



LEG

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QUARTERLY REPORT AS OF 30 SEPTEMBER 2020



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## About this report

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## Key figures Q3 2020

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		Q3 2020	Q3 2019	+/- %	01.01. – 30.09.2020	01.01. – 30.09.2019	+/- %
<b>Results of operations</b>							
Rental income	€ million	156.5	147.3	6.2	464.5	439.8	5.6
Net rental and lease income	€ million	126.2	114.3	10.4	365.7	340.2	7.5
EBITDA	€ million	123.5	107.1	15.3	940.4	864.6	8.8
EBITDA adjusted	€ million	125.0	112.7	10.9	360.2	330.5	9.0
EBT	€ million	60.1	38.4	56.5	814.7	670.9	21.4
Net profit or loss for the period	€ million	42.7	19.8	115.7	656.1	488.9	34.2
FFO I	€ million	102.1	88.2	15.8	296.7	259.1	14.5
FFO I per share	€	1.43	1.38	3.6	4.25	4.09	3.9
FFO II	€ million	102.1	86.5	18.0	295.5	255.9	15.5
FFO II per share	€	1.43	1.35	5.9	4.23	4.03	5.0
AFFO	€ million	21.8	30.2	-27.8	94.0	122.6	-23.3
AFFO per share	€	0.30	0.47	-36.2	1.34	1.93	-30.6
<b>Portfolio</b>		<b>30.09.2020</b>	30.09.2019	+/- %/bp			
Number residential units		138,601	133,806	3.6			
In-place rent	€/sqm	5.91	5.77	2.5			
In-place rent (I-f-I)	€/sqm	5.93	5.79	2.3			
EPRA vacancy rate	%	3.3	3.9	-60 bp			
EPRA vacancy rate (I-f-I)	%	3.1	3.6	-50 bp			
<b>Statement of financial position</b>		<b>30.09.2020</b>	31.12.2019	+/- %/bp			
Investment property	€ million	13,222.2	12,031.1	9.9			
Cash and cash equivalents	€ million	848.8	451.2	88.1			
Equity	€ million	6,677.6	5,933.9	12.5			
Total financing liabilities	€ million	5,728.8	5,053.9	13.4			
Current financing liabilities	€ million	487.3	197.1	147.2			
LTV	%	36.4	37.7	-130 bp			
Equity ratio	%	45.8	45.9	-10 bp			
Adj. EPRA NAV, diluted	€ million	8,702.6	7,273.0	19.7			
Adj. EPRA NAV per share, diluted	€	115.21	105.39	9.3			

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 [> 2019 annual report](#).

LEG's portfolio is spread across around 180 locations with a geographical focus on North Rhine-Westphalia and further activities in Lower Saxony, Bremen and Rhineland-Palatinate. The average apartment size is 64 square metres with an average monthly rent of EUR 5.91 per square metre.

As at 30 September 2020, the portfolio consisted of 138,601 residential units; 1,295 commercial units and 35,892 garages and parking spaces. All of the acquisitions made in FY 2019 were transferred to the LEG portfolio by 1 January 2020 at the latest.

### Performance of the LEG portfolio

#### Operational development

In-place rent on a like-for-like basis was EUR 5.93 per square metre as of 30 September 2020, 2.3 % up on the previous year.

In the free-financed segment which accounts for around 75 % of LEG's portfolio, rents rose by 2.3 % to EUR 6.31 per square metre/month (on a like-for-like basis). In the high-growth markets, in-place rent increased by 2.4 % to EUR 7.34 per square metre (on a like-for-like basis). The stable markets recorded a plus of 2.7 % to an average rent of EUR 5.94 per square metre (on a like-for-like basis). In the higher-yielding markets an average increase of 1.9 % to 5.71 Euro per square metre (on a like-for-like basis) was achieved.

The regular cost rent adjustment for rent-restricted apartments that is conducted every three years took place in January 2020. The average rent in this segment increased by 2.0 % year on year or EUR 0.09 to EUR 4.89 per square metre (on a like-for-like basis) at the end of the reporting period.

The EPRA vacancy rate on a like-for-like basis was 3.1 % as at 30 September 2020, down 50 basis points on the previous year. With an occupancy rate of 98.3 % (on a like-for-like basis) the LEG portfolio in the high-growth markets was nearly fully let at the end of the reporting period. In the stable markets the occupancy rate was 96.9 % (on a like-for-like basis). In the higher-yielding markets, it stood at 95.2 % (on a like-for-like basis).

T2

## Portfolio segments – top 3 locations

	Total portfolio					Change like-for-like basis						
	30.09.2020					30.09.2019						
	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
<b>High-growth markets</b>	<b>41,918</b>	<b>30.2</b>	<b>2,783,151</b>	<b>6.68</b>	<b>1.9</b>	<b>39,691</b>	<b>29.7</b>	<b>2,641,528</b>	<b>6.58</b>	<b>2.0</b>	<b>2.3</b>	<b>-20</b>
District of Mettmann	8,500	6.1	590,990	6.84	2.2	8,484	6.3	589,864	6.71	2.3	1.8	-30
Muenster	6,198	4.5	412,104	6.75	1.0	6,126	4.6	406,760	6.67	0.9	1.4	10
Dusseldorf	5,422	3.9	352,442	7.99	1.9	5,352	4.0	348,054	7.78	3.1	3.1	-120
Other locations	21,798	15.7	1,427,615	6.26	2.0	19,729	14.7	1,296,850	6.17	1.8	2.6	20
<b>Stable markets</b>	<b>54,203</b>	<b>39.1</b>	<b>3,456,210</b>	<b>5.62</b>	<b>3.4</b>	<b>51,051</b>	<b>38.2</b>	<b>3,271,626</b>	<b>5.47</b>	<b>3.8</b>	<b>2.6</b>	<b>-40</b>
Dortmund	13,722	9.9	896,604	5.47	2.8	13,581	10.1	889,245	5.29	3.3	3.1	-50
Moenchengladbach	6,442	4.6	408,183	5.99	2.4	6,443	4.8	408,317	5.82	2.2	3.0	20
Essen	3,372	2.4	217,538	5.67	3.4	3,373	2.5	217,595	5.51	3.1	2.9	40
Other locations	30,667	22.1	1,933,885	5.61	4.0	27,654	20.7	1,756,469	5.47	4.4	2.2	-60
<b>Higher-yielding markets</b>	<b>42,360</b>	<b>30.6</b>	<b>2,573,636</b>	<b>5.45</b>	<b>5.0</b>	<b>43,064</b>	<b>32.2</b>	<b>2,647,198</b>	<b>5.31</b>	<b>6.5</b>	<b>2.0</b>	<b>-110</b>
District of Recklinghausen	9,022	6.5	548,855	5.35	3.5	9,864	7.4	618,328	5.14	6.1	2.0	-70
Duisburg	6,339	4.6	383,679	5.84	3.4	6,847	5.1	423,821	5.68	6.0	1.8	-250
Maerkisch District	4,608	3.3	284,508	5.35	4.7	4,567	3.4	281,400	5.20	4.2	2.1	70
Other locations	22,391	16.2	1,356,595	5.40	6.1	21,786	16.3	1,323,649	5.29	7.4	1.9	-120
<b>Total<sup>1</sup></b>	<b>138,601</b>	<b>100.0</b>	<b>8,820,838</b>	<b>5.91</b>	<b>3.3</b>	<b>133,806</b>	<b>100.0</b>	<b>8,560,352</b>	<b>5.77</b>	<b>3.9</b>	<b>2.3</b>	<b>-50</b>

<sup>1</sup> 30.09.2020: Incl. 120 units intended for disposal.

## T3

## Performance LEG Portfolio

		High-growth markets			Stable markets			Higher-yielding markets			Total		
		30.09.2020	30.06.2020	30.09.2019	30.09.2020	30.06.2020	30.09.2019	30.09.2020	30.06.2020	30.09.2019	30.09.2020	30.06.2020	30.09.2019
<b>Subsidised residential units</b>													
Units		11,922	11,922	11,181	14,093	14,169	14,409	8,142	8,142	9,005	34,157	34,233	34,694
Area	sqm	820,872	820,872	775,125	954,367	958,770	982,329	534,763	534,770	598,114	2,310,001	2,314,411	2,360,546
In-place rent	€/sqm	5.21	5.19	5.11	4.82	4.81	4.73	4.54	4.53	4.46	4.90	4.88	4.79
EPRA vacancy rate	%	0.9	1.0	1.0	2.8	2.6	2.7	2.8	2.7	4.7	2.1	2.0	2.7
<b>Free-financed residential units</b>													
Units		29,996	30,014	28,534	40,110	39,109	36,618	34,218	34,049	34,059	104,444	103,292	99,112
Area	sqm	1,962,279	1,963,494	1,867,846	2,501,844	2,437,142	2,287,854	2,038,874	2,026,479	2,049,084	6,510,837	6,434,956	6,199,806
In-place rent	€/sqm	7.30	7.26	7.20	5.93	5.90	5.79	5.69	5.66	5.56	6.28	6.25	6.15
EPRA vacancy rate	%	2.2	2.2	2.2	3.6	3.8	4.1	5.4	5.9	6.9	3.6	3.8	4.3
<b>Total residential units<sup>1</sup></b>													
Units		41,918	41,936	39,715	54,203	53,278	51,027	42,360	42,191	43,064	138,601	137,525	133,806
Area	sqm	2,783,151	2,784,366	2,642,971	3,456,210	3,395,913	3,270,183	2,573,636	2,561,249	2,647,198	8,820,838	8,749,367	8,560,352
In-place rent	€/sqm	6.68	6.64	6.58	5.62	5.59	5.47	5.45	5.42	5.31	5.91	5.88	5.77
EPRA vacancy rate	%	1.9	2.0	2.0	3.4	3.5	3.8	5.0	5.4	6.5	3.3	3.4	3.9
<b>Total commercial</b>													
Units											1,295	1,288	1,259
Area	sqm										215,458	214,464	207,946
<b>Total parking</b>													
Units											35,892	35,460	34,117
<b>Total other</b>													
Units											2,746	2,736	2,611

<sup>1</sup> 30.06.2020/30.09.2020: Incl. 120 units intended for disposal.

### Value development

The following table shows the distribution of assets by market segment. LEG did not execute a portfolio valuation in the third quarter. The rental yield based on in-place rents was 4.8% as at 30 September 2020 (rent multiplier 20.7) excluding assets held for sale. The valuation of the residential portfolio corresponds to a net initial yield of 3.7% as defined by EPRA.

T4							
Market segments	Residential units	Residential assets	Share residential assets in %	Gross asset value	In-place rent multiplier	Commercial/ other assets	Total assets
30.09.2020		€ million <sup>1</sup>		€/sqm		€ million <sup>2</sup>	€ million
<b>High-growth markets</b>	<b>41,918</b>	<b>5,612</b>	<b>44</b>	<b>2,001</b>	<b>25.2x</b>	<b>252</b>	<b>5,864</b>
District of Mettmann	8,500	1,159	9	1,964	24.1x	77	1,236
Muenster	6,198	948	7	2,296	28.4x	50	998
Dusseldorf	5,422	898	7	2,519	26.4x	41	939
Other locations	21,798	2,608	21	1,805	24.3x	83	2,691
<b>Stable markets</b>	<b>54,203</b>	<b>4,404</b>	<b>35</b>	<b>1,284</b>	<b>19.3x</b>	<b>141</b>	<b>4,545</b>
Dortmund	13,722	1,290	10	1,432	22.2x	53	1,343
Moenchengladbach	6,442	539	4	1,318	18.1x	14	553
Essen	3,372	280	2	1,281	19.3x	10	290
Other locations	30,667	2,295	18	1,208	18.3x	64	2,359
<b>Higher-yielding markets</b>	<b>42,360</b>	<b>2,676</b>	<b>21</b>	<b>1,036</b>	<b>16.5x</b>	<b>86</b>	<b>2,762</b>
District of Recklinghausen	9,022	584	5	1,054	16.9x	20	603
Duisburg	6,339	447	4	1,172	17.2x	28	476
Maerkisch District	4,608	279	2	980	15.9x	3	283
Other locations	22,391	1,366	11	1,002	16.2x	34	1,400
<b>Total portfolio<sup>3</sup></b>	<b>138,481</b>	<b>12,692</b>	<b>100</b>	<b>1,440</b>	<b>20.7x</b>	<b>478</b>	<b>13,171</b>
Assets under construction (IAS 40)							14
Leasehold and land values							37
<b>Balance sheet property valuation assets (IAS 40)</b>							<b>13,222</b>
Inventories (IAS 2)							1
Owner-occupied property (IAS 16)							26
Held for sale (IFRS 5)							34
<b>Total balance sheet</b>							<b>13,283</b>

<sup>1</sup> Excluding 276 residential units in commercial buildings; including 460 commercial units as well as several other units in mixed residential assets.

