**5.7**	**4.2**

Other services include electricity and heat fed to the grid, IT services for third parties and management services for third-party properties.

Operating earnings from the electricity and heat generated improved on the previous year, which saw a lengthy audit that resulted in downtime for the biomass heating plant.

Administrative and other expenses

Administrative and other expenses are composed as follows:

T24

Administrative and other expenses

€ million	unaudited Q4 2021	unaudited Q4 2020	01.01. – 31.12.2021	01.01. – 31.12.2020
Other operating expenses	–91.2	–3.7	–104.1	–16.0
Employee benefits	–6.6	–7.6	–26.7	–23.6
Purchased services	–0.6	–0.4	–1.5	–1.6
Depreciation and amortisation	–1.2	–22.1	–4.1	–25.2
Administrative and other expenses	**–99.6**	**–33.8**	**–136.4**	**–66.4**
Depreciation and amortisation	1.2	22.1	4.1	25.2
Non-recurring special effects in administration	88.8	1.1	96.2	8.0
Recurring administrative and other expenses	**–9.6**	**–10.6**	**–36.1**	**–33.2**

The main driver for the increase in other operating expenses is the incidental costs of the acquisition of the Adler companies (primarily the real estate transfer tax of EUR 65.3 million).

In addition, staff costs in 2021 were characterised by Corona bonus payments, hirings, restructuring within the Group and a third management board member as at 1 July 2020. Thus the adjusted administrative expenses increased year on year by EUR 2.9 million or 8.7 %.

Net finance earnings

T25

Net finance earnings

€ million	unaudited Q4 2021	unaudited Q4 2020	01.01. – 31.12.2021	01.01. – 31.12.2020
Interest income	1.2	1.8	1.3	1.9
Interest expenses	–37.2	–31.1	–121.7	–102.2
Net interest income	**–36.0**	**–29.3**	**–120.4**	**–100.3**
Net income from other financial assets and other investments	3.0	1.7	6.4	3.5
Net income from associates	0.3	0.3	0.3	0.3
Net income from the fair value measurement of derivatives	–7.8	–0.1	–2.3	–43.8
Net finance earnings	**–40.5**	**–27.4**	**–116.0**	**–140.3**

Interest expenses increased by EUR –19.5 million year-on-year to EUR –121.7 million. This increase resulted largely from the corporate bond issued in the fourth quarter of 2021 with a nominal value of EUR 500.0 million, from the corporate bond issued in the first quarter of 2021 with a nominal value of EUR 500.0 million and increased by EUR 100.0 million to EUR 600.0 million in the fourth quarter and the corporate bond issued in the second quarter of 2021 with a nominal value of EUR 600.0 million. Interest expenses include interest expense from loan amortisation, which increased against the comparative period by EUR –4.8 million to EUR –20.4 million. In the reporting period this includes the measurement of the convertible and corporate bonds at amortised cost of EUR –16.2 million (previous year: EUR –7.2 million).

The early redemption of an interest rate derivative led to an increase in other interest expenses of EUR – 4.5 million in the reporting period.

The increase in net income from other investment securities and other equity investments essentially resulted from the measurement of the very small equity investments.

In the reporting period, net income from the fair value measurement of derivatives resulted primarily from changes in the fair value of embedded derivatives from the convertible bond of EUR 3.5 million (previous year: EUR – 43.6 million). The valuation of a derivative for the acquisition of further shares in BCP had an offsetting effect of EUR – 5.7 million (previous year: EUR 0.0 million) on the result. This is based on an agreement between LEG Grundstücksverwaltung GmbH and Adler Real Estate AG that, in the event of a public purchase offer by LEG Grundstücksverwaltung GmbH for shares in BCP, Adler Real Estate AG is obliged to deliver 63.0 % of the shares in BCP.

Year-on-year a further reduction in the average interest rate to 1.06 % was achieved as at 31 December 2020 (previous year: 1.33 %) based on an average term of around 6.5 years (previous year: 7.4 years). These key figures take into account a short-term, variable bridge financing to pre-finance the portfolio purchase from the Adler Group. Without taking the bridge financing, the average interest rate would have been 1.21 % and the average term of the liabilities would have been 7.5 years. would have been 7.5 years.

Income taxes

T26

Income tax expenses

€ million	unaudited Q4 2021	unaudited Q4 2020	01.01. – 31.12.2021	01.01. – 31.12.2020
Current tax expenses	– 1.1	0.0	– 4.5	– 2.9
Deferred tax expenses	– 134.8	128.1	– 409.5	– 27.6
Income tax expenses	**– 135.9**	**128.1**	**– 414.0**	**– 30.5**

As at 31 December 2021, the current effective Group tax rate was 19.4 % (previous year: 2.2 %). The low Group tax rate in the previous year was mainly due to the one-off effect of the first-time application of the so-called extended trade tax reduction at a large portfolio holding Group company.

The effective Group tax rate is characterised by the application of the so-called extended trade tax reduction.

The taxes on income related mainly to deferred tax liabilities on investment property resulting from the portfolio valuation.

For the 2021 financial year, expenses for current income taxes were EUR 4.5 million. There was a current tax charge of EUR 2.9 million in the previous year, with the slight change being due essentially to effects from other periods. As in the previous year, offsetting losses carried forward continued to result in lower taxation.

Reconciliation to FFO

The FFO I is the most important financial performance indicator for the LEG Group. 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). For further explanations, please refer to the segment reporting.

At EUR 423.1 million in the year under review, FFO I (not including net income from the disposal of investment property) was 10.4 % higher than in the previous year (EUR 383.2 million). The rise resulted from higher rents in connection with an expansion of the EBITDA margin from 74.4 % in the previous year to 74.9 %.

Despite higher interest expenses, the interest coverage ratio (ratio of adjusted EBITDA to cash interest expense and income) increased from 580 % in the previous year to 591 % in the reporting period with simultaneously increased net gearing (from 37.6 % to 42.8 %).

FFO I, FFO II and AFFO were calculated as follows:

T27

Calculation of FFO I, FFO II and AFFO

€ million	unaudited Q4 2021	unaudited Q4 2020	01.01. – 31.12.2021	01.01. – 31.12.2020
Net cold rent	174.2	162.8	683.9	627.3
Profit from operating expenses	–1.9	–1.3	–2.4	–2.5
Maintenance for externally procured services	–22.1	–24.9	–65.7	–62.3
Employee benefits	–26.4	–21.7	–87.9	–75.4
Allowances on rent receivables	–4.5	–5.0	–10.3	–10.6
Other	–1.2	3.0	16.0	9.5
Non-recurring special effects (rental and lease)	1.9	3.8	6.4	7.0
Recurring net rental and lease income	**120.0**	**116.7**	**540.0**	**493.0**
Recurring net income from other services	**1.2**	**0.5**	**8.3**	**7.1**
Employee benefits	–6.6	–7.6	–26.7	–23.6
Non-staff operating costs	–91.8	–4.0	–105.6	–17.6
Non-recurring special effects (admin.)	88.8	1.1	96.2	8.0
Recurring administrative expenses	**–9.6**	**–10.5**	**–36.1**	**–33.2**
Other income	0.0	0.0	0.0	0.0
Adjusted EBITDA	**111.6**	**106.7**	**512.2**	**466.9**
Cash interest expenses and income FFO I	–22.6	–20.8	–86.7	–80.5
Cash income taxes FFO I	0.1	0.6	–0.6	–1.4
FFO I (before adjustment of non-controlling interests)	**89.1**	**86.5**	**424.9**	**385.0**
Adjustment of non-controlling interests	–0.2	0.0	–1.8	–1.8
FFO I (after adjustment of non-controlling interests)	**88.9**	**86.5**	**423.1**	**383.2**
Adjused net income from disposals	0.2	–0.1	0.7	–0.4
Cash income taxes from disposal of investment properties	–1.2	–0.6	–3.9	–1.5
FFO II (incl. disposal of investment properties)	**87.9**	**85.8**	**419.9**	**381.3**
CAPEX	–100.9	–87.7	–330.9	–290.4
Capex-adjusted FFO I (AFFO)	**–12.0**	**–1.2**	**92.2**	**92.8**

Net assets

Condensed statement of financial position

The condensed statement of financial position is as follows:

T28

Condensed statement of financial position

€ million	31.12.2021	31.12.2020
Investment properties	19,067.7	14,582.7
Prepayments for investment properties	23.4	43.3
Other non-current assets	594.4	221.6
Non-current assets	19,685.5	14,847.6
Receivables and other assets	155.6	77.7
Cash and cash equivalents	675.6	335.4
Current assets	831.2	413.1
Assets held for sale	37.0	21.6
Total assets	**20,553.7**	**15,282.3**
Equity	8,953.0	7,389.9
Non-current financing liabilities	7,367.0	5,377.7
Other non-current liabilities	2,335.0	1,650.5
Non-current liabilities	9,702.0	7,028.2
Current financing liabilities	1,518.1	491.3
Other current liabilities	380.6	372.9
Current liabilities	1,898.7	864.2
Total equity and liabilities	**20,553.7**	**15,282.3**

Investment properties increased largely as a result of acquisitions (EUR 2,310.2 million), remeasurement income (EUR 1,863.7 million) and value-enhancing modernisation measures (EUR 325.4 million), rising by EUR 4,485.0 million against the previous year. As at the reporting date, the share of total assets was 92.8 %.

Other non-current assets essentially reflect the change in goodwill. This saw an addition of EUR 271.1 million following the acquisition of the Adler companies. Moreover, the BCP shares were recognised for the first time with a carrying amount of EUR 85.4 million.

Short-term financial investments (+ EUR 40.0 million) and the deferral of prepaid operating costs (+ EUR 18.6 million) significantly determined the development of the receivables and other assets.

The development of equity since 31 December 2020 was primarily due to the capital increase of EUR 86.8 million, the net profit for the period of EUR 1,750.1 million and the dividend payment of EUR 272.5 million.

Financial debt increased by EUR 1,693.3 million as a result of the bonds issued. In addition, new loans of EUR 1,498.2 million were utilised including bridge financing to acquire the portfolio from the Adler Group of EUR 1,400 million and repayments of EUR 238.9 million were made.

Driven primarily by net income from the measurement of investment property, deferred tax liabilities (shown under other non-current liabilities) rose by EUR 629.4 million to EUR 1,985.4 million.

The EUR 65.6 million increase in other non-current liabilities can be attributed mainly to the change in the maturity recognition of derivatives for the convertible bond issued in 2017.

EPRA Net Tangible Asset (EPRA NTA)
Further key metrics relevant in the property industry are EPRA NRV, NTA and NDV. LEG Immo has defined the EPRA NTA as the significant key figure. Another financial indicator is the EPRA NTA per share.

LEG Immo reports an EPRA NTA of EUR 11,149.1 million or EUR 146.10 per share as at 31 December 2021. Deferred taxes on investment properties are adjusted by the amount attributable to LEG Group's planned property sales. The acquisition costs are not considered. The key figures are presented exclusively on a diluted basis.

T29

EPRA NRV, EPRA NTA, EPRA NDV

	31.12.2021			31.12.2020		
€ million	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NRV	EPRA NTA	EPRA NDV
Equity attributable to shareholders of the parent company	**8,927.9**	**8,927.9**	**8.927.9**	**7,365.6**	**7,365.6**	**7,365.6**
Hybrid instruments	455.7	455.7	455.7	464.3	464.3	464.3
Diluted NAV at fair value	**9,383.6**	**9,383.6**	**9.383.6**	**7,829.9**	**7,829.9**	**7,829.9**
Deferred tax in relation to fair value gains of IP and deferred tax on subsidised loans and financial derivatives	2,056.5	2,044.8	–	1,431.3	1,417.4	–
Fair value of financial instruments	95.2	95.2	–	102.7	102.7	–
Goodwill as a result of deferred tax	–267.3	–267.3	–267.3	–55.9	–55.9	–55.9
Goodwill as a result of synergies	–	–103.4	–103.4	–	–43.7	–43.7
Intangibles as per the IFRS balance sheet	–	–3.8	–	–	–2.8	–
Fair value of fixed interest rate debt	–	–	–307.4	–	–	–443.0
Deferred taxes of fixed interest rate debt	–	–	59.5	–	–	87.2
Revaluation of intangibles to fair value	–	–	–	–	–	–
Estimated ancillary acquisition costs (real estate transfer tax)[1]	1,843.9	–	–	1,421.7	–	–
NAV	**13,111.9**	**11,149.1**	**8.765.0**	**10,729.7**	**9,247.6**	**7,374.5**
Fully diluted number of shares	**76,310.308**	**76,310.308**	**76.310.308**	**75,534.292**	**75,534.292**	**75,534.292**
NAV per share	**171.82**	**146.10**	**114.86**	**142.05**	**122.43**	**97.63**

[1] Taking the ancillary acquisition costs into account would result into an EPRA NTA of EUR 12,980.1 million or EUR 170.10 per share.

Loan-to-value ratio (LTV)
Net debt in relation to property assets increased in the reporting period, largely due to the debt financing of the portfolio acquisitions.

As a result of the transition to IFRS 16, financial liabilities are corrected by lease liabilities, whose corresponding right of use is not reported as investment properties.

The loan-to-value ratio (LTV) is therefore EUR 42.8 % (previous year: 37.6 %).

T30

Loan-to-value ratio

€ million	31.12.2021	31.12.2020
Financing liabilities	8,885.1	5,869.0
Without lease liabilities IFRS16 (not leasehold)	27.4	30.8
Less cash and cash equivalents	675.6	335.4
Net financing liabilities	**8,182.1**	**5,502.8**
Investment properties	19,067.7	14,582.7
Assets held for sale	37.0	21.6
Prepayments for investment properties	23.4	43.3
Prepayments for acquisitions	1.8	–
Real estate assets	**19,129.9**	**14,647.6**
Loan-to-value ratio (LTV) in %	**42.8**	**37.6**

Financial position

Financing structure
The Group generated a net profit for the period of EUR 1,724.7 million (previous year: EUR 1,364.5 million). Equity amounted to EUR 8,953.0 million (previous year: EUR 7,389.9 million). This corresponds to an equity ratio of 43.6 % (previous year: 48.4 %).

A cash dividend of EUR 185.6 million was paid from cumulative other reserves in the reporting year.

Statement of cash flows
The condensed statement of cash flows of LEG Immo for 2021 is as follows:

T31

Statement of cash flows

€ million	01.01. – 31.12.2021	01.01. – 31.12.2020
Cash flow from operating activities	353.7	326.1
Cash flow from investing activities	−2,751.9	−1,332.2
Cash flow from financing activities	2,738.4	890.3
Change in cash and cash equivalents	**340.2**	**−115.8**

Cash and cash equivalents increased year on year from EUR 335.4 million by EUR 340.2 million to EUR 675.6 million.

Higher proceeds from net cold rent had a positive effect on the development of cash flow from operating activities. Overall, cash flow from operating activities therefore increased by EUR 27.6 million year-on-year to EUR 353.7 million.

Acquisitions and modernisation work on the existing property portfolio resulted in payments of EUR 1,348.7 million reported in cash flow from investing activities. There are also cash payments for investments in intangible assets and property, plant and equipment of EUR 11.3 million, of EUR 1,283.7 million for the purchase of shares in a fully consolidated company, others financial assets of EUR 100.7 million and EUR 44.7 million for the short-term investment of financial resources. This was offset by cash proceeds from property disposals of EUR 37.2 million.

The utilisation of new loans in the amount of EUR 1,498.2 million including the bridge financing of EUR 1,400.0 million for the acquisition of the Adler portfolio, repayments of EUR 238.9 million, and the issue of a corporate bond of EUR 1,678.0 million impact cash flow from financing activities. In 2021, the dividend payment increased by EUR 13.2 million to EUR 185.6 million.

The LEG Group was solvent at all times in the past financial year.

In respect to events after the reporting period, please refer to the notes to the > consolidated financial statements.

Risks, opportunities and forecast report

Risk and opportunity report

Governance, risk & compliance

Standard process for integrated management of corporate risks
LEG regularly reviews opportunities to promote the development and growth of the Group. In order to take advantage of opportunities, risks may also have to be taken. It is therefore essential that all key risks are recognised, assessed and professionally managed. As part of its responsible handling of risk, a Group-wide structure for the identification, management and controlling of risks has been implemented. Central components of this are the risk management system (RMS) and the internal control system (ICS).

Accounting process/internal control system
In 2012, LEG established an internal control system in line with the relevant legal provisions and industry standards that comprises principles, procedures and measures aimed at ensuring proper accounting and procedures. Regarding the accounting process, the aim and purpose of the internal control system is to ensure the application of statutory requirements and the correct and complete recording of all transactions. Regarding business processes, which are divided into strategic, core business, operational and central support processes, the ICS ensures that all recurring transactions are recorded and presented accurately, completely and in accordance with statutory requirements in addition to being verified and updated on an ongoing basis.

The internal control system has the following objectives:

- Fulfilment of and compliance with the legal provisions and guidelines applicable to LEG
- Ensuring the regularity, completeness and reliability of internal and external accounting
- Targeted monitoring of business processes
- Ensuring the effectiveness and economic viability of business activity (in particular the protection of assets, including the prevention and identification of asset losses)

The ICS is constantly being expanded and optimised to meet business process requirements. Various processes have been revised or supplemented in the context of regular updates. Process descriptions are reviewed by the Legal, Internal Audit, Compliance, Governance Bodies and Human Resources department for appropriate ICS audit steps and the prevention of incentives to non-compliance prior to their implementation.

LEG's Internal Audit conducts process-independent audits to monitor the effectiveness of the internal control system. On this basis, the Supervisory Board or the Risk and Audit Committee of the Supervisory Board review the functionality of the internal control system with respect to the accounting process.

The key features as regards the (consolidated) accounting process are summarised as follows:

LEG has a clear and transparent organisational, control and management structure. The duties within the accounting process are clearly defined and explicit roles are assigned. Self-control, the dual/multiple control principle, the separation of functions and analytical audit procedures are central elements in the accounting process.

- The accounting process is aided by standard software in that IT authorisations reflect the authorities described in the guidelines and thereby guarantee system control.
- There is integrated central accounting and central controlling for the key Group companies.
- The uniform Group-wide accounting, account assignment and measurement criteria are regularly examined and updated.

Compliance management
Compliance is a key element of responsible and successful corporate governance at LEG. LEG has an interest in ensuring the trust of its tenants, customers, business partners, employees, shareholders and the public in its corporate governance. LEG's compliance management system (CMS) is designed with this in mind. In particular, it includes the following elements:

Declaration of fundamental values
LEG's declaration of fundamental values describes the company's objective and strategy, as well as the values that form the basis of LEG's work with customers, employees, investors, business partners and society.

Code of Conduct
LEG's Code of Conduct describes its declaration of fundamental values in more detail and translates the values set out here for everyday business into regulations for the conduct of our employees. It contains regulations for areas such as ethics, compliance, corruption prevention, conflicts of interest, data protection, discrimination and the protection of company property as well as for political and social discussion and donations and applies to everyone who works for LEG. Details on these standards of conduct can be found in internal Group rules and guidelines, which are published on the intranet.

Guidelines, especially guidelines aimed at preventing corruption, human rights abuses and conflicts of interest
Group-wide guidelines include, in particular, guidelines aimed at preventing corruption and conflicts of interest. These serve to promote integrity among employees and avoid corruption and conflicts of interest. The guidelines explain the terms integrity and conflict of interest, as well as explaining and defining bans related to bribery and corruption. The objective of the guidelines is to make employees aware of the development and risks of situations that are susceptible to corruption in all areas of the LEG Group and to clarify the applicable compliance requirements.

They therefore help prevent corruption. It is the responsibility of every employee and manager to comply with these guidelines. There is a zero-tolerance-policy in place. Other guidelines that are mandatory for all employees concern the topics employees and diversity, whistle-blower, environmental and water and respect for human rights.

Business Partner Code

LEG's Business Partner Code is agreed with business partners, is binding and sets out collaboration principles to guarantee integrity, reliability and economically and ethically sound standards of conduct as well as standards regarding environmental protection.

Based on these fundamental provisions, the CMS bundles measures intended to ensure compliance with legal provisions and internal guidelines. CMS measures include frequent and ad hoc training sessions for employees. All new LEG employees receive compliance and data protection training. In the future, all employees will also receive annual online training sessions in these areas on LEG's learning platform, die Akademie. The LEG CMS also features an electronic whistle-blower system that employees and third parties can use to report potential compliance violations around the clock, remaining anonymous if they choose to do so. All information is carefully investigated and appropriate measures are taken if violations are detected.

The regular analysis of compliance risks in combination with the early recognition of significant business and litigation risks, and the corresponding countermeasures, are at the heart of the CMS.

LEG has appointed a Compliance Officer to head up the CMS. The Compliance Officer assists executives in ensuring compliance. He is also in charge of employee compliance training and advice. At regular meetings, the heads of Internal Audit, Law and Human Resources departments discuss the design of the compliance management system. Permanent benchmarking against other compliance management systems and independent assessment by external experts also serve to ensure the continuous development and improvement of the CMS. In 2019, LEG's CMS was certificated by the Institute for Corporate Governance in the German Real Estate Industry. Following a successful repeat audit, the certificate was awarded again in the reporting year.

Compliance is assigned to the Legal, Internal Audit, Compliance, Governance Bodies and Human Resources department, whose head reports directly to the CEO of LEG.

The Risk and Audit Committee of the Supervisory Board discusses the topic of compliance on a regular basis and reports to the Supervisory Board accordingly. In the event of urgent notification of serious cases, the Management Board and the Supervisory Board committees are promptly informed of significant developments in the area of compliance.

Risk Management

LEG Immobilien SE has a Group-wide risk management system (RMS). A key component of LEG's risk management system is the Group-wide risk early warning system. This system is supported by the Risk2Chance (R2C) IT tool.

The coordination and monitoring of the overall system, the organisation of processes, methodological approach and responsibility for the IT tool used fall within the purview of Controlling and Risk Management. The organisational structure that has been implemented and regular consultation with the Planning, Reporting, Accounting, Project Management and Internal Audit departments thus allows uniform, traceable, systematic and consistent procedures. As such, the conditions have been created to identify, analyse, assess, control, document, communicate and track the development of risks. The risk early warning system satisfies the general legal conditions and ensures audit security.

LEG's risk early warning system was examined by an auditing company regarding the requirements of the German Stock Corporation Act as part of its audit of the annual financial statements. The audit found that the Management Board has taken the measures prescribed by section 91 (2 and 3) AktG on establishing an appropriate risk early warning system and that the risk early warning system is suitable for identifying developments that could jeopardise the continued existence of the company at an early stage.

The risk management system in place is subject to a constant process of development and optimisation to adapt it to new internal and external developments. For instance, further methodological optimisation was implemented in the financial year. One particularly key aspect here is the introduction of triangular distribution (risks are shown divided into three scenarios). This did not result in any changes to this Group management report compared to the previous year as the previous risk potential represents the basis scenario, which is also shown in this Group management report. A risk-bearing capacity concept was also established in the last financial year. This implemented all the new requirements under the IDW audit standard 340 (new version), which was confirmed by a separate external audit of the risk early warning system commissioned by LEG's Audit department (audit in accordance with DIIR Audit Standard no. 2). Following the interface between the LEG sustainability report and the LEG risk management report introduced in the previous year, TCFD risks (Task Force on Climate related Financial Disclosures) were also integrated into the risk early warning system. These undergo a monetary valuation and will also be reported to the Management Board and Supervisory Board in the future.

At an operating level, the results of the quarterly risk inventories are reported to the decision-making and supervisory committees. The Management Board and Risk Management also discuss the assessment and management of the risks identified and resolve and implement changes as necessary. In addition to the quarterly risk reports to the Management Board, material risks with a potential net loss of EUR 0.2 million or more (in the basis scenario) must be immediately reported to the Management Board.

Risk mitigation measures are also applied. In addition to the provisions based on the IFRS regulations, these particularly include building insurance (e.g. burst pipes, extreme weather, natural events). As well as these building insurance policies, various compliance issues are also insured.

The risk inventory reports derived from the risk inventories also include a so-called trend radar for an early recording of potential strategic chances. The foundation for all reporting are the risk inventories, for which the uniform, traceable, systematic and permanent procedures are based on the following assessment content and schemes for risks.

Assessment content/schemes for internal risk reporting

In a uniform risk catalogue system – broken down by categories and their subcategories – risks are calculated and assessed by the risk owners as part of a non-central, bottom-up analysis. The risk catalogue comprises both strategic and operational risks. To help substantiate and prioritise risks at LEG, they are assessed and classified according to net liquidity impact and probability of occurrence. The benchmark for assessing and classifying the potential impact is the effect on liquidity and the income statement according to the current business planning. The individual risk assessment is therefore always based on the corresponding change in liquidity and the income statement of the five-year business plan adopted by the Supervisory Board.

LEG uses a risk assessment matrix consisting of four categories for the liquidity impact of risk notifications (Y-axis). A risk assessment model with four groups has also been established for probability of occurrence (X-axis).

The individual groups for assessing the impact on liquidity are as follows:

a) Low: net impact between EUR 0.0 million and EUR 0.5 million
b) Moderate: net impact between EUR 0.5 million and EUR 2.25 million
c) High: net impact between EUR 2.25 million and EUR 11.25 million
d) Severe: net impact upwards of EUR 11.25 million

The categories for the probability of occurrence are as follows:

a) Extremely high: 50 % ≤ x < 100 %
b) High: 20 % ≤ x < 50 %
c) Low: 5 % ≤ x < 20 %
d) Extremely low: 0 % < x < 5 %

This model forms the basis for an assessment matrix that uses a traffic light system (red, yellow, green) to classify the individual risk notifications:

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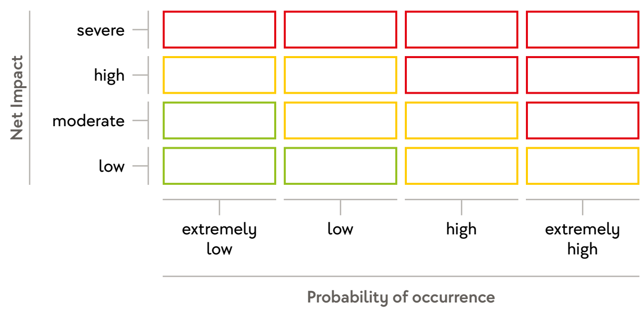
Risk matrix



Overall assessment of risks and opportunities

General risks such as macroeconomic risks and market risks are first discussed below. Continuing from the overall risks, those risks that the company feels are particularly relevant for the next two years are then discussed (net effect on liquidity of over EUR 2.25 million, regardless of the probability of occurrence, basis scenario). At the time of preparing this report, the Management Board did not expect any risks to the continued existence of the LEG Group as a whole for the 2023 and 2022 financial years or for the entire five-year planning horizon/risk identification period.

The LEG Group's material opportunities are listed and discussed after this reporting. These are based on the trend radar (part of the risk inventory report to the Management Board). This section includes material opportunities that can be influenced by LEG. Purely social and/or political opportunities are not discussed. As well as conventional growth and acquisition opportunities, these chiefly include the areas of digitalisation/robotic process automation and carbon neutrality (including energy efficiency upgrades, expansion and use of green energy). All three areas are already focal points for LEG but they will also continue to play an important role in the medium and long term.

Risk reporting

Macroeconomic risks

The German property market is influenced by general economic factors beyond LEG's control. The development of the domestic and international business, and of the financial markets as well, can therefore give rise to risk factors for LEG's business model.

German economic output recovered after the downturn seen in the previous year as a result of the Covid-19 pandemic. This was bolstered primarily by global economic stimulus programmes and monetary policy measures taken by central banks, which helped the German economy, an export nation, at least partially recoup the losses it suffered due to the pandemic. Nevertheless, economic output in Germany and many of its trading partners remained well below pre-pandemic levels. In particular, new coronavirus variants repeatedly resulted in full or partial lockdowns of varying intensity and duration across the world, delaying or slowing the economic upturn. Since mid-2021, disruptions to global value chains for certain goods such as microchips have been creating turbulence for supply chains around the world. These supply chain problems, as well as higher commodities prices as a result of rising economic output, resulted into higher inflation rates and prompted worries about inflation around the world in 2021.

Germany's overall economic performance is expected to continue to improve in 2022. The extent of this improvement will depend primarily on how the global pandemic develops moving forwards and how successful vaccinations continue to be.

Alongside structural change in certain industries such as the automotive industry, which is causing the shift towards e-mobility, the Climate Change Act and the requirements of the EU Taxonomy in particular are driving structural change in almost all areas, chiefly in the energy sector, industry, transport and the property industry. This will have to mean a significant increase in labour immigration in order to achieve the existing targets. This could have a positive effect on the demand for affordable housing offered by LEG.

However, in addition to a deterioration in the overall economic environment, for example if the pandemic worsens again, structural pressure to change can also lead to a poorer overall economic situation. This could have a negative impact on the German labour market and the income of private households, and thereby adversely affect LEG's letting business.

In the long-term, unfavourable demographic trends could also weaken domestic demand and lead to shortages on the labour market. Furthermore, there is the risk of rising interest rates on the financial markets. A significant increase in interest rates could have a negative impact on the valuation of properties and, in the medium term, on LEG's financing conditions as well.

When it comes to the megatrend of digitisation, employment and income opportunities are likely to outweigh the risks in the long run. Digitisation also presents opportunities for LEG's business model with regard to increasing efficiency. The megatrend of climate change may give rise to both risks and opportunities for LEG's business activities. Further opportunities lie in a significant acceleration of the global and European economy and in immigration and the resulting increase in demand for affordable housing on the German property market.

Market risks

The majority of LEG's property portfolio is located in Germany's most populous state, North Rhine-Westphalia (NRW). Over the last few months, properties have also been acquired in other states, primarily Lower Saxony, Schleswig-Holstein and Bremen. The Group's strategic guideline also aims to generate further growth in Germany as a whole.

Key drivers of demand for housing include changes in the population and the number of households in the respective regions. As the LEG portfolio is spread across many geographical areas, there are occasionally considerable differences here, especially when it comes to the distribution of demand between urban and more rural regions. The price trend in recent years has made housing in cities and surrounding areas much less affordable, which is increasingly leading to shifts to alternative locations. Accordingly, the fact that LEG operates in many areas allow it to benefit from the shift to other locations if prices or demand decline in certain areas.

Various internal and external data sources are used to monitor the opportunities and risk profiles in various markets on an ongoing basis. The main external data sources include publications by the state statistical offices and the Federal Statistical Office as well as independent market reports from analysis companies, intermediaries, banks, associations and service providers. Internal analyses work on a system of key performance indicators based on the Group data warehouse.

As part of the decision-making process for investments, forecasts are prepared regarding future market development at the location and for the property market as a whole. If this forecast is positive, the probability of investment is higher. However, the market development forecast is only one of many parameters that affect the investment decision, alongside the technical requirements of the properties and the management requirements.

Property asset valuation risks

The property asset valuation, which is currently conducted twice a year, is based on several different input factors that are derived from independent market and forecast data where possible.

Parameters for which no independent data is available that is suitable for use in the valuation rely on estimates and are thus subject to inaccuracies. Key parameters on the basis of external data are the discount rate, standard market rents, macro and micro situation assessments, standard market levels of structural vacancies, official indicative land values and inflation forecasts.

The parameters to assess the technical condition of properties and the weighting of various valuation parameters cannot be entirely objective and so are influenced by subjective judgements. In particular, forward-looking parameters and assessments are by their nature subject to a higher risk of incorrect assessments, even though the basis data is gathered with the utmost care. These incorrect assessments may have either a positive or a negative effect on the value of the property.

Transactions actually made on the market, which can be used as a benchmark for the company's own calculations, are relevant for the valuation. As there is a time lag between when the sale is notarised, when the transaction closes and when transaction data is published in official market reports, under some circumstances the market may have already entered a substantial correction phase even though the published data is still showing a price increase. LEG attempts to minimise the risk of an incorrect assessment of this nature by permanently monitoring market developments and maintaining constant dialogue with relevant market players.

Investment in property as an asset class is in competition with forms of investment such as equities and bonds, as well as with alternative investments including cryptocurrencies, precious metals and venture capital. As such, a relative increase in the attractiveness of other forms of investment (e.g. due to yield or liquidity advantages) may have a negative impact on demand and thus on the development of property prices. The more suddenly and unexpectedly demand for other forms of investment increases, the stronger the effects on competing forms of investment are likely to be, meaning that – depending on the strength of correlation with the price trend – this may result in both significant rises and significant declines in prices.

The property industry is currently in a long-term cycle. Dynamic price developments in the past cannot be easily extrapolated for the future. Permanently monitoring property and capital markets allows LEG to estimate the current phase of the cycle. This helps it weigh up opportunities and risks over various periods of time.

Risk categorisation

LEG classifies the identified individual risks based on main risk categories and risk subcategories. The following comments therefore generally refer to the individual risks in the respective main risk categories and risk sub-categories.

Individual risks that would have a net effect on liquidity of over EUR 2.25 million within the two years (2022/2023) if they occurred are considered relevant (regardless of how likely they are to occur). The risk categories in which such individual risks exist are shown in the table below. If the individual risks identified are eligible for provisions and have an "extremely high" probability of occurrence, a provision was recognised as at 31 December 2021.

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Risk categories

Main risk category	Subcategory	Net liquidity impact	Probability of occurrence
General business risks	Communication & image	High	Low
Compliance risks	Other	Severe	Extremely low
Property risks	Portfolio control	Severe	Low
	Property management	High	Extremely high
Finance	Prolongation risk	Severe	Extremely low
	Breach of covenants	High	Extremely low
	Liquidity risk	High	Low
Accounting	No relevant individual risks	–	–
Tax risks	Taxes and levies	Severe	Extremely low
Human resources risks	Other	High	Extremely high
Legal risks	Liability/insurance risks	Severe	Low
	Changes in law	High	High
	Data protection	Severe	Low
Information and communication risks	System security/ technology	High	Low
Project business risks	General project risks	High	Low
TCFD risks	No relevant individual risks	–	–
Sustainability risks	No relevant individual risks	–	–

Barring a few exceptions, the risk situation is the same as in the previous year. There is no relevant individual risk within the accounting, TCFD risks and sustainability risk main risk categories.

In general business risks, the risk of unpredictable external/internal events for which LEG is not responsible was increased (image/reputation risks).

The risk situation for compliance risks is unchanged against the previous year.

Regarding property risks, one risk was added to commercial property management risk. This is the risk of potentially unpredictable developments on the housing market that could have a negative effect on the economic viability of investments in modernisation.

In the area of financial risks, one risk regarding the technical integration of purchased property portfolios in the system was upgraded. Higher acquisition targets could result in potential rent collection delays if there are technical problems with system integration.

The risks from the "breach of covenants" subcategory were downgraded compared to the previous year. The risks from the "rollover" subcategory are unchanged against the previous year.

In the "tax risks" category, the risk of property tax due to the acquisition of shares in the "taxes and levies" subcategory was downgraded compared to the previous year, from a low to very low probability of occurrence.

In the "human resources risks" category (subcategory "other"), the previous year's risk of subsequent assessment of social security contributions (Sozialkasse Bau) was increased concerning its impact.

In the legal risks category, the probability of occurrence for liability/insurance risks (breach of insider trading rules) is considered low, as in the previous year.

There are no changes to the risks from the "changes in the law" subcategory. The previous year's risk of a nationwide rent cap has changed in terms of content. In the coalition agreement between the SPD, the Greens and the FDP, various changes to the law were agreed (including lowering the cap, extending the rent brake, increased and legally secure use of qualified rent indexes). The risk of a nationwide rent cap was thus replaced by various individual measures. Compared to the previous year, this leads in its potential impact to a reduction in the probability of occurrence to the classification "high".

One risk from the "changes in the law" subcategory (apportionability of basic TV provision) occurred in 2021. By deleting Section 2 No. 15 b of the BetrKV, the apportionment of fees for basic TV provision is no longer possible after 30 June 2024 under tenancy law.

In the data protection subcategory, the potential impact of the data protection risk was upgraded from high to severe. The probability of occurrence remains low.

In the information and communication risks category, the risk of cyber attacks was downgraded due to an existing insurance policy and the system security risk (business interruption due to lack of IT support) was upgraded slightly.

In the category of project business risks, one risk (dependency on individual general contractors for construction projects) was recorded for the first time.

In addition to the tabular presentation of the individual risks, the main risk categories of LEG's business model, based on the risk inventory of 31 December 2021, are explained in more detail below regardless of their valuation levels.

General business risks

Under the LEG risk assessment matrix, general business risks are a main risk category that contains relevant individual risks.

In view of the global effects of the coronavirus pandemic on the economy and society, all current forecasts can be made only with a considerably higher degree of uncertainty. This applies particularly in the context of international links and interrelations between the financial markets, the real economy and political decisions, which each individually have an influence on the economic effects of the pandemic already, but when combined are impossible to assess with any certainty ex ante. Recent experience shows that it not possible to reliably estimate how long the Covid-19 pandemic will continue to impact day-to-day business. As in the 2020 reporting year, the following sections are therefore based on the fundamental premise that the pandemic represents a temporary incident:

Quarantine and health risks

Due to intensive protective measures (e.g. home office regulations, provision of home tests, masks and disinfectants, introduction of purely digital processes to avoid contact; A/B working groups), the risk of infection for LEG employees is manageable. The crisis team that has been set up continuously monitors the incidence of infection and adapts the protective measures introduced at any time to the development of the pandemic.

After carefully weighing up the information currently available at LEG, we have come to the conclusion that the effects of the pandemic on the housing sector in Germany will be only temporary. With regard to our company in particular, the effects on the business performance and the intrinsic value of the real estate assets should be manageable, and there could even be opportunities for LEG in some cases. This conclusion was reached based on the expertise of our own employees, who have many years of experience in the housing market, informal discussions with colleagues from other housing companies and on analyses of publications, studies and position papers prepared by experts.

Development of property prices and demand

After the pandemic has been overcome, supply and demand for housing will still be the decisive factors for future price development. It can be assumed that the general conditions in terms of supply (only a slightly increasing number of completions) and demand (continued high level of migration to Germany, particularly in cities and densely populated areas) will continue.

Development of rent defaults and rent deferrals

Only a slight increase in rent defaults can be observed at present. This is partly due to the extensive state transfer payments and continued payment of wages by way of short-time work regulations. Due to the LEG-specific low level of commercial letting (area and net cold rent share below 3 %), potential rent defaults from commercial properties can be classified as insignificant.

Housing vacancies

Tenants may face financial hardship due to the Covid-19 pandemic and be forced to terminate their tenancy. No developments can be seen at present that would indicate higher vacancies. It is even conceivable that immigration from EU countries that are hard hit by the economic consequences of the pandemic could increase, as in the financial crisis in 2008/2009, creating additional demand for housing in the medium term. In the event of a severe recession, it could even prove to be an opportunity specifically for LEG that the company has a large number of affordable apartments and can thus benefit from increased demand for inexpensive housing in times of recession.

Compliance risks

Compliance risks are a relevant main risk category, which contains individual risks according to the LEG risk assessment matrix.

Compliance breaches can occur in particular where there are business, contractual or even personal relationships between employees of the LEG Group and outside persons. Irregular lease benefits can occur in letting business. Similarly, particularly on markets characterised by housing shortages, unfair practices can occur in the attempt to be given an apartment. These risks are countered by organisational measures. Examples of these are the use of standardised lease agreements, the stipulation of target rents and advising prospective tenants that there is no commission on LEG apartments.

Services rendered by third parties can involve orders or invoices that are not consistent with market standards. This can apply to any kind of service or consulting, such as maintenance, agency or financing services. In order to prevent fraud standardised agreements including anti-corruption clauses have been prepared. There is also a Code of Conduct that is binding for all LEG employees as well as a Business Partner Code that all contractual partners are expected to obey. A clear separation of functions between procurement and invoicing has also been introduced as a further organisational measure.

Property risks

Modernisation/maintenance risks

Modernisation/maintenance risks are a risk subcategory, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

Changing legal and regulatory frameworks can have a negative impact on the economic viability of modernisation work. Additional energy requirements, the duty to implement safety precautions and tenant protection regulations may necessitate technical work on buildings that had not previously been envisaged. Lead times for planning and, where applicable, permission for technical work mean that the monetary impact of expected changes can generally be well anticipated and taken into account in the business planning process.

In particular, safety measures require action to be taken at short notice if unforeseen events occur. In this case, a risk assessment is conducted immediately and appropriate measures are initiated to prevent risks to life and limb. The main causes of such events are natural hazards (flooding, fire, earthquakes, storms).

Larger-scale maintenance and modernisation work is generally carried out as part of construction projects. Accordingly, typical project risks occur, in particular regarding deadlines, costs and unforeseen events, which can result in a deterioration in planned profitability in the case of projects where rent increases are planned. Incorrect assessments, for example regarding the viability of planned rent increases, can also cause the economics of a project to deteriorate. Delays initially mean that rent increases are later to take effect than planned, but they can also have implications for the cost of a project, for example as a result of interim price increases or additional costs to maintain the construction site. Hardship provisions or formal errors in implementing modernisation-related rent increases can result in lower rent increases than originally planned. These risks are taken into account by way of intensive project controlling and by regularly involving external experts.

With the Federal Funding for Efficient Buildings (BEG), building owners have so far received support for the refurbishment of buildings that permanently save energy costs and thus protect the climate. Since 24 January 2022, no new applications can be submitted for all KfW programmes. For the time being, both promotional loans and grants for new buildings and refurbishments have been stopped. The absence of follow-up subsidies can have a negative impact on the yield on planned new build projects and on the energy-efficient refurbishment measures of existing buildings.

Property management

Property management is a risk subcategory, which contains relevant individual risks according to the LEG risk assessment matrix.

Technical risks may arise as a result of the quality, construction or age of the buildings under management. These risks may be more common for certain construction years or types of building. The result of this is higher maintenance expenses to ensure that the buildings can still be used. Particularly in the case of portfolio acquisitions, there is an increased risk that structural deficiencies may become noticeable only over time, despite careful technical inspection by internal and external experts. If contractual relationships are assumed with service providers in the context of acquisitions, the conditions agreed may be worse than contracts that the company negotiates itself.

Even existing maintenance contracts may see their price/performance ratio deteriorate over time compared to standard market conditions. The obligation to follow building regulations, in particular regarding safety and fire protection, may entail increased staff and maintenance costs.

To minimise the risks involved in technical management, LEG continues to focus its efforts on pooling and standardising services, optimising processes and integrated service management.

There are commercial property management risks in relation to poor implementation of rent adjustments. In particular, post-refurbishment rent adjustments are sometimes challenged by the public and may meet with resistance by tenants. Particularly in the case of portfolio acquisitions in which modernisation-related rent increases were implemented by the former owner, there is a risk that the agreed rent increases may not meet LEG's requirements. Despite careful review during the acquisition process, there may therefore be increased legal disputes with the resulting risks in the form of rent reduction claims.

Portfolio control

Portfolio risks are a relevant risk subcategory, which contains individual risks according to the LEG risk assessment matrix.

Permanently monitoring the portfolio in terms of technical and financial risks means that the company can respond to unexpected or unforeseen issues quickly. Regular property and safety inspections also help minimise risks.

If general economic conditions in Germany deteriorate substantially, tenants may be far less willing or able to pay. Changes to people's housing needs could also negatively affect demand for the housing LEG provides. Weaker demand can also materialise in individual locations or regions, over which LEG has little to no direct influence. LEG monitors these changes to the pattern of demand as part of its management processes and will adopt suitable measures if permanent changes are anticipated.

In terms of rental housing supply, increased competition – for example driven by new construction – can create housing of a similar or better quality at comparable or lower prices, which in turn puts pressure on LEG's vacancy rates. Permanently monitoring the competition on the basis of freely available market data and LEG'S local management expertise lowers these supply-side risks.

Risk of rent default

Risk of rent default is a risk subcategory, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

As a housing company, LEG is subject to the risk of lost rent. Precautions are taken to minimise this risk with standardised credit checks for rentals, and by identifying problematic leases as part of active receivables management. This also entails initiating appropriate countermeasures. The risk of loss of rent exists in individual cases. This risk is reflected in accounting by recognising allowances in an appropriate amount. As part of active receivables management, in 2021 LEG stepped up collaboration at the municipal level with expert bodies set up to prevent homelessness.

Acquisition risks

Acquisition risks are a risk subcategory, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

Acquisitions are subject to the structured acquisition process. Internal and external experts are involved in reviews, ensuring high-quality assessments of the quality of properties. Furthermore, this approach makes it possible to develop portfolio optimisation measures and their (rent) development. The reviews also ensure that the required human resources and financing options are identified.

In addition to the risk of incorrect assessments during the acquisition, there is a risk that relevant information comes to light only after the acquisition has been concluded. The risk here is that this information will negatively affect economic assumptions and thus impact the evaluation and/or profitability of properties. As far as possible these risks are safeguarded against on the basis of guarantees or declarations by sellers in purchase agreements with guarantors of sufficiently high credit standing or for which money is deposited in notarial accounts in individual cases. However, these guarantees are subject to minimum and a maximum total damage amount. If the seller either is unwilling to make the guarantee or has a poor credit rating that prevents it from doing so, matters relevant to an audit are subjected to an additional audit in order to identify any risks. There is also the opportunity that the properties acquired perform better than expected in terms of rent, quality and occupancy rate as a result of extensive rent and neighbourhood management by LEG.

In share deals, in which usually 89.9 % of the shares in the target property company are acquired, LEG has the obligation to find an investor for the remaining minority interest, or alternatively to take on this minority interest itself, by a fixed date. Under current legislation, the subsequent acquisition of the minority interest by LEG triggers property tax for the entire transaction, which is not generally part of the underlying business plan (see also the explanations under the category tax/taxes and levies).

Sales risks

Sales risks are a risk subcategory, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

LEG's sales activities primarily consist of privatisation of individual apartments and sale of individual properties for management and portfolio optimisation. In some individual cases, a property portfolio and/or an entire company that holds properties may also be sold. The structured sales process applied at LEG guarantees the safe selection of disposal portfolios, chiefly by involving a wide range of internal departments. Moreover, the process allows sustainable and open market placement of the properties to be sold and the selection of sound purchasers with strong credit ratings.

The main risk is that the planned purchase prices are not possible on the market. After sales have been made, guarantees can be violated leading to a subsequent reduction in the purchase price or, in the event of the buyer's failure to comply with contractual obligations, the rescission of agreements.

The currently high demand on the transaction market, even for opportunistic properties, is seen as an opportunity and can be leveraged to selectively sell properties that are not a good fit for LEG's core portfolio in the long term.

Finance

Prolongation risk

Prolongation risk is a risk subcategory, which contains relevant individual risks according to the LEG risk assessment matrix.

Rollover risk describes the risk that, when financing expires, follow-up financing cannot be prolonged or cannot be prolonged at the anticipated conditions, thereby necessitating the repayment of financing. This risk is limited at the LEG Group thanks to the long-term financing structure and the distribution of maturities over a period of several years. The rollover risk is also very minor thanks to the still good finance market environment at present.

Where appropriate, the rollover risk can be minimised by regularly reviewing existing financing and early refinancing. Loans were also repaid early and long-term financing agreements agreed in 2021 and financial instruments were issued such as bonds, including one sustainable bond, further minimising the rollover risk. Financing does not fall due for repayment and come up for renewal in high volumes until 2024.

LEG has access to a broad spectrum of financing instruments on the bank, capital and money markets. In addition, LEG has sufficient cash and cash equivalents and credit facilities at its disposal to minimise refinancing risks.

Breach of financial covenants

Breach of financial covenants is a risk subcategory, which contains relevant individual risks according to the LEG risk assessment matrix.

Failure to comply with contractually agreed financial covenants can lead to the risk of extraordinary termination of financing agreements. Such termination may also entitle other creditors to terminate their financing agreements early under the contractually agreed cross-default regulations. A breach of financing agreements can also lead to higher interest payments, special repayments or the realisation of the collateral provided. In the event of a failure to comply with covenants, this may result in access to the pledged rental accounts of the respective financing portfolios, which could negatively impact the LEG Group's cash flow generation.

An internal control process has been implemented at LEG to ensure compliance with financial covenants. The covenants stipulated in financing agreements were complied with at all times in the past financial year. There are no indications that financial covenants will not be complied with in future. The amount and volume of risk-related financing was further reduced in 2021 as the underlying property portfolio performed well.

Stability of bank partners (banking market)

Stability of bank partners is a risk subcategory, which does not contain any relevant individual risk according to the LEG risk assessment matrix.

In light of the long-term business relationships, the stability of core banks is a key criterion for the LEG Group. Both the consistency of business policy and the economic strength of financing partners are key elements in this context. A deterioration in the economic situation of a bank or the banking market as a whole can trigger the risk of a change in the financing partners' business policy, possibly resulting in more restrictive lending, higher margins and thus ultimately rising relative costs of debt.

The default of a financing partner can have an adverse economic impact, particularly under contractual arrangements that give rise to claims on the part of LEG, e. g. derivative interest hedges. The internal guidelines for concluding new interest rate hedges therefore provide corresponding minimum requirements regarding the counterparty's credit rating.

Liquidity risk

Liquidity risk is a risk subcategory, which contains relevant individual risks according to the LEG risk assessment matrix.

Ensuring solvency at all times is constantly monitored by means of a rolling liquidity plan. The binding internal treasury policy stipulates that a defined minimum liquidity reserve must be maintained. Sufficient liquidity was available to cover all LEG Group's obligations at all times in the past financial year. Given the highly stable cash flow from the management of residential properties, no circumstances that could give rise to a liquidity bottleneck are currently foreseeable.

The volume of short-term credit facilities was increased in 2020 and expiring contracts were renewed in 2021 to expand liquidity reserves in light of the pandemic.

Changes in interest rates

Change in interest rates is a risk subcategory, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

The interest rate risk mainly arises from financing agreements without long-term interest rate agreements. Due to the predominant use of fixed interest rates and interest rate swaps, around 94 % of LEG's liabilities are hedged long-term. Taking into account the very short-term bridge financing, the hedged share temporarily amounts to approx. 79 %. After long-term interest rate-hedged refinancing of the bridge financing, the interest rate hedging level of LEG should increase again to a range above 90 %, so that no significant interest rate risk should be foreseeable due to the financing structure.

Debt risk/rating downgrade

Debt risk/rating downgrade is a risk subcategory, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

The leverage ratio has a significant effect on the assessment of LEG's economic situation and therefore on its access to the financing market. LEG is planning to maintain a conservative debt ratio in future and the results of operations are also expected to remain stable with consistently low average interest expenses. Analysts, banks and the rating agency Moody's (Baa1, stable) attest to the LEG Group's strong market position with regard to its debt ratio. A deterioration of these credit assessments is not expected.

Accounting

Accounting is a main risk category, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

Risks may result from a failure to comply with statutory regulations, which could lead to incorrect annual, consolidated or quarterly financial statements. Secondly, violations of other regulatory requirements such as the German Corporate Governance Code, or disclosure obligations could, for example, result in a limited qualified audit opinion or record of denial, reputational damage or negative effects on the share price. An internal control system for the accounting process is in place to counteract this risk.

Tax risks

Taxes/levies

Taxes/levies are a risk subcategory, which contains relevant individual risks according to the LEG risk assessment matrix.

Tax risks from external audits can achieve a relevant magnitude if they occur. The external audit currently in progress at the LEG Group covers the years from 2009 to 2012 and from 2013 to 2016.

In principle, the tax regulations on a ceiling for interest expenses allow a tax deduction from net interest expenses (i.e. after deduction of interest income) up to the level of 30% of taxable EBITDA. Applying the escape clause also allows an additional interest deduction, which LEG has utilised in the past. This provides for unlimited interest deductibility if the Group's equity ratio is not significantly higher than the equity ratio of the individual operation.

Before acquiring shares in property companies, LEG transferred properties to these companies. In the opinion of the tax authorities, a higher assessment base for real estate transfer tax could be applicable to the entire transaction. Appeal proceedings are currently pending at the German Federal Fiscal Court for one comparable case.

The amendments to the German Real Estate Transfer Tax Act that came into force in 2021, particularly the addition of the new notional state of affairs involving a change in ownership at stock corporations, could also result in real estate transfer tax being incurred with existing structures for listed property companies.

Human resources risks

Human resources risks are a main risk category, which contain relevant individual risks according to the LEG risk assessment matrix.

SOKA-BAU is the joint name for the holiday and wage compensation fund and the supplementary health insurance for the construction industry. The construction companies pay contributions to SOKA-BAU in an amount determined by collective agreements or by the German Act to Secure the Social Funds Procedure (SokaSiG). These contributions are determined such that they can finance SOKA-BAU's payments. SOKA-BAU demands corresponding contributions from TechnikServicePlus GmbH (51% LEG subsidiary) and has initiated legal proceedings.

Human resources management faces major strategic challenges in irreversible megatrends such as demographic and technological change and the changing values of younger generations. LEG will meet these challenges mainly with life phase-oriented HR development and with measures and activities geared to the needs of current and future staff that contribute to LEG's employer branding and the work-life balance of its employees. In connection with this, LEG entered into a works agreement on more flexible working hours and remote working. LEG was also rated one of the best employers in NRW according to a "Great Place to Work" employee survey.

Being and remaining an employer of choice requires a variety of measures to motivate qualified employees and managers in the long term and to ensure their loyalty to the company. Activities that promote team spirit outside day-to-day business also play an important role for LEG.

Legal risks

Liability/insurance risks

Liability/insurance risks are a risk subcategory, which contains relevant individual risks according to the LEG risk assessment matrix.

All employees and executive bodies of the LEG Group must comply with the statutory regulations on insider trading (Market Abuse Regulation). Violations mean the personal liability of those concerned and a loss of reputation by LEG; there are also significant risks of fines for LEG. A risk relevant to the LEG Group could result from this.

Information on the LEG Group is regularly analysed for its significance to the LEG Group and, if the legal requirements are met, categorised as insider information – sometimes even just as a precaution. If information really is insider information, it is communicated only among a select group of participants and the participants are expressly advised that this is confidential.

Furthermore, there are statutory lists of insiders and the persons on it, and persons likely to come into contact with insider information, receive special instruction – as soon as such insider information exists. In addition, there is an ad hoc committee that, firstly, can be reached at all times to discuss developments at short notice by using a group e-mail address created for this purpose and corresponding telephone directories; secondly, this committee meets regularly to discuss project issues and other fundamental issues concerning LEG's ad hoc obligations. Finally, technical measures have been set up to guarantee the technical publication of ad hoc disclosures at all times. As a result of these measures, the probability of occurrence of these risks is rated as low. Finally, the LEG Group is protected against any claims under securities trading law with basic insurance.

Contract risks

Contract risks are a risk subcategory, which does not contain relevant individual risks according to the LEG risk assessment matrix.

Risks in connection with warranties and legal disputes arise in particular from purchase and sale projects and the contracts on which they are based. Sufficient provisions for these were recognised in previous years.

Legal disputes

Legal disputes are a risk subcategory, which does not contain relevant individual risks according to the LEG risk assessment matrix.

In legal disputes, LEG distinguishes between active and passive proceedings. Active proceedings are all proceedings within LEG in which it is claiming a receivable. These can be payments in arrears under leases (low disputed values/high number of cases) or other claims, such as defect warranty proceedings from former construction activities (high disputed values/low number of cases). Active rental proceedings (rent receivables) are conducted out of court by the officers in charge (receivables management) and, if unsuccessful, reviewed by case management, a unit within Legal, Internal Audit and Compliance, Governance Bodies and Human Resources, and then passed on to a law firm. Active proceedings with a high disputed value are first examined by the Legal department in terms of the prospects of success. Thereafter a third-party lawyer may be engaged to collect the receivable. The further development of such proceedings is monitored by Legal.

Passive proceedings are all those in which receivables are claimed from LEG. Passive proceedings are always first passed on to the Legal department. It assesses the prospects of successfully defending against the claim and a third-party lawyer may be engaged to do so. The further development of such proceedings is monitored by Legal.

Claims are made against LEG on various grounds. The most common of these in terms of volume are past sales of properties or shares, and in connection with the intended use of subsidies. The risk reported last year concerning the recalling of subsidies no longer exists as the matter has been settled.

Other legal risks, legislative changes and data protection

Changes in the law is a risk subcategory, which contains relevant individual risks according to the LEG risk assessment matrix.

General legal risks and, in the event of the risk materialising, the disadvantages to LEG can arise in particular if legal stipulations are not or only insufficiently complied with. In addition, risks can arise if new laws or regulations are passed, or existing ones are amended, or if the interpretation of laws and regulations already in place changes. For example, risks can result with regard to technical building facilities or the conditions of the rental agreements for LEG's residential properties. Examples of new legal developments and requirements include rent control legislation and data protection. LEG has assigned specialist employees to monitor these developments in order to identify risks early on. If risks occur, LEG minimises their impact through appropriate organisational measures, such as implementing modernisation measures or amending contracts and processes. Provisions and write-downs are recognised as necessary.

In connection with the German federal government's increased efforts to protect the climate, a climate protection package was adopted in 2019. Among other measures, this provides for pricing the building sector's carbon dioxide emissions from 2021 onwards. The aim is to increase the property sector's efforts to reduce emissions on the basis of an increase in the price per tonne of carbon dioxide over time. At the time this risk report was prepared, it had not been definitively clarified to what extent the additional costs would be transferable to tenants. Nevertheless, the new German government announced that it intends to split these costs between tenants and landlords. As such, there is a risk that LEG as a company may have to bear a significant portion of the additional costs for carbon dioxide emissions itself. The German federal government plans to increase incentives to save energy by means of additional subsidy programmes, so there is an opportunity to minimise risks here by utilising the subsidies.

The new federal government also plans to extend rent controls. According to the coalition agreement, the cap will also be changed so that rents in strained housing markets cannot be increased by more than 11% in a three-year period, compared to 15% at present.

Both risks depend on political decisions and are therefore difficult for LEG to influence. Only through work in property industry associations and dialogue with politicians and parties can LEG attempt to exercise political influence.

Information and communication risks

Information and communication risks are a risk subcategory, which contains relevant individual risks according to the LEG risk assessment matrix.

As the level of digitalisation generally picks up and applications shift to the cloud, the risk to LEG's systems is also changing. Cyber attacks can mean that applications and data are no longer available, disrupting important business processes. The company has outsourced the ERP system, the property industry solution SAP/BlueEagle and other central applications to a modern, external computer centre. The company takes these risks into account by doing this and by swiftly implementing the recommendations made by the German Federal Office for Information Security and relevant IT security forums for all technology components used. In addition, IT security is regularly reviewed by companies specialising in the area.

Project business risks

General project risks

General project risks are a risk subcategory, which contains relevant individual risks according to the LEG risk assessment matrix.

Contractual commitments with general contractors mean that the construction project in question is economically dependent on one company. If the general contractor defaults before or during construction, new companies must be hired. This can incur monetary expenses and/or delay the project.

Commercial/technical project business risks from former commercial development

Commercial/technical project business risks from former commercial development are a risk subcategory, which does not contain any relevant individual risk according to the LEG risk assessment matrix.

To prevent such risks from occurring, records and files are analysed and assessed in close coordination with the institution conducting the review (e.g. funding agencies). Provisions of a sufficient amount have already been recognised for the transactions currently ongoing.

Commercial/technical project business risks from new construction activities

Commercial/technical project business risks from new construction are a risk subcategory, which does not contain any relevant individual risk according to the LEG risk assessment matrix.

LEG increasingly pursues new construction activities for its own portfolio; these are consistently controlled and monitored to avoid risks. Construction services continue to be procured from renowned project developers subject to strict technical and economic criteria. The economic viability of new construction measures can be negatively affected by changing legal and regulatory framework conditions.

