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Making living sustainable

2022

Quarterly report as of 30 June

LEG


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About this report

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- To the main table of contents
- Search in document
- Back to last page

Further information

- Page reference
- Reference to external document

Key figures Q2 2022

T1

		Q2 2022	Q2 2021	+/– %	01.01. – 30.06.2022	01.01. – 30.06.2021	+/– %
Financial Key Figures							
Rental income	€ million	198.7	170.1	16.8	396.2	338.5	17.0
Adjusted net rental and lease income	€ million	156.2	141.9	10.1	310.9	275.1	13.0
EBITDA	€ million	1,309.4	1,238.7	5.7	1,450.6	1,363.7	6.4
EBITDA adjusted	€ million	149.3	135.3	10.3	296.5	261.3	13.5
EBT	€ million	1,137.8	1,171.8	–2.9	1,321.1	1,315.5	0.4
Net profit or loss for the period	€ million	905.7	938.9	–3.5	1,060.2	1,063.3	–0.3
FFO I	€ million	120.0	114.1	5.2	241.4	218.2	10.6
FFO I per share	€	1.64	1.58	3.8	3.31	3.03	9.2
FFO II	€ million	121.1	112.4	7.7	240.7	216.2	11.3
FFO II per share	€	1.66	1.56	6.4	3.30	3.00	10.0
AFFO	€ million	28.4	36.9	–23.0	79.4	71.2	11.5
AFFO per share	€	0.39	0.51	–23.5	1.09	0.99	10.1
Balance Sheet Key Figures		30.06.2022	31.12.2021	+/– %/bp			
Investment property	€ million	20,669.1	19,067.7	8.4			
Cash and cash equivalents	€ million	328.9	675.6	–51.3			
Equity	€ million	9,891.2	8,953.0	10.5			
Total financing liabilities	€ million	9,247.4	8,885.1	4.1			
Current financing liabilities	€ million	195.5	1,518.1	–87.1			
LTV	%	42.1	42.1	0			
Equity ratio	%	45.1	43.6	+150			
EPRA NTA, diluted	€ million	11,953.7	11,149.1	7.2			
EPRA NTA per share, diluted	€	161.30	146.10	10.4			
Other Key Figures		30.06.2022	30.06.2021	+/– %/bp			
Number residential units		166,628	144,892	15.0			
In-place rent	€/sqm	6.25	6.09	2.6			
In-place rent (l-f-l)	€/sqm	6.26	6.10	2.6			
EPRA vacancy rate	%	2.9	2.7	+20			
EPRA vacancy rate (l-f-l)	%	2.2	2.5	–30			

bp = basis points

Portfolio

Portfolio segmentation and housing stock

The LEG portfolio can be divided into three market clusters using a scoring system: high-growth markets, stable markets and higher-yielding markets. The indicators for the scoring system are described in the annual report 2021.

The portfolio is spread over around 270 locations, most of which are in LEG's home state of North Rhine-Westphalia. In addition, properties are held in the federal states of Lower Saxony, Bremen, Schleswig-Holstein, Hesse, Rhineland-Palatinate and Baden-Wuerttemberg.

The property portfolio as of 30 June 2022 included 166,628 residential units, 1,566 commercial units and 45,965 garages and parking spaces. The average flat size was 63 square metres, and the average monthly rent was EUR 6.25 per square metre.

Operational development

The in-place rent on a like-for-like basis was EUR 6.26 per square metre/ month on 30 June 2022, an increase of 2.6% within twelve months. In the like-for-like figures, 22,656 residential units were not taken into account, as they were not yet part of the portfolio in June 2021.

In the free-financed portfolio, which accounts for 80% of the properties, the in-place rent rose by 3.2% year-on-year to EUR 6.65 per square metre (like-for-like). Within this segment, the high-growth markets showed an increase of 3.4% to EUR 7.68 per square metre (like-for-like). In the stable markets, the in-place rent reached an average of EUR 6.34 per square metre (plus 2.9%, like-for-like). The higher-yielding markets showed a significant growth of 3.3% to EUR 6.04 per square metre (like-for-like).

In the rent-restricted portfolio, which includes 20% of LEG's properties, the average monthly rent increased slightly by 2 cents to EUR 5.00 per square metre (like-for-like). The next regular cost rent adjustment will take place in January 2023.

As at 30 June 2022, the EPRA vacancy rate on a like-for-like basis was again reduced in all three market segments and fell by 30 basis points to 2.2% (like-for-like) compared to the previous year's reporting date. In the high-growth markets, the EPRA vacancy rate was a low 1.5% as at the reporting date, in the stable markets it averaged 2.1% and in the higher-yielding markets it was 3.2% (always on a like-for-like basis).

T2

Portfolio segments – top 5 locations

	Total portfolio										Change like-for-like basis	
	30.06.2022					30.06.2021						
	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	**49,474**	**29.7**	**3,254,017**	**7.02**	**2.2**	**42,229**	**29.1**	**2,818,635**	**6.88**	**1.8**	**2.8**	**–10**
District of Mettmann	8,513	5.1	591,306	7.40	1.5	8,489	5.9	590,229	7.23	1.2	2.3	20
Muenster	6,167	3.7	411,163	6.99	0.7	6,197	4.3	412,093	6.82	0.8	2.6	0
Dusseldorf	5,701	3.4	371,594	8.35	1.4	5,419	3.7	352,286	8.14	2.1	2.7	–80
Cologne	4,234	2.5	286,752	7.67	2.5	4,132	2.9	278,583	7.43	1.9	2.6	20
Aachen	2,430	1.5	164,255	5.45	2.1	2,431	1.7	164,313	5.39	2.8	1.2	–70
Other locations	22,429	13.5	1,428,946	6.57	3.0	15,561	10.7	1,021,132	6.34	2.3	3.5	–20
Stable Markets	**66,651**	**40.0**	**4,247,849**	**6.00**	**2.6**	**60,628**	**41.8**	**3,860,890**	**5.85**	**2.6**	**2.4**	**–40**
Dortmund	13,861	8.3	905,389	5.76	2.1	13,705	9.5	895,884	5.65	2.2	1.8	–10
District of Unna	6,916	4.2	430,351	5.40	1.7	6,811	4.7	424,453	5.31	2.7	1.6	–90
Moenchengladbach	6,439	3.9	408,061	6.39	1.2	6,440	4.4	408,077	6.22	2.0	2.6	–80
Essen	3,559	2.1	228,768	6.07	3.3	3,371	2.3	217,498	5.80	3.6	3.9	–50
Bielefeld	3,234	1.9	201,168	6.71	1.8	3,234	2.2	201,168	6.52	2.9	2.9	–110
Other locations	32,642	19.6	2,074,111	6.07	3.0	27,067	18.7	1,713,810	5.92	2.9	2.5	–40
Higher-Yielding Markets	**50,503**	**30.3**	**3,052,137**	**5.75**	**4.4**	**42,035**	**29.0**	**2,553,337**	**5.60**	**4.0**	**2.9**	**–50**
District of Recklinghausen	9,028	5.4	549,160	5.56	2.9	9,018	6.2	548,608	5.47	3.0	1.6	–20
Gelsenkirchen	7,248	4.3	414,452	5.83	6.8	7,260	5.0	414,951	5.71	8.0	2.1	–140
Wilhelmshaven	6,856	4.1	397,289	5.70	8.8	0	0.0	–	–	–	–	–
Duisburg	6,315	3.8	382,050	6.29	2.5	6,317	4.4	382,217	6.02	2.6	4.5	0
Hamm	4,837	2.9	289,652	5.71	2.3	4,817	3.3	288,314	5.57	2.8	2.4	–40
Other locations	16,219	9.7	1,019,533	5.66	3.3	14,623	10.1	919,248	5.47	3.2	3.4	–30
Total	**166,628**	**100.0**	**10,554,003**	**6.25**	**2.9**	**144,892**	**100.0**	**9,232,862**	**6.10**	**2.7**	**2.6**	**–30**

T3

LEG Portfolio

		High-growth market			Stable markets			Higher yielding markets			Total		
		30.06.2022	31.03.2022	30.06.2021	30.06.2022	31.03.2022	30.06.2021	30.06.2022	31.03.2022	30.06.2021	30.06.2022	31.03.2022	30.06.2021
Subsidised residential units													
Units		11,458	11,458	11,171	14,604	14,592	15,534	7,178	7,178	8,007	33,240	33,228	34,712
Area	sqm	783,946	783,946	764,001	987,322	986,562	1,053,390	472,292	472,292	525,292	2,243,559	2,242,800	2,342,682
In-place rent	€/sqm	5.41	5.41	5.30	4.97	4.96	4.90	4.59	4.59	4.56	5.05	5.04	4.96
EPRA vacancy rate	%	1.0	1.2	1.1	1.7	2.0	2.0	2.1	2.0	2.0	1.5	1.7	1.7
Free-financed residential units													
Units		38,016	37,943	31,058	52,047	51,825	45,094	43,325	43,346	34,028	133,388	133,114	110,180
Area	sqm	2,470,071	2,464,747	2,054,634	3,260,527	3,247,819	2,807,500	2,579,845	2,581,245	2,028,045	8,310,444	8,293,811	6,890,180
In-place rent	€/sqm	7.54	7.44	7.47	6.31	6.26	6.21	5.97	5.91	5.88	6.58	6.51	6.49
EPRA vacancy rate	%	2.4	2.5	2.0	2.8	2.9	2.8	4.8	4.7	4.3	3.2	3.3	2.9
Total residential units													
Units		49,474	49,401	42,229	66,651	66,417	60,628	50,503	50,524	42,035	166,628	166,342	144,892
Area	sqm	3,254,017	3,248,692	2,818,635	4,247,849	4,234,382	3,860,890	3,052,137	3,053,537	2,553,337	10,554,003	10,536,611	9,232,862
In-place rent	€/sqm	7.02	6.95	6.88	6.00	5.95	5.85	5.75	5.70	5.60	6.25	6.19	6.10
EPRA vacancy rate	%	2.2	2.3	1.8	2.6	2.8	2.6	4.4	4.4	4.0	2.9	3.0	2.7
Total commercial													
Units											1,566	1,563	1,345
Area	sqm										264,626	252,907	225,185
Total parking													
Units											45,965	45,526	40,013
Total other													
Units											2,703	3,161	2,893

Value development

The following table shows the distribution of assets by market segment. Following the revaluation of the portfolio as at 30 June 2022 the rental yield was 4.0%. This corresponds to a rent multiple of 24.7. According to the EPRA definition, the valuation of the residential portfolio represents a net initial yield of 2.8%.