<sup>2</sup> Excluding 460 commercial units in mixed residential assets; including 276 residential units in commercial buildings, commercial, parking, other assets.

<sup>3</sup> 30.09.2020: Excluding 120 units reclassified to Assets held for sale (IFRS 5).

## Analysis of net assets, financial position and results of operations

Please see the > [glossary in the 2019 annual report](#) for a definition of individual key figures and terms.

### Results of operations

T5

#### Condensed income statement

€ million	Q3 2020	Q3 2019	01.01.– 30.09.2020	01.01.– 30.09.2019
Net rental and lease income	126.2	114.3	365.7	340.2
Net income from the disposal of investment properties	-0.2	-0.4	-0.8	-0.8
Net income from the remeasurement of investment properties	0.6	1.4	593.3	551.6
Net income from the disposal of real estate inventory	-0.5	-0.7	-2.3	-2.0
Net income from other services	1.3	0.9	4.2	1.5
Administrative and other expenses	-8.2	-12.7	-32.6	-38.0
Other income	0.1	0.1	0.1	0.4
<b>Operating earnings</b>	<b>119.3</b>	<b>102.9</b>	<b>927.6</b>	<b>852.9</b>
Interest income	0.1	0.2	0.1	0.2
Interest expenses	-25.5	-40.6	-71.2	-92.7
Net income from investment securities and other equity investments	0.0	0.4	1.9	3.1
Net income from the fair value measurement of derivatives	-33.8	-24.5	-43.7	-92.6
<b>Net finance earnings</b>	<b>-59.2</b>	<b>-64.5</b>	<b>-112.9</b>	<b>-182.0</b>
<b>Earnings before income taxes</b>	<b>60.1</b>	<b>38.4</b>	<b>814.7</b>	<b>670.9</b>
Income taxes	-17.4	-18.6	-158.6	-182.0
<b>Net profit or loss for the period</b>	<b>42.7</b>	<b>19.8</b>	<b>656.1</b>	<b>488.9</b>

In the reporting period, net rental and lease income increased primarily due to higher net cold rents by 7.5 % to EUR 365.7 million.

Adjusted EBITDA increased by 9.0 % to EUR 360.2 million. The adjusted EBITDA margin increased slightly from 75.1 % (comparative period) to 77.5 % in the reporting period.

The increase of operating earnings by EUR 74.7 million in the reporting period was mainly due to EUR 41.7 million higher net income from the remeasurement of investment properties.

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 -43.7 million (comparative period: EUR -91.3 million).

Current income tax expenses of EUR -2.9 million were recorded affecting net income in the reporting period (comparative period: EUR -13.0 million).



## Net rental and lease income

T6

### Net rental and lease income

€ million	Q3 2020	Q3 2019	01.01.– 30.09.2020	01.01.– 30.09.2019
Net cold rent	156.5	147.3	464.5	439.8
Profit from operating expenses	0.4	1.0	-1.2	-0.9
Maintenance for externally procured services	-13.4	-11.5	-37.4	-36.9
Staff costs	-17.4	-16.8	-53.7	-48.8
Allowances on rent receivables	-1.3	-1.5	-5.6	-5.8
Depreciation and amortisation expenses	-2.4	-2.6	-7.4	-6.9
Other	3.8	-1.6	6.5	-0.3
<b>Net rental and lease income</b>	<b>126.2</b>	<b>114.3</b>	<b>365.7</b>	<b>340.2</b>
<b>Net operating income margin (in %)</b>	<b>80.6</b>	<b>77.6</b>	<b>78.7</b>	<b>77.4</b>
Non-recurring project costs – rental and lease	1.1	1.3	3.2	2.9
Depreciation	2.4	2.6	7.4	6.9
<b>Adjusted net rental and lease income</b>	<b>129.7</b>	<b>118.2</b>	<b>376.3</b>	<b>350.0</b>
<b>Adjusted net operating income margin (in %)</b>	<b>82.9</b>	<b>80.2</b>	<b>81.0</b>	<b>79.6</b>

In the reporting period, the LEG Group increased its net rental and lease income by EUR 25.5 million compared to the same period of the previous year. The main driver of this development was the EUR 24.7 million rise in net cold rents. In-place rent per square metre on a like-for-like basis rose by 2.3 % in the reporting period. The increase in Other is mainly due to the expansion of value-added services. This was countered by the increase in staff costs by EUR 4.9 million, which was mainly due to an increase in the number of employees as well as to tariff increases.

Due to disproportionate increase of net rental and lease income compared with the development of in-place rent the NOI margin increased from 77.4 % to 78.7 % in the reporting period.

The EPRA vacancy rate like-for-like has improved compared to the comparative period and stands at 3.1 % as at 30 September 2020 (3.6 % as at 30 September 2019).

T7

### EPRA vacancy rate

€ million	30.09.2020	30.09.2019
Rental value of vacant space – like-for-like	19.0	21.9
Rental value of vacant space – total	21.9	24.5
Rental value of the whole portfolio – like-for-like	622.3	610.2
Rental value of the whole portfolio – total	667.0	627.0
<b>EPRA vacancy rate – like-for-like (in %)</b>	<b>3.1</b>	<b>3.6</b>
<b>EPRA vacancy rate – total (in %)</b>	<b>3.3</b>	<b>3.9</b>

The EPRA capex splits the capitalised expenditure of the reporting period in comparison to the comparative period in three components. On a like-for-like portfolio basis, the value-adding modernization work as a result of the strategic investment program surged by EUR 67.9 million to EUR 262.8 million in the reporting period. In the Development area most of the investment is due to the construction project in Hilden.

## T8

## EPRA capex

€ million	01.01. – 30.09.2020	01.01. – 30.09.2019
Acquisitions	6.7	–
Development	3.2	3.1
Like-for-like Portfolio	192.8	133.4
<b>Capex</b>	<b>202.7</b>	<b>136.5</b>

In addition to the value-adding modernisation, the increase in maintenance expenses by EUR 1.7 million to EUR 60.1 million resulted in total investments of EUR 262.8 million in the reporting period (comparative period: EUR 194.9 million). The capitalisation rate increased to 77.1 % in the reporting period (comparative period: 70.0%). Despite increase in area of investment properties in the reporting period total investments rose to EUR 29.38 per square metre (comparative period: EUR 22.25 per square metre) and without new construction activities to EUR 29.02 per square metre (comparative period: EUR 21.88 per square metre).

## T9

## Maintenance and modernisation

€ million	Q3 2020	Q3 2019	01.01. – 30.09.2020	01.01. – 30.09.2019
Maintenance expenses	23.0	19.7	60.1	58.4
thereof investment properties	21.5	19.7	57.8	57.6
Capital expenditure	80.3	58.2	202.7	136.5
thereof investment properties	79.5	58.2	200.7	132.4
<b>Total investment</b>	<b>103.3</b>	<b>77.9</b>	<b>262.8</b>	<b>194.9</b>
thereof investment properties	101.0	77.9	258.5	190.0
Area of investment properties in million sqm	9.01	8.76	8.94	8.76
Average investment per sqm (€)	11.46	8.89	29.38	22.25
<b>Average investment per sqm without new construction activities (€)</b>	<b>11.69</b>	<b>8.77</b>	<b>29.02</b>	<b>21.88</b>

## Net income from the disposal of investment properties

## T10

## Net income from the disposal of investment properties

€ million	Q3 2020	Q3 2019	01.01. – 30.09.2020	01.01. – 30.09.2019
Income from the disposal of investment properties	3.5	3.8	30.2	26.7
Carrying amount of the disposal of investment properties	– 3.5	– 3.8	– 30.3	– 26.7
Costs of sales of investment properties	– 0.2	– 0.4	– 0.7	– 0.8
<b>Net income from the disposal of investment properties</b>	<b>– 0.2</b>	<b>– 0.4</b>	<b>– 0.8</b>	<b>– 0.8</b>

Disposals of investment properties increased in the reporting period. Income from the disposal of investment property amounted to EUR 30.2 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 2019.

### Net income from remeasurement of investment property

The remeasurement of investment properties was conducted as of 30 June 2020. There were minor changes in the third quarter 2020 due to the remeasurement of the assets held for sale according to IFRS 5.

Net income from remeasurement of investment property amounted to EUR 593.3 million in the reporting period which corresponds to a 4.8% rise (incl. acquisitions) compared to the start of the financial year.

The average value of investment property (incl. IFRS 5 objects) is EUR 1,440 per square metre including acquisitions (31 December 2019: EUR 1,353 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 disposal of the remaining properties of the former "Development" division continued as planned in the reporting period.

The remaining real estate inventory held as at 30 September 2020 amounts to EUR 0.4 million, of which EUR 0.4 million is land under development.

### Administrative and other expenses

T11

#### Administrative and other expenses

€ million	Q3 2020	Q3 2019	01.01. – 30.09.2020	01.01. – 30.09.2019
Other operating expenses	-2.0	-2.7	-12.4	-10.1
Staff costs	-4.9	-9.0	-16.0	-24.4
Purchased services	-0.3	-0.3	-1.1	-0.9
Depreciation and amortisation	-1.0	-0.7	-3.1	-2.6
<b>Administrative and other expenses</b>	<b>-8.2</b>	<b>-12.7</b>	<b>-32.6</b>	<b>-38.0</b>
Depreciation and amortisation	1.0	0.7	3.1	2.6
Non-recurring project costs and extraordinary and prior-period expenses	0.5	4.7	6.9	12.0
<b>Adjusted administrative and other expenses</b>	<b>-6.8</b>	<b>-7.2</b>	<b>-22.7</b>	<b>-23.3</b>

The increase in other operating expenses is mainly attributable to increased costs for advice and insurance. In contrast, staff costs in the comparative period were characterised by one-time payments (EUR 8.1 million). Non-recurring project costs therefore decreased significantly in the first nine months of 2020 compared to the same period of the previous year. Adjusted administrative expenses are therefore slightly lower than in the comparative period.

## Net finance earnings

T12

### Net finance earnings

€ million	Q3 2020	Q3 2019	01.01. – 30.09.2020	01.01. – 30.09.2019
Interest income	0.1	0.2	0.1	0.2
Interest expenses	-25.5	-40.6	-71.2	-92.7
<b>Net interest income</b>	<b>-25.4</b>	<b>-40.4</b>	<b>-71.1</b>	<b>-92.5</b>
Net income from other financial assets and other investments	0.0	0.4	1.9	3.1
Net income from associates	-	0.0	-	0.0
Net income from the fair value measurement of derivatives	-33.8	-24.5	-43.7	-92.6
<b>Net finance earnings</b>	<b>-59.2</b>	<b>-64.5</b>	<b>-112.9</b>	<b>-182.0</b>

Interest expenses decreased by EUR 21.5 million to EUR 71.2 million compared to the same period of the previous year. This includes the interest expense from loan amortisation, which decreased by EUR 19.7 million year on year to EUR 9.8 million. The interest expense from loan amortisation includes the measurement of the convertible and corporate bonds at amortised cost in the amount of EUR 4.7 million (comparative period: EUR 20.5 million). The main driver for the decrease are the refinancings carried out in the financial year 2019 and the early conversion of the convertible bond issued in 2014. The issue of the two corporate bonds in the fourth quarter 2019 as well as the issued convertible bond in June 2020 had an opposite effect.

Year-on-year a further reduction in the average interest rate to 1.35% was achieved as at 30 September 2020 (1.64% as at 30 September 2019) based on an average term of around 7.7 years (7.3 years as at 30 September 2019).

Dividends received from equity investments in non-consolidated and non-associated companies decreased by EUR 1.2 million year-on-year to EUR 1.9 million in the reporting period.

In the reporting period, net income from the fair value measurement of derivatives resulted primarily from changes in the fair value of embedded derivatives from the convertible bond in the amount of EUR -43.7 million (comparative period: EUR -91.3 million).

## Income tax expenses

T13

### Income tax expenses

€ million	Q3 2020	Q3 2019	01.01. – 30.09.2020	01.01. – 30.09.2019
Current tax expenses	-0.9	-5.5	-2.9	-13.0
Deferred tax expenses	-16.5	-13.1	-155.7	-169.0
<b>Income tax expenses</b>	<b>-17.4</b>	<b>-18.6</b>	<b>-158.6</b>	<b>-182.0</b>

An effective Group tax rate of 18.3% was assumed in the reporting period in accordance with Group tax planning (comparative period: 22.8%).

The effective group tax rate used is significantly lower than in the comparative period, because since the financial year 2020 another large group company with a property portfolio is subject to the expanded trade tax reduction.

### Reconciliation to FFO

FFO I is a key financial performance indicator of the LEG Group. The LEG Group distinguishes between FFO I (not including net income from the disposal of investment properties), FFO II (including net income from the disposal of investment properties) and AFFO (FFO I adjusted for capex). The calculation methods for these key figures can be found in the [> glossary in the 2019 annual report](#).