Risks of an investment in a biomass combined heat and power station

Risks of an investment in a biomass combined heat and power station are a risk subcategory, which does not contain any relevant individual risk according to the LEG risk assessment matrix.

LEG is the majority shareholder in a biomass heating power plant. The complex technology could cause unplanned downtime, thereby leading to risks. These risks include lost revenue or unplanned costs of repairs. Audits are carried out on a regular basis in order to prevent these risks.

Other project business risks

Other project business risks are a risk subcategory, which does not contain any relevant individual risk according to the LEG risk assessment matrix.

The risks in the Development area continued to diminish thanks to active risk management. The risks identified from old projects have largely been processed and the necessary provisions have been recognised. It is assumed that the measures taken will fully cover any potential future charges. There are no signs of any additional hidden liability risks from the former Development business.

TCFD risks (Task Force on Climate-related Financial Disclosures)

TCFD risks are a risk subcategory, which does not contain relevant individual risks according to the LEG risk assessment matrix.

To mitigate future climate-related physical and transitional risks, in 2021 LEG began integrating risks in the risk management system in line with the TCFD recommendations. The Group's TCFD risk assessment covers all risks posed by climate change (physical risks), and risks resulting from the shift to a green economy (transitional risks). Risk potential is reported in monetary terms and shown in the R2C risk management tool. These are also reported to the LEG Management Board and Supervisory Board as part of quarterly risk reporting. Integration of these risk measures is being continuously expanded.

The following individual climate risks/criteria are considered:

Climate-related physical risks

Regarding climate change, LEG assumes that climate change and changing weather conditions will result in repeated (additional) physical risks. To mitigate future risks posed by climate change, LEG has begun systematically recording and identifying building stock that may be at a higher risk from changes in the climate. This is central to LEG's long-term climate strategy. LEG analysed the LEG building portfolio's energy requirements and the related CO_2 emissions. In this context, the Group developed modernisation schedules for existing buildings that could be exposed to the risk of climate change. This is taken into account in the Group's modernisation investment plans and when putting these into effect. Acute risks such as extreme weather are generally covered by building insurance policies. The risk here is more from rising insurance premiums, deductibles and limits on compensation or the possibility that individual risks can no longer be insured.

LEG will continue to monitor the physical risks according to the TCFD in order to focus on how these develop. In particular, these include:

Climate-related transitional risks

LEG reviews fundamental and potential transitional risks according to the TCFD on an ongoing basis in order to focus on how these develop. Technological risks may be posed by disruptive/new technological development, such as replacing oil and gas heating with green/carbon neutral solutions.

Sustainability risks

Sustainability risks are a main risk category, which does not contain any relevant individual risks or risks subject to reporting requirements according to the LEG risk assessment matrix.

In addition to conventional monetary risks, non-financial sustainability risks have also been reported since the fourth quarter of 2020. Sustainability risks are not assigned a monetary value and are instead measured by their negative impact (low, medium, high) on the environment and/or the company. No risks that are material for the environment and/or society were identified in the risk subcategories upholding human rights, employee matters, environmental issues, social issues or tackling corruption and bribery. The risk categories shown align with the CSR (Corporate Social Responsibility) Directive.

In order to identify developments that meet the “materiality criteria for society and the environment” at an early stage, the risk managers in question record sustainability risks that do not have to be reported externally under current regulations and report these to the Management Board and the Risk and Audit Committee of the Supervisory Board as part of the risk inventory. In connection with this, relevant measures are established to manage or adapt to potential sustainability risks.

The Group is also required as part of non-financial reporting to report on sustainability risks that are associated with the Group’s business operations, business relations, products or services and that would very likely have a severe negative impact on the aspects to be reported.

Report on opportunities

In addition to the opportunities discussed in the risk section, the following significant opportunities of the LEG Group are listed below. These existed in the previous year too and will be a key driver of further earnings performance in the medium to long term (in the five-year planning horizon):

As at 31 December 2021, the property portfolio comprised 166,189 residential units, 1,576 commercial units and 45,438 garages and parking spaces. This makes LEG one of the leading listed property managers of residential housing in Germany. Its regional focus remains on North Rhine-Westphalia. Additionally LEG is present in the federal states of Lower Saxony, Bremen, Schleswig-Holstein, Hesse, the Rhineland-Palatinate and Baden-Wuerttemberg. A consistently value-oriented business model geared to growth and a focus on customers reconciles the interests of shareholders and tenants. LEG’s growth strategy is aimed at the sustainable development of its existing portfolio, the selective expansion of tenant-oriented services and value-adding acquisitions. Demand for affordable housing is rising.

One important growth driver is leveraging economies of scale through selective external growth. Acquisitions of around 86,000 residential units in total have been notarised and mostly transferred to LEG’s portfolio since its IPO. 21,742 of these residential units were acquired in 2021. Further acquisitions are planned. The regional focus is on the existing core markets with the highest synergy potential. Acquisition activities are increasingly also being expanded in core markets identified in Lower Saxony, Bremen, Schleswig-Holstein, Hesse, the Rhineland-Palatinate and Baden-Wuerttemberg. By way of these strategic acquisitions, LEG also manages to expand its property management in these regions. In this context, please note the following option with Adler Group: LEG Grundstücksverwaltung GmbH and Adler Group, with the agreement of the relevant bodies, concluded an agreement for the purchase of 6.8 % of shares in BCP and a tender commitment with the obligation to supply 63.0 % of shares in BCP in the event that LEG makes a public purchase offer for BCP. The tender commitment has a term of nine months starting from 1 January 2022, with Adler undertaking not to otherwise dispose of the shares in question.

LEG is very well positioned and is experiencing continuous rental growth above the market average. This reflects the quality of the property portfolio, LEG’s management expertise and the resilience to economic fluctuations. The main growth drivers in free-financed housing are regular rent index adjustments, adjustments in line with market rents particularly on new rentals and value-adding investments. The cost of rent is adjusted at regular intervals in the rent-restricted portfolio according to the legal requirements and restrictions. Increasing the occupancy rate on a like-for-like basis represents an additional opportunity.

Yet the challenges that the German Climate Change Act poses for the German housing industry also present opportunities for LEG. LEG set out on its climate journey at an early stage and in 2021 it published its path to carbon neutrality by 2045 – as per the Climate Change Act – and identified three drivers for achieving this: upgrading energy efficiency, expanding and using green energy and tenants acting responsibly to make a contribution. LEG already has a network of tradespeople and therefore the capacity and the expertise to make these projects a reality. This will be a major factor in helping the company stand out to property owners. For LEG, not only does this present opportunities to improve its own portfolio, in the future it also opens up acquisition opportunities as not all property owners will be able to make their properties carbon neutral.

LEG also expects to benefit from opportunities from digitalisation. Efficient and professional property management will mean moderate incidental costs for tenants and so will increasingly become a criterion that bolsters satisfaction and helps the company stand out from the crowd for existing and potential prospective tenants. LEG believes that it is well positioned here with its range of digital services such as digital leases and the use of RPA (robotics process automation) solutions.

Forecast

LEG achieved the targets that it set itself for the 2021 financial year. The following section compares the key performance indicators achieved against the forecast from the previous year.

FFO (funds from operations) is the most important performance indicator in the property sector and at LEG. In the previous year, LEG had defined FFO I in a range between EUR 410 million and EUR 420 million for the 2021 financial year. In the half-year report as at 30 June 2021, LEG specified that it expected to reach the upper end of this range. With FFO of EUR 423.1 million for the 2021 financial year, LEG could ultimately outperform the forecast.

LEG had expected like-for-like rental growth of approx. 3.0 %. The like-for-like rental growth actually achieved was 3.2 % (like-for-like), and thus slightly exceeded expectations.

LEG invests in its property portfolio to safeguard its quality and to leverage opportunities for greater energy efficiency and valuation. Around EUR 40 to EUR 42 per square metre was intended to be invested in maintenance and modernisation in the 2021 financial year, with value-adding investments eligible for capitalisation accounting for a significant share of this figure. Actual investment was EUR 42.50 per square metre in the 2021 financial year, in line with expectations. The capitalisation rate was 73.4 %. These figures were adjusted by investments for new construction activities on own land, public safety measures for acquisitions and capitalised own services.

To ensure a defensive long-term risk profile, LEG specified that the LTV in the 2021 financial year should not exceed 43 %. This target was complied with at all quarterly reporting dates as well as at the end of the reporting period when the LTV reached 42.8 %.

LEG intends to distribute 70 % of its FFO I to its shareholders as a dividend on a long-term basis. As per the 2021 Annual General Meeting resolution, a dividend of EUR 3.78 per share was paid for the 2020 financial year. This represents total distribution of EUR 272.5 million and means that the pay-out ratio increased to 71.1 % of FFO I on account of the higher number of shares. Overall, investors holding around 31.9 % of shares entitled to dividends decided to receive their dividend in stocks.

Value-adding acquisitions are a key element of LEG's growth strategy. LEG acquired a total of 21,742 residential units in the 2021 financial year and thus considerably exceeded its target of 7,000 units per year.

Outlook 2022

How LEG's business model develops moving forward depends primarily on demand on the housing market, the general economic situation and its impact on household income, political developments and regulations, inflation and interest rates.

LEG assumes that demand will continue to outstrip supply in the affordable segment of the housing market in the future. While there is still too little new housing being built on the supply side, demand will likely continue to be determined by sustained immigration. The Bundesbank expects net immigration to increase to about 300,000 people by 2022 according to its monthly report as of December 2021.

Global economic growth forecasts for the 2022 financial year are subject to uncertainty in light of the still unresolved pandemic. The Bundesbank expects in its monthly report of December 2021 real GDP growth of 4.1 % in Germany in 2022 thanks to pandemic-related catch-up effects. While an expected lower unemployment rate of 5.2 % and higher collective wage agreements will have a positive impact on household in-comes, their purchasing power will be reduced in some cases by higher inflation. The Bundesbank estimates inflation of 3.6 % in 2022, after a rise of 3.2 % in 2021. Overall, however, as a landlord in the affordable housing segment, LEG does not believe this will have any negative impact on its customers' payment behaviour. Economic repercussions from the Covid-19 pandemic have so far also had only a minor impact on LEG's operating activities.

The new federal government's coalition agreement was published in November 2021. Key changes to rent regulations include the reduction of the rent cap in tense housing markets from 15 % to 11 % within three years and the extension of rent controls until 2029. In addition, rental agreements for the last seven years are to be used to calculate the rent index in the future as opposed to the last six years. LEG expects this to have only a minor impact on its operating activities. The reduction of the cap affects only free financed residential units in tense markets and still allows for rent increases where economically necessary. The extension of the rental brake merely represents a continuation of the current situation.

The German Federal Funding for Efficient Buildings (Bundesförderung für effiziente Gebäude, BEG) was ended in January 2022. Changing legal and regulatory frameworks can have a negative impact on the economic viability of new construction work and the energy-efficient refurbishment of existing buildings.

LEG monitors inflation developments and takes these into account in its planning. LEG believes that these primarily affect materials, modernisation and construction costs. The Federal Statistical Office estimates that construction prices rose by 14.4 % year on year in November 2021, the highest increase since August 1970. Nevertheless, the impact of price rises in 2022 on LEG is limited as costs for most projects have been contractually secured.

Despite temporary interest rate rises in 2021, LEG assumes that rates will remain low in 2022. This is also supported by the fact that the European Central Bank decided in December 2021 to leave its key rate unchanged at 0 %. LEG's average interest cost as at 31 December 2021 was 1.06 %. Excluding the short maturity and variable bridge financing relating to the portfolio acquisition from Adler Group the average interest cost was 1.21 %.

Overall, LEG considers the external general conditions positive or neutral for the company's future development.

Based on this and subject to further developments in the pandemic, LEG confirms its outlook for the 2022 financial year, which was first issued with the quarterly report as at 30 September 2021, and the higher targets for FFO I and investments, which were announced at the same time as an acquisition on 1 December 2021.

FFO I
LEG expects FFO I in a range between EUR 475 million and EUR 490 million for the 2022 financial year. This outlook takes account of the acquisition of around 15,400 residential units from the Adler Group, which was announced on 1 December 2021. These figures do not yet take into account the effects of future acquisitions and disposals.

The following development is forecast for other relevant key figures:

Like-for-like rental growth
LEG is forecasting like-for-like rental growth of around 3.0 % for the 2022 financial year.

Investments
A range of EUR 46 to EUR 48 per square metre is to be invested in maintenance and modernisation work in the 2022 financial year, with value-adding investments eligible for capitalisation again accounting for most of this figure. Total investment per square metre includes the acquisition of 15,400 residential units from the Adler Group. Two major modernisation projects in Wolfsburg and Göttingen, which are part of the acquisition, account for EUR 2.75 per square metre.

LTV
Maximum LTV is being maintained at 43 % in the medium term to ensure a defensive long-term risk profile.

Dividend
LEG plans to distribute 70 % of its FFO I to its shareholders as a dividend on a long-term basis. Depending on the capital market environment and company targets, the dividend will be offered in cash or in shares.

EPRA NTA
The European Public Real Estate Association (EPRA) changed its definition of net asset value. The presentation has been based on three key figures since the 2020 financial year, of which LEG defines and reports the EPRA NTA (Net Tangible Assets) as the relevant key figure.

LEG assumes that the projected positive rental performance will also be reflected in a positive development in the value of its property portfolio, which in turn will have a positive effect on EPRA NTA.

Acquisitions
Assuming corresponding availability on the market, LEG is also striving to acquire around 7,000 units in the 2022 financial year. However, this is not included in the financial targets for 2022 given the difficulties involved in planning the scope and timing.

As at 31 December, LEG held a 6.8 % stake in Brack Capital Properties N.V. (BCP). In December 2021, LEG had also signed an agreement regarding the acquisition of further 24.1% of the shares in BCP from Israeli investors which was settled in January 2022. Furthermore, LEG Grundstücksverwaltung GmbH and Adler Real Estate AG agreed on a tender commitment in case of a public offer for BCP by LEG regarding 63.0 % of the shares in BCP. The tender commitment expires after nine months, starting January 1, 2022. If LEG exercises the tender commitment, it would achieve its acquisition target of 7,000 units in 2022. Nonetheless, LEG would continue to look for other acquisition opportunities that present themselves.

War in Ukraine
Following the invasion of Ukraine by the Russian Federation on 23 February 2022, oil prices have briefly risen to more than USD 100 per barrel. At the same time, the German government, together with the European Union and NATO, decided on far-reaching sanctions against the Russian Federation, including the suspension of the commissioning of Nord Stream 2 and the exclusion of Russian banks from the international payment system SWIFT. Whether and to what extent further sanctions will be adopted or whether the conflict may intensify further cannot be assessed at present. As expected, the sanctions will lead to a possibly significant increase in the price of gas and thus make the heat supply in Germany even more expensive. The Federal Government has already reacted to this with social policy measures, including the introduction of a one-off energy subsidy. In a first assessment, LEG does not expect any negative impact on its business model from today's perspective.

Remuneration report

The remuneration report outlines the structure and amount of the remuneration paid to the members of the Management Board and the Supervisory Board. The report is based on the provisions under the German Stock Corporation Act in accordance with section 162 AktG and the recommendations of the German Corporate Governance Code (as amended 16 December 2019).

The Management Board and Supervisory Board will submit the remuneration report to the Annual General Meeting for approval in accordance with section 120a (4) AktG for the first time on 19 May 2022.

The Annual General Meeting of LEG Immobilien SE (hereinafter referred to as LEG Immo) approved the remuneration system for members of the Management Board presented by the Supervisory Board on 19 August 2020. This remuneration system is effective for Management Board agreements concluded from 1 January 2021 onwards.

Preliminary remarks

The 2021 financial year was a successful year for LEG Immo. FFO I rose by 10.4 % year on year to EUR 423.1 million. The EBITDA margin as at 31 December 2021 was 74.9 %, 0.5 percentage point higher than on the previous year's reporting date on 31 December 2020. This means that the company exceeded or reached the targets it published for 2021. In addition to financial targets, the ESG strategy is also of great importance to LEG Immo. This is also reflected in Management Board targets. Alongside financial targets, non-financial environmental, social and governance targets were set that are also incorporated in the Management Board remuneration systems and in the management of LEG Immo. Investor suggestions regarding the remuneration system are taken on board by the Supervisory Board and the Management Board. In particular, the Management Board waived the payment of the 2021 and 2022 transaction bonus, which – as a variable remuneration component – was viewed critically by investors. An adjustment to the Management Board remuneration system, which takes account of these investor suggestions and makes provisions for higher share orientation, is being planned and is to be submitted to the 2022 Annual General Meeting for approval.

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Remuneration system

FIXED REMUNERATION COMPONENT	BASIC REMUNERATION		• Fixed contractually agreed remuneration payable in twelve equal instalments
FIXED REMUNERATION COMPONENT	FRINGE BENEFITS		• Essentially company car for business and private use, for business trips the services of a driver can be used, various insurance elements
FIXED REMUNERATION COMPONENT	PENSION ENTITLEMENT		• Receipt of a fixed amount, specified in the respective employment contract, into a reinsured support fund
VARIABLE REMUNERATION COMPONENT	SHORT-TERM VARIABLE REMUNERATION COMPONENT (STI)	Plan type	• Tantieme
		Restriction/cap	• 200 % of the target amount
		Performance criteria	• 40 %: Result from renting & leasing • 40 %: Funds from operations I • 20 %: ESG-targets • Criteria-based adjustment factor (0,8 – 1,2) to assess the individual and collective performance of the Management Board as well as extraordinary developments
		Payout	• After the end of the respective financial year
VARIABLE REMUNERATION COMPONENT	LONG-TERM VARIABLE REMUNERATION COMPONENT (LTI)	Plan type	• Performance cash plan
		Restriction / cap	• 200 % of the target amount
		Performance criteria	• 40 %: Development of the absolute total shareholder return – TSR • 40 %: Share price development compared to the EPRA Germany Index • 20 %: ESG-targets
		Term of a performance period	• Four years
		Payout	• After the four-year performance period
TRANSACTION BONUS		Restriction/cap	• EUR 1.256.000 (Chairman of the Board) • EUR 866.000 (Full members of the Board)
		Performance citerion	• Acquisition of a significant property portfolio: • Threshold value: 7,500 residential units p. a. • Maximum value: 30,000 residential units p. a.
		Payout (with Deferral)	• 33 % after the end of the respective financial year • 67 % after a further wo financial years depending on the achievement of a business plan (50 % FFO I, 50 % result from renting & leasing)
MALUS/CLAWBACK			• Partial or complete reduction or reclaim of variable remuneration possible
SHARE RETENTION OBLIGATION			• Obligation to purchase LEG shares equivalent to a gross basic salary within four years • Obligation to hold the acquired shares for the duration of the Management Board activity
MAXIMUM REMUNERATION			• Chairman of the Board: EUR 4,300,000 • Full members of the Board: EUR 2,900,000

Remuneration system of the Management Board

The Management Board remuneration system (see also graphic previous page > G 10) supports LEG Immo's three fundamental core activities: optimising core business, expanding the value chain and portfolio growth. The following points in particular are taken into consideration when designing the remuneration system:

- Support of company strategy
- Focus on long-term and sustainable financial development at LEG Immo
- Continuous, environmentally-oriented improvement in line with climate protection goals, optimising customer and employee focus and continuously adapting governance to meet the highest standards (ESG)
- Performance-based Management Board remuneration while simultaneously ensuring ambitious targets (pay-for-performance)
- Harmonising the interests of the Board and shareholders
- Taking account of the interests of other LEG Immo stakeholders and aligning Management Board remuneration with them
- Taking into consideration investor requirements and market practice.

The Management Board remuneration system comprises fixed and variable components, the sum of which forms the total remuneration of a member of the Management Board and for which the Supervisory Board has set a maximum amount for each Management Board member (maximum remuneration).

The fixed remuneration component comprises basic remuneration, additional benefits and an occupational pension.

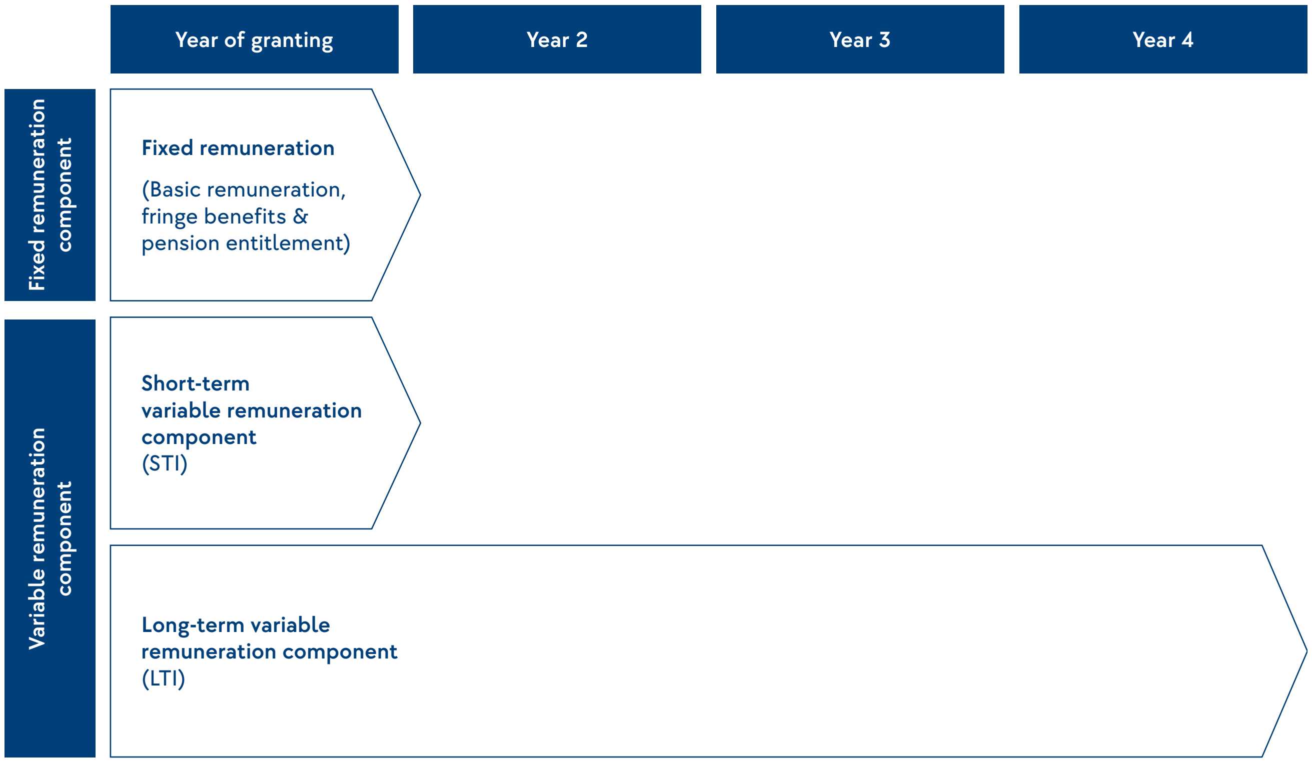
The variable remuneration component includes a short-term incentive (STI) and a long-term incentive (LTI).

There are also provisions in place for special remuneration (a transaction bonus) as an extraordinary remuneration component in the event of exceptional success in connection with the acquisition of property portfolios. This bonus is determined by the scope and success of the transaction. However, the Management Board volunteered to forego this in 2021 and 2022.

Overview of the individual regular components of the remuneration system over time:

G11

Remuneration system over time



The respective contractually agreed annual targets for the individual remuneration components, assuming 100 % achievement, are as follows:

T33

Remuneration components

€ thousand	Lars von Lackum CEO	Susanne Schröter-Crossan CFO	Dr Volker Wiegel COO
Fixed remuneration	800	500	500
One-year variable remuneration (STI)	480	325	325
Multi-year variable remuneration	600	445	445
Total remuneration	**1,880**	**1,270**	**1,270**

Fixed remuneration component

Basic remuneration

The members of the Management Board receive their basic remuneration in twelve equal monthly payments (pro rata temporis).

Benefits

The Management Board receives contractually agreed benefits in addition to basic remuneration. The members of the Management Board receive standard contributions of up to 50 % of their private health and long-term care insurance, however, this is limited to the amount that would be owed if the respective member had statutory health insurance.

If members of the Management Board are voluntarily insured under the statutory pension scheme or are members of a professional pension scheme in place of the statutory pension scheme, 50 % of the standard contributions to the statutory pension scheme are paid. This regulation also applies to employee-financed pension commitments for which LEG Immobilien SE is the contractual partner. This is capped at an annual payment of EUR 20 thousand for Lars von Lackum and EUR 15 thousand for the other members of the Management Board.

Furthermore, LEG Immobilien SE provides its Management Board members with an appropriate company car for business and private use. All costs of its upkeep and use are paid by the company. In addition, members of the Management Board can use the services of a driver for official journeys. The monetary value arising from private use is capped at EUR 80 thousand per member of the Management Board. The wage and income taxes on these benefits are paid by the respective member of the Management Board. Members of the Management Board are also reimbursed for expenses and travel expenses.

Furthermore, LEG Immobilien SE has taken out accident insurance for the members of the Management Board which also covers accidents outside work. The pay-out to the insured party or his heirs amounts to not more than EUR 500 thousand in the event of death and EUR 1 million in the event of invalidity.

D&O insurance has also been taken out for the members of the Management Board. The D&O insurance policies each include a legally permitted deductible of 10 % of the loss, limited to 1.5 times the fixed annual remuneration per calendar year. The appropriateness of the deductible is reviewed annually.

Pension entitlement

Each calendar year, the company grants members of the Management Board a fixed employer-financed occupational pension commitment, the amount of which is set out in the Management Board agreement. This is paid into a provident fund which is backed by the assets of a life insurance policy. This amount is reduced on a pro rata basis if the member leaves or joins the company during the year. In addition, the pension benefits allowance for the Management Board member provided as part of the additional benefits can also be paid into the provident fund instead of this allowance.

The occupational pensions granted to members of the Management Board in the 2021 financial year are shown in the table below.

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Occupational pension scheme granted

	Company pension benefits via a provident fund with annually paid fixed contribution			Company pension benefits via a provident fund or professional pension scheme		
in €	Amount p. a.	Monetary compensation amount	Monetary compensation year	Amount p. a.	Monetary compensation amount	Monetary compensation year
Lars von Lackum	100,000	2,325,000	2042	7,924	183,555	2042
Susanne Schröter-Crossan	50,000	1,245,356	2046	7,924	204,693	2046
Dr Volker Wiegel	50,000	1,141,667	2043	7,924[1]	[2]	[2]

[1] The company pension benefits for Dr Volker Wiegel is provided by the pension scheme for lawyers
[2] A monthly payout starts with the day of retirement

Variable remuneration component with a short-term incentive function (STI)

The purpose of the STI is to secure profitable, organic growth and ensure that annual operating targets are met. The STI consists of an annual payment measured on the basis of the following financial and non-financial performance targets:

- net rental and lease income,
- funds from operations I (FFO I),
- non-financial environmental, social and governance targets (ESG targets).

The financial targets each account for 40 % and ESG targets for 20 % of the STI target. The STI also has a criteria-based adjustment factor with a range of 0.8 to 1.2. Target attainment for the performance targets is capped at 200 %.

The targets for net rental and lease income and for FFO I are based on the annual business plan. The business plan resolved by the Supervisory Board for the respective financial year applies.

The following financial performance indicators were set for the 2021 financial year:

T35

STI – Financial performance indicators

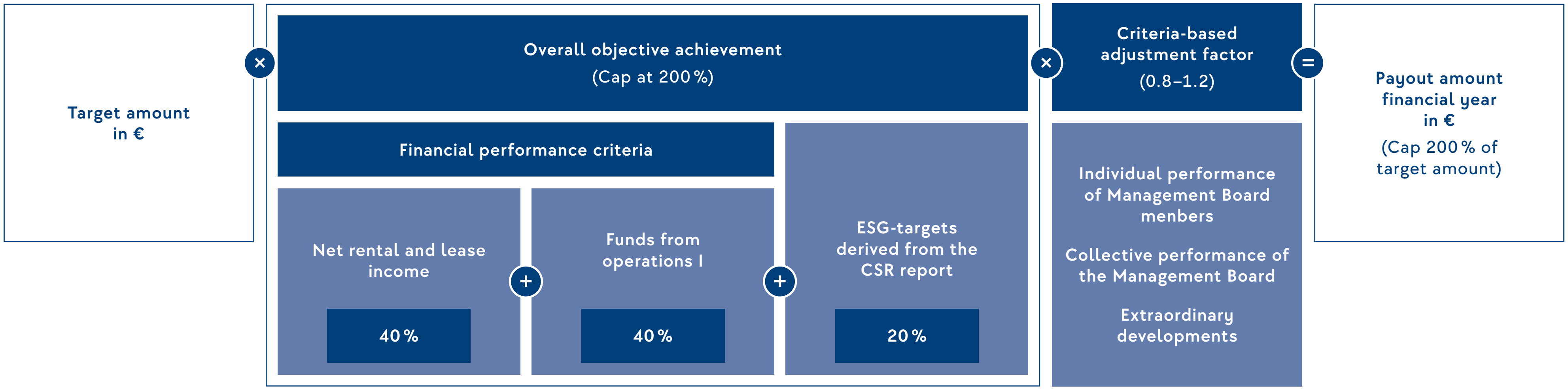
Performance criterion	Target value
Net rental and lease income	EUR 505.8 million
FFO I	EUR 417.9 million

If the target is achieved, target attainment is 100 %. If the target is exceeded by 20 %, the maximum target attainment of 200 % is achieved. If target attainment is less than 20 % of the target, the level of target attainment is set at zero. Target attainments between the defined target attainment points (0 %; 100 %; 200 %) are calculated by linear interpolation.

When calculating the STI amounts to be paid out for the financial performance indicators, the actual figure per sub-target is to be compared with the figure in the business plan. Firstly, target attainment is calculated by taking the percentage deviation from the actual figure compared to the target using the contractually agreed weighting. The STI partial amount achieved is then calculated based on the target attainment.

G12

Short-term variable remuneration scheme



The targets from the business plan, which was adopted before the start of the financial year, are to be assessed in accordance with the regulations defined in the Management Board agreements in terms of the effects of acquisitions and disposals not taken into account in the business plan and of changes in consolidated companies and adjusted where necessary. The Adler transaction is not yet taken into account in 2021 because the transaction was not closed until 29 December 2021 and so there were no earnings effects for the 2021 financial year. With regard to acquisition and sales activity in 2021, the targets as per the 2021 business plan must be amended regarding net rental and lease income and FFO I because the business plan approved by the Supervisory Board does not take acquisitions into account.

Other effects from the change in consolidated companies are insignificant at Group level in 2021 and not included in the adjusted targets.

The following targets are relevant for calculating the STI for the financial performance indicators:

T36

STI – Financial performance indicators

€ million	Target according to 2021 business plan	Adjusted target for 2021
Net rental and lease income	505.8	510.3
FFO I	417.9	421.6

T37

STI – Target attainment

€ million	Adjusted target	Actually achieved	Deviation (in %)	Degree of target attainment based on contractually agreed weighting (in %)	STI partial amount (in %)
Net rental and lease income	510.3	522.1	102.33	111.65	44.66
FFO I	421.6	423.1	100.37	101.83	40.73

ESG targets are based on LEG Immobilien SE's sustainability report and on strategic considerations and future projects. Environmental, social and governance criteria are defined for the ESG targets and are put into practice with specific targets. The targets are assigned quantitative or qualitative criteria so that a comparison of target and actual performance can be carried out at the end of the financial year to measure target attainment. The specific ESG targets and the minimum and maximum values are set each year and finalised by the Supervisory Board before the start of the financial year.

The Supervisory Board set the following ESG targets for the 2021 financial year:

T38

STI – ESG-targets 2021

Environmental	Social	Governance
Target: Completion of energetic refurbishment of existing stock that is classified as modernisation measures in accordance with section 555b no. 1 – 3 BGB p.a. (e.g. heating, roof, basement, façade, windows, doors) in relation to the stock included in the annual report as at 31 December 2019 in number of residential units	**Target:** Customer inquiries: Reduction in the repeat call ratio compared to 2020	**Target:** Stabilisation of Sustainalytics rating
Targets: 0 % minimum value: 2 % 100 % target attainment: 3 % 200 % maximum value: 4 %	**Targets:** 0 % minimum value: – 7.5 % 100 % target attainment: – 15 % 200 % maximum value: – 22.5 %	**Targets:** 0 % minimum value: 12.4 % 100 % target attainment: 10.4 % 200 % maximum value: 8.4 %

All sub-targets (environmental, social and governance) were weighted equally.

Target attainment for the "environmental" sub-target was 150 %. Target attainment for the "social" sub-target was 77 %. The "governance" sub-target was significantly exceeded.

Using the ESG partial amount as a % of the total STI, the absolute STI partial amount is to be calculated on the basis of the above sub-target attainment for the ESG sub-targets as follows:

T39

STI – ESG target attainment

in %	Actual attainment	Actual attainment	ESG-target partial amount (weighted)
Environment	3.5	150.0	50.0
Social	−13.28	77.0	25.7
Governance	7.8	200.0	66.7

The total STI amount is the sum of the partial STI amounts calculated in this way. Based on the attainment of all partial STI amounts (weighted), the Management Board's average target attainment for the STI target was 114 %.

Criterion for assessing the criteria-based adjustment factor:

Successful mitigation of the effects of the Covid-19 pandemic and successful return to normal business operations.

At its meeting on 15 February 2022, the Executuve Committee of the Supervisory Board passed a resolution recommending to the Supervisory Board of LEG Immo a criteria-based adjustment factor of 1.2 to be set in view of the company's successful performance during the Corona crisis. The Supervisory Board focused in particular on the over-achievement of the operational key figures, e. g. the higher than expected like-for-like rent increases and the low vacancy rate. The adjustment factor was taken into account when determining the Executive Board remuneration.

This results in the following amounts due:

T40

STI – Payment claims

	Lars von Lackum CEO	Susanne Schröter-Crossan CFO	Dr Volker Wiegel COO
STI 2021	655,819.00	444,044.00	444,044.00

The STI to be calculated and possibly adjusted for the respective financial year is capped at EUR 960 thousand for Lars von Lackum, EUR 650 thousand for Susanne Schröter-Crossan and EUR 650 thousand for Dr Volker Wiegel. The STI to be paid according to the above calculation shall be settled and paid out to the Executive Board member not later than 30 days after the approval of the Company's consolidated financial statements.

Variable remuneration component with a long-term incentive function (LTI)

In addition to an STI, the members of the Management Board are entitled to an LTI based on the company's long-term development. This LTI is newly awarded for each financial year and is spread over a four-year performance period.

The LTI is determined on the basis of the following financial and non-financial performance targets:

- development of total shareholder return,
- development of the company's share price compared to the relevant index, EPRA Germany,
- non-financial environmental, social and governance targets (ESG targets).

G13

LTI

As for the STI, specific ESG targets are set for the respective tranche.

The first two financial targets each account for 40 % and ESG targets for 20 % of the LTI assuming 100 % achievement in each case. The amount paid out for the LTI is capped at 200 % of the target amount.

By way of Supervisory Board resolution dated 9 November 2021, the 2022 LTI programme was granted for Lars von Lackum, Susanne Schröter-Crossan and Dr Volker Wiegel (grant date). The LTI programme is based on the guidelines for the new Management Board remuneration system.

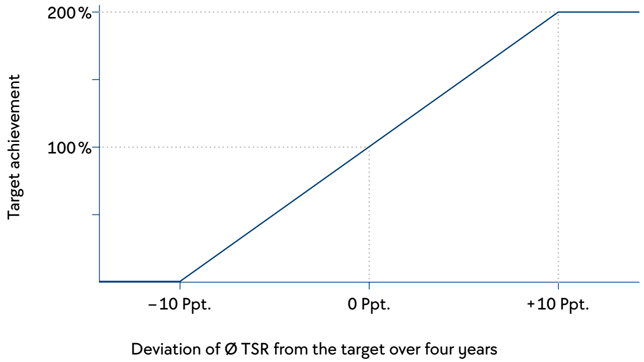
The financial performance indicators used for the LTI are the development of absolute TSR and LEG Immo's share price performance in comparison to that of the EPRA Germany Index. These performance indicators are therefore geared towards boosting value for shareholders and create incentives to generate shareholder value. This, in turn, aligns the interests of the Management Board even more closely with those of shareholders.

Absolute TSR essentially describes changes in LEG Immo's share price for the performance periods, including dividends per share paid in this period.

Target attainment is 100 % if absolute TSR for the LEG share is within 0 percentage points of the target determined for the tranche in question. If absolute TSR is 10 percentage points or more below target, target attainment is 0 %. Target attainment is 200 % if absolute TSR is 10 percentage points above target. TSR higher than this does not increase target attainment. Target attainments between the defined target attainment points are calculated by linear interpolation.

G14

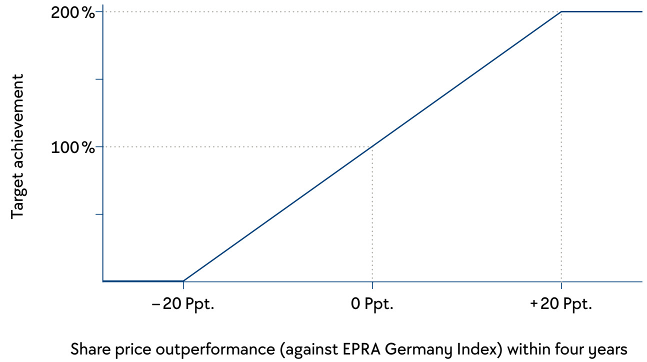
Target achievement curve absolute TSR



To determine target attainment for the performance target "relative share price performance", the share price performance of the LEG share in percent in the respective performance period is compared against the percentage change in the EPRA Germany Index. The EPRA Germany Index comprises LEG Immo's key national listed competitors and is thus a suitable peer group. For this, the deviation of the share price performance during the performance period is calculated. If the LEG share performance deviates from that of the EPRA Germany Index by 0, target attainment is 100 %. If the performance of the LEG share is at least 20 percentage points lower than the EPRA Germany Index performance, target attainment is 0 percentage points. Target attainment is 200 % if the LEG share performance is 20 percentage points higher than that of the EPRA Germany Index. Target attainment does not increase if the LEG share performance is higher than this. Target attainments between the defined target attainment points are calculated by linear interpolation.

G15

Target achievement curve relative share price performance



Environmental, social and governance criteria are defined for the ESG targets and are put into practice with specific targets. For the LTI, targets were set for the categories environment and social. The specific targets and the minimum and maximum values are set each year and finalised by the Supervisory Board before the start of the financial year. Other targets are to be set that differ from the targets established for the STI. Target attainment for ESG targets is assessed by the Supervisory Board using suitable quantitative/qualitative surveys to measure the performance of the ESG targets in question. Target attainment for ESG targets is also capped at 200 %.

The following specific targets for financial performance indicators apply to the four-year performance period from 2021 to 2024 for the 2021 LTI programme:

T41

LTI – Target corridors

	Target attainment		
in %	0	100	200 (Maximum)
Total Shareholder Return Ø p. a.	5,6	7,0	8,4
Performance against EPRA Germany-Index	**≤80**	**100**	**120**

As a threshold for 100% target achievement, a return of 7.0 % p. a. is set for the total shareholder return component for the tranche 2021–2024 This can be derived from the average return of European real estate shares over the last 10 years, as well as from the dividends and the NAV growth rate of the LEG share. A total shareholder return of 7.0 % p. a. is composed of an approx. 3 % dividend yield and a 4 % increase in the share price. These relevant targets for the LTI calculation continue to be in line with LEG's corporate strategy.

The following ESG targets apply to the LTI performance period from 2021 to 2024:

T42

LTI – ESG-targets 2021-2024

Environmental	Social
Target: In the next four years, reduce adjusted CO_2 emissions in kg/m² of property included in the annual report as at 31 December 2019 compared to the basis year 2019.	**Target:** "Trust Index" measurement for the LEG Group, which is calculated as part of the "Great Place to Work" employee survey conducted every two years. This is based on the change in the average of the two measurements during the four-year LTI period in comparison to the measurement calculated in the 2020 survey.
Targets: 0 % minimum value: – 6 % 100 % target attainment: – 10 % 200 % maximum value: – 14 %	**Targets:** 0 % minimum value: 60 % 100 % target attainment: 66 % 200 % maximum value: 72 %

The amount paid is determined on the basis of the level of target attainment for the three performance targets by adding the respective amounts thus calculated multiplied by the contractually agreed target.

The total LTI available for a financial year calculated after the end of the performance period is capped at EUR 1,200 thousand for Lars von Lackum, EUR 890 thousand for Susanne Schröter-Crossan and EUR 890 thousand for Dr Volker Wiegel.

If an LTI is to be paid, this must be settled for the last year of the tranche's performance period and paid to the respective Management Board member no later than 30 days after the approval of the consolidated financial statements of the company.

In the event of a legal end to the engagement of a Management Board member, the amount paid is calculated and paid in accordance with the original assessment base and due dates. The amount paid is reduced on a pro rata basis for the tranche for the financial year in which the engagement ends for each month in which the member was not engaged.

The LTI programme in place until 31 December 2020 was spread over four years and newly awarded for each financial year. The key performance targets for the LTI were:

- average development of total shareholder return;
- development of the company's share price compared to the relevant index, EPRA Germany.

The target LTI was spread over the following three performance periods in three equal tranches:

- Performance period I: From the (proportionate) financial year in which the LTI is awarded (relevant financial year) up until the end of the first financial year following the relevant financial year
- Performance period II: From the relevant financial year up until the end of the second financial year following the relevant financial year
- Performance period III: From the financial year following the relevant financial year up until the end of the third financial year following the relevant financial year

The following specific targets apply to the 2019 and 2020 LTI programmes:

T43

LTI – Sharerholder Return

	Target attainment		
in %	80	100	120 (maximum)
Total Shareholder Return Ø p.a.	5.6	7.0	8.4
Performance against EPRA Germany-Index	90	100	110

LTI granted and owed in 2021

LTI 2019/performance period 2:
For the LTI 2019/performance period 2 granted and owed in 2021, the following values have been achieved with regard to the performance indicator total shareholder return:

T44

Target attainment Total Shareholder Return

in %	2019	2020	2021
Total Shareholder Return p.a.	7.78	20.83	5.63
Total Shareholder Return Performance Period 2 Ø p.a.		**11.41**	

At 11.41 % p.a., average total shareholder return was thus higher than the target of 7.0 % p.a. needed to meet this sub-target in full.

Performance against the EPRA index in the period under review from 2019 to 2021 was as follows:

T45

Target attainment EPRA index

in %	
Performance against EPRA Germany-Index	123.96

The target of a better share price performance compared with the EPRA Germany index was therefore also met here. Overall, therefore, the target achievement for the second tranche was 100 %.

LTI 2020/performance period 1:
For the LTI 2020/performance period 1 granted and owed in 2021, the following values have been achieved with regard to the performance indicator total shareholder return:

T46

Target attainment Total Shareholder Return

in %	2020	2021
Total Shareholder Return p.a.	20.83	5.63
Total Shareholder Return Performance Period 2 Ø p.a.	**13.23**	

At 13.23 % p.a., average total shareholder return was thus higher than the target of 7.0 % p.a. needed to meet this sub-target in full.

Performance against the EPRA index in the period under review from 2020 to 2021 was as follows:

T47

Target attainment EPRA index

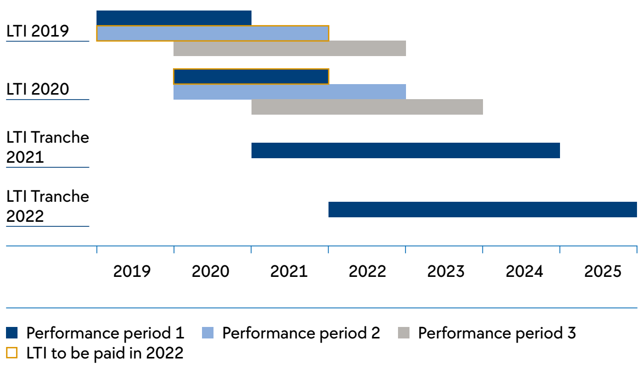
in %	2021
Performance against EPRA Germany-Index	119.16

The target of a better share price performance compared with the EPRA Germany index was therefore also met here. Overall, therefore, the target achievement for the first tranche was 100 %.

In total, the following LTI programmes are still outstanding or are to be paid out in 2022:

G16

Performance periods LTI



Transactions bonus

There are also provisions in place for special remuneration (a transaction bonus) as an extraordinary remuneration component in the event of exceptional success in connection with the acquisition of property portfolios. This bonus is determined by the scope and success of the transaction.

A partial amount of one third of the special remuneration payable as calculated by the Supervisory Board must be paid to the Management Board member no later than 30 days after the approval of the company's consolidated financial statements for the year in which the remuneration is granted.

To ensure that the transaction-based special remuneration continues to create long-term and sustainable incentives, the payment of two thirds of the transaction bonus is deferred and, depending on the achievement of two sub-targets set out in the business plan (50 % funds from operations I and 50 % net rental and lease income), is paid in the third financial year after the transaction closed. At present, the Management Board assumes that the sub-targets will be achieved with a high likelyhood.

In the 2021 financial year, the Management Board already waived the 2022 transaction bonus in particular in view of the Adler transaction and the potential transaction in relation to BCP. In light of investor criticism of this method of remuneration, the remuneration system is being revised and submitted to the 2022 Annual General Meeting for approval.

Malus and clawback provisions for variable remuneration

The Supervisory Board can withhold (malus) or recover (clawback) variable remuneration components. If a member of the Management Board seriously breaches legal obligations, obligations under employment contracts or internal company codes of conduct (compliance violation) as a result of gross negligence, the Supervisory Board is entitled to reduce, in part or in full, variable remuneration that has not yet been paid at its discretion. In addition, at its discretion the Supervisory Board can recover, in part or in full, the gross amount of variable remuneration that has already been paid.

The Supervisory Board can also recover variable remuneration that has already been paid, in part or in full, if it emerges after this remuneration has been paid that the consolidated financial statements audited by the auditor and approved by the Supervisory Board and that were used to calculate the payment amount were incorrect and if the corrected consolidated financial statements would have resulted in lower payable variable remuneration or none at all. This is not dependent on the members of the Management Board being responsible for this.

Remuneration cannot be recovered on the basis of clawback provisions if payment was made more than two years prior. This does not affect statutory repayment options, such as asserting damages, which continue to apply.

There was no clawback in the 2021 financial year.

Share ownership guidelines (SOG)

Since 1 January 2021, all members of the Management Board have been required, within a four-year establishment phase, to acquire LEG shares equal to one gross annual salary and hold these shares for the entire duration of their Management Board agreements. The SOG target is 100 % of the gross annual salary. During the establishment phase, all members of the Management Board are obliged to acquire LEG shares equal to 25 % of their gross annual salary in each of the four establishment years. The number of LEG shares to be acquired in the establishment year is calculated by dividing gross annual salary at the start of the establishment year by the figure – rounded to whole shares in accordance with commercial practice – that is determined by calculating the arithmetic average of the LEG share's closing price in XETRA trading on the Frankfurt Stock Exchange for the last 30 trading days prior to the first day of the establishment year in question. Shares already held by a member of the Management Board are taken into account.

The members of the Management Board achieved the SOG target for the 2021 financial year.

The table below shows the number of LEG shares held by members of the Management Board to comply with the share ownership.

T48

Attainment of the Share Ownership Guidelines

	Mandatory				Proven	
	Percentage basic remuneration	Basic remuneration in € thousand	25 % of basic remuneration in € thousand	Mandatory number of shares[1] 31.12.2021	Amount in € thousand	Proven number of shares 31.12.2021
Lars von Lackum	100	800	200	1,667	510	4,500
Susanne Schröter-Crossan	100	500	125	1,042	130	1,090
Dr Volker Wiegel	100	500	125	1,042	147	1,239

[1] Based on the average Xetra closing price of the last 30 trading days in the financial year 2020 of EUR 119.98

Total remuneration of the Management Board

Granted and payable Management Board remuneration for the 2021 and 2020 financial years in accordance with section 162 (1) sentence 1 AktG is shown in the table below. The table shows the remuneration for the work performed in the reporting period by members of the Management Board ("remuneration granted") and all remuneration that is legally due but that has not yet been paid ("payable remuneration").

T49

Remuneration and benefits earned

	Lars von Lackum CEO				Susanne Schröter-Crossan[1] CFO				Dr Volker Wiegel COO			
	2021		2020[2]		2021		2020[2]		2021		2020[2]	
€ thousand	€ thousand	in %	€ thousand	in %	€ thousand	in %	€ thousand	in %	€ thousand	in %	€ thousand	in %
Fixed remuneration	800	43	628	47	500	45	250	51	500	40	433	46
Additional benefits	26	1	33	2	27	2	13	2	34	3	33	3
Total fixed remuneration components	**826**	**44**	**661**	**49**	**527**	**47**	**263**	**53**	**534**	**43**	**466**	**49**
Total One-year variable remuneration (STI)	656	35	444	33	444	40	194	40	444	35	342	35
One-year variable remuneration (STI) (STI 2020)	–	–	444	33	–	–	194	40	–	–	342	35
One-year variable remuneration (STI) (STI 2021)	656	35	–	–	444	40	–	–	444	35	–	–
Transaction bonus	–	–	97	7	–	–	34	7	–	–	67	7
Total multi-year variable remuneration (LTI)	295	16	144	11	111	10	–	–	214	17	91	9
LTI 2019 Tranche 1 (2019 bis 2020)	–	–	144	11	–	–	–	–	–	–	91	9
LTI 2019 Tranche 2 (2019 bis 2021)	146	8	–	–	–	–	–	–	99	8	–	–
LTI 2020 Tranche 1 (2020 bis 2021)	150	8	–	–	111	10	–	–	115	9	–	–
Transaction bonus (deferral) 2021–2022	97	5	–	–	34	3	–	–	67	5	–	–
Total variable remuneration components	**1,048**	**56**	**685**	**51**	**589**	**53**	**228**	**47**	**725**	**57**	**500**	**51**
Total remuneration granted and owed within the meaning of section 162 (1) sentence 1 AktG	**1,874**	**100**	**1,346**	**100**	**1,116**	**100**	**491**	**100**	**1,259**	**100**	**966**	**100**
Pension costs	**108**	**–**	**108**	**–**	**58**	**–**	**25**	**–**	**58**	**–**	**–**	**–**
Total remuneration	**1,982**	**–**	**1,454**	**–**	**1,174**	**–**	**516**	**–**	**1,317**	**–**	**966**	**–**

[1] Start of Management Board function as at 1 July 2020.
[2] The disclosures for the 2020 financial year are voluntary.

Fixed remuneration components, one-year variable remuneration (STI 2021) and multi-year variable remuneration (LTI 2019 tranche 2, LTI 2020 tranche 1 and transaction bonus 2021–2022) are considered "remuneration granted", as the relevant work had been performed by the end of the reporting period on 31 December 2021.

As well as the amount of remuneration, under section 162 (1) sentence 2 no. 1 AktG the relative share of all fixed and variable remuneration components in total remuneration must also be disclosed. The relative share relates to the remuneration components granted and payable in the financial year in accordance with section 162 (1) sentence 1 AktG. To ensure transparent reporting, the pension costs for the occupational pension must also be disclosed even if these are not classified as granted and payable remuneration.

Members of the Management Board were not granted any benefits from third parties in accordance with section 162 (2) no. 1 AktG. No such benefits were owed. Remuneration is paid to LEG NRW GmbH for Supervisory Board mandates held by members of the Management Board at subsidiaries.

Maximum Management Board remuneration

The maximum total remuneration granted in return for the work of the respective member of the Management Board for one financial year – including basic remuneration, STI, LTI (plus full utilisation of possible adjustments), special remuneration for acquisitions, an occupational pension and benefits – is EUR 4,300 thousand for Lars von Lackum, EUR 2,900 thousand for Susanne Schröter-Crossan and EUR 2,900 thousand for Dr Volker Wiegel. If the maximum remuneration for a financial year is exceeded, the pay-out of the LTI tranches for the corresponding financial year will be reduced. Maximum remuneration was not exceeded in the 2021 financial year and so did not have to be reduced.

Remuneration for former members of the Management Board

There were no remuneration obligations to former members of the Management Board in accordance with section 162 (1) sentence 1 AktG in the 2021 financial year.

Early termination benefits

Severance pay

In the event of the early termination of the activity of a member of the Management Board, the payments made to the respective member, including additional benefits, may not exceed the value of two years' remuneration ("severance cap") or the value of the remuneration payable for the remaining term of this employment agreement. The settlement cap is based on the total remuneration for the past financial year and, where applicable, the anticipated total remuneration for the current financial year.

In the event of the early termination of this agreement for cause falling within the responsibility of the Management Board member, the member will not be entitled to receive any payments.

Change of Control

In the event of a change of control of the company, the members of the Management Board have the right to resign as a member of the Management Board for cause, and to terminate their Management Board contract, within a period of six months from the date of the change of control, observing a notice period of three months to the end of a month (special right of termination).

The severance regulations that apply in the event of the special right of termination being exercised stipulate that payments in connection with the cessation of work as a member of the Management Board due to a change of control amount to two years' remuneration, albeit capped at the value of the remuneration for the remaining term of the member's contract.

Death benefits

If a Management Board member dies during the term of the employment agreement, the remuneration plus STI and LTI will be settled up until the end of the agreement as a result of the member's death and paid out to the member's heirs in accordance with the provisions of the agreement. Furthermore, the member's widow and any children under 25, as joint beneficiaries, will be entitled to the full payment of the remuneration set out in section 2(1) of the employment agreement for the remainder of the month in which the member dies and the subsequent three months. However, this is limited to the scheduled termination of the employment agreement if the member had not died.

Remuneration system of the Supervisory Board

In accordance with Article 9.1 of LEG Immobilien SE's Articles of Association, the Supervisory Board comprises seven members who are elected by the Annual General Meeting.

Ms Natalie Hayday resigned from the Supervisory Board with effect from the end of 6 January 2021.

The Annual General Meeting appointed Dr Sylvia Eichelberg a member of the LEG Immobilien SE Supervisory Board on 27 May 2021.

On 18 September 2015, the Supervisory Board resolved a time limit for membership of 15 years (first-time appointment plus two re-elections).

In accordance with the Articles of Association, all remuneration for Supervisory Board work is payable after the end of the financial year. Supervisory Board members who are only on the Supervisory Board or a committee of the Supervisory Board for part of the financial year receive corresponding remuneration on a pro rata basis for this financial year.

The following regulation has applied to Supervisory Board remuneration in accordance with Article 9.11 to 9.13 of the Articles of Association of LEG Immo since the Annual General Meeting on 17 May 2018:

T50

Compensation scheme for the Supervisory Board

Basic compensation	· Each supervisory board member receives a fixed compensation of EUR 72,000.
Differentiation	· 2.5 : 1.25 : 1 (CSB, DCSB, OMSB) [1]
Committee compensation	· Members of the Audit Committee and the Executive Committee of the Supervisory Board receive an additional annual fixed remuneration of EUR 20,000. · The Chairmen of the Committees receive double the compensation. · For the membership and chairmanship of the Nomination Committee no compensation is paid.
Attendance fee	· For attending a meeting of the Supervisory Board or a committee in person, each member receives an attendance fee in the amount of EUR 2,000 per meeting.

1 CSB=Chairman of the Supervisory board, DCSB= Deputy Chairman of the Supervisory board, OMSB = Ordinary member of the Supervisory board

Members of the Supervisory Board are also reimbursed for appropriate expenses and travel expenses. VAT is reimbursed by the company to the extent that the members of the Supervisory Board are entitled to invoice VAT to the company separately and that they exercise this right.

The company had also concluded D&O insurance for the members of the Supervisory Board with an appropriate insured amount and deductible for members of the Supervisory Board. Since 1 January 2014, the D&O insurance has provided for a deductible of 10 % of the individual claim amount to be paid by the Supervisory Board members up to a maximum of 1.5 times their fixed annual remuneration for all claims within a year.

Breakdown of Supervisory Board remuneration

Breakdown of Supervisory Board remuneration – remuneration granted and payable to members of the Supervisory Board for the 2021 financial year under section 162 (1) sentence 1 AktG.

T51

Breakdown of Supervisory Board remuneration

	2021							2020						
	Fixed remuneration		Committee compensation		Attendance Fee		Total	Fixed remuneration		Committee compensation		Attendance Fee		Total
Name of member	€ thousand	in %	€ thousand	in %	€ thousand	in %		€ thousand	in %	€ thousand	in %	€ thousand	in %	
Michael Zimmer (chairman)	180	80	40	18	4	2	224	180	80	40	18	6	3	226
Stefan Jütte (Deputy Chairman)	90	74	27	23	4	3	121	90	56	60	37	12	7	162
Dr Johannes Ludewig	72	77	20	21	2	2	94	72	73	20	20	6	6	98
Dr Jochen Scharpe	72	75	20	21	4	4	96	72	69	20	19	12	12	104
Natalie Hayday (Member until 06.01.2021)	1	77	0	23	0	0	1	72	72	20	20	8	8	100
Dr Claus Nolting	72	62	36	31	8	7	116	72	97	0	0	2	3	74
Martin Wiesmann	72	75	16	17	8	8	96	17	100	0	0	0	0	17
Dr Sylvia Eichelberg (Member since 27.05.2021)	43	91	0	0	4	9	47	0	0	0	0	0	0	0
Total	**602**	**76**	**160**	**20**	**34**	**4**	**796**	**575**	**74**	**160**	**20**	**46**	**6**	**781**

Comparison of income trend and annual change in remuneration as per section 162 (1) sentence 2 no. 2 AktG

Section 162 (1)sentence 2 no. 2 AktG requires disclosure of the company's income trend, the annual change in remuneration for members of the Management Board and the Supervisory Board and the annual change in average employee remuneration on the basis of full-time equivalents over the last five financial years (known as a vertical comparison). LEG Immobilien SE applies the transitional relief in section 26j (2) of the German Introductory Act of the Stock Corporation Act (EGAktG) and will gradually establish the vertical comparison for all three comparative figures in the first five years.

The income trend is shown using the Group's key performance indicators FFO I, FFO I per share and total comprehensive income. Net annual profit is also disclosed in accordance with section 275 (3) no. 16 HGB.

For Management Board and Supervisory Board members, remuneration granted and payable for the respective financial year within the meaning of section 162 (1) sentence 1 AktG is listed.

Average employee remuneration comprises staff costs for wages and salaries, employer social security contributions, additional benefits and short-term variable remuneration components. The average number of employees is calculated on the basis of section 267 (5) HGB.