T4

Market segments

30.06.2022	Residential units	Residential assets in € million[1]	Share residential assets in %	Gross asset value €/sqm	In-place rent multiplier	Commercial/ other assets in € million[2]	Total assets in € million
High Growth Markets	**49,474**	**8,402**	**43**	**2,575**	**30.7x**	**348**	**8,750**
District of Mettmann	8,513	1,625	8	2,752	31.0x	79	1,704
Muenster	6,167	1,214	6	2,946	35.0x	66	1,280
Dusseldorf	5,701	1,299	7	3,452	34.3x	60	1,359
Cologne	4,234	927	5	3,215	35.5x	34	961
Aachen	2,430	311	2	1,881	29.3x	7	318
Other locations	22,429	3,026	16	2,115	27.1x	102	3,128
Stable Markets	**66,651**	**7,182**	**37**	**1,684**	**23.6x**	**231**	**7,412**
Dortmund	13,861	1,684	9	1,851	27.0x	62	1,746
District of Unna	6,916	571	3	1,334	20.6x	25	596
Moenchengladbach	6,439	737	4	1,803	22.8x	18	755
Essen	3,559	358	2	1,554	21.8x	15	373
Bielefeld	3,234	426	2	2,107	26.1x	13	439
Other locations	32,642	3,406	18	1,633	22.7x	97	3,503
Higher-Yielding Markets	**50,503**	**3,767**	**19**	**1,233**	**18.4x**	**106**	**3,873**
District of Recklinghausen	9,028	724	4	1,307	20.1x	22	746
Gelsenkirchen	7,248	474	2	1,135	17.4x	11	484
Wilhelmshaven	6,856	389	2	976	15.4x	10	398
Duisburg	6,315	580	3	1,523	20.5x	31	611
Hamm	4,837	377	2	1,299	18.8x	6	383
Other locations	16,219	1,223	6	1,206	18.2x	27	1,250
Total portfolio	**166,628**	**19,351**	**100**	**1,828**	**24.7x**	**685**	**20,036**
Leasehold and land values							284
Balance sheet property valuation assets (IAS 40)							**20,319**
Prepayments for property held as an investment property and Construction Costs							18
Assets under construction (IAS 40)							350
Inventories (IAS 2)							0
Owner-occupied property (IAS 16)							86
Assets held for sale (IFRS 5)							17
Total balance sheet							**20,790**

[1] Excluding 476 residential units in commercial buildings; including 773 commercial units as well as several other units in mixed residential assets.
[2] Excluding 773 commercial units in mixed residential assets; including 476 residential units in commercial buildings, commercial, parking, other assets.

Analysis of net assets, financial position and results of operations

Please see the glossary in the 2021 annual report for a definition of individual key figures and terms.

Results of operations

T5

Condensed income statement

€ million	Q2 2022	Q2 2021	01.01.–30.06.2022	01.01.–30.06.2021
Net rental and lease income	91.3	137.4	242.3	266.4
Net income from the disposal of investment properties	–0.2	–0.2	–0.8	–0.4
Net income from the remeasurement of investment properties	1,169.0	1,108.4	1,169.3	1,110.3
Net income from the disposal of real estate inventory	0.0	0.0	0.0	0.0
Net income from other services	1.8	1.3	4.8	2.7
Administrative and other expenses	–56.0	–12.6	–72.6	–24.1
Other income	0.0	0.0	0.0	0.0
Operating earnings	**1,205.9**	**1,234.3**	**1,343.0**	**1,354.9**
Interest income	0.0	0.0	0.0	0.0
Interest expenses	–32.8	–32.2	–65.1	–57.1
Net income from investment securities and other equity investments	–143.0	3.6	–109.6	3.6
Net income from the fair value measurement of derivatives	107.7	–33.9	152.8	14.1
Net finance earnings	**–68.1**	**–62.5**	**–21.9**	**–39.4**
Earnings before income taxes	**1,137.8**	**1,171.8**	**1,321.1**	**1,315.5**
Income taxes	–232.1	–232.9	–260.9	–252.2
Net profit or loss for the period	**905.7**	**938.9**	**1,060.2**	**1,063.3**

Net rental and lease income decreased by EUR 24.1 million or 9.0 % to EUR 242.3 million, which is mainly due to the amortisation of goodwill in the amount of EUR 58.9 million as a result of higher interest rates.

Adjusted EBITDA increased by 13.5 % to EUR 296.5 million. Adjusted EBITDA margin decreased to 74.8 % in the reporting period (comparative period: 77.2 %).

In the reporting period the decline in operating earnings by EUR 11.9 million is mainly due to the EUR 24.1 million lower result from net rental and lease income and the EUR 48.5 million increase in administrative and other expenses. The raise in administrative and other expenses is essentially related to the impairment of goodwill in the amount of EUR 40.7 million. This was offset by EUR 59.0 million higher net income from the remeasurement of investment properties.

The decrease in net income from investment securities and other equity investments to EUR –109.6 million resulted in the amount of EUR –115.1 million from the valuation of the investment in Brack Capital Properties N.V. at fair value.

In the reporting period, net income from the fair value measurement of derivatives resulted primarily from changes in the fair value of embedded derivatives from the convertible bonds in the amount of EUR 154.0 million (comparative period: EUR 14.2 million).

Current income tax expenses of EUR –0.5 million were recorded affecting net income (comparative period: EUR –2.2 million) in the reporting period.

Net rental and lease income

T6

Net rental and lease income

€ million	Q2 2022	Q2 2021	01.01.–30.06.2022	01.01.–30.06.2021
Net cold rent	198.7	170.1	396.2	338.5
Profit from operating expenses	–1.1	0.1	–3.1	–0.6
Maintenance for externally procured services	–16.5	–12.8	–35.9	–29.0
Staff costs	–25.7	–20.3	–51.4	–41.4
Allowances on rent receivables	–4.3	–1.5	–8.5	–3.8
Depreciation and amortisation expenses	–61.8	–2.8	–64.4	–5.4
Other	2.0	4.6	9.4	8.1
Net rental and lease income	**91.3**	**137.4**	**242.3**	**266.4**
Net operating income – margin (in %)	**45.9**	**80.8**	**61.2**	**78.7**
Non-recurring special effects – rental and lease	3.1	1.7	4.2	3.3
Depreciation and amortisation expenses	61.8	2.8	64.4	5.4
Adjusted net rental and lease income	**156.2**	**141.9**	**310.9**	**275.1**
Adjusted net operating income – margin (in %)	**78.6**	**83.4**	**78.5**	**81.3**

In the reporting period, the net rental and lease income decreased by EUR 24.1 million compared to the same period of the previous year. The main driver of this development is the amortisation of goodwill in the amount of EUR 58.9 million due to higher interest rates. In addition an increase in the number of employees mainly in connection with acquisitions made in 2021 led to an increase in staff costs of EUR 10.0 million. The allowances on rent receivables increased by EUR 4.7 million, in particular due to the increased volume of operating expenses that have not yet been invoiced. This was countered by the rise in net cold rents by EUR 57.7 million. In-place rent per square metre on a like-for-like basis rose by 2.6 % in the reporting period.

The adjusted net operating income (NOI)-margin decreased slightly to 78.5 % from 81.3 % in the same period of the previous year.

The EPRA (EPRA Public Real Estate Association) vacancy rate on a like-for-like basis has improved compared to the comparative period and stands at 2.2 % as at 30 June 2022 (2.5 % as at 30 June 2021).

T7

EPRA vacancy rate

€ million	30.06.2022	30.06.2021
Rental value of vacant space – like-for-like	16.3	18.1
Rental value of vacant space – total	25.5	19.3
Rental value of the whole portfolio – like-for-like	751.7	722.0
Rental value of the whole portfolio – total	867.1	726.2
EPRA vacancy rate – like-for-like (in %)	**2.2**	**2.5**
EPRA vacancy rate total (in %)	**2.9**	**2.7**

The EPRA capex splits the capitalised expenditure of the reporting period in comparison to the comparative period and reconciles to investments for investment properties. The value-adding modernisation work, divided into development (new development on own land in an amount of EUR 10.5 million) and investments in investment properties (EUR 150.4 million), increased by 9.5 % to EUR 160.9 million in the reporting period. Due to the increase in acquisitions to EUR 206.2 million, the EPRA Capex amounted to EUR 367.1 million in the reporting period.

T8

EPRA capex

€ million	01.01. – 30.06.2022	01.01. – 30.06.2021
Acquisitions	206.2	128.3
Development	10.5	3.2
Investments in investment properties	150.4	143.8
thereof incremental lettable space	2.3	1.3
thereof no incremental lettable space	148.1	142.5
EPRA capex	**367.1**	**275.3**
Additions to/utilisation of provisions for capex	–5.9	–2.6
Additions to/utilisation of provisions for incidental purchase price costs and change in prepayments for investment properties	23.7	38.3
Payments for investments in investment properties	**384.9**	**311.0**

In addition to value enhancing modernisations, the increase in maintenance expenses by EUR 4.3 million to EUR 55.5 million led to total investments in the reporting period of EUR 223.3 million (comparative period: EUR 198.2 million). For the calculation of the total investments per square metre, mainly the investments for new construction activities, public safety measures for portfolio acquisitions as well as capitalised own services were eliminated from the total investments. Adjusted, total investments amount to EUR 197.6 million and the average total investment per square metre is EUR 18.31 euros (comparative period: EUR 19.14). The adjusted capitalisation ratio was reduced to 72.8 % in the reporting period (comparative period: 75.1 %).

T9

Maintenance and modernisation

€ million	Q2 2022	Q2 2021	01.01. – 30.06.2022	01.01. – 30.06.2021
Maintenance expenses	30.1	26.8	55.5	51.2
thereof investment properties	29.8	25.8	54.2	49.2
Capital expenditure	95.0	77.2	167.8	147.0
thereof investment properties	93.8	76.7	166.8	145.6
Total investment	**125.1**	**104.0**	**223.3**	**198.2**
thereof investment properties	123.6	102.5	221.0	194.8
Area of investment properties in million sqm	10.80	9.20	10.79	9.43
Adjusted total investment	**125.1**	**104.0**	**197.6**	**180.5**
Adjusted average investment per sqm (€)	**11.58**	**11.30**	**18.31**	**19.14**

Net income from the disposal of investment properties

T10

Net income from the disposal of investment properties

€ million	Q2 2022	Q2 2021	01.01. – 30.06.2022	01.01. – 30.06.2021
Income from the disposal of investment properties	8.9	4.6	33.7	26.0
Carrying amount of the disposal of investment properties	–8.9	–4.6	–33.9	–26.0
Costs of sales of investment properties	–0.2	–0.2	–0.6	–0.4
Net income from the disposal of investment properties	**–0.2**	**–0.2**	**–0.8**	**–0.4**

Disposals of investment property increased in the reporting period. Income from the disposal of investment property amounted to EUR 33.7 million and relate mainly to objects, which were reported as assets held for sale and were remeasured up to the agreed property value as of 31 December 2021.

Net income from remeasurement of investment properties

Net income from remeasurement of investment properties amounted to EUR 1,169.3 million in the reporting period. Based on the property portfolio as at the beginning of the financial year (including the remeasured acquisitions), this corresponds to an increase of 6.1 %.

The average value of investment properties (incl. IFRS 5 objects) was EUR 1,828 per square metre as at 30 June 2022 including acquisitions (31 December 2021: EUR 1,706 per square metre).

The increase in the value of the portfolio is the result of the further increase in rents as well as further reduction in the discount and capitalisation rates.

Net income from the disposal of real estate inventory

The remaining real estate inventory held as at 30 June 2022 amounted to EUR 0.1 million is land under development.

Administrative and other expenses

T11

Administrative and other expenses

€ million	Q2 2022	Q2 2021	01.01. – 30.06.2022	01.01. – 30.06.2021
Other operating expenses	–6.1	–4.5	–13.3	–8.2
Staff costs	–7.7	–7.0	–15.3	–13.5
Purchased services	–0.5	–0.2	–1.1	–0.5
Depreciation and amortisation	–41.7	–0.9	–42.9	–1.9
Administrative and other expenses	**–56.0**	**–12.6**	**–72.6**	**–24.1**
Depreciation and amortisation	41.7	0.9	42.9	1.9
Non-recurring special effects in administration	5.5	2.9	10.1	4.2
Adjusted administrative and other expenses	**–8.9**	**–8.7**	**–19.6**	**–18.0**

The increase in other operating expenses is mainly attributable to higher consultancy fees. Higher depreciation and amortisation expenses are due to the impairment of goodwill in the amount of EUR 40.7 Million. The adjusted administrative expenses increased by EUR 1.6 million or 8.9 % in the first six months compared to the same period in the previous year.