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	Q3 2020	Q3 2019	01.01. – 30.09.2020	01.01. – 30.09.2019
Net cold rent	156.5	147.3	464.5	439.8
Profit from operating expenses	0.4	1.0	-1.2	-0.9
Maintenance for externally procured services	-13.4	-11.5	-37.4	-36.9
Staff costs	-17.4	-16.8	-53.7	-48.8
Allowances on rent receivables	-1.3	-1.5	-5.6	-5.8
Other	3.8	-1.6	6.5	-0.3
Non-recurring project costs (rental and lease)	1.1	1.3	3.2	2.9
<b>Current net rental and lease income</b>	<b>129.7</b>	<b>118.2</b>	<b>376.3</b>	<b>350.0</b>
<b>Current net income from other services</b>	<b>2.1</b>	<b>1.6</b>	<b>6.6</b>	<b>3.4</b>
Staff costs	-4.9	-9.0	-16.0	-24.4
Non-staff operating costs	-2.4	-2.9	-13.6	-10.9
Non-recurring project costs (admin.)	0.5	4.7	6.9	12.0
Extraordinary and prior-period expenses	0.0	0.0	0.0	0.0
<b>Current administrative expenses</b>	<b>-6.8</b>	<b>-7.2</b>	<b>-22.7</b>	<b>-23.3</b>
<b>Other income and expenses</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.4</b>
<b>Adjusted EBITDA</b>	<b>125.0</b>	<b>112.7</b>	<b>360.2</b>	<b>330.5</b>
Cash interest expenses and income	-21.1	-19.4	-59.7	-58.4
Cash income taxes from rental and lease	-0.8	-3.8	-2.0	-10.0
<b>FFO I (before adjustment of non-controlling interests)</b>	<b>103.1</b>	<b>89.5</b>	<b>298.5</b>	<b>262.1</b>
Adjustment of non-controlling interests	-1.0	-1.3	-1.8	-3.0
<b>FFO I (after adjustment of non-controlling interests)</b>	<b>102.1</b>	<b>88.2</b>	<b>296.7</b>	<b>259.1</b>
Weighted average number of shares outstanding	71,451,447	63,904,421	69,876,373	63,426,930
<b>FFO I per share</b>	<b>1.43</b>	<b>1.38</b>	<b>4.25</b>	<b>4.09</b>
Net income from the disposal of investment properties	0.0	-0.1	-0.3	-0.3
Cash income taxes from disposal of investment properties	0.0	-1.6	-0.9	-2.9
<b>FFO II (incl. disposal of investment properties)</b>	<b>102.1</b>	<b>86.5</b>	<b>295.5</b>	<b>255.9</b>
Capex	-80.3	-58.0	-202.7	-136.5
<b>Capex-adjusted FFO I (AFFO)</b>	<b>21.8</b>	<b>30.2</b>	<b>94.0</b>	<b>122.6</b>

At EUR 296.7 million, FFO I was 14.5% higher in the reporting period than in the same period of the previous year (comparative period: EUR 259.1 million). In particular, this increase is attributable to the positive impact from the rise in net cold rent including the effects of the concluded acquisitions. As well the temporary decline in cash income taxes from rental business has an impact.

With slightly increased interest expenses, there is an increase of the interest coverage ratio (ratio of adjusted EBITDA to cash interest expense) from 566% in the same period of the previous year to 603% in the reporting period with simultaneously reduced net gearing.

## EPRA earnings per share (EPS)

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

T15

### EPRA earnings per share (EPS)

€ million	Q3 2020	Q3 2019	01.01. – 30.09.2020	01.01. – 30.09.2019
Net profit or loss for the period attributable to parent shareholders	41.8	19.1	653.4	486.2
Changes in value of investment properties	-3.8	-1.4	-593.4	-551.6
Profits or losses on disposal of investment properties, development properties held for investment, other interests and sales of trading properties including impairment charges in respect of trading properties	0.8	1.1	3.3	2.8
Tax on profits or losses on disposals of trading properties	0.2	1.5	1.0	2.9
Changes in fair value of financial instruments and associated close-out costs	33.8	24.5	43.7	92.6
Acquisition costs on share deals and non-controlling joint venture interests	3.2	-0.1	4.3	0.0
Deferred tax in respect of EPRA adjustments	0.1	-0.9	108.5	125.3
Refinancing expenses	0.0	4.5	0.4	4.9
Other interest expenses	1.1	0.0	1.1	0.2
Non-controlling interests in respect of the above	0.2	0.0	0.4	0.3
<b>EPRA earnings</b>	<b>77.4</b>	<b>48.3</b>	<b>222.7</b>	<b>163.6</b>
Weighted average number of shares outstanding	71,451,447	63,904,421	69,876,373	63,426,930
= EPRA earnings per share (undiluted) in €	1.08	0.76	3.19	2.58
Potentially diluted shares	3,438,349	5,370,572	3,438,349	5,609,317
Interest coupon on convertible bond after taxes	2.1	-0.6	2.1	-
Amortisation expenses convertible bond after taxes	0.7	10.5	0.7	13.2
<b>EPRA earnings (diluted)</b>	<b>80.2</b>	<b>58.2</b>	<b>225.5</b>	<b>176.8</b>
Number of diluted shares	74,889,796	69,274,993	73,314,722	69,036,247
<b>= EPRA earnings per share (diluted) in €</b>	<b>1.07</b>	<b>0.84</b>	<b>3.08</b>	<b>2.56</b>

## Net assets (Consolidated statement of financial position)

T16

### Consolidated statement of financial position

€ million	30.09.2020	31.12.2019
Investment properties	13,222.2	12,031.1
Prepayments for investment properties	69.7	53.5
Other non-current assets	280.8	269.2
Non-current assets	13,572.7	12,353.8
Receivables and other assets	128.9	89.6
Cash and cash equivalents	848.8	451.2
Current assets	977.7	540.8
Assets held for sale	33.7	25.2
<b>Total assets</b>	<b>14,584.1</b>	<b>12,919.8</b>
Equity	6,677.6	5,933.9
Non-current financial liabilities	5,241.5	4,856.8
Other non-current liabilities	1,878.8	1,654.2
Non-current liabilities	7,120.3	6,511.0
Current financial liabilities	487.3	197.1
Other current liabilities	298.9	277.8
Current liabilities	786.2	474.9
<b>Total equity and liabilities</b>	<b>14,584.1</b>	<b>12,919.8</b>

A fair value measurement of investment property was conducted in the reporting period. The resulting profit from remeasurement of investment property of EUR 593.3 million (comparative period: EUR 551.6 million) was the main driver for the increase compared to 31 December 2019. Furthermore, additions from acquisitions with EUR 431.5 million and capitalisation of property modernisation measures with EUR 203.5 million contributed to the increase of investment properties.

The recognition of real estate tax expense as other inventories (EUR 5.9 million) for the remainder of the financial year and the deferral of prepaid operating costs (EUR 29.9 million) contributed significantly to the development of the current assets.

Cash and cash equivalents increased by EUR 397.6 million to EUR 848.8 million. This development was mainly due to the cash flow from operating activities (EUR 240.5 million) and the capital measures implemented to finance investments. A capital increase (EUR 269.6 million), the issuance of a convertible bond (EUR 544.0 million), a registered bonds (EUR 50.0 million) as well as cash payments of loans in the amount of EUR 258.4 million are to be mentioned here. Scheduled and unscheduled repayments (EUR 173.5 million) and payments for acquisitions (EUR – 629.4 million) had an opposite effect. For the financial year 2019, less the dividend distribution through the issue of new shares, a cash dividend of EUR 172.4 million was paid.

The development of equity since 31 December 2019 was primarily due to the capital increase of EUR 354.1 million, the net profit for the period of EUR 647.5 million and the dividend payment of EUR 257.0 million (thereof EUR 84.6 million by issuing new shares).

Within the non-current liabilities, the issued convertible bonds increased the obligations by EUR 136.3 million, within the current liabilities these obligations increased by EUR 387.0 million. Driven by the property valuation as at 30 June 2020, deferred tax liabilities shown in other non-current liabilities increased by EUR 155.7 million.

### Net asset value (NAV)

A further key metric relevant in the property industry is NAV. The calculation method for the respective key figure can be found in the [> glossary in the 2019 annual report](#).

The LEG Group reports a basic EPRA NAV of EUR 8,356.1 million as at 30 September 2020. The effects of the possible conversion of the convertible bond 2017 are shown by the additional calculation of diluted EPRA NAV. After further adjustment for goodwill effects, the adjusted diluted EPRA NAV amounts to EUR 8,702.6 million at the reporting date.



T17

## EPRA NAV

	30.09.2020			31.12.2019		
	Undiluted	Effect of exercise of convertibles and options	Diluted	Undiluted	Effect of exercise of convertibles and options	Diluted
€ million						
<b>Equity attributable to shareholders of the parent company</b>	<b>6,653.1</b>	–	<b>6,653.1</b>	<b>5,909.9</b>	–	<b>5,909.9</b>
Non-controlling interests	24.5	–	24.5	<b>24.0</b>	–	<b>24.0</b>
<b>Equity</b>	<b>6,677.6</b>	–	<b>6,677.6</b>	<b>5,933.9</b>	–	<b>5,933.9</b>
Effect of exercise of options, convertibles and other equity interests	–	444.9	444.9	–	26.1	26.1
<b>NAV</b>	<b>6,653.1</b>	<b>444.9</b>	<b>7,098.0</b>	<b>5,909.9</b>	<b>26.1</b>	<b>5,936.0</b>
Fair value measurement of derivative financial instruments	135.6	–15.4	120.2	84.0	–	84.0
Deferred taxes on WFA loans and derivatives	1.6	–	1.6	6.2	–	6.2
Deferred taxes on investment property	1,621.7	–	1,621.7	1,386.0	–	1,386.0
Goodwill resulting from deferred taxes on EPRA adjustments	–55.9	–	–55.9	–55.8	–	–55.8
<b>EPRA NAV</b>	<b>8,356.1</b>	<b>429.5</b>	<b>8,785.6</b>	<b>7,330.3</b>	<b>26.1</b>	<b>7,356.4</b>
<b>Number of shares</b>	<b>72,095,943</b>	<b>3,438,349</b>	<b>75,534,292</b>	<b>69,009,836</b>	<b>0</b>	<b>69,009,836</b>
<b>EPRA NAV per share (€)</b>	<b>115.90</b>	–	<b>116.31</b>	<b>106.22</b>	–	<b>106.60</b>
Goodwill resulting from synergies	83.0	–	83.0	83.4	–	83.4
<b>Adjusted EPRA NAV (w/o effects from goodwill)</b>	<b>8,273.1</b>	<b>429.5</b>	<b>8,702.6</b>	<b>7,246.9</b>	<b>26.1</b>	<b>7,273.0</b>
<b>Number of shares</b>	<b>72,095,943</b>	<b>3,438,349</b>	<b>75,534,292</b>	<b>69,009,836</b>	<b>0</b>	<b>69,009,836</b>
<b>Adjusted EPRA NAV per share (€)</b>	<b>114.75</b>	–	<b>115.21</b>	<b>105.01</b>	–	<b>105.39</b>
<b>EPRA NAV</b>	<b>8,356.1</b>	<b>429.5</b>	<b>8,785.6</b>	<b>7,330.3</b>	<b>26.1</b>	<b>7,356.4</b>
Fair value measurement of derivative financial instruments	–135.6	15.4	–120.2	–84.0	–	–84.0
Deferred taxes on WFA loans and derivatives	–1.6	–	–1.6	–6.2	–	–6.2
Deferred taxes on investment property	–1,621.7	–	–1,621.7	–1,386.0	–	–1,386.0
Goodwill resulting from deferred taxes on EPRA adjustments	55.9	–	55.9	55.8	–	55.8
Fair value measurement of financing liabilities	–401.6	–	–401.6	–333.5	–	–333.5
Valuation uplift resulting from FV measurement financing liabilities	184.4	–	184.4	130.1	–	130.1
<b>EPRA NNNNAV</b>	<b>6,435.9</b>	<b>444.9</b>	<b>6,880.8</b>	<b>5,706.5</b>	<b>26.1</b>	<b>5,732.6</b>
<b>Number of shares</b>	<b>72,095,943</b>	<b>3,438,349</b>	<b>75,534,292</b>	<b>69,009,836</b>	<b>0</b>	<b>69,009,836</b>
<b>EPRA NNNNAV per share (€)</b>	<b>89.27</b>	–	<b>91.10</b>	<b>82.69</b>	–	<b>83.07</b>

## Loan-to-value ratio (LTV)

Net debt at the end of the reporting period is higher compared with 31 December 2019. Investment properties increased even more, which resulted in a further decline in loan-to-value ratio (LTV) of 36.4% at the interim reporting date (31 December 2019: 37.7%).

