



2021

The value of living

Quarterly report as of 30 September




LEG

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Key figures Q3 2021

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		Q3 2021	Q3 2020	+/- %	01.01. – 30.09.2021	01.01. – 30.09.2020	+/- %
Results of operations							
Rental income	€ million	171.2	156.5	9.4	509.7	464.5	9.7
Net rental and lease income	€ million	140.9	126.2	11.6	407.3	365.7	11.4
EBITDA	€ million	143.9	123.5	16.5	1,507.6	940.4	60.3
EBITDA adjusted	€ million	139.3	125.0	11.4	400.6	360.2	11.2
EBT	€ million	102.9	60.1	71.2	1,418.6	814.7	74.1
Net profit or loss for the period	€ million	77.1	42.7	80.6	1,140.5	656.1	73.8
FFO I	€ million	116.0	102.1	13.6	334.2	296.7	12.6
FFO I per share	€	1.59	1.43	11.2	4.62	4.25	8.7
FFO II	€ million	115.8	102.1	13.4	332.0	295.5	12.4
FFO II per share	€	1.59	1.43	11.2	4.59	4.23	8.5
AFFO	€ million	33.0	21.8	51.4	104.2	94.0	10.9
AFFO per share	€	0.45	0.30	50.0	1.44	1.34	7.5
Portfolio							
		30.09.2021	30.09.2020	+/- %/BP			
Number residential units		145,656	138,601	5.1			
In-place rent	€/sqm	6.11	5.91	3.4			
In-place rent (l-f-l)	€/sqm	6.11	5.91	3.3			
EPRA vacancy rate	%	2.7	3.3	-60			
EPRA vacancy rate (l-f-l)	%	2.6	3.1	-50			
Statement of financial position							
		30.09.2021	31.12.2020	+/- %/BP			
Investment properties	€ million	16,179.8	14,582.7	11.0			
Cash and cash equivalents	€ million	515.1	335.4	53.6			
Equity	€ million	8,366.4	7,389.9	13.2			
Total financing liabilities	€ million	6,748.1	5,869.0	15.0			
Current financing liabilities	€ million	108.6	491.3	-77.9			
LTV	%	38.0	37.6	+40			
Equity ratio	%	48.1	48.4	-30			
Adj. EPRA NTA, diluted	€ million	10,484.8	9,247.6	13.4			
Adj. EPRA NTA per share, diluted	€	137.40	122.43	12.2			

bps = basis points

Portfolio

Portfolio segmentation and housing stock

The LEG portfolio can be divided into three market clusters using a scoring system: high-growth markets, stable markets and higher-yielding markets. The indicators for the scoring system are described in the [annual report 2020](#).

LEG's portfolio is spread across around 210 locations with a geographical focus in the federal state of North Rhine-Westphalia. LEG is also present in Lower Saxony, Bremen, Schleswig-Holstein, Hesse, Rhineland-Palatinate and Baden-Wuerttemberg.

The property portfolio as at 30 September 2021 included 145,656 residential units, 1,320 commercial units and 40,437 garages and parking spaces. The average flat size is 64 square meters and the average monthly rent is EUR 6.11 per square meter.

Operational development

As at 30 September 2021, the like-for-like in-place rent was EUR 6.11 per square meter/ month. This corresponds to an increase of 3.3% within twelve months. It should be noted that the comparable rent was relatively low, as LEG had suspended rent increases for a few months from March 2020 to relieve its customers in the Corona pandemic. For the financial year 2021 as a whole, LEG maintains its guidance of around 3% rent increase per square meter on a like-for-like basis.

In the free financed portfolio, which represents around 76% of the portfolio, the like-for-like in-place rent increased by 4.1% year-on-year to EUR 6.52 per square meter. Within that part of the portfolio, the high-growth markets showed an increase of 4.2% to EUR 7.56 per square meter (like-for-like). In the stable markets, the average monthly rent also rose by 4.3%, reaching EUR 6.19 per square meter (like-for-like) on average at the end of the quarter. Rents in the higher-yielding markets increased by 3.6% to EUR 5.90 per square meter (like-for-like).