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Income trend

	2021	2020	Change in %
Group FFO 1 (in € m)	423.1	383.2	10.4
Group FFO 1 per share (in €)	5.84	5.44	7.4
Net loss LEG Immobilien SE (Seperate Financial Statement) (in € m)	–33.4	–17.6	89.6
Group net result LEG Immobilien SE (in € m)	1,750.1	1,360.3	28.7
Average remuneration per employee[1] (in € thousand)	**72**	**71**	**2.2**
Management Board remuneration in € thousand			
Lars von Lackum	1,874	1.346	39.2
Susanne Schröter-Crossan	1,116	491	127.2
Dr Volker Wiegel	1,259	966	30.3
Supervisory Board remuneration in € thousand			
Mr Michael Zimmer	224	226	–0.9
Mr Stefan Jütte	121	162	–25.0
Mr Dr Johannes Ludewig	94	98	–4.1
Mr Dr Jochen Scharpe	96	104	–7.7
Mr Dr Claus Nolting	116	74	56.5
Mr Martin Wiesmann (since 07.10.2020)	96	17	473.1
Mrs Dr Sylvia Eichelberg (since 27.05.2021)	47	–	–
Members of the Supervisory Board who resigned during the financial year in € thousand			
Mrs Natalie C. Hayday (until 06.01.2021)	1	**100**	**–98.7**

[1] Included are all employees of the LEG Group

Combined corporate governance declaration in accordance with sections 289f and 315d HGB

In this combined corporate governance declaration in accordance with section 289f and 315d HGB, LEG Immobilien SE reports on the principles of corporate governance and corporate governance at the Group. This declaration includes (i) the declaration of compliance in accordance with section 161(1) of the German Stock Corporation Act (AktG), (ii) information on LEG's remuneration system, (iii) relevant information on corporate governance practices exceeding legal requirements, (iv) a description of the working methods of the Management Board and the Supervisory Board plus the composition and working methods of their committees, (v) targets for the participation of women in managerial positions and (vi) a description of the diversity concept for the Supervisory Board and Management Board.

Declaration of Compliance in accordance with section 161(1) AktG

The Management Board and Supervisory Board of LEG Immobilien SE approved the following declaration pursuant to section 161 AktG in November 2021:

“The Management Board and the Supervisory Board of LEG Immobilien SE (the "Company") hereby declare in accordance with section 161 (1) AktG that since issuing the last Declaration of Conformity in November 2020, the Company has complied with all the recommendations of the German Corporate Governance Code published by the German Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) on 20 March 2020.

The Management Board and Supervisory Board of LEG Immobilien SE hereby declare that the company will continue to comply the recommendations of the German Corporate Governance Code in the future.
Dusseldorf, November 2021

The Management Board of LEG Immobilien SE
The Supervisory Board of LEG Immobilien SE”

Remuneration system

The Management Board and Supervisory Board remuneration systems comply with the recommendations of the German Corporate Governance Code. In line with the regulations of the German Stock Corporation Act, they are submitted to the Annual General Meeting for resolution in the event of any material changes and at least every four years.

The LEG Supervisory Board resolved a new remuneration system for members of the Management Board in accordance with section 87a (1) of the German Stock Corporation Act (AktG) on 12 March 2020 – based on the recommendation of the Executive Committee. The redesigned remuneration system meets the recommendations of the 2019 German Corporate Governance Code G.1 to G.16 in full and was approved by the Annual General Meeting in accordance with section 120a (1) AktG in August 2020. The remuneration system applies to all Management Board agreements to be concluded, renewed or amended after the approval.

Regulations on Supervisory Board remuneration are set out in LEG Immobilien SE's Articles of Association. They were submitted to the Annual General Meeting for resolution on 27 May 2021 in accordance with section 113 (3) AktG.

The Management Board and Supervisory Board have produced a joint remuneration report in accordance with section 162 (2) AktG. The report is based on the provisions of the German Stock Corporation Act ARUG II (Act Implementing the Second Shareholders' Rights Directive) and the recommendations of the German Corporate Governance Code. This remuneration report provides detailed information on the design of the remuneration system at LEG and the amount and structure of Management Board and Supervisory Board remuneration. It will be submitted to the 2022 Annual General Meeting for approval in accordance with section 120 a (4) AktG.

The remuneration report and the auditor's report in accordance with section 162 AktG, the remuneration system in place in accordance with section 87a (1) and (2) AktG and the remuneration resolution in accordance with section 113 (3) AktG are available at the company's website.

Relevant disclosures on Corporate Governance Practices exceeding LEGAL Requirements

Compliance and value management

LEG is geared towards sustainable, successful portfolio management and growth. The foundation for sustainable management is lawful, responsible and honest conduct. LEG's objective and strategy, as well as its values that are essential for working with customers, employees, investors, business partners and society, are set out in LEG's declaration of fundamental values. These values include integrity and fairness, commitment and professionalism, confidentiality, transparency and sustainability.

The LEG's Code of Conduct describes the guiding principle in more detail and puts the values set out here into practice for everyday business by way of standards of conduct for employees and executives. Details on these standards of conduct can be found in internal Group rules and guidelines. These guidelines are published on the company's website.

Executives and employees are made aware of these issues and advised on them in regular training sessions and through advisory services. All new employees receive compliance and data protection training in four annual sessions. In the future, refresher training will be provided for all employees once a year using an electronic training programme. An electronic whistle-blower system gives employees and third parties the opportunity to anonymously report compliance violations around the clock.

Details on LEG's compliance management system can be found in the > Risks, Opportunities and Forecast Report page 66 of this annual report.

Responsibility and sustainability

LEG aims to act sustainably and responsibly. An understanding of sustainability and a sustainability strategy are outlined in its sustainability model. As part of a materiality analysis with all relevant stakeholders, LEG identified five central areas of sustainability: business, tenants, employees, the environment and society. These cover the three dimensions of sustainability – environmental, social and governance (ESG).

In 2021, LEG made considerable progress on its sustainability and decarbonisation strategy, established a climate footprint based on current data, outlined its path to carbon neutrality by 2045 and backed this up with actions. In addition, the requirements for social aspects and good corporate governance were further developed. Each year, the company sets specific short-term and long-term targets for all three dimensions that contribute to the implementation of the sustainability strategy and that are tracked and reviewed on an ongoing basis. These sustainability targets have been part of variable Management Board remuneration since the 2021 financial year.

The sustainability committee acts as a body for strategic decisions and to pool activities, comprising heads of central areas and operations managers.

LEG's sustainability report provides annual reporting on sustainability management and on targets, measures, activities and progress in this area.

Other corporate governance disclosures

Suggestions of the German Corporate Governance Code

LEG goes beyond simply complying with all recommendations of the Code. It also complies with the suggestions of the Code, which can be deviated from without disclosure in the declaration of compliance, with the following exception:

In accordance with suggestion A 5, in the event of a takeover bid, the Management Board should convene an extraordinary general meeting at which shareholders discuss the takeover bid and possibly decide on corporate action. It is questionable as to whether the organisational effort of convening a general meeting would be justified if no corporate action was to be resolved. Accordingly, the Management Board reserves the right to convene an extraordinary general meeting only if a resolution is planned.

Institute for Corporate Governance in the German Real Estate Industry

LEG is a member of the Corporate Governance Institute of the German Real Estate Industry Association (ICG). The ICG has created and published a "Corporate Governance Code of the German Real Estate Industry" (as at October 2020, "ICGK"), which supplements the German Corporate Governance Code with industry-specific recommendations and is intended to bring about greater transparency, an improved reputation and stronger competitiveness of the property sector. The Supervisory Board and the Management Board of LEG Immobilien SE are committed to the key goals and principles of the ICG.

The ICG developed a certification system for compliance management systems at property companies. LEG had its compliance management system certified using this system in 2019 for the first time. This certificate was confirmed in September 2021 as part of a second certification. It is valid for three years.

Description of the working methods of the Management Board and the Supervisory Board and the composition and working methods of their committees

LEG Immobilien SE has the legal form of a European Company (Societas Europaea, SE). As an SE based in Germany, LEG Immobilien SE is subject to European and German SE regulations as well as German stock corporation law. LEG Immobilien SE has a dual management system consisting of the Management Board and the Supervisory Board. Executive management and control are clearly separated in a dual management system.

Executive management

As per section 6.1 of the Articles of Association, the Management Board of LEG Immobilien SE comprises at least two members. As at 31 December 2021, there were three people on the Management Board. The Management Board manages LEG Immobilien SE on its own responsibility in accordance with the provisions of law, the Articles of Association and the Rules of Procedure for the Management Board. The Rules of Procedure for the Management Board were most recently amended by the Supervisory Board on 24 August 2021. Among other things, these stipulate that certain transactions of particular significance require the prior approval of the Supervisory Board or one of its committees. They also state that transactions between the company or one of its Group companies on the one hand and a member of the Management Board and a related party on the other hand must meet the standards that are customary for transactions with outside third parties.

The Management Board reports to the Supervisory Board regularly, comprehensively and in a timely manner on all issues of strategy, planning, business performance, the risk situation, risk management and compliance relevant to the company. The Management Board performs its management duties as a collective body. Regardless of their overall responsibility, the individual members of the Management Board manage the departments assigned to them in the context of Management Board resolutions on their own responsibility. The allocation of duties among the members of the Management Board is based on the assignment plan.

Supervisory Board

The Supervisory Board has currently seven members and monitors and advises the Management Board. It appoints and dismisses the members of the Management Board and, together with the Management Board, ensures long-term succession planning. Its duties and rights are determined by the legal provisions, the Articles of Association and the Rules of Procedure for the Supervisory Board. The Supervisory Board most recently amended the Rules of Procedure at its ordinary meeting on 24 August 2021. The Supervisory Board regularly reviews the efficiency of its work and the work of its committees, most recently in the 2021 reporting year. The review was performed in the form of a self-evaluation using an anonymous questionnaire that is drawn up externally.

Cooperation between the Management Board and the Supervisory Board

The Management Board and the Supervisory Board work together closely for the good of the company. The intensive and constant dialogue between the bodies is the basis for efficient and targeted business management. The Management Board develops the strategic orientation of LEG, coordinates this with the Supervisory Board and ensures its implementation. The Management Board discusses the status of the strategy implementation with the Supervisory Board at regular intervals.

The Chairman of the Supervisory Board maintains regular contact with the Management Board, particularly with the Chairman of the Management Board, and advises on issues of strategy, planning, business performance, the risk situation, risk management and compliance at the company. He is immediately informed by the Chairman of the Management Board of key events significant to the assessment of the position and development of the company and Group companies and their management. He then reports to the Executive Committee or the Supervisory Board and convenes extraordinary meetings if necessary.

Committees of the Supervisory Board

The Supervisory Board had three committees in the 2021 financial year: the Executive Committee, the Nomination Committee and the Risk and Audit Committee. Further committees can be formed if required.

Executive Committee of the Supervisory Board

The Executive Committee discusses key issues and prepares resolutions by the Supervisory Board. In particular, the Executive Committee discusses resolutions by the Supervisory Board on the following matters:

- The appointment and dismissal of members of the Management Board, the appointment and dismissal of the Chairman of the Management Board;
- The conclusion, amendment and termination of employment agreements with members of the Management Board;
- The Management Board remuneration system and determination of compensation paid to the individual members of the Management Board.

The Executive Committee regularly discusses long-term succession planning for the Management Board with the involvement of the Management Board. In place of the Supervisory Board but subject to the above and other mandatory responsibilities of the Supervisory Board, the Executive Committee passes resolutions on the following matters:

- Transactions with members of the Management Board in accordance with section 112 AktG;
- Approval of transactions with a value in excess of EUR 25,000 between the company or one of its Group companies on the one hand and a member of the Management Board or persons or undertakings related to a member of the Management Board on the other;
- Delayed disclosure of inside information in accordance with Article 17 (4) of the Regulation (EU) no. 596/2014 of 16 April 2014 (market abuse regulation), where the Supervisory Board is responsible for the subject of the insider information;
- Consent to other activities by a member of the Management Board in accordance with section 88 AktG and approval of other additional employment, in particular holding supervisory board mandates and mandates in similar executives bodies of companies outside the Group
- Granting loans to the persons named under sections 89, 115 AktG;
- Approval of contracts with Supervisory Board members in accordance with section 114 AktG
- Any other approval required in accordance with the Articles of Association of the company or the Rules of Procedure for the Management Board for measures by the Management Board if the matter cannot be delayed and a resolution by the Supervisory Board cannot be passed in a timely manner.

The members of the Executive Committee are Mr Michael Zimmer, Mr Stefan Jütte and Dr Johannes Ludewig. As the Chairman of the Supervisory Board, Mr Michael Zimmer is also the Chairman of the Executive Committee. Dr Jochen Scharpe has been elected deputy member (in the case of absence).

Nomination Committee

The Nomination Committee meets as required and suggests suitable candidates to the Supervisory Board for its nominations for the Annual General Meeting. The members of the Nomination Committee are the members of the Executive Committee (Mr Michael Zimmer, Mr Stefan Jütte, Dr Johannes Ludewig). As per the Articles of Association, the Chairman of the Supervisory Board is also the Chairman of the Nomination Committee.

Risk and Audit Committee

The work of the Risk and Audit Committee focuses on the following issues:

- Accounting audits
- Monitoring the accounting process
- The non-financial declaration to be prepared in accordance with section 289b HGB
- The effectiveness of the internal control system and the internal audit system

- The audit of the financial statements – in particular the independence of the auditor, the quality of the auditor, the other services performed by the auditor, the granting of the audit mandate to the auditor, the determination of the key areas of the audit and the fee agreement
- Compliance

The Risk and Audit Committee also deals with the non-financial declaration to be prepared in accordance with section 315d HGB. It prepares the resolutions by the Supervisory Board on the annual financial statements (and the consolidated financial statements where applicable) and the agreements with the auditor (in particular, the granting of the audit mandate to the auditor, the determination of the key areas of the audit and the fee agreement). The Risk and Audit Committee takes appropriate measures to determine and monitor the independence of the auditor. Thus, the Risk and Audit Committee released a white list of a limited number of non-audit services that can be provided by the auditor. If the auditor is commissioned to perform further tasks, the Risk and Audit Committee must approve the task. In addition, on the Risk and Audit Committee's behalf, the company has established a process to ensure that no prohibited non-audit services are contracted to the current auditor or potential future auditors. The work of the Risk and Audit Committee is based on particular Rules of Procedure that were most recently amended on 24 August 2021.

The members of the Risk and Audit Committee are Dr Claus Nolting (Chairman), Dr Jochen Scharpe (Deputy Chairman) and Mr Martin Wiesmann. Mr Stefan Jütte held the chair until 8 March 2021. The Chairman of the Risk and Audit Committee is independent and has special expertise and experience in the application of accounting policies and internal control procedures.

Detailed information on the work of the Supervisory Board and the composition of the committees of the Supervisory Board in the 2021 financial year can be found in the section > Report of the Supervisory Board, page 31ff. of this annual report.

Composition of the Boards

Targets for the participation of women

In accordance with section 76(4) and section 111(5) of the German Stock Corporation Act, the Supervisory Board and the Management Board are required to set targets for the participation of women in (i) the Supervisory Board, (ii) the Management Board and (iii) the two management levels below the Management Board, to stipulate a timeframe for when this goal must be achieved, to report on the achievement of this goal, or give reasons in the event of non-achievement of this goal.

Supervisory Board

At its meeting on 8 March 2017, the Supervisory Board agreed a share of 16.6 %, which it is aiming to achieve by 31 December 2021. As at 31 December 2021, the seven members of the Supervisory Board included one woman. Accordingly, women accounted for 14.3 % of the Supervisory Board at the end of the target attainment period, below the quota set.

At the Annual General Meeting on 19 August 2020, LEG resolved to expand the Supervisory Board from six to seven members. This was because, at the time Mr Martin Wiesmann was available as a candidate and the Supervisory Board believed he was particularly suited to the position as a member of the LEG Supervisory Board and would represent an outstanding contribution to the Supervisory Board's existing expertise thanks to his knowledge, skills and professional experience. At the time of this resolution, it had already been decided that two Supervisory Board members, Mr Stefan Jütte and Dr Johannes Ludewig, would depart the Supervisory Board at the end of the 2022 Annual General Meeting, bringing the Supervisory Board back to six members. Nonetheless, the temporary expansion of the Supervisory Board reduced the share of women on the Supervisory Board from its target of 16.6 % to 14.3 %, and so the target was not achieved by the end of December 2021. However, the quota set will be achieved again when the expected changes come into effect at the 2022 Annual General Meeting.

The Supervisory Board has set a target quota of 33.33 % and a deadline for achieving this goal of 31 December 2024.

Management Board

At its meeting on 5 March 2020, the Supervisory Board defined a goal for the share of women on the Management Board of 33.33 % and the deadline for achieving this goal as 31 December 2021. LEG's Management Board currently comprises two men and one woman. This puts the share of women on the Management Board at 33.33 %, in line with the target set. Given the current employment agreements and because there is no intention at present to expand the Management Board, a new target for the share of women on the Management Board is again set at 33.33 %. The deadline for achieving this target is 31 December 2024.

Management levels below Management Board

LEG Immobilien SE itself has no employees and so no targets can be set for LEG Immobilien SE employees. However, at the Management Board meeting of 6 March 2017 the Management Board of LEG Immobilien SE voluntarily set Group-wide targets for the appointment of women to management positions. The Management Board set goal of a share of women of 30 % in the first and second management levels below the Management Board, and was aiming to achieve this by 31 December 2021.

As at 31 December 2021, women accounted for 40.6 % of the second management level below the Management Board and so the target was met. The Management Board has set a new Group-wide target of a 30 % share of women in the second management level below the Management Board and a deadline for achieving this goal by 31 December 2026.

As at 31 December 2021, women accounted for 21.4 % of the first management level below the Management Board. The voluntary Group target of 30 % was thus not achieved by the end of the deadline set. Although the goal was for women to make up 30 % of the first management level below the Management Board, this can be achieved only in the long term. The number of positions and fluctuation in the first management level below the Executive Board are low and it is the goal of LEG to retain employees in the company in the long term. Moreover, if a position is to be filled, the priority of qualification applies regardless of the targets set, so that women are preferentially hired only if they have the same qualifications.

At the time of setting the target at the beginning of March 2017, the proportion of women in the first management level below the Executive Board was 17 %. The proportion of women at this level has thus already increased by 4.4 percentage points since the first target was set. The Executive Board has again set the target for the first management level below the Executive Board at 30.0 % and the deadline for achieving this target at 31 December 2026.

Supervisory Board and Management Board composition (Diversity Concept)

Diversity Concept of the Supervisory Board

The Supervisory Board has stated targets for its composition and drawn up a competence profile. The targets and the competence profile include the following diversity targets as well as a diversity concept:

- With the overall composition of the Supervisory Board, the competence profile set should be met. On the basis of their knowledge, skills and professional experience, the members of the Supervisory Board should be able to perform the duties of a Supervisory Board member of a listed property company with a focus on residential properties. The Supervisory Board has stated that Group management, the housing industry, property transactions, bank and capital market financing, finances, accounting and auditing, management and regulation and sustainability are special areas of competence which should be met by the Supervisory Board as a whole.
- The members of the Supervisory Board should satisfy the requirements of the German Corporate Governance Code.
- At least five members of the Supervisory Board, including the Chairman of the Supervisory Board and the Chairman of the Audit Committee and the Executive Committee, must be independent as defined by the German Corporate Governance Code.
- In the interests of complementary cooperation, the members of the Supervisory Board should have sufficient diversity with regard to different professional backgrounds, specialist knowledge and experience when selecting candidates.
- At least one third of the Supervisory Board must be female and one third male.
- Only candidates younger than 75 at the time of the election should be proposed for the Supervisory Board.

Implementation status/attainment of targets set, the competence profile and the diversity concept

In its decision on candidates, the Supervisory Board takes into account not only the statutory requirements and the provisions of the Articles of Association, but in particular the above targets and the competence profile. The same applies to the Nomination Committee, which supports the Supervisory Board by providing assistance in its search for suitable candidates. The Supervisory Board most recently took account of the goals, including the competence profile, in its nomination of Dr Sylvia Eichelberg in connection with the 2021 Annual General Meeting.

With the current composition of the Supervisory Board all goals except the gender quota have been achieved and the current composition of the Supervisory Board is balanced. The Supervisory Board members have the professional and personal qualifications considered necessary. Diversity is adequately taken into account on the Supervisory Board. The Supervisory Board believes that it has a sufficient number of independent members. At present, all members of the Supervisory Board are independent as defined by recommendation C.6 of the GCGC. The regulation on the age limit (75 years at the time of the election) is also taken into account.

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Composition of the Supervisory Board

					Members of committees	
	Age	Member since[1]	Appointed until (AGM)	Independence	Executive committee[2]	Risk and audit committee
Michael Zimmer (Chairman)	58	2021 (2013)	2022	X	O	
Stefan Jütte (Deputy Chairman)	75	2021 (2013)	2022	X	X	
Dr Sylvia Eichelberg	42	2021	2022	X		
Dr Johannes Ludewig	76	2021 (2013)	2022	X	X	
Dr Claus Nolting	70	2021 (2016)	2022	X		O
Dr Jochen Scharpe	62	2021 (2013)	2022	X		X
Martin Wiesmann	56	2021 (2020)	2022	X		X

X = member/fulfilled; O = Chairman
[1] In the Supervisory Board of LEG Immobilien SE (in brackets: in the Supervisory Board of LEG Immobilien AG)
[2] The composition of the Nomination Committee corresponds to the Executive Committee

The current Supervisory Board composition also meets the competence profile.

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Competence profile

	Competencies						
	Group management	Housing industry	Property transactions	Bank and capital market financing	Finance, accounting and audit	Management and regulation	Sustainability
Michael Zimmer (Chairman)	●●	●●	●●	●	●	●	●
Stefan Jütte (Deputy Chairman)	●●	●	●●	●●	●	●	●
Dr Sylvia Eichelberg	●●	●	●	●	●	●●	●●
Dr Johannes Ludewig	●●	●	●	●	●	●●	●●
Dr Claus Nolting	●●	●	●●	●●	●●	●●	●
Dr Jochen Scharpe	●●	●●	●●	●	●●	●	●
Martin Wiesmann	●	●	●●	●●	●	●	●●

●● = Expert knowledge; ● = General knowledge

Failure to meet the gender quota should be seen in connection with the temporary expansion of the Supervisory Board and the new targets under section 111 para 5 AktG and is also explained above.

To allow for an evaluation of their skills and a comparison with the goals, the CVs of the Supervisory Board members are published on LEG Immobilien SE's website.

Management Board diversity concept and succession planning for the Management Board

There are the following targets for the composition of the Management Board:

- Each member of the Management Board must have not only his own fundamental qualification, but also must be suitable for the company in its current situation and in view of future tasks.
- The members of the Management Board should supplement each other in respect to competence and knowledge. Here the Management Board should be composed in a way that the Board as a whole not only has entrepreneurial and managerial competence but also knowledge of property management and extensive expertise concerning regional housing markets.
- Moreover, the composition of the Management Board should allow it to have financial markets expertise as well as social competence, e. g. in the area of social and neighbourhood management.
- The Supervisory Board defined a goal for the share of women on the Management Board of 33.3 %.

Together with the Management Board, the Supervisory Board ensures long-term succession planning. The Supervisory Board and its Executive Committee ensure that the composition of the Management Board takes place taking due account of the targets set. In addition, account is taken of the relevant legislation and the recommendations of the German Corporate Governance Code. The Management Board as it stands at presents meets all targets.

The CVs of the Management Board members are published on LEG Immobilien SE's website so that these can be compared against the diversity concept.

Takeover disclosures in accordance with section 315a HGB

Composition of issued capital

72,839,625 ordinary shares without par value are admitted to trading on the Frankfurt Stock Exchange. The shares are registered shares and do not differ in terms of the securitised rights and obligations.

The Authorised Capital amounts to EUR 20,670,268.00. The Contingent Capital amounts to EUR 35,689,918.00.

Restrictions relating to voting rights and transfers of shares

There are no further restrictions on voting rights, the exercise of voting rights or the transfer of shares beyond the statutory provisions.

Interests in capital with shares of voting rights exceeding 10 %

As of 31 December 2021, Massachusetts Financial Services Company (Boston, Massachusetts, USA) held 10.46 % of the share capital of the company, and hence also of the voting rights. Massachusetts Financial Services Company notified LEG according to section 33 et seq. of the German Securities Trading Act (WpHG) on 15 October 2019. LEG published this notification on 16 October 2019.

Bearers of shares with special rights granting powers of control

The shares issued by LEG do not have special rights granting powers of control.

Rules for the appointment and dismissal of members of the Management Board and amendments to the Articles of Association

Members of the Executive Board are appointed and dismissed in accordance with the provisions of section 84 of the German Stock Corporation Act. There are no significant supplementary or deviating provisions in the Articles of Association or Rules of Procedure.

Amendments to the Articles of Association are made in accordance with the provisions of the German Stock Corporation Act. There are no significant, supplementary or deviating provisions in the Articles of Association or Rules of Procedure.

Authority of the Management Board to issue shares

The Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the company by up to a total of EUR 21,413,950.00 by issuing up to 21,413,950 new shares until 18 August 2025 (Authorised Capital 2020).

The share capital is contingently increased by up to EUR 35,689,918.00 through the issue of up to 35,689,918 new shares (Contingent Capital 2013/2017/2018/2020). The contingent capital increase is subject to the proviso that the conditions for the conversion rights issued in 2017 or 2020 or in future are exercised and serviced by way of the corresponding utilisation of contingent capital.

By way of resolution dated 29 July 2020, the Management Board issued a voluntary commitment declaring that it would not raise the share capital from Contingent Capital 2013/2017/2018/2020 and from Authorised Capital 2020 by more than 50 % in total of the share capital in place as at the time of the resolution (EUR 71,379,836.00), i. e. not by more than a total of EUR 35,689,918.00.

The Management Board also declared that the sum of shares issued on the basis of Contingent Capital 2013/2017/2018/2020 and Authorised Capital 2020 with shareholders' pre-emption rights disapplied – taking into account other shares that are sold/issued after 19 August 2020 with pre-emption rights disapplied or that are to be issued on the basis of bonds after 19 August 2020 with pre-emption rights disapplied – will not exceed 10 % of the share capital at the time it becomes effective or at the time of utilising the Contingent Capital 2013/2017/2018/2020 or Approved Capital 2020. Shares that are to be issued on the basis of convertible bonds issued by the company in September 2017 or June 2020 are not included in this.

This voluntary commitment is published on the company's website at https://ir.leg-se.com/fileadmin/user_upload/Investor_Relations/Hauptversammlung/HV_2020/en/No_06_and_07_Voluntary_Commitment_Contingent_and_Authorized_Capital.pdf and can be accessed for the duration of the term of Contingent Capital 2013/2017/2018/2020 and Authorised Capital 2020.

Authorisation on the acquisition and utilisation of treasury shares

On 17 May 2017, the Annual General Meeting authorised the Management Board in accordance with section 71(1) no. 8 AktG to acquire treasury shares up to a total of 10 % of the share capital in place as at the time of the authorisation. The shares acquired on the basis of this authorisation, together with other shares of the company that the company has already acquired and still holds or that are attributable to it, cannot account for more than 10 % of the share capital at any time. The authorisation applies until 16 May 2022 and can be exercised in full or in part on one or more occasions. At the discretion of the Management Board, the shares must be acquired in accordance with the principle of equal treatment (section 53a AktG) on the stock exchange or by means of a public invitation to all shareholders to submit offers to sell, in which case the principle of equal treatment of shareholders must also be upheld, unless the disapplication of the right to tender is permitted, (section 53a AktG), or by granting tender rights.

If the shares are acquired on the stock market, the acquisition price (not including incidental costs of acquisition) must not be 10 % higher or 20 % less than the arithmetic average of the price of the shares on the stock exchange in Frankfurt/Main on the last three trading days before the acquisition or the assumption of an acquisition obligation.

If acquired by way of a public purchase offer made to all shareholders or a public invitation to all shareholders of the company to submit offers for sale, the acquisition price (not including incidental costs of acquisition) paid to shareholders must not be 10 % more or 20 % less than the arithmetic average of the price of the shares on the stock exchange in Frankfurt/Main on the last three trading days before the publication of the offer or, if acquired otherwise, before the acquisition.

If the shares are acquired by granting tender rights, the consideration paid per share by the company (not including incidental costs of acquisition) must not be 10 % higher or 20 % less than the average share price on the stock exchange in Frankfurt/Main on the last three stock exchange trading days before the date offers of sale are accepted or the date that tender rights are granted.

The authorisation can be exercised for any purpose allowed by law. The Management Board was also authorised to use the shares acquired on the basis of the acquisition authorisation – subject to other requirement – as follows, in particular: (i) to withdraw shares, (ii) for resale on the stock exchange, (iii) to offer for subscription to shareholders, (iv) for disposal in a manner other than on the stock exchange or by way of offer to all shareholders if the acquired shares are sold against cash payment at a price not significantly less than the stock market price within the meaning of section 186(3) sentence 4 AktG, whereby this authorisation is limited to a pro rata amount of share capital totalling not more than 10 % of the share capital as of the time of the resolution by the Annual General Meeting or – if lower – 10 % of the share capital as of the time of the disposal of the shares, (v) as part of a merger or for the acquisition of companies, parts of companies or equity investments in companies, including increases of existing holdings, or of other eligible assets such as properties, property portfolios and receivables from the company, and (vi) to fulfil option or conversion rights/obligations, whereby this authorisation is limited to a pro rata amount of the share capital of LEG of not more than 10 % of the share capital at the time of the resolution of the Annual General Meeting regarding this authorisation or – if this value is lower – 10 % of the share capital at the time of the disposal of the shares. Shareholders' pre-emption rights can be disapplied in certain cases, including for fractional amounts.

The statutory provisions also apply.

Material agreements of the company for the event of a change of control following a takeover bid

LEG issued a convertible bond with a volume of EUR 400 million in August 2017 and a convertible bond with a volume of EUR 550 million in June 2020. In the event of a change of control, the terms and conditions of the convertible bonds state that the bondholders shall be entitled to receive an increased number of shares at a correspondingly adjusted conversion price if the conversion is exercised within a defined period following the change of control. Prior to a change of control taking place, bondholders may submit their convertible bonds for conversion when a corresponding takeover bid is published subject to the condition precedent of the change of control taking place. The extent of the adjustment to the conversion price shall fall during the term of the convertible bonds; this is defined in greater detail in the terms and conditions of the convertible bonds.

In January 2017, LEG issued a corporate bond with a total nominal amount of EUR 500 million. Under the bond conditions, the creditors have the right to demand the full or partial redemption or, at LEG's discretion, the purchase of their bonds in the event of a change of control.

In November 2019, LEG also issued two corporate bonds with a total nominal amount of EUR 300 million and EUR 500 million respectively under the existing debt issuance programme. In March 2021, June 2021 and November 2021, LEG also issued three additional corporate bonds with total nominal amounts of EUR 500 million, EUR 600 million and EUR 500 million respectively under the existing debt issuance programme. The bond issued in March was increased through a tap by EUR 100 million to EUR 600 million.

The creditors of these corporate bonds have the right to demand the redemption of their bonds if a change of control occurs and the credit rating deteriorates within 90 days of the change of control.

A change of control in accordance with the conditions of the financial instruments described above is considered to have taken place if a person or persons acting in concert hold 30 % or more of the shares in LEG or are otherwise able to exercise control over the company.

In addition, there are some financing agreements in place that contain a termination clause for the benefit of the financing banks, following such a change of control.

Compensation agreements concluded by the company with employees or members of the Management Board in the event of a takeover bid

The contracts of employment of the Management Board members contain provisions with respect to the event of a change of control. In case of an early Management Board contract termination in the event of a change of control, members of the Management Board receive payments. This agreement complies with recommendation G 13 of the German Corporate Governance Code by limiting the compensation in accordance with the suggested compensation cap. In accordance with the recommendation G 14 of the German Corporate Governance Code, no agreements have been made for compensation in the event of early termination of the employment agreement by the member of the Management Board following a change of control.

Non-financial report in accordance with section 315b HGB

Instead of a non-financial declaration in accordance with section 315b HGB LEG Immobilien SE prepared a separate non-financial report 2021 which is published in the annual report 2021 from > page 106. The report is also available on the company's website at https://www.leg-wohnen.de/en/corporation/sustainability/sustainability-reports from the date and time of the release of the annual report 2021.

Dusseldorf, 7 March 2022

LEG Immobilien SE, Dusseldorf
The Management Board

LARS VON LACKUM
SUSANNE SCHRÖTER-CROSSAN
DR VOLKER WIEGEL

4

NON-FINANCIAL INFORMATION

EU taxonomy

In accordance with the EU taxonomy (Regulation (EU) 2020/852), companies subject to reporting obligations in accordance with the NFRD[1] (in Germany: CSR-RUG[2]) are required to expand their non-financial reporting to include taxonomy-related disclosures. This also applies to LEG Immobilien SE. The EU taxonomy is the first "green" classification system for sustainable economic activities. The main objective of the EU taxonomy is to achieve the goals of the Paris Climate Agreement through transparency in the capital market. The comparability of sustainability data across industries is an essential element for this purpose. In the future, companies will therefore be required to disclose the proportion of their revenues, capital expenditure (CapEx) and operating expenditure (OpEx) that relates to environmentally sustainable economic activities.

The procedure for identifying economic activities that can qualify as (potentially) environmentally sustainable and consistent with the EU environmental objectives in line with the EU taxonomy is described below. To date, EU environmental objectives 1 ("Climate change mitigation") and 2 ("Climate change adaptation") are required to be applied. The EU's consultation phase on environmental objectives 3 to 6 ("Sustainable use and protection of water and marine resources", "Transition to a circular economy", "Pollution prevention and control" and "Protection and restoration of biodiversity and ecosystems") is currently still in progress.

In light of the prevailing lack of consistency when it comes to the interpretation of certain aspects of the taxonomy, such as the technical screening criteria of the EU Delegated Act and the absence of underlying statistical studies or best practice examples from other companies, LEG has taken a conscious decision to publish details of taxonomy-eligible economic activities in the current reporting year for the 2021 financial year and to make disclosures on their alignment with the taxonomy for the 2022 reporting year. At LEG, the aforementioned taxonomy disclosures for companies subject to reporting obligations are made outside the group management report, and more specifically in this section on "non-financial information" as part of the separate non-financial report.

Generally, the revenue, CapEx and OpEx for all economic activities for which the EU has issued technical screening criteria qualify for reporting as taxonomy-eligible. In our industry, for example, this would include all revenue from the rental and lease of residential buildings, irrespective of whether the building in question is a low-energy house or belongs to the least efficient building category. In our further interpretation and specification of the wording concerning taxonomy eligibility, we therefore also evaluated the content of the technical screening criteria for environmental objectives 1 and 2 without actively applying them as a benchmark for determining taxonomy alignment. This also helps to avoid raising false expectations among our stakeholders. Without these considerations, the proportion of taxonomy-eligible economic activities would have been significantly higher.

Having identified the taxonomy-eligible economic activities, disclosures on their alignment with the taxonomy must be made from the next reporting year onwards. Revenue, CapEx and OpEx qualify as taxonomy-aligned if the technical screening criteria defined by the EU are fulfilled such that the related economic activities are considered to contribute substantially to the first two environmental objectives of the taxonomy, (1) climate change mitigation or (2) climate change adaptation. Starting from the next reporting year, the analysis of economic activities will be expanded to include the other environmental objectives (3–6). In addition to the technical screening criteria, it must be ensured that these economic activities do not cause significant harm to any of the other environmental objectives (DNSH) and that they satisfy certain minimum social safeguards (MSS), e. g. with regard to social welfare and human rights.

Identification of taxonomy-eligible economic activities

The identification of economic activities qualifying as potentially sustainable and consistent with the first two EU environmental objectives (taxonomy-eligible) took the form of a simultaneous top-down and bottom-up approach. For the top-down approach, the economic activities that could be potentially relevant for the German housing industry were identified in partnership with an industry working group on the basis of the list of economic activities set out in the Delegated Act (cf. Delegated Regulation supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council, Annex 1 & 2). Next, working hypotheses were developed for each potential economic activity and validated by the responsible departments. On the basis of financial reporting broken down by cost centre, a simultaneous analysis was conducted for the principle of completeness in order to determine whether any of the economic activities set out in the Delegated Act can be allocated to these cost centres. The departments were also regularly involved in this process.

In the course of this identification process, we primarily analysed seven economic activities from the "Construction and real estate activities" sector (section 7.) and twelve economic activities from the "Energy" sector (section 4.). Additional individual economic activities from the "Transport" (section 6.), "Information and communication" (section 8.) and "Professional, scientific and technical activities" (section 9.) sectors were also included in the review process.

Based on the above findings on the determination of economic activities, CapEx and OpEx were identified in addition to revenue. It should be noted that the identification of revenue for a given economic activity does not necessarily mean that that economic activity also gives rise to potentially sustainable OpEx or CapEx. Respectively, an economic activity may involve relevant CapEx and/or OpEx even if it does not give rise to any revenue.

[1] Non-Financial Reporting Directive
[2] CSR-Richtlinien-Umsetzungsgesetz (CSR Directive Implementation Act)

Generally, all KPIs are calculated and published using the principles applied in preparing the financial statements. As LEG prepares its financial statements in accordance with IFRS, "ecologically sustainable" revenue, CapEx and OpEx are therefore also determined in accordance with IFRS. This also applies to our subsidiaries whose annual accounts were validated at the level of the LEG Group.

As a result of this process, LEG identified four economic activities for the 2021 reporting year for which technical screening criteria are defined by the EU and from which the Group generates revenue that is potentially ecologically sustainable. This includes (i) 4.1 Electricity generation using solar photovoltaic technology, (ii) 4.8 Electricity generation from bioenergy and (iii) 4.20 Cogeneration of heat/cool and power from bioenergy in the "Energy" sector and (iv) 7.7 Acquisition and ownership of buildings in the "Construction and real estate activities" sector.

In addition to revenue from these four economic activities, relevant CapEx was identified in the following economic activities (i) 7.2 Renovation of existing buildings, (ii) 7.3 Installation, maintenance and repair of energy efficient equipment, (iii) 7.7 Acquisition and ownership of buildings and (iv) 4.1 Electricity generation using solar photovoltaic technology. This also included investments that could lead to future revenues. Operating expenditure within the meaning of the EU taxonomy was allocated to the following economic activities: (i) 7.2 Renovation of existing buildings, (ii) 7.7 Acquisition and ownership of buildings, (iii) 4.1 Electricity generation using solar photovoltaic technology, (iv) 4.8 Electricity generation from bioenergy, (v) 4.12 Storage of hydrogen and (vi) 9.1 Close to market research, development and innovation.

Application of the technical screening criteria

Our current disclosures on taxonomy eligibility take the aforementioned technical screening criteria into account. The other two criteria have not yet been considered in greater detail. As rental and lease revenue accounts for almost all of the consolidated revenue generated by LEG, the inclusion of the technical screening criteria primarily relates to economic activity 7.7 ("Acquisition and ownership of buildings"), although it also has implications for the disclosures for other economic activities.

The relevant technical screening criterion for this economic activity states that (in future) revenue may only be reported if it is generated with buildings in Energy Performance Certificate (EPC) class A (+) or buildings within the top 15% (environmental objective: substantial contribution to climate change mitigation) or top 30% (environmental objective: substantial contribution to climate change adaptation) of the regional or national building stock expressed as operational Primary Energy Demand (PED).

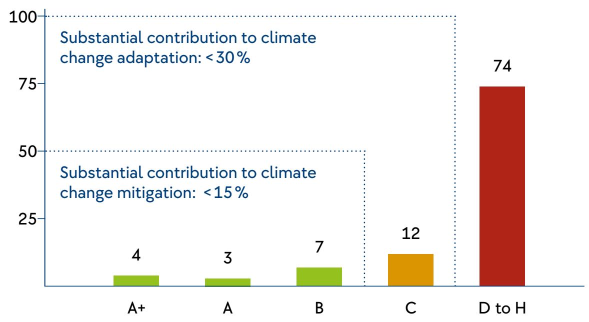
The scope for interpretation that is also touched upon relates to the disclosure requirement relative to the "regional building stock" without further reference to a database that could be used for this purpose. Furthermore, the EU regulation does not define "regional" in greater detail or differentiate between building types (e.g. between detached houses and apartment buildings). The definition thresholds for the individual EPC classes also differ considerably throughout Europe, which reduces the information value of the taxonomy disclosures in a pan-European comparison. For the current disclosure of taxonomy eligibility, we selected the study by the German Ministry for Economic Affairs and Energy[1] (BMWi) for 2021.

The BMWi evaluation indicates that buildings up to EPC class C will satisfy the technical screening criteria in future, as they form part of the most efficient 30% of the housing stock in Germany.

Data sources on the distribution of EPC classes in Germany

G17

Frequency distribution of EPC classes of German residential buildings (in %)



Source: Sven Bienert/Irebs, German Ministry for Economic Affairs and Energy (BMWi), 2021

By reference to the technical screening criteria as described above, taxonomy-eligible revenue was calculated with regard to economic activity 7.7 ("Acquisition and ownership of buildings"). The share of consolidated revenue in EPC classes A to C was around 17.8%.

[1] Since 2022: German Federal Ministry for Economic Affairs and Climate Action

In addition to consequences for the revenue relating to economic activity 7.7 ("Acquisition and ownership of buildings"), this integration of the technical screening criteria and their interpretation also had consequences for the reporting of CapEx and OpEx. For example, operating expenditure such as maintenance measures on buildings in EPC classes A to C was determined to be taxonomy-eligible because these measures are required in order to maintain the EPC classes of the respective buildings – in contrast to investments in these buildings, which already fall under the technical screening criteria. By contrast, investments in buildings in EPC classes C to H are classified and reported as taxonomy-eligible if the investments (typically modernisation measures) are expected to enable the respective building to be allocated to at least EPC class C, and hence generate potentially taxonomy-aligned revenue, within the timeframe set out in the EU taxonomy – providing that the additional criteria (DNSH and MSS) are also satisfied.

Closing note

All in all, the EU taxonomy fails to take account of the necessary sector coupling between the building and energy sectors. A successful turnaround in energy policy is required in order for the building sector to achieve carbon neutrality. In our view, looking at the development of the corresponding operating expenditure would be a far more expedient approach to determining progress in terms of climate mitigation.

T55

Environmentally sustainable revenue related to taxonomy-eligible economic activities – disclosure for the 2021 financial year

Economic activities	Absolute revenue (EUR thousand)	Share of revenue (in %)
A. Taxonomy-eligible activities	**135,669.7**	**13.4**
4.1 - Electricity generation using solar photovoltaic technology	40.8	0.0
4.8 - Electricity generation using bioenergy	12,277.2	1.2
4.20 - Cogeneration of heat/cool and power from bioenergy	86.8	0.0
7.1 - Construction of new buildings	(included in 7.7)	
7.7 - Acquisition and ownership of buildings[1]	123,265.0	12.1
B. Non-taxonomy-eligible activities		
Revenue from non-taxonomy-eligible activities (B)	879,814.9	86.6
Total (A+B)	**1,015,484.6**	**100**

[1] The figures for economic activity 7.7 also include revenue from economic activity "7.1 Construction of new buildings" as, in contrast to the wording of the technical screening criteria for 7.1, we develop our new construction projects for rental rather than for later sale.

T56

Environmentally sustainable CapEx related to taxonomy-eligible economic activities – disclosure for the 2021 financial year

Economic activities	Absolute CapEx (EUR thousand)	Share of CapEx (in %)
A. Taxonomy-eligible activities	**439,115.5**	**18.7**
4.1 - Electricity generation using solar photovoltaic technology	368.2	0.0
7.1 - Construction of new buildings	(included in 7.7)	
7.2 - Renovation of existing buildings	10,392.0	0.4
7.3 - Installation, maintenance and repair of energy efficient equipment	3,892.2	0.2
7.7 - Acquisition and ownership of buildings[1]	424,463.1	18.1
B. Non-taxonomy-eligible activities		
CapEx from non-taxonomy-eligible activities (B)	1,904,728.3	81.3
Total (A+B)	**2,343,843.8**	**100**

[1] The figures for economic activity 7.7 also include CapEx from economic activity "7.1 Construction of new buildings" as, in contrast to the wording of the technical screening criteria for 7.1, we develop our new construction projects for rental rather than for later sale.

T57

Environmentally sustainable OpEx related to taxonomy-eligible economic activities – disclosure for the 2021 financial year

Economic activities	Absolute OpEx (EUR thousand)	Share of OpEx (in %)
A. Taxonomy-eligible activities	**15,285.7**	**11.3**
4.1 - Electricity generation using solar photovoltaic technology	6.8	0.0
4.8 - Electricity generation using bioenergy	7,897.4	5.9
4.12 - Storage of hydrogen	19.9	0.0
7.2 - Renovation of existing buildings	351.3	0.3
7.7 - Acquisition and ownership of buildings	6,896.2	5.1
9.1 - Close to market research, development and innovation	114.1	0.1
B. Non-taxonomy-eligible activities		
OpEx from non-taxonomy-eligible activities (B)	119,661.6	88.7
Total (A+B)	**134,947.3**	**100**

Non-financial report

Notes on contents of report and framework

LEG Immobilien SE is publishing a separate non-financial consolidated report in accordance with section 315b HGB for the 2021 financial year (hereinafter referred to as the "non-financial report"). It comprises key non-financial aspects that have a significant impact on the HGB aspects environmental, social, employee, combating corruption and bribery and human rights issues and that are relevant to LEG Immobilien SE's net assets, financial position and results of operations for the 2021 financial year.

The non-financial report provides information on key non-financial performance indicators, individual targets and the concepts, initiatives and objectives underpinning these. Account should be taken of the impact of the ongoing pandemic in the 2021 financial year and the flooding disaster in 2021 in assessing the non-financial performance indicators, especially in comparison to the previous year. The standard of the 2016 Global Reporting Initiative (GRI) served as the general framework for the structure of the materiality analysis and the description of concepts. More information can be found in > section "GRI key figures" on page 130. This is not the subject of the company audit.

With the exception of the disclosures marked as "not audited", the non-financial report was subject to a voluntary limited assurance audit by the audit firm Deloitte. Further information on the LEG Group's sustainability efforts can be found in the comprehensive sustainability report, which will be published at a later date in the reporting year 2022 and also contains a report in accordance with EPRA standards. The recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) expand the reporting standards listed. References to disclosures not included in the Group management report or the consolidated financial statements constitute additional information and are not part of the non-financial report.

Business model

With around 166,200 rental properties, approximately 500,000 tenants and 1,170 employees (as at 31 December 2021), Dusseldorf-based LEG is one of Germany's leading listed housing companies. The company is listed on the MDAX and generated rental and lease income of around EUR 960 million in the 2021 financial year.

As the biggest landlord in Germany's most federal state, North Rhine-Westphalia, as well as operating in other states in Germany, LEG helps meet rising demand for affordable housing. LEG also significantly expanded its market presence in south-west and northern Germany in 2021 by acquiring a total of 21,742 apartments, with the largest individual acquisition relating to around 15,400 residential units from Adler Group in December 2021. A consistently value-driven business model with a focus on growth and customers combines the interests of shareholders and tenants. Customer satisfaction is especially important to LEG. It is therefore constantly striving to further improve the quality of its service and expand its value-added services through target group orientation, social and neighbourhood management and personal service through a variety of channels.

Further information on LEG's business model can be found in the Group management report starting on > page 43.

Below, we report on key issues for the LEG Group. The non-financial report is structured in line with the aspects determined as part of the materiality analysis.

Material aspects

The LEG Group conducted a materiality analysis in 2020 to identify material non-financial aspects in accordance with the Handelsgesetzbuch (HGB – German Commercial Code) and taking into account the requirements of the 2016 GRI standards. The materiality analysis is conducted regularly and its content is reviewed each year by the Sustainability Committee and the "Environment", "Social" and "Governance" teams. For the 2020 materiality analysis, non-financial aspects that may be relevant to the LEG Group were initially identified on the basis of a field analysis, which took account of capital market requirements and various industry and reporting standards.

These aspects were then assessed regarding the LEG Group's potential impact on the matters, their business relevance and with regard to the associated expectations of internal and external stakeholders. Tenants, employees and executives at the LEG Group were involved in the assessment, as well as external experts, providing perspectives from civil society, academia, the capital market and politics.

The results were consolidated and translated into a materiality matrix. The following report sets out our position on the six aspects that were identified as high or very high regarding their business relevant to the LEG Group and the company's potential impact:

1. Sustainable growth and resilience
2. Customer satisfaction and participation
3. Corporate culture and values
4. Reduction of energy use and emissions
5. Fair and affordable rent
6. Neighbourhood development

We have not identified any other material aspects within the meaning of HGB. We checked the results of the materiality analysis for consistency in the 2021 reporting year and did not add or remove any additional topics. Our analysis determined that the aspects of the law "respect for human rights" and "combating corruption and bribery" are not material for the LEG Group in the strict sense of the law and so these are not discussed in detail here. They are nonetheless key issues for the industry and so we address them briefly under "Sustainable growth and resilience". The LEG sustainability strategy also considers respect for human rights. We also signed the United Nations Global Compact in 2021 and support the ten principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption.

This non-financial report is structured in line with the five key areas set out in our sustainability strategy, to which we have assigned the material aspects detailed above. These five key areas are "business", "tenants", "employees", "the environment" and "society". They form the structural basis of our sustainability strategy and the targets identified by way of this.

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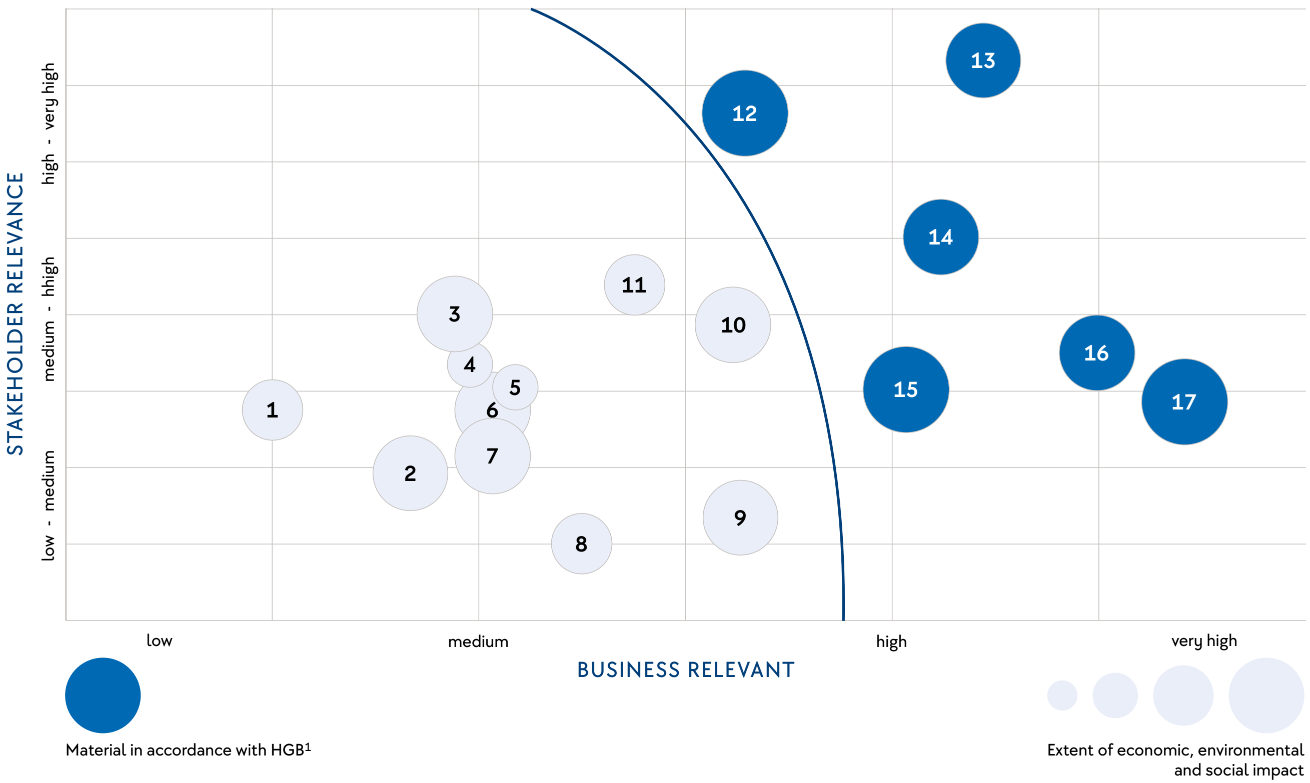
Materiality analysis



1 Human rights standards in the supply chain
2 Social commitment
3 Land use and nature conservation
4 Health protection and occupational safety
5 Training and professional development
6 Diversity and equality of opportunity
7 Local social dialogue
8 Transparent financing and liquidity strategy
9 Good governance and compliance
10 Sustainable construction materials and environmental management
11 Work-life-balance and family friendly policies
12 Fair and affordable rent
13 Customer satisfaction and participation
14 Reduction of energy use and emissions
15 Neighbourhood development
16 Corporate culture and values
17 Sustainable growth and resilience

[1] Materiality threshold (very) high business relevance and (very) high impact

T58

List of key areas

HGB aspects	Key areas	Issue
Environmental issues	Key area: environment	Reduction of energy use and emissions
Employee matters	Key area: employees	Corporate culture and values
Social issues	Key area: tenants, key area: society	Customer satisfaction and participation, fair and affordable rent, neighbourhood development
Respect for human rights	Not material for LEG according to 2020 materiality analysis, but nonetheless included in the LEG sustainability strategy	Not material for LEG according to 2020 materiality analysis, but nonetheless included in the LEG sustainability strategy
Tackling corruption and bribery	Key area: business	Sustainable growth and resilience

Risk assessment

Under HGB, non-financial risks associated with the company's business operations and that would very likely have a severe negative impact on the aspects stated if they occurred are to be reported along with concepts and efforts.

As part of our comprehensive risk management, we also assess potential risks in our key areas. Since 2020, sustainability risks recorded in the risk inventory report have no longer included a monetary valuation, as the impact of LEG's actions on external third parties, the environment and its surroundings cannot be quantified. The aspects and risks subject to reporting requirements cover the areas of respect for human rights, employee and social issues, environmental issues and combating corruption and bribery, together with relevant sub-areas. The TCFD risks were also integrated in the risk inventory report in the 2021 reporting year together with a monetary valuation, as the risks that climate change poses to LEG can be estimated and could affect LEG's financial result. Managing climate-related risks covers risks posed by climate change, i.e. physical risks, and risks resulting from the transition to a green economy, i. e. transitional risks. The existing Audit Committee became the Risk and Audit Committee in the 2021 reporting year to further highlight the ever increasing significance of risk management.

The LEG Group management has not identified any non-financial risks that meet materiality criteria under section 289c (3) no. 3 and 4 HGB after taking account of risk mitigation measures.

Further information on risk management is included in the Risks, opportunities and forecast report of the Group management report starting on > page 66.

Key area: business

Sustainable growth and resilience
LEG defines sustainable growth and resilience as taking environmental and social criteria, as well as aspects of good corporate governance, into consideration in the company's long-term business strategy. The LEG Management Board and Supervisory Board are committed to corporate governance that is based on sustainability.

This is also reflected in corresponding organisational structures, processes and documentation. LEG has been steadily working on implementing its sustainability strategy, the roadmap for the years up to 2025 and its ESG targets since 2018. The sustainability strategy has undergone constant development since this time. The company published its full ESG strategy in June 2021. To enshrine sustainability in the remuneration system for the Management Board and the second management level, LEG set specific short-term and long-term sustainability targets (STIs and LTIs) at the end of 2020, which can all be measured and verified. These targets cover all three aspects of sustainability (E, S and G) and must be achieved individually. ESG targets for 2022 and beyond were communicated when the business figures were published for the third quarter of 2021. You can find further information in the remuneration report on > page 82. The company also describes the progress that has been made in implementing the strategy's sustainability targets each year in its sustainability report. This will be published at a later point in time in 2022.

The three-member LEG Management Board bears overall responsibility for sustainability. The primary decision maker for sustainability issues on the Management Board is CEO Lars von Lackum, who is also Chairman of the company's Sustainability Committee. On the Supervisory Board, Martin Wiesmann has been responsible for the area since March 2021. The Supervisory Board's existing Audit Committee became the Risk and Audit Committee in the

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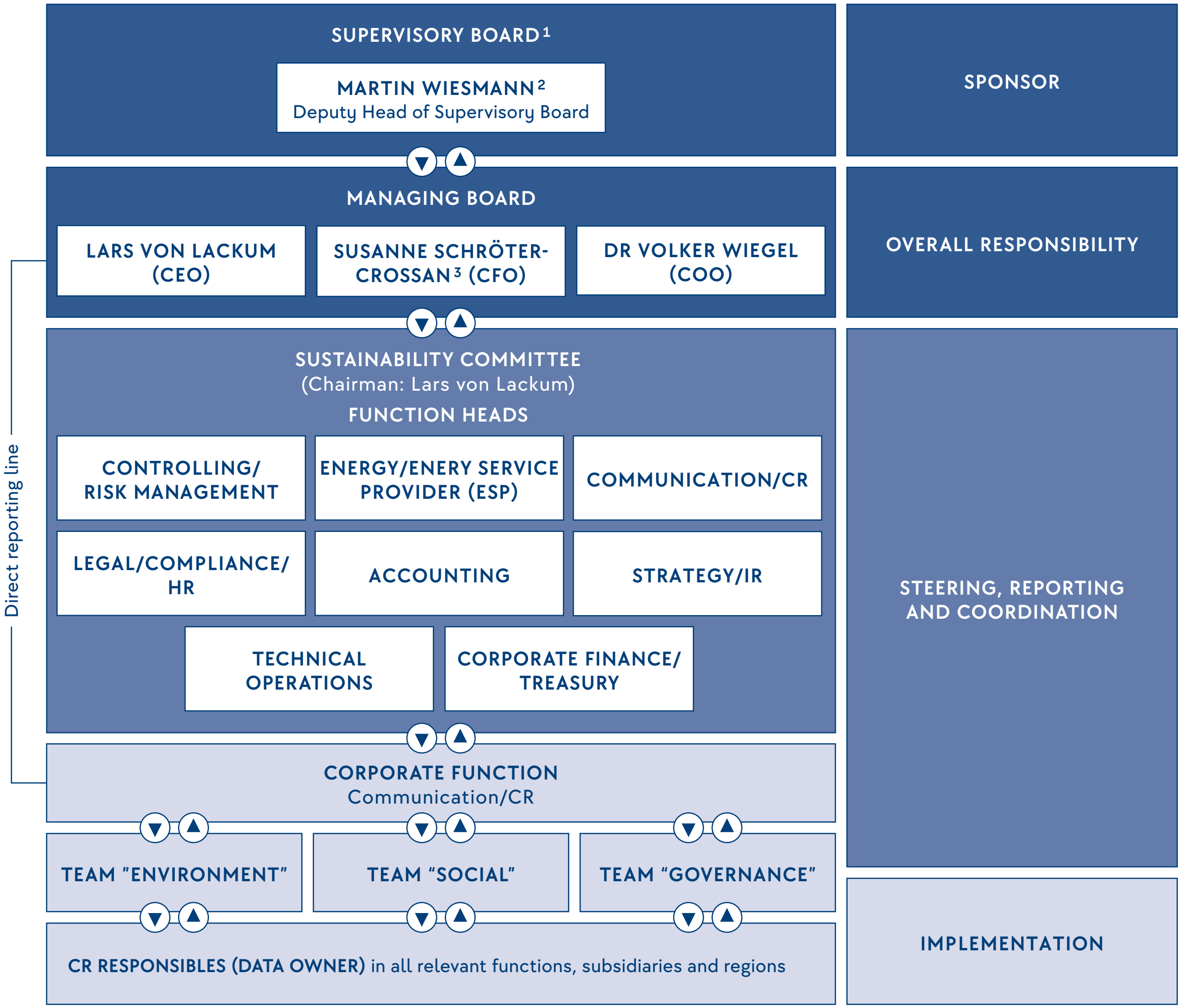
Organisation of LEG Sustainability Management



[1] Audit and Risk Committee assigned to the Supervisory Board
[2] In 2020, Stefan Jütte, Deputy Chairman of the Supervisory Board, was in charge of this on the Supervisory Board. As successor to Stefan Jütte, Martin Wiesmann has been responsible for the topic since March 2021.
[3] Chairwoman of the Sustainable Finance Committee

reporting year in order to further highlight the ever increasing significance of risk management and discuss in detail key changes in the assessment of relevant individual risks. The Management Board reports to this committee on the LEG Group's risk assessment each quarter and discusses the current risk situation. This explicitly includes sustainability risks and climate-related physical and transitional risks as part of the Task Force on Climate-related Financial Disclosures (TCFD). In turn, the Risk and Audit Committee reports on this to the Supervisory Board as a whole.