Net finance earnings

T12

Net finance earnings

€ million	Q2 2022	Q2 2021	01.01. – 30.06.2022	01.01. – 30.06.2021
Interest income	0.0	0.0	0.0	0.0
Interest expenses	–32.8	–32.2	–65.1	–57.1
Net interest income	**–32.8**	**–32.2**	**–65.1**	**–57.1**
Net income from other financial assets and other investments	–143.0	3.6	–109.6	3.6
Net income from the fair value measurement of derivatives	107.7	–33.9	152.8	14.1
Net finance earnings	**–68.1**	**–62.5**	**–21.9**	**–39.4**

The interest expenses increased in the first half of 2022 compared to the same period in the previous year by EUR –8.0 million to EUR –65.1 million. The rise in interest expenses is mainly due to issued corporate bonds after the comparative period.

Year-on-year a further reduction in the average interest rate to 1.15 % was achieved as at 30 June 2022 (1.24 % as at 30 June 2021) based on an average term of around 7.06 years (7.66 years as at 30 June 2021).

The decrease in net income from other financial assets and other investments to EUR –109.6 million resulted in the amount of EUR –115.1 million from the valuation of the investment in Brack Capital Properties N.V. at fair value.

In the reporting period, net income from the fair value measurement of derivatives resulted primarily from changes in the fair value of embedded derivatives from the convertible bond in the amount of EUR 154.0 million (comparative period: EUR 14.2 million).

Income tax expenses

T13

Income tax expenses

€ million	Q2 2022	Q2 2021	01.01. – 30.06.2022	01.01. – 30.06.2021
Current tax expenses	–0.2	–0.6	–0.5	–2.2
Deferred tax expenses	–231.9	–232.3	–260.4	–250.0
Income tax expenses	**–232.1**	**–232.9**	**–260.9**	**–252.2**

An effective Group tax rate of 20.4 % was assumed in the reporting period in accordance with Group tax planning (comparative period: 19.2 %). Current tax expenses include with EUR –0.2 million income taxes relating to other periods. These relate to the release of a corporate tax provision for 2019.

Reconciliation to FFO

FFO I is a 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). The calculation methods for these key figures can be found in the glossary in the annual report 2021.

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

T14

Calculation of FFO I, FFO II and AFFO

€ million	Q2 2022	Q2 2021	01.01. – 30.06.2022	01.01. – 30.06.2021
Net cold rent	198.7	170.1	396.2	338.5
Profit from operating expenses	–1.1	0.1	–3.1	–0.6
Maintenance for externally procured services	–16.5	–12.8	–35.9	–29.0
Staff costs	–25.7	–20.3	–51.4	–41.4
Allowances on rent receivables	–4.3	–1.5	–8.5	–3.8
Other	2.0	4.6	9.4	8.1
Special one-off effects (rental and lease)	3.1	1.7	4.2	3.3
Recurring net rental and lease income	**156.2**	**141.9**	**310.9**	**275.1**
Recurring net income from other services	**2.0**	**2.1**	**5.2**	**4.2**
Staff costs	–7.7	–7.0	–15.3	–13.5
Non-staff operating costs	–6.7	–4.6	–14.4	–8.7
Special one-off effects (admin.)	5.5	2.9	10.1	4.2
Recurring administrative expenses	**–8.9**	**–8.7**	**–19.6**	**–18.0**
Recurring other income and expenses	0.0	0.0	0.0	0.0
Adjusted EBITDA	**149.3**	**135.3**	**296.5**	**261.3**
Cash interest expenses and income	–27.3	–21.7	–54.1	–42.2
Cash income taxes from rental and lease	–1.0	0.9	–	–0.5
FFO I (before adjustment of non-controlling interests)	**121.0**	**114.5**	**242.4**	**218.6**
Adjustment of non-controlling interests	–1.0	–0.4	–1.0	–0.4
FFO I (after adjustment of non-controlling interests)	**120.0**	**114.1**	**241.4**	**218.2**
Weighted average number of shares outstanding	**72,980,697**	**72,151,272**	**72,910,161**	**72,124,864**
FFO I per share	**1.64**	**1.58**	**3.31**	**3.03**
Net income from the disposal of investment properties	1.3	0.0	0.8	–0.2
Cash income taxes from disposal of investment properties	–0.2	–1.7	–1.5	–1.8
FFO II (incl. disposal of investment properties)	**121.1**	112.4	**240.7**	216.2
Capex	–91.6	–77.2	–162.0	–147.0
Capex-adjusted FFO I (AFFO)	**28.4**	**36.9**	**79.4**	**71.2**

At EUR 241.4 million, FFO I was 10.6 % higher in the reporting period than in the same period of the previous year (EUR 218.2 million). In particular, this increase is attributable to the positive impact from the rise in net cold rents including the effects of the concluded acquisitions.

Due to rising interest expenses, the interest coverage ratio (ratio of adjusted EBITDA to cash interest expense) decreased from 619 % in the same period of the previous year to 548 % in the reporting period.

EPRA earnings per share (EPS)

The following table shows earnings per share according to the best practice recommendations by EPRA:

T15

EPRA earnings per share (EPS)

€ million	Q2 2022	Q2 2021	01.01. – 30.06.2022	01.01. – 30.06.2021
Net profit or loss for the period attributable to parent shareholders	904.7	937.9	1,058.4	1,061.6
Changes in value of investment properties	–1,169.0	–1,108.4	–1,169.3	–1,110.3
Profits or losses on disposal of investment properties, development properties held for investment, other interests and sales of trading properties including impairment charges in respect	0.1	0.2	0.8	0.4
Tax on profits or losses on disposals of trading properties	0.5	0.0	1.8	0.2
Changes in fair value of financial instruments and associated close-out costs	–107.7	33.9	–152.8	–14.1
Acquisition costs on share deals and non-controlling joint venture interests	0.6	0.0	0.6	0.1
Deferred tax in respect of EPRA adjustments	203.6	197.8	203.7	198.2
Refinancing expenses	0.0	2.0	0.0	2.0
Other interest expenses	1.1	4.9	2.1	5.4
Non-controlling interests in respect of the above	0.7	1.6	1.4	1.6
EPRA earnings	**–165.4**	**69.9**	**–53.3**	**145.1**
Weighted average number of shares outstanding	72,980,697	72,153,785	72,910,161	72,124,864
EPRA earnings per share (undiluted) in €	–2.27	0.97	–0.73	2.01
Potentially dilutive shares	–	3,470,683	–	3,470,683
Interest coupon on convertible bond	–	1.4	–	1.4
Amortisation expenses convertible bond after taxes	–	1.0	–	1.0
EPRA earnings (diluted)	**–165.4**	**72.3**	**–53.3**	**147.5**
Number of diluted shares	72,980,697	75,624,468	72,910,161	75,595,547
EPRA earnings per share (diluted) in €	**–2.27**	**0.96**	**–0.73**	**1.95**

Consolidated statement of financial position

T16

Condensed statement of financial position

€ million	30.06.2022	31.12.2021
Investment properties	20,669.1	19,067.7
Prepayments for investment properties	17.8	23.4
Other non-current assets	700.4	594.4
Non-current assets	21,387.3	19,685.5
Receivables and other assets	208.9	155.6
Cash and cash equivalents	328.9	675.6
Current assets	537.8	831.2
Assets held for sale	17.1	37.0
Total assets	**21,942.2**	**20,553.7**
Equity	9,891.2	8,953.0
Non-current financial liabilities	9,051.9	7,367.0
Other non-current liabilities	2,424.8	2,335.0
Non-current liabilities	11,476.7	9,702.0
Current financial liabilities	195.5	1,518.1
Other current liabilities	378.8	380.6
Current liabilities	574.3	1,898.7
Total equity and liabilities	**21,942.2**	**20,553.7**

A fair value measurement of investment properties was conducted as at 30 June 2022. The resulting valuation effect of EUR 1,169.3 million (comparative period: EUR 1,110.3 million) was the main driver for the increase in this item compared to 31 December 2021. Furthermore, additions from acquisitions with EUR 281.0 million and capitalisation of property modernisation measures with EUR 165.1 million contributed to the increase of investment properties.

The deferral of prepaid operating costs with EUR 55.9 million contribute significantly to the development of the receivables and other current assets.

Cash and cash equivalents decreased from EUR 675.6 million to EUR 328.9 million compared to the same date of the previous year. This development was mainly due to the cash flow from operating activities (EUR 191.0 million), the utilisation of new loans (EUR 296.1 million) and the issuance of a corporate bond in three tranches to finance investments with EUR 1,482.4 million. In contrast, there are cash outflows from investing activities (EUR 703.1 million), scheduled and unscheduled repayments with EUR 1,421.1 million including repayment of bridge financing in the amount of EUR 1,400.0 million as well as the cash dividend for the financial year 2021 to shareholders in the amount of EUR 183.3 million.

The development of equity since 31 December 2021 is mainly characterised by the net profit for the period (EUR 1,122.2 million), the dividend payment to shareholders (EUR –296.7 million) as well as the capital increase in connection with the stock dividend (EUR 113.2 million).

Within non-current financial liabilities the obligations increased through the issued bond in three tranches by EUR 1,500.0 million. Current financial liabilities reduced among other things due to the repayment of bridge financing for the acquisition of the Adler portfolio by 1,400.0 million. Driven by the fair value measurement, deferred tax liabilities shown in other non-current liabilities increased by EUR 271.0 million as at 30 June 2022. The decrease in other current liabilities is mainly due to the measurement of pension obligations as well as 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 relevant key figure. The calculation method for the respective key figure can be found in the glossary in the 2021 annual report.

LEG Immo reports an EPRA NTA of EUR 11,953.7 million or EUR 161.30 per share as at 30 June 2022. Deferred taxes on investment property 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.

T17

EPRA NRV, EPRA NTA, EPRA NDV

€ million	30.06.2022 EPRA NRV	30.06.2022 EPRA NTA	30.06.2022 EPRA NDV	31.12.2021 EPRA NRV	31.12.2021 EPRA NTA	31.12.2021 EPRA NDV
Equity attributable to shareholders of the parent company	**9,866.0**	**9,866.0**	**9,866.0**	**8,927.9**	**8,927.9**	**8,927.9**
Hybrid instruments	29.9	29.9	29.9	455.7	455.7	455.7
Diluted NAV at fair value	**9,895.9**	**9,895.9**	**9,895.9**	**9,383.6**	**9,383.6**	**9,383.6**
Deferred tax in relation to fair value gains of IP and deferred tax on subsidised loans and financial derivatives	2,357.4	2,345.1	–	2,056.5	2,044.8	–
Fair value of financial instruments	–80.1	–80.1	–	95.2	95.2	–
Goodwill as a result of deferred tax	–203.7	–203.7	–203.7	–267.3	–267.3	–267.3
Goodwill as a result of synergies	–	–	–	–	–103.4	–103.4
Intangibles as per the IFRS balance sheet	–	–3.5	–	–	–3.8	–
Fair value of fixed interest rate debt	–	–	899.3	–	–	–307.4
Deferred taxes of fixed interest rate debt	–	–	–183.6	–	–	59.5
Revaluation of intangibles to fair value	–	–	–	–	–	–
Estimated ancillary acquisition costs (real estate transfer tax)[1]	2,001.4	–	–	1,843.9	–	–
NAV	**13,970.9**	**11,953.7**	**10,407.9**	**13,111.9**	**11,149.1**	**8,765.0**
Fully diluted number of shares	**74,109,276**	**74,109,276**	**74,109,276**	**76,310,308**	**76,310,308**	**76,310,308**
NAV per share	**188.52**	**161.30**	**140.44**	**171.82**	**146.10**	**114.86**

[1] Taking the ancillary acquisition costs into account would result in an NTA of EUR 13,942.2 million or EUR 188.13 per share.