There will be no regular adjustment of cost rents in 2021. Therefore the average monthly rent in the rent-restricted portfolio rose by only 0.4% or EUR 0.03 to EUR 4.92 per square meter (like-for-like) at the end of the reporting period.

As at 30 September 2021, the EPRA vacancy rate on a like-for-like basis decreased by 50 basis points to 2.6% compared to the previous year's reporting date. This increased the occupancy rate in all three market segments. With an occupancy rate of 98.4% (like-for-like), the properties in the high-growth markets were almost fully let. In the stable markets, the occupancy rate reached 97.4% (like-for-like). The strongest increase was realised in the higher-yielding markets with 100 basis points to 96.2% (like-for-like). The vacancy rate in the free financed portfolio was 2.7% and in the rent-restricted portfolio 1.7%.

T2

Portfolio segments – top 5 locations

	Total portfolio										Change like-for-like basis	
	30.09.2021					30.09.2020 ¹					In-place rent in % Like-for-Like	Vacancy rate basis points Like-for-Like
	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 %		
High Growth Markets	46,454	31.9	3,083,241	6.86	1.9	41,918	30.2	2,783,151	6.68	1.9	3.4	-20
District of Mettmann	8,524	5.9	592,081	7.24	1.5	8,500	6.1	590,990	6.84	2.2	5.8	-60
Muenster	6,197	4.3	412,093	6.82	0.8	6,198	4.5	412,104	6.75	1.0	1.0	-20
Dusseldorf	5,552	3.8	360,535	8.21	1.6	5,422	3.9	352,442	7.99	1.9	2.3	-20
Cologne	4,153	2.9	280,340	7.46	2.2	3,970	2.9	266,114	7.16	1.5	2.7	20
Bielefeld	3,234	2.2	201,168	6.56	2.7	3,205	2.3	199,275	6.33	1.7	3.3	50
Other locations	18,794	12.9	1,237,024	6.21	2.4	14,623	10.6	962,226	5.99	2.0	3.7	10
Stable Markets	56,662	38.9	3,612,530	5.82	2.7	54,203	39.1	3,456,210	5.62	3.4	3.4	-70
Dortmund	13,704	9.4	895,884	5.66	2.5	13,722	9.9	896,604	5.47	2.8	3.6	-30
District of Unna	6,809	4.7	424,284	5.33	2.5	6,845	4.9	427,255	5.20	2.5	2.4	10
Moenchengladbach	6,440	4.4	408,077	6.24	1.8	6,442	4.6	408,183	5.99	2.4	4.2	-60
Essen	3,370	2.3	217,433	5.79	3.5	3,372	2.4	217,538	5.67	3.4	2.1	10
Ennepe-Ruhr district	2,726	1.9	178,342	5.80	2.6	2,725	2.0	178,331	5.64	3.5	2.7	-100
Other locations	23,613	16.2	1,488,510	5.94	3.0	21,097	15.2	1,328,300	5.74	3.9	3.6	-90
Higher-Yielding Markets	42,540	29.2	2,586,746	5.62	4.0	42,360	30.6	2,573,636	5.45	5.0	3.1	-100
District of Recklinghausen	9,018	6.2	548,608	5.47	2.3	9,022	6.5	548,855	5.35	3.5	2.3	-130
Gelsenkirchen	7,260	5.0	414,951	5.71	7.5	7,263	5.2	414,958	5.55	9.3	2.9	-180
Duisburg	6,315	4.3	382,079	6.02	2.8	6,339	4.6	383,679	5.84	3.4	3.1	-40
Hamm	4,818	3.3	288,365	5.58	2.4	4,819	3.5	288,504	5.31	2.9	5.2	-50
Maerkisch District	4,608	3.2	284,540	5.45	4.2	4,608	3.3	284,508	5.35	4.7	1.9	-50
Other locations	10,521	7.2	668,203	5.55	3.8	10,309	7.4	653,132	5.34	4.6	3.5	-90
Total¹	145,656	100.0	9,282,517	6.11	2.7	138,601	100.0	8,820,838	5.91	3.3	3.3	-50