A Sustainability Committee comprising heads of central areas and operations managers acts as a committee for strategic decisions and to pool activities. The Sustainability Committee's chief responsibilities include regularly reviewing our sustainability model, determining sustainability targets and following up on the implementation of these. The Sustainability Committee meets at least twice a year. It is coordinated by Corporate Communication & Corporate Sustainability, which serves as a central interface between the areas. The Sustainable Finance Committee was also established in 2021 to manage sustainable financing. The Chairwoman is the CFO, Susanne Schröter-Crossan. The Sustainable Finance Committee prepared the Sustainable Finance Framework, which LEG issued for sustainable financing. This framework sets out investment in the areas of affordable housing/social housing, certified environmentally friendly buildings, high standards for energy efficiency upgrades of existing buildings, community engagement, the use of renewable energy and low-emission transport options. The sustainability agency Sustainalytics reviewed this framework. Based on this, LEG issued a EUR 600 million sustainable corporate bond with a term of 10 years and a coupon of 0.75 % for the first time in June 2021. The capital will be used to (re)finance social and green investments and projects such as social housing, capitalisation for company foundations and energy-efficient housing.

The "Environment", "Social" and "Governance" teams in the Organisation of Sustainability Management are responsible for the relevant issues and work on refining these. These three teams represent a transparent network group at LEG that looks at the diversity of sustainability issues across departments. Furthermore, additional Corporate Responsibility responsibles (data owners) from the various areas of LEG are involved. They put specific issues into practice and provide data.

Relevant key figures are regularly collected to review our sustainability strategy and targets. Specifically designated Corporate Responsibility responsibles in the areas are in charge of this. They also ensure that necessary measures are taken to meet the sustainability targets.

Data was reported from the new ESG database for the first time in the 2021 reporting year. This is known as the ESG Cube and responsibility lies with Controlling & Risk Management. The database has an automated data collection system, which makes it far easier to collect and archive all relevant non-financial key figures. The data owners enter their data into the ESG cube, which is then reviewed by Controlling to ensure consistency. This guarantees compliance with the dual control principle. The cube is the basis for enhanced ESG key figures reporting. It gives ESG key figures equal importance in the reporting as financial key figures.

The capital market has also recognised the progress we have made with implementing our sustainability strategy. We are frequently rated by international ratings agencies specialised in assessing efforts related to environmental, social and responsible corporate governance. We considerably improved these ratings or maintained our high level in the 2021 reporting year. We exceeded our target of at least confirming our previous year Sustainalytics ESG Risk Rating in the reporting year. Our risk score declined from 10.4 in the 2020 review process to 7.8 in the 2021 review process. Sustainalytics thus categorises our ESG risk in the "negligible" risk category (previously: "low"). This rating puts us in the top 1 % of more than 14,600 global companies and number eight out of the 1,043 companies rated in the global property sector. Our 2021 sustainability reporting earned an EPRA Gold award for the second time. One governance target by the Management Board and the second management level in 2022 is to be recategorised in the "negligible" risk category in the Sustainalytics rating.

Our materiality analysis determined that the aspects "respect for human rights" and "combating corruption and bribery" are not material for the LEG Group. Nonetheless, we still consider these aspects:

The LEG Group maintains a Compliance Management System (CMS) that brings together extensive measures to comply with legal requirements and in-house guidelines, especially in the areas of anti-corruption, competition, taxation, housing, data protection, diversity and the capital market – the latter, for example, takes the form of mandatory notifications such as ad-hoc notifications on voting rights or directors' dealings to avoid information asymmetries. The LEG CMS was certified by the Corporate Governance Institute of the German Real Estate Industry Association in 2019 and confirmed in the 2021 reporting year following another audit. This certification is valid until 2024. The Management Board, which sets the compliance targets, is responsible for the CMS. The compliance targets are reviewed on a regular basis and the Management Board receives reports on the extent to which they have been achieved. LEG is committed to respecting human rights as defined by the United Nations (UN Guiding Principles on Business and Human Rights). Internationally recognised agreements such as the United Nations Universal Declaration of Human Rights and the eight fundamental Conventions of the International Labour Organization (ILO) form the core of our corporate culture and all of our activities. The values and standards established in these agreements are reflected in internal Group documents, such as in the LEG declaration of fundamental values, the

Code of Conduct and the Business Partner Code. Since 2021, LEG has had Internal Audit carry out spot checks to verify compliance with its Business Partner Code by business partners. These take the form of questionnaires and in-person talks. This ensures that business partners comply with the Business Partner Code and its regulations on social responsibility. We also signed the United Nations Global Compact in 2021 and support the ten principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption.

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Key area: business

Key performance indicator(s)	Unit	2019	2020	2021
Scale of the organisation				
Total number of employees [1]	Number	1,365	1,599	1,770
Total number of operations [2]	Number	8	7	7
Net sales [3]	€ million	435	429.8	522.1
Quantity of products or services provided [4]	Number of residential units	134,031	144,530	166,189
Confirmed incidents of corruption and actions taken				
Total number and nature of confirmed incidents of corruption [5]	Number	0	0	1
Total number of confirmed incidents in which employees were dismissed or disciplined for corruption [6]	Number	0	0	1
Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption [7]	Number	0	0	0
Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices				
Total number of legal actions pending or completed during the reporting period regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation in which the organisation has been identified as a participant [8]	Number	0	0	0
Non-compliance with laws and regulations in the social and economic area				
Total monetary value of significant fines [9]	€	0	0	0
Total number of non-monetary sanctions [10]	Number	0	0	0
Cases brought through dispute resolution mechanisms [11]	Number	0	0	0
Non-compliance with environmental laws and regulations				
Total monetary value of significant fines [9]	€	0	0	0
Total number of non-monetary sanctions [10]	Number	0	0	0
Cases brought through dispute resolution mechanisms [11]	Number	0	0	0

[1] Average number of employees.
[2] The total number of operations equates to the seven LEG branch offices.
[3] Equates to the revenue from renting and leasing.
[4] Equates to the number of residential units within the LEG portfolio.
[5] Relates to all confirmed cases of corruption, bribery and the granting or receiving of advantages.
[6] The number of confirmed cases of corruption, bribery and the granting or receiving of advantages on the basis of which employees were terminated or warned.
[7] The number of confirmed cases of corruption, bribery and the granting or receiving of advantages on the basis of which contracts with business partners were terminated or not renewed is disclosed.
[8] Number of pending and concluded legal actions and cases is disclosed.
[9] Fines of EUR 100,000 or more are considered significant.
[10] Repressive, i. e. punitive, measures for past misconduct not consisting of a monetary sanction are reported.
[11] Dispute resolution mechanisms are reported, i. e. judicial proceedings and out-of-court dispute resolution based on mediation or conciliation.

Key area: tenants

Customer satisfaction and participation

Customer satisfaction and participation are key performance indicators for LEG's economic performance. Both require active, open communication with our tenants and taking customer requests into account in portfolio management and other services.

One of LEG's key targets is to ensure satisfied tenants in stable neighbourhoods where they can enjoy good, secure and fair rents. High customer satisfaction reduces costs by ensuring lower tenant turnover, guarantees income and improves the company's reputation. LEG's objective is thus to ensure sustained customer satisfaction. We aim to achieve this by offering good value for money, continually improving LEG services in qualitative terms and consistently focusing on our tenants' needs.

All LEG functions are responsible for ensuring high customer satisfaction, in particular those with direct customer contact such as employees at our central customer service and the seven branches. The Management Board and management also play a vital role in direct customer contact and are actively committed to increasing customer satisfaction. LEG has established the number of repeat calls by tenants as an indicator of customer satisfaction, i.e. if tenants call multiple times because their issue has not been resolved or has not been resolved satisfactorily or within the expected time frame. Accordingly, the company set itself the target in the 2021 reporting year of reducing the number of repeat calls by 15 % compared to the previous year. This target was largely achieved, with repeat calls reduced by 13.3 %. The annual average for repeat calls was around 23 % (2020: 27 %). It is worth noting that the reduction in repeat calls improved steadily throughout the year. The figure for the last six weeks of the year was around 20 %.

The CEO of LEG generally meets with tenants face-to-face multiple times a year at customer talks, e. g. to introduce new projects and listen to customer concerns, or with representatives from towns, cities and municipalities, for example at roofing ceremonies. 13 customer talks, eight of it were held with tenants in line with Covid-19 regulations in the reporting year. The "Customer talk" format clearly shows that LEG, with the CEO, has a clear management responsibility for this type of community relations. In addition, the Management Board is closely involved in the decision-making process and development steps as well as consultation, from the early stages of the projects to completion. Direct customer dialogue is strengthened in the Customer Advisory Council, which usually meets once per quarter at various locations and brings together dedicated tenant representatives from all branches and helps them play an active role in neighbourhood development decision processes and in developing and improving services. At these meetings, key issues are discussed with the company COO and joint solutions are developed. The Customer Advisory Council met three times in the reporting year – in some cases virtually on account of the pandemic, for which LEG provided participants with their own tablets.

High customer satisfaction requires that tenants can approach us with their needs and problems at all times. LEG offers its customers a wide range of ways and channels to get in touch. For example, they can contact LEG by telephone, e-mail, letter, in person or online via the tenants portal or tenants app if they have any problems or queries. Selected locations offered consultation hours with no appointment needed, but these were largely suspended in 2020 on account of the coronavirus pandemic and resumed at reduced levels in 2021 where pandemic restrictions allowed. Issues and complaints are processed on a standardised basis using a Group-wide ticket system and passed on to the person responsible. Smaller necessary repairs are usually carried out by the subsidiary TechnikServicePlus GmbH (TSP).

As well as providing a quick solution to their concerns, the health and safety of our customers in their homes is central to their satisfaction. LEG puts systematic and comprehensive safety precautions in place to guarantee this as best possible. These are provided by the company's own employees as part of inspections and checks on buildings and facilities, as well as by service providers. Tradespeople are promptly hired if any shortcomings or accident risks are identified. After completion, the repair work is checked and documented.

The Management Board delegates responsibility for risk prevention to the regional branch. Twice a year, the Property Management department carries out spot checks in line with the dual control principle to ensure work is of a high quality and complete.

Thanks to its systematic safety precautions process, in the 2021 financial year LEG ensured that 99.8 % (2020: 99.8 %) of its own buildings were thoroughly tested for potential hazards and defects in common areas were identified at an early stage so that they could be promptly remedied. Safety precautions checks for the remaining buildings will be completed at the start of 2022.

LEG uses various tools to assess the effectiveness of all measures to increase customer satisfaction. In particular, these include our regular customer satisfaction surveys, interviews with points of contact at the central customer service and, since the end of 2021, in the Rent Management, Receivables Management and Operating Costs departments, as well as feedback on neighbourhood support measures, the assessment of safety inspections and analyses of callers who make multiple calls about an issue.

Particularly worthy of mention is the current customer satisfaction survey of 10,000 LEG tenants conducted between 15 September and 1 October 2021. Many of our measures to improve the customer experience are already showing initial signs of success. In particular, satisfaction with customer service in terms of service times and availability by phone increased significantly.

We hope that the responses will provide further key indicators for additional improvement potential that will allow us to increase customer satisfaction in the years ahead. The results of the customer satisfaction survey are discussed with those responsible in numerous relevant areas of the company and corresponding measures are put into place. For example, our customers requested better lighting for pavements and building entrances at some locations and so we developed a lighting concept, some aspects of which we have already implemented. Our goal for 2022 to 2025 is to continually improve and achieve a customer satisfaction index (CSI) of 70 % by the end of this time period.

We also implemented additional measures to increase customer satisfaction in the current reporting year, for example in customer correspondence and communication. For instance, we introduced a heating information system that assigns the heating systems to the residential units supplied and sends all tenants a push notification in the event of any malfunctions, informing them about the malfunction, repair work and when the incident has been resolved. Letters to tenants and digital communication are constantly being revised and additional features were added to the tenants portal. We also increased technical capacity to optimise the call-back service at the central customer service and further expanded contactless letting, which we introduced on account of the pandemic restrictions in 2020.

Tenant turnover and average length of occupancy are key performance indicators for tenant satisfaction. Both of these remained largely constant against the previous year.

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Tenant turnover and average length of occupancy

	2021	2020
Tenant turnover (as %)	9.8	9.6
Average length of occupancy (in years)	11.5	11.6

Fair and affordable rent

By providing affordable and diverse housing including in urban areas, LEG plays a role in addressing pressing social challenges such as demographic change and migration.

LEG Immobilien SE is a housing company with deep roots in the North Rhine-Westphalia metropolitan region. Working from this domestic market, LEG purses the expansion of its regional focus in other states that have comparable structures. Our focus on affordable housing and our units help meet demand by the rapidly growing number of smaller households that are characteristic of our market. We want to offer all tenants long-term home prospects. Following some smaller and medium-sized acquisitions in south-west Germany, NRW and northern Germany, at the end of 2021 LEG Immobilien SE purchased around 15,400 apartments from Adler Group with a regional focus on Lower Saxony, Bremen and Schleswig-Holstein. This represents a continuation of its successful expansion strategy and significantly increases its market presence in northern Germany. The average rent for the properties acquired is EUR 5.93 per square metre, clearly within LEG's target segment for housing low and medium-income earners. This transaction underlined LEG's commitment to providing affordable housing in Germany – made in NRW. At the end of 2021, our portfolio contained around 166,200 rental properties with an average size of 63 square metres and around 1,600 commercial units.

We provide homes to average earners and to those eligible for social housing at affordable prices and create a home worth living in for people who simply want to live well. At the end of the reporting year, about 22 % of our properties were social housing, with an average rent of EUR 5.00 (previous year: EUR 4.93) per square metre.

Upgrading existing properties is a key driver of rent costs. LEG takes a careful approach to modernisation work. Measures that reduce energy consumption and emissions create a better and more environmentally friendly living environment for tenants. However, the modernisation work must also be economically viable for the tenants, i. e. reducing their utilities costs and still ensuring affordable housing. Bringing environmental protection into line with economic viability for tenants opens up a whole array of opportunities. It increases the sustainability and value of the housing portfolio, makes the rental property more attractive and improves both customer satisfaction and tenancy duration.

Serial energy upgrades are increasingly important. Our contributions to research in this area include the "LEG Future House" pilot project in our neighbourhood in Mönchengladbach-Hardt, where we are fitting 16 buildings with a new and efficient pre-fabricated building envelope and modern heating and ventilation. The aim is to create comfortable, architecturally appealing buildings to net-zero standard, that are still affordable for tenants and that can be upgraded in just a few weeks. With our pilot project that we are conducting together with Deutsche Energie-Agentur GmbH (dena) in accordance with the "Energiesprong" principle, we are furthering climate protection efforts and ensuring that further modernisation is possible in the future.

By committing to new construction, we also aim to make a contribution to society by providing more affordable housing. LEG will create free-financed and subsidised housing as part of its new building initiative launched in 2018, building or purchasing at least 500 new apartments each year from 2023 onwards. 1,000 homes are to be completed each year from 2026 onwards. The annual investment volume from 2023 to 2026 is around EUR 200 – 300 million. To this end, LEG Bauen GmbH will built approx. 150 apartments each year from 2023 onwards and about 600 from 2026 on own or purchased land that is suitable for redensification. We purchased six turnkey newbuild projects with a total of 740 residential units and land for around 250 residential units in the 2021 reporting year. At the end of the reporting period, 10 projects with a total of 795 apartments were under construction at existing company sites, about 17 % of which are subsidised residential properties.

Our "Your Home Helps" foundation also contributed to social equality. In 2020, it supported work to help LEG tenants and people who had been particularly affected by the pandemic. This work was continued in 2021 on account of the ongoing pandemic. By the end of the reporting year, recipients had benefited from more than EUR 1 million through the 25 initiatives set up in the previous year and another nine measures.

We established a crisis task force to alleviate the impact of the 2021 flooding catastrophe on our tenants. The "Your Home Helps" foundation also launched a EUR 250,000 emergency fund in July 2021, working closely alongside the LEG NRW Tenant Foundation. Tenants affected by the flooding were able to contact our central customer service to receive money from the fund. Tenants whose homes were no longer inhabitable also received alternative housing. A special budget of EUR 1 million was also set aside for clearing out buildings.

T61

Key area: tenants

Key performance indicator(s)	Unit	2019	2020	2021
Assessment of the health and safety impacts of product and service categories				
Percentage of significant product and service categories for which health and safety impacts are assessed for improvement [1]	%	98.5	99.8	99.8
Substantiated complaints concerning breaches of customer privacy and losses of customer data				
Complaints received from outside parties [2] and substantiated by the organization	Number	2	0	10
Complaints from regulatory bodies	Number	0	2	3
Total number of identified leaks, thefts, or losses of customer data [3]	Number	72	15[4]	1[4]

[1] Percentage of LEG portfolio buildings for which safety checks were performed in the year under review is reported. For the remaining buildings, safety precaution checks will be completed at the start of 2022.
[2] "Outside parties" refers to any external party.
[3] Reported is the number of reportable breaches of personal data in line with Article 33 EU General Data Protection Regulation.
[4] Reported is the number of reportable breaches of personal data in line with Article 33 EU General Data Protection Regulation. As a result of changed assessment of the risks relating to rights and freedoms of the subjects due to the change of the Data Protection Officer, there were fewer reports to the State Data Protection Officer starting from the 2020 reporting year.

Key area: employees

Corporate culture and values

LEG's corporate culture is based on the values of integrity, fairness, commitment and professionalism, confidentiality, transparency and sustainability that characterise our collaboration and promotes an open, respectful and productive way of working with all company employees.

We aim to further consolidate our leadership, feedback and collaboration culture that puts team development at its heart. Through our occupational health management, we offer our employees a wide range of benefits that are constantly being optimised. We also offer a wide range of employment contracts and flexible working hours. An employee share program will also be launched in 2022. We particularly value the trusting and constructive partnership between employee and employer representatives.

The Human Resources department provides a framework for responsible, values-driven human resources work, translating social megatrends such as demographic and technological change, digitalisation and the challenges of modern society into measures and concepts that serve our company's performance aspirations.

The objectives are to attract suitable talents to LEG, optimise training, professional development and succession processes, strengthen employee loyalty and reduce turnover. Our overarching goal is to continually improve our image and appeal as an employer. LEG is committed to diverse teams, promotes young talented employees through the mentoring program introduced at the end of 2020 with a focus on female and other young future executives and has increased the number of traineeships from 12 to 16. In addition, the number of study places (dual study programs) was raised from four in 2019 to a total of ten in 2021.

LEG's Human Resources department manages and is responsible for all central and decentralised personnel-related processes and tasks. The unit comprises the areas of HR Management, Staff Recruitment, Staff Development and the person in charge of training. It is responsible for maintaining close dialogue with the workforce, who – as company partners – are actively informed of upcoming changes and involved in the decision-making process.

The Management Board is closely involved in discussions and approves the related concepts and programmes. Detailed HR key figures are also regularly reported to the Management Board.

A particular challenge in 2021 was the ongoing efforts to handle the coronavirus pandemic and the restrictions imposed on team work and social contact as a result. These were addressed through the use of flexible and remote working solutions, hybrid learning methods and digital content. As coronavirus restrictions were eased at times, employees had more frequent opportunities to return to the office. LEG organised a "back to the office" party to strengthen collaboration in the office and team spirit. Covid-19 and flu vaccinations were also offered, as well as special payments for colleagues in direct contact with customers and many other employee measures.

In addition to supporting tenants during the 2021 flooding catastrophe, LEG also set aside up to EUR 2,000 for employees who had been affected to provide them with rapid assistance with a minimum of red tape. As well as this lump sum, employees were also granted 14 days of paid leave if their home had been destroyed.

In order to maintain an open and transparent corporate culture, the Management Board conducted a digital phone call with all employees each quarter in 2021. These calls also provided an opportunity for employees to ask follow-up questions and to provide feedback on company issues.

Thanks to similar measures, our employee satisfaction remained very high even in 2020, a year still characterised by the pandemic. In the "Great Place to Work" employee survey, 78 % of our staff agreed that our company is a "very good place to work". The Trust Index – an average of all core aspects of employee satisfaction measured by "Great Place to Work" – was 66 %, one percentage point higher than in 2017 (65 %). The approx. 400 employees at the company TechnikServicePlus GmbH (a LEG subsidiary) took part in the 2020 survey for the first time. Our goal is to maintain high employee satisfaction at 66 % by 2024 – we have already firmly established this as a sustainability target linked to Management Board remuneration. The next "Great Place to Work" employee survey will be held in the 2022 reporting year and so achieving this target is also a short-term target for 2022.

In 2020, we reversed the trend of steadily increasing employee turnover that had resulted from restructuring measures, with employee turnover lower than in 2018. In 2021, the employee turnover rate was at only 6.2 % which was still below the figure in 2020.

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Employee turnover

in %	2021	2020	2019	2018
Employee turnover	6.2	7.5	11.6	9.1

For the first time, we have seen the number of applications for each advertised vacancy increase since the start of 2021. This is an indicator of our appeal as an employer to new employees. There were 12 applicants per position up to 30 June, while there were 10 participants per position up to 31 December. We are now aiming für a continous increase until 2023.

T63

Key area: employees

Key performance indicator(s)	Unit	2019	2020	2021
Information on employees and other workers				
Total number of employees by employment contract (permanent and temporary) and gender[1]				
Total number of employees	Number	1,444	1,599	1,770
Of which women	Number	521	568	625
Of which men	Number	923	1,031	1,145
Of which temporary	Number	116	124	139
Of which women	Number	37	48	68
Of which men	Number	79	76	71
Total number of employees by employment type (full-time and part-time) and gender[2]				
Full-time	Number	874	950	1,018
Of which women	Number	343	374	403
Of which men	Number	531	576	615
Part-time	Number	159	183	252
Of which women	Number	135	144	172
Of which men	Number	24	39	80
New employee hires and employee turnover				
Total number and rate of new employee hires during the reporting period by age group gender and region[3]				
Total	Number	144	176	175
Rate	%	13.9	15.5	14.0
Of which women	%	–	–	6[4]
Of which men	%	–	–	8[4]
Under 30 years old	%	–	–	5[4]
30–50 years old	%	–	–	7[4]
Over 50 years old	%	–	–	2[4]

[1] The figures do not include employees in the passive stage of partial retirement, employees on parental leave at the reporting date, employees with no further claim to insurance benefits and trainees. The temporary employment figures do not include trainees or the employees of TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. and LWS Plus GmbH.
[2] The figures do not include employees in the passive stage of partial retirement, employees on parental leave at the reporting date, employees with no further claim to insurance benefits and trainees. The employees of TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH are not included.
[3] Trainees, casual workers and students and new employee hires at TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH are not included.
[4] Determined for the first time in 2021.

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Key area: employees

Key performance indicator(s)	Unit	2019	2020	2021
New employee hires and employee turnover				
Total number and rate of employee turnover during the reporting period by age group gender and region [1]				
Total	Number	120	85	79
Rate	%	11.6	7.5	6.2
Of which women	%	–	–	2.5 [2]
Of which men	%	–	–	3.7 [2]
Under 30 years old	%	–	–	1 [2]
30–50 years old	%	–	–	3 [2]
Over 50 years old	%	–	–	2 [2]
Work-related illnesses				
Absence rate [3]	%	6,5	4,9	4,5
Work-related injuries				
Number of employees				
Deaths resulting from work-related injuries [4]				
Number	Number	0	0	0
Work-related injuries with severe consequences (excluding deaths)				
Number	Number	0	0	0
Documented work-related injuries [5]				
Number	Number	28	28	27
Rate [6]		4.35	4.02	3.55
Most important types of work-related injuries [7]				
Hours worked [8]	Number	1,285,892	1,391,850	1,522,337

1 The departure of trainees, casual workers and students, and the employees of TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH are not included.
2 Determined for the first time in 2021.
3 An absence rate for LEG is determined. This excludes TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH as these are not settled via the SAP system. Casual workers, employees with no further claim to insurance benefits, trainees and students are not included in the calculation. Days absent is divided by total possible days.
4 For work-related injuries the electronic first-aid log is assessed together with the accident notifications to the Employer's Liability Insurance Association and the Liability Insurance Institution for the Construction Sector. Not included are TechnikServicePlus GmbH and Biomasse Heizkraftwerk Siegerland GmbH & Co. KG.
5 According to first-aid log entries (excluding TSP and Biomasse Heizkraftwerk Siegerland).
6 Based on 200,000 hours (excluding TSP and Biomasse Heizkraftwerk Siegerland)
7 2021: 8 accidents as a result of tripping/falls, 5 bruises, 4 cuts, 3 cases of psychological stress, 2 attacks by humans (excluding TSP and Biomasse Heizkraftwerk Siegerland).
8 As of 26 January 2022 (excluding TSP and Biomasse Heizkraftwerk Siegerland).

T63

Key area: employees

Key performance indicator(s)	Unit	2019	2020	2021
Percentage of employees receiving regular performance and career development reviews				
Percentage of total employees who received a regular performance and career development review during the reporting period [1]	%	50.3	82.8	83.1
Women	%	–	–	35 [2]
Men	%	–	–	65 [2]
Diversity of governance bodies and employees				
Percentage breakdown of people in governance bodies by:				
Gender [3]				
Women	%	16.7	16.7	14.3
Men	%	83.3	83.3	85.7
Age				
Under 30 years old	%	0	0	0
30–50 years old	%	16.7	16.7	14.3
Over 50 years old	%	83.3	83.3	85.7
Percentage of employees per employee category by:				
Gender [4]				
LEG total				
Women	%	46.3	45.7	45.0
Men	%	53.7	54.3	55.0
Age [4]				
LEG total				
Under 30 years old	%	10.7	12.3	14.0
30–50 years old	%	50.8	49.5	48.0
Over 50 years old	%	38.5	38.3	38.0

1 Not included are employees of TechnikServicePlus GmbH, EnergieServicePlus, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH as well as apprentices, casual workers, students, employees with no further claim to insurance benefits, trainees, employees on parental leave and in the passive stage of partial retirement.
2 Determined for the first time in 2021.
3 The figures relate to the seven members of the Supervisory Board.
4 Employees in the passive stage of partial retirement, employees on parental leave at the reporting date (31 December), employees with no further claim to insurance benefits, trainees and the employees of TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH are not included.

Key area: environment

Reduction of energy use and emissions

Reducing buildings' direct and indirect energy consumption and the greenhouse gases that they emit has become essential to success in the real estate industry.

The German federal government's climate package embedded sector-specific environmental targets and CO_2 pricing in law for the first time. For the building sector, this means reducing greenhouse gas emissions in Germany to 67 million tonnes by 2030 (2020: 118 million tonnes). LEG supports the federal government's target of making building stock in Germany virtually carbon-neutral by 2045. To this end, for example, it is modernising its portfolio in terms of energy efficiency and EU taxonomy guidelines.

We began preparing a climate strategy in the 2020 reporting year and developed this further in 2021. To provide sustainable underlying data on which to base this, we prepared a CO_2 footprint for 2019 for the first time in the 2020 reporting year. 80 % of this was current data and 20 % extrapolated data and so it represented LEG's total portfolio. The figures for 2020 were extrapolated on the basis of this data, adjusted to account for portfolio changes in the reporting year. The CO_2 footprint for the previous year was drawn up in the 2021 reporting year using this same method and used as the basis for extrapolating figures for 2021.

In 2020, we set up a team of experts so that we can better assess and manage the environmental risks and opportunities for LEG. This team is responsible for monitoring CO_2, working out ways to reduce our CO_2 emissions and conducting research related to CO_2 reduction.

To mitigate potential future climate-related physical and transitional risks, in 2021 LEG began integrating risks in the risk management system in line with the TCFD recommendations. Integration of these risks is being continuously expanded. > See page 78, Risks, opportunities and forecast report)

The continuation of our modernisation programme also helped reduce specific CO_2 emissions produced by our portfolio in 2020/2021. At least 3 % of residential units are to be upgraded for maximum energy efficiency each year between 2017 and the end of 2021. In the reporting year 2021, projects were completed in terms of construction, which resulted in energy efficiency improvements to 4,655 residential units. This corresponds to around 3.5 % of the portfolio as of 31 December 2021 – excluding the Adler portfolio acquired at the end of 2021. This means that the environmental target for energy efficiency improvements of at least 3 % in 2021 has been exceeded. In 2020, 6,200 residential units resulted in energy improvements – about 4.3 % of our portfolio as at 31 December 2020.

LEG has set a new target for the 2022 reporting year of reducing CO_2 emissions by 4,000 tonnes through modernisation measures. Between 2022 and 2025, the company wants to reduce CO_2 emissions by 10 % on a CO_2e/m^2basis. These environmental targets are included in the remuneration system for the Management Board and management level II.

Even more comprehensive modernisation work will be carried out for entire neighbourhoods in the future. In the case of energetic modernisations in neighborhoods in Kamen, Bielefeld, Gutersloh, Essen and Munster – a total of around 700 residential units – we achieved on average calculated energy savings of around 33 to 52 % through comprehensive insulation, replacement of windows and roof renewals.

We are also aiming to receive DGNB gold certification for our new LEG headquarters in Dusseldorf, which we will move into in spring 2022. This is issued by the German Sustainable Building Council. This is expected to cover both the headquarters and one adjacent building that LEG will let.

LEG is currently involved in the dena project "Energiesprong Germany" with the pilot LEG "Future House" in Mönchengladbach. 16 buildings with 111 apartments are being upgraded for maximum energy efficiency and this is expected to be completed by 2023. "Energiesprong" is a new upgrading concept based on prefabricated modules that ensures high home comfort, quick upgrades and – provided there is an option for mass production – affordable upgrading costs. The aim is to upgrade buildings in a way that the costs are offset by energy savings, where the building generates the amount of energy that is needed for heating, warm water and electricity over the year. Further projects are planned in the area of sustainable serial modernisation.

As one of our other major projects, we are working together with the Open District Hub and the Fraunhofer Institute to develop guidelines for socially responsible housing decarbonisation in neighbourhoods. These guidelines are to be relevant to LEG itself and to the housing industry as a whole. As part of this, various neighbourhood concepts are being tested and implemented in a range of LEG model neighbourhoods. The project is to be supported by a consortium from industry and research, with LEG as lead manager.

In addition, LEG is a founding member of “InitiativeWohnen.2050”, a cooperative association set up by housing companies to support a carbon-neutral future. LEG also supports studies, advises and comments on various publications by a range of institutes on climate protection and maintains dialogue with politicians at federal and state level to actively contribute its expertise to the discussion and develop viable solutions. Together with the Wuppertal Institute for Climate, Environment and Energy as a non-profit research institution, LEG recently carried out a study looking at the environmental impact (such as the CO_2footprint) of upgrading the energy efficiency of existing building stock compared to tearing these buildings down and rebuilding them. The findings clearly show that tearing down and rebuilding LEG buildings would use far more raw materials and would therefore entail a larger CO_2 footprint over the life cycle than energy efficiency upgrades. From an environmental perspective, this supports maintaining most existing buildings instead of demolishing them and replacing them with new buildings.

We are also paving the way for carbon-neutrality in new builds: All current projects must meet the Efficiency House 55 standard in accordance with the German Federal Funding for Efficient Buildings (Bundesförderung für effiziente Gebäude) (BEG), which requires primary energy requirements to be 45 % lower than those of a reference building under the German Building Energy Saving Ordinance (Gebäudeenergiegesetz) (GEG). Our new builds are thus fitted with an environmentally friendly source of heating, good insulation, energy saving windows and the option to install green roofing. For our new-build project in Cologne-Ehrenfeld, we are planning certification through the Quality Certificate and Sustainable Residential Construction Rating System (NahWoh). By doing this, we are bringing environmental, economic, social and cultural aspects into line in a transparent manner and ensuring long-term quality as a blue print for our new-build projects.

We will take our new construction programme to a whole new level in the future: The 500 new homes completed each year is to double to 1,000 units from 2026 onwards, all of which will meet the Efficiency House 40 standard and most of which will be in energy efficiency class A. This provides modern home comfort and high energy standards. In this way, LEG is playing its part by steadily expanding its available portfolio in the locations where affordable living is most needed, without losing site of economic viability for tenants. LEG will begin parts of the new construction programme in 2022 in collaboration with the construction company Goldbeck, which is the market leader in Europe for serial and modular construction.

T64

Key area: environment

Key performance indicator(s)	Unit	2020	2021
Energy consumption outside the organisation (housing portfolio)			
Total heating energy consumption (rental units)[1]	MWh	1,318,865.9	1,326,031.5
Of which natural gas	MWh	843,619.8	849,808.8
Bergkamen	MWh	123,268.1	122,780.6
Dortmund	MWh	100,077.1	100,061.5
Duisburg	MWh	94,229.8	94,323.1
Dusseldorf	MWh	99,849.2	100,505.0
Gelsenkirchen	MWh	64,954.1	64,810.0
Cologne	MWh	175,473.6	177,912.8
Westphalia	MWh	184,141.2	185,462.0
External management	MWh	1,626.8	2,064.0
Unallocated	MWh	0	1,889.6
Of which heating oil	MWh	49,468.3	49,882.5
Bergkamen	MWh	10,077.1	10,077.1
Dortmund	MWh	1,163.6	1,163.7
Duisburg	MWh	1,886.6	1,892.1
Dusseldorf	MWh	14,437.2	14,477.3
Gelsenkirchen	MWh	339.3	340.7
Cologne	MWh	7,215.1	7,361.1
Westphalia	MWh	14,349.5	14,434.1
External management	MWh	0	25.6
Unallocated	MWh	0	110.8

[1] The extrapolated figure for the 2021 reporting year is based on the reported consumption data for 2020. All the portfolio properties of the fully consolidated portfolio companies as of 31 December 2021 were included. Additions were included on a pro rata basis depending on the acquisition date.

T64

Key area: environment

Key performance indicator(s)	Unit	2020	2021
Energy consumption outside the organisation (housing portfolio)			
Of which district heating	MWh	379,014.7	382,059.9
Bergkamen	MWh	51,167.1	51,167.1
Dortmund	MWh	72,339.9	72,340.4
Duisburg	MWh	32,657.9	32,607.0
Dusseldorf	MWh	68,165.6	68,437.7
Gelsenkirchen	MWh	59,612.9	59,623.4
Cologne	MWh	25,255.0	26,373.9
Westphalia	MWh	69,181.6	69,830.4
External management	MWh	634.68	813.1
Unallocated	MWh	0	849.0
Of which other energy sources [1]	MWh	46,763.1	44,280.2

[1] This figure is reported for the first time this year and represents the total for all branches.

T64

Key area: environment

Key performance indicator(s)	Unit	2019	2020	2021
Energy consumption outside the organisation (housing portfolio)				
Building energy intensity[1]	kWh/m² a	160.2	147.0	147.0
Type and number of sustainability certification				
Percentage of residential buildings by energy efficiency certificates[2]				
Energy efficiency level A+	%	0.09	0.07	0.37
Energy efficiency level A	%	0.4	0.2	0.3
Energy efficiency level B	%	1.7	2.7	2.6
Energy efficiency level C	%	8.1	10.4	10.6
Energy efficiency level D	%	23.8	25.1	25.8
Energy efficiency level E	%	22.5	20.5	20.3
Energy efficiency level F	%	18.6	16.9	17.7
Energy efficiency level G	%	12.4	11.6	11.3
Energy efficiency level H	%	12.5	12.5	11.2
Total direct greenhouse gas (GHG) emissions (Scope 1)				
Housing portfolio				
Gross direct (Scope 1) GHG emissions in metric tons of CO_2 equivalent[3]	t CO_2e	191,963	189,620.7	190,619.4
Energy indirect (Scope 2) GHG emissions				
Housing portfolio				
Gross location-based energy indirect (Scope 2) GHG emissions for rental units (heating energy only) in metric tons of CO_2 equivalent[3]	t CO_2e	112,425	113,047.0	113,711.3
Gross market-based energy indirect (Scope 2) GHG emissions for rental units (heating energy only) in metric tons of CO_2 equivalent[3,4]	t CO_2e	–	91,900.8	92,434.1

[1] Includes the heating energy consumption and electricity consumption (communal areas) for all the portfolio properties of the fully consolidated portfolio companies as of 31 December of the respective financial year based on the lettable space. The data for 2021 is extrapolated as the consumption billing data is not yet available.
[2] Included are buildings with sustainability certificates and residential building energy clustering in line with the classification specifications of the legislator. Regarding sustainability certificates, reference is made to the energy efficiency certificates required pursuant to Germany's Energy Conservation Ordinance (EnEV) and the classification information applicable in this respect. All energy efficiency certificates for LEG's let property portfolio are included. Properties for which no energy efficiency certificate is required pursuant to EnEV (e.g. properties under heritage protection) and which are therefore not available, are not included. As in the previous year, non-residential buildings and properties sold are not included. The changes compared with the previous year relate to acquisitions and energy efficiency upgrades to portfolio properties.
[3] Figures relate exclusively to the aforementioned energy consumption volumes. In general, publicly accessible sources were used for the conversion factors; as a rule, the publications of the German Federal Office of Economics and Export Control were used, especially the information leaflet on CO_2 factors (11/2021).
[4] Utility-specific, certified figures were used for the district heating emission factors where available.

Key area: society

Neighbourhood development

As well as having their own four walls, people's living environment is vital to their quality of life. As a responsible landlord, LEG is thus committed to systematic neighbourhood management to maintain and constantly improve an environment worth living in for our tenants. As well as creating stable neighbourhoods, one of LEG's objectives is to help solve social challenges in the long term. In addition to the supply of homes and provision of services with regard to changing living conditions, this also includes providing affordable housing in urban areas. Satisfied residents and low vacancy rates are proof of stable and attractive neighbourhoods. At the same time, in the long term LEG draws on strategic management combined with investments in modern living standards and in safety, order, cleanliness and environmental responsibility.

The aim of all new neighbourhood development is to boost management efficiency by promoting potential, selecting individual or various elements of neighbourhood development flexibly and on a bespoke basis for a neighbourhood. Investments are targeted and based on the requirements of the neighbourhood in question. With its approach to neighbourhood management, LEG aims to strengthen its reputation as a reliable property company/developer and partner to local communities.

We attach great value to individual neighbourhood management approaches that address the specific challenges faced by the particular residential areas. This requires a broad range of measures that strengthen social cohesion, improve quality of life and housing and create infrastructure for the future, including sensitive occupancy management and providing housing to refugees who would otherwise struggle to find affordable housing on the free housing market. For example, people who have experienced being refugees, have lost their home, vulnerable social groups and single parents often face considerable challenges in finding suitable permanent housing. To help provide these people with a home, LEG has a policy commitment to consult with various municipalities, communities, associations and initiatives.

As a former state holding, LEG has always maintained close ties with municipalities and this continued after LEG was privatised in 2008. Dialogue with local governments is part of the company's DNA. For this reason, LEG launched a systematic programme at the beginning of 2020 to engage in dialogue or develop joint projects with mayors, building and/or social department heads and other relevant representatives at the municipal level – in all municipalities where there are more than 1,000 LEG residential units and at new LEG locations. The company-specific responsibility for this programme lies with LEG's COO. Numerous corresponding meetings were held again in 2021.

Given the major social relevance of the "residential" product, ongoing consultation with local municipalities is extremely important – especially when it comes to involving cities and communities in the early stage of (new) construction projects and climate measures or providing targeted support for urban development work. Neighbourhood initiatives and meeting places, listening to complaints and working with municipal service companies are also part of discussions with local authorities, as well as with lower levels. In addition to this programme, LEG's branches also arrange continuous dialogue with the administrative bodies of all towns, cities and communities. This allows LEG to ensure ongoing consultation mechanisms with local governments and administrative bodies in a variety of ways.

By establishing the foundation "Your Home Helps" at the end of 2019 with endowment assets of EUR 16 million, LEG also created a basis to make an even stronger commitment to social responsibility and to significantly step up its efforts to create stabler neighbourhoods worth living in and a good environment for people who live in LEG apartments or in the neighbourhood. Endowment capital increased by a further EUR 5 million at the end of 2021 following a significant increase in properties in northern Germany.

The foundation supports the expansion of existing social projects, while also helping launch new projects needed in the neighbourhoods together with charitable and municipal network partners. For example, these may be community, education or advisory centres that act as a point of contact for all residents.

To consolidate its approach of offering assistance where it is really needed, the foundation is building up its own team of social managers in addition to the points of contact. Two social managers were hired in the reporting year who systematically localise problem areas, identify emergency situations facing tenants and help guide them to local support networks. This sustainable, long-term support offers prospects to neighbourhood residents in need. Top priorities include help for children living in challenging circumstances, educational support, day-to-day living assistance for seniors, support services for families, and support with illnesses such as addiction.

Our foundation's social responsibility is also demonstrated by the more than EUR 1 million spent on 34 coronavirus assistance measures since the start of the pandemic.

Neighbourhood and intercultural exchange is also promoted by holding joint events, and so tenant parties are an integral part of LEG's neighbourhood management. Tenant parties are organised professionally using a neighbourhood database – LEG has a formal system for identifying local communities of interest in the neighbourhoods. One example here is the installation of a photovoltaic facility: If this is installed in a neighbourhood, it makes sense to arrange an "environment day" for tenants and children in this neighbourhood and discuss sustainability issues. Each year, LEG tenant parties normally bring together thousands of people with different national backgrounds, with trained LEG event managers arranging a wide range of event formats. However, fewer participants attended than average in 2020 and 2021 on account of Covid-19 restrictions. As in 2020, the focus in the reporting year was on summer holiday activities for families in line with coronavirus regulations, for example circus experiences and environmental campaign days. Once again, all LEG branches benefited from the events.

In the financial year, the LEG NRW Tenant Foundation established in 2009 set up 40 (previous year: 40) charitable and 86 non-profit projects (previous year: 80), providing around EUR 166,000 (previous year: EUR 150,000) in funding for social cohesion in our neighbourhoods and the welfare of our tenants.

Not audited by Deloitte

The two foundations "Your Home Helps" and the "LEG NRW Tenant Foundation" together launched a EUR 250,000 flooding emergency fund in July 2021. This provided direct, practical support to LEG tenants who had lost their possessions due to the flooding.

T65

Key area: society

Key performance indicator(s)	Unit	2019	2020	2021
Operations with local community engagement, impact assessments, and development programs[1]				
Branches that implemented neighbourhood measures in the reporting period	%	100	100	100
Neighbourhood measures implemented	Number	approx. 123	approx. 52	approx. 50
Percentage of cooperation measures	%	47	n.a.	n.a.
Percentage of cooperations with local communities	%	10	n.a.	n.a.

[1] LEG normally differentiates between the number of cooperation measures and the percentage of cooperations with local communities. This was not possible in the year under review due to the coronavirus. As a substitute for the cancelled neighbourhood measures, LEG realised measures via the independent "LEG NRW Tenant Foundation".

GRI key figures

In order to manage the topics identified as highly material, we gauge our performance with regard to sustainability on the basis of specific key performance indicators. These – and also the key performance indicators from the non-financial report – are shown in the following tables. Unless indicated otherwise, the key performance indicators relate to the financial year in question and the entire LEG Group (i.e. all the fully consolidated companies as per the consolidated annual financial statements). The figures presented here are generally rounded to one decimal place. As such, there may be minor totalling deviations.

T66

Key area: business

Key performance indicator(s)	Unit	2019	2020	2021	GRI standards
Scale of the organisation					
Total number of employees [1]	Number	1,365	1,599	1,770	102–7
Total number of operations [2]	Number	8	7	7	
Net sales [3]	€ million	435	429.8	522.1	
Total capitalisation broken down in terms of debt and equity [4]	%	37.7	37.6	42.8	
Quantity of products or services provided [5]	Number of residential units	134,031	144,530	166,189	
Direct economic value generated and distributed					
Direct economic value generated: revenues [6]	€ million	586.1	627.3	683.9	201–1
Economic value distributed [7]	€ million	243.6	284.0	252.5	
CRE sector supplement: payments to government [8]	€ million	13.2	5.8	4	
Economic value retained [9]	€ million	342.5	343.3	431.4	
Confirmed incidents of corruption and actions taken					
Total number and nature of confirmed incidents of corruption [10]	Number	0	0	1	205–3
Total number of confirmed incidents in which employees were dismissed or disciplined for corruption [11]	Number	0	0	1	
Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption [12]	Number	0	0	0	
Public legal cases regarding corruption brought against the organisation or its employees during the reporting period and the outcomes of such cases	Number	–	–	–	

1 Average number of employees.
2 The total number of operations equates to the seven LEG branch offices.
3 Equates to the revenue from renting and leasing.
4 The figures equate to the loan-to-value ratio, i.e. net debt in relation to the real estate assets.
5 Equates to the number of residential units within the LEG portfolio.
6 Equates to the net rent (excl. utilities and services costs) from renting and leasing.
7 Equates to the expenses from renting and leasing.
8 Equates to net income tax payments in accordance with the statement of cash flows.
9 Equates to the difference between net rent (excl. utilities and service costs) and expenses.
10 Relates to all confirmed cases of corruption, bribery and the granting or receiving of advantages.
11 The number of confirmed cases of corruption, bribery and the granting or receiving of advantages on the basis of which employees were terminated or warned.
12 The number of confirmed cases of corruption, bribery and the granting or receiving of advantages on the basis of which contracts with business partners were terminated or not renewed is disclosed.

T66

Key area: business

Key performance indicator(s)	Unit	2019	2020	2021	GRI standards
Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices					
Total number of legal actions pending or completed during the reporting period regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation in which the organisation has been identified as a participant [1]	Number	0	0	0	206–1
Important events of concluded legal actions, including all decisions and judgements [2]	Number	–	–	–	
Non-compliance with laws and regulations in the social and economic area					
Total monetary value of significant fines [3]	€	0	0	0	307–1; 419–1
Total number of non-monetary sanctions [4]	Number	0	0	0	
Cases brought through dispute resolution mechanisms [5]	Number	0	0	0	
Non-compliance with environmental laws and regulations					
Total monetary value of significant fines [3]	€	0	0	0	307–1
Total number of non-monetary sanctions [4]	Number	0	0	0	
Cases brought through dispute resolution mechanisms [5]	Number	0	0	0	

1 Number of pending and concluded legal actions and cases is disclosed.
2 There were no legal proceedings on the basis of violations of competition law.
3 Fines of EUR 100,000 or more are considered significant.
4 Repressive, i. e. punitive, measures for past misconduct not consisting of a monetary sanction are reported.
5 Dispute resolution mechanisms are reported, i. e. judicial proceedings and out-of-court dispute resolution based on mediation or conciliation.

T67

Key area: tenants

Key performance indicator(s)	Unit	2019	2020	2021	GRI standards
Assessment of the health and safety impacts of product and service categories					
Percentage of significant product and service categories for which health and safety impacts are assessed for improvement [1]	%	98.5	99.8	99.8	416–1
Substantiated complaints concerning breaches of customer privacy and losses of customer data					
Complaints received from outside parties [2] and substantiated by the organization	Number	2	0	10	418–1
Complaints from regulatory bodies	Number	0	2	3	
Total number of identified leaks, thefts, or losses of customer data [3]	Number	72	15[4]	1[4]	

1 Percentage of LEG portfolio buildings for which safety checks were performed in the year under review is reported. For the remaining buildings, safety precaution checks will be completed at the start of 2022.
2 "Outside parties" refers to any external party.
3 Reported is the number of reportable breaches of personal data in line with Article 33 EU General Data Protection Regulation.
4 Reported is the number of reportable breaches of personal data in line with Article 33 EU General Data Protection Regulation. As a result of changed assessment of the risks relating to rights and freedoms of the subjects due to the change of the Data Protection Officer, there were fewer reports to the State Data Protection Officer starting from the 2020 reporting year.

T68

Key area: employees

Key performance indicator(s)	Unit	2019	2020	2021	GRI standards
Information on employees and other workers					
Total number of employees by employment contract (permanent and temporary) and gender[1]					
Total number of employees	Number	1,444	1,599	1,770	102–8
Of which women	Number	521	568	625	
Of which men	Number	923	1,031	1,145	
Of which temporary	Number	116	124	139	
Of which women	Number	37	48	68	
Of which men	Number	79	76	71	
Total number of employees by employment type (full-time and part-time) and gender[2]					
Full-time	Number	874	950	1,018	
Of which women	Number	343	374	403	
Of which men	Number	531	576	615	
Part-time	Number	159	183	252	
Of which women	Number	135	144	172	
Of which men	Number	24	39	80	
Collective agreements					
Percentage of employees covered by LEG collective agreements[3]	%	64.9	64.9	64.2	102–41

[1] The figures do not include employees in the passive stage of partial retirement, employees on parental leave at the reporting date, employees with no further claim to insurance benefits and trainees. The temporary employment figures do not include trainees or the employees of TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. and LWS Plus GmbH.

[2] The figures do not include employees in the passive stage of partial retirement, employees on parental leave at the reporting date, employees with no further claim to insurance benefits and trainees. The employees of TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH are not included.

[3] Managerial employees and employees not covered by collective agreements are not included LEG collective agreements. Employees with no further claim to insurance benefits, trainees and students are not included in the calculation.

T68

Key area: employees

Key performance indicator(s)	Unit	2019	2020	2021	GRI standards
New employee hires and employee turnover					
Total number and rate of new employee hires during the reporting period by age group gender and region [1]					401–1
Total	Number	144	176	175	
Rate	%	13.9	15.5	14.0	
Of which women	%	–	–	6 [2]	
Of which men	%	–	–	8 [2]	
Under 30 years old	%	–	–	5 [2]	
30–50 years old	%	–	–	7 [2]	
Over 50 years old	%	–	–	2 [2]	
Total number and rate of employee turnover during the reporting period by age group gender and region [3]					
Total	Number	120	85	79	
Rate	%	11.6	7.5	6.2	
Of which women	%	–	–	2.5 [2]	
Of which men	%	–	–	3.7 [2]	
Under 30 years old	%	–	–	1 [2]	
30–50 years old	%	–	–	3 [2]	
Over 50 years old	%	–	–	2 [2]	
Work-related illnesses					
Absence rate [4]	%	6.5	4.9	4.5	403–10

1 Trainees, casual workers and students and new employee hires at TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH are not included.
2 Determined for the first time in 2021.
3 The departure of trainees, casual workers and students, and the employees of TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH are not included.
4 An absence rate for LEG is determined. This excludes TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH as these are not settled via the SAP system. Casual workers, employees with no further claim to insurance benefits, trainees and students are not included in the calculation. Days absent is divided by total possible days.

T68

Key area: employees

Key performance indicator(s)	Unit	2019	2020	2021	GRI standards
Work-related injuries					
Number of employees					403–9
Deaths resulting from work-related injuries[1]					
Number	Number	0	0	0	
Rate	%				
Work-related injuries with severe consequences (excluding deaths)					
Number	Number	0	0	0	
Rate					
Documented work-related injuries[2]					
Number	Number	28	28	27	
Rate[3]		4.35	4.02	3.55	
Most important types of work-related injuries[4]					
Hours worked[5]	Number	1,285,892	1,391,850	1,522,337	
Staff who are not employees but whose work and/or working place is controlled by the organisation[6]					
Average hours of training per year per employee[7]					
Number of employees who participated in a seminar or other training measure during the reporting period	Number	553	750	888	404–1
Cumulative number of seminar days in the reporting period	Number	1,400	2,750	2,133	
Percentage of employees receiving regular performance and career development reviews					
Percentage of total employees who received a regular performance and career development review during the reporting period[8]	%	50.3	82.8	83.1	404–3
Women	%	–	–	35[9]	
Men	%	–	–	65[9]	

[1] For work-related injuries the electronic first-aid log is assessed together with the accident notifications to the Employer's Liability Insurance Association and the Liability Insurance Institution for the Construction Sector. Not included are TechnikServicePlus GmbH and Biomasse Heizkraftwerk Siegerland GmbH & Co. KG.
[2] According to first-aid log entries (excluding TSP and Biomasse Heizkraftwerk Siegerland).
[3] Based on 200,000 hours (excluding TSP and Biomasse Heizkraftwerk Siegerland)
[4] 2021: 8 accidents as a result of tripping/falls, 5 bruises, 4 cuts, 3 cases of psychological stress, 2 attacks by humans (excluding TSP and Biomasse Heizkraftwerk Siegerland).
[5] As of 26 January 2022 (excluding TSP and Biomasse Heizkraftwerk Siegerland).
[6] There are no surveys on this matter.
[7] The employees of TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH are not included. A breakdown by gender and type of employee is not possible at this time.
[8] Not included are employees of TechnikServicePlus GmbH, EnergieServicePlus, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH as well as apprentices, casual workers, students, employees with no further claim to insurance benefits, trainees, employees on parental leave and in the passive stage of partial retirement.
[9] Determined for the first time in 2021.

T68

Key area: employees

Key performance indicator(s)	Unit	2019	2020	2021	GRI standards
Diversity of governance bodies and employees					
Percentage breakdown of people in governance bodies by:					405–1
Gender[1]					
Women	%	16.7	16.7	14.3	
Men	%	83.3	83.3	85.7	
Age					
Under 30 years old	%	0	0	0	
30–50 years old	%	16.7	16.7	14.3	
Over 50 years old	%	83.3	83.3	85.7	
Percentage of employees per employee category by:					
Gender[2]					
LEG total					
Women	%	46.3	45.7	45.0	
Men	%	53.7	54.3	55.0	
LEG Wohnen					
Women	%	44.6	43.8	44.0	
Men	%	55.4	56.2	56.0	
LEG management					
Women	%	61.1	60.2	58.0	
Men	%	38.9	39.8	42.0	
Special companies					
Women	%	27.4	28.6	30.0	
Men	%	72.6	71.4	70.0	
Age[2]					
LEG total					
Under 30 years old	%	10.7	12.3	14.0	
30–50 years old	%	50.8	49.5	48.0	
Over 50 years old	%	38.5	38.3	38.0	

[1] The figures relate to the seven members of the Supervisory Board.
[2] Employees in the passive stage of partial retirement, employees on parental leave at the reporting date (31 December), employees with no further claim to insurance benefits, trainees and the employees of TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH are not included.

T68

Key area: employees

Key performance indicator(s)	Unit	2019	2020	2021	GRI standards
Diversity of governance bodies and employees					
Age [1]					
LEG Wohnen					
Under 30 years old	%	11.9	13.6	15.0	
30–50 years old	%	49.8	48.5	47.0	
Over 50 years old	%	38.3	37.9	38.0	
LEG management					
Under 30 years old	%	6.3	8.2	8.0	
30–50 years old	%	56	51.5	51.0	
Over 50 years old	%	37.7	40.4	41.0	
Special companies					
Under 30 years old	%	8.6	7.3	12.0	
30–50 years old	%	50	53.7	53.0	
Over 50 years old	%	41.4	39.0	35.0	

[1] Employees in the passive stage of partial retirement, employees on parental leave at the reporting date (31 December), trainees and the employees of TechnikServicePlus GmbH and Biomasse Heizkraftwerk Siegerland GmbH & Co. KG are not included.

T69

Key area: environment

Key performance indicator(s)	Unit	2019	2020	2021	GRI standards
Energy consumption within the organisation (administrative offices)					
Fuel consumption from non-renewable sources [1]					302–1
Diesel	MWh	867	669.7 [2]	614.1	
Regular petrol	MWh	12	5.6 [2]	0	
Premium petrol	MWh	656	506.4 [2]	710.5	
Heating oil	MWh	1,104	7,414	1,044	

[1] The figures relate to LEG's vehicle fleet and company cars with the exception of TechnikServicePlus GmbH and the heating oil consumption of Biomasse-Heizkraftwerk Siegerland. Energy consumption was calculated on the basis of the respective fuel consumption levels. Not included: Business trips taken by LEG employees in their own vehicles. Vehicle charging outside the internal charging infrastructure. Regular petrol is no longer used. The heating oil position records solely the heating oil consumption of Biomasse Heizkraftwerk Siegerland. The impact of the coronavirus pandemic on the fuel market was neither foreseeable nor could it be planned. As a result, heating oil had to be used in the power plant as an additional fuel over a four-week period to ensure secure operation during the coronavirus lockdown. This resulted in considerably higher heating oil consumption in 2020.
[2] Rounded to one decimal place for the first time in 2020.

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Key area: environment

Key performance indicator(s)	Unit	2019	2020	2021	2019 lfl	2020 lfl	GRI standards
Energy consumption within the organisation (administrative offices)							
Fuel consumption from renewable sources [1]	MWh	335,475	455,372	478,275			302–1
Electricity consumption [2]	MWh	57	450	382			
Heating energy consumption [2]	MWh	1,019	1,852	2,265			
Electricity sold [3]	MWh	70,820	100,908	100,650			
Heating sold [4]	MWh	2,306	2,495	1,982			
Standards, methodologies, assumptions, and/or calculation tools used [5]							
Source of the conversion factors used [6]							
Energy consumption outside the organisation (housing portfolio)							
Total electricity consumption (communal areas) [7]	MWh	20,690.5	23,453.3	–	20,607.0	21,352.1	302–2
Bergkamen	MWh	2,536.9	2,813.4	–	2,534.7	2,768.5	
Dortmund	MWh	3,104.2	3,340.6	–	3,104.2	3,223.7	
Duisburg	MWh	1,919.9	2,185.6	–	1,919.9	1,961.0	
Dusseldorf	MWh	4,340.6	5,023.7	–	4,340.6	4,490.0	
Gelsenkirchen	MWh	1,651.8	1,827.3	–	1,640.1	1,782.3	
Cologne	MWh	3,880.8	4,289.8	–	3,850.7	3,673.9	
Westphalia	MWh	3,256.3	3,972.9	–	3,216.8	3,452.7	

[1] As the proportion of total diesel/premium-grade fuel attributable to biodiesel/bioethanol cannot be determined, this is not reported separately here. Therefore, only the waste wood consumption of Biomasse Heizkraftwerk Siegerland is disclosed here.
[2] From 2020, all administration buildings were reported. Information was provided from eleven locations, both internally and externally rented properties. In previous years only consumption of the headquarters in Dusseldorf was reported.
[3] This figure relates exclusively to the electricity fed into the public grid by Biomasse Heizkraftwerk Siegerland. In 2019, the co-generation plant was not in operation for almost three months due to a major overhaul of the turbines. As a result, electricity fed into the public grid in 2019 was considerably lower.
[4] This figure relates exclusively to the district heating supplied by Biomasse Heizkraftwerk Siegerland
[5] Unless stated otherwise, the information relates to the whole year for the companies of the LEG Immobilien Group that hold personnel or properties and are directly or indirectly involved in the administration of LEG's residential real estate (incl. management companies).
[6] In general, publicly accessible sources were used for the conversion factors; as a rule, the publications of or information from the Germany Federal Environment Agency were used.
[7] The consumption figures relate largely to the electricity costs for the communal areas (e. g. stairwells) in relation to the portfolio properties of the fully consolidated portfolio companies as of 31 December 2020 and 31 December 2019. The consumption of large commercial properties are also taken into account from 2020 onwards. The volumes consumed in 2021 can be calculated only in the course of 2022 subsequent to the editorial deadline for this report. The figures do not include economic units consisting of mixed-use tenant privatisation rental properties and billing periods during the year. The tenants' electricity consumption volumes within their apartments (e. g. room lighting) are not included. These are billed directly to the tenants by the utilities. In 2020, electricity consumption was collected for approximately 97 % of the portfolio (2019: 98 %). The consumption figures are based partly on measured data and partly on extrapolations from the booked costs on the basis of samples.