Loan-to-value ratio (LTV)

Net debt at the end of the reporting period is slightly higher compared with 31 December 2021. The fair value measurement of investment properties resulted in an unchanged loan-to-value ratio (LTV) of 42.1 % as at 30 June 2022 (31 December 2021: 42.1 %).

T18

LTV

€ million	30.06.2022	31.12.2021
Financing liabilities	9,247.4	8,885.1
Without lease liabilities IFRS 16 (not leasehold)	23.7	27.4
Less cash and cash equivalents[1]	373.9	745.6
Net financing liabilities	**8,849.8**	**8,112.1**
Investment properties	20,669.1	19,067.7
Assets held for sale	17.1	37.0
Prepayments for investment properties	17.8	23.4
Participation in other real estate companies[1]	297.4	119.2
Prepayments for business combinations	–	1.8
Real estate assets	**21,001.4**	**19,249.1**
Loan-to-value ratio (LTV) in %	**42.1**	**42.1**

[1] The calculation was adjusted to the current market standard as of 31 March 2022. The net financial liabilities are reduced by the short-term deposits, the real estate assets are supplemented by the participations in other real estate companies. The figure as at 31 December 2021 was adjusted accordingly.

Financial position

A net profit for the period of EUR 1,060.2 million was realised in the reporting period (comparative period: EUR 1,063.3 million). Equity amounted to EUR 9,891.2 million at the reporting date (31 December 2020: EUR 8,953.0 million). This corresponds to an equity ratio of 45.1 % (31 December 2020: 43.6 %).

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

T19

Statement of cash flows

€ million	01.01. – 30.06.2022	01.01. – 30.06.2021
Cash flow from operating activities	191.0	190.6
Cash flow from investing activities	– 703.1	– 316.1
Cash flow from financing activities	165.4	676.5
Change in cash and cash equivalents	**– 346.7**	**551.0**

In the reporting period, the cashflow from operating activities benefited from increased net cold rents also from previous portfolio acquisitions. Due to increased interest and tax payments as well as special one-off effects the cashflow from operating activities improved slightly.

Acquisitions and modernisation work on the existing portfolio with cash payments of EUR 384.9 million and EUR 61.6 million for owner-occupied property contributed to the cash flow from investing activities. In addition, payments from sold assets in the amount of EUR 14.3 million, repayments of short-term financial investments of EUR 25.0 million and the acquisition of further shares in Brack Capital of EUR 293.3 million resulted into a cashflow from investing activities of EUR – 703.1 million.

In the first half of 2022, the main drivers of the cashflow from financing activities amounting to EUR 165.4 million were the issuance of a corporate bond in three tranches (EUR 1,482.4 million) and in the opposite direction the repayments of bank loans (EUR – 1,421.1 million), in particular a bridge financing in the amount of EUR 1,400.0 million. In addition, there were new loans utilised (EUR 296.1 million) and the dividend payment to shareholders (EUR 183.3 million).

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

Risk and opportunity report

The risks and opportunities faced by LEG in its operating activities were described in detail in the annual report 2021. To date, no further significant risks that would lead to a different assessment have arisen or become discernible in the fiscal year 2022.

With regard to increased energy costs, especially for gas deliveries, there is a risk of higher payment defaults on the part of tenants. However, the extent of potential payment defaults is currently not considered to be significant. In view of the uncertain supply situation and possible further price increases, increasing payment defaults cannot be ruled out for the future.

Forecast

Based on the business performance in the first six months of 2022, LEG believes it is well positioned overall to confirm its earnings targets for the financial year 2022. With the release of the interim report as at 30 June 2022, LEG specified investments will be less than EUR 46 per sqm. For more details, please refer to the forecast report in the annual report 2021 (page 80).

T20

Outlook 2022

FFO I	in the range of EUR 475 million to EUR 490 million
Like-for-like rental growth	c. 3.0%
Investments	less than EUR 46 per sqm (previously: c. EUR 46 – 48 per sqm)
LTV	43% max.
Dividend	70% of FFO I

Consolidated statement of financial position

T21

Assets

€ million	30.06.2022	31.12.2021
Non-current assets	**21,387.3**	**19,685.5**
Investment properties	20,669.1	19,067.7
Prepayments for investment properties	17.8	23.4
Property, plant and equipment	140.0	88.8
Intangible assets and goodwill	207.2	374.6
Investments in associates	11.5	10.5
Other financial assets	338.3	111.2
Receivables and other assets	3.4	0.2
Deferred tax assets	–	9.1
Current assets	**537.8**	**831.2**
Real estate inventory and other inventory	15.5	2.9
Receivables and other assets	180.3	143.2
Income tax receivables	13.1	9.5
Cash and cash equivalents	328.9	675.6
Assets held for sale	**17.1**	**37.0**
Total assets	**21,942.2**	**20,553.7**

Equity

€ million	30.06.2022	31.12.2021
Equity	**9,891.2**	**8,953.0**
Share capital	74.1	72.8
Capital reserves	1,751.1	1,639.2
Cumulative other reserves	8,040.7	7,215.9
Equity attributable to shareholders of the parent company	9,865.9	8,927.9
Non-controlling interests	25.3	25.1
Non-current liabilities	**11,476.7**	**9,702.0**
Pension provisions	101.0	142.9
Other provisions	4.8	6.7
Financing liabilities	9,051.9	7,367.0
Other liabilities	62.5	200.0
Deferred tax liabilities	2,256.5	1,985.4
Current liabilities	**574.3**	**1,898.7**
Pension provisions	5.6	6.7
Other provisions	30.4	25.2
Provisions for taxes	0.2	0.2
Financing liabilities	195.5	1,518.1
Other liabilities	330.9	331.4
Tax liabilities	11.7	17.1
Total equity and liabilities	**21,942.2**	**20,553.7**

Consolidated statement of comprehensive income

T22

€ million	Q2 2022	Q2 2021	01.01.–30.06.2022	01.01.–30.06.2021
Net rental and lease income	**91.3**	**137.4**	**242.3**	**266.4**
Rental and lease income	279.0	223.9	562.1	455.1
Cost of sales in connection with rental and lease income	–187.7	–86.5	–319.8	–188.7
Net income from the disposal of investment properties	**–0.2**	–0.2	–0.8	**–0.4**
Income from the disposal of investment properties	8.9	4.6	33.7	26.0
Carrying amount of the disposal of investment properties	–8.9	–4.6	–33.9	–26.0
Cost of sales in connection with disposed investment properties	–0.2	–0.2	–0.6	–0.4
Net income from the remeasurement of investment properties	**1,169.0**	**1,108.4**	**1,169.3**	**1,110.3**
Net income from the disposal of real estate inventory	**0.0**	**0.0**	**0.0**	**0.0**
Income from the real estate inventory disposed of	0.1	0.2	0.1	1.3
Carrying amount of the real estate inventory disposed of	–0.1	–0.2	–0.1	–1.1
Costs of sales of the real estate inventory disposed of	0.0	0.0	0.0	–0.2
Net income from other services	**1.8**	**1.3**	**4.8**	**2.7**
Income from other services	4.4	3.1	9.6	6.1
Expenses in connection with other services	–2.6	–1.8	–4.8	–3.4
Administrative and other expenses	**–56.0**	**–12.6**	**–72.6**	**–24.1**
Other income	**0.0**	**0.0**	**0.0**	**0.0**
Operating Earnings	**1,205.9**	**1,234.3**	**1,343.0**	**1,354.9**
Interest income	0.0	0.0	0.0	0.0
Interest expenses	–32.8	–32.2	–65.1	–57.1
Net income from investment securities and other equity investments	–143.0	3.6	–109.6	3.6
Net income from the fair value measurement of derivatives	107.7	–33.9	152.8	14.1
Earnings before income taxes	**1,137.8**	**1,171.8**	**1,321.1**	**1,315.5**
Income taxes	–232.1	–232.9	–260.9	–252.2
Net profit or loss for the period	**905.7**	**938.9**	**1,060.2**	**1,063.3**

€ million	Q2 2022	Q2 2021	01.01.–30.06.2022	01.01.–30.06.2021
Change in amounts recognised directly in equity	**29.9**	**6.4**	**62.0**	**18.8**
Thereof recycling				
Fair value adjustment of interest rate derivatives in hedges	**14.6**	**6.2**	**33.5**	**11.8**
Change in unrealised gains/(losses)	17.8	7.4	40.8	14.2
Income taxes on amounts recognised directly in equity	–3.2	–1.2	–7.3	–2.4
Thereof non-recycling				
Actuarial gains and losses from the measurement of pension obligations	**15.3**	**0.2**	**28.5**	**7.0**
Change in unrealised gains/(losses)	22.0	0.4	40.9	10.1
Income taxes on amounts recognised directly in equity	–6.7	–0.2	–12.4	–3.1
Total comprehensive income	**935.6**	**945.3**	**1,122.2**	**1,082.1**
Net profit or loss for the period attributable to:				
Non-controlling interests	1.0	1.0	1.8	1.7
Parent shareholders	904.7	937.9	1,058.4	1,061.6
Total comprehensive income attributable to:				
Non-controlling interests	1.0	1.0	1.8	1.7
Parent shareholders	934.6	944.3	1,120.4	1,080.4
Earnings per share (basic) in €	**12.41**	**13.00**	**14.52**	**14.72**
Earnings per share (diluted) in €	**9.99**	**12.32**	**11.36**	**13.29**

Statement of changes in consolidated equity

T23

€ 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 01.01.2021	**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	–	–	1,061.6	–	–	1,061.6	1.7	1,063.3
Other comprehensive income	–	–	–	7.0	11.8	18.8	0.0	18.8
Total comprehensive income	**–**	**–**	**1,061.6**	**7.0**	**11.8**	**1,080.4**	**1.7**	**1,082.1**
Other	–	–	0.9	–	–	0.9	–	0.9
Change in consolidated companies	–	–	–	–	–	–	–	–
Capital increase	0.7	86.1	–	–	–	86.8	–	86.8
Withdrawls from reserves	–	–	–	–	–	–	–1.4	–1.4
Changes from put options	–	–	–	–	–	–	–	–
Distributions	–	–	–272.5	–	–	–272.5	–0.1	–272.6
As of 30.06.2021	**72.8**	**1,639.2**	**6,614.8**	**–43.1**	**–22.5**	**8,261.2**	**24.5**	**8,285.7**
As of 01.01.2022	**72.8**	**1,639.2**	**7,274.9**	**–43.1**	**–15.9**	**8,927.9**	**25.1**	**8,953.0**
Net profit/loss for the period	–	–	1,058.4	–	–	1,058.4	1.8	1,060.2
Other comprehensive income	–	–	–	28.5	33.5	62.0	0.0	62.0
Total comprehensive income	**–**	**–**	**1,058.4**	**28.5**	**33.5**	**1,120.4**	**1.8**	**1,122.2**
Other	–	–	0.9	–	–	0.9	–	0.9
Change in consolidated companies/other	–	–	–	–	–	–	–	–
Capital increase	1.3	111.9	–	–	–	113.2	–	113.2
Withdrawls from reserves	–	–	–	–	–	–	–1.4	–1.4
Changes from put options	–	–	–	–	–	–	–	–
Distributions	–	–	–296.5	–	–	–296.5	–0.2	–296.7
As of 30.06.2022	**74.1**	**1,751.1**	**8,037.7**	**–14.6**	**17.6**	**9,865.9**	**25.3**	**9,891.2**