¹ 30 September 2020: including 120 units held for sale

T3

Performance LEG Portfolio

		High-growth market			Stable markets			Higher yielding markets			Total		
		30.09.2021	30.06.2021	30.09.2020	30.09.2021	30.06.2021	30.09.2020	30.09.2021	30.06.2021	30.09.2020	30.09.2021	30.06.2021	30.09.2020 ¹
Subsidised residential units													
Units		12,082	12,118	11,922	15,052	15,052	14,093	8,007	8,007	8,142	35,141	35,177	34,157
Area	sqm	832,960	834,697	820,872	1,019,321	1,019,295	954,367	525,292	525,292	534,763	2,377,573	2,379,283	2,310,001
In-place rent	€/sqm	5.28	5.26	5.21	4.89	4.89	4.82	4.55	4.55	4.54	4.95	4.95	4.90
EPRA vacancy rate	%	1.1	1.1	0.9	2.2	2.0	2.8	2.1	2.0	2.8	1.8	1.7	2.1
Free-financed residential units													
Units		34,372	34,052	29,996	41,610	41,448	40,110	34,533	34,215	34,218	110,515	109,715	104,444
Area	sqm	2,250,281	2,230,430	1,962,279	2,593,209	2,582,255	2,501,844	2,061,454	2,040,894	2,038,874	6,904,944	6,853,579	6,510,837
In-place rent	€/sqm	7.46	7.42	7.30	6.18	6.16	5.93	5.90	5.87	5.69	6.52	6.49	6.28
EPRA vacancy rate	%	2.1	2.0	2.2	2.9	2.8	3.6	4.3	4.3	5.4	2.9	2.9	3.6
Total residential units¹													
Units		46,454	46,170	41,918	56,662	56,500	54,203	42,540	42,222	42,360	145,656	144,892	138,601
Area	sqm	3,083,241	3,065,127	2,783,151	3,612,530	3,601,550	3,456,210	2,586,746	2,566,185	2,573,636	9,282,516	9,232,862	8,820,838
In-place rent	€/sqm	6.86	6.83	6.68	5.82	5.80	5.62	5.62	5.60	5.45	6.11	6.09	5.91
EPRA vacancy rate	%	1.9	1.9	1.9	2.7	2.6	3.4	4.0	3.9	5.0	2.7	2.7	3.3
Total commercial													
Units											1,320	1,345	1,295
Area	sqm										213,806	225,185	215,458
Total parking													
Units											40,437	40,013	35,892
Total other													
Units											2,920	2,893	2,746

¹ 30 September 2020: including 120 units held for sale

Value development

The following table shows the distribution of assets by market segment. A revaluation of the portfolio was not carried out in the

third quarter. As at 30 September 2021 the rental yield was 4.4% which corresponds to a rental multiple of 22.9%. According

to the EPRA definition, the valuation of the residential portfolio corresponds to a net initial yield of 3.3%.