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Key area: environment

Key performance indicator(s)	Unit	2020	2021	GRI standards
Energy consumption outside the organisation (housing portfolio)				
Total heating energy consumption (rental units)[1]	MWh	1,318,865.9	1,326,031.5	302–2
Of which natural gas	MWh	843,619.8	849,808.8	
Bergkamen	MWh	123,268.1	122,780.6	
Dortmund	MWh	100,077.1	100,061.5	
Duisburg	MWh	94,229.8	94,323.1	
Dusseldorf	MWh	99,849.2	100,505.0	
Gelsenkirchen	MWh	64,954.1	64,810.0	
Cologne	MWh	175,473.6	177,912.8	
Westphalia	MWh	184,141.2	185,462.0	
External management	MWh	1,626.8	2,064.0	
Unallocated	MWh	0	1,889.6	
Of which heating oil	MWh	49,468.3	49,882.5	
Bergkamen	MWh	10,077.1	10,077.1	
Dortmund	MWh	1,163.6	1,163.7	
Duisburg	MWh	1,886.6	1,892.1	
Dusseldorf	MWh	14,437.2	14,477.3	
Gelsenkirchen	MWh	339.3	340.7	
Cologne	MWh	7,215.1	7,361.1	
Westphalia	MWh	14,349.5	14,434.1	
External management	MWh	0	25.6	
Unallocated	MWh	0	110.8	
Of which district heating	MWh	379,014.7	382,059.9	
Bergkamen	MWh	51,167.1	51,167.1	
Dortmund	MWh	72,339.9	72,340.4	
Duisburg	MWh	32,657.9	32,607.0	
Dusseldorf	MWh	68,165.6	68,437.7	
Gelsenkirchen	MWh	59,612.9	59,623.4	

[1] The extrapolated figure for the 2021 reporting year is based on the reported consumption data for 2020. All the portfolio properties of the fully consolidated portfolio companies as of 31 December 2021 were included. Additions were included on a pro rata basis depending on the acquisition date.

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Key area: environment

Key performance indicator(s)	Unit	2020	2021	GRI standards
Energy consumption outside the organisation (housing portfolio)				
Of which district heating (continued)				
Cologne	MWh	25,255.0	26,373.9	
Westphalia	MWh	69,181.6	69,830.4	
External management	MWh	634.68	813.1	
Unallocated	MWh	0	849.0	
Of which other energy sources[1]	MWh	46,763.1	44,280.2	

Key performance indicator(s)	Unit	2019	2020	2021	2019lfl	2020 lfl	GRI standards
Energy consumption outside the organisation (housing portfolio)							
Building energy intensity[2]	kWh/m² a	160.2	147.0	147.0	–	–	
Type and number of sustainability certification							
Percentage of residential buildings by energy efficiency certificates[3]							
Energy efficiency level A+	%	0.09	0.07	0.37	–	–	
Energy efficiency level A	%	0.4	0.2	0.3	–	–	
Energy efficiency level B	%	1.7	2.7	2.6	–	–	
Energy efficiency level C	%	8.1	10.4	10.6	–	–	
Energy efficiency level D	%	23.8	25.1	25.8	–	–	
Energy efficiency level E	%	22.5	20.5	20.3	–	–	
Energy efficiency level F	%	18.6	16.9	17.7	–	–	
Energy efficiency level G	%	12.4	11.6	11.3	–	–	
Energy efficiency level H	%	12.5	12.5	11.2	–	–	
Water withdrawal by source (housing portfolio)[4]							
Total volume of water withdrawn	m^3	4,421,713.5	5,192,183.2	–	4,392,369.8	4,612,382.4	
Building water intensity	m^3/m^2	1.1	1.2	–	1.1	1.2	

1 This figure is reported for the first time this year and represents the total for all branches.
2 Includes the heating energy consumption and electricity consumption (communal areas) for all the portfolio properties of the fully consolidated portfolio companies as of 31 December of the respective financial year based on the lettable space. The data for 2021 is extrapolated as the consumption billing data is not yet available.
3 Included are buildings with sustainability certificates and residential building energy clustering in line with the classification specifications of the legislator. Regarding sustainability certificates, reference is made to the energy efficiency certificates required pursuant to Germany's Energy Conservation Ordinance (EnEV) and the classification information applicable in this respect. All energy efficiency certificates for LEG's let property portfolio are included. Properties for which no energy efficiency certificate is required pursuant to EnEV (e. g. properties under heritage protection) and which are therefore not available, are not included. As in the previous year, non-residential buildings and properties sold are not included. The changes compared with the previous year relate to acquisitions and energy efficiency upgrades to portfolio properties.
4 Only water withdrawal (fresh water consumption) by municipal water supply companies and other public or private waterworks is presented here, as other sources are not relevant. The water consumption volumes are based on fully consolidated rental properties (commercial, residential) as of 31 December 2020 and 31 December 2019 for which the item cold and/or hot water was recorded or allocated to the tenants separately from waste water on the basis of their consumption, as part of integrated billing. This related to 67,788 residential and commercial properties in 2020 (2019: 61,065). Volumes consumed in billing periods during the year are not taken into account. The consumption attributable to LEG's large commercial properties was included for the first time in 2020. The figures additionally do not include the volumes of water consumed by economic units consisting of mixed-use tenant privatisation rental properties. The like-for-like analysis encompasses 60,553 rental properties. The volumes consumed in 2021 can be calculated only in the course of 2022 subsequent to the editorial deadline for this sustainability report.

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Key area: environment

Key performance indicator(s)	Unit	2019	2020	2021	GRI standards
Total direct greenhouse gas (GHG) emissions (Scope 1)					
Administrative offices					305–1
Gross direct (Scope 1) GHG emissions in metric tons of CO_2 equivalent [1,2]	t CO_2e	696	2.424	820	
Biogenic CO_2 emissions in metric tons of CO_2 equivalent [1,3]	t CO_2e	41,268	12,295	12,913	
Total direct greenhouse gas (GHG) emissions (Scope 1)					
Housing portfolio					305–1
Gross direct (Scope 1) GHG emissions in metric tons of CO_2 equivalent [1]	t CO_2e	191,963	189,620.7	190,619.4	
Biogenic CO_2 emissions in metric tons of CO_2 equivalent [4]	t CO_2e	–	–	–	
Energy indirect (Scope 2) GHG emissions					
Administrative offices					305–2
Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO_2 equivalent [1,5]	t CO_2e	249	487	509	
Energy indirect (Scope 2) GHG emissions					
Housing portfolio					305–2
Gross location-based energy indirect (Scope 2) GHG emissions for communal areas (electricity only) in metric tons of CO_2 equivalent [6]	t CO_2e	1,244	1,733	–	
Gross location-based energy indirect (Scope 2) GHG emissions for rental units (heating energy only) in metric tons of CO_2 equivalent [1]	t CO_2e	112,425	113,047.0	113,711.3	
Gross market-based energy indirect (Scope 2) GHG emissions for rental units (heating energy only) in metric tons of CO_2 equivalent [1,7]	t CO_2e	–	91,900.8	92,434.1	
Waste by type and disposal method					
Administrative offices					
Total weight of hazardous waste [8]	t	–	–	–	
Total weight of non-hazardous waste [9]	t	77.3	1,349.15	1,628.8	

[1] Figures relate exclusively to the aforementioned energy consumption volumes. In general, publicly accessible sources were used for the conversion factors; as a rule, the publications of the German Federal Office of Economics and Export Control were used, especially the information leaflet on CO_2 factors (11/2021).
[2] The reduction compared with the previous year is primarily due to the substantially lower heating oil consumption at Biomasse-Heizkraftwerkes Siegerland.
[3] Includes the CO_2 equivalent emissions for the use of wood as a fuel at Biomasse-Heizkraftwerk Siegerland. The prior-year figures from 2020 have been corrected to reflect the change in the calculation method.
[4] Due to the selective use of renewable energies, there are no significant CO_2 equivalents for biogenic CO_2 emissions.
[5] The prior-year figures from 2020 have been corrected to reflect the extended scope.
[6] Figures relate exclusively to the aforementioned energy consumption volumes. In general, publicly accessible sources were used for the conversion factors, in particular the German Federal Environment Agency publication "Development of the Specific Carbon Dioxide Emissions of the German Electricity Mix between 1990 and 2020".
[7] Utility-specific, certified figures were used for the district heating emission factors where available.
[8] No hazardous waste is generated in the administrative offices.
[9] From 2020, all administration buildings were reported. Information was provided from eleven locations, both internally and externally rented properties.

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Key area: environment

Key performance indicator(s)	Unit	2019	2020	2021	GRI standards
Waste by type and disposal method					
Housing portfolio					
Total weight of hazardous waste[1]		–	–	–	
Total weight of non-hazardous waste[2]					
Residual waste	t	17,126.8	17,959.4	18,106.2	
Recyclable materials (lightweight packaging, Green Dot materials)	t	1,740.2	1,885.9	1,911.6	
Paper, card, cardboard packaging	t	7,188.9	8,585.9	8,656.9	
Biodegradable waste	t	916.4	1,109.5	1,134.6	
Total weight of hazardous and non-hazardous waste[3]	–	–	–	–	

[1] Hazardous waste is generated in the course of renovating and modernising buildings and apartments. However, the exact volume is not recorded, as LEG has such little economic, legal, organisational or any other influence over the waste-generating activities of its contractor that LEG does not qualify as the waste generator within the meaning of waste legislation.

[2] Data of a service provider that acts as the waste manager for part of LEG's portfolio is reported. This company managed approximately 25 % (42,755 rental properties) of the LEG portfolio in 2021 (2020: approximately 29 % or 41,805 rental properties). The volumes of the waste containers provided by LEG were assessed. These volumes do not correspond to the waste containers' actual filled volumes. Additionally, these figures do not correspond to the actual volume of waste generated as a proportion of the waste is disposed of in public containers (for example, public waste paper containers).
The volumes are converted into weights based on general conversion factors for the various types of waste. 10 % was added to these conversion factors across the board as the waste containers hold an above-average volume of waste due to the service provider's active waste management. Biodegradable waste is not included as there is no active waste management in this area (conversion factors – residual waste: 0.11 t/m^3; recyclable materials: 0.033 t/m^3; paper, card, cardboard packaging: 0.22 t/m^3; biodegradable waste: 0.25 t/m^3).

[3] n. a., as there is no data for hazardous waste.

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Key area: society

Key performance indicator(s)	Unit	2019	2020	2021	GRI standards
Operations with local community engagement, impact assessments, and development programs[1]					
Branches that implemented neighbourhood measures in the reporting period	%	100	100	100	413–1
Neighbourhood measures implemented	Number	approx. 123	approx. 52	approx. 50	
Percentage of cooperation measures	%	47	n.a.	n.a.	
Percentage of cooperations with local communities	%	10	n.a.	n.a.	

[1] LEG normally differentiates between the number of cooperation measures and the percentage of cooperations with local communities. This was not possible in the year under review due to the coronavirus. As a substitute for the cancelled neighbourhood measures, LEG realised measures via the independent "LEG NRW Tenant Foundation".

Recommendations from the Task Force on Climate-related Financial Disclosures (TCFD)

The TCFD was founded by the Financial Stability Board to develop a common framework for reporting on environmental risks and opportunities, thereby promoting international financial stability. Its focus is disclosing financial risks to which the company sees itself exposed as a result of climate change. We regard the TCFD recommendation as a meaningful addition to our previous reporting, especially with its forward-looking elements.

As a supplement to reporting in line with GRI, we are establishing a reference to the TCFD recommendations. In view of the increasing importance of climate change, we are aiming to provide extensive reporting in line with TCFD so as to disclose how to deal with environmental risks and opportunities in a clear fashion.

This year's reporting also includes some information within the core areas of governance, strategy and risk management recommended by TCFD as well as key figures and targets. The table below refers to the relevant contents in the annual report 2021 – also in the separate non-financial report – on our website and in the sustainability report 2020. The extensive 2021 Sustainability Report will be published in the course of 2022.

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TCFD requirements	Sustainability report 2020	Annual report 2021	Non-financial report 2021	Website
Governance: The company's organisational structure with regard to climate-related risks and opportunities	Chapter "Managing sustainability efficiently and reliably", p. 9 et seq.; Chapter "Risk assessment", p. 12; Chapter "Key area: Environment" (section "Responsibility for target attainment assigned"), p. 35	Chapter "Risks, opportunities and forecast report" (section "Governance, risk & compliance"), p. 66 Chapter "Remuneration report", p. 82	Chapter "Key area: business", section "Sustainable growth and resilience", organisation of sustainability management at LEG, p. 113ff. et seq.	**LEG website "Sustainability"** https://www.leg-wohnen.de/en/corporation/sustainability **LEG website "Corporate governance"** www.leg-wohnen.de/en/corporation/corporate-governance/risk-management-system **LEG declaration of fundamental values** www.leg-wohnen.de/en/corporation/corporate-governance/compliance-at-leg/declaration-of-fundamental-values-of-leg **Compliance at LEG** www.leg-wohnen.de/en/corporation/corporate-governance/compliance-at-leg **Rules of Procedure for the Supervisory Board** **Rules of Procedure for the Management Board** www.leg-wohnen.de/en/corporation/leg-group/members-of-the-management-and-supervisory-board **Rules of Procedure for the Risk and Audit Committee** www.leg-wohnen.de/en/corporation/leg-group/members-of-the-management-and-supervisory-board
Strategy: The present and potential impact of climate-related risks and opportunities on business, strategy and financial planning	Chapter "Managing sustainability efficiently and reliably", materiality analysis, p. 9 et seq. Chapter "Strategy", p. 13 et seq.; Chapter "Key area: Environment" (section "Responsibility for target attainment assigned"), p. 35	Chapter "Risks, opportunities and forecast report", p. 66	Chapter "Notes on contents of report and framework", section "Material aspects, p. 110f.	**LEG website "ESG agenda"** https://ir.leg-se.com/fileadmin/user_upload/Investor_Relations/Audiocasts/2021/ESG_Agenda2024.pdf **LEG website "Current downloads 2021, Q3-2021, Presentation Q3 results"** https://irpages2.equitystory.com/download/companies/legimmobilien/Presentations/LEG_Pres_Q3_2021.pdf

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TCFD requirements	Sustainability report 2020	Annual report 2021	Non-financial report 2021	Website
Risk management: The processes for identifying, assessing and managing climate-related risks		Chapter "Risks, opportunities and forecast report", section "Risk categorisation", p. 70f.[1]: "Barring a few exceptions, the risk situation is the same as in the previous year. There is no relevant individual risk within the accounting, TCFD risks and sustainability risk main risk categories." Chapter "Non-financial report", section "Risk assessment", p. 112: "The LEG Group management does not believe that there are any non-financial risks that meet materiality criteria under section 289c (3) no. 3 and 4 HGB after taking account of risk mitigation measures." Chapter "Risks, opportunities and forecast report", p. 78 et seq. "To mitigate future climate-related physical and transitional risks, in 2021 LEG began integrating risks in the risk management system in line with the TCFD recommendations. The Group's TCFD risk assessment covers all risks posed by climate change (physical risks) and risks resulting from the shift to a green economy (transitional risks). Risk potential is reported in monetary terms and shown in the R2C risk management tool. These are also reported to the LEG Management Board and Supervisory Board as part of quarterly risk reporting. Integration of these risk measures is being continuously expanded." Chapter "Risks, opportunities and forecast report", p. 78 et seq. "Sustainability risks are a main risk category, which does not contain any relevant individual risks or risks subject to reporting requirements according to the LEG risk assessment matrix."	Chapter "Notes on contents of report and framework", section "Risk assessment", p. 112	LEG website "Sustainability" http://www.leg-wohnen.de/fileadmin/dateien/02_Unternehmen/Nachhaltigkeit/Nachhaltigkeitsberichte/220310_LEG_GB_2021_nichtfinanzielle_Informationen_e_safe.pdf LEG website "Corporate governance" www.leg-wohnen.de/en/corporation/corporate-governance/risk-management-system
Key figures and targets: The key figures and targets used to assess and manage relevant climate-related risks and opportunities	Chapter "Strategy", p. 13 et seq.		Chapter "Non-financial report", section "Risk assessment", p. 112: "The LEG Group management does not believe that there are any non-financial risks that meet materiality criteria under section 289c (3) no. 3 and 4 HGB after taking account of risk mitigation measures." Chapter "Key area: Environment", p. 123: Carbon-neutral building stock by 2045	LEG website "Sustainability" www.leg-wohnen.de/en/corporation/sustainability http://www.leg-wohnen.de/fileadmin/dateien/02_Unternehmen/Nachhaltigkeit/Nachhaltigkeitsberichte/220310_LEG_GB_2021_nichtfinanzielle_Informationen_e_safe.pdf

[1] Presentation of general opportunities and risks from modernisation and regulations relating to environmental policy – a risk and opportunity report on the basis of various climate scenarios is currently being planned.

5

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position

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Assets

€ million	Notes	31.12.2021	31.12.2020
Non-current assets		**19,685.5**	**14,847.6**
Investment properties	E.1	19,067.7	14,582.7
Prepayments on investment properties		23.4	43.3
Property, plant and equipment	E.2	88.8	86.3
Intangible assets and goodwill	E.3	374.6	102.4
Investments in associates		10.5	10.2
Other financial assets	E.4	111.2	15.1
Receivables and other assets	E.5	0.2	0.2
Deferred tax assets	E.13	9.1	7.4
Current assets		**831.2**	**413.1**
Real estate inventory and other inventory		2.9	7.2
Receivables and other assets	E.5	143.2	64.4
Income tax receivables	E.13	9.5	6.1
Cash and cash equivalents	E.6	675.6	335.4
Assets held for sale	E.7	**37.0**	**21.6**
Total assets		**20,553.7**	**15,282.3**

Equity and liabilities

€ million	Notes	31.12.2021	31.12.2020
Equity	E.8	**8,953.0**	**7,389.9**
Share capital		72.8	72.1
Capital reserves		1,639.2	1,553.1
Cumulative other reserves		7,215.9	5,740.4
Equity attributable to shareholders of the parent company		8,927.9	7,365.6
Non-controlling interests		25.1	24.3
Non-current liabilities		**9,702.0**	**7,028.2**
Pension provisions	E.9	142.9	157.3
Other provisions	E.10	6.7	7.3
Financing liabilities	E.11	7,367.0	5,377.7
Other liabilities	E.12	200,0	129.9
Deferred tax liabilities	E.13	1,985.4	1,356.0
Current liabilities		**1.898.7**	**864.2**
Pension provisions	E.9	6.7	6.7
Other provisions	E.10	25.2	27.8
Provisions for taxes		0.2	0.1
Financing liabilities	E.11	1,518.1	491.3
Other liabilities	E.12	331.4	325.9
Tax liabilities		17.1	12.4
Total equity and liabilities		**20,553.7**	**15,282.3**

Consolidated statement of comprehensive income

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€ million	Notes	01.01.–31.12.2021	01.01.–31.12.2020
Net rental and lease income	F.2	**522.1**	**429.8**
Rental and lease income		960.4	860.8
Cost of sales in connection with rental lease income		–438.3	–431.0
Net income from the disposal of investment properties	F.3	**–1.0**	**–1.3**
Income from the disposal of investment properties		31.8	48.2
Carrying amount of the disposal of investment properties		–31.8	–48.4
Cost of sales in connection with disposed investment properties		–1.0	–1.1
Net income from the remeasurement of investment properties	F.4	**1,863.7**	**1,170.4**
Net income from the disposal of real estate inventory		**0.5**	**–1.5**
Income from the real estate inventory disposed of		1.3	–
Carrying amount of the real estate inventory disposed of		–1.1	–
Costs of sales of the real estate inventory disposed of		0.3	–1.5
Income from other services	F.5	**5.7**	**4.2**
Income from other services		13.6	12.2
Expenses in connection with other services		–7.9	–8.0
Administrative and other expenses	F.6	**–136.4**	**–66.4**
Other income		**0.1**	**0.1**
Operating earnings		**2,254.7**	**1,535.3**
Interest income		1.3	1.9
Interest expenses	F.7	–121.7	–102.2
Net income from investment securities and other equity investments		6.4	3.5
Net income from associates		0.3	0.3
Net income from the fair value measurement of derivatives	F.8	–2.3	–43.8
Earnings before income taxes		**2,138.7**	**1,395.0**
Income taxes	F.9	–414.0	–30.5
Net profit or loss for the period		**1,724.7**	**1,364.5**

€ million	Notes	01.01.–31.12.2021	01.01.–31.12.2020
Change in amounts recognised directly in equity		**25.4**	**–4.2**
Thereof recycling			
Fair value adjustment of interest rate derivatives in hedges		**18.4**	**–7.1**
Change in unrealised gains/(losses)		22.3	–7.6
Income taxes on amounts recognised directly in equity		–3.9	0.5
Thereof non-recycling			
Actuarial gains and losses from the measurement of pension obligations		**7.0**	**2.9**
Change in unrealised gains/losses		10.1	4.4
Income taxes on amounts recognised directly in equity		–3.1	–1.5
Total comprehensive income		**1,750.1**	**1,360.3**
Net profit or loss for the period attributable to:			
Non-controlling interests		3.1	3.3
Parent shareholders		1,721.6	1,361.2
Total comprehensive income attributable to:			
Non-controlling interests		3.1	3.3
Parent shareholders		1,747.0	1,357.0
Earnings per share (basic) in €	F.10	**23.75**	**19.33**
Earnings per share (diluted) in €	F.10	**21.72**	**18.67**

See > section E.8 of the notes.

Statement of changes in consolidated equity

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€ million	Share capital	Capital reserves	Cumulative other reserves: Revenue reserves	Cumulative other reserves: Actuarial gains and losses from the measurement of pension obligations	Cumulative other reserves: Fair value adjustment of interest derivatives in hedges	Equity attributable to shareholders of the Group	Non controlling interests	Consolidated equity
As of 01.01.2020	**69.0**	**1,202.2**	**4,718.9**	**–53.0**	**–27.2**	**5,909.9**	**24.0**	**5,933.9**
Net profit or loss for the period	–	–	1,361.2	–	–	1,361.2	3.3	1,364.5
Other comprehensive income	–	–	–	2.9	–7.1	–4.2	0.0	–4.2
Total comprehensive income	**–**	**–**	**1,361.2**	**2.9**	**–7.1**	**1,357.0**	**3.3**	**1,360.3**
Change in consolidated companies	–	–	–	–	–	–	–	–
Capital increase	3.1	350.9	–	–	–	354.0	–	354.0
Other	–	–	1.7	–	–	1.7	–	1.7
Withdrawals from reserves	–	–	–	–	–	–	–3.0	–3.0
Changes from put options	–	–	–	–	–	–	–	–
Distributions	–	–	–257.0	–	–	–257.0	–	–257.0
As of 31.12.2020	**72.1**	**1,553.1**	**5,824.8**	**–50.1**	**–34.3**	**7,365.6**	**24.3**	**7,389.9**
As of 01.01.2021	**72.1**	**1,553.1**	**5,824.8**	**–50.1**	**–34.3**	**7,365.6**	**24.3**	**7,389.9**
Net profit or loss for the period	–	–	1,721.6	–	–	1,721.6	3.1	1,724.7
Other comprehensive income	–	–	–	7.0	18.4	25.4	0.0	25.4
Total comprehensive income	**–**	**–**	**1,721.6**	**7.0**	**18.4**	**1,747.0**	**3.1**	**1,750.1**
Change in consolidated companies	–	–	–	–	–	–	0.5	0.5
Capital increase	0.7	86.1	–	–	–	86.8	–	86.8
Other	–	–	1.7	–	–	1.7	–	1.7
Withdrawals from reserves	–	–	–	–	–	–	–2.7	–2.7
Changes from put options	–	–	–0.7	–	–	–0.7	–	–0.7
Distributions	–	–	–272.5	–	–	–272.5	–0.1	–272.6
As of 31.12.2021	**72.8**	**1,639.2**	**7,274.9**	**–43.1**	**–15.9**	**8,927.9**	**25.1**	**8,953.0**

See > section E.8 of the notes.

Consolidated statement of cash flows

T75

€ million	01.01.– 31.12.2021	01.01.– 31.12.2020
Operating earnings	2,254.7	1,535.3
Depreciation on property, plant and equipment and amortisation on intangible assets	18.1	84.4
(Gains)/Losses from the remeasurement of investment properties	–1,863.7	–1,170.4
(Gains)/Losses from the disposal of assets held for sale and investment properties	–	0.2
(Decrease)/Increase in pension provisions and other non-current provisions	–4.9	–1.4
Other non-cash income and expenses	9.9	10.5
(Decrease)/Increase in receivables, inventories and other assets	–30.7	–7.5
Decrease/(Increase) in liabilities (not including financing liabilities) and provisions	57.4	–41.8
Interest paid	–86.7	–80.6
Interest received	–	0.1
Received income from investments	3.6	3.1
Income taxes received	2.4	2.9
Income taxes paid	–6.4	–8.7
Net cash from/(used in) operating activities	**353.7**	**326.1**
Cash flow from investing activities		
Investments in investment properties	–1,348.7	–1,375.1
Proceeds from disposals of non-current assets held for sale and investment properties	37.2	48.7
Investments in intangible assets and property, plant and equipment	–11.3	–15.6
Payments for investments in financial assets and other assets	–100.7	–
Acquisition of shares in consolidated companies	–1,283.7	–20.2
Change of cash investment in securities	–44.7	30.0
Net cash from/(used in) investing activities	**–2,751.9**	**–1,332.2**

€ million	01.01.– 31.12.2021	01.01.– 31.12.2020
Cash flow from financing activities		
Borrowing of bank loans	1,498.2	403.4
Repayment of bank loans	–238.9	–190.2
Repayment of lease liabilities	–11.6	–11.0
Proceeds from capital increases	–	269.6
Issue of registered bonds	–	50.0
Issue of corporate bonds/convertible bonds	1,678.0	544.0
Distribution to minorities	–1.8	–1.8
Distribution to shareholders	–185.6	–172.4
Other payments	–	–1.3
Other proceeds	0.1	–
Net cash from/(used in) financing activities	**2,738.4**	**890.3**
Change in cash and cash equivalents	**340.2**	**–115.8**
Cash and cash equivalents at beginning of period	335.4	451.2
Cash and cash equivalents at end of period	**675.6**	**335.4**
Composition of cash and cash equivalents		
Cash in hand, bank balances	675.6	335.4
Cash and cash equivalents at end of period	**675.6**	**335.4**

See > section G of the notes.

Notes

A. General information on the consolidated financial statements of LEG Immobilien SE

1 | Basic information on the Group

LEG Immobilien SE, Dusseldorf (hereinafter: “LEG Immo”), its subsidiaries (hereinafter referred to collectively as the “LEG Group”), especially LEG NRW GmbH, Dusseldorf (hereinafter: “LEG”) and the subsidiaries of the latter company are among the largest residential companies in Germany. The LEG Group held a portfolio of 167,765 (31 December 2020: 145,876) residential and commercial units on 31 December 2021 (167,524 (31 December 2020: 145,671) units excluding IFRS 5 objects).

LEG Group and its subsidiaries engages in three core activities as an integrated property company: the optimisation of the core business, the expansion of the value chain as well as optimising the portfolio.

These consolidated financial statements were approved for publication by LEG Immo's Management Board on 10 March 2022.

2 | Consolidated financial statements

The consolidated financial statements of the LEG Immo as at 31 December 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) as applicable in the European Union. The consolidated financial statements have been prepared in accordance with the provisions of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council dated 19 July 2002, concerning the application of international accounting standards in conjunction with section 315e(1) of the Handelsgesetzbuch (HGB – German Commercial Code) and the additional provisions of commercial law.

Individual items of the statement of comprehensive income and the statement of financial position have been aggregated to improve the clarity of presentation. These items are discussed in the notes to the consolidated financial statements. The statement of comprehensive income has been prepared using the cost of sales method.

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

The consolidated financial statements are prepared on the basis of accounting for assets and liabilities at amortised cost. Exceptions to this are investment property, securities recognised at fair value and derivative financial instruments, which are carried at their fair value as at the end of the reporting period.

The consolidated financial statements and the Group management report are published in the Bundesanzeiger (Federal Gazette).

The preparation of consolidated financial statements in accordance with IFRS requires estimates and judgements on the part of management. Areas with greater scope for judgement or areas in which assumptions and estimates are of material importance to the consolidated financial statements are listed in > D.22 and D.23.

The consolidated financial statements of LEG Immo constitute exempting consolidated financial statements within the meaning of section 291 HGB for Ruhr-Lippe Wohnungsgesellschaft mbH, LEG Grundstücksverwaltungsgesellschaft mbH and for Wohnungsgesellschaft Münsterland mbH These companies are not required to prepare subgroup financial statements as they are included in the consolidated financial statements of LEG Immo, no non-controlling interests have applied for the preparation of consolidated financial statements and a Group management report in accordance with section 291(3) sentence 1 no. 2 HGB, and the other conditions of section 291(2) no. 2 and no. 3 HGB have been met.

The exemption provisions set out in section 264(3) HGB were exercised by Gladbau Baubetreuungs- und Verwaltungs-Gesellschaft mbH, LEG Wohnungsbau Rheinland GmbH, LEG Rheinland Köln GmbH, Wohnungsgesellschaft Münsterland GmbH, Ruhr-Lippe Wohnungsgesellschaft mbH, Ravensberger Heimstättengesellschaft mbH, LEG Management GmbH, LEG Wohnen NRW GmbH, WohnServicePlus GmbH, TSP-TechnikServicePlus GmbH, LEG Siebte Grundstücksverwaltungs GmbH, EnergieServicePlus GmbH, SW Westfalen Invest GmbH, LEG Achte Grundstücksverwaltungs GmbH, GeWo Gesellschaft für Wohnungs- und Städtebau mbH, Grundstücksgesellschaft DuHa mbH, LEG Fünfte Grundstücksverwaltungs GmbH, LWS Plus GmbH, Erste WohnServicePlus GmbH, LEG Neunte Grundstücksverwaltungs GmbH, Wohnungsbaugesellschaft Jade mbH, Westgrund Niedersachsen Süd GmbH and Westgrund VIII. GmbH.

B. New accounting standards

1 | International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) that have been published but that are not yet effective

The IASB has published the following IFRS and IFRIC that are not yet effective and that will be relevant to the LEG Group:

T76

Published IFRS and IFRIC that are not yet effective

	Content	Effective for reporting periods beginning on
Amendments to standards		
IFRS 16	"Covid-19-Related Rent Concessions beyond 30 June 2021"	01.04.2021
IFRS 3	"Reference to the framework"	01.01.2022
IAS 16	"Property, Plant and Equipment – Proceeds before Intended Use"	01.01.2022
IAS 37	"Onerous Contracts – Cost of Fulfilling a Contract"	01.01.2022
Various standards	Improvements and amendments of selected IFRS standards 2018 – 2020	01.01.2022
IAS 1	"Classification of Liabilities as Current or Non-current"	01.01.2023*
IAS 1	"Disclosure of Accounting Policies"	01.01.2023*
IAS 8	"Classification of Liabilities as Current or Non-current"	01.01.2023*
IAS 12	"Disclosure of Accounting Policies"	01.01.2023*

[1] not yet endorsed

LEG Immo does not adopt new standards early.

2 | International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) effective for the first time

T77

Published IFRS and IFRIC effective for the first time

	Content	Effective for reporting periods beginning on
Amendments to standards		
IFRS 16	"Covid-19-Related Rent Concessions"	01.06.2020
IFRS 9/IAS 39/IFRS 7/IFRS 4/IFRS 16	"Phase 2: Interest Benchmark Reform"	01.01.2021

Only the IFRS and interpretations that affect the LEG Immo consolidated financial statements are explained in more detail below.

IFRS 16

The amendments to IFRS 16 (Covid-19-related rent concessions) do not affect the LEG Group's lease accounting. The optional exemption from assessing whether a Covid-19-related rent concession is a lease modification was not applied at the LEG Group. There were no cases of rent being deferred or waived as a direct result of the coronavirus pandemic for leases where the LEG Group is the lessee.

IFRS 9, IAS 39 and IFRS 7

The amendments to the Interest Rate Benchmark Reform of IFRS 9, IAS 39 and IFRS 7 have no significant impact on the measurement of derivatives used in hedge accounting. Within the prospective effectiveness of the hedging relationship the underlying effect from the replacement of the reference rate due to the IBOR reform is not significant.

C. Basis of consolidation and consolidation methods

1 | Consolidation methods

a) Subsidiaries
The consolidated financial statements of LEG Immo contain all the material subsidiaries LEG Immo controls within the meaning of IFRS 10.

Subsidiaries are consolidated from the date at which LEG Immo first obtains control. Subsidiaries are deconsolidated as soon as LEG Immo no longer controls them.

The financial statements of subsidiaries are prepared using uniform accounting policies as at the end of the same reporting period as LEG Immo's financial statements.

Capital is consolidated in accordance with the acquisition method, whereby the cost at the time of acquisition is offset against the pro rata share of net assets. Non-controlling interests represent the share of profit and net assets not attributable to the shareholders of LEG Immo. Non-controlling interests are reported separately in the consolidated statement of comprehensive income and the consolidated statement of financial position. They are reported in the consolidated statement of financial position under equity but separately from the equity attributable to the shareholders of the parent company.

All intragroup receivables and liabilities, income and expenses and gains and losses from intragroup transactions are eliminated.

b) Associates
Associates are equity interests whose financial and operating policies can be significantly influenced by LEG Immo. Associates are accounted for using the equity method. Owing to their immateriality for the net assets, financial position and results of operations of the Group, certain individual associates are measured at fair value or, if the fair value cannot be reliably determined for unlisted equity instruments, at cost and reported in other non-current financial assets.

A list of LEG Immo's shareholdings can be found on > page 216.

2 | Changes in the Group

a) Subsidiaries
Changes in the companies included in the consolidated financial statements of LEG Immo were as follows:

T78

Number of consolidated subsidiaries

	2021	2020
As of 01.01.	72	66
Additions	17	6
Disposals	–1	0
As of 31.12.	88	72

On 11 March 2021 the conversion of LEG Immobilien AG into the legal form of an SE Societas Europaea (European Company) was registered in the commercial register.

As part of a portfolio acquisition, the companies Cero Wohnen GmbH und Cero Wohnen 2 GmbH were acquired on 2 August 2021 and consolidated for the first time as at 30 September 2021.

On 24 August 2021 Grundstücksentwicklungsgesellschaft Ennigerloh Süd-Ost mbH was liquidated. The deconsolidation of the company was effective as at 31 August 2021.

AFP II Germany GmbH, HKA Grundstücksverwaltungsgesellschaft mbH & Co. KG, HKA Verwaltungsgesellschaft mbH, Wohnungsbaugesellschaft Jade mbH, Relda 38. Wohnen GmbH, Relda 45. Wohnen GmbH, Resident Baltic GmbH, Westgrund Immobilien GmbH, Westgrund Niedersachsen Nord GmbH, Westgrund Niedersachsen Süd GmbH, Westgrund Wolfsburg GmbH, Westgrund VIII. GmbH, and Zweite REO-Real Estate Opportunities GmbH were acquired as part of a business combination and consolidated for the first time as at 29 December 2021.

LEG Nord FM GmbH and LEG Nord Service GmbH were acquired as at 24 November 2021 and consolidated for the first time as at 1 December 2021. The employees taken on in the context of the business combination with the Adler Group are employed at these two companies.

b) Associates
The following table shows the development of associates accounted for using the equity method:

T79

Number of associates accounted for using the equity method

	2021	2020
As of 01.01.	2	2
Additions/Disposals	0	0
As of 31.12.	2	2

3 | Business combinations

On 19 August 2020, LEG Group signed a purchase agreement with the Fischbach Holding GmbH assuming 100 % stake of the company Fischbach Service GmbH (rebranded in LWS Plus GmbH). The transaction´s objectives are the expansion of the value chain and the reduction of the interfaces between the LEG Group and the general contractors, so that in the course of the refurbishments of vacant apartments the LEG Group assume the steering and controlling function.

29 employees were assumed in the scope of the transaction. After antitrust approval, the transaction was closed on 30 September 2020.

Fischbach Service GmbH was active for several years as a general contractor for the LEG Group in the context of vacant apartment refurbishment. With approx. 33 employees, the company was responsible for approx. 25 % of the vacant apartment refurbishment in LEG Group and is characterised by high quality and efficient processes.

As at 30 September 2020, the acquisition of the company was treated as a business combination within the meaning of IFRS 3 as material business processes were acquired.

The purchase price allocation was final as at 30 September 2021. The final consideration for the business combination is made up as follows:

T80

Consideration

€ million	30.09.2021 final	30.09.2020 provisional	Change
Cash consideration (net)	22.5	22.5	–
Contingent reimbursement	12.5	12.5	–
Former business relationship	–12.6	–12.6	–
Total consideration	22.4	22.4	–

There are two so-called earn-out clauses. According to section 4 (2) a) of the purchase agreement, the purchase price component 4a in the amount of EUR 2.4 million depends on a successful integration phase. This is linked to the criteria of no staff turnover (max. 20 %), no turnover of subcontractors (max. 15 %) and the fulfilment of completion quotas (95 %). This purchase price component is due seven months after the closing date. As at 30 April 2021, the criteria for purchase price component 4a becoming due was fulfilled 100 % and a payment in the amount of EUR 2.4 million was made.

Pursuant to section 4 (3) a), the purchase price component 4b in the amount of EUR 2.5 million depends on the achievement of the business case. This purchase price component is due ten days after adoption of the annual financial statements as at 31 December 2022. It can be assumed that the purchase price component 4b will be fulfilled 100 %.

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

T81

Final purchase price allocation

€ million	30.09.2021 final	30.09.2020 provisional	Change
Operating and office equipment	0.1	0.1	–
Property, plant and equipment – finance lease	0.7	0.7	–
Intangible assets	0.0	0.0	–
Receivables and other assets	1.0	1.0	–
Cash and cash equivalents	2.5	2.5	–
Total assets	**4.3**	**4.3**	**–**
Other provisions	0.1	0.1	–
Other liabilities	9.1	9.1	–
Total liabilities	**9.2**	**9.2**	**–**
Net assets at fair value	–4.9	–4.9	–
Non-controlling interests	–	–	–
Net assets at fair value without controlling interests	–4.9	–4.9	–
Consideration	**22.4**	**22.4**	**–**
Goodwill	**27.3**	**27.3**	**–**

The transaction costs of the business combination amount to EUR 0.2 million and essentially include consulting expenses recognised in other expenses.

The synergies anticipated from the business combination relate primarily to cost advantages as well as a reduction of the vacancy duration and thereby a prompt letting.

The income statement does not include any revenue of LWS Plus GmbH, as the acquired company only generates intra-group sales. This applies both to the entire financial year 2021 as well as for the period of affiliation to the Group. The group's result for the period includes small losses related to the refurbishment of vacant apartments which cannot be capitalised.

For tax purposes, the goodwill is not deductible.

On 1 December 2021, to enhance its portfolio the LEG Group signed a purchase agreement with the Adler Group on assuming the 100 % stakes in AFP II Germany GmbH, HKA Grundstücksverwaltungsgesellschaft mbH & Co. KG, HKA Verwaltungsgesellschaft mbH, Wohnungsbaugesellschaft Jade mbH, Relda 38. Wohnen GmbH, Relda 45. Wohnen GmbH, Resident Baltic GmbH, Westgrund Immobilien GmbH, Westgrund Niedersachsen Nord GmbH, Westgrund Niedersachsen Süd GmbH, Westgrund Wolfsburg GmbH, Westgrund VIII. GmbH and Zweite REO-Real Estate Opportunities GmbH.

218 employees were assumed in the scope of the transaction. After antitrust approval, the transaction was closed on 29 December 2021.

As at 31 December 2021, the acquisition of these companies was treated as a business combination within the meaning of IFRS 3 as material business processes were acquired.

The provisional consideration for the business combination is made up as follows:

T82

Consideration

€ million	29.12.2021 provisional
Cash consideration (net)	1,321.60
Total consideration	**1,321.60**

A purchase price adjustment may occur in the course of finalising the closing date balance sheets.

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

T83

Purchase price allocation

€ million	29.12.2021 provisional
Investment properties	1,256.7
Property, plant and equipment – finance lease	4.2
Deferred tax assets	0.2
Receivables from operating costs	2.1
Receivables and other assets	4.6
Cash and cash equivalents	47.9
Total assets	**1,315.7**
Other financing liabilities	31.2
Deferred tax liabilities	211.6
Other provisions	0.3
Liabilities from operating costs	0.0
Other liabilities	22.0
Total liabilities	**265.1**
Net assets at fair value	1,050.6
Non-controlling interests	0.1
Net assets at fair value without controlling interests	1,050.5
Consideration	**1,321.6**
Goodwill	**271.1**

The fair value of the rent receivables acquired totals EUR 1.9 million. The gross amount of the rent receivables due amounts to EUR 6.6 million with an impairment of EUR 4.7 million recognised at the time of acquisition.

The transaction costs of the business combination amount to EUR 76.9 million and essentially includes legal and consulting expenses as well as real estate transfer tax. These were recognised as an expense. Due to the provisional nature of the purchase price allocation, disclosure in accordance with IFRS 3.B64 (q) (ii) is not yet possible.

The synergies anticipated from the business combination relate primarily to cost advantages and additional revenue potential.

For tax purposes, the goodwill is not deductible.

In addition to the total consideration, due to the currently incomplete existing data basis the purchase price allocation is provisional in respect to the following items:

- Investment properties
- Inventories
- Accounting for leases
- Provisions
- Other liabilities
- Deferred tax expenses
- Contingent liabilities.

4 | IFRS 12 disclosures

a) Disclosures on subsidiaries included in consolidation
An overview of the subsidiaries in which LEG Immo holds investments as at 31 December 2021 (IFRS 12.10 et seq.) can be found in > page 216.

The direct and indirect shares of capital held by LEG Immo in the subsidiaries are also equal to its shares of the voting rights. The companies not included in consolidation are not considered material in terms of the key performance indicators net profit for the year, total assets and revenue, and are therefore not included in the consolidated group.

b) Disclosures on subsidiaries with significant non-controlling interests
The financial information on significant, non-controlling interests in subsidiaries is summarised below (IFRS 12.B10). Intragroup transactions were not eliminated in the amounts disclosed.

TSP-TechnikServicePlus GmbH is the only subsidiary with significant non-controlling interests as at 31 December 2021.

EUR 1.8 million of consolidated net profit related to the significant non-controlling interests of TSP-TechnikServicePlus GmbH in 2021. The carrying amount in the Group recognised for the non-controlling interests in TSP-TechnikServicePlus GmbH as at 31 December 2021 was EUR 0 million on account of the obligation to pay a guaranteed dividend.

T84

Statement of financial position TSP

€ million	TSP-TechnikServicePlus GmbH 2021	2020
Non-current		
Assets	4.9	5.6
Liabilities	–3.1	–3.8
Non-current net assets	1.8	1.8
Current		
Assets	15.5	13.9
Liabilities	–14.5	–13.6
Current net assets	1.0	0.3

T85

Statement of profit or loss TSP

€ million	TSP-TechnikServicePlus GmbH 2021	2020
Revenue/other operating income	63.2	54.9
Earnings before income taxes	0.4	2.7
Income taxes	0.6	0.4
Net profit from continued operations	–0.2	2.3
Net profit	–0.2	2.3
Total comprehensive income	–0.2	2.3
Attributable to: interests without significant influence	1.8	1.8
Paid dividend to owner without significant interest	1.8	1.8

T86

Statement of cash flows TSP

€ million	TSP-TechnikServicePlus GmbH 2021	2020
Net cash from/used in		
Operating activities	0.7	5.2
Investing activities	–0.4	–0.3
Financing activities	–2.2	–1.9
Change in cash and cash equivalents	–1.9	3.0

c) Disclosures on associates

Disclosures on significant associates

The investments in associates affect the statement of financial position and the statement of comprehensive income of the LEG Group as follows:

T87

Impact from associates

€ million	2021	2020
Recognition	10.5	10.2
Total comprehensive income	0.3	0.3

The disclosures on the equity investments in associates classified as material are listed below.

T88

Material associates accounted for using the equity method

€ million	Share of capital in %	Equity	Result
Kommunale Haus und Wohnen GmbH, Rheda-Wiedenbrück	40.62	22.6	0.7
Beckumer Wohnungsgesellschaft mbH, Beckum	33.37	3.9	0.2

The companies listed above perform property management activities.

The relationships with the associates are of an operational nature. All the companies listed above are recognised in the consolidated financial statements using the equity method. There are no quoted market prices.

The compiled financial information for the key associates of the Group is shown below. The financial information shown below is consistent with the amounts in the financial statements of the associates.

T89

Statement of financial position (associates)

	Kommunale Haus und Wohnen GmbH		Beckumer Wohnungs-gesellschaft mbH		Total	
€ million	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Non-current assets	55.0	47.5	8.5	7.3	63.5	54.8
Current assets	2.1	1.9	0.5	0.5	2.6	2.4
Cash and cash equivalents	1.1	2.1	0.3	0.5	1.4	2.6
Other assets	–	–	–	–	–	–
Non-current liabilities	25.9	20.7	4.7	3.8	30.6	24.5
Current liabilities	9.7	8.8	0.7	0.8	10.4	9.6
Financing liabilities	–	–	–	–	–	–
Non-financing liabilities	–	–	–	–	–	–
Net assets	**22.6**	**22.0**	**3.9**	**3.7**	**26.5**	**25.7**

T90

Statement of profit or loss (associates)

	Kommunale Haus und Wohnen GmbH		Beckumer Wohnungs-gesellschaft mbH		Total	
€ million	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Revenue	6.4	6.2	1.6	1.3	8.0	7.5
Depreciation	1.3	1.2	0.2	0.2	1.5	1.4
Interest income	–	–	–	–	–	–
Interest expense	0.3	0.3	0.1	0.1	0.4	0.4
Income taxes	–	–	–	–	–	–
Net profit from continued operations	0.7	0.6	0.2	0.1	0.9	0.7
Net profit after taxes from discontinued operations	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	**0.7**	**0.6**	**0.2**	**0.1**	**0.9**	**0.7**

Statement of reconciliation from compiled financial information to carrying amount of the equity investments:

T91

Reconciliation (associates)

€ million	Kommunale Haus und Wohnen GmbH 31.12.2021	Kommunale Haus und Wohnen GmbH 31.12.2020	Beckumer Wohnungsgesellschaft mbH 31.12.2021	Beckumer Wohnungsgesellschaft mbH 31.12.2020	Total 31.12.2021	Total 31.12.2020
Net assets of associates as of 01.01.	22.0	21.4	3.7	3.6	25.7	25.0
Net profit/loss	0.7	0.6	0.2	0.1	0.9	0.7
Addition to reserves	−0.1	–	–	–	−0.1	–
Dividend	–	–	–	–	–	–
Net assets of associates as of 31.12.	22.6	22.0	3.9	3.7	26.5	25.7
Group share in %	40.62	40.62	33.37	33.37	–	–
Interest in net assets of associates	9.2	8.9	1.3	1.3	10.5	10.2
Carrying amount of the investment	**9.2**	**8.9**	**1.3**	**1.3**	**10.5**	**10.2**

The annual financial statements of both companies as at 31 December 2021 are not yet available and therefore the figures as at 31 December 2020 are indicated for 2021.

d) Disclosure on other companies
Furthermore, LEG holds an 8 % share in Brack Capital Properties N. V. (BCP), Amsterdam, the Netherlands.

D. Accounting policies

1 | Investment properties

Investment property consists of the LEG Group's properties that are held to earn rental income or for capital appreciation or both, rather than for owner occupancy or sale in the ordinary course of business. Investment property includes land with residential and commercial buildings, undeveloped land, land with transferable leasehold land interests, parking spaces and garages.

In accordance with IFRS 5, investment property that is held for sale and that is highly likely to be sold within the next twelve months is recognised as an asset held for sale under current assets. Its measurement is consistent with the measurement of investment property.

Mixed-used properties are separated into the owner-occupied part and the part rented to third parties to the extent that it is legally possible to separate the property in question, and neither the owner-occupied portions nor the portions rented to third parties are immaterial. The portion rented to third parties is allocated to investment property, while the owner-occupied portion is recognised under property, plant and equipment. The ratio of the respective areas is used to allocate the components.

Property is transferred from investment property when there is a change in use evidenced by the commencement of owner-occupancy or the development with a view to sale.

Unless acquired as part of a business combination, investment property is recognised at cost including incidental costs on acquisition. In accordance with the option provided by IAS 40 in conjunction with IFRS 13, investment property is subsequently recognised at fair value. IFRS 13.9 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value assumes the sale of an asset (exit price). It corresponds to the (theoretical) price to be paid to the seller in the event of a (hypothetical) sale of a property at the measurement date, regardless of an entity's specific intention or ability to sell. The concept of highest and best use of the property is assumed in calculating fair value (IFRS 13.27 et seq.). This implies the use or value maximisation of the asset as far as it is physically possible, legally permissible and financially feasible. Further details can be found in > section D.18. Changes in the fair value of property are recognised in profit or loss for the period in which they occur.

Prepayments for property acquisitions are presented as prepayments for investment property. Prepayments for investment property for which the economic transfer has not yet taken place are shown under prepayments on investment properties.

Subsequent costs for extension, partial replacement or maintenance of properties (IAS 40.17) are capitalised if they constitute the replacement of parts of a unit in accordance with the component approach (IAS 40.19) and the costs can be reliably determined. In addition, such costs are capitalised if the activities will result in increased future benefits and the costs can be reliably determined. Capitalised costs are not depreciated, as depreciation is not generally recognised in connection with the fair value option provided by IAS 40.

Individual units are sold to tenants, owner-occupants and private investors as part of portfolio optimisation measures.

Fair values are calculated internally by LEG Immo. In addition to the fair values calculated internally by LEG Immo, the property portfolio was valued by an independent, third-party expert as at 30 June 2021 and 31 December 2021. LEG Immo uses the third-party valuation to check the plausibility of its own calculations and as a general confirmation of the value of the portfolio as a whole through a second opinion.

The properties are reviewed individually by LEG Immo at the level of individual building entrances in terms of their location, condition, fixtures and fittings, current contractual rent and potential for development. The fair values calculated are consistent with the IFRS market values, i. e. the amount for which the respective property could be exchanged between market participants under current market conditions on the measurement date in an orderly transaction (IAS 40.5 rev. in conjunction with IFRS 13.15).

The fair values of investment property and properties held for sale are calculated on the basis of the forecast net cash flows from property management using the discounted cash flow (DCF) method. For properties with no positive net cash flow (generally vacant buildings), the fair value is calculated using a liquidation value method. Undeveloped land is usually measured based on an indirect comparison of indicative land values.

A detailed planning period of ten years was applied in DCF measurement. After the end of the tenth year, a sales value was recognised that was calculated by capitalising the forecast annual net profit for the eleventh period. The contractually agreed rental income for the respective property and other property-specific value parameters was applied in the first year of the detailed planning period.

The average monthly in-place rent for the rented apartments in the property portfolio (referring here and hereinafter to both investment property and properties held for sale) used for the measurement in buildings used primarily for residential purposes was EUR 6.13 per square metre as at the end of the reporting period (previous year: EUR 5.93 per square metre). These properties can also contain commercial units in some cases. The future development of annual rent was projected on the basis of individual assumptions for the planning period. A distinction was made between rental income from existing tenancies and new lettings due to forecast fluctuation. During the detailed planning period market rent increases annually at an individually determined rate. For new lettings, rent in the amount of the assumed market rent is applied. The market rent growth applied ranges from 0.74 % to 1.88 % (previous year: 0.72 % to 1.90 %), on average based on specific market and property assessments. Rent from existing tenancies is projected on the basis of the statutory environment and the assessment of the respective market and property, and is assumed to converge with the overall market trend over time. The vacancy rate in terms of rental and usable space used for measurement is adjusted to a stabilised vacancy rate in line with market conditions, which also take account of location, and where appropriate the individual property characteristics over a period of four years.

Subsidised properties were treated differently depending on the existence and duration of potential rent control. If rent control is set to end within the ten-year detailed planning period, a rent adjustment towards the market rent is assumed for the subsequent year, taking into account the statutory requirements. For the remaining subsidised properties, a discount on the capitalisation rate is recognised depending on the remaining duration of rent control.

For maintenance and management costs of properties used chiefly for residential purposes, approaches were selected that are based on the II. Berechnungsverordnung (Second Computation Ordinance – II. BV, effective from 1 January 2020). The assumed reactive and periodical maintenance costs are derived on the basis of the technical assessment of the property and the year of construction, while for administrative costs a flat rate per residential unit and per parking space is used.

For residential buildings with a commercial component or other type of use, administrative costs for the non-residential component are calculated at 1 % (previous year: 1 %) of gross commercial income.

The II BV management costs have been adjusted in relation to the change in the consumer price index every three years since 2005. Between the adjustment periods for stabilisation, the valuation model thus takes into account an annual increase in management costs in line with the market, spread over three years and based on the expected development of the II. BV.

In addition, the development of maintenance and management costs was dynamic in the period under review. The cost increase recognised of 2.00 % (previous year: 2.00 %) per year is derived from the symmetric medium-term inflation target of the European Central Bank.

Around 1.26 % (previous year: 1.26 %) of the remeasured units in the portfolio are classified as commercial properties. In some cases, these properties can contain residential units, but they are characterised by their primarily commercial character. Owing to the differing rent terms and market conditions compared to the residential portfolio, these properties were also subject to different assumptions with regard to the key parameters affecting their value. The average rent of the primarily commercial properties is EUR 7.61 per square metre (previous year: EUR 7.10 per square metre).

Cash flows are discounted using standard market discount rates with matching maturities of 3.92 % on average (previous year: 4.47 %) and standard market capitalisation rates for perpetuals of 5.32 % (previous year: 5.75 %); this takes into account the property-specific management cost ratio and reflects the individual risk/opportunity profile of the respective property. In addition to location criteria, the determination of an appropriate interest rate takes into account the property type, property condition, age, potential rental growth, the forecast for the location and potential government subsidies in particular.

Owing to the limited availability of market data, i. e. data and measurement parameters not directly observable on the market, the complexity of property valuation and the level of specification of property, the fair value measurement of investment property is assigned to Level 3 of the measurement hierarchy of IFRS 13.86 (measurement based on unobservable inputs). Further details can be found in > section D.18.

In measurement, investment property is broken down into categories defined by type of use:

- Residential assets
- Commercial assets
- Garages, underground garages or parking spaces/other properties,
- Leasehold and undeveloped land.

Commercial property is defined as property upwards of 1,000 square metres of usable space or in which 50 % of the building is used for commercial purposes. Other properties are essentially units with outside advertising media and wireless antennas. Properties are also broken down according to three market clusters using a scoring system: growth markets ("orange"), stable markets ("green") and higher yielding markets ("purple“).

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

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Valuation parameters as at 31 December 2021

	GAV investment properties[1] (€ million)	Valuation technique	Market rent residential/commercial €/sqm			Maintenance cost residential/commercial €/sqm			Administrative cost residential/commercial €/unit			Stabilised vacancy rate %		
			min	Ø	max	min	Ø	max	min	Ø	max	min	Ø	max
Residential assets														
High-growth markets	6,970	DCF	3.63	8.51	14.31	5.72	11.79	16.04	185	311	476	1.0	1.8	6.0
Stable markets	6,059	DCF	1.90	7.02	13.53	6.68	11.85	15.84	179	309	476	1.5	2.9	9.0
Higher-yielding markets	3,061	DCF	0.33	6.09	9.21	6.05	12.00	15.91	178	309	476	1.5	4.3	8.0
Commercial assets	222	DCF	0.50	7.45	27.00	4.01	7.25	15.61	6	271	5,481	1.0	2.5	8.0
Leasehold	181	DCF	–	–	–	–	–	–	2	25	75	–	–	–
Parking + other assets	340	DCF	–	–	–	34.95	75.96	91.05	40	40	41	–	–	–
Land values	28	Earnings/ reference value method	–	–	–	–	–	–	0	4	11	–	–	–
Total portfolio (IAS 40)[2]	**16,861**	**DCF**	**0.33**	**7.07**	**27.00**	**4.01**	**18.08**	**91.05**	**0**	**282**	**5,481**	**1.0**	**3.1**	**9.0**

	Discount rate %			Capitalisation rate %			Estimated rental development %		
	min	Ø	max	min	Ø	max	min	Ø	max
Residential assets									
High-growth markets	2.60	3.85	7.00	1.78	4.50	10.73	1.1	1.6	1.9
Stable markets	2.60	3.84	7.50	1.93	5.13	11.34	0.9	1.3	1.9
Higher-yielding markets	2.70	3.97	4.55	2.48	5.60	11.50	0.7	1.1	1.5
Commercial assets	2.50	6.44	9.00	2.75	7.05	10.98	0.9	1.4	1.8
Leasehold	2.75	3.93	6.00	10.08	10.80	11.36	1.0	1.4	1.7
Parking + other assets	2.50	3.91	4.90	2.26	6.47	12.28	0.7	1.3	1.9
Land values	3.60	3.90	4.50	2.66	10.76	12.10	0.9	1.3	1.8
Total portfolio ((IAS 40)[2]	**2.50**	**3.92**	**9.00**	**1.78**	**5.32**	**12.28**	**0.7**	**1.3**	**1.9**

[1] Property valuation with cut-off date as of 30 September 2021 and revaluation date as of 31 December 2021.
[2] In addition, as at 31 December 2021, there are assets held for sale (IFRS 5) in the amount of EUR 37 million, which correspond to Level 2 of the fair value hierarchy.

The table below shows the measurement method used to determine the fair value of investment property as at 31 December 2020:

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Valuation parameters as at 31 December 2020

	GAV investment properties[1]	Valuation technique	Market rent residential/commercial €/sqm			Maintenance cost residential/commercial €/sqm			Administrative cost residential/commercial €/unit			Stabilised vacancy rate %		
	(€ million)		min	Ø	max	min	Ø	max	min	Ø	max	min	Ø	max
Residential assets														
High-growth markets	6,242	DCF	3.63	8.14	14.01	5.62	11.70	15.73	181.85	304.85	466.74	1.0	1.8	6.0
Stable markets	4,806	DCF	2.33	6.69	10.31	6.64	11.78	15.23	163.73	302.89	466.38	1.5	3.0	9.0
Higher-yielding markets	2,802	DCF	0.32	6.05	9.29	5.86	11.85	15.61	161.96	302.97	466.38	1.5	4.4	8.5
Commercial assets	232	DCF	0.50	7.40	27.00	4.46	7.37	15.47	0.16	257.60	5,480.52	1.0	2.6	8.5
Leasehold	165	DCF	–	–	–	–	–	–	1.95	28.93	75.37	–	–	–
Parking + other assets	280	DCF	–	–	–	34.27	77.10	89.27	39.07	39.37	39.50	–	–	–
Land values	28	Earnings/ reference value method	–	–	–	–	–	–	0.06	5.64	14.40	–	–	–
Total portfolio (IAS 40)[2]	**14,555**	**DCF**	**0.32**	**6.86**	**27.00**	**4.46**	**17.34**	**89.27**	**0.06**	**280.14**	**5,480.52**	**1.0**	**3.2**	**9.0**

	Discount rate %			Capitalisation rate %			Estimated rental development %		
	min	Ø	max	min	Ø	max	min	Ø	max
Residential assets									
High-growth markets	3.3	4.4	5.3	2.2	5.0	11.3	1.1	1.6	1.9
Stable markets	3.2	4.4	5.3	1.9	5.6	11.4	0.9	1.2	1.8
Higher-yielding markets	3.4	4.5	5.1	2.9	5.9	12.0	0.7	1.1	1.6
Commercial assets	2.5	6.5	9.0	2.8	7.1	9.5	0.8	1.4	1.9
Leasehold	3.3	4.5	6.0	10.4	11.1	11.8	0.9	1.4	1.8
Parking + other assets	3.0	4.5	5.4	2.6	6.9	12.0	0.7	1.3	1.9
Land values	4.2	4.4	5.0	2.8	11.0	11.9	0.9	1.3	1.8
Total portfolio ((IAS 40)[2]	**2.5**	**4.5**	**9.0**	**1.9**	**5.7**	**12.0**	**0.7**	**1.3**	**1.9**

[1] Property valuation with cut-off date as of 30 September 2020 and revaluation date as of 31 December 2020.
[2] In addition, as at 31 December 2020, there are assets held for sale (IFRS 5) in the amount of EUR 21.6 million, which correspond to Level 2 of the fair value hierarchy.