Consolidated statement of cash flows

T24

€ million	01.01.–30.06.2022	01.01.–30.06.2021
Operating earnings	**1,343.0**	**1,354.9**
Depreciation on property, plant and equipment and amortisation on intangible assets	107.6	8.8
(Gains)/Losses from the measurement of investment properties	–1,169.3	–1,110.3
(Gains)/Losses from the disposal of assets held for sale and investment properties	0.2	0.0
(Decrease)/Increase in pension provisions and other non-current provisions	–3.9	–1.7
Other non-cash income and expenses	7.7	3.7
(Decrease)/Increase in receivables, inventories and other assets	–86.5	–58.5
Decrease/(Increase) in liabilities (not including financing liabilities) and provisions	49.7	34.1
Interest paid	–54.1	–42.2
Interest received	0.0	0.0
Received income from investments	5.4	3.6
Taxes received	1.7	1.4
Taxes paid	–10.5	–3.2
Net cash from/(used in) operating activities	**191.0**	**190.6**
Cashflow from investing activities		
Investments in investment properties	–384.9	–311.0
Proceeds from disposals of non-current assets held for sale and investment properties	14.3	9.7
Investments in intangible assets and property, plant and equipment	–61.6	–3.8
Investments in financial assets and other assets	–293.3	–6.0
Acquisition of shares in consolidated companies	–2.6	–10.0
Proceeds from disposals of shares in consolidated companies	25.0	5.0
Net cash from/(used in) investing activities	**–703.1**	**–316.1**
Cash flow from financing activities		
Borrowing of bank loans	296.1	–
Repayment of bank loans	–1,421.1	–218.7
Issue of convertible and corporate bonds	1,482.4	1,088.6
Repayment of lease liabilities	–5.7	–5.9
Other payments	–1.0	–
Distribution to shareholders	–183.3	–185.7
Distribution and withdrawal from reserves of non-controlling interest	–2.0	–1.8
Net cash from/(used in) financing activities	**165.4**	**676.5**
Change in cash and cash equivalents	**–346.7**	**551.0**
Cash and cash equivalents at beginning of period	675.6	335.4
Cash and cash equivalents at end of period	**328.9**	**886.4**
Composition of cash and cash equivalents		
Cash in hand, bank balances	328.9	886.4
Cash and cash equivalents at end of period	**328.9**	**886.4**

Selected notes on the IFRS interim consolidated financial statements as at 30 June 2022

1. Basic information on the Group

LEG Immobilien SE, Dusseldorf (hereinafter: "LEG Immo"), its subsidiaries, especially LEG NRW GmbH, Dusseldorf (hereinafter: "LEG") and the subsidiaries of the latter company (hereinafter referred to collectively as the "LEG Group") are among the largest residential companies in Germany. On 30 June 2022, LEG Group held a portfolio of 168,194 (30 June 2021: 146,237) residential and commercial units on 30 June 2022 (168,019 (30 June 2021: 146,221) units excluding IFRS 5 objects).

LEG Group 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 the portfolio strengthening.

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

2. Interim consolidated financial statements

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

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

3. Accounting policies

The accounting policies applied in the interim consolidated financial statements of LEG Group are the same as those presented in the IFRS consolidated financial statements of LEG Immo as of 31 December 2021. These interim consolidated financial statements as at 30 June 2022 should therefore be read in conjunction with the consolidated financial statements as at 31 December 2021.

The LEG Immo has fully applied the new standards and interpretations that are mandatory from 1 January 2022. The extension of the exemption in 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.

4. Changes in the Group

On 1 February 2022 Renowate GmbH (formerly Ökoconstruct Gesellschaft für energetische Sanierung mbH) was included in the consolidated financial statement for using the equity method.

On 14 December 2022 Youtilly GmbH (former pertus 150. GmbH) was acquired and consolidated for the first time as at 1 May 2022.

5. Assumptions and estimates

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

Although the management believes that the assumptions and estimates used are appropriate, any unforeseeable changes in these assumptions could impact the net assets, financial position and results of operations. The Covid-19 situation was taken into account in the discretionary decisions. There was no significant impact.

In view of the global effects of the Covid-19 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. The following sections are therefore based on the fundamental assumption that the Covid-19 pandemic represents a temporary phenomenon.

Development of property prices and demand

Supply and demand for housing will still be the decisive factors for future price development. In view of the rise in material and staff costs, the shortage of construction material and appropriately qualified staff, rising interest rates and increased requirements in terms of the energetic quality of new buildings combined with a reduction in state subsidies for new construction, it can be assumed that the construction activity will decline and that the existing demand overhang for affordable housing in Germany will widen. The supply deficit, which exists in many areas, is expected to widen and thus ensure that prices for affordable housing will continue to rise in the long term.

Development of rent defaults and rent deferrals

Increased energy costs and the CO_2 tax are currently making themselves felt in the form of higher, general allowances for operating and heating costs. To ensure that these higher allowances do not ultimately result in a correspondingly higher bad debt loss, LEG is informing its tenants about potential savings opportunities, pointing out possible government assistance and increasingly offering installment payment models in the event of payment bottlenecks. Nonetheless, due to the uncertain supply situation and skyrocketing energy prices, more sharply rising payment defaults cannot be ruled out for the future.

Housing vacancies

No developments can be seen at present that would indicate higher vacancies. Despite a pandemic-driven difficult environment, new lettings develop positively and tenant terminations are on a stable low level. As in the financial crisis in 2008/2009, immigration from EU countries that are hit hard by the economic consequences of the Covid-19 pandemic could increase again, thus 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 Group that the company has a large number of affordable apartments and can thus benefit from increased demand for inexpensive housing in times of recession.

After carefully weighing up the information currently available at LEG Group, LEG came to the conclusion that the effects of the Covid-19 pandemic on the housing sector in Germany and the effects on the business performance and the intrinsic value of the real estate assets of LEG Group should be manageable. There could even be opportunities for LEG Group in some cases.

For further information, please refer to the consolidated financial statements as at 31 December 2021.

War in the Ukraine

Following the invasion of Ukraine by the Russian Federation on 24 February 2022, oil prices have risen to USD 105 per barrel and gas prices have risen to 140 Euro per MwH as of 30 June 2022. 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. In addition, various Western states have decided and implemented military and financial aid for Ukraine. Whether and to what extent further sanctions will be adopted or whether the conflict may intensify further cannot be assessed at present. As a consequence, the Federal Government has tried to reduce the import of fossil fuels from the Russian Federation with great emphasis. Considering the volume of the imported natural gas, the replacement of the Russian supply will take some time. Therefore, the Federal Government has reacted to the observable energy price increases with social policy measures, including the introduction of a one-off energy subsidy. Possible impacts on LEG's business model are currently not expected, assuming the sustained resumption of gas deliveries by Nord Stream 1 at the end of July.

Inflation and interest rate development

In recent months, inflation expectations for Germany have increased significantly to 7.9 % and for the Eurozone to 7.6 % for 2022. This goes along with increased construction prices and higher energy costs. These developments have recently been further reinforced by the war in Ukraine. Higher construction prices may have a negative impact on the profitability of planned new construction projects and capex investments in LEG's existing portfolio. Higher energy costs are passed on to LEG's customers in their utility bills. In order to ease the burden on consumers, the Federal government passed various laws on 27 April 2022, paving the way for government transfers such as the energy price flat rate or a temporary reduction in the energy tax on fuels to counteract payment difficulties. In response to the rising inflation rate, the ECB raised the key interest rate to 0.5 % on 21 July 2022. This expectation was already reflected on the capital market by rising interest rates and higher credit spreads. For example, the 5-year Euro swap rate has risen significantly since the end of December 2021 from 0.017 % to 1.7910 % on 30 June 2022. Due to the currently limited financing requirements as well as the sustained high demand for German residential properties, LEG does not expect any significant negative impact on its business model in the short term. In the medium and long term, increased interest rates and credit spreads may result in higher financing costs for LEG, reduce the profitability of investments, impact FFO and in perspective, also have a negative impact on property valuations. The exact effects cannot be predicted in concrete terms at present due to the highly dynamic nature of the situation.

6. Selected notes to the consolidated statement of financial position

On 30 June 2022, LEG Group held 166,628 apartments and 1,566 commercial units in its portfolio (168,019 units excluding IFRS 5 properties).

Investment property developed as follows in the financial year 2021 and in 2022 up to the reporting date of the interim consolidated financial statements:

T25

Investment properties

€ million	Total	Residential assets: High-growth markets	Residential assets: Stable markets	Residential assets: Higher-yielding markets	Residential assets: Other	Commercial assets	Parking and other assets	Lease-hold	Land values
Carrying amount as of 01.01.2022[1]	19,067.7	7,843.8	6,714.3	3,535.5	0.0	312.2	423.1	210.5	28.4
Acquisitions	206.2	40.9	81.8	2.1	0.0	74.2	3.1	4.0	0.0
Other additions	167.4	52.0	74.3	38.6	0.0	1.8	0.7	−0.1	0.0
PPA adjustment	72.3	41.4	31.4	0.0	0.0	0.0	0.0	−0.5	0.0
Reclassified to assets held for sale	−13.8	−6.0	−3.9	−3.4	0.0	0.0	−0.6	0.0	0.0
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	0.0	0.0	0.0	0.0	0.0	0.0	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	1,169.3	496.3	439.3	194.1	0.0	−5.7	3.9	36.9	4.3
Reclassification	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amount as of 30.06.2022	20,669.1	8,468.4	7,337.2	3,766.9	0.0	382.5	430.2	250.8	32.7

[1] expansion in market classification within the BRD

Fair value adjustment as of 30.06.2022 (in € million):	1,169.3
hereupon as of 30.06.2022 in the portfolio:	1,167.4
hereupon as of 30.06.2022 disposed investment properties:	1.9

T26

Investment properties

€ million	Total	Residential assets: High-growth markets	Residential assets: Stable markets	Residential assets: Higher-yielding markets	Residential assets: Other	Commercial assets	Parking and other assets	Lease-hold	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**
Acquisitions	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 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	−0.7	−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] expansion in market classification within the BRD

Fair value adjustment 31.12.2021 (€ million)	1,863.7
hereupon as of 31.12.2021 in the portfolio:	1,862.1
hereupon as of 31.12.2021 disposed investment properties:	1.6

Investment property was remeasured by LEG Group as of the interim reporting date of 30 June 2022.