T4

Market segments

30.09.2021	Residential units	Residential assets in € million ¹	Share residential assets in %	Gross asset value in €	In-place rent multiplier	Commercial/ other assets in € million ²	Total assets in € million
High Growth Markets	46,454	7,001	46	2,269	27.7x	287	7,288
District of Mettmann	8,524	1,432	9	2,421	27.9x	74	1,506
Muenster	6,197	992	6	2,403	29.2x	52	1,044
Dusseldorf	5,552	1,069	7	2,931	29.8x	45	1,114
Cologne	4,153	825	5	2,930	33.2x	26	851
Bielefeld	3,234	374	2	1,850	23.7x	12	386
Other locations	18,794	2,309	15	1,873	25.4x	78	2,387
Stable Markets	56,662	5,314	35	1,473	21.4x	159	5,472
Dortmund	13,704	1,463	10	1,625	24.2x	52	1,514
District of Unna	6,809	512	3	1,214	19.2x	20	532
Moenchengladbach	6,440	625	4	1,527	20.1x	15	640
Essen	3,370	312	2	1,433	21.0x	12	324
Ennepe-Ruhr district	2,726	232	2	1,300	18.9x	7	239
Other locations	23,613	2,170	14	1,465	21.0x	53	2,223
Higher-Yielding Markets	42,540	3,056	20	1,177	18.1x	88	3,144
District of Recklinghausen	9,018	660	4	1,193	18.4x	20	680
Gelsenkirchen	7,260	453	3	1,086	17.0x	11	464
Duisburg	6,315	511	3	1,343	19.0x	30	541
Hamm	4,818	345	2	1,193	17.8x	5	350
Maerkisch District	4,608	296	2	1,038	16.4x	3	299
Other locations	10,521	791	5	1,180	18.7x	19	810
Total portfolio	145,656	15,371	100	1,655	22.9x	534	15,905
Leasehold and land values							186
Balance sheet property valuation assets (IAS 40)							16,091
Prepayments for property held as an investment property and construction costs							123
Assets under construction (IAS 40)							89
Inventories (IAS 2)							0
Owner-occupied property (IAS 16)							26
Assets held for sale (IFRS 5)							25
Total balance sheet							16,354

¹ Excluding 437 residential units in commercial buildings; including 554 commercial units as well as several other units in mixed residential assets.

² Excluding 554 commercial units in mixed residential assets; including 437 residential units in commercial buildings, commercial, parking, other assets.

Analysis of net assets, financial position and results of operations

Please see the [glossary in the 2020 annual report](#) for a definition of individual key figures and terms.

Results of operations

T5

Condensed income statement

€ million	Q3 2021	Q3 2020	01.01. – 30.09.2021	01.01. – 30.09.2020
Net rental and lease income	140.9	126.2	407.3	365.7
Net income from the disposal of investment properties	-0.4	-0.2	-0.7	-0.8
Net income from the remeasurement of investment properties	9.5	0.6	1,119.8	593.3
Net income from the disposal of real estate inventory	-0.1	-0.5	-0.1	-2.3
Net income from other services	2.1	1.3	4.8	4.2
Administrative and other expenses	-12.7	-8.2	-36.8	-32.6
Other income	0.0	0.1	0.0	0.1
Operative earnings	139.3	119.3	1,494.3	927.6
Interest income	0.0	0.1	0.0	0.1
Interest expenses	-27.4	-25.5	-84.5	-71.2
Net income from investment securities and other equity investments	-0.3	0.0	3.4	1.9
Net income from the fair value measurement of derivatives	-8.7	-33.8	5.4	-43.7
Net finance earnings	-36.4	-59.2	-75.7	-112.9
Earnings before income taxes	102.9	60.1	1,418.6	814.7
Income taxes	-25.8	-17.4	-278.1	-158.6
Net profit or loss for the period	77.1	42.7	1,140.5	656.1

Net rental and lease income increased primarily due to higher net cold rents by 11.4% to EUR 407.3 million.

Adjusted EBITDA increased by 11.2% to EUR 400.6 million. Adjusted EBITDA margin increased from 77.5% (comparative period) to 78.6% in the reporting period.

The increase of operating earnings by EUR 566.7 million in the reporting period was mainly due to EUR 526.5 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 bond in the amount of EUR 5.4 million (comparative period: EUR -43.7 million).

Current income tax expenses of EUR -3.4 million were recorded affecting net income in the reporting period (comparative period: EUR -2.9 million).