2 | Property, plant and equipment

Property, plant and equipment is recognised at cost and depreciated on a straight-line basis over its expected useful life.

Any subsidies received are deducted in calculating cost.

Depreciation is recognised using the following useful lives, which are applied uniformly throughout the Group:

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Useful life of property, plant and equipment

in years	2021	2020
Owner-occupied residential properties	80	80
Owner-occupied commercial properties	50	50
Technical equipment and machinery/Other operating and office equipment	3 to 23	3 to 23

Low-value assets with a net value of up to EUR 250 are immediately recognised as an expense in the year of their acquisition. Assets with a net value between EUR 250.01 and EUR 800 are written off in full in the year of their acquisition. Deviations from the economic life of the respective assets are considered immaterial.

3 | Intangible assets and goodwill

Purchased intangible assets are capitalised at cost. Such assets are software licenses with a definite useful life. Software licenses are amortised on a straight-line basis over an expected economic life of between three and five years from the date on which they are provided.

The goodwill resulting from a purchase price allocation (PPA) is allocated to the cash-generating units (CGUs) expected to benefit from the business combination. The partial goodwill method is applied in calculating goodwill.

There are therefore five CGUs to which goodwill has been allocated within the LEG Group as at 31 December 2021. In addition to the CGU groups "Vitus" (acquired from Vonovia SE with purchase agreement signed on 9 October 2021) and “Wohnen like-for-like" (other properties), the property portfolios “Bismarck” (acquired from Sahle Wohnen GmbH & Co. KG by way of purchase agreement dated 30 November 2015), “Charlie” (acquired from Vonovia SE by way of purchase agreement dated 22 December 2015) and “Redwood” (acquired from the Baum Group by way of purchase agreement dated 8 November 2019) also have goodwill. The portion of goodwill resulting from deferred tax liabilities is allocated to the respective CGU that holds the assets and liabilities.

Goodwill from the LWS Plus GmbH acquisition was allocated to the various CGUs in the amount of EUR 27.3 million. The following goodwill amounts therefore relate to the CGU groups as at 31 December 2021:

- “Vitus”: EUR 34.8 million (previous year: EUR 33.5 million)
- “Wohnen like-for-like”: EUR 35.5 million (previous year: EUR 13.0 million)
- “Bismarck”: EUR 0.8 million (previous year: EUR 0.4 million)
- “Charlie” EUR 4.7 million (previous year: EUR 1.7 million)
- “Redwood” EUR 23.8 million (previous year: EUR 23.8 million)

The synergies anticipated from the business combinations essentially consist of planned cost savings and additional income potential, which are allocated proportionately to the respective CGUs.

On 29 December 2021, the LEG Group assumed a 100 % stake in 13 affiliated companies from the Adler Group. At the time of acquisition, provisional goodwill of EUR 271.1 million was recognised resulting from deferred taxes (EUR 211.4 million) and synergies (EUR 59.7 million). There has not yet been an allocation to one or more cash-generating units. On the one hand, the final amount of goodwill has not yet been determined and, on the other hand, management has not yet completed the analysis on the distribution of expected synergies among the cash-generating units.

In the goodwill impairment test, the recoverable amount is represented by the fair value less costs of disposal (FVLCOD). The FVLCOD is calculated as the present value of the free cash flows before interest and after taxes expected from continuing a CGU or a group of CGUs. A general tax rate of 31.2 % (previous year: 31.2 %) is applied to EBIT here. The cash flow forecast reflects past experience and takes into account management expectations of future market developments. These cash flow forecasts are based on the resolved medium-term planning, which covers a horizon of five years (detailed planning period). Administrative costs are accounted for appropriately. To account for leases, a replacement investment is recognised for the rights of use under the assumption that the leases are renewed at the end of the contract term. The carrying amount of the CGU groups include the rights of use from leases.

There is also a cash flow forecast going beyond the five-year planning horizon. This is prepared by deriving a sustainable free cash flow from the detailed planning period and extrapolating this using a growth rate based on the specific market development.

A weighted average cost of capital that reflects the capital market's return requirements for debt and equity to the LEG Group is used to discount the free cash flows. A cost of capital after taxes is also used on the basis of the calculated free cash flows after taxes. Risks of free cash flows are taken into account by a matched risk capitalisation rate.

Key assumptions for the impairment tests are net cold rents, sustainable investments per square metre, the sustainable EBITDA margin as well as a capitalisation rate of 3.5 % (previous year: 2.3 %) for all CGUs. These were as follows:

- "Vitus" net cold rent EUR 42.5 million (previous year: EUR 41.0 million); sustainable investments EUR 28.73 per square metre (previous year: EUR 29.87 per share metre), sustainable EBITDA margin 68.8 % (previous year: 72.7 %)
- "Wohnen like-for-like" net cold rent EUR 569.4 million (previous year: EUR 518.1 million); sustainable investments EUR 27.91 per square metre (previous year: EUR 28.28 per share metre), sustainable EBITDA margin 71.7 % (previous year: 73.5 %)
- "Bismarck" net cold rent EUR 16.6 million (previous year EUR 16.1 million); sustainable investments EUR 28.23 per square metre (previous year: EUR 27.95 per share metre), sustainable EBITDA margin 72.2 % (previous year: 73.3 %)
- "Charlie" net cold rent EUR 46.2 million (previous year: EUR 44.1 million); sustainable investments EUR 29.06 per square metre (previous year: EUR 28.95 per share metre), sustainable EBITDA margin 64.6 % (previous year: 68.2 %)
- "Redwood" net cold rent EUR 10.6 million (previous year: EUR 10.2 million); sustainable investments EUR 27.09 per square metre (previous year: EUR 27.33 per share metre), sustainable EBITDA margin 72.4 % (previous year: 78.1 %)

A uniform capitalisation rate of 3.5 % (previous year: 2.3 %) was used for the CGUs then analysed in the goodwill impairment test, representing a corresponding pre-tax capitalisation rate of 3.7 % (previous year: 2.6 %), taking into account a typical tax rate on EBIT of 31.2 %. A sustainable growth rate of 2.0 % p. a. is assumed for all CGUs (previous year: 0.4 %) as LEG Group is able to pass on cost increases in full through rent increases.

The goodwill impairment tests carried out found no impairment. Recoverable amounts and headroom were as follows:

- "Vitus" recoverable amount EUR 1,134.2 million (previous year: EUR 869.2 million); headroom EUR 158.2 million (previous year: EUR 37.7 million)
- "Wohnen like-for-like" recoverable amount EUR 17,517.4 million (previous year: EUR 12,459.6 million); headroom EUR 2,085.1 million (previous year: EUR 0 million)
- "Bismarck" recoverable amount EUR 461.5 million (previous year, EUR 351.6 million); headroom EUR 104.5 million (previous year: 24.3 million)
- "Charlie" recoverable amount EUR 1,120.3 million (previous year: EUR 927.3 million); headroom EUR 234.9 million (previous year: EUR 126.8 million).
- "Redwood" recoverable amount EUR 329.0 million (previous year: EUR 320.9 million); headroom EUR 22.0 million (previous year: EUR 60.6 million)

The key premises and assumptions influencing impairment on a CGU were reviewed in the form of standardised sensitivity analyses.

Net cold rents

For the scenario analysis, the risk of a 10 % reduction in net cold rents was examined. In this model calculation, an impairment requirement results for the CGU group Wohnen like-for-like, which leads to a full write-down of goodwill, and for the CGU group Redwood to a partial write-down of goodwill. An impairment occurs for the CGU group Wohnen like-for-like in the event of a decline in net cold rents of 5.4 % and for the CGU group Redwood of 6.2 %. Only in the case of the CGU group Wohnen like-for-like does a 10 % decline in net cold rents result in a need for impairment in excess of goodwill.

Sustainable investment rate

The risk of a cost increase was simulated by a 20 % increase in the sustainable reinvestment rate. This scenario analysis results in a full write-down of the allocated goodwill for the Wohnen like-for-like CGU group and an impairment requirement for the Vitus and Redwood CGU groups, which leads to a partial write-down of goodwill. An impairment occurs for the CGU group Wohnen like-for-like with an increase in the sustainable reinvestment rate of 16.2 %, for the CGU group Vitus by 16.5 % and for the CGU group Redwood by 10.6 %. Only at the CGU group Wohnen like-for-like does an increase in the sustainable reinvestment rate by 20 % result in an impairment requirement that exceeds the goodwill.

Sustainable EBITDA margin

The risk of a 10 % reduction in the EBITDA margin was analysed for the reduced earnings scenario analysis. This model calculation gave rise to an impairment requirement only for the "Redwood" CGU group, resulting in a partial write-down of the allocated goodwill. An impairment requirement results when the EBITDA margin is reduced by 6.2 %.

Weighted costs of capital

The risks from assumptions regarding the capitalisation rate used as standard to calculate the present value of FVLCOD were tested by simulating impairment on each CGU group with a change in the costs of capital of +/– 50 basis points. This scenario analysis gave rise to impairment requirements for all CGU groups, resulting in a full write-down of the allocated goodwill. In the case of an increase of the capitalisation rate there is an impairment of 23 basis points at the "Vitus" CGU group, 19 basis points at the "Wohnen-like-for-like" CGU group, 41 basis points at the "Bismarck" CGU group, 37 basis points at the "Charlie" CGU group and 10 basis points at the "Redwood" CGU group. For all these CGU groups, a 50 basis points charge on the cost of capital results in an impairment requirement that exceeds the goodwill.

4 | Impairment of assets

The LEG Group tests intangible assets and property, plant and equipment in accordance with IAS 36 for impairment losses at least once a year. Impairment testing is performed at the level of individual assets. If largely independent future cash flows cannot be determined for individual assets, cash-generating units (CGUs) are formed as groups of assets whose future cash flows are interdependent.

Investment property is not subject to impairment testing in accordance with IAS 36 as it is recognised at fair value.

If the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recognised immediately in profit or loss.

5 | Other financial assets

The LEG Group recognises financial assets as at the trade date.

LEG Immo holds very small equity investments. In accordance with IFRS 9, these are classified in the fair value through profit and loss category. On acquisition the measurement takes place at fair value. Gains and losses on subsequent measurement at fair value are recognised in profit and loss. For the measurement of the fair value see > section D.18.

Subsidiaries which are not consolidated owing to their immateriality for the net assets, financial position and results of operations of the Group are recognised at fair value as at the end of the reporting period or, if this cannot be reliably determined, at cost. Shares in unconsolidated subsidiaries or subsidiaries recognised using the equity method are not quoted. Owing to the the lack of an active market, the fair value of these shares cannot be reliably determined. There is currently no intention to sell these shares in the near future.

6 | Accounting for leases as the lessee

In accordance with IFRS 16, a right-of-use asset and a lease liability are recognised at present value from the date at which the LEG Group's leased asset is available for use. The leasing rate is divided into a repayment and financing share. The finance costs are recognised in profit or loss over the term of the leases.

The rights of use assets are amortised on a straight-line basis over the term of the lease or, if shorter, over the useful life of the asset. The subsequent valuation of investment property is measured at fair value in accordance with IAS 40, therefore the subsequent valuation of the rights of use of leasehold is also measured at fair value.

Lease liabilities of the LEG Group may include the present value of fixed lease payments less leasing incentives to be received as well as variable lease payments linked to an index. If determinable, the discounting of lease payments is based on the implicit interest rate on which the lease is based. Otherwise, the incremental borrowing rate is used for discounting. To determine this, a risk-free interest rate with maturities between one and 30 years and a maturity-specific risk premium were used. This calculation of the incremental borrowing rate is used in subsequent measurement.

The rights of use assets are valued at acquisition cost, which can be assembled composed of the amount of the initial valuation of the lease liability as well as of all lease payments made at or before the provision less any leasing incentives that may have been received. Subsequent valuation is at amortised cost with the exception of leaseholds, which are measured at fair value in accordance with IAS 40.

For short-term leases with a term of less than twelve months, the exempting provision is not used. For low value asset leases, for example mobile phones, the exempting provision is used. The payments are recognised as an expense in the income statement on a straight-line basis. Moreover LEG has made use of the option to waive the separation of the leasing component and the non-leasing component. This essentially applies leases for cars.

Several property lease contracts of LEG group comprise extension and termination options. These contract conditions ensure the group the highest operational flexibility with regard to contract portfolio. The determination of contract term occurs in consideration of all facts which offer economic incentive for exercising or not exercising the option. A contract term will only be adjusted if the exercise or non-exercise of an option is reasonably certain.

7 | Accounting for leases as the lessor

Leases for residential properties grant tenants an option to terminate the agreement at short notice on the basis of the statutory regulations. In accordance with IFRS 16, these agreements are classified as operating leases as the significant risks and rewards remain with the LEG Group. The same applies to the current agreements for commercial property.

Income from operating leases is recognised in the statement of comprehensive income in rental and lease income on a straight-line basis over the term of the respective leases.

8 | Receivables and other assets

On initial recognition, receivables and other assets are carried at their fair value plus transaction costs. Subsequent measurement is at amortised cost.

For rent receivables and receivables from uninvoiced operating costs, the LEG Group uses the expected credit loss model. Here the simplified approach in accordance with IFRS 9 is used and lifetime expected credit losses calculated.

9 | Receivables and liabilities from operating costs not yet invoiced

Operating costs that can be passed on but that have not yet been invoiced as at the end of the reporting period are shown under other receivables in the LEG Group and reduced by the amount of tenant advances received for operating costs. Costs that can be capitalised and passed on are reported net of the tenant advances received. A financial liability is reported if liabilities exceed assets.

10 | Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits, other short-term, highly liquid financial assets with original maturities of three months or less and bank overdrafts. Utilised bank overdrafts are shown in the statement of financial position in current financial liabilities.

11 | Assets held for sale

In accordance with IFRS 5, assets held for sale consist solely of those assets for which a decision on disposal has been made as at the end of the reporting period, the disposal of the property within twelve months of the decision is considered to be highly likely and active marketing activities have been initiated.

In accordance with IFRS 5, assets held for sale are stated at the lower of carrying amount and fair value less costs to sell. Items of investment property classified as assets held for sale are measured at fair value in accordance with IAS 40.

12 | Pension provisions

Pension and similar obligations result from commitments to employees. Obligations arising from defined benefit plans are measured in accordance with the projected unit credit method. Using this method, forecast future increases in salaries and benefits are taken into consideration in addition to benefits and entitlements known at the end of the reporting period. The biometric basis is provided by the 2018G Heubeck mortality tables.

The Group has both defined benefit and defined contribution plans. The amount of the pension benefits payable under defined benefit plans is based on the qualifying period of employment and the pensionable income.

In Germany, the regulatory framework is the Betriebsrentengesetz (Company Pension Act), according to which pensions rise in line with the rate of inflation. LEG Immo bears the actuarial risks, such as the longevity risk, the interest rate risk and the inflation risk. There are no additional plan-specific risks at LEG Immo.

Remeasurement components in connection with defined benefit plans, which cover actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, are recognised in other comprehensive income in the period in which they arise. No past service costs were incurred in the reporting year or the previous year.

The interest effect included in pension expenses is shown in interest expenses in the consolidated statement of comprehensive income. Past service costs are shown under operating result in the individual functions.

13 | Other provisions

Other provisions are recognised if the LEG Group has a present legal or constructive obligation as a result of past events that is uncertain with regard to settlement and/or amount. They are recognised at the present value of the expected settlement amount.

Non-current provisions are carried at their discounted settlement amount as at the end of the reporting period on the basis of corresponding market interest rates with matching maturities

14 | Financial liabilities

On initial recognition, financial liabilities are carried at fair value plus transaction costs and adjusted for any premiums or discounts. The fair value at the grant date is equivalent to the present value of future payment obligations based on a market rate of interest for obligations featuring the same term and level of risk.

Subsequent measurement takes place at amortised cost using the effective interest method. The effective interest rate is determined on initial recognition of the financial liability.

Changes in terms affecting the amount and timing of interest and principal payments result in the re-measurement of the carrying amount of the liability in the amount of the present value on the basis of the effective interest rate originally calculated. Any differences compared to the previous carrying amount are recognised in profit or loss. If changes in terms lead to significant differences in contractual conditions, the original liability is treated as if it had been repaid in full in accordance with IFRS 9. Subsequently a new liability is recognised at fair value.

15 | Derivative financial instruments

The LEG Group uses derivative financial instruments to hedge interest rate risks incurred in financing its properties.

Derivative financial instruments are measured at fair value. Changes in the fair value of derivatives are recognised through profit or loss if no hedging relationship in accordance with IFRS 9 exists. Derivatives accounted for as hedges serve to hedge against future uncertain cash flows. The LEG Group is exposed in particular to risks with respect to future cash flows from variable rate financial liabilities.

At the inception of the hedge and as at the end of the reporting period, the effectiveness of the hedging relationships is determined using prospective assessments. Here a check is made if the contractual conditions of the hedged item match those of the hedging instrument and that an economic relationship exists.

Changes in fair value are divided into an effective and an ineffective portion. Effectiveness is determined assistance the dollar offset method. The effective portion is the portion of the gain or loss on remeasurement that is recognised as an effective hedge against the cash flow risk. The effective portion, net of deferred taxes, is recognised directly in other comprehensive income (equity). Ineffective hedges can result from embedded floors in loan agreements, which are not matched in the relevant swap and from taking into account the credit risk in the context of derivative measurement.

The ineffective portion of the gain or loss on remeasurement is reported in net finance costs in the consolidated statement of comprehensive income. The amounts recognised directly in equity are transferred to the consolidated statement of comprehensive income if gains or losses in connection with the underlying are recognised in profit or loss. In the event of the early termination of the hedge, the amounts recognised in equity are reclassified to profit or loss if gains or losses in connection with the underlying are recognised in profit or loss. If the underlying is terminated, then the amounts remaining in other comprehensive income are immediately recognised in profit or loss.

16 | Fair values of financial instruments

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 at the end of the reporting period. The fair values of derivative financial instruments are calculated using the reference interest rates as at the end of the reporting period plus own risk or counterparty risk.

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 at 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 72ff. (measurement on the basis of observable inputs). Please see > section D.18.

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.

17 | Put options

LEG Group companies are the writers of several put options on the basis of which non-controlling shareholders can tender their interests in companies controlled by LEG Immo to the respective LEG Group company.

Financial liabilities as put option are recognised at fair value. The liability is recognised against the equity attributable to the writer, if material risks and rewards of the interest remain with the non-controlling shareholders. There is no additional reporting of the put options as independent derivatives in this case. The financial liabilities as put option are subsequently measured at amortised cost using the effective interest method.

18 | Calculation of fair value

Fair value measurement of investment property is assigned to level 3 of the measurement hierarchy of IFRS 13.86 (measurement based on unobservable inputs). For information on the measurement of investment property, please see the comments in > section D.1. For the measurement of derivative financial instruments, please see > section D.16 and > section I.3.

The fair value hierarchy can be summarised as follows:

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Fair value hierarchy

	Level 1	Level 2	Level 3
Purchase price allocation in the context of business combinations			X
Investment properties			X
Financing liabilities		X	
Other liabilities (particularly derivative)		X	
Shareholdings without control or significant influence	X		
Investments in corporations and partnerships without control or significant influence			X

There were no transfers between the fair value hierarchy.

The fair value of the very small equity investments is calculated using DCF procedures as there are no quoted prices in an active market for the relevant equity investments. The fair value calculated using valuation models is allocated to Level 3 of the IFRS 13 measurement hierarchy. Allocation to Level 3 takes place based on valuation models with inputs not observed on a market. This relates primarily to the capitalisation rate of 4.8 % (previous year: 4.2 %). An exception to this is an equity investment with a fair value of Euro 85.4 million. As there is an active market for the shares, this participation is allocated to Level 1 of the measurement hierarchy. As at 31 December 2021, the fair value of the Level 3 very small equity investments was EUR 18.2 million. The stress test of this parameter on the basis of plus 50 bp results in a reduction of the fair value to EUR 16.6 million (previous year: EUR 12.5 million) and at minus 50 bp in an increase of the fair value to EUR 20.2 million (previous year: EUR 15.5 million).

19 | Revenue recognition

Income is recognised when it is probable that the economic benefit will flow to the LEG Group and the amount of the income can be measured reliably. In addition, the following recognition criteria, broken down by income type, must also be met in order for income to be recognised:

a) Rental and lease income
The LEG Group generates income from the rental and lease of properties. Rental income is within the scope of IFRS 16 Leases and are not customer contracts in accordance with IFRS 15.

Income from the rental and lease of properties for which the corresponding rental and lease agreements are classified as operating leases is recognised on a straight-line basis over the term of the respective lease agreement. When incentives are provided to tenants, the cost of the incentive is recognised over the lease term, on a straight-line basis, as a reduction of rental and lease income.

Rental and lease income also includes tenant payments for utilities and service charges if the services have been provided. For allocable operating costs, there are isolated items in which the LEG Group qualifies as an agent under IFRS 15. The operating costs of cold water supply, draining and street cleaning, for which the LEG Group operates as agent, are recognised on a net basis. The other operating costs are recognised on a gross basis. Please see > section F.1.

Revenue from operating costs is calculated on the basis of the costs incurred and corresponds to the contractually agreed transaction price. Advance payments for operating costs are due by the third day of the current month. Revenues are recognised related to the time period over the month. In the subsequent year, the advance payments made for operating costs are offset against the actually incurred values. Surpluses from prepayments received are recognised under rental and lease liabilities. If the prepayments received are lower than the actually incurred operating costs, this is recognised under receivables from rental and leasing activities.

The operating costs of property tax and insurance are recognised as an element of rent and lease income from lease agreements in the statement of comprehensive income in rental and lease income on a straight-line basis over the term of the respective agreements.

b) Income from the disposal of property
The LEG Group generates income from the disposal of property. Income from the disposal of property is recognised when title and effective control of the property is transferred to the buyer.

By contrast, income is not recognised if the LEG Group assumes yield guarantees, grants a right of return to the buyer or enters into other material obligations with respect to the buyer that prevent a transfer of control to the buyer.

Revenue represents the contractually agreed transaction price. In general the consideration is due when the legal title is transferred. In rare cases deferred payments can be agreed. However these do not exceed twelve months. For this reason, no significant financing component is included in the transaction price.

c) Income from other services
Income from other services covers income from services and third-party management.

Income from other services is recognised as income for a period of time, as the customer directly receives and uses the benefits from the service. The transaction price and its due date are based on the agreed contractual conditions.

d) Interest and similar income
Interest income is recognised using the effective interest method in the period in which it arises.

20 | Government grants

The LEG Group has primarily received government grants in the form of loans at below-market interest rates.

These loans at below-market rates are property loans and are reported as financial liabilities. They provide benefits compared to regular loans, such as lower interest rates or periods free of interest and principal payments. The loans were measured at fair value when the company was acquired in 2008 and carried at amortised cost in subsequent periods.

On initial recognition, new investment loans and loans at below-market rates are measured at their present value based on the applicable market interest rate at the grant date. The difference between the nominal amount and the present value of the loan is recognised as deferred income under other liabilities (see > section E.12). It is released on a straight-line basis over the remaining term of the loans, which are then measured at amortised cost.

21 | Income taxes

The income tax expense represents the total of the current tax expense and the deferred tax expense.

The LEG Group is subject to taxation in Germany. Some judgements have to be made in assessing income tax receivables and liabilities. It cannot be ruled out that the tax authorities will make a different assessment. The uncertainty this entails is taken into account by recognising uncertain tax receivables and liabilities only when the LEG Group considers their probability of occurrence to be higher than 50 %. Any changes in judgements, e. g. due to final tax assessments, affect current and deferred tax items. The best estimate of the provisionally expected tax payment is used for recognised uncertain income tax items.

The current tax expense is calculated on the basis of the taxable income for the financial year. Taxable income differs from the consolidated net profit for the period, as shown in the consolidated statement of comprehensive income, due to income and expenses that are only taxable or tax-deductible in future periods, if at all. The Group's liabilities and provisions for current taxes are calculated on the basis of the applicable tax rates.

Deferred taxes are recognised for the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base for the purpose of calculating taxable income. Deferred tax liabilities are generally recognised for all taxable temporary differences, while deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilised or deferred tax liabilities exist. Deferred tax assets also include reductions in taxes resulting from the expected utilisation of existing tax loss or interest carry-forwards (or similar items) in subsequent periods if realisation is reasonably assured.

In addition, deferred taxes are recognised for outside basis differences (OBDs) if the relevant conditions are met. In accordance with IAS 12, a company must recognise deferred taxes for taxable and deductible temporary differences between the consolidated IFRS net assets and the carrying amount in the tax accounts of interests in subsidiaries, associates and joint arrangements under certain conditions.

Deferred tax liabilities and deferred tax assets are calculated on the basis of the tax rates (and tax legislation) that are expected to be in force when the liability is settled or the asset is realised. This is based on the tax legislation in force or adopted by the Bundestag (Lower House of the German Parliament) and, where applicable, the Bundesrat (Upper House of the German Parliament) as at the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences arising from the manner in which the Group expects to settle the deferred tax liabilities or realise the deferred tax assets as at the end of the reporting period.

Current or deferred taxes are recognised in profit or loss unless they relate to items that are recognised in other comprehensive income or recognised directly in equity. In this case, the corresponding current and deferred taxes are recognised in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same tax authority and to the same taxable entity. In addition, only deferred taxes that relate to items of the statement of financial position with the same maturity are netted.

22 | Judgements

The management is required to use judgement in applying the accounting policies. This applies in particular to the following items:

- For assets held for sale, it must be determined whether the assets can be sold in their present condition and whether their disposal can be considered highly likely within the meaning of IFRS 5. If this is the case, the assets and, if existing, any corresponding liabilities are reported and measured as assets and liabilities held for disposal.
- In assessing whether control exists on the basis of potential voting rights, there is scope for discretion with regard to the consideration of these voting rights. Furthermore, it must be determined at what point in time control of a company exists.
- It must be determined whether property should be classified as inventories or investment property depending on the intended use.
- Buildings that are both owner-occupied and used by third parties must be reported as separate assets in accordance with IAS 16 and IAS 40, unless the owner-occupied component is immaterial.
- In the context of portfolio acquisitions, non-controlling interests are reported if material risks and rewards lie with the minority shareholder.
- Lease contracts of the LEG Group can include extension and termination options. The determination of contract term occurs in consideration of all facts which offer economic incentive for exercising or not exercising the option. A contract term will only be adjusted if the exercise or non-exercise of an option is reasonably certain.

23 | Use of estimates

The preparation of IFRS consolidated financial statements requires assumptions and estimates which have a material impact on the carrying amounts of the assets and liabilities recognised, income and expenses and the disclosure of contingent liabilities.

Among other things, these assumptions and estimates relate to:

- Measurement of investment property: significant measurement parameters include the expected cash flows, the assumed vacancy rate, the remaining useful life and the discount and capitalisation rates. If market values cannot be derived from transactions for similar properties, they are measured using the DCF method, under which future cash flows are discounted to the end of the reporting period. These estimates involve assumptions concerning the future. In light of the large number of properties affected and their geographical distribution, individual measurement uncertainties are subject to statistical smoothing. Measurement is performed on the basis of publicly available market data (e. g. property market reports by expert committees, data from the service provider INWIS, etc.) and the extensive knowledge of the LEG Group in the respective regional submarkets.
- Recognition and measurement of pension provisions and similar obligations: Provisions for pensions and similar obligations are determined using actuarial calculations. These calculations are based on assumptions about interest rates, future wage and salary developments, mortality tables and future pension increases.
- Recognition and measurement of other provisions: Recognition and measurement is subject to uncertainty concerning future price growth and the amount, timing and probability of utilisation of the respective provision.
- Measurement of financial liabilities: The measurement of financial liabilities depends in particular on estimates of future cash flows and potential changes in terms. Estimates of the company-specific risk premium are also required.

- Measurement of lease liabilities: in determining the incremental borrowing rate, estimates are necessary in respect to the risk premium.

- Recognition of deferred tax assets: Deferred tax assets are recognised if it is probable that future tax benefits will be realised. The actual taxable income in future financial years, and hence the extent to which deferred tax assets can be utilised, can deviate from the estimates made when the deferred tax assets are recognised. Deferred tax assets for tax loss and interest carry-forwards are recognised on the basis of future taxable income for a planning period of five financial years.

- Share-based payment (IFRS 2): Assumptions and judgements regarding the development of performance indicators and fluctuation are required in accounting for stock option plans. They are calculated using option pricing models.

- Goodwill impairment test: The calculation of the FVLCOD requires assumptions and judgements regarding future net cold rents, the sustainable investment rate, sustainable EBITDA and the capitalisation rate in particular.

- When accounting for business combinations, all identifiable assets, liabilities and contingent liabilities are carried at fair value to the acquisition date. There is estimation uncertainty relating to the determination of these fair values. Land and buildings are internally measured on the basis of independent valuations. Technical equipment and machinery are measured at estimated replacement cost. Identifying and measuring intangible assets takes place in line with the type of intangible asset and the complexity of determining fair values using appropriate measurement techniques.

Further information on assumptions and estimates made by management can be found in the disclosures to the individual items of the financial statements. All assumptions and estimates are based on the prevailing circumstances and assessments as at the end of the reporting period.

The estimation of future business development also takes into account the future economic environment that is currently assumed to be realistic in the industries and regions in which the LEG Group operates.

Although the management considers assumptions and estimates applied to be appropriate, unforeseeable changes to these assumptions could affect the Group's net assets, financial position and results of operations. The current Covid-19 situation was taken into account in the discretionary decisions. There was no significant impact.

24 | Share-based payment

The LEG Group has share-based remuneration plans for the Management Board members of LEG Immo. In accordance with IFRS 2, the long-term incentive programme is a cash-settled share-based remuneration programme. The provisions for these obligations are established at the level of the expected expense, with them being distributed pro rata across the defined vesting period. The fair value of the options is determined using recognised financial models.

In addition, the LEG Group grants its management a share-based remuneration programme which is to be classified as a cash-settled share-based remuneration programme in accordance with IFRS 2. The provisions for these obligations are established pro rata over the vesting period.

In addition, the LEG Group has an employee share programme which is to be treated as a cash-settled share-based remuneration programme in accordance with IFRS 2. The provisions for these obligations are established at the level of the expected expense.

Details of share-based payment can be found in > section I.6.

E. Notes to the consolidated statement of financial position

1 | Investment properties

Investment property developed as follows in the 2021 and 2020 financial years:

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Investment properties 2021

		Residential assets							
€ million	Total	High-growth markets	Stable markets	Higher-yielding markets	Other	Commercial assets	Parking + other assets	Leasehold	Land values
Carrying amount as of 01.01.2021[1]	14,582.7	6,262.9	4,808.4	2,802.2	0.0	231.9	280.1	165.2	32.1
First-time application IFRS 16	2,343.8	1,022.1	662.2	484.7	–11.6	64.7	90.1	31.5	0.1
Other additions	325.4	99.6	134.2	86.2	0.0	3.9	1.5	0.0	0.0
Reclassified to assets held for sale	–47.2	–29.8	–19.5	5.1	–1.9	–2.6	0.0	1.3	0.2
Reclassified to property, plant and equipment	–0.7	–0.7	0.1	0.0	0.0	–0.1	0.0	0.0	0.0
Reclassified from property, plant and equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fair value adjustment	1,863.7	910.4	667.9	218.9	–0.4	–4.6	54.0	14.8	2.8
Reclassification	0.0	–420.7	461.0	–61.6	13.9	18.9	–2.5	–2.3	–6.8
Carrying amount as of 31.12.2021	19,067.7	7,843.8	6,714.3	3,535.5	0.0	312.1	423.2	210.5	28.4

[1] Extension of the market classification to the entire territory of Germany.

Fair value as at 31.12.2021 (€ million)	1,863.7
thereof as at 31.12.2021 in the portfolio	1,862.1
thereof as at 31.12.2021 disposed investment properties	1.6

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Investment properties 2020

€ million	Total	Residential assets: High-growth markets	Residential assets: Stable markets	Residential assets: Higher-yielding markets	Residential assets: Other	Commercial assets	Parking + other assets	Leasehold	Land values
Carrying amount as of 01.01.2020[1]	**12,031.1**	**5,126.8**	**3,923.0**	**2,390.2**	**0.0**	**225.9**	**219.4**	**113.3**	**32.5**
Acquisitions	1,139.6	517.6	407.8	106.3	0.0	38.0	26.5	39.2	4.3
Other additions	284.6	102.2	99.1	80.2	0.0	2.8	0.2	0.0	0.2
Reclassified to assets held for sale	–44.7	–18.0	–13.9	–9.1	0.0	–1.9	–1.4	0.0	–0.4
Reclassified from assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassified to property, plant and equipment	–0.9	–0.6	–0.1	–0.2	0.0	0.0	0.0	0.0	0.0
Reclassified from property, plant and equipment	2.6	0.0	0.0	0.0	0.0	2.6	0.0	0.0	0.0
Fair value adjustment	1,170.4	516.4	389.8	239.3	0.0	–12.4	26.7	12.2	–1.6
Reclassification	0.0	18.6	2.7	–4.5	0.0	–23.1	8.7	0.5	–2.9
Carrying amount as of 31.12.2020	**14,582.7**	**6,262.9**	**4,808.4**	**2,802.2**	**0.0**	**231.9**	**280.1**	**165.2**	**32.1**

[1] Extension of the market classification to the entire territory of Germany.

Fair value as at 31.12.2020 (€ million)	1,170.4
thereof as at 31.12.2020 in the portfolio	1,168.5
thereof as at 31.12.2020 disposed investment properties	1.9

The acquisitions include the following portfolios:

Portfolio acquisition 1

The acquisition of a property portfolio of 2,215 residential and commercial units was notarised on 26 May 2021. The portfolio generates an annual net cold rent of around EUR 11.4 million. The average in-place rent is around EUR 6.51 per square metre and the initial vacancy rate is around 1.8 %. The transaction was closed on 31 December 2021. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

Portfolio acquisition 2

The acquisition of a property portfolio of 242 residential and commercial units was notarised on 4 June 2021. The portfolio generates an annual net cold rent of around EUR 1.8 million. The average in-place rent is around EUR 7.07 per square metre in the case of initial full occupancy. The transition date for 114 units was 1 October 2021. It is expected that the other 106 units will be transferred in two tranches as at 1 June 2022 and 1 September 2022. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

Portfolio acquisition 3

The acquisition of a property portfolio of 505 residential and commercial units was notarised on 2 August 2021. The portfolio generates an annual net cold rent of around EUR 2.3 million. The average in-place rent is around EUR 6.13 per square metre and the initial vacancy rate is around 8.0%. The transaction was closed on 30 September 2021. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

Portfolio acquisition 4

The acquisition of a property portfolio of 153 residential and commercial units was notarised on 17 August 2021. The portfolio generates an annual net cold rent of around EUR 1.6 million. The average in-place rent is around EUR 8.66 per square metre and the initial vacancy rate is around 6.5%. The transaction was closed on 1 November 2021. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

Portfolio acquisition 5

The acquisition of a property portfolio of 2,264 residential and commercial units was notarised on 1 September 2021. The portfolio generates an annual net cold rent of around EUR 8.2 million. The average in-place rent is around EUR 6.09 per square metre and the initial vacancy rate is around 5.4%. The transaction was closed on 1 December 2021. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

Portfolio acquisition 6

The acquisition of a property portfolio of 433 residential and commercial units was notarised on 7 September 2021. The portfolio generates an annual net cold rent of around EUR 2.2 million. The average in-place rent is around EUR 6.28 per square metre and the initial vacancy rate is around 7.7%. The transaction was closed on 31 December 2021. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

The acquisition of the property portfolio of roughly 15,400 residential units from the Adler Group is treated as a business combination within the meaning of IFRS 3. Please see > section C.3.

Other additions in the financial year essentially relate to investments in existing properties. The biggest investments in 2021 include the energy modernisation of properties in Muenster, Dortmund, Unna, Gelsenkirchen and Essen.

Investment property broke down as follows in the 2021 and 2020 financial years:

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Composition of investment properties

	31.12.2021		31.12.2020	
€ million	Investment properties	Properties held for sale	Investment properties	Properties held for sale
Developed land	18,434.0	36.2	14,245.6	20.6
Undeveloped land	28.4	–	25.4	0.1
Other	605.3	0.8	311.8	0.9
Total	**19,067.7**	**37.0**	**14,582.8**	**21.6**

With the ongoing stable low interest rate environment, the trend remains for rising purchase prices. This price increase affects both cities seeing a high influx of young people, which continue to experience demand pressure, and the surrounding areas.

Notwithstanding intensified new building activity, demand for housing in many cities and regions still exceeds the scare supply of property.

The impact of the coronavirus pandemic is still not definitively known, as the reasons for demand outstripping supply still apply. Investments in existing properties, including for energy efficiency upgrades and improvements to housing quality, are also causing rent prices to rise.

The developments observable on the market are reflected in the calculation of fair values by way of measurement parameters and discount rates.

Sensitivities were as follows as at 31 December 2021:

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Sensitivity analysis 2021

Segment	GAV investment properties[1] € million	Valuation technique	Sensitivities in % Administrative costs +10 %	Administrative costs −10 %	Stabilised vacancy ratio +1 % pts.	Stabilised vacancy ratio −1 % pts.	Maintenance costs +10 %	Maintenance costs −10 %	Capitalisation rate +0.25 %	Capitalisation rate −0.25 %
Residential assets										
High-growth markets	6,970	DCF	−0.7	0.7	−1.6	1.6	−1.7	1.7	−3.8	4.4
Stable markets	6,059	DCF	−0.9	0.9	−1.7	1.8	−2.3	2.3	−3.3	3.7
Higher-yielding markets	3,061	DCF	−1.1	1.2	−1.8	1.9	−2.7	2.7	−2.7	3.0
Commercial assets	222	DCF	−0.4	0.1	−1.8	1.5	−1.2	0.9	−2.0	2.2
Leasehold	181	DCF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Parking + other assets	340	DCF	−1.1	1.1	−1.0	1.0	−2.2	2.3	−1.8	2.0
Land values	28	Earnings/reference value method	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total portfolio (IAS 40)[2]	**16,861**	**DCF**	**−0.9**	**0.9**	**−1.7**	**1.7**	**−2.1**	**2.1**	**−3.4**	**3.8**

Segment	Sensitivities in % Discount rate +0.25 %	Discount rate −0.25 %	Market rent +2 %	Market rent −2 %	Estimated rent development residential +0.2 %	Estimated rent development residential −0.2 %
Residential assets						
High-growth markets	−5.7	6.3	0.9	−0.9	4.5	−4.1
Stable markets	−5.0	5.4	1.7	−1.6	3.8	−3.5
Higher-yielding markets	−4.6	5.0	1.6	−1.5	3.2	−3.0
Commercial assets	−2.2	2.3	1.3	−1.6	1.4	−1.7
Leasehold	−4.2	4.5	0.0	0.0	0.0	0.0
Parking + other assets	−5.4	5.8	1.8	−1.8	2.7	−2.6
Land values	0.0	0.0	0.0	0.0	0.0	0.0
Total portfolio (IAS 40)[2]	**−5.2**	**5.7**	**1.3**	**−1.3**	**3.9**	**−3.6**

[1] Property valuation with cut-off date as of 30 September 2021 and revaluation date as of 31 December 2021
[2] In addition, as at 31 December 2021, there are assets held for sale (IFRS 5) of EUR 37 million, which correspond to level 2 of the fair value hierarchy.
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Sensitivities were as follows as at 31 December 2020:

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Sensitivity analysis 2020

	GAV investment properties[1]	Valuation technique	Sensitivities in %							
			Administrative costs		Stabilised vacancy ratio		Maintenance costs		Capitalisation rate	
Segment	€ million		+10 %	−10 %	+1 % pts.	−1 % pts.	+10 %	−10 %	+0.25 %	−0.25 %
Residential assets										
High-growth markets	6,242	DCF	−0.7	0.7	−1.6	1.6	−1.7	1.7	−3.3	3.8
Stable markets	4,806	DCF	−0.9	0.9	−1.7	1.7	−2.3	2.3	−2.8	3.2
Higher-yielding markets	2,802	DCF	−1.1	1.1	−1.8	1.8	−2.6	2.6	−2.4	2.7
Commercial assets	232	DCF	−0.2	0.2	−1.7	1.7	−1.1	1.1	−1.9	2.1
Leasehold	165	DCF	–	–	–	–	–	–	–	–
Parking + other assets	280	DCF	−1.2	1.2	−1.1	1.1	−2.3	2.4	−1.8	2.0
Land values	28	Earnings/reference value method	–	–	–	–	–	–	–	–
Total portfolio (IAS 40)[2]	**14,555**	**DCF**	**−0.9**	**0.9**	**−1.6**	**1.7**	**−2.1**	**2.1**	**−2.9**	**3.3**

	Sensitivities in %					
	Discount rate		Market rent		Estimated rent development residential	
Segment	+0.25 %	−0.25 %	+2 %	−2 %	+0.2 %	−0.2 %
Residential assets						
High-growth markets	−5.3	5.7	1.0	−0.9	4.1	−3.7
Stable markets	−4.6	4.9	1.6	−1.5	3.4	−3.2
Higher-yielding markets	−4.3	4.6	1.4	−1.3	3.1	−2.9
Commercial assets	−2.2	2.3	1.5	−1.6	1.6	−1.5
Leasehold	−4.0	4.3	0.0	0.0	0.0	0.0
Parking + other assets	−5.1	5.5	2.4	−1.6	2.9	−2.7
Land values	–	–	–	–	–	–
Total portfolio (IAS 40)[2]	**−4.8**	**5.2**	**1.3**	**−1.2**	**3.6**	**−3.3**

[1] Property valuation with cut-off date as of 30 September 2020 and revaluation date as of 31 December 2020.
[2] In addition, as at 31 December 2020, there are assets held for sale (IFRS 5) of EUR 21.6 million, which correspond to level 2 of the fair value hierarchy.

Some investment property is let under the terms of commercial rental agreements and leases. These rental agreements and leases generally have a term of ten years and contain extension options for a maximum of two times five years.

The Group also has land with third-party heritable building rights with an original contractual term that is generally between 75 and 99 years.

The rental agreements for residential property concluded by the LEG Group can generally be terminated by the tenant giving three months' notice to the end of the month. Accordingly, fixed cash flows in the amount of three monthly rents are expected from these rental agreements.

The following amounts are expected to be due over the coming years based on the minimum lease instalments for long-term rental agreements for commercial property that were in place as at 31 December 2021:

T101

Amount based on minimum lease instalments for long-term rental agreements

	Remaining terms						Total
€ million	up to 1 year	> 1 to 2 years	> 2 to 3 years	> 3 to 4 years	> 4 to 5 years	> 5 years	
31.12.2021	17.4	10.0	7.1	5.9	4.4	22.1	66.9
31.12.2020	16.2	9.1	7.5	5.4	4.3	21.5	64.0

Investment property is used almost exclusively as collateral for financial liabilities – see also > section E.11.

2 | Property, plant and equipment

The development of property, plant and equipment is shown in the > consolidated statement of changes in assets/Annex I.

Property, plant and equipment as well as intangible assets included right of use leases of EUR 27.4 million as at 31 December 2021. The right of uses result from rented land and buildings, car leasing, heat contracting, measurement and reporting technology, IT peripheral devices as well as software. In the reporting period right of uses in the amount of EUR 7.5 million have been added.

T102

Right of use leases

€ million	31.12.2021	31.12.2020
Right of use buildings	3.3	5.2
Right of use technical equipment and machinery	16.1	17.8
Right of use operating and office equipment	6.9	5.9
Property, plant and equipment	**26.3**	**28.9**
Right of use software	1.1	1.4
Intangible assets	**1.1**	**1.4**
Right of use leases	**27.4**	**30.3**

3 | Intangibles and goodwill

The development of intangible assets is shown in the > consolidated statement of changes in assets/Annex I.

For disclosure on goodwill see section > D.3.

4 | Other financial assets

Other financial assets are composed as follows:

T103

Other financial assets

€ million	31.12.2021	31.12.2020
Investments in affiliates not included in consolidation	0.1	0.1
Investments in equity investments and associates	109.7	13.8
Other financial assets	1.4	1.2
Total	**111.2**	**15.1**

Details of other financial assets can be found in > section I.3.

5 | Receivables and other assets

Receivables and other assets are composed as follows:

T104

Receivables and other assets

€ million	31.12.2021	31.12.2020
Trade receivables, gross	44.2	35.4
Impairment losses	–20.9	–18.1
Total	**23.3**	**17.3**
Thereof attributable to rental and leasing	14.3	9.7
Thereof attributable to property disposals	1.8	1.1
Thereof attributable to other receivables	7.1	6.5
Thereof with a remaining term up to 1 year	23.3	17.3
Thereof with a remaining term of between 1–5 years	–	–
Receivables from uninvoiced operating costs	23.9	5.3
Other financial assets	87.8	34.7
Other non-financial assets	8.4	7.3
Total	**120.1**	**47.3**
Thereof with a remaining term up to 1 year	119.9	47.1
Thereof with a remaining term of between 1 – 5 years	0.2	0.2
Total receivables and other assets	**143.4**	**64.6**

Details of receivables from related parties and companies can be found in > section I.7.

6 | Cash and cash equivalents

T105

Cash and cash equivalents

€ million	31.12.2021	31.12.2020
Bank balances	675.6	335.4
Cash in hand	0.0	0.0
Cash and cash equivalents	**675.6**	**335.4**
Restricted disposal balances	2.0	2.5

Bank balances have variable interest rates for overnight deposits. Short-term deposits are made for periods of between one day and three months, depending on the LEG Group's liquidity requirements. Cash and cash equivalents include balances with a fixed purpose. These are reported as balances with restricted access.

7 | Assets held for sale

T106

Assets held for sale

€ million	2021	2020
Carrying amount as of 01.01.	**21.6**	**25.2**
Reclassified from investment properties	47.2	44.5
Disposal due to sale of land and buildings	–31.8	–48.2
Other additions	0.0	0.1
Carrying amount as of 31.12.	**37.0**	**21.6**

Investment property was sold again in the reporting period for the purposes of selective portfolio streamlining.

For information on the reclassification of investment properties, please see the comments in > section E.1.

he item "Disposals due to the sale of land and buildings" includes developed and undeveloped land and residential and commercial buildings. The reclassification from investment properties and the disposals mainly relate to individual sales and four larger block sales (please see > section E.1.

See also > section F.3.

8 | Equity

The change in equity components is shown in the statement of changes in equity.

a) Share capital
By way of resolution of the Annual General Meeting on 19 August 2020, the Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the company on one or more occasions by up to a total of EUR 21,413,950.00 by issuing up to 21,413,950 new registered shares against cash or non-cash contributions by 18 August 2025 (Authorised Capital 2020).

The share capital is contingently increased by up to EUR 35,689,918.00 through the issue of up to 35,689,918 new no-par value bearer shares (Contingent Capital 2013/2017/2018/2020).

On the basis of the authorisation in accordance with the Articles of Association dated 11 May 2020/19 August 2020/8 March 2021, the share capital was increased by EUR 743,682.00 to EUR 72,839,625.00. On the basis of a Supervisory Board resolution on 21 June 2021, Articles 3 and 4 of the Articles of Association (Amount and distribution of share capital, Authorised Capital) were amended accordingly.

Authorised Capital 2020 remains at EUR 20,670,268.00.

In total, the gross proceeds from the capital increase carried out amounted to EUR 86.9 million, of which EUR 0.7 million were allocated to the subscribed capital and EUR 86.2 million were allocated to the capital reserve.

As at 31 December 2021, the total number of weighted shares was 72,482,244. The number of shares as at 31 December 2021 is 72,839,625 (as at 31 December 2020: 72,095,943).

b) Cumulative other reserves
Cumulative other reserves consist of the Group's retained earnings and other reserves.

Retained earnings are composed of the net profits generated by the companies included in consolidation in prior periods and the current period, to the extent that these have not been distributed.

Other reserves consist of adjustments to the fair values of derivatives used as hedging instruments and actuarial gains and losses from the remeasurement of pension obligations.

In the 2021 financial year, there was a distribution to the shareholders of the company for 2020 in the form of a dividend of EUR 272.5 million (EUR 3.78 per share) (of which EUR 86.9 million by issuing new shares).

Cumulative other reserves include the counterparty of the annual guaranteed dividend of EUR 1.8 million to the non-controlling interest of TSP-TechnikServicePlus GmbH.

Non-controlling interest in other comprehensive income amounted to EUR 0.0 million.

T107

Non-controlling interest in other comprehensive income

€ million	31.12.2021	31.12.2020
Actuarial gains and losses from the measurement of pension obligations	0.0	0.0
Fair value adjustment	0.0	0.0
Non-controlling interest in other comprehensive income	**0.0**	**0.0**

9 | Pension provisions

Expenses for defined contribution plans amounted to EUR 6.0 million in the current year (previous year: EUR 5.4 million). These essentially comprise contributions to the statutory pension scheme.

In connection with defined benefit plans, the LEG Group uses actuarial calculations by actuaries to ensure that future developments are taken into account in the calculation of expenses and obligations. Among other things, these calculations are based on assumptions regarding the discount rate and future wage and salary developments.

In accordance with IAS 19, provisions for pensions for defined benefit plans are calculated on the basis of actuarial assumptions. The following parameters were applied in 2020 and 2021 financial years.

T108

Calculation of pension provisions

in %	31.12.2021	31.12.2020
Discounting rate	0.85	0.40
Salary trend	2.75	2.75
Pension trend	1.70	1.70

The present value of the obligation as at 31 December 2021 was EUR 149.6 million. A change in the individual parameters, with the other assumptions remaining unchanged, would have affected the present value of the obligation as follows:

T109

Sensitivity of pension provisions 2021

€ million	Increase	Decrease
Discount rate (increase and decrease by 0.5 % pts.)	139.3	161.2
Salary trend (increase and decrease by 0.5 % pts.)	150.8	148.4
Mortality (increase and decrease by 10 %)	143.6	156.4
Pension trend (increase and decrease by 0.25 % pts.)	153.9	145.5

The present value of the obligation as at 31 December 2020 was EUR 164.0 million. A change in the individual parameters, with the other assumptions remaining unchanged, would have affected the present value of the obligation as follows:

T110

Sensitivity of pension provisions 2020

€ million	Increase	Decrease
Discount rate (increase and decrease by 0.5 % pts.)	152.0	177.5
Salary trend (increase and decrease by 0.5 % pts.)	165.5	162.5
Mortality (increase and decrease by 10 %)	157.3	171.6
Pension trend (increase and decrease by 0.25 % pts.)	168.9	159.3

Increases or reductions in the discount rate, the salary trend, the pension trend and mortality do not affect the calculation of the defined benefit obligation (DBO) with the same absolute amount.

If several assumptions are changed at the same time, the total amount is not necessarily the same as the total of the individual effects resulting from the changes in assumptions. It should also be noted that the sensitivities reflect a change in the DBO only for the specific respective degree of the change in assumptions (e. g. 0.5 % points). If the assumptions change to a different extent this will not necessarily have a straight-line impact on the DBO.

The following table shows the development of pension obligations. In the absence of plan assets, the present value of the obligation in both years is the same as both the recognised provision and the plan deficit.

T111

Development of pension obligations

€ million	2021	2020
Present value of obligations as of 01.01.	164.0	171.9
Service cost	1.7	1.9
Interest expenses	0.6	1.3
Disposals	–	–
Payments	–6.7	–6.7
Remeasurement	–10.0	–4.4
Thereof losses (gains) from changes in experience	0.3	–7.3
Thereof losses (gains) arising from changes in financial assumptions	–10.3	2.9
Thereof losses (gains) arising from changes in demographic assumptions	–	–
Present value of obligations as of 31.12.	149.6	164.0

EUR 45.1 million of the present value of the obligation relates to current employees covered by the plan (previous year: EUR 52.2 million), EUR 11.7 million to employees who have left the company and whose rights are not yet vested (previous year: EUR 14.6 million) and EUR 92.8 million to pensioners (previous year: EUR 97.2 million).

A pension payment of EUR 6.7 million (previous year: EUR 6.6 million) is expected for 2022. The duration of the defined benefit obligation is 13.9 years (previous year: 14.6 years).

10 | Other provisions

Other provisions are composed as follows:

T112

Other provisions

€ million	31.12.2021	31.12.2020
Provision for bonus	0.2	0.0
Provisions for partial retirement	2.7	2.8
Staff provisions	2.9	2.8
Construction book provisions	2.3	2.5
Provisions for other risks	23.7	26.9
Provisions for litigation risks	0.7	0.8
Provisions for lease properties	0.1	0.2
Provision for costs of annual financial statements	1.3	1.0
Archiving provision	0.9	0.9
Other provisions	29.0	32.3

Details of the development of provisions can be found in > Consolidated statement of changes in provisions/ Annex II.

Construction book provisions contain amounts for outstanding measures and guarantees relating to development projects and property development measures.

The provisions for other risks essentially relate to obligations from a former residential property development project with 47 detached houses.

The cash outflows from provisions are expected to amount to EUR 25.2 million within one year (previous year: EUR 27.8 million) and EUR 7.1 million after one year (previous year: EUR 7.3 million).

11 | Financial liabilities

Financing liabilities are composed as follows:

T113

Financing liabilities

€ million	31.12.2021	31.12.2020
Financing liabilities from real estate financing	8,767.8	5,776.1
Financing liabilities from lease financing	117.3	92.9
Financing liabilities	**8,885.1**	**5,869.0**

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

The consolidated financial statements of LEG Immo reported financial liabilities from real estate financing of EUR 8,767.8 million as at 31 December 2021.

In the 2021 financial year, the issuance of three corporate bonds with carrying amounts of EUR 591.0 million, EUR 596.5 million and EUR 497.8 million as well as a bridge financing of EUR 1,400.0 million increased the financing liabilities. Scheduled and unscheduled repayments of EUR 236.9 million and the amortisation of transaction costs had an opposite effect.

Financing liabilities from real estate financing include two convertible bonds with a nominal value of EUR 550.0 million (IFRS carrying amount of EUR 527.2 million) and a nominal value of EUR 400.0 million (IFRS carrying amount of EUR 392.0 million). In addition, financing liabilities include six corporate bonds with nominal values of EUR 600.0 million (IFRS carrying amount: EUR 591.0 million), EUR 600.0 million (IFRS carrying amount of EUR 596.5 million), EUR 500.0 million (IFRS carrying amount of EUR 497.8 million), EUR 500.0 million (IFRS carrying amount of EUR 495.9 million), EUR 300.0 million (IFRS carrying amount of EUR 295.6 million) and EUR 500.0 million (IFRS carrying amount of EUR 503.9 million).

The convertible bonds were classified and recognised in full as debt due to the issuer's contractual cash settlement option. There are several embedded derivatives and derivatives that must be separated that are to be jointly regarded as a compound derivative and carried at fair value. The host debt instrument is recognised at amortised cost.

The equity interests in individual companies and rent receivables serve as security for some loan agreements. The expected rent pledged as security amounted to EUR 508.4 million in the 2021 financial year (previous year: EUR 520.1 million).

In addition to security in the form of land charges, potential receivables from buildings insurance have been pledged to the creditors of the respective land charges. By contrast, the security provided in the form of pledged rent receivables is increased by the corresponding receivables for incidental costs. For certain loan agreements there are also additional surety bonds and the joint and several liabilities of additional LEG companies to the respective bank. Existing loan liabilities of EUR 3,130.6 million (previous year: EUR 3,241.5 million) are secured by mortgages.

The EUR 24.4 million rise in financial liabilities from lease financing in the reporting year essentially reflected the acquisition of leaseholds. Already concluded leases starting after the reporting date will result in cash outflows of EUR 2.2 million (previous year: EUR 3.2 million).

a) Financing liabilities from real estate financing

The maturities shown in the consolidated financial statements are based on the contractually agreed maturities.

The remaining terms of financing liabilities from real estate financing are composed as follows:

T114

Maturity of financing liabilities from real estate financing

	Remaining term			Total
€ million	≤ 1 year	> 1 and 5 years	> 5 years	
31.12.2021	1,508.2	2,808.2	4,451.4	8,767.8
31.12.2020	480.4	2,086.3	3,209.4	5,776.1

The main drivers for the changes in maturity of financing liabilities as against 31 December 2020 are the issuance of the above corporate bonds with a total nominal value of EUR 1,700.0 million (IFRS carrying amount of EUR 1,685.3 million) as well as the reclassification of the convertible bond with a nominal value of EUR 400.0 million (IFRS carrying amount of EUR 392.0 million) from short-term to mid-term maturity given the decreased probability of a short-term liquidity outflow. In addition, bridge financing of EUR 1,400 million increases current financing liabilities.

b) Financing liabilities from lease financing
Financing liabilities from lease financing are composed as follows:

T115

Maturity of financing liabilities from lease financing

	Remaining term			Total
€ million	< 1 year	> 1 and 5 years	> 5 years	
31.12.2021	9.9	20.7	86.7	117.3
31.12.2020	10.8	20.8	61.3	92.9

12 | Other liabilities

Other liabilities are composed as follows:

T116

Other liabilities

€ million	31.12.2021	31.12.2020
Interest derivatives	146.7	173.0
Advance payments received	29.2	34.5
Trade payables	160.3	124.1
Rental and lease liabilities	27.0	26.3
Liabilities to employees	13.1	10.0
Operating cost liabilities	1.3	1.1
Interest benefit recognised as a liability	6.2	4.5
Other miscellaneous liabilities	147.6	82.3
Other liabilities	531.4	455.8
Thereof with a remaining term up to 1 year	331.4	325.8
Thereof with a remaining term of between 1 – 5 years	25.7	22.4
Thereof with a remaining term of more than 5 years	174.3	107.6

The main driver for the increase in other liabilities is the real estate transfer tax resulting from a purchase.

13 | Deferred tax assets and liabilities

Deferred tax assets and liabilities result from temporary differences between the IFRS and tax carrying amounts and tax loss, interest and grants carried forward and are broken down as follows:

T117

Deferred tax assets and liabilities

	31.12.2021		31.12.2020	
€ million	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Non-current assets				
Investment properties	3.5	2,034.4	2.8	1,432.9
Other miscellaneous non-current assets	1.2	10.7	0.9	9.8
Current assets	1.1	5.5	1.4	1.0
Non-current liabilities				
Pension provisions	24.0	–	27.9	–
Other provisions	0.4	0.2	0.5	0.2
Other non-current liabilities	8.4	11.7	45.9	25.5
Current liabilities				
Other provisions	0.2	0.3	0.6	0.4
Other current liabilities	6.5	0.9	5.8	4.7
Total deferred taxes from temporary differences	45.3	2,063.7	85.8	1,474.5
Deferred taxes on loss carryforwards	42.1	–	40.1	–
Total deferred taxes	87.4	2,063.7	125.9	1,474.5
Netting	78.3	78.3	118.4	118.4
Carrying amount	9.1	1,985.4	7.5	1,356.1

The deferred taxes from non-current assets and non-current liabilities in the table above are expected to reverse more than twelve months after the end of the reporting period.