T18

### LTV

€ million	30.09.2020	31.12.2019
Financing liabilities	5,728.8	5,053.9
Without lease liabilities IFRS 16 (not leasehold)	29.5	31.8
Less cash and cash equivalents	848.8	451.2
<b>Net financing liabilities</b>	<b>4,850.5</b>	<b>4,570.9</b>
Investment properties	13,222.2	12,031.1
Assets held for sale	33.7	25.2
Prepayments for investment properties	69.7	53.5
<b>Real estate assets</b>	<b>13,325.6</b>	<b>12,109.8</b>
<b>Loan to value ratio (LTV) in %</b>	<b>36.4</b>	<b>37.7</b>

## Financial position

A net profit for the period of EUR 656.1 million was realised in the reporting period (comparative period: EUR 488.9 million). Equity amounted to EUR 6,677.6 million at the reporting date (31 December 2019: EUR 5,933.9 million). This corresponds to an equity ratio of 45.8% (31 December 2019: 45.9%).

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. – 30.09.2020	01.01. – 30.09.2019
Cash flow from operating activities	240.5	224.8
Cash flow from investing activities	-607.9	-4.7
Cash flow from financing activities	765.0	-71.4
<b>Change in cash and cash equivalents</b>	<b>397.6</b>	<b>148.7</b>

In the reporting period, the increase in cash flow from operating activities resulted from higher receipts from net cold rent.

The cash flow from investing activities is mainly influenced by acquisitions and modernisation work on the existing portfolio with cash payments of EUR -629.4 million. In addition cash proceeds from property disposals of EUR 30.0 million, repayments of long term invested financial resources of EUR 25.1 million and prepayment for a company acquisition of EUR -22.6 million have an effect.

In the first nine months of 2020, the main drivers of the cashflow from financing activities amounting to EUR 765.0 million were the issuance of a convertible bond (EUR 544.0 million), a registered bond (EUR 50.0 million), the capital increase (EUR 269.6 million) and the cash payments of loans (EUR 258.4 million). An opposite effect had the scheduled repayments (EUR -173.5 million) of bank and subsidised loans as well as dividend payment (EUR -172.4 million).

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

## Risk and opportunity report

The risks and opportunities faced by LEG in its operating activities were described in detail in the > 2019 annual report. This did not include the new risks caused by the coronavirus pandemic. Due to the dynamic crisis situation and the second lockdown, it is difficult to assess short and medium-term development. However, the anticipated negative effects can generally be considered low, particularly in comparison to other sectors.

In view of the global effects of the coronavirus pandemic on the economy and society, all current forecasts can be made only with a considerably higher degree of uncertainty. This applies particularly in the context of international links and interrelations between the financial markets, the real economy and political decisions, which each individually have an influence on the economic effects of the pandemic already, but when combined are impossible to assess with any certainty ex ante. The following sections are therefore based on the fundamental premise that the coronavirus 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. It can be assumed that the general conditions in terms of supply (only a slightly increasing number of completions) and demand (continued high level of migration to Germany, particularly in cities and densely populated areas) will continue.

## Development of rent defaults and rent deferrals

Only a slight increase in rent defaults can be observed at present. This is partly due to the extensive state transfer payments. Due to the LEG-specific low level of commercial letting, potential rent defaults from commercial properties can be currently classified as insignificant.

## Housing vacancies

No developments can be seen at present that would indicate higher vacancies. Although new lettings are in a difficult environment, on the other hand tenant terminations are also decreasing. In addition, it could be, as in the financial crisis in 2008/2009, that immigration from EU countries that are hard hit by the economic consequences of the Sars-CoV-2 pandemic could increase 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, we have come to the conclusion that the effects of the Sars-CoV-2 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 can even be opportunities for LEG Group in some cases.

For further information, please refer to the [> consolidated financial statements as at 31 December 2019](#).

## Forecast report

Based on the business performance to date, LEG believes it is well positioned overall to confirm its outlook for fiscal year 2020. Regarding FFO I, the outlook is narrowed to an amount of around EUR 380 million (before: upper end in the range of EUR 370 million to EUR 380 million).

Regarding like-for-like rental growth LEG still expects an increase of around 2.3%, in line with the adjusted guidance released with the quarterly report as of 30 June 2020. This includes Corona-related effects like the voluntary and temporary deferral of rent increases according to section 558 German Civil Code (rent increase up to local reference rent level), legally possible deferral of payments as well as some postponements of modernisation measures.

LEG further expects a slightly decreasing vacancy (on a like-for-like basis) compared to financial year-end 2019.

The outlook for investments remains unchanged after the adjustment made with the release of the quarterly report as of 30 June 2020. The investments planned for the current fiscal year therefore amount to around EUR 38 – 40 per square metre.

In order to ensure a defensive long-term risk profile, LEG sticks to a maximum LTV of 43%. LEG plans to distribute 70% of its FFO I to shareholders as a dividend on a long-term basis.

For more details, please refer to the forecast report in the [> 2019 annual report \(page 71 f.\)](#).

### T20

#### Outlook 2020

FFO I	c. EUR 380 million (before: EUR 370–380 million, upper end)
Like-for-like rental growth	c. 2.3% <sup>1</sup>
Like-for-like vacancy	slightly decreasing compared to financial year-end 2019
Investments	c. EUR 38–40 per sqm <sup>1</sup>
LTV	43% max.
Dividend	70% of FFO I

<sup>1</sup> In line with the adjusted outlook released with the quarterly report as of 30 June 2020

With the earnings release as at 30 September 2020, the outlook has been extended by the following targets for financial year 2021.

### T21

#### Outlook 2021

FFO I	EUR 410 million to EUR 420 million
Like-for-like rental growth	c. 3.0%
Investments	c. EUR 40–42 per sqm
LTV	43% max.
Dividend	70% of FFO I

## Consolidated statement of financial position

T22

### Consolidated statement of financial position Assets

€ million	30.09.2020	31.12.2019
<b>Non-current assets</b>	<b>13,572.7</b>	<b>12,353.8</b>
Investment properties	13,222.2	12,031.1
Prepayments for investment properties	69.7	53.5
Property, plant and equipment	81.4	83.7
Intangible assets and goodwill	141.2	140.6
Investments in associates	9.9	9.9
Other financial assets	35.7	23.2
Receivables and other assets	0.3	0.3
Deferred tax assets	12.3	11.5
<b>Current assets</b>	<b>977.7</b>	<b>540.8</b>
Real estate inventory and other inventory	9.7	4.6
Receivables and other assets	112.2	81.8
Income tax receivables	7.0	3.2
Cash and cash equivalents	848.8	451.2
<b>Assets held for sale</b>	<b>33.7</b>	<b>25.2</b>
<b>Total Assets</b>	<b>14,584.1</b>	<b>12,919.8</b>

### Equity and liabilities

€ million	30.09.2020	31.12.2019
<b>Equity</b>	<b>6,677.6</b>	<b>5,933.9</b>
Share capital	72.1	69.0
Capital reserves	1,553.2	1,202.2
Cumulative other reserves	5,027.8	4,638.7
Equity attributable to shareholders of the parent company	6,653.1	5,909.9
Non-controlling interests	24.5	24.0
<b>Non-current liabilities</b>	<b>7,120.3</b>	<b>6,511.0</b>
Pension provisions	164.9	164.9
Other provisions	4.6	5.2
Financing liabilities	5,241.5	4,856.8
Other liabilities	222.3	152.8
Deferred tax liabilities	1,487.0	1,331.3
<b>Current liabilities</b>	<b>786.2</b>	<b>474.9</b>
Pension provisions	5.4	7.0
Other provisions	21.8	20.2
Provisions for taxes	0.1	0.2
Financing liabilities	487.3	197.1
Other liabilities	258.5	239.2
Tax liabilities	13.1	11.2
<b>Total Equity and Liabilities</b>	<b>14,584.1</b>	<b>12,919.8</b>

## Consolidated statement of comprehensive income

T23

### Consolidated statement of comprehensive income

€ million	Q3 2020	Q3 2019	01.01.– 30.09.2020	01.01.– 30.09.2019
<b>Net rental and lease income</b>	<b>126.2</b>	<b>114.3</b>	<b>365.7</b>	<b>340.2</b>
Rental and lease income	215.4	204.2	632.5	604.6
Cost of sales in connection with rental and lease income	-89.2	-89.9	-266.8	-264.4
<b>Net income from the disposal of investment properties</b>	<b>-0.2</b>	<b>-0.4</b>	<b>-0.8</b>	<b>-0.8</b>
Income from the disposal of investment properties	3.5	3.8	30.2	26.7
Carrying amount of the disposal of investment properties	-3.5	-3.8	-30.3	-26.7
Cost of sales in connection with disposed investment properties	-0.2	-0.4	-0.7	-0.8
<b>Net income from the remeasurement of investment properties</b>	<b>0.6</b>	<b>1.4</b>	<b>593.3</b>	<b>551.6</b>
<b>Net income from the disposal of real estate inventory</b>	<b>-0.5</b>	<b>-0.7</b>	<b>-2.3</b>	<b>-2.0</b>
Income from the real estate inventory disposed of	-	-	-	-
Carrying amount of the real estate inventory disposed of	-	-	-	-
Costs of sales of the real estate inventory disposed of	-0.5	-0.7	-2.3	-2.0
<b>Net income from other services</b>	<b>1.3</b>	<b>0.9</b>	<b>4.2</b>	<b>1.5</b>
Income from other services	2.9	2.5	9.4	5.8
Expenses in connection with other services	-1.6	-1.6	-5.2	-4.3
<b>Administrative and other expenses</b>	<b>-8.2</b>	<b>-12.7</b>	<b>-32.6</b>	<b>-38.0</b>
<b>Other income</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.4</b>
<b>Operating Earnings</b>	<b>119.3</b>	<b>102.9</b>	<b>927.6</b>	<b>852.9</b>
Interest income	0.1	0.2	0.1	0.2
Interest expenses	-25.5	-40.6	-71.2	-92.7
Net income from investment securities and other equity investments	0.0	0.4	1.9	3.1
Net income from the fair value measurement of derivatives	-33.8	-24.5	-43.7	-92.6
<b>Earnings before income taxes</b>	<b>60.1</b>	<b>38.4</b>	<b>814.7</b>	<b>670.9</b>
Income taxes	-17.4	-18.6	-158.6	-182.0
<b>Net Profit or loss for the period</b>	<b>42.7</b>	<b>19.8</b>	<b>656.1</b>	<b>488.9</b>

€ million	Q3 2020	Q3 2019	01.01.– 30.09.2020	01.01.– 30.09.2019
<b>Change in amounts recognised directly in equity</b>	<b>-4.9</b>	<b>-10.9</b>	<b>-8.6</b>	<b>-41.5</b>
<b>Thereof recycling</b>				
<b>Fair value adjustment of interest rate derivatives in hedges</b>	<b>0.0</b>	<b>-6.7</b>	<b>-7.8</b>	<b>-25.1</b>
Change in unrealised gains/(losses)	0.0	-8.2	-8.3	-31.0
Income taxes on amounts recognised directly in equity	0.0	1.5	0.5	5.9
<b>Thereof non-recycling</b>				
<b>Actuarial gains and losses from the measurement of pension obligations</b>	<b>-4.9</b>	<b>-4.2</b>	<b>-0.8</b>	<b>-16.4</b>
Change in unrealised gains/(losses)	-7.1	-6.0	-1.1	-23.6
Income taxes on amounts recognised directly in equity	2.2	1.8	0.3	7.2
<b>Total comprehensive income</b>	<b>37.8</b>	<b>8.9</b>	<b>647.5</b>	<b>447.4</b>
<b>Net profit or loss for the period attributable to:</b>				
Non-controlling interests	0.8	0.7	2.7	2.7
Parent shareholders	41.9	19.1	653.4	486.2
<b>Total comprehensive income attributable to:</b>				
Non-controlling interests	0.8	0.7	2.7	2.7
Parent shareholders	37.0	8.2	644.8	444.7
<b>Basic earnings per share in €</b>	<b>0.50</b>	<b>0.30</b>	<b>9.35</b>	<b>7.67</b>
<b>Diluted earnings per share in €</b>	<b>0.50</b>	<b>0.30</b>	<b>9.35</b>	<b>7.67</b>

## Statement of changes in consolidated equity

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### Statement of changes in consolidated equity