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

The table below shows the measurement method used to determine the fair value of investment properties and the material unobservable inputs used as of 30 June 2022 and 31 December 2021:

T27

Valuation parameters as at 30 June 2022

	GAV investment properties [2]	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	8,402	DCF	2.63	8.54	14.55	6.38	12.84	17.40	198	336	516	0.6	1.8	8.8
Stable markets	7,182	DCF	1.90	7.34	13.95	6.97	12.88	17.17	194	335	516	1.3	2.9	9.0
Higher-yielding markets	3,767	DCF	0.32	6.30	10.28	6.57	13.06	17.26	192	339	516	1.5	4.6	12.9
Commercial assets	256	DCF	0.09	7.37	27.00	4.01	7.55	20.47	1	291	5,481	1.0	2.7	8.3
Leasehold	251	DCF	–	–	–	–	–	–	1	11	75	–	–	–
Parking + other assets	430	DCF	–	–	–	37.89	80.51	98.72	44	44	44	–	–	–
Land values	32	Earnings/ reference value method	–	–	–	–	–	–	0	4	11	–	–	–
Total portfolio (IAS 40) [1]	**20,319**	**DCF**	**0.09**	**7.26**	**27.00**	**4.01**	**19.56**	**98.72**	**0**	**307**	**5,481**	**0.6**	**3.2**	**12.9**

	Discount rate %			Capitalisation rate %			Estimated rental development %		
	min	Ø	max	min	Ø	max	min	Ø	max
Residential assets									
High-growth markets	2.40	3.67	9.90	1.64	4.39	10.68	1.1	1.6	1.9
Stable markets	2.40	3.65	7.50	1.30	5.03	11.15	0.9	1.3	1.9
Higher-yielding markets	2.50	3.79	4.75	2.35	5.61	11.38	0.8	1.1	1.6
Commercial assets	2.50	6.44	9.70	2.75	7.07	10.85	0.8	1.4	1.9
Leasehold	2.55	3.79	7.00	6.08	9.25	11.25	0.8	1.1	1.9
Parking + other assets	2.30	3.72	9.60	2.10	6.43	14.41	0.8	1.3	1.9
Land values	3.40	3.73	4.40	2.52	10.28	11.97	0.8	1.3	1.8
Total portfolio (IAS 40) [1]	**2.30**	**3.74**	**9.90**	**1.30**	**5.27**	**14.41**	**0.8**	**1.3**	**1.9**

[1] In addition, as at 30 June 2022, there are assets held for sale (IFRS 5) in the amount of EUR 17.1 million, which correspond to Level 2 of the fair value hierarchy.
[2] Property valuation with cut-off date as of 31 March 2022 and revaluation date as of 30 June 2022.

T28

Valuation parameters as at 31 December 2021

	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	6,970	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.

Sensitivities were as follows as at 30 June 2022:

T29

Sensitivity analysis 30 June 2022

Segment	GAV investment properties [2] € 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			−0.9	0.9	−1.7	1.7	−2.2	2.2	−3.4	3.9
High-growth markets	8,402	DCF	−0.7	0.7	−1.6	1.6	−1.8	1.8	−3.8	4.4
Stable markets	7,182	DCF	−1.0	1.0	−1.7	1.7	−2.3	2.4	−3.3	3.8
Higher-yielding markets	3,767	DCF	−1.2	1.2	−1.8	1.8	−2.8	2.8	−2.7	3.0
Commercial assets	256	DCF	−0.3	0.3	−1.6	1.5	−1.1	1.1	−1.9	2.0
Leasehold	251	DCF	–	–	–	–	–	–	–	–
Parking + other assets	430	DCF	−0.8	1.0	−0.8	0.8	−1.8	2.0	−1.6	1.7
Land values	32	Earnings/reference value method	–	–	–	–	–	–	–	–
Total portfolio (IAS 40) [1]	**20,319**	**DCF**	**−0.9**	**0.9**	**−1.7**	**1.7**	**−2.2**	**2.2**	**−3.3**	**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	−5.4	5.9	1.4	−1.3	4.0	−3.6
High-growth markets	−5.9	6.5	0.9	−0.9	4.5	−4.0
Stable markets	−5.1	5.6	1.7	−1.7	3.8	−3.4
Higher-yielding markets	−4.7	5.1	1.7	−1.6	3.2	−2.9
Commercial assets	−2.2	2.3	1.4	−1.4	1.5	−1.5
Leasehold	−4.7	5.1	–	–	–	–
Parking + other assets	−5.7	6.1	1.5	−1.5	2.3	−2.1
Land values	−0.1	0.1	–	–	–	–
Total portfolio (IAS 40) [1]	**−5.3**	**5.8**	**1.4**	**−1.3**	**3.9**	**−3.5**

[1] In addition, as at 30 June 2022, there are assets held for sale (IFRS 5) in the amount of EUR 17.1 million, which correspond to Level 2 of the fair value hierarchy.
[2] Property valuation with cut-off date as of 31 March 2022 and revaluation date as of 30 June 2022.

Sensitivities were as follows as at 31 December 2021:

T30

Sensitivity analysis 31 December 2021

	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	6,970	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**

	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	−5.7	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.

With regard to the calculation methods, please see the consolidated financial statements as of 31 December 2021.

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

Property, plant and equipment as well as intangible assets included right of use leases in the amount of EUR 24.4 million as of 30 June 2022. The right of uses result from rented land and buildings, cars, 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 1.6 million have been added.

T31

Right of use Leases

€ million	30.06.2022	31.12.2021
Right of use buildings	2.4	3.3
Right of use technical equipment and machinery	14.7	16.1
Right of use operating and office equipment	6.4	6.9
Property, plant and equipment	**23.5**	**26.3**
Right of use software	0.9	1.1
Intangible assets	**0.9**	**1.1**
Right of use leases	**24.4**	**27.4**

In the reporting period, an impairment test was carried out for the five CGU groups bearing goodwill. The significant increase in interest rates in the first half of 2022 and the associated increase in the average total cost of capital has been identified as a triggering event in accordance with IAS 36.

The impairment test carried out resulted in an impairment loss of EUR 99.6 million, which led to a full write-down of the goodwill allocated to all goodwill-bearing CGUs. The impairment loss was recognized in the consolidated statement of comprehensive income in the amount of EUR 58.9 million as depreciation and amortisation in cost of sales in connection with rental and lease income and in the amount of EUR 40.7 million as depreciation and amortisation in administrative and other expenses.

The CGU groups thus account for the following goodwill as of 30 June 2022:

- „Vitus“: EUR 0.0 million (31 December 2021: EUR 34.8 million)
- „Wohnen-like-for-like“: EUR 0.0 million (31 December 2021: EUR 35.5 million)
- „Bismarck“: EUR 0.0 million (31 December 2021: EUR 0.8 million)
- „Charlie“: EUR 0.0 million (31 December 2021: EUR 4.7 million)
- „Redwood“: EUR 0.0 million (31 December 2021: EUR 23.8 million)

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, which was adjusted by EUR 67.4 million to EUR 203.7 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.

A uniform capitalisation rate of 4.0 % (31 December 2021: 3.5 %) was used for the CGUs analysed in the goodwill impairment test, representing a corresponding pre-tax capitalisation rate of 4.5 % (31 December 2021: 3.7 %), taking into account a typical tax rate on EBIT of 31.2 %. A sustainable growth rate of 2.0 % (31 December 2021: 2.0 %) p. a. is assumed for all CGUs as LEG Group is able to pass on cost increases in full through rent increases. The recoverable amount for the CGU group „Vitus“ is EUR 823.1 million (31 December 2021: EUR 1,134.2 million), for the CGU group „Wohnen like-for-like „ EUR 12,894.1 million (31 December 2021: EUR 17,517.4 million), for the CGU group „Bismarck“ EUR 339.9 million (31 December 2021: EUR 461.5 million), at the CGU group „Charlie“ EUR 808.5 million (31 December 2021: EUR 1,120.3 million) and at the CGU group „Redwood“ EUR 246.1 million (31 December 2021: EUR 329.0 million).

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 4.0 % (31 December 2021: 3.5 %) for all CGUs. These were as follows:

- "Vitus" net cold rent EUR 44.0 million (31 December 2021: EUR 42.5 million); sustainable investments EUR 29.65 per square metre (31 December 2021: EUR 28.73 per share metre), sustainable EBITDA margin 68.8 % (31 December 2021: 68.8 %)
- "Wohnen like-for-like" net cold rent EUR 613.5 million (31 December 2021: EUR 569.4 million); sustainable investments EUR 28.40 per square metre (31 December 2021: EUR 27.91 per share metre), sustainable EBITDA margin 71.7 % (31 December 2021: 71.7 %)
- "Bismarck" net cold rent EUR 17.1 million (31 December 2021: EUR 16.6 million); sustainable investments EUR 28.87 per square metre (31 December 2021: EUR 28.23 per share metre), sustainable EBITDA margin 72.2 % (31 December 2021: 72.2 %)
- "Charlie" net cold rent EUR 47.5 million (31 December 2021: EUR 46.2 million); sustainable investments EUR 29.95 per square metre (31 December 2021: EUR 29.06 per share metre), sustainable EBITDA margin 64.6 % (31 December 2021: 64.6 %)
- "Redwood" net cold rent EUR 11.0 million (31 December 2021: EUR 10.6 million); sustainable investments EUR 27.32 per square metre (31 December 2021: EUR 27.09 per share metre), sustainable EBITDA margin 72.4 % (31 December 2021: 72.4 %).

Cash and cash equivalents mainly consist of bank balances as well as money market funds.

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

Financing liabilities are composed as follows:

T32

Financing liabilities

€ million	30.06.2022	31.12.2021
Financing liabilities from real estate financing	9,132.9	8,767.8
Financing liabilities from lease financing	114.5	117.3
Financing liabilities	**9,247.4**	**8,885.1**

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 9,132.9 million as at 30 June 2022.

In the first half of 2022, the issuance of a corporate bond in three tranches with IFRS carrying amounts of EUR 496.9 million, EUR 495.8 million and EUR 497.2 million increased financial liabilities from real estate financing. In addition, loans in the amount of EUR 296.0 million were valued. Scheduled and unscheduled repayments of EUR 1,412.1 million and the amortisation of transaction costs had an opposite effect.

The financial liabilities from real estate financing include the following capital market instruments as of the reporting date:

T33

Capital market instruments as of 30 June 2022

€ million	IFRS carrying amount	Nominal value
Convertible bond 2020/2028	529.0	550.0
Convertible bond 2017/2025	393.3	400.0
Bond 2022/2026	496.9	500.0
Bond 2022/2029	495.8	500.0
Bond 2022/2034	497.2	500.0
Bond 2021/2032	494.4	500.0
Bond 2021/2031	594.5	600.0
Bond 2021/2033	595.0	600.0
Bond 2019/2033	298.3	300.0
Bond 2019/2027	498.5	500.0
Bond 2017/2024	501.2	500.0

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 decrease in financing liabilities from lease financing results from repayments and offsetting from new leases. Already concluded leases starting after the reporting date will arise cash outflows in the amount of EUR 0.7 million.

The main drivers for the changes in maturity of financing liabilities as against 31 December 2021 are the issuance of the corporate bond in three tranches with a total nominal value of EUR 1,500.0 million (IFRS carrying amount of EUR 1,489.8 million), which increased the medium and long-term residual maturities in particular. The short remaining term decreased due to the repayment of the interim financing in the amount of EUR 1,400.0 million.