The increase in deferred tax liabilities on investment property is partly due to the acquisition of the Adler companies.

T118

Deferred tax assets from tax loss

€ million	31.12.2021	31.12.2020
Corporation tax	13.2	14.8
Trade tax	22.9	20.7
Total	**36.1**	35.5

Deferred tax assets from unused tax losses are recognised in the same amount as deferred tax liabilities from temporary differences. Deferred tax assets from unused tax losses in excess of this amount are recognised to the extent that it is probable that the company will generate taxable income. No deferred tax assets were recognised on tax loss and interest carry-forwards of EUR 829.0 million as at the end of the reporting period (previous year: EUR 434.5 million). The increase is mainly due to the Adler companies and the non-deferred loss and interest carryforwards there. Loss and interest carry-forwards are generally vested.

Interest expenses are tax-deductible up to the amount of interest income. Above and beyond this amount, deductibility is limited to 30 % of taxable EBITDA for the financial year (interest barrier), unless the exemption limit or the equity escape clause comes into force.

Non-deductible interest expenses in the current financial year are carried forward to subsequent periods. Deferred tax assets are recognised for interest carried forward only to the extent that it is probable that the interest expenses can be utilised in subsequent financial years. Owing to the effective conclusion of profit transfer agreements between the subsidiaries that hold the property portfolios and the Group company LEG in 2012 and the resulting fiscal entity for corporation and trade tax purposes, the interest barrier does not apply to the fiscal entity, as was the case in the previous year.

T119

Deferred tax assets on grant carried forwards in acc. with 10b EStG

€ million	31.12.2021	31.12.2020
Corporation tax	3.1	2.3
Trade tax	3.0	2.3
Total	**6.1**	4.6

A deferred tax asset of EUR 6.1 million (previous year: EUR 4.6 million) was recognised on a grant carried forward in accordance with section 10b of the German Income Tax Act (Einkommenssteuergesetz – EStG) in the last financial year. The grant carried forward is generally vested.

In the last financial year, the remeasurement of primary and derivative financial instruments in hedges decreased equity by EUR 3.8 million (previous year: increase in equity of EUR 0.4 million), while actuarial gains and losses decreased equity by EUR 3.0 million (previous year: decrease in equity of EUR 1.5 million). As at the end of the reporting period, deferred tax assets recognised directly in equity amounted to EUR 21.7 million (previous year: EUR 28.5 million).

No deferred tax liabilities were recognised on temporary differences in connection with shares in subsidiaries and associates that are not expected to reverse in the foreseeable future in accordance with IAS 12.39 of EUR 117.8 million (previous year: EUR 55.7 million).

F. Notes to the consolidated statement of comprehensive income

1 | Revenue

The LEG Group generates revenue from the transfer of goods and services both over a period in time and a point in time from the following areas:

T120

Revenues

€ million	2021 Rental and lease income	2021 Income from the disposal of investment properties	2021 Revenues from other services
Timing of revenue recognition			
At a certain point of time	–	31.8	13.6
Over a period of time	960.4	–	–
Total	960.4	31.8	13.6

T121

Revenues

€ million	2020 Rental and lease income	2020 Income from the disposal of investment properties	2020 Revenues from other services
Timing of revenue recognition			
At a certain point of time	–	48.2	12.2
Over a period of time	860.8	–	–
Total	860.8	48.2	12.2

The following overview summarises the assessment of whether a contract with a customer satisfies the definition of IFRS 15 and whether the LEG Group qualifies as a principal (gross revenue) or an agent (net revenue) in sales:

T122

Allocable operating costs

€ million	Principal – agent relations acc. to IFRS 15	2021	2020
Operating costs – land tax	–	34.2	22.9
Operating costs – cold water supply	Agent	41.5	37.8
Operating costs – draining	Agent	27.7	26.0
Operatings costs – hot water supply	Principal	0.5	0.4
Operatings costs – elevator	Principal	3.2	2.8
Operatings costs – waste disposal	Principal	40.1	37.8
Operatings costs – vermin control	Principal	1.0	0.7
Operatings costs – gardening	Principal	18.8	15.8
Operatings costs – chimney sweep	Principal	1.3	1.3
Operatings costs – caretaker	Principal	1.0	0.9
Operatings costs – property and liability insurance	–	44.6	28.4
Operatings costs – washing facilites	–	0.2	0.2
Operatings costs – smoke alarms	–	0.8	0.5
Operatings costs – heating costs/heat supply	Principal	40.9	37.0
Operatings costs – street cleaning	Agent	9.0	5.5
Operatings costs – cleaning of building	Principal	9.2	7.3
Operatings costs – lightning	Principal	0.9	0.3
Operatings costs – cabel and TV multimedia	Principal	4.0	2.1

Assets and liabilities from customer contracts

T123

Assets and liabilities from customer contracts

€ million	2021	2020
Current assets from ancillary costs	23.9	5.3
Impairment of ancillary costs	3.2	1.1
Total assets from customer contracts	**27.1**	**6.4**
Current liabilities from customer contracts	–7.3	–16.7
Total liabilities from customer contracts	**–7.3**	**–16.7**

2 | Net rental and lease income

T124

Net rental and lease income

€ million	2021	2020
Net cold rent	683.9	627.3
Net income from operating costs	–2.4	–2.5
Maintenance expenses for externally procured services	–65.7	–62.3
Employee benefits	–87.9	–75.4
Impairment losses on rent receivables	–10.3	–10.6
Depreciation	–11.5	–56.2
Others	16.0	9.5
Net rental and lease income	**522.1**	**429.8**
Net operating income margin (in %)	**76.3**	**68.5**
Non-recurring special effects – rental and lease	6.4	7.0
Depreciation	11.5	56.2
Recurring net rental and lease income	**540.0**	**493.0**
Recurring net operating income margin (in %)	**79.0**	**78.6**

The LEG Group increased its net cold rent by EUR 56.6 million (+9.0 %) against the comparative period. In-place rent per square metre on a like-for-like basis rose by 3.2 % in the reporting period. The increase in Other by EUR 6.5 million is mainly due to the expansion of value-added services as well as higher own work capitalised. This was countered by the increase in staff costs by EUR 12.5 million, which was mainly due to an increase in the number of employees. Lower depreciation and amortisation expenses relate to the EUR 45.6 million goodwill impairment of the previous year.

Recurring net rental and lease income rose by 9.5 %, more strongly than the net cold rent. As a result, the adjusted net operating income (NOI) margin further increased to 79.0 % in the 2021 financial year (previous year: 78.6 %).

In the reporting period following depreciation expenses for right of use from leases are included:

T125

Depreciation expenses of leases

€ million	2021	2020
Right of use buildings	0.3	0.2
Right of use technical equipment and machines	4.9	4.9
Right of use operating and office equipment	2.7	2.2
Depreciation expenses of leases	**7.9**	**7.3**

In the reporting period expenses of leases of a low-value asset of EUR 0.6 million were included in the net rental and lease income (previous year: EUR 0.5 million).

3 | Net income from the disposal of investment properties

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

T126

Net income from the disposal of investment properties

€ million	01.01. – 31.12.2021	01.01. – 31.12.2020
Income from the disposal of investment properties	31.8	48.2
Carrying amount of the disposal of investment properties	– 31.8	– 48.4
Costs of sales of investment properties sold	– 1.0	– 1.1
Net income from the disposal of investment properties	**– 1.0**	**– 1.3**
Valuation gains induced by disposals (included in net income from the remeasurement of investment properties)	1.6	0.9
Adjusted net income from disposals	**0.6**	**– 0.4**

Disposals of investment properties decreased in the reporting period.

Income from disposals came to EUR 31.8 million (previous year: EUR 48.2 million). This decline in sales proceeds is attributable chiefly to two larger block sales in the 2020 financial year.

4 | Net income from the remeasurement of investment properties

Net income from the remeasurement of investment property amounted to EUR 1,863.7 million in the reporting year (previous year: EUR 1,170.4 million). Based on the property portfolio as at the beginning of the financial year (and considering the remeasured acquisitions), this corresponds to an increase of 12.5 % (previous year: 9.4 %).

The average value of residential investment property (including IFRS 5 properties and acquisitions) was EUR 1,706 per square metre as at 31 December 2021 (previous year: EUR 1,503 per square metre) and EUR 1,734 per square metre (previous year: 1,504 per square metre) not including acquisitions. The average portfolio value thus rose by 15.4 % in the financial year (previous year: 11.2 %).

The increase in the value of the portfolio is largely a result of the positive development of in-place rents and the reduction in the discount and capitalisation rate.

5 | Net income from other services

Net income from other services is composed as follows:

T127

Net income from other services

€ million	2021	2020
Income from other services	**13.6**	**12.2**
Purchased services	– 1.6	– 1.3
Other operating expenses	– 2.7	– 2.7
Employee benefits	– 1.0	– 1.1
Depreciation, amortisation and write-downs	– 2.6	– 2.9
Expenses in connection with other services	**– 7.9**	**– 8.0**
Net income from other services	**5.7**	**4.2**

Other services include electricity and heat fed to the grid, IT services for third parties and management services for third-party properties.

Operating earnings from the electricity and heat generated again improved on the previous year, which saw a lengthy audit that resulted in downtime for the biomass heating plant.

6 | Administrative and other expenses

Administrative and other expenses are composed as follows:

T128

Administrative and other expenses

€ million	2021	2020
Other operating expenses	–104.1	–16.0
Staff costs	–26.7	–23.6
Purchased services	–1.5	–1.6
Depreciation, amortisation and write-downs	–4.1	–25.2
Administrative and other expenses	**–136.4**	**–66.4**

The other operating expenses contained in the table above are composed as follows:

T129

Other operating expenses

€ million	2021	2020
Legal and consulting costs	–27.9	–9.7
Rent and other costs of business premises	–4.3	–4.0
Annual financial statement, accounting and audit costs	–1.7	–2.6
Expenses for postage, telecommunications, IT	–0.5	–0.3
Temporary staff	–0.2	–0.2
Vehicles	–0.4	–0.4
Travel expenses	–0.5	–0.4
Advertising expenses	–0.8	–0.4
Other expenses	–2.5	2.0
Others	–65.3	0.0
Other operating expenses	**–104.1**	**–16.0**

The main driver for the increase in other operating expenses is the incidental costs in the context of the acquisition of the Adler companies (primarily the real estate transfer tax of EUR 65.3 million).

In addition, the increase in staff costs in 2021 were characterised by Corona bonus payments, hirings, restructuring within the Group and a third management board member as at 1 July 2020.

In the reporting period following depreciation expenses for right of use from leases are included.

T130

Depreciation expense of leases

€ million	2021	2020
Right of use buildings	2.1	2.0
Right of use operating and office equipment	0.3	0.3
Right of use software	0.3	0.2
Depreciation expense of leases	**2.7**	**2.5**

In the reporting period depreciation expenses of leases of a low-value asset of EUR 0.1 million (previous year: EUR 0.1 million) were included.

7 | Interest expenses

Interest expenses are composed as follows:

T131

Interest expenses

€ million	2021	2020
Interest expenses from real estate and bond financing	–74.8	–68.4
Interest expense from loan amortisation	–20.4	–15.6
Prepayment penalty	–2.0	–1.0
Interest expense from interest derivatives for real estate financing	–7.9	–8.3
Interest expense from change in pension provisions	–0.6	–1.3
Interest expense from interest on other assets and liabilities	–3.0	–3.4
Interest expenses from lease financing	–2.0	–2.1
Other interest expenses	–11.0	–2.1
Interest expenses	**–121.7**	**–102.2**

Interest expenses increased by EUR 19.5 million year-on-year to EUR –121.7 million. This increase mainly results from the corporate bond issued in the fourth quarter of 2021 with a nominal value of EUR 500.0 million, the corporate bond issued in the first quarter of 2021 and tapped by EUR 100.0 million in the fourth quarter of 2021 with a nominal value of initially EUR 500.0 million (nominal value after tap issue EUR 600.0 million) and the corporate bond issued in the second quarter of 2021 with a nominal value of EUR 600.0 million. Interest expenses include interest expense from loan amortisation, which increased against the comparative period by EUR 4.8 million to EUR –20.4 million. In the reporting period this includes the measurement of the convertible and corporate bonds at amortised cost of EUR –16.2 million (previous year: EUR –7.2 million).

The rise in prepayment penalties is due to early redemption of loans.

In the reporting period, the costs for the early redemption of an interest rate derivative in the amount of EUR 4.5 million were the main reason for the increase in other interest expenses.

8 | Net income from the fair value measurement of derivatives

The gains and losses on the remeasurement of standalone derivatives and the ineffective portion of interest hedging instruments are reported in net income from the fair value measurement of derivatives.

The net income from the fair value measurement of derivatives in the past financial year was EUR –2.3 million (previous year: EUR –43.8 million).

The net income from the fair value measurement of derivatives in the reporting period primarily results from changes in the fair value of the embedded derivative from the convertible bond of EUR 3.5 million (previous year: EUR –43.6 million). On the other hand, the measurement of a derivative relating to the acquisition of further shares in BCP impacted the result by EUR –5.7 million (previous year: EUR 0.0 million). The background to this is an agreement between LEG Grundstücksverwaltung GmbH and Adler Real Estate AG that, in the event of a public purchase offer by LEG Grundstücksverwaltung GmbH for shares in BCP, Adler Real Estate AG is obliged to contribute 63.0 % of the shares in BCP.

9 | Income taxes

Income tax expense and income are broken down by origin as follows:

T132

Income taxes

€ million	2021	2020
Current income taxes	–4.5	–2.9
Deferred taxes	–409.5	–27.6
Income taxes	**–414.0**	**–30.5**
Thereof tax reimbursement for prior years	–	0.1

Based on the consolidated net profit before income taxes and the relevant anticipated tax expense, the reconciliation to current income taxes is as follows:

T133

Reconciliation to current income tax expenses

€ million	2021	2020
IFRS earnings before income taxes	2,138.7	1,395.0
Group tax rate in %	31.2	31.2
Forecast income taxes	**–667.8**	**–435.6**
Tax reduction due to tax-free income and off-balance sheet deductions	273.4	386.0
Additional taxes due to non-deductible expenses and off-balance sheet additions	–14.5	–14.0
Tax effect due to deferred tax assets on tax losses carryforwards and not recognised deferred tax assets due to lack of recoverability	–8.5	8.3
Tax effect from goodwill impairment	–	20.8
Tax expenses relating to prior periods	2.4	0.9
Tax decreases/increases due to changes in tax rate	–0.1	–0.6
Other	1.1	3.6
Income taxes as per statement of comprehensive income	**–414.0**	**–30.5**
Effective tax rate in %	19.4	2.2

The tax rate applied in calculating the anticipated income tax takes into account the current and expected future tax rates for corporate income tax (15 %), the solidarity surcharge (5.5 % of corporate income tax) and trade tax (15.4 %) based on a basic rate of 3.5 % and an average assessment rate of 440 % (city of Dusseldorf).

The tax reduction due to tax-exempt income and off-balance sheet reductions results mainly from the application of the so-called extended trade tax reduction. This option is reserved exclusively for companies that manage real estate. When applying this regulation, the result of these companies is only burdened with corporation tax and solidarity surcharge.

10 | 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 financial year.

Due to issuing stock dividends for the financial year 2020, a capital increase was carried out on 24 June 2021. A total of 743,682 new shares were issued.

T134

Earnings per share (basic)

	2021	2020
Net profit or loss attributable to shareholders in € million	1,721.6	1,361.2
Average numbers of shares outstanding	72,482,244	70,431,265
Earnings per share (basic) in €	**23.75**	**19.33**

T135

Earnings per share (diluted)

	2021	2020
Net profit or loss attributable to shareholders in € million	1,721.6	1,361.2
Convertible bond coupon after taxes	4.5	3.7
Measurement of derivatives after taxes	–3.5	43.6
Amortisation of the convertible bond after taxes	4.7	4.2
Net profit or loss for the period for diluted earnings per share	1,727.3	1,412.7
Average weighted number of shares outstanding	72,482,244	70,431,265
Number of potentially new shares in the event of exercise of conversion rights	7,026,824	5,221,637
Number of shares for diluted earnings per share	79,509,068	75,652,902
Subtotal	**21.72**	**18.67**
Diluted earnings per share in €	**21.72**	**18.67**

As at 31 December 2021, LEG Immo had outstanding convertible bonds which authorise the bearer to convert into up to 7.0 million new ordinary 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, the amortisation of the convertible bonds and the resulting tax effect in the event of the conversion rights being exercised in full.

EPRA earnings per share – no IFRS indicator
The following table shows earnings per share according to the best practice recommendations by EPRA (European Public Real Estate Association):

T136

EPRA earnings per share

€ million	2021	2020
Net profit or loss for the period attributable to parent shareholders	1,721.6	1,361.2
Changes in value of investment properties	–1,863.7	–1,170.4
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	0.5	2.8
Tax on losses on disposals and real estate inventory	0.6	1.4
Changes in fair value of financial instruments and associated close-out costs	2.3	43.8
Acquisition costs on share deals and non-controlling joint venture interests	0.0	3.9
Deferred tax in respect of EPRA-adjustments	332.5	214.2
Refinancing expenses	2.0	1.0
Other interest expenses	11.0	2.1
Non-controlling interests in respect of the above	2.8	2.0
EPRA earnings	**209.6**	**462.0**
Weighted average number of shares outstanding	72,482,244	70,431,265
= EPRA earnings per share (undiluted) in €	2.89	6.56
Potentially diluted shares	3,470,683	3,438,349
Interest coupon on convertible bond after taxes	2.8	2.8
Amortisation expenses convertible bond after taxes	1.9	1.9
EPRA earnings (diluted)	214.3	466.7
Number of diluted shares	75,952,927	73,869,614
= EPRA earnings per share (diluted) in €	**2.82**	**6.32**

G. Notes to the consolidated statement of cash flows

1 | Composition of cash and cash equivalents

The cash and cash equivalents shown in the statement of cash flows correspond to the cash and cash equivalents reported in the statement of financial position, i. e. cash on hand and bank balances.

2 | Other notes to the statement of cash flows

For the thirteen companies of the Adler Group newly included in accordance with IFRS 3, LEG Group has so far paid EUR 1,273.7 million including acquired bank holdings (EUR 47.9 million). LEG made further purchase price payments of EUR 10.0 million in the financial year for LWS Plus GmbH, which was acquired in 2020.

LEG also paid a total of EUR 94.7 million for the shares in BCP reported under financial assets in 2021.

LEG Immo received a total of EUR 1,678.0 million from the issue of corporate bonds in the financial year.

The EUR 1.8 million distributed to non-controlling shareholders relates to the non-controlling interests in TSP-TechnikServicePlus GmbH.

The remaining EUR 0.1 million received relates to former non-controlling interests in ESP-Energie-ServicePlus GmbH.

The cash payments for the acquisition of companies in accordance with IFRS 3 are recognised as cash payments for consolidated companies, while payments related to acquisitions not in accordance with IFRS 3 are presented as cash payments for investment properties.

The cash outflow for the repayment of bank loans also included prepayment penalties and payments for the reversal of hedges incurred due to early loan repayments.

Interest payments are reported in cash flow from operating activities. In the reporting year, total cash outflows for leases amounted to EUR 13.6 million (previous year: EUR 13.7 million).

T137

Reconciliation financial liabilities 2021

			Non-Cash Changes				
€ million	01.01.2021	Cash Flows	Acquisition	Changes in fair value	Amortisation from effective interest method	Others	31.12.2021
Financial liabilities	5,776.1	2,937.3	1.8	–	11.7	41.0	8,767.9
Lease liabilities	92.9	–11.6	36.0	–	–	–	117.3
Total	**5,869.0**	**2,925.7**	**37.8**	**–**	**11.7**	**41.0**	**8,885.2**

T138

Reconciliation financial liabilities 2020

			Non-Cash Changes				
€ million	01.01.2020	Cash Flows	Acquisition	Changes in fair value	Amortisation from effective interest method	Others	31.12.2020
Financial liabilities	4,973.4	807.2	–	–	15.6	–20.1	5,776.1
Lease liabilities	80.5	–11.0	23.4	–	–	–	92.9
Total	**5,053.9**	**796.2**	**23.4**	**–**	**15.6**	**–20.1**	**5,869.0**

H. Notes on Group segment reporting

As a result of the revision of internal management reporting, LEG Group has no longer been managed as two segments since the 2016 financial year. Since then LEG Group has operated in only one segment. It generates its revenue and holds its assets solely in Germany. In the 2021 financial year, LEG Group did not generate more than 10% of reported total revenue with any customer.

Over and beyond the minimum disclosures required in IFRS 8, the key performance indicators of the company are explained and presented below. These correspond to the management and reporting system which LEG Immo uses for corporate management and offer a deeper insight into the economic performance of our company.

Internal reporting at LEG Group deviates from the IFRS accounting figures. LEG focuses its internal reports particularly on the important FFO performance indicator and further financial key figures for the housing industry, i.e., EPRA NTA and LTV. The alternative performance measures presented below are not based on IFRS figures, with the exception of the comments on LTV.

FFO I direct

FFO I is the key financial performance indicator of LEG Group. 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).

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

T139

Calculation of FFO I, FFO II and AFFO

€ million	01.01. – 31.12.2021	01.01. – 31.12.2020
Net cold rent	683.9	627.3
Profit from operating expenses	−2.4	−2.5
Maintenance for externally procured services	−65.7	−62.3
Employee benefits	−87.9	−75.4
Allowances on rent receivables	−10.3	−10.6
Other	16.0	9.5
Non-recurring special effects (rental and lease)	6.4	7.0
Adjusted net rental and lease income	**540.0**	**493.0**
Adjusted net income from other services	**8.3**	**7.1**
Employee benefits	−26.7	−23.6
Non-staff operating costs	−105.6	−17.6
Non-recurring special effects (admin.)	96.2	8.0
Adjusted administrative expenses	**−36.1**	**−33.2**
Adjusted other income	0.0	0.0
Adjusted EBITDA	**512.2**	**466.9**
Cash interest expenses and income	−86.7	−80.5
Cash income taxes	−0.6	−1.4
FFO I (before adjustment of non-controlling interests)	**424.9**	**385.0**
Adjustment of non-controlling interests	−1.8	−1.8
FFO I (after adjustment of non-controlling interests)	**423.1**	**383.2**
Adjused net income from disposals	0.7	−0.4
Cash income taxes from disposal of investment properties	−3.9	−1.5
FFO II (incl. disposal of investment properties)	**419.9**	**381.3**
CAPEX	−330.9	−290.4
Capex-adjusted FFO I (AFFO)	**92.2**	**92.8**

The direct calculation of FFO I is aligned to the cost of sales method.

To ensure comparability with previous periods, EBITDA and FFO are adjusted for non-recurring special effects. Adjustments are made for all matters which are not attributable to the period from an operations perspective and which have a not insignificant impact on EBITDA and FFO. These special one-off effects comprise project costs for business model and process optimisation, personnel-related matters, acquisition and integration costs, capital market financing measures and M&A activities as well as other atypical matters and are composed as follows:

T140

Special one-off effects

€ million	01.01. – 31.12.2021	01.01. – 31.12.2020
Project costs to optimise the business model and processes	9.4	3.6
Staff related costs	5.0	4.9
Acquisition and integration related costs	80.0	1.2
Capital market financing and M&A activities	2.5	4.5
Other atypical matters	5.8	0.8
Special one-off effects	**102.7**	**15.0**

The acquisition and integration costs of EUR 80 million result primarily from the acquisition of the 13 companies of the Adler Group. This acquisition was recognised as business combination in line with IFRS 3. Thus all acquisition incidental cost are to be expensed, especially the real estate transfer tax of EUR 65.3 million. Other atypical items include the endowment of EUR 5.0 million to the "Your Home Helps" foundation, which was made in connection with the aforementioned property acquisition.

EBITDA adjusted for these special effects is further adjusted in FFO I for cash interest expenses and income, cash taxes and non-controlling interests.

Cash interest expenses are composed as follows:

T141

Cash interest expenses

€ million	01.01. – 31.12.2021	01.01. – 31.12.2020
Interest expense reported in income statement	121.6	102.2
Interest expense related to loan amortisation	–20.4	–15.6
Interest costs related to the accretion of other assets/liabilities	–3.0	–3.4
Interest expenses related to changes in pension provisions	–0.6	–1.3
Other interest expenses	–10.9	–1.4
Cash effective interest expense (gross)	**86.7**	**80.5**
Cash effective interest income	0.0	0.1
Cash effective interest expense (net)	**86.7**	**80.6**

Capex in the context of the AFFO reconciliation includes additions to investment property amounting to EUR 325.4 million as well as additions to property, plant and equipment amounting to EUR 5.5 million.

FFO indirect

The calculation of FFO I, FFO II and AFFO according to the indirect method for the reporting and comparison period is as follows:

T142

Calculation of FFO I, FFO II and AFFO – indirect method

€ million	2021	2020
Net profit or loss for the period	1,724.7	1,364.4
Interest income	– 1.3	– 1.9
Interest expenses	121.7	102.2
Interest expenses (net)	120.4	100.4
Other financial expenses	– 4.4	39.9
Income taxes	414.0	30.5
EBIT	**2,254.7**	**1,535.2**
Amortisation and depreciation	18.1	84.3
EBITDA	**2,272.8**	**1,619.5**
Net income from the remeasurement of investment properties	– 1,863.7	– 1,170.4
Special one-off effects	102.8	15.0
Net income from the disposal of investment properties	0.9	1.3
Net income from the disposal of real estate inventory	0.0	1.5
Adjusted EBITDA	**512.8**	**466.9**
Cash interest expenses and income	– 86.7	– 80.5
Cash income taxes FFO I	– 0.6	– 1.4
FFO I (before adjustment for minorities)	**425.5**	**385.0**
Adjustment for minorities	– 1.8	– 1.8
FFO I (after adjustment for minorities)	**423.7**	**383.2**
Adjusted net income from the disposal of investment properties	0.7	– 0.4
Cash income taxes from the disposal of investment properties and income taxes relating to other periods	– 3.9	– 1.5
FFO II (incl. disposal of investment properties)	**420.5**	**381.3**
CAPEX	– 330.9	– 290.4
Capex-adjusted FFO I (AFFO)	**92.8**	**92.8**

EPRA Capex

The EPRA Capex table shows the breakdown of the capitalisation of investments and reconciles them to the payments for investments in investment properties. The modernisations capitalised as value-enhancing measures, divided into development (new construction activities on own land amounting to EUR 14.2 million) and investments in investment properties (EUR 321.4 million), increased by 16.8 % to EUR 335.6 million in the reporting period. Acquisitions increased by EUR 1,204.2 million, mainly due to the portfolio purchase from the Adler Group.

T143

EPRA capex

€ million	2021	2020
Acquisitions	2,343.8	1,139.6
Development	14.2	4.8
Investments in investment properties	321.4	280.0
thereof incremental lettable space	5.6	3.1
thereof no incremental lettable space	315.8	276.9
EPRA capex	**2,679.4**	**1,424.4**
Correction acquisitions acc. to IFRS 3	– 1,256.7	–
Additions to/utilisation of provisions for capex	– 15.0	– 3.3
Additions to/utilisation of provisions for incidental purchase price costs	– 59.0	– 46.0
Payments for investments in investment properties	**1,348.7**	**1,375.1**

EPRA Net Tangible Asset (EPRA NTA)

Further key metrics relevant in the property industry are EPRA NRV, NTA and NDV. LEG Immo has defined the EPRA NTA as the significant key figure. Another financial key figure is EPRA NTA per share.

LEG Immo reports an EPRA NTA of EUR 11,149.1 million or EUR 146.10 per share as at 31 December 2021. Deferred taxes on investment properties are adjusted by the amount attributable to LEG Group's planned property sales. The acquisition costs are not considered. The key figures are presented exclusively on a diluted basis.

T144

EPRA Net Tangible Asset (EPRA NTA)

	31.12.2021			31.12.2020		
€ million	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NRV	EPRA NTA	EPRA NDV
Equity attributable to shareholders of the parent company	8,927.9	8,927.9	8,927.9	7,365.6	7,365.6	7,365.6
Hybrid instruments	455.7	455.7	455.7	464.3	464.3	464.3
Diluted NAV at fair value	**9,383.6**	**9,383.6**	**9,383.6**	**7,829.9**	**7,829.9**	**7,829.9**
Deferred tax in relation to fair value gains of IP and deferred tax on subsidised loans and financial derivatives	2,056.5	2,044.8	–	1,431.3	1,417.4	–
Fair value of financial instruments	95.2	95.2	–	102.7	102.7	–
Goodwill as a result of deferred tax	–267.3	–267.3	–267.3	–55.9	–55.9	–55.9
Goodwill as a result of synergies	–	–103.4	–103.4	–	–43.7	–43.7
Intangibles as per the IFRS balance sheet	–	–3.8	–	–	–2.8	–
Fair value of fixed interest rate debt	–	–	–307.4	–	–	–443.0
Deferred taxes of fixed interest rate debt	–	–	59.5	–	–	87.2
Revaluation of intangibles to fair value	–	–	–	–	–	–
Estimated ancillary acquisition costs (real estate transfer tax)[1]	1,843.9	–	–	1,421.7	–	–
NAV	**13,111.9**	**11,149.1**	**8,765.0**	**10,729.7**	**9,247.6**	**7,374.5**
Fully diluted number of shares	**76,310,308**	**76,310,308**	**76,310,308**	**75,534,292**	**75,534,292**	**75,534,292**
NAV per share	**171.82**	**146.10**	**114.86**	**142.05**	**122.43**	**97.63**

[1] Taking the ancillary acquisition costs into account would result into an NTA of EUR 12,980.1 million or EUR 170.10 per share.

In calculating the EPRA NTA, LEG Immo aligns itself to the Best Practice Recommendations of the European Public Real Estate Association (EPRA).

The effects on equity from the exercise of options, convertible bonds and other rights of EUR 455.7 million result from the notional equity component of EUR 425.8 from the convertible bond issued in 2017. As at 31 December 2021, the LEG Immobilien SE share price was EUR 122.70, higher than the conversion price for the convertible bond of EUR 115.25. The notional equity value of EUR 425.9 million is the product of the share price and the maximum number of shares as a result of the conversion (3,470,683).

On the other hand, liabilities from purchase price obligations from share deals of EUR 29.9 million are reported here.

Deferred taxes resulting from the measurement of investment properties and from the measurement of publicly subsidised loans and from the measurement of derivatives are corrected at the level of their impact on equity. Deferred taxes relating to the planned sales programme are not included in calculating EPRA NTA. As at 31 December 2021, these amounted to EUR 2,044.8 million.

Effects of the fair value measurement of derivative financial instruments are also eliminated in calculating the EPRA NTA. If these effects from the measurement of derivatives relate to the equity value calculated in the “Effects on equity from the exercise of options, convertible bonds and other rights” item, these are not included in the “Effects of the fair value measurement of derivative financial instruments”. As at 31 December 2021, these effects total EUR 95.2 million.

If the purchase price allocations for acquisitions to be accounted for in line with IFRS 3 result in goodwill (from deferred taxes and synergies), these reduce equity in the calculation of EPRA NTA. As at 31 December 2021, these effects total EUR 370.7 million. Further information can be found in > section D.3 Intangible assets and goodwill and > section C.3 “Business combinations“.

In addition, all recognised intangible assets are eliminated. As at 31 December 2021 these totalled EUR 3.8 million.

The estimated incidental acquisition costs are calculated on the basis of the net market values of the property portfolio. In accordance with the property portfolios in the various federal states, real estate transfer tax is taken into account. In addition, brokerage courtage and notary fees are applied in determining the estimated incidental acquisition costs.

Loan-to-value ratio (LTV)

Net debt in relation to property assets increased slightly in the reporting period, largely due to the debt financing of the portfolio acquisitions.

As a result of the transition to IFRS 16, financial liabilities are corrected by lease liabilities, whose corresponding right of use is not reported as investment properties.

The loan-to-value ratio (LTV) is therefore EUR 42.8 % (previous year: 37.6 %).

T145

Loan-to-value ratio

€ million	31.12.2021	31.12.2020
Financing liabilities	8,885.1	5,869.0
Without lease liabilities IFRS16 (not leasehold)	27.4	30.8
Less cash and cash equivalents	675.6	335.4
Net financing liabilities	**8,182.1**	**5,502.8**
Investment properties	19,067.7	14,582.7
Assets held for sale	37.0	21.6
Prepayments for investment properties	23.4	43.3
Prepayments for acquisitions of companies	1.8	–
Real estate assets	**19,129.9**	**14,647.6**
Loan-to-value ratio (LTV) in %	**42.8**	**37.6**

Maintenance and modernisation

The non-capitalised maintenance expenses from the point of view of the asset holding companies consist of maintenance expenses for externally procured services and maintenance expenses procured internally by the service companies of LEG Immo. In the case of modernisations which are capitalised as value-enhancing measures, Capex represents the initial value, which is adjusted for the effects of the elimination of intercompany profits.

T146

Maintenance and modernisation

€ million	01.01.–31.12.2021	01.01.–31.12.2020
Maintenance expenses for externally procured services	65.7	62.3
Maintenance expenses for internally procured services	45.2	36.0
Non-capitalised maintenance expenses	110.9	98.3
thereof investment properties	105.8	95.3
Capex	330.9	290.4
Effects of the elimination of intercompany profits	10.3	–
Modernisations capitalised as value-enhancing measures	341.2	290.4
thereof investment properties	335.6	284.8
Total investment	**452.1**	**388.7**
thereof investment properties	441.4	380.1

I. Other disclosures

1 | Overview of cost types

The following cost types are contained in the various functions:

T147

Cost types

€ million	2021	2020
Expenses for purchased services	304.4	265.8
Employee benefits	116.3	102.2
Depreciation, amortisation and write-downs	18.1	84.4

Staff costs of EUR 116.3 million are composed as follows:

T148

Employee benefits

€ million	2021	2020
Wages and salaries	97.1	84.8
Social security	18.5	15.9
Pensions	0.7	1.5
Total	**116.3**	**102.2**

2 | Capital management

The LEG Group's aim with regard to capital management is twofold: to ensure the continuation of the company and to generate returns for shareholders. All other LEG Group interest groups should also receive the benefits to which they are entitled. Overall, the aim is to increase the value of the LEG Group.

This end-to-end capital management strategy has not changed since the previous year.

As is typical for the industry, the LEG Group monitors capital on the basis of loan-to-value (LTV). LTV describes the ratio of net debt to the fair value of investment property. Net debt is calculated by deducting cash and cash equivalents from financing liabilities.

As in the previous year, the LEG Group's goal in the financial year was to maintain an appropriate level of gearing in order to ensure continued access to debt financing in the long term at economically appropriate costs. LTV as at 31 December 2021 and 31 December 2020 was calculated as follows:

T149

Net gearing (LTV)

€ million	31.12.2021	31.12.2020
Financing liabilities	8,885.1	5,869.0
Minus lease liabilities IFRS 16 (not land lease)	27.4	30.8
Cash and cash equivalents	675.6	335.4
Net debt	8,182.1	5,502.8
Investment properties	19,067.7	14,582.7
Assets held for sale	37.0	21.6
Prepayments for investment properties	23.4	43.3
Prepayments for acquisitions of companies	1.8	–
Total	19,129.9	14,647.6
Net gearing (LTV) in %	42.8	37.6

The assets held for sale shown in the above table relate solely to investment property.

The Group is subject to covenants that were not breached in either the reporting year or the previous year. The aims of capital management were achieved in the year under review.

Details of restricted funds can be found in > section E.6.

3 | Financial instruments

a) Other disclosures on financial instruments

The table below shows the financial assets and liabilities broken down by measurement category and class. Receivables and liabilities from finance leases and derivatives used as hedging instruments are included even though they are not assigned to an IFRS 9 measurement category. With respect to reconciliation, non-financial assets and non-financing liabilities are also included although they are not covered by IFRS 7:

T150

Classes of financial instruments for financial assets and liabilities 2021

€ million	Carrying amounts as per statement of financial positions 31.12.2021	Measurement (IFRS 9) Amortised cost	Measurement (IFRS 9) Fair value through profit or loss	Measurement (IFRS 16)	Fair value 31.12.2021
Assets					
Other financial assets	111.2				111.2
AC	7.2	7.2			7.2
FVtPL	103.6		103.6		103.6
Hedge accounting derivatives	0.4				0.4
Receivables and other assets	143.5				143.5
AC	135.2	135.2			135.2
Other non-financial assets	8.3				8.3
Cash and cash equivalents	675.6				675.6
AC	675.6	675.6			675.6
Total	930.3	818.0	103.6		930.3
Of which IFRS 9 measurement categories					
AC	818.0	818.0			818.0
FVtPL	103.6		103.6		103.6

AC = Amortized Cost
FVtPL = Fair Value through profit and loss

€ million	Carrying amounts as per statement of financial positions 31.12.2021	Measurement (IFRS 9) Amortised cost	Measurement (IFRS 9) Fair value through profit or loss	Measurement (IFRS 16)	Fair value 31.12.2021
Equity and liabilities					
Other financial assets	–8,885.2				–9,089.2
FLAC	–8,767.9	–8,767.9			–9,089.2
Hedge accounting derivatives	–117.3			–117.3	
Receivables and other assets	–531.4				–531.4
FLAC	–223.1	–223.1			–223.1
Derivatives HFT	–123.4		–123.4		–123.4
Hedge accounting derivatives	–23.3				–23.3
Other non-financial liabilities	–161.6				–161.6
Total	–9,416.6	–8,991.0	–123.4	–117.3	–9.620.6
Of which IFRS 9 measurement categories					
FLAC	–8,991.0	–8,991.0			–9,312.3
Derivatives HFT	–123.4		–123.4		–123.4

FLAC = Financial Liabilities at Cost
HFT = Held for Trading

T151

Classes of financial instruments for financial assets and liabilities 2020

€ million	Carrying amounts as per statement of financial positions 31.12.2020	Measurement (IFRS 9) Amortised cost	Measurement (IFRS 9) Fair value through profit or loss	Measurement (IFRS 16)	Fair value 31.12.2020
Assets					
Other financial assets	**15.1**				**15.1**
AC	1.3	1.3			1.3
FVtPL	13.8		13.8		13.8
Hedge accounting derivatives	–				–
Receivables and other assets	**64.6**				**64.6**
AC	57.6	57.6			57.6
Other non-financial assets	7.0				7.0
Cash and cash equivalents	**335.4**				**335.4**
AC	335.4	335.4			335.4
Total	**415.1**	**394.3**	**13.8**		**415.1**
Of which IFRS 9 measurement categories					
AC	394.3	394.3			394.3
FVtPL	13.8		13.8		13.8

AC = Amortized Cost
FVtPL = Fair Value through profit and loss

€ million	Carrying amounts as per statement of financial positions 31.12.2020	Measurement (IFRS 9) Amortised cost	Measurement (IFRS 9) Fair value through profit or loss	Measurement (IFRS 16)	Fair value 31.12.2020
Equity and liabilities					
Other financial assets	**–5,869.0**				**–6,241.8**
FLAC	–5,776.1	–5,776.1			–6,241.8
Hedge accounting derivatives	–92.9			–92.9	
Receivables and other assets	**–455.8**				**–455.8**
FLAC	–166.1	–166.1			–166.1
Derivatives HFT	–127.0		–127.0		–127.0
Hedge accounting derivatives	–46.1				–46.1
Other non-financial liabilities	–116.6				–116.6
Total	**–6,324.8**	**–5,942.2**	**–127.0**	**–92.9**	**–6,697.6**
Of which IFRS 9 measurement categories					
FLAC	–5,942.2	–5,942.2			–6,407.9
Derivatives HFT	–127.0		–127.0		–127.0

FLAC = Financial Liabilities at Cost
HFT = Held for Trading

As at 31 December 2021, the fair value of the very small equity investments was EUR 103.6 million (previous year: EUR 13.8 million). This results in a change of EUR 89.8 million against the previous year, of which EUR 4.4 million (previous year: EUR 1.8 million) was recognised in profit or loss.

The fair value of the very small equity investments is calculated using DCF procedures as there are no quoted prices in an active market for the relevant equity investments. The fair value calculated using valuation models is allocated to Level 3 of the IFRS 13 measurement hierarchy. Allocation to Level 3 takes place based on valuation models with inputs not observed on a market. This relates primarily to the capitalisation rate of 4.8 % (previous year: 4.2 %).

An exception to this is an equity investment with a fair value of EUR 85.4 million. As there is an active market for the shares, this participation is allocated to Level 1 of the measurement hierarchy.

As at 31 December 2021, the fair value of the very small Level 3 equity investments was EUR 18.2 million. The stress test of this parameter on the basis of plus 50 bp results in a reduction of the fair value to EUR 515.6 million (previous year: EUR 12.5 million) and at minus 50 bp in an increase of the fair value to EUR 20.2 million (previous year: EUR 15.5 million).

The trade receivables, other financial and non-financial assets, trade payables and other liabilities, predominantly have short residual terms. The carrying amounts are approximately equal to the fair value.

Originated financial instruments (liabilities from real estate and corporate financing, FLAC category), whose fair value does not correspond to their carrying amount are classified as financial liabilities. The fair value of loan liabilities is calculated as the present value of the future cash flows, taking into account the applicable risk-free interest rates and the LEG-specific risk premium as at the end of the reporting period.

Net income for each measurement category is broken down as follows:

T152

Net income 2021

€ million	2021
AC	–8.0
FVtPL (assets)	9.0
FVtPL (liabilities)	3.5
FLAC	–100.9
Total	**–96.4**

T153

Net income 2020

€ million	2020
AC	–8.5
FVtPL (assets)	5.3
FVtPL (liabilities)	–43.8
FLAC	–86.6
Total	**–133.6**

AC = Amortized Cost
FVtPL = Fair Value through profit and loss
FLAC = Financial Liabilities at Cost

Net income contains remeasurement effects in addition to interest income and expenses during the financial year.

b) Risk Management

Principles of risk management:

The LEG Group is exposed to default risk, liquidity risk and market risk as a result of its use of financial instruments. In order to take these risks into account, the LEG Group has an effective risk management system supported by the clear functional organisation of the risk controlling process.

The effectiveness of the risk management system is reviewed and assessed regularly on a company-wide basis by the Internal Audit and Compliance unit. Where adjustments are necessary or areas for improvement are identified, the Internal Audit and Compliance unit advises on, examines and monitors these activities.

The framework for the Group's financial policy is determined by the Management Board and monitored by the Supervisory Board. The implementation of financial policy is the responsibility of the Corporate Finance and Treasury unit, while ongoing risk management is handled by Controlling and Risk Management. The use of derivative financial instruments is governed by a corresponding Treasury policy adopted by Management Board and acknowledged by the Supervisory Board. Derivative financial instruments can only be used to hedge existing underlyings, future cash flows and planned transactions whose occurrence is reasonably certain. Derivative financial instruments are concluded only to hedge against interest rate risks.

c) Default risk

Credit or default risk describes the risk that business partners – primarily the tenants of the properties held by the LEG Group – will be unable to meet their contractual payment obligations and that this will result in a loss for the LEG Group. In order to prevent and control default risk to the greatest possible extent, new lettings are subject to credit checks.

Default risk exists for all classes of financial instruments, and in particular for trade receivables. The LEG Group is not exposed to significant default risk with regard to any individual party. The concentration of default risk is limited due to the Group's broad, heterogeneous tenant base.

There are gross receivables from rental and leasing activities of EUR 34.7 million (previous year: EUR 27.2 million). Allowances of EUR 20.4 million (previous year: EUR 17.4 million) were recognised. Hence net rent receivables of EUR 14.3 million were reported as at 31 December 2021 (previous year: EUR 9.8 million). Collateral for receivables (primarily rent deposits) of EUR 24.1 million (previous year: EUR 16.6 million) can be taken into account only under restrictive conditions in the offsetting of outstanding receivables.

Offsetting is only possible if the receivable being offset:

- is undisputed or
- has been ruled legally binding or
- is manifestly substantiated.

Offsetting by the lessor against receivables that are manifestly disputed or not covered by the lease (such as receivables from operating expenses) is not permitted. In addition, the restrictions of section 9(5) sentence 1 of the Wohnungsbindungsgesetz (WoBindG – German Controlled Tenancy Act) must also be noted in particular.

Allowances on rent receivables were essentially recognised using simplified IFRS 9 without taking collateral into account.

With regard to cash and cash equivalents and derivatives, the LEG Group enters into corresponding agreements only with banks with extremely good credit ratings. The LEG Group constantly monitors and assesses contractual partners' credit ratings. To do so, it draws on external ratings issued by various agencies (such as Standard & Poor's, Moody's, Fitch and others), own research results and financial market information that it has collected. Depending on the availability of information with sufficient informative value, the LEG Group refers to one or more of the data sources described above. If the contractual partner's credit rating has deteriorated considerably, the LEG Group aims to reduce the positions as quickly as possible. No new positions are then entered into with the removed contractual partners. For this reason, there is no consideration of an expected credit loss.

As shown in the table below, the carrying amounts of recognised financial assets less any write-downs represent the highest default risk. The carrying amount of financial assets represents the maximum default risk. The default risk for interest rate derivatives is limited to the amount of the positive fair values of derivatives.

The table below shows the financial assets determined to be impaired as at the end of the reporting period:

T154

Impaired financial assets 2021

€ million classes of financial instruments 31.12.2021	Carrying amount before impairment	Impairment	Residual carrying amount
Loans	0.2	–	0.2
Other financial assets	45.5	–2.0	43.5
Trade receivables	44.2	–20.9	23.3
Cash and cash equivalents	675.6	–	675.6
Total	**765.5**	**–22.9**	**742.6**

T155

Impaired financial assets 2020

€ million classes of financial instruments 31.12.2020	Carrying amount before impairment	Impairment	Residual carrying amount
Loans	0.2	–	0.2
Other financial assets	18.4	–1.1	17.3
Trade receivables	35.4	–18.1	17.3
Cash and cash equivalents	335.4	–	335.4
Total	**389.4**	**–19.2**	**370.2**

To calculate the expected credit losses for trade receivables, LEG Immo uses the simplified approach of the “expected credit loss” model in accordance with IFRS 9 in order to take account of potential impairment of a receivable at initial recognition. Thus life-time expected credit losses are calculated for all trade receivables. In calculating the impairment rates for rent receivables, location-specific risk profiles are also taken into account within the individual past due ranges. This includes both the historical default rate for outstanding rent receivables and an assessment of the future development of a location as forward-looking element.

Locations are divided into three categories (good, medium, poor), giving rise to the following impairment matrix in accordance with IFRS 9 in the year under review (unchanged to the previous year):

T156

Impairment rates for rent receivables – IFRS 9

Age of rent receivable/ overdue period (days)	Status of lease	Impairment rate in %		
		Good location	Medium location	Poor location
0 to 60	active	–	25.0	45.0
61 to 90	active	8.0	35.0	55.0
91 to 120	active	10.0	37.0	57.0
121 to 180	active	13.0	40.0	60.0
more than 180	active	18.0	45.0	65.0
0 to 60	past	43.0	70.0	90.0
more than 60	past	60.0	87.0	100.0

The gross receivables are split by overdue ranges as well as location-specific risk parameters and comprise the rent receivables after netting with current tenant balances. With respect to the impairment rates, net rent receivables as at the reporting date are as follows:

T157

Impairment rates for rent receivables – IFRS 9

Age of rent receivable/ overdue period (days)	Status of lease	Gross receivables			Impairment in %	Net receivables 31.12.2021
		Good location	Medium location	Poor location		
0 to 60	active	0.5	2.0	3.0	1.8	3.7
61 to 90	active	0.1	0.3	0.5	0.4	0.5
91 to 120	active	0.1	0.2	0.6	0.4	0.5
121 to 180	active	0.1	0.3	0.8	0.6	0.6
more than 180	active	0.4	1.0	2.6	2.2	1.8
0 to 60	past	0.1	0.3	0.5	0.7	0.2
more than 60	past	0.8	2.1	5.8	8.1	0.6
		2.1	**6.2**	**13.8**	**14.2**	**7.9**

T158

Impairment rates for rent receivables – IFRS 9

Age of rent receivable/ overdue period (days)	Status of lease	Gross receivables			Impairment in %	Net receivables 31.12.2020
		Good location	Medium location	Poor location		
0 to 60	active	0.4	2.3	3.0	1.9	3.8
61 to 90	active	0.1	0.2	0.5	0.4	0.4
91 to 120	active	0.1	0.2	0.6	0.4	0.5
121 to 180	active	0.1	0.2	0.6	0.4	0.5
more than 180	active	0.4	1.0	2.9	2.4	1.9
0 to 60	past	0.1	0.2	0.5	0.7	0.1
more than 60	past	0.8	2.3	6.7	9.2	0.6
		2.0	**6.4**	**14.8**	**15.4**	7.8

For receivables from not yet invoiced operating costs, impairment of 12.4 % was taken in the reporting year (previous year: 12.4 %) and for rent receivables not yet due, impairment of 55.0 % (previous year: 55.0 %) was taken in the reporting year. The expected credit loss has been estimated on the basis of the historical loss rates of all items posted as due.

Rent receivables and receivables from ancillary costs are derecognised if fair assessment states that realisability has become non-existent.

Impairment losses broke down are as follows in the reporting year 2021 and in the previous year 2020:

T159

Impairment losses 2021

€ million	As of 01.01.2021	Change remeasurement	Utilisation	Change in consolidated companies	As of 31.12.2021
Trade receivables	18.1	11.6	–13.5	4.6	20.8
Other financial assets	1.1	1.1	–0.2	–	2.0
Total	**19.2**	**12.7**	**–13.7**	**4.6**	**22.8**

T160

Impairment losses 2020

€ million	As of 01.01.2020	Change remeasurement	Utilisation	Change in consolidated companies	As of 31.12.2020
Trade receivables	16.2	14.3	–12.4	–	18.1
Other financial assets	0.2	0.9	0.0	–	1.1
Total	**16.4**	**15.2**	**–12.4**	**–**	**19.2**

d) Liquidity risks

The LEG Group defines liquidity risk as the risk that the Group will be unable to meet its own payment obligations at a contractually agreed date.

To ensure that this is not the case, the LEG Group's liquidity requirements are monitored and planned on an ongoing basis by the Corporate Finance and Treasury unit. Sufficient cash and cash equivalents to meet the Group's obligations for a defined period are available at all times. In addition, the LEG Group has credit facilities and bank overdrafts of EUR 425.0 million (previous year: EUR 400.0 million).

The following table shows the contractually agreed (undiscounted) interest and principal payments for the LEG Group's primary financial liabilities and its derivative financial instruments with negative fair value. The maturities are based on the contractually agreed fixed interest periods for the respective financial liabilities.

T161

Type of liabilities on 31.12.2021

€ million	Carrying amount	Remaining terms		
		< 1 year	1–5 years	> 5 years
Financing liabilities from loan payable	8,767.9	1,514.3	2,941.4	5,081.7
Financing liabilities from lease financing	117.3	12.5	28.3	139.1
Interest rate derivatives	23.3	6.5	14.1	3.0
Embedded derivatives	123.4	–	–	–
Liabilities to employees	13.1	12.8	–0.0	0.3
Liabilities from operating costs	1.3	1.3	–	–
Rent and lease liabilities	27.0	27.0	–	–
Trade payables	160.3	153.9	6.4	0.0
Others	142.8	102.9	12.3	27.6
Total	**9,376.4**	**1,831.2**	**3,002.5**	**5,251.7**

The embedded derivatives don't result in direct cash outflows.

T162

Type of liabilities on 31.12.2020

€ million	Carrying amount	Remaining terms		
		< 1 year	1 – 5 years	> 5 years
Financing liabilities from loan payable	5,776.1	101.1	2,628.6	3,716.6
Financing liabilities from lease financing	92.9	12.9	27.9	99.9
Interest rate derivatives	46.1	9.1	28.8	9.5
Embedded derivatives	127.0	–	–	–
Liabilities to employees	10.0	9.7	– 0.1	0.4
Liabilities from operating costs	1.1	1.1	–	–
Rent and lease liabilities	26.3	26.3	–	–
Liabilities from shareholder loans	0.0	0.0	–	–
Trade payables	124.1	120.0	4.1	0.0
Others	76.8	37.7	12.7	26.4
Total	**6,280.4**	**317.9**	**2,702.0**	**3,852.8**

All instruments for which payments were contractually agreed as at the end of the reporting period are included. Forecast figures for future new liabilities are not included. Floating-rate interest payments for financial instruments are calculated using the most recent interest rates prior to the end of the reporting period. Financial liabilities that are repayable at any time are always allocated to the earliest repayment date.

Some of the LEG Group's loan agreements contain financial covenants. In the event of a failure to comply with the agreed covenants, the LEG Group generally has the opportunity to resolve the situation; however, certain cases of non-compliance can result in the bank having the right to terminate the loan agreement with immediate effect. In addition, some agreements provide the bank with the possibility of increasing interest and principal payments or demanding further security for compliance with the covenants in the event of non-compliance. In any case, a long-term failure to comply with the agreed covenants means that the financing bank is entitled to terminate the respective agreement. In connection with the unsecured financing, for example, bonds, covenants were agreed which can lead to termination rights in the case of non-compliance. Compliance with covenants is monitored on an ongoing basis. There were no violations of the agreed covenants in the 2021 financial year.

e) Market risks

The LEG Group is subject to significant interest rate risks on account of its business activities. Interest rate risk results, in particular, from floating-rate liabilities to banks. In order to limit interest rate risk, the LEG Group generally enters into fixed-income loans or floating-rate loans, sometimes in connection with interest payer swaps. Around 79 % of financial liabilities are hedged in this way. This ratio is strongly impacted by a short-term variable bridge financing for EUR 1,400 million. Not including this financing, the ratio at approximately 94 % would be at approximately the same level as previous years.

Derivative financial instruments are used solely to hedge interest rates at the LEG Group. The Treasury policy prohibits the use of derivatives for speculative purposes.

The Group had the following derivative financial instruments as at 31 December 2021:

T163

Derivatives 31.12.2021

€ million	Fair Value	thereof < 1 year
Derivate – HFT – Assets	–	–
thereof from interest rate swaps	–	–
Derivate – HFT – Liabilities	–123.4	–
thereof from interest rate swaps	–	–
thereof embedded derivatives	–123.4	–
Hedged derivatives	–22.9	–

The Group had the following derivative financial instruments as at 31 December 2020:

T164

Derivatives 31.12.2020

€ million	Fair Value	thereof < 1 year
Derivate – HFT – Assets	–	–
thereof from interest rate swaps	–	–
Derivate – HFT – Liabilities	–127.0	–91.9
thereof from interest rate swaps	–	–
thereof embedded derivatives	–127.0	–91.9
Hedged derivatives	–46.1	–

The derivatives entered into by the LEG Group are used as hedging instruments in accordance with IFRS 9 if they meet the conditions for hedge accounting. The cash flows from hedged items in cash flow hedge accounting will be received between 2020 and 2030 and will be recognised in profit or loss at the same time.

The table below shows the amount that was recognised or released directly in other comprehensive income during the reporting period. It is released against interest income. This corresponds to the effective portion of the change in fair value::

T165

Equity implication

€ million	2021	2020
Operating balance as of 01.01.	–42.4	–34.8
Recognised in equity in reporting period	9.9	–15.9
Reserved from equity to statement of comprehensive iome	12.4	8.3
Closing balance as of 31.12.	–20.1	–42.4

The effects of accounting for interest rate swaps on the net assets, financial position and results of operations of the Group are as follows:

T166

Effects from interest rate swap accounting

€ million	2021	2020
Hedging ratio	1:1	1:1
Weighted average interest rate in %	0.93	0.94
Change in fair value of outstanding hedging instruments	16.9	–7.6
Change in the value of the underlying transaction	–17.5	8.0
Notional amount of hedging instruments as of 31.12.2020	448.5	607.1
thereof due < 1 year	3.0	6.0
thereof due 1 to 5 years	221.3	164.7
thereof due > 5 years	224.2	436.4

f) Sensitivities

Interest rate risks are depicted in sensitivity analyses in accordance with IFRS 7. The sensitivity analyses calculate the impact that a change in market interest rates would have on interest income and expenses, on trading gains and losses and on the LEG Group's equity as at the reporting date.

The effects on the LEG Group's equity and statement of comprehensive income are analysed using a +/– 50 basis points parallel shift in the euro yield curve in the sensitivity analysis. The cash flow effects from the shift in the yield curve relate solely to interest expense and income for the next reporting period.

Based on the financial instruments held or issued by the LEG Group as at the end of the reporting period, a hypothetical change in the applicable interest rates for the respective instruments as quantified using sensitivity analysis would have had the following effects (before taxes) as at the end of the reporting period:

T167

Financial instruments as at 31.12.2021

	Equity effect		Comprehensive income	
€ million	+50 bp	−50 bp	+50 bp	−50 bp
Net position of all interest-sensitive financial instruments				
Financing liabilities	–	–	−2.3	2.3
Interest rate derivatives	12.6	−12.3	–	–
Embedded derivatives	–	–	−7.0	49.2

T168

Financial instruments as at 31.12.2020

	Equity effect		Comprehensive income	
€ million	+50 bp	−50 bp	+50 bp	−50 bp
Net position of all interest-sensitive financial instruments				
Financing liabilities	–	–	−2.2	2.2
Interest rate derivatives	22.9	−15.8	–	–
Embedded derivatives	–	–	−56.0	5.2

Embedded derivatives are subject to both interest rate risk and share price risk. Had the market price for the full instrument been 5% higher (lower) at the end of the reporting period as a result of a change in the price of LEG Immo shares, with the other parameters for the company remaining unchanged, the fair value of the embedded derivatives would have been EUR 47.4 million higher (EUR 47.4 million lower).

g) Offsetting financial assets and financial liabilities

The following financial assets are subject to offsetting:

T169

Financial assets (netted) € million	Gross amount of the admitted financial assets	Gross amount of the admitted financial liabilities, which have been netted in the balance sheet	Net amount of the admitted financial assets, which are considered in the balance sheet	Related amounts, which are not netted in the balancesheet: Financial instruments	Related amounts, which are not netted in the balancesheet: Received cash deposits	Related amounts, which are not netted in the balancesheet: Net amount
31.12.2021						
Operating costs not yet billed (services in process)	363.2	–339.4	23.8	–	–	23.8
31.12.2020						
Operating costs not yet billed (services in process)	299.0	–293.7	5.3	–	–	5.3

The following financial liabilities are subject to offsetting:

T170

Financing liabilities (netted) € million	Gross amount of the admitted financial liabilities	Gross amount of the admitted financial assets, which have been netted in the balance sheet	Net amount of the admitted financial liabilities, which are considered in the balance sheet	Related amounts, which are not netted in the balancesheet: Financial instruments	Related amounts, which are not netted in the balancesheet: Received cash deposits	Related amounts, which are not netted in the balancesheet: Net amount
31.12.2021						
Advanced payments received	–346.6	339.4	–7.2	–	–	–7.2
31.12.2020						
Advanced payments received	–310.4	293.7	–16.7	–	–	–16.7

4 | Number of employees

The average number of employees in the LEG Group developed as follows as against the previous year:

T171

Average number of employees

	2021		2020	
	Average number of employees	Employee capacity (FTE)	Average number of employees	Employee capacity (FTE)
Operations	886	836	792	734
Management	196	180	169	149
Special entities	524	499	482	471
Total	**1,606**	**1,515**	**1,443**	**1,354**

5 | Total auditor's fees

The total fees paid to the auditor of the consolidated financial statements are composed as follows:

T172

Total auditor's fees

€ million	2021	2020
Audits of financial statements	1.3	1.5
Other audit services	0.3	0.8
Other services	0.0	0.1
Total fee	**1.6**	**2.4**

The audit services mainly include the fees for the audit of the consolidated financial statements and the legally required audits of LEG Immo and the subsidiaries included in the consolidated financial statements. The fees for other audit services mainly comprise audit procedures in connection with the audit of balance sheets as at the balance sheet date in the context of an acquisition of several companies and the audit review of the sustainability report.