€ million	Share capital	Capital reserves	Cumulative other reserves			Equity attributable to shareholders of the Group	Non-controlling interests	Consolidated equity
			Revenue reserves	Actuarial gains and losses from the measurement of pension obligations	Fair value adjustment of interest derivatives in hedges			
<b>As of 01.01.2019</b>	<b>63.2</b>	<b>611.2</b>	<b>4,131.4</b>	<b>-35.1</b>	<b>-13.1</b>	<b>4,757.6</b>	<b>26.3</b>	<b>4,783.9</b>
Initial application of IFRS 16	-	-	-4.6	-	-	-4.6	-	-4.6
<b>As of 01.01.2019, adjusted</b>	<b>63.2</b>	<b>611.2</b>	<b>4,126.8</b>	<b>-35.1</b>	<b>-13.1</b>	<b>4,753.0</b>	<b>26.3</b>	<b>4,779.3</b>
Net profit or loss for the period	-	-	486.2	-	-	486.2	2.7	488.9
Other comprehensive income	-	-	-	-16.4	-25.1	-41.5	0.0	-41.5
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>486.2</b>	<b>-16.4</b>	<b>-25.1</b>	<b>444.7</b>	<b>2.7</b>	<b>447.4</b>
Other	-	-	1.3	-	-	1.3	0.8	2.1
Change in consolidated companies	-	-	-	-	-	-	-	-
Capital increase	5.4	546.1	-	-	-	551.5	-	551.5
Withdrawals from reserves	-	-	-	-	-	-	-1.8	-1.8
Changes from Put-Options	-	-	-	-	-	-	-	-
Distributions	-	-	-223.1	-	-	-223.1	-5.9	-229.0
<b>As of 30.09.2019</b>	<b>68.6</b>	<b>1,157.3</b>	<b>4,391.2</b>	<b>-51.5</b>	<b>-38.2</b>	<b>5,527.4</b>	<b>22.1</b>	<b>5,549.5</b>
<b>As of 01.01.2020</b>	<b>69.0</b>	<b>1,202.2</b>	<b>4,718.9</b>	<b>-53.0</b>	<b>-27.2</b>	<b>5,909.9</b>	<b>24.0</b>	<b>5,933.9</b>
Initial application of IFRS 16	-	-	-	-	-	-	-	-
<b>As of 01.01.2020, adjusted</b>	<b>69.0</b>	<b>1,202.2</b>	<b>4,718.9</b>	<b>-53.0</b>	<b>-27.2</b>	<b>5,909.9</b>	<b>24.0</b>	<b>5,933.9</b>
Net profit/loss for the period	-	-	653.4	-	-	653.4	2.7	656.1
Other comprehensive income	-	-	-	-0.8	-7.8	-8.6	0.0	-8.6
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>653.4</b>	<b>-0.8</b>	<b>-7.8</b>	<b>644.8</b>	<b>2.7</b>	<b>647.5</b>
Other	-	-	1.3	-	-	1.3	-	1.3
Change in consolidated companies	-	-	-	-	-	-	-	-
Capital increase	3.1	351.0	-	-	-	354.1	-	354.1
Withdrawals from reserves	-	-	-	-	-	-	-2.2	-2.2
Changes from Put-Options	-	-	-	-	-	-	-	-
Distributions	-	-	-257.0	-	-	-257.0	-	-257.0
<b>As of 30.09.2020</b>	<b>72.1</b>	<b>1,553.2</b>	<b>5,116.6</b>	<b>-53.8</b>	<b>-35.0</b>	<b>6,653.1</b>	<b>24.5</b>	<b>6,677.6</b>

## Consolidated statement of cash flows

T2.5

### Consolidated statement of cash flows

€ million	01.01.– 30.09.2020	01.01.– 30.09.2019
<b>Operating earnings</b>	<b>927.6</b>	<b>852.9</b>
Depreciation on property, plant and equipment and amortisation on intangible assets	12.9	11.6
(Gains)/Losses from the measurement of investment properties	- 593.4	- 551.6
(Gains)/Losses from the disposal of assets held for sale and investment properties	0.2	-
(Decrease)/Increase in pension provisions and other non-current provisions	- 3.2	0.5
Other non-cash income and expenses	4.6	4.0
(Decrease)/Increase in receivables, inventories and other assets	- 61.3	- 45.5
Decrease/(Increase) in liabilities (not including financing liabilities) and provisions	14.1	18.4
Interest paid	- 59.8	- 58.6
Interest received	0.1	0.2
Received income from investments	3.1	3.1
Taxes received	2.7	0.4
Taxes paid	- 7.1	- 10.6
<b>Net cash from/(used in) operating activities</b>	<b>240.5</b>	<b>224.8</b>
<b>Cashflow from investing activities</b>		
Investments in investment properties	- 629.4	- 166.4
Proceeds from disposals of non-current assets held for sale and investment properties	30.0	184.3
Investments in intangible assets and property, plant and equipment	- 11.0	- 12.7
Investments in financial assets and other assets	25.1	- 9.9
Acquisition of shares in consolidated companies	- 22.6	-
<b>Net cash from/(used in) investing activities</b>	<b>- 607.9</b>	<b>- 4.7</b>

€ million	01.01.– 30.09.2020	01.01.– 30.09.2019
<b>Cash flow from financing activities</b>		
Borrowing of bank loans	258.4	436.5
Repayment of bank loans	- 173.5	- 270.2
Issue of convertible corporate bonds	544.0	-
Repayment of lease liabilities	- 8.0	- 7.7
Other proceeds	-	0.7
Other payments	- 1.3	-
Capital increase	269.6	-
Issue of registered bonds	50.0	-
Distribution to shareholders	- 172.4	- 223.1
Distribution and withdrawal from reserves of non-controlling interest	- 1.8	- 7.6
<b>Net cash from/(used in) financing activities</b>	<b>765.0</b>	<b>- 71.4</b>
<b>Change in cash and cash equivalents</b>	<b>397.6</b>	<b>148.7</b>
Cash and cash equivalents at beginning of period	451.2	233.6
<b>Cash and cash equivalents at end of period</b>	<b>848.8</b>	<b>382.3</b>
<b>Composition of cash and cash equivalents</b>		
Cash in hand, bank balances	848.8	382.3
<b>Cash and cash equivalents at end of period</b>	<b>848.8</b>	<b>382.3</b>

## Selected notes

### on the IFRS in interim consolidated financial statements as at 30 September 2020

#### 1. Basic information on the Group

LEG Immobilien AG, Dusseldorf (hereinafter: "LEG Immo"), its subsidiary LEG NRW GmbH, Dusseldorf (hereinafter: "LEG") and the subsidiaries of the latter company (hereinafter referred to collectively as the "LEG Group") are among the largest residential companies in Germany. The LEG Group held a portfolio of 139,896 (30 September 2019: 135,065) residential and commercial units on 30 September 2020 (139,448 (30 September 2019: 132,019) units excluding IFRS 5 objects).

The 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 (IFRS IC). Based on the option under IAS 34.10, the notes to the financial statements were presented in a condensed form. The condensed interim consolidated financial statements have not been audited or subjected to an audit review.

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

#### 3. Accounting policies

The accounting policies applied in the interim consolidated financial statements of the LEG Immo are the same as those presented in the IFRS consolidated financial statements of LEG Immo as of 31 December 2019. These interim consolidated financial statements as at 30 September 2020 should therefore be read in conjunction with the consolidated financial statements as at 31 December 2019.

The LEG Immo has fully applied the new standards and interpretations that are mandatory from 1 January 2020. The amendments to IFRS 3 will be considered in future business combinations. The amendments to the Interest Rate Benchmark Reform of IFRS 9, IAS 39 and IFRS 7 have no significant impact on the measurement of derivatives used in hedge accounting. Within the prospective effectiveness of the hedging relationship it is assumed that the underlying reference rate is not affected from the replacement of the IBOR reform.

#### 4. Changes in the Group

On 12 May 2020, the conversion of LEG Immobilien AG into the legal form of an SE Societas Europaea (European Company) was initiated.

On 1 April 2020, LEG Wohngelegenheit Süd GmbH was consolidated for the first time.

On 16 June 2020, the companies LEG Rhein Neckar GmbH and LEG Niedersachsen GmbH were founded and consolidated for the first time.



## 5. Business combinations

On 8 November 2019, to enhance its portfolio LEG Immo signed a purchase agreement with the Baum Group on assuming a 94.9 % stake in each of the companies Baum Erste Wohnimmobilien Bremen GmbH, Baum Zweite Wohnimmobilien Bremen GmbH and Baum Wohnimmobilien Oldenburg GmbH.

Five employees were assumed in the scope of the transaction. After antitrust approval, the transaction was closed on 31 December 2019.

As at 31 December 2019, the acquisition of these companies was treated as a business combination within the meaning of IFRS 3 as material business processes were acquired.

The purchase price allocation is final as at 30 September 2020. The final consideration for the business combination is made up as follows:

### T26

#### Consideration

€ million	31.12.2019 final	31.12.2019 provisional	Change
Net purchase price	254.3	254.2	0.1
Contingent reimbursement	–	–	–
<b>Total consideration</b>	<b>254.3</b>	<b>254.2</b>	<b>0.1</b>

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

### T27

#### Purchase price allocation

€ million	31.12.2019 final	31.12.2019 provisional	Change
Investment properties	231.1	231.1	0.0
Property, plant and equipment – finance lease	0.1	0.2	–0.1
Deferred tax assets	0.0	0.0	0.0
Receivables from operating costs	3.9	3.9	0.0
Receivables and other assets	0.5	0.8	–0.3
Cash and cash equivalents	2.1	2.1	0.0
<b>Total assets</b>	<b>237.7</b>	<b>238.1</b>	<b>–0.4</b>
Other financing liabilities	0.1	0.1	–
Deferred tax liabilities	23.8	23.8	–
Other provisions	0.0	0.0	–
Trade payables not yet invoiced	4.1	4.1	–
Other liabilities	2.6	3.5	–0.9
<b>Total liabilities</b>	<b>30.6</b>	<b>31.5</b>	<b>–0.9</b>
Net assets at fair value	207.1	206.6	0.5
Non-controlling interests	6.8	6.8	–
Net assets at fair value without non-controlling interests	200.3	199.8	0.5
<b>Consideration</b>	<b>254.3</b>	<b>254.2</b>	<b>0.1</b>
<b>Goodwill</b>	<b>54.0</b>	<b>54.4</b>	<b>–0.4</b>

The fair value of the rent receivables acquired totals EUR 0.0 million. The gross amount of the rent receivables due amounts to EUR 0.3 million with an impairment of EUR 0.3 million recognised at the time of acquisition.

Non-controlling interests in the acquired companies are recognised at the level of their share in the acquired net assets.

The transaction costs of the business combination amount to EUR 1.3 million and essentially include legal and consulting expenses as well as real estate transfer tax.

The synergies anticipated from the business combination relate primarily to cost advantages and additional revenue potential.

For tax purposes, the goodwill is not deductible.

## 6. Judgements and estimates

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

Although the management believes that the assumption and estimates used are appropriate, any unforeseeable changes in these assumptions could impact the net assets, financial position and results of operations. The current Covid-19 situation has been considered by judgements. There were no significant impacts. Moreover, there were no triggering events for the conduct of an impairment test on goodwill during the year.

In view of the global effects of the coronavirus pandemic on the economy and society, all current forecasts can be made only with a considerably higher degree of uncertainty. This applies particularly in the context of international links and interrelations between the financial markets, the real economy and political decisions, which each individually have an influence on the economic effects of the pandemic already, but when combined are impossible to assess with any certainty ex ante. The following sections are therefore based on the fundamental premise that the coronavirus 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. It can be assumed that the general conditions in terms of supply (only a slightly increasing number of completions) and demand (continued high level of migration to Germany, particularly in cities and densely populated areas) will continue.

### Development of rent defaults and rent deferrals

Only a slight increase in rent defaults can be observed at present. This is partly due to the extensive state transfer payments. Due to the LEG-specific low level of commercial letting, potential rent defaults from commercial properties can be currently classified as insignificant.

### Housing vacancies

No developments can be seen at present that would indicate higher vacancies. Although new lettings are in a difficult environment, on the other hand tenant terminations are also decreasing. In addition, it could be, as in the financial crisis in 2008/2009, that immigration from EU countries that are hard hit by the economic consequences of the Sars-CoV-2 pandemic could increase 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, we have come to the conclusion that the effects of the Sars-CoV-2 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 2019](#).

## 7. Selected notes to the consolidated statement of financial position

On 30 September 2020, the LEG Group held 138,601 apartments and 1,295 commercial units in its portfolio (139,448 units excluding IFRS 5 objects).

Investment property developed as follows in the financial year 2019 and in 2020 up to the reporting date of the interim consolidated financial statements:

T28

### Investment properties

€ million	Total	Residential assets				Commercial assets	Parking and other assets	Lease-hold	Land values
		High-growth markets	Stable markets	Higher-yielding markets	without market allocation				
<b>Carrying amount as of 01.01.2020<sup>1</sup></b>	<b>12,031.1</b>	<b>5,126.8</b>	<b>3,923.0</b>	<b>2,390.2</b>	<b>0.0</b>	<b>225.9</b>	<b>219.4</b>	<b>113.3</b>	<b>32.5</b>
Acquisitions	431.5	116.1	187.5	86.6	12.6	11.3	8.7	5.7	3.0
Other additions	203.5	73.3	67.0	56.4	0.0	1.8	0.2	2.9	1.8
Reclassified to assets held for sale	-38.7	-3.7	-13.5	-7.3	-13.1	-0.4	-0.3	0.0	-0.3
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	-1.1	-0.6	-0.1	-0.1	0.0	0.0	-0.2	0.0	0.0
Reclassified from property, plant and equipment	2.6	0.0	0.0	0.0	0.0	2.6	0.0	0.0	0.0
Fair value adjustment	593.3	237.3	215.4	114.6	0.5	-2.6	17.1	9.9	1.2
Reclassification	0.0	10.4	-4.4	-5.4	0.0	-5.5	6.9	-0.7	-1.3
<b>Carrying amount as of 30.09.2020</b>	<b>13,222.2</b>	<b>5,559.7</b>	<b>4,374.9</b>	<b>2,635.0</b>	<b>0.0</b>	<b>233.1</b>	<b>251.6</b>	<b>131.1</b>	<b>36.9</b>

<sup>1</sup> Extension of the market classification to the whole territory of the Federal Republic of Germany.