T34

Maturity of financing liabilities from real estate financing

	Remaining term			Total
€ million	< 1 year	> 1 to 5 years	> 5 years	
30.06.2022	**186.5**	**3,760.3**	**5,186.1**	**9,132.9**
31.12.2021	1,508.2	2,808.2	4,451.4	8,767.8

7. Selected notes to the consolidated statement of comprehensive income

Net rental and lease income is broken down as follows:

T35

Net rental and lease income

€ million	01.01.–30.06.2022	01.01.–30.06.2021
Net cold rent	396.2	338.5
Profit from operating expenses	–3.1	–0.6
Maintenance for externally procured services	–35.9	–29.0
Staff costs	–51.4	–41.4
Allowances on rent receivables	–8.5	–3.8
Depreciation and amortisation expenses	–64.4	–5.4
Other	9.4	8.1
Net rental and lease income	**242.3**	**266.4**
Net operating income – margin (in %)	**61.2**	**78.7**
Special one-off effects – rental and lease	4.2	3.3
Depreciation and amortisation expenses	64.4	5.4
Adjusted net rental and lease income	**310.9**	**275.1**
Adjusted net operating income – margin (in %)	**78.5**	**81.3**

In the reporting period, the net rental and lease income decreased by EUR 24.1 million compared to the same period of the previous year. The main driver of this development is the amortisation of goodwill in the amount of EUR 58.9 million. In addition an increase in the number of employees mainly in connection with acquisitions made in 2021 led to an increase in staff costs of EUR 10.0 million. The allowances on rent receivables increased by EUR 4.7 million, in particular due to the increased volume of operating expenses that have not yet been invoiced. This was countered by the rise in net cold rents by EUR 57.7 million. In-place rent per square metre on a like-for-like basis rose by 2.6 % in the reporting period.

The adjusted net operating income (NOI)-margin decreased slightly to 78.5 % from 81.3 % in the same period of the previous year.

In the reporting period following depreciation expenses for right of use from leases are included.

T36

Depreciation expense of leases

€ million	01.01.–30.06.2022	01.01.–30.06.2021
Right of use buildings	–0.1	–0.1
Right of use technical equipment and machinery	–1.9	–2.4
Right of use operating and office equipment	–1.4	–1.3
Depreciation expense of leases	**–3.4**	**–3.8**

In the reporting period expenses of leases of a low-value in the amount of EUR 0.1 million were included in the net rental and lease income (comparable period: EUR 0.4 million).

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

T37

Net income from the disposal of investment properties

€ million	01.01.–30.06.2022	01.01.–30.06.2021
Income from the disposal of investment	33.7	26.0
Carrying amount of the disposal of investment properties	–33.9	–26.0
Costs of sales of investment properties	–0.6	–0.4
Net income from the disposal of investment properties	**–0.8**	**–0.4**

Net income from the remeasurement of investment properties

Net income from remeasurement of investment properties amounted to EUR 1,169.3 million in the reporting period. Based on the property portfolio as at the beginning of the financial year (including the remeasured acquisitions), this corresponds to an increase of 6.1 %.

The average value of investment properties (incl. IFRS 5 objects) was EUR 1,828 per square metre as at 30 June 2022 including acquisitions (31 December 2021: EUR 1,706 per square metre).

The increase in the value of the portfolio is the result of the further increase in rents as well as further reduction in the discount and capitalisation rates.

Administrative and other expenses are composed as follows:

T38

Administrative and other expenses

€ million	01.01. – 30.06.2022	01.01. – 30.06.2021
Other operating expenses	–13.3	–8.2
Staff costs	–15.3	–13.5
Purchased services	–1.1	–0.5
Depreciation and amortisation	–42.9	–1.9
Administratve and other expenses	**–72.6**	**–24.1**
Depreciation and amortisation	42.9	1.9
Special one-off effects	10.1	4.2
Adjusted administrative and other expenses	**–19.6**	**–18.0**

The increase in other operating expenses is mainly attributable to higher consultancy fees. Higher depreciation and amortisation expenses is due to the impairment of goodwill in the amount of EUR 40.7 million. The adjusted administrative expenses increased by EUR 1.6 million or 8.9 % in the first six months compared to the same period in the previous year.

In the reporting period following depreciation expenses for right of use from leases are included.

T39

Depreciation expense of leases

€ million	01.01.– 30.06.2022	01.01.– 30.06.2021
Right of use buildings	– 0.8	– 1.0
Right of use operating and office equipment	– 0.1	– 0.1
Right of use software	– 0.2	– 0.2
Depreciation of leases	**– 1.1**	**– 1.3**

Interest expenses

Interest expenses are composed as follows:

T40

Interest expenses

€ million	01.01. – 30.06.2022	01.01. – 30.06.2021
Interest expenses from real estate financing	– 48.8	– 35.9
Interest expense from loan amortisation	– 9.1	– 7.9
Prepayment penalty	0.0	– 2.0
Interest expense from interest derivatives for real estate financing	– 3.3	– 4.5
Interest expense from change in pension provisions	– 0.6	– 0.3
Interest expense from interest on other assets and liabilities	– 0.1	– 0.1
Interest expenses from lease financing	– 1.1	– 1.0
Other interest expenses	– 2.1	– 5.4
Interest expenses	**– 65.1**	**– 57.1**

The increase in interest expenses and loan amortisation in the reporting period is mainly attributable to the newly issued corporate bonds.

Income taxes

T41

Income tax expenses

€ million	01.01.– 30.06.2022	01.01.– 30.06.2021
Current tax expenses	– 0.5	– 2.2
Deferred tax expenses	– 260.4	– 250.0
Income tax expenses	**– 260.9**	**– 252.2**

An effective Group tax rate of 20.4 % was assumed in the reporting period in accordance with Group tax planning (comparative period: 19.2 %). Current tax expenses include EUR – 0.2 million income taxes relating to other periods. These relate to the release of a corporate tax provision for 2019.

Earnings per share

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

Due to the granting of stock dividends for the financial year 2021, a capital increase was carried out on 21 June 2022. A total of 1,269,651 new shares were issued.

T42

Earnings per share (basic)

	01.01. – 30.06.2022	01.01. – 30.06.2021
Net profit or loss attributable to shareholders in € million	1,058.4	1,061.6
Average numbers of shares outstanding	72,910,161	72,124,864
Earnings per share (basic) in €	**14.52**	**14.72**

T43

Earnings per share (diluted)

€ million	01.01. – 30.06.2022	01.01. – 30.06.2021
Net profit or loss attributable to shareholders	1,058.4	1,061.6
Convertible bonds coupon after taxes	2.3	2.3
Measurement of derivatives after taxes	–154.0	–14.2
Amortisation of the convertible bonds after taxes	2.3	2.2
Net profit or loss for the period for diluted earnings per share	909.0	1,051.9
Average weighted number of shares outstanding	72,910,161	72,124,864
Number of potentially new shares in the event of exercise of conversion rights	7,112,329	7,026,823
Number of shares for diluted earnings per share	80,022,490	79,151,687
Intermedia result in €	11.36	13.29
Diluted earnings per share in €	**11.36**	**13.29**

As at 30 June 2022, LEG Immo had convertible bonds outstanding, which authorise the bearer to convert it into up to 7.1 million 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 and the amortisation of the convertible bond and the resulting tax effect in the event of the conversion rights being exercised in full.

8. 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 2022 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:

T44

Calculation of FFO I, FFO II and AFFO

€ million	01.01. – 30.06.2022	01.01. – 30.06.2021
Net cold rent	396.2	338.5
Profit from operating expenses	–3.1	–0.6
Maintenance for externally procured services	–35.9	–29.0
Staff costs	–51.4	–41.4
Allowances on rent receivables	–8.5	–3.8
Other	9.4	8.1
Special one-off effects (rental and lease)	4.2	3.3
Recurring net rental and lease income	**310.9**	**275.1**
Recurring net income from other services	**5.2**	**4.2**
Staff costs	–15.3	–13.5
Non-staff operating costs	–14.4	–8.7
Special one-off effects (admin.)	10.1	4.2
Recurring administrative expenses	**–19.6**	**–18.0**
Recurring other income and expenses	0.0	0.0
Adjusted EBITDA	**296.5**	**261.3**
Cash interest expenses and income	–54.1	–42.2
Cash income taxes from rental and lease	–	–0.5
FFO I (before adjustment of non-controlling interests)	**242.4**	**218.6**
Adjustment of non-controlling interests	–1.0	–0.4
FFO I (after adjustment of non-controlling interests)	**241.4**	**218.2**
Weighted average number of shares outstanding	**72,910,161**	**72,124,864**
FFO I per share	**3.31**	**3.03**
Net income from the disposal of investment properties	0.8	–0.2
Cash income taxes from disposal of investment properties	–1.5	–1.8
FFO II (incl. disposal of investment properties)	**240.7**	**216.2**
CAPEX	–162.0	–147.0
CAPEX-adjusted FFO I (AFFO)	**79.4**	**71.2**

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 special one-off 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:

T45

Special one-off effects

€ million	01.01. – 30.06.2022	01.01. – 30.06.2021
Project costs to optimise the business model and processes	3.0	1.6
Staff related costs	1.8	2.4
Acquisition and integration related costs	5.5	1.2
Capital market financing and M&A activities	2.0	1.4
Other atypical matters	2.0	0.9
Special one-off effects	**14.3**	**7.5**

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:

T46

Cash interest expenses

€ million	01.01. – 30.06.2022	01.01. – 30.06.2021
Interest expense reported in income statement	65.1	57.2
Interest expense related to loan amortisation	−9.1	−8.0
Interest costs related to the accretion of other assets/liabilities	−0.1	−0.1
Interest expenses related to changes in pension provisions	−0.6	−0.3
Other interest expenses	−1.2	−6.6
Cash effective interest expense (gross)	**54.1**	**42.2**
Cash effective interest income	0.0	0.0
Cash effecitve interest expense (net)	**54.1**	**42.2**

Capex in the context of the AFFO reconciliation includes additions to investment property amounting to EUR 161.0 million as well as additions to property, plant and equipment amounting to EUR 1.0 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:

T47

Calculation of FFO I, FFO II and AFFO – indirect method

€ million	01.01.–30.06.2022	01.01.–30.06.2021
Net profit or loss for the period	1,060.2	1,063.3
Interest income	0.0	0.0
Interest expense	65.1	57.1
Interest expense (net)	65.1	57.1
Other financial expenses	–43.2	–17.8
Income taxes	260.9	252.3
EBIT	**1,343.0**	**1,354.9**
Amortisation and depreciation	107.6	8.8
EBITDA	**1,450.6**	**1,363.7**
Net income from the remeasurement of investment properties	–1,169.3	–1,110.3
Special one-off effects	14.3	7.5
Net income from disposal of investment properties	0.9	0.4
Net income from disposal of real estate inventory	0.0	0.0
Adjusted EBITDA	**296.5**	**261.3**
Cash interest expenses and income	–54.1	–42.2
Cash income taxes from rental and lease	–	–0.5
FFO I (before adjustment for minorities)	**242.4**	**218.6**
Adjustment for minorities	–1.0	–0.4
FFO I (after adjustment for minorities)	**241.4**	**218.2**
Adjusted net income from the disposal of investment properties	0.8	–0.2
Cash income taxes from the disposal of investment properties and income taxes relating to other periods	–1.5	–1.8
FFO II (incl. disposal of investment properties)	**240.7**	**216.2**
CAPEX	–162.0	–147.0
Capex-adjusted FFO I (AFFO)	**79.4**	**71.2**

EPRA Capex

The EPRA capex splits the capitalised expenditure of the reporting period in comparison to the comparative period and reconciles to investments for investment properties. The value-adding modernisation work, divided into development (new development on own land in an amount of EUR 10.5 million) and investments in investment properties (EUR 150.4 million), increased by 9.5 % to EUR 160.9 million in the reporting period. Due to the increase in acquisitions to EUR 206.2 million, the EPRA Capex amounted to EUR 367.1 million in the reporting period.