6 | IFRS 2 programmes

Remuneration programme of the Management Board
From 1 January 2021, the new employment agreements for members of the Management Board provide for a long-term incentive programme to be offered for each financial year. For the LTI there is a performance period of four years. The amount of LTI remuneration is dependent on the achievement of the financial performance targets total shareholder return and the development of LEG's share price compared to the relevant EPRA Germany Index, as well as non-financial environmental, social and governance targets (ESG targets). For the Management Board remuneration system which applied to 31 December 2020, the performance period for the LTI 2019 and LTI 2020 is four years. The programme is divided into three performance periods (until the end of the first, second and third financial year following the relevant financial year). The performance targets in question are total shareholder return and the development of LEG's share price compared to the relevant EPRA Germany Index.

The programme is treated as cash-settled share-based payment in accordance with IFRS 2. Based on the Management Board's assessment and the Supervisory Board's approval of the achievement of the performance hurdles, personnel expenses of EUR 1.1 million (previous year: EUR 0.7 million) were recognised as at 31 December 2021 on the basis of an actuarial report. The provision for long-term incentive plans amounted to EUR 1.6 million as at 31 December 2021 (previous year: EUR 0.8 million).

For the LTI 2022 tranche a target level of 74 % was achieved, for the 2021 tranche 107 %, for the LTI 2020 tranche 1 as well as for the LTI 2019 tranche 2 a target level of 100 % was achieved.

The total intrinsic value of liabilities at the end of the reporting period for which the counterparty's right to receive cash and cash equivalents or other assets was vested as at the end of the reporting period was EUR 509 thousand as at 31 December 2021 (previous year: EUR 235 thousand).

Management remuneration programme
The Management Board and Supervisory Board of LEG Immo have decided to introduce a share-based remuneration programme for second level managers in the LEG Group from 1 January 2021, with the aim of giving managers a greater share in the company's success. The remuneration programme will be granted in annual tranches with an individual term of four financial years for each tranche. Each tranche consists of the executive's own investment in LEG Immo shares and a partly performance-related component in euro. The condition for granting the performance-related component of the programme is the executive's own investment in LEG shares combined with a holding period of four years. This personal investment leads to a higher share orientation in the remuneration of second-level managers.

The programme is treated as cash-settled share-based payment in accordance with IFRS 2. As at 31 December 2021, a provision of EUR 180 thousand was recognised.

Employee share programme
In the context of the change of legal form of LEG Immobilien AG to LEG Immobilien SE, a more streamlined co-determination, without a co-determined Supervisory Board at the SE and a more streamlined SE Works Council was introduced. The costs saved on the basis of this structure directly benefit all LEG Group employees in the form of an employee share programme.

The programme is treated as cash-settled share-based payment in accordance with IFRS 2. As at 31 December 2021, a provision of EUR 446 thousand was recognised.

7 | Related-party disclosures

Related parties are defined as companies and persons that have the ability to control the LEG Group or exercise significant influence over its financial and business policy. The existing control relationships were taken into account when determining the significant influence that related parties can exercise over the LEG Group's financial and business policy.

Related persons
The related persons of LEG Immo include the Management Board and the Supervisory Board of LEG Immo.

Related companies
LEG Immo's related companies include all the subsidiaries and associates of the LEG Group.

Transactions with related persons and companies are concluded under normal market conditions.

The following table shows the receivables from and liabilities to related companies as at the end of the reporting period and expenses and income involving related companies for the financial year:

T173

Receivables from and liabilities to related companies

€ million	31.12.2021	31.12.2020
Statement of financial positions		
Receivables from associates and non-consolidated companies	0.1	0.1
Liabilities to associated companies	0.0	0.1

T174

Income from and expenses for related companies

€ million	2021	2020
Statement of comprehensive income		
Income from associates	0.3	0.3
Income from equity investments	3.6	3.1

The income from related parties comprises the pro rata annual results of the associated companies as well as pay-outs from the affiliated companies.

a) Related company disclosures
Related companies controlled by LEG Immo or which it significantly influences are included in the consolidated financial statements. Intragroup transactions under existing service and management agreements between the companies are eliminated as part of consolidation.

There was no significant exchange of goods and services with the other unconsolidated subsidiaries or associates.

b) Related person disclosures
With the exception of the remuneration paid to the company's executive bodies as described below, there were no business relationships with related parties in the reporting year.

T175

Compensation package of the Management Board

€ thousand	2021	2020
Fixed remuneration	1,800	1,311
Ancillary benefits	86	79
Total fixed benefits	**1,886**	**1,390**
Short-Term-Incentive-programme (STI)	1,544	979
Transaction bonus	–	198
Long-Term-Incentive-programme (LTI)	620	1,252[1]
Transaction bonus (Deferral) 2021 – 2022	198	–
Total variable benefits	**2,362**	**2,429**
Pension costs	**224**	**133**
Total	**4,472**	**3,952**

[1] Includes LTI remuneration tranche 2021 for 2021–2024

The basis for calculating the STI is the achievement of the respective consolidated IFRS business plan. The STI consists of an annual payment measured on the basis of the following three targets: net rental and lease income, funds from operations I and non-financial environmental, social and governance targets. The first two targets each account for 40% and the last-named target for 20% of the STI.

No loans or advances were granted or extended to the members of the Management Board in the 2021 financial year.

For previous members of the Management Board there were pension provisions of EUR 0.3 million as at 31 December 2021 (previous year: EUR 0.3 million).

Total remuneration of members of the Supervisory Board of LEG Immo amounted to EUR 0.8 million in 2021 (previous year: EUR 0.8 million).

No loans or advances were granted or extended to the members of the Supervisory Board in the 2021 financial year.

Recognised expenses for the remuneration of members of the Management Board and Supervisory Board in accordance with IAS 24.17 can be summarised as follows:

T176

Benefits to the Management and Supervisory Board

€ thousand	2021	2020
Current payable benefits	4,450	3,481
Share-based payment	1,085	665
Total	**5,535**	**4,146**

Further information can be found in the > remuneration report, which forms part of the Group management report.

8 | Guarantees and contingent liabilities

Guarantees and contingent liabilities:

T177

Contingent liabilities

€ million	31.12.2021	31.12.2020
Warranty agreements	523.3	401.9

Warranty agreements of around EUR 523.3 million comprise mainly EUR 400.0 million in LEG Immo guarantees to various banks resulting from working capital facilities granted to a subsidiary (LEG). A letter of comfort from LEG Immo of around EUR 18.7 million is provided as security for liabilities of the subsidiary to a financing bank. On the reporting date there is joint liability of EUR 9.6 million covered by LEG Immo with receivables of gas suppliers.

For all the stated contingent liabilities the risk of utilisation is assessed as unlikely.

9 | Other financial commitments

The Group's other financial commitments are composed as follows:

T178

Other financial commitments

€ million	31.12.2021	31.12.2020
Commitments from service contracts	0.0	0.1
Purchase of energy	46.1	56.3
Purchase obligations	129.7	89.6

In addition, there are purchase price payment obligations of EUR 54.7 million from property purchase agreements concluded by the balance sheet date with a purchase price due date and economic transfer after the balance sheet date as well as payment obligations from new construction projects of EUR 431.6 million.

Future payment obligations from service contracts break down as follows:

T179

Payment obligations from service contracts

	Remaining term			Total
€ million	< 1 year	> 1 and 5 years	> 5 years	
31.12.2021	0.0	–	–	0.0
31.12.2020	0.1	–	–	0.1

10 | Management Board

LEG Immobilien SE is represented by the Management Board, which consists of the following members:

LARS VON LACKUM,
CEO
of LEG Immobilien SE,
Dusseldorf

SUSANNE SCHRÖTER-CROSSAN,
CFO
of LEG Immobilien SE,
Krefeld

DR VOLKER WIEGEL,
COO
of LEG Immobilien SE,
Dusseldorf

Address of entity's registered office:
Hans-Böckler-Strasse 38
40476 Dusseldorf
Germany
Commercial register: HRB 92791
Dusseldorf

11 | Supervisory Board

The Supervisory Board of LEG Immobilien SE consists of seven members.

The following members were elected by the shareholders' meeting:

MICHAEL ZIMMER,
Chairman, independent investor and consultant, Pulheim

STEFAN JÜTTE,
Deputy Chairman – business graduate, Bonn

NATALIE C. HAYDAY,
Managing Director 7Square GmbH,
Frankfurt – until 6 January 2021

DR JOHANNES LUDEWIG,
management consultant, Berlin

DR CLAUS NOLTING,
lawyer and consultant, Frankfurt

DR JOCHEN SCHARPE,
Managing Partner, AMCI GmbH, Munich

MARTIN WIESMANN,
consultant, Frankfurt

DR SYLVIA EICHELBERG,
Chairwoman of the Management Board of Gothaer Krankenversicherung AG, Cologne, member of the Management Boards of Gothaer Versicherungsbank VVaG and Gothaer Finanzholding AG – since 27 May 2021

12 | Supplementary Report

On 5 January 2022, LEG Grundstücksverwaltung GmbH acquired 24.1 % of the shares in BCP from Israeli investors. A further 2.46 % of the shares in BCP were acquired on 23 February 2022. As a result of the two transactions, LEG Grundstücksverwaltung GmbH holds a total of 34.4 % of the shares in BCP.

LEG Immo placed a corporate bond in the amount of EUR 1.5 billion on 11 January 2022. The corporate bond is issued in three tranches of EUR 500.0 million each.

The bridge financing of EUR 1.4 billion to pre-finance the portfolio purchase from the Adler Group was repaid on 18 January 2022.

A loan of EUR 100.0 million was valued on 7 February 2022.

Following the invasion of Ukraine by the Russian Federation on 23 February 2022, oil prices have briefly risen to more than USD 100 per barrel. At the same time, the German government, together with the European Union and NATO, decided on far-reaching sanctions against the Russian Federation, including the suspension of the commissioning of Nord Stream 2 and the exclusion of Russian banks from the international payment system SWIFT. Whether and to what extent further sanctions will be adopted or whether the conflict may intensify further cannot be assessed at present. As expected, the sanctions will lead to a possibly significant increase in the price of gas and thus make the heat supply in Germany even more expensive. The Federal Government has already reacted to this with social policy measures, including the introduction of a one-off energy subsidy. In a first assessment, LEG does not expect any negative impact on its business model from today's perspective.

There were no other material events with particular importance for the Group after the end of the financial year.

Declaration of Compliance in accordance with section 161 AktG

The Management Board and the Supervisory Board comply with the recommendations of the German Corporate Governance Code as presented in the Group management report. The declaration of compliance has been made permanently available to shareholders on the company's website at https://www.leg-wohnen.de/en/corporation/corporate-governance.

Dusseldorf, 7 March 2022
LEG Immobilien SE

The Management Board

LARS VON LACKUM **SUSANNE SCHRÖTER-CROSSAN** **DR VOLKER WIEGEL**

List of shareholdings

The following table shows an overview of the basis of consolidation of the LEG Group:

T180

Consolidated companies

		Share of capital %	Equity[1] € thousand	Result[1] € thousand
LEG Immobilien SE, Dusseldorf		Parent company		
Rote Rose GmbH & Co. KG, Dusseldorf	1)	100.00	109,518	70
LEG Holding GmbH, Dusseldorf	1)	100.00	880,763	0
LEG NRW GmbH, Dusseldorf	2)	99.98	1,316,745	–21,537
LEG Wohnen GmbH, Dusseldorf	2)	100.00	559,031	0
LEG Wohnungsbau Rheinland GmbH, Dusseldorf	2)	100.00	112,639	0[3]
Solis GmbH, Dusseldorf	1)	94.90	99,333	0
Rheinweg Grundstücksgesellschaft mbH, Dusseldorf	2)	100.00	86,392	0
Luna Immobilienbeteiligungs GmbH, Dusseldorf	1)	94.90	10,196	0
Rheinweg Zweite Grundstücksgesellschaft mbH, Dusseldorf	2)	100.00	78,525	0
LEG Rheinland Köln GmbH, Dusseldorf	2)	100.00	33,969	0[3]
Noah Asset 4 GmbH, Dusseldorf	2)	94.90	2,616	0
LEG Wohnen Bocholt GmbH, Dusseldorf	2)	100.00	25	0
LEG Bauen und Wohnen GmbH, Dusseldorf	2)	100.00	2,165	0
LCS Consulting und Service GmbH, Dusseldorf	1)	100.00	2,556	0
LEG Consult GmbH, Dusseldorf	1)	100.00	302	0
GWN Gemeinnützige Wohnungsgesellschaft Nordwest-deutschland GmbH, Münster	2)	94.86	74,582	0
GeWo Gesellschaft für Wohnungs- und Städtebau mbH, Castrop-Rauxel	2)	94.00	22,542	0[3]
GeWo Beteiligungsgesellschaft mbH, Dusseldorf	2)	100.00	26	0
Hiltrup Grundbesitzverwertungsgesellschaft mbH, Münster	2)	100.00	50	–6
LEG Rheinrefugium Köln GmbH, Dusseldorf	2)	94.00	34	0
Calor Caree GmbH, Dusseldorf	2)	94.00	25	0
LEG Beteiligungsverwaltungsgesellschaft mbH, Dusseldorf	1)	100.00	13,745	0
LEG Erste WI Bremen GmbH, Dusseldorf	2)	94.90	25	0
LEG Zweite WI Bremen GmbH, Dusseldorf	2)	94.90	4,151	0
LEG WI Oldenburg GmbH, Dusseldorf	2)	94.90	4,324	0
LEG Grundstücksverwaltung GmbH, Dusseldorf	2)	100.00	25,863	0
Dusseldorfer Ton- und Ziegelwerke GmbH, Dusseldorf	2)	100.00	10,455	0
Germany Property Dusseldorf GmbH, Dusseldorf	2)	94.90	4,881	0
LEG Management GmbH, Dusseldorf	1)	100.00	1,124	0[3]
LEG Wohnen NRW GmbH, Dusseldorf	1)	100.00	395	0[3]
LEG LWS GmbH, Dusseldorf	4)	100.00	25	0
LWS Plus GmbH, Essen	4)	100.00	8,557	0[3]
LEG Solution GmbH, Dusseldorf	3)	100.00	66,718	0
LEG Wohnviertel Dyk GmbH, Dusseldorf	2)	100.00	453	86
LEG Standort- und Projektentwicklung Köln GmbH, Dusseldorf	2)	100.00	13,753	0
Biomasse Heizkraftwerk Siegerland GmbH & Co. KG, Liebenscheid	5)	94.86	12,394	3,946
Ravensberger Heimstättengesellschaft mbH, Bielefeld	2)	100.00	89,970	0[3]
Ravensberger Heimstätten Beteiligungsgesellschaft mbH, Dusseldorf	2)	100.00	26	0
Gemeinnützige Bau- und Siedlungsgesellschaft Höxter-Paderborn GmbH, Höxter	2)	100.00	11,909	0
Ruhr-Lippe Wohnungsgesellschaft mbH, Dortmund	2)	100.00	318,566	0[3]
Ruhr-Lippe Immobilien-Dienstleistungsgesellschaft mbH, Dortmund	2)	100.00	7,452	0
Wohnungsgesellschaft Münsterland mbH, Münster	2)	100.00	164,978	0[3]
Münsterland Immobilien-Dienstleistungsgesellschaft mbH, Münster	2)	100.00	114	0
LEG Erste Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0
LEG Zweite Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0
LEG Dritte Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0
LEG Vierte Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0
LEG Fünfte Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0[3]
LEG Sechste Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0
LEG Siebte Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0[3]
LEG Achte Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0[3]

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Consolidated companies

		Share of capital %	Equity[1] € thousand	Result[1] € thousand
LEG Neunte Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0[3]
SW Westfalen Invest GmbH, Dusseldorf	2)	94.90	78,957	0[3]
LEG Recklinghausen 1 GmbH, Dusseldorf	2)	94.90	22,737	181
LEG Recklinghausen 2 GmbH, Dusseldorf	2)	94.90	10,926	0
LEG Niedersachsen GmbH, Dusseldorf	2)	100.00	25	0
LEG Rhein Neckar GmbH, Dusseldorf	2)	100.00	25	0
LEG Wohngelegenheit Mitte GmbH, Dusseldorf	2)	100.00	25	0
LEG Wohngelegenheit Süd GmbH, Dusseldorf	2)	100.00	25	0
LEG Objekt Krefeld-Bockum Verwaltungs GmbH, Dusseldorf	1)	100.00	–127	–142
CeRo Wohnen GmbH, Gera	2)	89.88	–1,085	–407
Cero Wohnen 2 GmbH, Osnabrück	2)	100.00	858	135
AFP II Germany GmbH, Berlin	2)	100.00	–8,642	–3,425
HKA Grundstücksverwaltungsgesellschaft mbH & Co. KG, Berlin	2)	100.00	8,236	–300
HKA Verwaltungsgesellschaft mbH, Berlin	1)	100.00	112	3
Wohnungsbaugesellschaft Jade mbH, Berlin	2)	100.00	–17,270	–19,497
Relda 38. Wohnen GmbH, Berlin	2)	100.00	–205	–309
Relda 45. Wohnen GmbH, Berlin	2)	100.00	–1,703	–1,814
Resident Baltic GmbH, Berlin	2)	100.00	4,441	–2,568
Westgrund Immobilien GmbH, Berlin	2)	100.00	4,050	–1,667
Westgrund Niedersachsen Nord GmbH, Berlin	2)	100.00	–19,469	–6,331
Westgrund Niedersachsen Süd GmbH, Berlin	2)	100.00	–27,467	–10,582
Westgrund Wolfsburg GmbH, Berlin	2)	100.00	–17,755	–8,837
Westgrund VIII. GmbH, Berlin	2)	100.00	–25,320	–9,281
Zweite REO-Real Estate Opportunities GmbH, Berlin	2)	100.00	2,044	–682
LEG Nord FM GmbH, Cologne	1)	100.00	–32	–57
LEG Nord Service GmbH, Dusseldorf	1)	100.00	–4	–29
Erste WohnServicePlus GmbH, Dusseldorf	4)	100.00	25	0[3]
WohnServicePlus GmbH, Dusseldorf	4)	100.00	25	0[3]
EnergieServicePlus GmbH, Dusseldorf	4)	100.00	7,360	0[3]

T180

Consolidated companies

		Share of capital %	Equity[1] € thousand	Result[1] € thousand
TSP-TechnikServicePlus GmbH, Dusseldorf	4)	51.00	827	0[3]
Grundstücksgesellschaft DuHa mbH, Dusseldorf	2)	94.90	3,058	0[3]
Gladbau Baubetreuungs- und Verwaltungsgesellschaft mbH, Dusseldorf	2)	94.90	34,426	0[2,3]
AWM Grundstücksgesellschaft mbH, Dusseldorf	2)	100.00	2,318	0
Vitus Service GmbH, Dusseldorf	1)	100.00	29	0
BRE/GEWG GmbH, Dusseldorf	1)	100.00	24,169	0
Gemeinnützige Eisenbahn Wohnungsbaugesellschaft mbH, Dusseldorf	2)	94.90	6,496	0

[1] Unless indicated otherwise, these figures show the equity and result as taken from the, not yet adopted, separate HGB financial statements as at 31 December 2021. A zero result is shown in the event of there being a profit transfer agreement in place.
[2] Earnings before loss absorption and after profit transfer
[3] Exemption in accordance with section 264(3) HGB

Activities of subsidiaries:

1) Performance of services and management of equity investments within the LEG Group
2) Property management and location development
3) Performance of services for third parties
4) Performance of housing industry services
5) Electricity and heat generation

T181

Non-consolidated companies

		Share of capital %	Equity[1] € thousand	Result[1] € thousand
Entwicklungsgesellschaft Rhein-Pfalz GmbH, Mainz	2)	100.00	25	0
Entwicklungsgesellschaft Rhein-Pfalz GmbH & Co. KG, Mainz	1)	100.00	1,094	–85
Ökoconstrukt Gesellschaft für energetische Sanierung mbH, Dusseldorf	2)	100.00	25	0
Youtilly GmbH, Dusseldorf	2)	100.00	25	0
LEG Wohngelegenheit Nord GmbH, Dusseldorf	2)	100.00	25	0
Biomasse Heizkraftwerk Siegerland Verwaltungs GmbH, Dusseldorf	3)	100.00	29	1

[1] These figures are the separate HGB equity and results as at 31 December 2020 with the exception of Ökoconstrukt, Youtilly and Wohngelegenheit Nord.

Activities of non-consolidated companies:

1) Property management
2) Shell company
3) Performance of services for third parties

T182

Associates accounted for using the equity method

	Share of capital %	Equity[1] € thousand	Result[1] € thousand
Kommunale Haus und Wohnen GmbH, Rheda-Wiedenbrück	40.62	22,609	651
Beckumer Wohnungsgesellschaft mbH, Beckum	33.37	3,915	161

Consolidated statement of changes in assets/annex I

T183

Consolidated statement of changes in assets 2021

	Costs							Cumulative depreciation, amortisation and write-downs/fair values				Carrying amounts	
€ million	As of 01.01.2021	Additions from consolidated companies	Additions	Disposals	Additions from investment properties	Disposal to investment properties	As of 31.12.2021	As of 01.01.2021	Additions	Disposals	As of 31.12.2021	As of 31.12.2021	As of 31.12.2020
Property, plant and equipment	**161.7**	**4.3**	**15.1**	**−1.4**	**0.8**	**−0.2**	**180.3**	**−75.4**	**−17.4**	**1.3**	**−91.5**	**88.8**	**86.3**
Land, land rights and buildings	38.9	2.3	0.6	–	0.8	−0.2	42.4	−11.3	−2.9	–	−14.2	28.2	27.6
Technical equipment and machinery	97.7	–	8.6	−0.4	–	–	105.9	−50.3	−10.3	0.4	−60.2	45.7	47.4
Other equipment, operating and office equipment	21.1	2.0	5.5	−1.0	–	–	27.6	−13.8	−4.2	0.9	−17.1	10.5	7.3
Finance leases	4.0	–	0.4	–	–	–	4.4	–	–	–	0.0	4.4	4.0
Intangible assets	**184.6**	**–**	**272.9**	**−0.1**	**–**	**–**	**457.4**	**−82.2**	**−0.7**	**0.1**	**−82.8**	**374.6**	**102.4**
Other intangible assets	18.4	–	1.8	−0.1	–	–	20.1	−15.6	−0.7	0.1	−16.2	3.9	2.8
Goodwill	166.2	–	271.1	–	–	–	437.3	−66.6	–	–	−66.6	370.7	99.6
Total	**346.3**	**4.3**	**288.0**	**−1.5**	**0.8**	**−0.2**	**637.7**	**−157.6**	**−18.1**	**1.4**	**−174.3**	**463.4**	**188.7**

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Consolidated statement of changes in assets 2020

	Costs							Cumulative depreciation, amortisation and write-downs/fair values				Carrying amounts	
€ million	As of 01.01.2020	Additions from consolidated companies	Additions	Disposals	Additions from investment properties	Disposal to investment properties	As of 31.12.2020	As of 01.01.2020	Additions	Disposals	As of 31.12.2020	As of 31.12.2020	As of 31.12.2019
Property, plant and equipment	**143.3**	**0.1**	**17.6**	**–1.4**	**5.1**	**–3.0**	**161.7**	**–59.7**	**–17.1**	**1.4**	**–75.4**	**86.3**	**83.6**
Land, land rights and buildings	38.3	–	2.3	–	1.3	–3.0	38.9	–8.5	–2.8	–	–11.3	27.6	29.8
Technical equipment and machinery	87.5	–	10.4	–0.2	–	–	97.7	–40.3	–10.2	0.2	–50.3	47.4	47.2
Other equipment, operating and office equipment	17.5	0.1	4.7	–1.2	–	–	21.1	–10.9	–4.1	1.2	–13.8	7.3	6.6
Finance leases	–	–	0.2	–	3.8	–	4.0	–	–	–	0.0	4.0	–
Intangible assets	**155.6**	**27.3**	**2.1**	**–0.4**	**–**	**–**	**184.6**	**–14.9**	**–67.3**	**–**	**–82.2**	**102.4**	**140.7**
Other intangible assets	16.3	–	2.1	–	–	–	18.4	–14.9	–0.7	–	–15.6	2.8	1.4
Goodwill	139.3	27.3	–	–0.4	–	–	166.2	–	–66.6	–	–66.6	99.6	139.3
Total	**298.9**	**27.4**	**19.7**	**–1.8**	**5.1**	**–3.0**	**346.3**	**–74.6**	**–84.4**	**1.4**	**–157.6**	**188.7**	**224.3**

Consolidated statement of changes in provisions/annex II

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Consolidated statement of changes in provisions 2021

€ million	As of 01.01.2021	Changes in consolidated companies	Utilisation	Release	Reclassification	Addition	Interest	Discounting	As of 31.12.2021	thereof Non-current	thereof Current
Staff provisions											
Staff provisions	2.8	–	−1.3	0.0	−0.2	1.6	–	–	2.9	1.6	1.3
Other provisions	**32.3**	**0.1**	**−11.9**	**−2.4**	**0.1**	**10.9**	**–**	**−0.1**	**29.0**	**5.1**	**23.9**
Provisions of lease properties	0.1	–	–	−0.1	–	–	–	–	0.0	–	0.0
Construction book provisions	2.6	–	−0.1	−0.1	0.0	0.0	–	–	2.4	–	2.4
Litigations risks	0.7	–	−0.1	0.0	0.0	0.1	0.0	–	0.7	0.0	0.7
Other provisions	28.9	0.1	−11.7	−2.2	0.1	10.8	–	−0.1	25.9	5.1	20.8
Total	**35.1**	**0.1**	**−13.2**	**−2.4**	**−0.1**	**12.5**	**–**	**−0.1**	**31.9**	**6.7**	**25.2**

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Consolidated statement of changes in provisions 2020

€ million	As of 01.01.2020	Changes in consolidated companies	Utilisation	Release	Reclassification	Addition	Interest	Discounting	Stand am 31.12.2020	thereof Non-current	thereof Current
Staff provisions											
Staff provisions	1.9	–	−0.9	–	–	1.8	–	–	2.8	1.5	1.3
Other provisions	**23.5**	**−0.1**	**−9.0**	**−0.4**	**–**	**18.2**	**0.1**	**–**	**32.3**	**5.8**	**26.5**
Provisions of lease properties	0.2	–	–	−0.1	–	–	–	–	0.1	0.1	–
Construction book provisions	2.7	–	−0.1	–	–	–	–	–	2.6	0.4	2.2
Litigations risks	0.7	–	−0.2	−0.2	–	0.4	–	–	0.7	0.0	0.7
Other provisions	19.9	−0.1	−8.7	−0.1	–	17.8	0.1	–	28.9	5.3	23.6
Total	**25.4**	**−0.1**	**−9.9**	**−0.4**	**0.0**	**20.0**	**0.1**	**–**	**35.1**	**7.3**	**27.8**

Independent auditor's report

To LEG Immobilien SE, Düsseldorf/Germany

Report on the audit of the consolidated financial statements and of the group management report

Audit Opinions

We have audited the consolidated financial statements of LEG Immobilien SE, Düsseldorf/Germany, and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2021, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of LEG Immobilien SE, Düsseldorf/Germany, for the financial year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the combined corporate governance statement pursuant to Section 289f German Commercial Code (HGB) and Section 315d HGB included in the group management report, including the further reporting on corporate governance included therein, nor the consolidated non-financial report pursuant to Sections 315b and 315c HGB, to which reference is made in the group management report, nor the quarterly figures extraneous to the management report marked as unaudited in the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2021 and of its financial performance for the financial year from 1 January to 31. Dezember2021, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the above-mentioned combined corporate governance statement including the further reporting on corporate governance included therein, nor the consolidated non-financial report nor the quarterly figures extraneous to the management report marked as unaudited.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

1. **Measurement of investment properties**
2. **Presentation and measurement of financial liabilities and related hedge accounting**
3. **Recognition of different acquisitions as part of a major acquisition in the consolidated financial statements**

Our presentation of these key audit matters has been structured as follows:

a) description (including reference to corresponding information in the consolidated financial statements)
b) auditor's response

1. Measurement of investment properties

a.
In the consolidated financial statements of LEG Immobilien SE, mEUR 19,067.7 (prior year: mEUR 14,582.7) in investment properties are reported as at 31 December 2021. LEG Immobilien SE recognises investment properties exercising the option set out in IAS 40.30 in accordance with the fair value model under IFRS 13. Accordingly, both changes in market value when properties are sold as well as unrealised changes in market value are recognised through profit or loss when measuring the assets. In the past financial year, mEUR 1,863.7 (prior year: mEUR 1,170.4) in unrealised market value changes were recognised through profit or loss in the consolidated statement of comprehensive income under operating earnings.

When determining the fair value, the executive directors assume that the current use corresponds to the highest and best use of the property. Fair value is determined using a company-internal measurement model based on projected net cash inflows from the management of the properties that are derived using the discounted cash flow method. For properties with no positive net cash inflow (mainly vacant buildings), a market value is determined using a liquidation value method. Undeveloped land is usually measured based on an indirect comparison of indicative land values.

To the extent possible, LEG Immobilien SE uses data observable on the market for fair value measurement (sources include, for example, documents prepared by expert committees as well as real estate market databases that are publicly available or for a fee). In addition, a valuation report is prepared by an independent external expert, which serves to verify the plausibility of internal measurement results.

The measurement of investment properties is based on a large number of parameters that are generally subject to judgement and estimation uncertainties. Significant measurement parameters include in particular expected cash flows as well as the discount and capitalisation rate. Expected cash flows are mainly influenced by the assumed rent, vacancy rate and maintenance costs. The discount rate is especially determined by the transactions made in the market. The capitalisation rate is, among others, dependent on the residual useful life of the properties and the expected growth rate of the cash flows.

From our point of view, this matter was of particular significance for our audit since measurement of investment properties is generally subject to judgements and estimation uncertainties and because there is a risk that the fair value changes recognised through profit or loss are not within an appropriate range.

The disclosures of the executive directors concerning measurement of these properties and the related judgements and estimates are included in section D "Accounting policies" of the notes to the consolidated financial statements.

b.
We assessed whether the measurement method applied is appropriate and reviewed the measurement results. During our audit, we examined the organisational structure and processes of property measurement for appropriateness and examined the effectiveness of the controls implemented at LEG Immobilien SE.

As part of auditing the measurement, we called in internal Real Estate Consulting experts. With the support of these experts, we evaluated the measurement models as well as the parameters used in the measurement process and measurement results for randomly selected properties. In addition, we prepared a comparison calculation for this sample for specific properties using a discounted cash flow method or the standardised German income approach [Ertragswertverfahren] under the German Property Valuation Regulation (ImmoWertV), comparing this calculation with the results of the measurement prepared by LEG Immobilien SE. Furthermore, we conducted on-site-visits on a sample basis in order to evaluate in particular the assumed residual useful lives for deriving the capitalisation rates.

We convinced ourselves of the qualification and objectivity of the external expert contracted by LEG Immobilien SE, evaluated the measurement methods used in the expert opinion for conformity with IAS 40 in conjunction with IFRS 13, and compared the internal measurement results with those of the corresponding expert opinion.

In addition, we evaluated the completeness and appropriateness of the disclosures on investment properties required to be made in the notes to the consolidated financial statements under IAS 40 and IFRS 13.

2. Presentation and measurement of financial liabilities and related hedge accounting

a.

In the consolidated financial statements of LEG Immobilien SE, mEUR 8,885.2 (prior year: mEUR 5,869.0) in financial liabilities are reported as at 31 December 2021. Financial liabilities increased mainly on account of corporate bonds issued with an IFRS carrying amount totalling mEUR 1,685.3.

Financial liabilities include two convertible bonds with nominal values of mEUR 400.0 and mEUR 550.0. Both the conversion right and the basis debt component of the convertible bonds are classified as debt capital. The bond terms and conditions provide for a cash settlement option upon conversion to be exercised by LEG Immobilien SE as a result of which the executive directors classify the bonds as debt instruments. The two convertible bonds held in the portfolio have carrying amounts (basis debt component) of mEUR 919.3 (prior year: mEUR 913.4) and the associated embedded derivatives (conversion rights) have carrying amounts of mEUR 123.4 (prior year: mEUR 127.0).

The change in embedded derivatives compared to the prior year results from measurement effects of mEUR 3.5 shown in net income from the fair value measurement of derivatives.

Financial liabilities are initially recognised at fair value taking into account transaction costs as well as premiums and discounts, with the fair value at the grant date being equivalent to the present value of future payment obligations based on a market rate with matching maturities and risks. Subsequent measurement is at amortised cost using the effective interest method. The effective interest rate is determined at the date of origin of the financial liabilities.

The executive directors of LEG Immobilien SE conclude derivative financial instruments to hedge interest rate risks associated with property financing. These derivatives are measured at fair value. Changes in the fair value of derivatives are recognised through profit or loss unless they are included in hedge accounting in accordance with IFRS 9. Derivative financial instruments accounted for as hedges serve to hedge against future uncertain cash flows. Floating-rate financial liabilities in particular are exposed to risks with respect to the amount of future cash flows.

The input parameters for fair value measurement of derivative financial instruments used in the measurement models are relevant market prices and interest rates observed on the reporting date that are obtained from renowned external sources.

The matters presented above were of particular significance for our audit due to the existing judgement in measurement and the appropriate recognition of financial instruments, especially with respect to hedge accounting.

The disclosures of the executive directors concerning measurement of financial liabilities and the related judgements and estimates are included in section D "Accounting policies" and E "Notes to the consolidated statement of financial position" of the notes to the consolidated financial statements.

b.

For auditing accounting and measurement of financial liabilities, including the effects on equity and earnings from derivative financial instruments, we called in internal Risk Advisory specialists, together with whom we obtained an understanding of the established system of internal control.

With respect to financial liabilities, we made a judgemental selection of contracts using risk-based criteria and evaluated whether the relevant measurement parameters and any embedded derivatives were properly recorded. In addition, we performed analytical audit procedures for the entire portfolio with respect to measurement of financial liabilities. The convertible bonds recognised were assessed in terms of recognition, measurement and presentation.

In auditing the fair value of primary financial instruments, we recalculated the measurement using the relevant market data (yield curves) and the base data used by taking a judgemental sample. We also took into account the fair value measurement in determining the effectiveness of derivatives in hedge accounting. We assessed whether the documentation of hedge accounting complied with the requirements of IFRS 9. To evaluate whether all financial liabilities and financial instruments were fully recognised, we obtained bank confirmations on a sample basis.

In addition, we evaluated the completeness and appropriateness of the required disclosures in the notes to the consolidated financial statements.

3. Recognition of different acquisitions as part of a major acquisition in the consolidated financial statements

a.

By notarised deed dated 30 November / 1 December 2021, a subsidiary of LEG Immobilien SE acquired all shares in 13 property portfolio-holding real estate companies from Adler Group SA, Luxembourg. Performance of the acquisition was dependent on agreed upon terms and conditions. The disposal transaction (in rem transfer) was agreed to take place on 31 December 2021. The preliminary consideration transferred amounted to mEUR 1,321.6; it was paid on 29 December 2021 and the contract was agreed to be executed on that date. An own valuation of the property portfolio served as a basis for fixing the purchase price. No material bank loans were taken out.

At the same time as the acquisition described above, this subsidiary of LEG Immobilien SE acquired a total of 6.8 % of the shares in Brack Capital Properties N. V., Amsterdam/the Netherlands, from Adler Real Estate AG, Berlin/Germany, which is a subsidiary of Adler Group SA, Luxembourg, in another transaction at a purchase price of mEUR 75.0. The subsidiary also reserved the exclusive right to acquire further 63.0 % of the shares in this company within the scope of a public acquisition offer. Under the Tender Commitment agreed between the two parties, Adler irrevocably undertakes to accept the offer provided that it does not fall below a minimum price for the shares. This Tender Commitment has a term until 30 September 2022. An amount of mEUR 7.5 was agreed as a consideration for the Tender Commitment. The total purchase price was paid on 7 December 2021.

The 13 acquired companies were initially consolidated by LEG Immobilien SE as at 29 December 2021.

Taking into account the acquired net assets of mEUR 1,050.5, the resulting preliminary goodwill is mEUR 271.1.

LEG Immobilien SE recognised the shares in Brack Capital Properties N. V., Amsterdam/the Netherlands, at the date of transfer of the beneficial ownership on 7 December 2021; the right to tender was recognised in the consolidated financial statements by LEG Immobilien SE on 1 December 2021 upon conclusion of the contract. This company was not included in the scope of consolidation.

To prepare for the acquisition of the 13 companies, the executive directors had carried out technical, tax, financial and legal due diligence by external consultants. The actual determination and valuation of the acquired identifiable assets and assumed liabilities was made by the executive directors without consulting any external advisor.

As part of evaluating the nature and scope of the recognition of the above described transactions in the consolidated financial statements of LEG Immobilien SE, the executive directors had to make judgements. Especially, they had to evaluate for each company whether or not control was obtained as at the reporting date requiring the company to be included in the scope of consolidation, or whether both transactions needed to be combined as part of the consolidation. In determining the fair values of investment properties, there is a wide margin of discretion, requiring the executive directors to make judgements and estimates.

There is a risk that errors were made in the process of including the companies in the consolidated financial statements of LEG Immobilien SE; moreover, there is a risk that the acquired assets, especially the property assets, and the assumed liabilities, especially tax risks, were incorrectly identified or misstated. Furthermore, there is a risk that the disclosures in the notes to the consolidated financial statements may be incomplete or incorrect.

Due to the described risks and discretion, and the complexity of the matter, the recognition of the transactions in the consolidated financial statements was of particular significance for our audit.

The disclosures of the executive directors concerning the preliminary purchase price allocation and the related judgements and estimates are included in section C.3. and D.22 as well as D.23 of the notes to the consolidated financial statements.

b.

As part of our audit, we examined the nature and scope of the recognition of the acquired companies and shares in the consolidated financial statements, calling in our IFRS specialists, based on the relevant International Financial Reporting Standards and the relevant specialist literature on the interpretation and application of the Standards. Moreover, we reviewed the content of the closed contracts and obtained an understanding of the transactions and of legal and economic framework conditions by enquiring the executive directors and the employees named to us by these.

Furthermore, against the background of our industry knowledge, we obtained an understanding of the process to identify the acquired assets and assumed liabilities, examining it for compliance with the requirements of IFRS 3. To gain more in-depths knowledge about the business activities and economic and legal environment of the 13 Adler companies, we critically read the reports on the financial, technical, legal and tax due diligence, and reviewed and evaluated them for the purposes of our audit.

In auditing the valuation of the acquired assets and assumed liabilities, we called in internal Real Estate Consulting and Business Tax specialists.

Supported by our Real Estate Consulting valuation specialists, we evaluated the measurement parameters and measurement results for a random selection of properties. In addition, we prepared a comparison calculation for this sample for specific properties using the standardised German income approach [Ertragswertverfahren] under the German Property Valuation Regulation (ImmoWertV), comparing this calculation with the results of the measurement prepared by LEG Immobilien SE. With respect to the sample properties, we moreover assessed the technical due diligence reports on hand with a view to evaluating in particular the assumed residual useful lives for deriving the capitalisation rates. We also verified the computational accuracy of LEG Immobilien SE's measurement model as well as its compliance with the requirements of IFRS 13. To conclude with, we used market data to perform plausibility checks on the total portfolio value in the light of the technical due diligence report as well as on the portfolio value for selected cities.

Full recognition and assessment of the tax risks was audited by us by analysing the due diligence report thereon and examining the presentation of tax risks in the consolidated financial statements.

Finally, we assessed whether the notes to the consolidated financial statements on the acquisitions and related preliminary purchase price allocations are complete and correct.

Other Information

The executive directors and/or the supervisory board are responsible for the other information. The other information comprises

- the report of the supervisory board,
- The combined corporate governance statement included in the group management report, including the further reporting on corporate governance included therein,
- the separate consolidated non-financial report, to which reference is made in the group management report,
- the quarterly figures extraneous to the management report marked as "unaudited" in the group management report,
- the executive directors' confirmation regarding the consolidated financial statements and the group management report pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB, and
- the other parts of the annual report,
- but not the consolidated financial statements, not the audited content of the group management report and not our auditor's report thereon.

The supervisory board is responsible for the report of the supervisory board. The executive directors and the supervisory board are responsible for the statement according to Section 161 German Stock Corporation Act (AktG) concerning the German Corporate Governance Code, which is part of the combined corporate governance statement included in the group management report. Otherwise the executive directors are responsible for the other information.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information identified above and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

The executive board and the supervisory board are also responsible for the preparation of the remuneration report included in the group management report, including the related disclosures, that complies with the requirements of Section 162 AktG. In addition, they are responsible for such internal control as they consider necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatements, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Audit of the Electronic Reproductions of the Consolidated Financial Statements and of the Group Management Report Prepared for Publication Pursuant to Section 317 (3a) HGB

Audit Opinion

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the consolidated financial statements and of the group management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the provided file, which has the SHA-256 value B682CB3B70151BE21EB6F586FB6BEC58006607B2AD77EDE30DE64712622FC711, meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB ("ESEF format"). In accordance with the German legal requirements, this audit only covers the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic reproductions of the consolidated financial statements and of the group management report prepared for publication contained in the provided file identified above meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying group management report for the financial year from 1 January to 31 December 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Group Management Report" above, we do not express any assurance opinion on the information contained within these electronic reproductions or on any other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our audit of the electronic reproductions of the consolidated financial statements and of the group management report contained in the provided file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 (10.2021)). Our responsibilities in this context are further described in the "Group Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the parent are responsible for the preparation of the ESEF documents based on the electronic files of the consolidated financial statements and of the group management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the parent are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements for the electronic reporting format pursuant to Section 328 (1) HGB.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.

- obtain an understanding of internal control relevant to the audit on the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- evaluate the technical validity of the ESEF documents, i.e. whether the provided file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, on the technical specification for this electronic file.

- evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.

- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as Group auditor by the general meeting on 27 May 2021. We were engaged by the supervisory board on 30 June 2021. We have been the group auditor of LEG Immobilien SE, Düsseldorf/Germany, since the financial year 2021.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other matter – use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as with the audited ESEF documents. The consolidated financial statements and the group management report converted into the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the audited ESEF documents made available in electronic form.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Rolf Künemann.

Düsseldorf/Germany, 7 March 2022

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

ANDRÉ BEDENBECKER Wirtschaftsprüfer (German Public Auditor)	**ROLF KÜNEMANN** Wirtschaftsprüfer (German Public Auditor)

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, 7 March 2022

LEG Immobilien SE
The Management Board

LARS VON LACKUM **SUSANNE SCHRÖTER-CROSSAN** **DR VOLKER WIEGEL**

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FURTHER INFORMATION

Management Board

The members of the Management Board are as follows

LARS VON LACKUM
CEO

Strategy, M&A, Organisation, Processes and Digitisation
Legal and Human Resources
- Management & Supervisory Board Office
- Legal, Compliance, Data Protection and Internal Audits
- Human Resources

Corporate Communications
Acquisitions
Project Development
IT

SUSANNE SCHRÖTER-CROSSAN
CFO

Management Accounting (Controlling)
Investor Relations
Corporate Finance & Treasury
Portfolio Management
Accounting and Taxes
- Accounting
- Taxes

Risk Management & Internal Control System

DR VOLKER WIEGEL
COO

Asset and Property-Management incl.
- Commercial Management
- District and Neighbourhood Management
- Property Management
- Modernisation
- Central Procurement
- Receivables Management
- Rent Management
- Operating Expenses Management

Service Companies

Separate financial statements of LEG Immobilien SE

As the managing holding company of the LEG Group, LEG Immobilien SE, based in Dusseldorf, performs controlling activities and administrative services for the LEG Group.

As at the balance sheet date of 31 December 2021, the separate entity company is a large corporation within the meaning of section 267(3) sentence 2 of the Handelsgesetzbuch (HGB – German Commercial Code). Since applying for a stock market listing in December 2012, LEG Immobilien SE has been considered a publicly traded company in accordance with section 264d HGB and is subject to section 267(3) HGB.

LEG Immobilien AG went public on 1 February 2013 with the initial listing of its shares on the regulated market (Prime standard) of the Frankfurt Stock Exchange.

LEG Immobilien N.V. was established with effect from 8 May 2020. The company's registered office was in Amsterdam, the Netherlands. LEG Immobilien AG was the 100% shareholder. In the 2020 financial year, LEG Immobilien AG with its registered office in Düsseldorf decided to establish a European Company (Societas Europaea – SE) by way of merger pursuant to Article 2 (1) of Council Regulation (EC) No. 2157/2001 of 8 October 2001 on the Statute for a European Company (SE Regulation). Upon entry in the Commercial Register on 11 March 2021, a European Company (SE) was created by way of merger of LEG Immobilien N.V. as the transferring legal entity with LEG Immobilien AG as the acquiring legal entity in accordance with the merger plan of 11 May 2020 and the resolutions of approval of the General Meeting of the transferring legal entity of 1 July 2020 and the General Meeting of the acquiring legal entity of 19 August 2020, with simultaneous adoption of the legal form.

LEG Immobilien SE and its direct and indirect subsidiaries are among the largest residential companies in Germany. The LEG Group held a portfolio of 167,765 units (residential and commercial) on 31 December 2021.

HGB annual financial statements for 2021

Net income/income statement

The net loss for the 2021 financial year amounts to EUR 33.4 million (previous year: net loss of EUR 17.6 million).

The higher net loss for the year compared to the previous year is essentially a result of a further extension of capital market financing and the associated higher expenses. In the 2021 financial year, bonds were issued with a nominal value totalling EUR 1,700.0 million. The new financing instruments were used primarily for the Group acquisition financing and extended as loans to affiliated companies.

Based on the approved business planning, a net loss was already anticipated for 2021.

Statement of financial position

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Summary of balance sheet

€ million	31.12.2021	31.12.2020	Change
Financial assets	7,456.7	5,966.6	1,490.1
Receivables	1,426.1	36.4	1,389.7
Cash and cash equivalents	2.6	0.8	1.8
Prepaid expenses	41.9	32.1	9.8
Total assets	**8,927.3**	**6,035.9**	**2,891.4**
Equity	3,222.5	3,441.6	–219.1
Provisions	45.4	43.1	2.3
Liabilities	5,653.6	2,545.4	3,108.2
Deferred tax liabilities	5.8	5.8	0.0
Total equity and liabilities	**8,927.3**	**6,035.9**	**2,891.4**

Financial assets increased by EUR 1,490.1 million to EUR 7,456.7 million (previous year: EUR 5,966.6 million). EUR 1,484.0 million of the change in financial assets relates to passing on proceeds from the capital transactions as a loan to an affiliated company of the LEG Group. A further increase in financial assets of EUR 6.0 million relates to the acquisition of a stake in another company.

Prepaid expensens of EUR 41.9 million (previous year: EUR 32.1 million) consists mainly of discounts from the difference between the issue proceeds and the liability for bonds carried at the settlement amount.

The equity and liabilities side of the balance sheet comprises equity of EUR 3,222.5 million, liabilities of EUR 5,653.6 million, deferred tax liabilities of EUR 5.8 million and provisions of EUR 45.4 million.

As of 31 December 2021 the equity of LEG Immobilien SE consists of the subscribed capital of EUR 72.8 million, capital reserves of EUR 1,383.9 million, revenue reserves of EUR 1,439.4 million and net retained profits of EUR 326.4 million. In accordance with the Management Board's resolution, EUR 330.0 million was withdrawn from revenue reserves and appropriated to net retained profits in accordance with section 272(3) HGB.

The change in equity compared to the previous year results from the dividend paid of EUR 272.5 million, the net loss for the year of EUR 33.4 million and the withdrawal from the retained profits (EUR 330.0 million).

On 30 March 2021, a bond with a nominal value of EUR 500.0 million and a term until 30 March 2033 was issued, which was increased by EUR 100.0 million on 5 October 2021 through the issuance of a further tranche. A bond in the amount of Euro 600.0 million and maturing on 30 June 2031 was issued on 30 June 2021. Another bond in the amount of Euro 500.0 million and maturing on 19 November 2032 was issued on 19 November 2021. On 28 December 2021, further financing in the amount of EUR 1,400.0 million was raised as bridge financing as part of a purchase and repaid on 18 January 2022.

As of 31 December 2021, liabilities of EUR 5,653.6 million comprised convertible bonds with a total volume of EUR 950.0 million, additional bonds of EUR 3,280.0 million, current financial funds of EUR 1,400.0 million, other financial instruments of EUR 19.5 million, liabilities to affiliated companies of EUR 3.9 million and trade liabilities of EUR 0.2 million.

Provisions essentially consist of a provision for conversion rights in the amount of EUR 38.3 million.

Financial statements

The full HGB annual financial statements of LEG Immobilien SE, with an unqualified audit opinion from the auditor, have been disclosed in the electronic Federal Gazette. They can also be requested from LEG Immobilien SE as a special print and are published on the website of LEG Immobilien SE.

Note to the non-financial report

Limited Assurance Report of the Independent Practitioner Regarding the separate non-financial Group report

To LEG Immobilien SE, Düsseldorf/Germany

Our Engagement

We have performed a limited assurance engagement on the separate non-financial Group report (the "non-financial report") of LEG Immobilien SE, Düsseldorf/Germany, (the "Company") for the period from January 1, to December 31, 2021.

The information provided in the non-financial report in the section on neighbourhood development, which is marked as unaudited, is not the subject of our audit.

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the non-financial report in accordance with §§ 315c in conjunction with 289c to 289e German Commercial Code (HGB) and Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereafter referred to as "EU Taxonomy Regulation") and the delegated acts adopted thereon, as well as with their own interpretation of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon, as is presented in section "EU-Taxonomy" of the consolidated non-financial report.

These responsibilities of the executive directors include the selection and application of appropriate methods regarding non-financial reporting and the use of assumptions and estimates for individual non-financial disclosures which are reasonable under the given circumstances. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of the non-financial report that is free from – intentional or unintentional – material misstatement due to fraudulent behavior (accounting manipulation or misappropriation of assets) or error.

Some of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon are still subject to considerable interpretation uncertainty and have not yet been officially clarified. Therefore, the executive directors have laid down their own interpretation of the EU Taxonomy Regulation and of the delegated acts adopted thereon in section "EU-Taxonomy" of the consolidated non-financial report. They are responsible for the selection and reasonableness of this interpretation. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, evaluating the legal conformity is prone to uncertainty.

The preciseness and completeness of environmental data in the non-financial report is thus subject to inherent restrictions resulting from the way how the data was collected and calculated and from assumptions made.

Independence and Quality Assurance of the Firm

We have complied with the German professional requirements on independence and other professional rules of conduct.

Our firm applies the national statutory rules and professional announcements – particularly of the "Professional Charter for German Public Auditors and German Sworn Auditors" and of the IDW Quality Assurance Standard "Quality Assurance Requirements in Audit Practices" (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW) and does therefore maintain a comprehensive quality assurance system comprising documented regulations and measures in respect of compliance with professional rules of conduct, professional standards, as well as relevant statutory and other legal requirements.

Responsibilities of the Practitioner

Our responsibility is to express a conclusion on the non-financial report based on our work performed within our limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (ISAE 3000 (Revised)), adopted by the IAASB. This Standard requires that we plan and perform the assurance engagement so that we can conclude with limited assurance whether matters have come to our attention to cause us to believe that the non-financial report of the Company has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in section "EU-Taxonomy" of the consolidated non-financial report.

The procedures performed in a limited assurance engagement are less in extent than for a reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The choice of assurance work is subject to the practitioner's professional judgment.

Within the scope of our limited assurance engagement, which we performed during the months from September 2021 to March 2022, we performed, among others, the following procedures and other work:

- Gaining an understanding of the structure of the sustainability organization, and of the involvement of stakeholders
- Inquiries of the executive directors and relevant personnel who have been involved in the preparation of the non-financial report, about the preparation process, about the system of internal control relating to this process, as well as about disclosures in the consolidated non-financial report
- Identification of probable risks of material misstatements in the consolidated non-financial report
- Analytical evaluation of selected disclosures in the consolidated non-financial report
- Cross validation of the selected disclosures and the corresponding data in the consolidated financial statements as well as in the group management report
- Assessment of the presentation of the disclosures
- Evaluation of the process to identify taxonomy-eligible economic activities and the corresponding disclosures in the consolidated non-financial report

As the EU Taxonomy Regulation and the delegated acts adopted thereon contain indefinite legal concepts, it is necessary that the executive directors make an interpretation. The executive directors' assessment of their interpretation's legal conformity is prone to uncertainty, which, in this respect, is also true for our assurance engagement.

Practitioner's Conclusion

Based on the work performed and the evidence obtained, nothing has come to our attention that causes us to believe that the non-financial report of the company for the period from January 1, to December 31, 2021 has not been prepared, in material respects, in accordance with Secs. 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in section "EU-Taxonomy" of the consolidated non-financial report.

The information provided in the non-financial report in the section on neighbourhood development, which is marked as unaudited, is not the subject of our audit.

Restriction of Use and Liability

We would like to point out that the assurance engagement was carried out for the purposes of the company and the report is only intended to inform the company about the findings of the assurance engagement. Consequently, it may not be suitable for any purpose other than the above. The note is therefore not intended for third parties to make (financial) decisions based on it.

Our responsibility is solely towards the company and is also limited according to the "General Terms and Conditions for Auditors and Auditing Firms" of January 1, 2017 of the Institut der Wirtschaftsprüfer in Deutschland e. V. However, we do not accept or assume liability to third parties. Our conclusion of the assurance engagement is not modified in this respect.

Düsseldorf/Germany, March 7, 2022

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

ROLF KÜNEMANN **SEBASTIAN DINGEL**
Wirtschaftsprüfer
(German Public Auditor)

Glossary

EBIT
Earnings **b**efore **I**nterest and **T**ax
Operating earnings
Consolidated net income before net finance costs and taxes.

EBITDA
Earnings **b**efore **I**nterest, **T**ax, **D**epreciation and **A**mortisation
Consolidated net income before net finance costs and taxes, depreciation on property, plant and equipment and amortisation of intangible assets; depreciation and amortisation also include impairment losses and reversals thereof.

adj. EBITDA
adjusted EBITDA
EBITDA adjusted for net income on the remeasurement of investment of investment properties, net income from the disposal of real estate inventory, net income from the disposal of investment properties, non-recurring project costs and other extraordinary and prior-period expenses and income.

FFO I
Funds from **O**perations **I**
Funds generated from operating activities LEG calculation: adj. EBITDA adjusted for cash interest expenses and income and cash taxes.

FFO II
Funds from **O**perations **II**
FFO I plus net income from the disposal of investment properties.

AFFO
Adjusted **FFO I**
FFO I adjusted for investments for capitalized expenditure measures.

EPRA
European **P**ublic **R**eal Estate **A**ssociation

EPRA capex
The EPRA capex splits the **capitalised expenditure** of the reporting period in comparison to the comparative period in several components.

EPRA vacancy rate
Vacancy rate as defined by **EPRA**
Expressed as a percentage being the estimated market rental value of vacant space divided by the estimated market rental value of the whole portfolio.

EPRA Earnings per Share
Net profit or loss for the period attributable to parent shareholders, adjusted for non-cash remeasurement effects of investment properties and derivatives, acquisition costs and aperiodic financing costs and income taxes, that are not classified as current income taxes.

EPRA NAV
Net **A**sset **V**alue as defined by **EPRA**
Net asset value from a shareholder perspective assuming the long-term continuation of the company as a going concern. This value is calculated on the basis of equity which is controlled by the shareholders and eliminates the effects of the market measurement of derivative financial instruments and deferred taxes which correspond to investment properties, derivatives or subsidised loans.

EPRA NNNAV
Triple **N**et **A**sset **V**alue as defined by **EPRA**
EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes.

EPRA NRV
Net **R**einstatement **V**alue as defined by **EPRA**
Recovery value of the company assuming that no assets are sold. The value is calculated on the basis of the equity attributable to controlling shareholders and eliminates the effects of the fair value measurement of derivative financial instruments and deferred taxes attributable to investment property, derivatives or subsidised housing loans. Incidental acquisition costs are added.

EPRA NTA
Net **T**angible **A**sset as defined by **EPRA**
Net asset value from the shareholders' perspective assuming **long-term continuation** of the business with acquisition and disposal of assets. The value is calculated on the basis of the equity attributable to controlling shareholders and eliminates the effects of the fair value measurement of derivative financial instruments and deferred taxes attributable to non-current investment property, derivatives or subsidised housing loans. Neither goodwill nor other intangible assets are included in the calculation.

EPRA NDV
Net **D**isposal **V**alue as defined by **EPRA**
Net asset value from the shareholders' perspective assuming a **disposal scenario**. The value is calculated on the basis of the equity attributable to controlling shareholders and eliminates the effects of goodwill. The effects from the measurement of liabilities at current fair value less the resulting deferred tax are taken into account.

EPRA NIY

Net initial **y**ield as defined by **EPRA**
Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.

EPRA cost ratio

The **cost ratio** is an indicator of the company's operating performance. Administrative and operating expenses are divided
by gross rental income, adjusted for leasehold land interests and – unless marked otherwise – directly attributable vacancy costs.

LTV

Loan **t**o **V**alue
The ratio of net financial liabilities (not including EK 02 tax liabilities), less cash and cash equivalents to the sum of investment properties, assets held for sale and prepayments for investment properties.

CAPEX

Capital **Ex**penditure
Capitalised cost of modernisation and maintenance work.

Project costs

Project costs include expenses for projects that are largely non-recurring with a complex structure whose goals are to be met within the budget and time provided.

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To the shareholders

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Financial calendar

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LEG financial calendar 2022

Release of Annual Report 2021	10 March
Release of Quarterly Statement Q1 as of 31 March 2022	11 May
Annual General Meeting (virtual)	19 May
Release of Quarterly Report Q2 as of 30 June 2022	10 August
Release of Quarterly Statement Q3 as of 30 September 2022	10 November

For additional dates see our website.

The pdf version of our Annual Report was optimised for use on a PC or tablet. The linked tables of contents and the function buttons on each page ensure easy navigation:

- To the main table of contents
- To the intermediate table of contents
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Further information

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Contact details & imprint

PUBLISHER

LEG Immobilien SE
Hans-Böckler-Strasse 38
D-40476 Dusseldorf
Tel. +49 (0) 2 11 45 68-0
ir@leg-se.com
www.leg-se.com

CONTACT DETAILS
Investor Relations
Frank Kopfinger
ir@leg-se.com

CONCEPT, EDITING DESIGN
HGB Hamburger Geschäftsberichte GmbH & Co. KG, Hamburg

PHOTOS
istockphoto.com
stock.adobe.com
and others

ILLUSTRATIONS
Thomas Andrae, Hamburg

The annual report as of 31 December 2021
is also available in German.
In case of doubt, the German version takes precedence.

LEG Immobilien SE
Hans-Böckler-Strasse 38
D-40476 Dusseldorf
Tel. +49 (0) 2 11 45 68-0
ir@leg-se.com
www.leg-se.com