€ million

<b>Fair value adjustment as of 30.09.2020</b>	<b>593.3</b>
– hereupon as of 30.09.2020 in the portfolio	592.7
– hereupon as of 30.09.2020 disposed investment properties	0.6

## T29

## Investment properties

€ million	Total	Residential assets				Commercial assets	Parking and other assets	Lease-hold	Land values
		High-growth markets	Stable markets	Higher-yielding markets	Non NRW				
<b>Carrying amount as of 01.01.2019</b>	<b>10,709.0</b>	<b>4,607.3</b>	<b>3,296.8</b>	<b>2,212.1</b>	<b>164.5</b>	<b>209.4</b>	<b>184.9</b>	<b>3.4</b>	<b>30.6</b>
Initial application of IFRS 16	35.8	-26.4	-9.3	-17.9	-2.7	0.1	-0.1	92.2	0.0
Acquisitions	360.7	134.3	156.2	31.8	26.6	7.7	4.1	-0.3	0.2
Other additions	201.5	73.8	66.3	49.3	3.8	3.7	0.1	3.6	0.8
Reclassified to assets held for sale	-200.2	-9.3	-55.4	-125.9	-1.8	-1.1	-4.0	0.0	-2.8
Reclassified from assets held for sale	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Reclassified to property, plant and equipment	-0.5	1.4	-0.1	0.1	0.0	-1.6	0.0	-0.2	0.0
Reclassified from property, plant and equipment	1.3	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.0
Fair value adjustment	923.4	427.0	283.8	132.6	7.2	7.0	34.7	28.0	3.0
<b>Carrying amount as of 31.12.2019</b>	<b>12,031.1</b>	<b>5,208.1</b>	<b>3,738.3</b>	<b>2,282.2</b>	<b>197.6</b>	<b>225.2</b>	<b>219.7</b>	<b>128.0</b>	<b>31.8</b>

€ million

<b>Fair value adjustment 31.12.2019</b>	<b>923.4</b>
– hereupon as of 31.12.2019 in the portfolio	923.2
– hereupon as of 31.12.2019 disposed investment properties	0.2

On 27 December 2019, LEG acquired the F 99 and F 101 projects (land plus defined construction project specifications) from F 101 Projekt GmbH & Co. KG. The purchase prices are due with the acceptance of the completed buildings (F 99 anticipated for 1 March 2022/F 101 for 1 September 2022).

#### **Portfolio acquisition 1**

The acquisition of a property portfolio of around 2,010 residential and commercial units was notarised on 27 September 2019. The portfolio generates annual net cold rent of around EUR 7.1 million. The average in-place rent is around EUR 4.97 per square metre and the initial vacancy rate is around 4.5%. The transaction was closed on 1 January 2020. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

#### **Portfolio acquisition 2**

The acquisition of a property portfolio of 1,406 residential and commercial units was notarised on 30 January 2020. The portfolio generates annual net cold rent of around EUR 6.0 million. The average in-place rent is around EUR 5.71 per square metre and the initial vacancy rate is around 4.4%. The transaction was closed on 1 May 2020. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

#### **Portfolio acquisition 3**

The acquisition of a property portfolio of around 1,082 residential and commercial units was notarised on 16 June 2020. The portfolio generates annual net cold rent of around EUR 4.9 million. The average in-place rent is around EUR 5.79 per square metre and the initial vacancy rate is around 3.0%. The transaction was closed on 1 August 2020. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

Investment property was remeasured most recently by the LEG Group as of the interim reporting date of 30 June 2020. No further fair value adjustment was made as at 30 September 2020. With regard to the calculation methods and parameters, please refer to the consolidated financial statements as at 31 December 2019.

Significant market developments and measurement parameters affecting the market values of the property portfolio of LEG Immo are reviewed each quarter. If necessary, the property portfolio is revalued. As at 30 September 2020, the results of this review did not require any value adjustment. Despite the proceeded Covid-19 pandemic there are no observable effects on the market, which could affect the long-term value of the property portfolio.

The following tables show the measurement method used to determine the fair value of investment property and the material unobservable inputs used as of 30 June 2020 and 31 December 2019:

## T30

## Valuation parameters as at 30 June 2020

	GAV investment properties  € million	Valuation technique	Market rent residential/commercial €/sqm			Maintenance cost residential/commercial €/sqm			Administrative cost rate residential/commercial €/unit			Stabilised vacancy ratio  %		
			min	Ø	max	min	Ø	max	min	Ø	max	min	Ø	max
			Residential assets (incl. leasehold buildings)											
High-growth markets	5,533	DCF	3.56	8.10	13.33	5.56	11.77	15.58	129	302	462	1.0	1.9	7.0
Stable markets	4,237	DCF	2.31	6.55	9.98	6.58	11.82	15.08	159	300	462	1.5	3.0	9.0
Higher-yielding markets	2,619	DCF	0.33	5.95	9.31	5.80	11.90	15.45	165	300	462	1.5	4.2	9.0
Residential units without market allocation	12	DCF	6.61	6.75	7.76	11.96	12.54	12.90	305	305	305	2.0	2.9	3.0
Commercial assets	229	DCF	1.00	7.50	27.00	0.87	6.53	15.37	1	259	5,481	1.0	2.6	9.0
Leasehold (land)	127	DCF												
Parking and other assets	249	DCF							1	37	887			
Land values	36	Earnings/ reference value method							1	6	14			
<b>Total portfolio (IAS 40) <sup>1</sup></b>	<b>13,043</b>	<b>DCF</b>	<b>0.33</b>	<b>6.76</b>	<b>27.00</b>	<b>0.87</b>	<b>11.77</b>	<b>15.58</b>	<b>1</b>	<b>275</b>	<b>5,481</b>	<b>1.0</b>	<b>3.1</b>	<b>9.0</b>

	Discount rate %			Capitalisation rate %			Estimated rental development %		
	min	Ø	max	min	Ø	max	min	Ø	max
Residential assets (incl. leasehold buildings)									
High-growth markets	3.5	4.6	5.4	2.1	5.2	9.5	1.2	1.7	2.0
Stable markets	3.4	4.6	5.5	2.0	5.8	11.2	0.8	1.3	1.8
Higher-yielding markets	3.5	4.7	5.3	3.0	6.3	10.6	0.7	1.0	1.5
Residential units without market allocation	4.8	4.8	4.9	4.0	4.3	5.6	1.3	1.6	1.7
Commercial assets	2.5	6.5	9.0	2.8	7.2	9.5	0.7	1.5	1.9
Leasehold (land)									
Parking and other assets	3.3	4.7	5.6	2.8	6.9	12.7	0.7	1.3	1.9
Land values	4.5	4.7	5.3	2.9	11.2	12.7	0.2	1.3	1.9
<b>Total portfolio (IAS 40) <sup>1</sup></b>	<b>2.5</b>	<b>4.7</b>	<b>9.0</b>	<b>2.0</b>	<b>5.9</b>	<b>12.7</b>	<b>0.2</b>	<b>1.3</b>	<b>2.0</b>

<sup>1</sup> In addition, there are assets held for sale (IFRS 5) as at 30 June 2020 in the amount of EUR 3.1 million that are assigned to level 2 of the fair value hierarchy.

## T31

## Valuation parameters as at 31 December 2019

	GAV investment properties € million	Valuation technique	Market rent residential/commercial €/sqm			Maintenance cost residential/commercial €/sqm			Administrative cost rate residential/commercial €/unit			Stabilised vacancy ratio %		
			min	Ø	max	min	Ø	max	min	Ø	max	min	Ø	max
			Residential assets											
High-growth markets	4,824	DCF	3.84	8.16	13.33	5.56	11.77	15.58	215	303	462	1.0	1.8	6.0
Stable markets	3,665	DCF	2.40	6.36	9.84	4.53	11.82	15.08	198	300	462	1.5	3.1	9.0
Higher-yielding markets	2,200	DCF	0.36	5.85	8.78	1.92	11.91	15.45	164	300	462	1.5	4.3	9.0
Acquisitions	363	DCF	4.15	7.61	14.00	7.16	13.07	14.00	39	239	299	0.0	2.6	7.7
Commercial assets	211	DCF	1.00	7.41	27.00	0.87	5.99	13.03	1	279	5,482	1.0	2.6	9.0
Leasehold	520	DCF	1.50	6.46	11.25	7.42	11.63	14.88	11	279	2,662	1.0	2.9	7.0
Parking and other assets	215	DCF							0	37	54			
Land values	33	Earnings/ reference value method							0	6	14			
<b>Total portfolio (IAS 40) <sup>1</sup></b>	<b>12,031</b>	<b>DCF</b>	<b>0.36</b>	<b>6.66</b>	<b>27.00</b>	<b>0.87</b>	<b>11.84</b>	<b>15.58</b>	<b>0</b>	<b>276</b>	<b>5,482</b>	<b>0.0</b>	<b>3.1</b>	<b>9.0</b>

	Discount rate %			Capitalisation ratio %			Estimated rent development %		
	min	Ø	max	min	Ø	max	min	Ø	max
Residential assets									
High-growth markets	3.6	4.7	5.6	2.2	5.2	9.6	1.3	1.7	2.0
Stable markets	3.6	4.7	5.6	2.5	6.0	10.0	0.8	1.2	1.8
Higher-yielding markets	3.9	4.9	6.3	3.5	6.4	10.6	0.7	1.0	1.5
Acquisitions	4.6	4.8	6.6	3.4	5.1	8.2	1.0	1.4	1.9
Commercial assets	2.5	6.5	9.0	2.8	7.1	11.4	0.7	1.5	1.9
Leasehold	3.6	4.9	6.9	3.1	6.3	12.4	0.8	1.2	1.9
Parking and other assets	4.1	4.8	5.7	2.9	7.1	12.8	0.7	1.3	2.0
Land values	3.6	4.8	5.4	2.2	11.1	12.3	0.9	1.3	1.9
<b>Total portfolio (IAS 40) <sup>1</sup></b>	<b>2.5</b>	<b>4.8</b>	<b>9.0</b>	<b>2.2</b>	<b>6.05</b>	<b>12.8</b>	<b>0.7</b>	<b>1.3</b>	<b>2.0</b>

<sup>1</sup> In addition, there are assets held for sale (IFRS 5) as at 31 December 2019 in the amount of EUR 25.2 million that are assigned to level 2 of the fair value hierarchy.

With regard to the calculation methods, please refer to the [> consolidated financial statements as of 31 December 2019](#).

In addition, the 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 29.5 million as of 30 September 2020. 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 5.4 million have been added.

### T32

#### Right of use leases

€ million	30.09.2020	31.12.2019
Right of use buildings	4.5	5.8
Right of use technical equipment and machinery	17.3	19.2
Right of use operating and office equipment	5.9	5.2
<b>Property, plant and equipment</b>	<b>27.7</b>	<b>30.2</b>
Right of use software	1.8	0.9
<b>Intangible assets</b>	<b>1.8</b>	<b>0.9</b>

Cash and cash equivalents mainly consist of bank balances.

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

Financing liabilities are composed as follows:

### T33

#### Financing liabilities

€ million	30.09.2020	31.12.2019
Financing liabilities from real estate financing	5,648.1	4,973.4
Financing liabilities from lease financing	80.7	80.5
<b>Financing liabilities</b>	<b>5,728.8</b>	<b>5,053.9</b>

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

As of 30 September 2020, the issuance of a convertible bond with a carrying amount of EUR 552.4 million, the issuance of a registered bond in the amount of EUR 50.3 million, a loan of an acquisition in the amount of EUR 14.5 million and the cash payments of loans in the amount of EUR 245.0 million increased the financing liabilities. Scheduled and unscheduled repayments of EUR 173.0 million had an opposite effect.

Financing liabilities from real estate financing include among other things two convertible bonds with a nominal value of EUR 550.0 million and an IFRS carrying amount of EUR 522.4 million and a nominal value of EUR 400.0 million and an IFRS carrying amount of EUR 388.2 million as well as three corporate bonds, one with a nominal value of EUR 500.0 million (IFRS carrying amount of EUR 498.4 million), one with a nominal amount of EUR 300.0 million (IFRS carrying amount of EUR 298.9 million), and one with a nominal amount of EUR 500.0 million (IFRS carrying amount of EUR 501.1 million).