T48

EPRA capex

€ million	01.01.–30.06.2022	01.01.–30.06.2021
Acquisitions	206.2	128.3
Development	10.5	3.2
Investments in investment properties	150.4	143.8
thereof incremental lettable space	2.3	1.3
thereof no incremental lettable space	148.1	142.5
EPRA capex	**367.1**	**275.3**
Additions to/utilisation of provisions for capex	–5.9	–2.6
Addtions to/utilisation of provisions for incidental purchase price costs and change in prepayments for investment properties	23.7	38.3
Payments for investments in investment properties	**384.9**	**311.0**

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 relevant key figure. The calculation method for the respective key figure can be found in the glossary in the 2021 annual report.

LEG Immo reports an EPRA NTA of EUR 11,953.7 million or EUR 161.30 per share as at 30 June 2022. Deferred taxes on investment property 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.

T49

EPRA NRV, EPRA NTA, EPRA NDV

	30.06.2022			31.12.2021		
€ million	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NRV	EPRA NTA	EPRA NDV
Equity attributable to shareholders of the parent company	9,866.0	9,866.0	9,866.0	8,927.9	8,927.9	8,927.9
Hybrid instruments	29.9	29.9	29.9	455.7	455.7	455.7
Diluted NAV at fair value	9,895.9	9,895.9	9,895.9	9,383.6	9,383.6	9,383.6
Deferred tax in relation to fair value gains of IP and deferred tax on subsidised loans and financial derivatives	2,357.4	2,345.1	–	2,056.5	2,044.8	–
Fair value of financial instruments	−80.1	−80.1	–	95.2	95.2	–
Goodwill as a result of deferred tax	−203.7	−203.7	−203.7	−267.3	−267.3	−267.3
Goodwill as a result of synergies	–	–	–	–	−103.4	−103.4
Intangibles as per the IFRS balance sheet	–	−3.5	–	–	−3.8	–
Fair value of fixed interest rate debt	–	–	899.3	–	–	−307.4
Deferred taxes of fixed interest rate debt	–	–	−183.6	–	–	59.5
Revaluation of intangibles to fair value	–	–	–	–	–	–
Estimated ancillary acquisition costs (real estate transfer tax)[1]	2,001.4	–	–	1,843.9	–	–
NAV	13,970.9	11,953.7	10,407.9	13,111.9	11,149.1	8,765.0
Fully diluted number of shares	74,109,276	74,109,276	74,109,276	76,310,308	76,310,308	76,310,308
NAV per share	188.52	161.30	140.44	171.82	146.10	114.86

[1] Taking the ancillary acquisition costs into account would result in an NTA of EUR 13.942,2 million or EUR 188,13 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 liabilities from purchase price obligations from share deals are reported as effects on equity from the exercise of options, convertible bonds and other rights (hybrid instruments) amounting to EUR 29.9 million.

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 30 June 2022, these amounted to EUR 2,345.1 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 30 June 2022, these effects total EUR –80.1 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 30 June 2022, these effects total EUR 203.7 million. The decrease compared to 31 December 2021 is due to the adjustment of the preliminary purchase price allocation from the transaction with the Adler Group and the impairment as of 30 June 2022.

In addition, all recognised intangible assets are eliminated. As at 30 June 2022 these totalled EUR 3.5 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 at the end of the reporting period is slightly higher compared with 31 December 2021. The fair value measurement of investment properties resulted in an unchanged loan-to-value ratio (LTV) of 42.1 % as at 30 June 2022 (31 December 2021: 42.1 %).

T50

LTV

€ million	30.06.2022	31.12.2021
Financing liabilities	9,247.4	8,885.1
Without lease liabilities IFRS 16 (not leasehold)	23.7	27.4
Less cash and cash equivalents[1]	373.9	745.6
Net financing liabilities	**8,849.8**	**8,112.1**
Investment properties	20,669.1	19,067.7
Assets held for sale	17.1	37.0
Prepayments for investment properties	17.8	23.4
Participation in other real estate companies[1]	297.4	119.2
Prepayments for business combinations	–	1.8
Real estate assets	**21,001.4**	**19,249.1**
Loan-to-value ratio (LTV) in %	**42.1**	**42.1**

[1] The calculation was adjusted to the current market standard as of 31 March 2022. The net financial liabilities are reduced by the short-term deposits, the real estate assets are supplemented by the participations in other real estate companies. The figure as at 31 December 2021 was adjusted accordingly.

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.

T51

Maintenance and modernisation

€ million	01.01.–30.06.2022	01.01.–30.06.2021
Maintenance expenses for externally procured services	35.9	29.0
Maintenance expenses for internally procured services	19.6	22.2
Non-capitalised maintenance expenses	**55.5**	**51.2**
thereof investment properties	54.2	49.2
Capex	162.0	147.0
Effects of the elimination of intercompany profits	5.8	–
Modernisations capitalised as value-enhancing measures	**167.8**	**147.0**
thereof investment properties	166.8	145.6
Total investment	**223.3**	**198.2**
thereof investment properties	221.0	194.8

9. Financial instruments

The table below shows the financial assets and liabilities broken down by measurement category and class. Receivables and liabilities from finance leases and derivatives used as hedging instruments are included even though they are not assigned to an IFRS 9 measurement category. With respect to reconciliation, non-financial assets and non-financing liabilities are also included although they are not covered by IFRS 7.

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

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

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

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

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

T52

Classes of financial instruments for financial assets and liabilities 2022

€ million	Carrying amounts as per statement of financial positions 30.06.2022	Measurement (IFRS 9) Amortised cost	Measurement (IFRS 9) Fair value through profit or loss	Measurement (IFRS 16)	Fair value 30.06.2022
Assets					
Other financial assets	338.3				338.3
Derivatives HFT	30.6		30.6		30.6
Hedge accounting derivatives	18.4				18.4
AC	7.4	7.4			7.4
FVtPL	281.9		281.9		281.9
Receivables and other assets	183.7				183.7
AC	146.7	146.7			146.7
Other non-financial assets	37.0				37.0
Cash and cash equivalents	328.9				328.9
AC	328.9	328.9			328.9
Total	850.9	483.0	312.5		850.9
Of which IFRS 9 measurement categories					
AC	483.0	483.0			483.0
FVtPL	281.9		281.9		281.9

€ million	Carrying amounts as per statement of financial positions 30.06.2022	Measurement (IFRS 9) Amortised cost	Measurement (IFRS 9) Fair value through profit or loss	Measurement (IFRS 16)	Fair value 30.06.2022
Liabilities					
Financial liabilities	−9,247.4				−8,233.5
FLAC	−9,132.9	−9,132.9			−8,233.5
Liabilities from lease financing	−114.5			−114.5	
Other liabilities	−393.4	–			−363.5
FLAC	−238.3	−208.4			−208.4
Derivatives HFT	–		–		–
Hedge accounting derivatives	–				–
Other non-financial liabilities	−155.1				−155.1
Total	−9,640.8	−9,341.3	–	−114.5	−8,597.0
Of which IFRS 9 measurement categories					
FLAC	−9,371.2	−9,341.3			−8,441.9
Derivatives HFT	–		–		–

AC = Amortized Cost
FVtPL = Fair Value through profit and loss
FLAC = Financial Liabilities at Amortized Cost
HFT = Held for Trading

T53

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**
Derivatives HFT	–		–		–
Hedge accounting derivatives	0.4				0.4
AC	7.2	**7.2**			7.2
FVtPL	103.6		**103.6**		103.6
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

€ 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
Liabilities					
Financial liabilities	**−8,885.2**				**−9,089.2**
FLAC	−8,767.9	−8,767.9			−9,089.2
Liabilities from lease financing	−117.3			−117.3	
Other liabilities	**−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

AC = Amortized Cost
FVtPL = Fair Value through profit and loss
FLAC = Financial Liabilities at Amortized Cost
HFT = Held for Trading

As at 30 June 2022, the fair value of the very small equity investments was EUR 281.9 million (previous year: EUR 13.8 million). The increase was mainly due to the purchase of an equity investment in Brack Capital Properties with a value of EUR 263.7 million.

The fair value of the investment in Brack Capital Properties of EUR 263.7 million and the fair value of the other very small equity investments in listed companies are allocated to Level 1 of the measurement hierarchy, as there is an active market for the shares.

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 %).

As at 30 June 2022, 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 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).

10. Related-party disclosures

Please see the IFRS consolidated financial statements as at 31 December 2021 for the presentation of the IFRS 2 programmes for long-term incentive Management Board agreements.

11. Other

As of 30 June 2022, contingent liabilities increased by EUR 178.3 million compared with 31 December 2021, in particular due to guarantee declarations to secure unsecured financing within the LEG Group.

12. The Management Board and the Supervisory Board

There were no changes to the composition of the Management Board as at 30 June 2022 compared with the disclosures as at 31 December 2021.

The term of office of all Supervisory Board members ended at the close of the Annual General Meeting on 19 May 2022, whereby Stefan Jütte and Dr Johannes Ludewig are not available for a further term of office due to their age.

By resolution of the Annual General Meeting on 19 May 2022, Dr Sylvia Eichelberg, Dr Claus Nolting, Dr Jochen Scharpe, Mr. Martin Wiesmann and Mr. Michael Zimmer were reappointed as members of the Supervisory Board. Dr Katrin Suder was appointed as a member of the LEG Immo Supervisory Board for the first time.

13. Supplementary report

The LEG Group has entered into a financing agreement for three secured loan financings totalling EUR 200.0 million. The financing arrangements were agreed for a term of five years with an interest rate of approx. 2.3 % p.a. The payment of the funds is scheduled for the end of July 2022.

Following the resolution of the board of management of LEG Immo, LEG Grundstücksverwaltung GmbH decided on 3 August 2022, to refrain from a public tender offer for shares of Brack Capital Properties N.V. (BCP). LEG will therefore not take advantage of the tender commitment which has been agreed upon with Adler Real Estate AG on 1 December 2021, committing the company to deliver 63.0 % of BCP shares in the case of a public tender offer for BCP by LEG.

There were no other significant events after the end of the interim reporting period on 30 June 2022.

Dusseldorf, 10 August 2022

LEG Immobilien SE
The Management Board

Lars von Lackum (CEO)	**Susanne Schröter-Crossan (CFO)**	**Dr Volker Wiegel (COO)**

Responsibility statement

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

Dusseldorf, 10 August 2022

LEG Immobilien SE, Dusseldorf
The Management Board

Lars von Lackum
(CEO)

Susanne Schröter-Crossan
(CFO)

Dr Volker Wiegel
(COO)

Financial calendar

T54

Financial calendar 2022	
Release of Quarterly Statement Q3 as of 30 September 2022	10 November 2022

For additional dates see our website.

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In case of doubt, the German version takes precedence.

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