Already concluded leases starting after the reporting date will lead to probable cash outflows in the amount of EUR 15.9 million.

The main driver for the changes in maturity of financing liabilities as against 31 December 2019 is the issuance of the convertible bond 2020, the reclassification of the convertible bond 2017, cash payments of loans as well as repayment of the commercial papers.

### T34

#### Maturity of financing liabilities from real estate financing

€ million	Remaining term			Total
	< 1 year	> 1 to 5 years	> 5 years	
<b>30.09.2020</b>	<b>477.3</b>	<b>1,808.8</b>	<b>3,362.0</b>	<b>5,648.1</b>
31.12.2019	187.5	1,456.3	3,329.6	4,973.4



## 8. 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.– 30.09.2020	01.01.– 30.09.2019
Net cold rent	464.5	439.8
Profit from operating expenses	-1.2	-0.9
Maintenance for externally procured services	-37.4	-36.9
Staff costs	-53.7	-48.8
Allowances on rent receivables	-5.6	-5.8
Depreciation and amortisation expenses	-7.4	-6.9
Other	6.5	-0.3
<b>Net rental and lease income</b>	<b>365.7</b>	<b>340.2</b>
<b>Net operating income margin (in %)</b>	<b>78.7</b>	<b>77.4</b>
Non-recurring project costs – rental and lease	3.2	2.9
Depreciation	7.4	6.9
<b>Adjusted net rental and lease income</b>	<b>376.3</b>	<b>350.0</b>
<b>Adjusted net operating income margin (in %)</b>	<b>81.0</b>	<b>79.6</b>

In the reporting period, LEG Immo increased its net rental and lease income by EUR 25.5 million compared to the same period of the previous year. The main driver of this development was the EUR 24.7 million rise in net cold rents. In-place rent per square metre on a like-for-like basis rose by 2.3 % in the reporting period. The increase in other is mainly due to the expansion of value-added services. This was countered by the increase in staff costs by EUR 4.9 million, which was mainly due to an increase in the number of employees as well as to tariff increases.

Due to disproportionate development of net rental and lease income compared with the development of in-place rent the NOI margin increased from 77.4 % to 78.7 % in the reporting period.

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

### T36

#### Depreciation expense of leases

€ million	01.01.– 30.09.2020	01.01.– 30.09.2019
Right of use buildings	0.1	0.1
Right of use technical equipment and machinery	3.6	3.6
Right of use operating and office equipment	1.6	1.5
<b>Depreciation expense of leases</b>	<b>5.3</b>	<b>5.2</b>

In the reporting period expenses of leases of a low-value asset in the amount of EUR 0.4 million were included in the net rental and lease income (comparative period: EUR 0.2 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.– 30.09.2020	01.01.– 30.09.2019
Income from the disposal of investment	30.2	26.7
Carrying amount of the disposal of investment properties	-30.3	-26.7
Costs of sales of investment properties	-0.7	-0.8
<b>Net income from the disposal of investment properties</b>	<b>-0.8</b>	<b>-0.8</b>

#### Net income from the remeasurement of investment properties

The remeasurement of investment properties was conducted as of 30 June 2020. There were minor changes in the third quarter 2020 due to the remeasurement of the assets held for sale according to IFRS 5.

Net income from remeasurement of investment property amounted to EUR 593.3 million in the reporting period which corresponds to a 4.8 % rise (incl. acquisitions) compared to the start of the financial year.

As at 30 September 2020, the average value of investment property (incl. IFRS 5 objects) is EUR 1,440 per square metre including acquisitions (31 December 2019: EUR 1,353 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

T38

## Administrative and other expenses

€ million	01.01. – 30.09.2020	01.01. – 30.09.2019
Other operating expenses	-12.4	-10.1
Staff costs	-16.0	-24.4
Purchased services	-1.1	-0.9
Depreciation and amortisation	-3.1	-2.6
<b>Administrative and other expenses</b>	<b>-32.6</b>	<b>-38.0</b>
Depreciation and amortisation	3.1	2.6
Non-recurring project costs and extraordinary and prior-period expenses	6.9	12.0
<b>Adjusted administrative and other expenses</b>	<b>-22.7</b>	<b>-23.3</b>

The increase in other operating expenses is mainly attributable to increased costs for advice and insurance. In contrast, staff costs in the comparative period were characterised by one-time payments (EUR 8.1 million). Therefore non-recurring project costs decreased significantly in the reporting period. Adjusted administrative expenses are therefore slightly lower than in the comparative period.

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

T39

## Depreciation expense of leases

€ million	01.01. – 30.09.2020	01.01. – 30.09.2019
Right of use buildings	1.5	1.5
Right of use operating and office equipment	0.2	0.2
Right of use software	0.1	0.1
<b>Depreciation expense of leases</b>	<b>1.8</b>	<b>1.8</b>

## Interest income

**Net interest income** is composed as follows:

T40

## Interest income

€ million	01.01. – 30.09.2020	01.01. – 30.09.2019
Other interest income	0.1	0.2
<b>Interest income</b>	<b>0.1</b>	<b>0.2</b>

T41

## Interest expenses

€ million	01.01. – 30.09.2020	01.01. – 30.09.2019
Interest expenses from real estate financing	-51.0	-50.9
Interest expense from loan amortisation	-9.8	-29.5
Prepayment penalty	-0.4	-2.4
Interest expense from interest derivatives for real estate financing	-6.2	-5.8
Interest expense from change in pension provisions	-0.9	-1.9
Interest expense from interest on other assets and liabilities	-0.2	-0.6
Interest expenses from lease financing	-1.6	-1.6
Other interest expenses	-1.1	0.0
<b>Interest expenses</b>	<b>-71.2</b>	<b>-92.7</b>

Interest expense from loan amortisation decreased by EUR 19.7 million year on year to EUR 9.8 million. This includes the measurement of the convertible and corporate bonds at amortised cost in the amount of EUR 4.7 million (comparative period: EUR 20.5 million). The main drivers for the decrease are the refinancings carried out in the financial year 2019 and the early conversion of the convertible bond issued in 2014. The issue of the two corporate bonds in the fourth quarter 2019 as well as the issued convertible bond in June 2020 had an opposite effect.

The conclusion of a derivative in the financial year 2019 resulted in an increase of interest expenses from interest derivatives by EUR 0.4 million in the reporting period.

## Income taxes

T42

### Income tax expenses

€ million	01.01.– 30.09.2020	01.01.– 30.09.2019
Current tax expenses	- 2.9	- 13.0
Deferred tax expenses	- 155.7	- 169.0
<b>Income tax expenses</b>	<b>- 158.6</b>	<b>- 182.0</b>

As at 30 September 2020, an effective Group tax rate of 18.3 % was assumed in accordance with Group tax planning (comparative period: 22.8 %).

Current tax expenses comprise taxes relating to other periods in the amount of EUR 0.1 million as at 30 September 2020 (comparative period: EUR 1.4 million).

### 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.

On 25 June 2020, LEG Immo implemented a capital increase with shareholders' pre-emptive rights disapplied by way of accelerated bookbuilding. A total of 2,370,000 new shares were placed.

Due to issuing stock dividends for the financial year 2019 a capital increase was carried out on 22 September 2020. A total of 716,107 new shares were issued.

T43

### Earnings per share (basic)

	30.09.2020	30.09.2019
Net profit or loss attributable to shareholders in € million	653.4	486.2
Average numbers of shares outstanding	69,876,373	63,426,930
<b>Earnings per share (basic) in €</b>	<b>9.35</b>	<b>7.67</b>

T44

### Earnings per share (diluted)

	30.09.2020	30.09.2019
Net profit or loss attributable to shareholders in € million	653.4	486.2
Convertible bond coupon after taxes	2.6	2.0
Measurement of derivatives after taxes	43.7	88.4
Amortisation of the convertible bond after taxes	1.9	13.9
Net profit or loss for the period for diluted earnings per share	701.6	590.5
Average weighted number of shares outstanding	69,876,373	63,426,930
Number of potentially new shares in the event of exercise of conversion rights	4,633,776	9,020,694
Number of shares for diluted earnings per share	74,510,149	72,447,624
<b>Intermedia result</b>	<b>9.42</b>	<b>8.15</b>
<b>Diluted earnings per share in €</b>	<b>9.35</b>	<b>7.67</b>

As at 30 September 2020, LEG Immo had potential ordinary shares from convertible bonds, which authorise the bearers to convert it into up to 4.6 million shares.

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

Owing in particular to the expenses no longer incurring in the event of conversion for the measurement of the embedded derivative, the potential ordinary shares from the convertible bond are not dilutive within the meaning of IAS 33.41 as at 30 September 2019 and 30 September 2020.

The diluted earnings per share are therefore equal to basic earnings per share as at 30 September 2019 and 30 September 2020.

## 9. 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. The Group is now managed as one segment.

The LEG Group is managed by the following key performance indicators:

### Reconciliation to FFO

FFO I is a key financial performance indicator of the LEG Group. The LEG Group distinguishes between FFO I (not including net income from the disposal of investment properties), FFO II (including net income from the disposal of investment properties) and AFFO (FFO I adjusted for capex). The calculation methods for these key figures can be found in the [> glossary in the 2019 annual report](#).

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

## T45

## Calculation of FFO I, FFO II and AFFO

€ million	Q3 2020	Q3 2019	01.01. – 30.09.2020	01.01. – 30.09.2019
Net cold rent	156.5	147.3	464.5	439.8
Profit from operating expenses	0.4	1.0	-1.2	-0.9
Maintenance for externally procured services	-13.4	-11.5	-37.4	-36.9
Staff costs	-17.4	-16.8	-53.7	-48.8
Allowances on rent receivables	-1.3	-1.5	-5.6	-5.8
Other	3.8	-1.6	6.5	-0.3
Non-recurring project costs (rental and lease)	1.1	1.3	3.2	2.9
<b>Current net rental and lease income</b>	<b>129.7</b>	<b>118.2</b>	<b>376.3</b>	<b>350.0</b>
<b>Current net income from other services</b>	<b>2.1</b>	<b>1.6</b>	<b>6.6</b>	<b>3.4</b>
Staff costs	-4.9	-9.0	-16.0	-24.4
Non-staff operating costs	-2.4	-2.9	-13.6	-10.9
Non-recurring project costs (admin.)	0.5	4.7	6.9	12.0
Extraordinary and prior-period expenses	0.0	0.0	0.0	0.0
<b>Current administrative expenses</b>	<b>-6.8</b>	<b>-7.2</b>	<b>-22.7</b>	<b>-23.3</b>
<b>Other income and expenses</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.4</b>
<b>Adjusted EBITDA</b>	<b>125.0</b>	<b>112.7</b>	<b>360.2</b>	<b>330.5</b>
Cash interest expenses and income	-21.1	-19.4	-59.7	-58.4
Cash income taxes from rental and lease	-0.8	-3.8	-2.0	-10.0
<b>FFO I (before adjustment of non-controlling interests)</b>	<b>103.1</b>	<b>89.5</b>	<b>298.5</b>	<b>262.1</b>
Adjustment of non-controlling interests	-1.0	-1.3	-1.8	-3.0
<b>FFO I (after adjustment of non-controlling interests)</b>	<b>102.1</b>	<b>88.2</b>	<b>296.7</b>	<b>259.1</b>
Weighted average number of shares outstanding	71,451,447	63,904,421	69,876,373	63,426,930
<b>FFO I per share</b>	<b>1.43</b>	<b>1.38</b>	<b>4.25</b>	<b>4.09</b>
Net income from the disposal of investment properties	0.0	-0.1	-0.3	-0.3
Cash income taxes from disposal of investment properties	0.0	-1.6	-0.9	-2.9
<b>FFO II (incl. disposal of investment properties)</b>	<b>102.1</b>	<b>86.5</b>	<b>295.5</b>	<b>255.9</b>
CAPEX	-80.3	-58.0	-202.7	-136.5
<b>CAPEX-adjusted FFO I (AFFO)</b>	<b>21.8</b>	<b>30.2</b>	<b>94.0</b>	<b>122.6</b>

**Net asset value (NAV)**

A further key metric relevant in the property industry is NAV. The calculation method for the respective key figure can be found in the > [glossary in the 2019 annual report](#).

The LEG Group reports a basic EPRA NAV of EUR 8,356.1 million as at 30 September 2020. The effects of the possible conversion of the convertible bond 2017 are shown by the additional calculation of diluted EPRA NAV. After further adjustment for goodwill effects, the adjusted diluted EPRA NAV amounts to EUR 8,702.6 million at the reporting date.

T46

**EPRA NAV**

	30.09.2020			31.12.2019		
	Undiluted	Effect of exercise of convertibles and options	Diluted	Undiluted	Effect of exercise of convertibles and options	Diluted
€ million						
<b>Equity attributable to shareholders of the parent company</b>	<b>6,653.1</b>	–	<b>6,653.1</b>	<b>5,909.9</b>	–	<b>5,909.9</b>
Non-controlling interests	24.5	–	24.5	24.0	–	24.0
<b>Equity</b>	<b>6,677.6</b>	–	<b>6,677.6</b>	<b>5,933.9</b>	–	<b>5,933.9</b>
Effect of exercise of options, convertibles and other equity interests	–	444.9	444.9	–	26.1	26.1
<b>NAV</b>	<b>6,653.1</b>	<b>444.9</b>	<b>7,098.0</b>	<b>5,909.9</b>	<b>26.1</b>	<b>5,936.0</b>
Fair value measurement of derivative financial instruments	135.6	– 15.4	120.2	84.0	–	84.0
Deferred taxes on WFA loans and derivatives	1.6	–	1.6	6.2	–	6.2
Deferred taxes on investment property	1,621.7	–	1,621.7	1,386.0	–	1,386.0
Goodwill resulting from deferred taxes on EPRA adjustments	– 55.9	–	– 55.9	– 55.8	–	– 55.8
<b>EPRA NAV</b>	<b>8,356.1</b>	<b>429.5</b>	<b>8,785.6</b>	<b>7,330.3</b>	<b>26.1</b>	<b>7,356.4</b>
<b>Number of shares</b>	<b>72,095,943</b>	<b>3,438,349</b>	<b>75,534,292</b>	<b>69,009,836</b>	<b>0</b>	<b>69,009,836</b>
<b>EPRA NAV per share (€)</b>	<b>115.90</b>	–	<b>116.31</b>	<b>106.22</b>	–	<b>106.60</b>
Goodwill resulting from synergies	83.0	–	83.0	83.4	–	83.4
<b>Adjusted EPRA NAV (w/o effects from goodwill)</b>	<b>8,273.1</b>	<b>429.5</b>	<b>8,702.6</b>	<b>7,246.9</b>	<b>26.1</b>	<b>7,273.0</b>
<b>Number of shares</b>	<b>72,095,943</b>	<b>3,438,349</b>	<b>75,534,292</b>	<b>69,009,836</b>	<b>0</b>	<b>69,009,836</b>
<b>Adjusted EPRA NAV per share (€)</b>	<b>114.75</b>	–	<b>115.21</b>	<b>105.01</b>	–	<b>105.39</b>

### Loan-to-value ratio (LTV)

Net debt at the end of the reporting period is higher compared with 31 December 2019. Investment properties increased even more, which resulted in a further decline in loan-to-value ratio (LTV) of 36.4% at the interim reporting date (31 December 2019: 37.7%).

T47

#### LTV

€ million	30.09.2020	31.12.2019
Financing liabilities	5,728.8	5,053.9
Without lease liabilities IFRS 16 (not leasehold)	29.5	31.8
Less cash and cash equivalents	848.8	451.2
<b>Net financing liabilities</b>	<b>4,850.5</b>	<b>4,570.9</b>
Investment properties	13,222.2	12,031.1
Assets held for sale	33.7	25.2
Prepayments for investment properties	69.7	53.5
<b>Real estate assets</b>	<b>13,325.6</b>	<b>12,109.8</b>
<b>Loan-to-value ratio (LTV) in %</b>	<b>36.4</b>	<b>37.7</b>

## 10. Financial instruments

The table on > page 39 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 forecast cash flows, applying the reference interest rates as of the end of the reporting period. The fair values of derivative financial instruments are determined based on the benchmark interest rates in place as of the reporting date.

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

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

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

T48

## Classes of financial instruments for financial assets and liabilities 30.09.2020

€ million	Carrying amounts as per statement of financial positions 30.09.2020	Measurement (IFRS 9)		Measurement (IFRS 16)	Fair value 30.09.2020
		Amortised cost	Fair value through profit or loss		
<b>Assets</b>					
<b>Other financial assets</b> <b>35.7</b>					
Hedge accounting derivatives	–				–
AC	23.7	23.7			23.7
FVtPL	12.0		12.0		12.0
<b>Receivables and other assets</b> <b>112.4</b>					
AC	74.5	74.5			74.5
Other non-financial assets	37.9				37.9
<b>Cash and cash equivalents</b> <b>848.8</b>					
AC	848.8	848.8			848.8
<b>Total</b>	<b>996.9</b>	<b>947.0</b>	<b>12.0</b>		<b>996.9</b>
<b>Of which IFRS 9 measurement categories</b>					
AC	947.0	947.0			947.0
FVtPL	12.0		12.0		12.0

AC = Amortised cost  
 FVtPL = Fair value through profit and loss  
 FLAC = Financial liabilities at amortised cost  
 HFT = Held for trading

€ million	Carrying amounts as per statement of financial positions 30.09.2020	Measurement (IFRS 9)		Measurement (IFRS 16)	Fair value 30.09.2020
		Amortised cost	Fair value through profit or loss		
<b>Liabilities</b>					
<b>Financial liabilities</b> <b>– 5,728.8</b>					
FLAC	– 5,648.1	– 5,648.1			– 6,050.4
Liabilities from lease financing	– 80.7			– 80.7	–
<b>Other liabilities</b> <b>– 480.8</b>					
FLAC	– 174.7	– 174.7			– 174.7
Derivatives HFT	– 127.0		– 127.0		– 127.0
Hedge accounting derivatives	– 46.9				– 46.9
Other non-financial liabilities	– 132.2				– 132.2
<b>Total</b>	<b>– 6,209.6</b>	<b>– 5,822.8</b>	<b>– 127.0</b>	<b>– 80.7</b>	<b>– 6,531.2</b>
<b>Of which IFRS 9 measurement categories</b>					
FLAC	– 5,822.8	– 5,822.8			– 6,225.1
Derivatives HFT	– 127.0		– 127.0		– 127.0

## T49

## Classes of financial instruments for financial assets and liabilities 31.12.2019

€ million	Carrying amounts as per statement of financial positions 31.12.2019	Measurement (IFRS 9)		Measurement (IFRS 16)	Fair value 31.12.2019
		Amortised cost	Fair value through profit or loss		
<b>Assets</b>					
<b>Other financial assets</b>					
	<b>23.2</b>				<b>23.2</b>
Hedge accounting derivatives	–				–
AC	11.2	11.2			11.2
FVtPL	12.0		12.0		12.0
<b>Receivables and other assets</b>					
	<b>82.0</b>				<b>82.0</b>
AC	76.7	76.7			76.7
Other non-financial assets	5.3				5.3
<b>Cash and cash equivalents</b>					
	<b>451.2</b>				<b>451.2</b>
AC	451.2	451.2			451.2
<b>Total</b>	<b>556.4</b>	<b>539.1</b>	<b>12.0</b>		<b>556.4</b>
<b>Of which IFRS 9 measurement categories</b>					
AC	539.1	539.1			539.1
FVtPL	12.0		12.0		12.0

AC = Amortised cost  
 FVtPL = Fair value through profit and loss  
 FLAC = Financial liabilities at amortised cost  
 HFT = Held for trading

€ million	Carrying amounts as per statement of financial positions 31.12.2019	Measurement (IFRS 9)		Measurement (IFRS 16)	Fair value 31.12.2019
		Amortised cost	Fair value through profit or loss		
<b>Liabilities</b>					
<b>Financial liabilities</b>					
	<b>– 5,053.9</b>				<b>– 5,306.8</b>
FLAC	– 4,973.4	– 4,973.4			– 5,306.8
Liabilities from lease financing	– 80.5			– 80.5	
<b>Other liabilities</b>					
	<b>– 392.0</b>				<b>– 392.0</b>
FLAC	– 126.8	– 126.8			– 126.8
Derivatives HFT	– 60.3		– 60.3		– 60.3
Hedge accounting derivatives	– 39.0				– 39.0
Other non-financial liabilities	– 165.9				– 165.9
<b>Total</b>	<b>– 5,445.9</b>	<b>– 5,100.2</b>	<b>– 60.3</b>	<b>– 80.5</b>	<b>– 5,698.8</b>
<b>Of which IFRS 9 measurement categories</b>					
FLAC	– 5,100.2	– 5,100.2			– 5,433.6
Derivatives HFT	– 60.3		– 60.3		– 60.3



As at 30 September 2020, the fair value of the very small equity investments was EUR 12.0 million, unchanged to the valuation as at 31 December 2019. 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%. As at 30 September 2020, the fair value of the very small equity investments was EUR 12.0 million. The stress test of this parameter on the basis of plus 50 basis points results in the fair value being EUR 11.0 million lower and at minus 50 basis points EUR 13.2 million higher.

### 11. Related-party disclosures

Please see the IFRS consolidated financial statements as at 31 December 2019 for the presentation of the IFRS 2 programmes for long-term incentive Management Board agreements.

### 12. Other

There were no changes with regard to contingent liabilities in comparison to 31 December 2019.

### 13. The Management Board and the Supervisory Board

There were no changes to the composition of the Supervisory Board as at 30 September 2020 compared with the disclosures as at 31 December 2019.

The following change occurred in the composition of the Management Board:

Effective 1 July 2020, Susanne Schröter-Crossan was appointed as CFO of LEG Immo.

### 14. Supplementary report

Since 7 October 2020 Martin Wiesmann is member of the Supervisory Board.

The acquisition of a property portfolio of around 6,418 residential and commercial units was notarised on 22 June 2020. The portfolio generates annual net cold rent of around EUR 30.2 million. The average in-place rent is around EUR 5.95 per square metre and the initial vacancy rate is around 2.5%. The transaction was closed for 6,104 units on 1 November 2020. The transition date for the remaining 314 units will be on 1 January 2021. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

On 19 August 2020, LEG Immo signed a purchase agreement with the Fischbach Holding GmbH assuming a 100% stake of the company Fischbach Service GmbH (rebranded in LWS Plus GmbH). The transaction's objectives are the expansion of the value chain and the reduction of the interfaces between the LEG Group and the general contractors, so that in the course of the refurbishments of vacant apartments the LEG Group assume the steering and controlling function.

29 employees were taken on in the scope of the transaction. After antitrust approval, the transaction was closed on 1 October 2020.

As at 1 October 2020, the acquisition of the company was treated as a business combination within the meaning of IFRS 3 as material business processes were acquired.

The provisional consideration for the business combination is made up as follows:

**T50****Provisional consideration**

€ million	01.10.2020 provisional
Net purchase price	22.6
Contingent reimbursement	11.8
<b>Total consideration</b>	<b>34.4</b>

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

**T51****Provisional purchase price allocation**

€ million	01.10.2020 provisional
Factory and office equipment	0.1
Property, plant and equipment – finance lease	0.6
Intangible assets	0.0
Inventories	5.8
Receivables and other assets	0.7
Cash and cash equivalents	2.4
<b>Total Assets</b>	<b>9.6</b>
Other provisions	0.1
Other liabilities	5.6
<b>Total Liabilities</b>	<b>5.7</b>
Net assets at fair value	3.9
Non-controlling interests	0.0
Net assets at fair value without non-controlling interests	3.9
<b>Consideration</b>	<b>34.4</b>
<b>Goodwill</b>	<b>30.5</b>

The transaction costs of the business combination amount to EUR 0.2 million and essentially include consulting expenses.

The synergies anticipated from the business combination relate primarily to cost advantages as well as a reduction of the vacancy duration and thereby a reliable letting.

For tax purposes, the goodwill is not deductible.

In addition to the total consideration, due to the currently incomplete existing data basis the purchase price allocation is provisional in respect to the following items:

- Inventories
- Accounting for leases
- Deferred tax expenses
- Contingent liabilities.

The LEG Group concluded agreements of secured financing in the amount of EUR 130 million. These funds will be paid in the fourth quarter 2020.

There were no other significant events after the end of the interim reporting period on 30 September 2020.

Dusseldorf, 12 November 2020

LEG Immobilien AG  
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 management report of the Group includes a fair review of the development and performance of the business and the position of the LEG Group, together with a description of the principal opportunities and risks associated with the expected development of the LEG Group.“

Dusseldorf, 12 November 2020

LEG Immobilien AG  
The Management Board

**Lars von Lackum**  
(CEO)

**Susanne Schröter-Crossan**  
(CFO)

**Dr Volker Wiegel**  
(COO)

## Financial calendar 2020/2021

### LEG financial calendar 2020/2021

Release of quarterly report as of 30 September 2020	<b>12 November 2020</b>
Release of annual report 2020	<b>10 March 2021</b>
Release of quarterly statement as of 31 March 2021	<b>11 May 2021</b>
Release of quarterly report as of 30 June 2021	<b>10 August 2021</b>
Release of quarterly statement as of 30 September 2021	<b>10 November 2021</b>

For additional information, see the Investor Relations calendar on our > [website](#).

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The quarterly report as of 30 September 2020  
is also available in German.

In case of doubt, the German version takes precedence.

**LEG**  
*gewohnt gut.*

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