Net rental and lease income

T6

Net rental and lease income

€ million	Q3 2021	Q3 2020	01.01. – 30.09.2021	01.01. – 30.09.2020
Net cold rent	171.2	156.5	509.7	464.5
Profit from operating expenses	0.1	0.4	-0.5	-1.2
Maintenance for externally procured services	-14.6	-13.4	-43.6	-37.4
Staff costs	-20.1	-17.4	-61.5	-53.7
Allowances on rent receivables	-2.0	-1.3	-5.8	-5.6
Depreciation and amortisation expenses	-2.8	-2.4	-8.2	-7.4
Other	9.1	3.8	17.2	6.5
Net rental and lease income	140.9	126.2	407.3	365.7
Net operating income-margin in %	82.3	80.6	79.9	78.7
Non-recurring project costs – rental and lease	1.2	1.1	4.5	3.2
Depreciation	2.8	2.4	8.2	7.4
Adjusted net rental and lease income	144.9	129.7	420.0	376.3
Adjusted net operating income-margin (in %)	84.6	82.9	82.4	81.0

In the reporting period, the LEG Group increased its net rental and lease income by EUR 41.6 million compared to the same period of the previous year. The main driver of this development was the EUR 45.2 million rise in net cold rents. In-place rent per square metre on a like-for-like basis rose by 3.3 % in the reporting period. The increase in Other by EUR 10.7 million is mainly due to the expansion of value-added services as well as raise in own work capitalised. This was countered by the increase in staff costs by EUR 7.8 million, which was mainly due to an increase in the number of employees.

Due to disproportionate development of net rental and lease income compared with the development of in-place rent the NOI margin increased from 78.7% to 79.9% in the reporting period.

The EPRA vacancy rate like-for-like as of 30 September 2021 was reduced from 3.1% to 2.6% compared to the comparative period.

T7

EPRA vacancy rate

€ million	30.09.2021	30.09.2020
Rental value of vacant space – like-for-like	17.6	20.8
Rental value of vacant space – total	19.9	21.9
Rental value of the whole portfolio – like-for-like	689.2	662.6
Rental value of the whole portfolio – total	731.7	667.0
EPRA vacancy rate – like-for-like (in %)	2.6	3.1
EPRA vacancy rate – total (in %)	2.7	3.3

The EPRA capex splits the capitalised expenditure and reconciles to cash outflows for investment properties. The value-adding modernisation work, divided into development (EUR 7.7 million) and investments in investment properties (EUR 226.2 million), increased to EUR 233.9 million in the reporting period. This was offset by the decrease in acquisitions to EUR 279.5 million.

T8

EPRA Capex

€ million	01.01.– 30.09.2021	01.01.– 30.09.2020
Acquisitions	279.5	431.5
Development	7.7	3.2
Investments in investment properties	226.2	197.5
thereof incremental lettable space	3.1	2.3
thereof no incremental lettable space	223.1	195.2
EPRA Capex	513.4	632.2
Additions to/utilisation of provisions for capex	-4.8	-10.3
Additions to/utilisation of provisions for incidental purchase price costs and change in prepayments for investment properties	51.6	7.5
Payments for investments in investment properties	560.2	629.4

The increase in value enhancing modernisations by EUR 34.9 million and in maintenance expenses by EUR 10.8 million led to total investments in the reporting period of EUR 308.5 million (comparative period: EUR 262.8 million). For the calculation of the total investments per square metre, the investments for new construction activities (EUR 7.7 million), public safety measures for portfolio acquisitions (EUR 1.6 million) as well as capitalised own services (EUR 19.2 million) were eliminated from the total investments. Adjusted, total investments amount to EUR 280.0 million and the average total investment per square metre is EUR 29.63 euros (comparative period: EUR 29.02). In the comparative period, only the investments for new construction activities were eliminated, so that the adjusted capitalisation ratio decreased to 74.7% in the reporting period (comparative period: 76.8%).

T9

Maintenance and modernisation

€ million	Q3 2021	Q3 2020	01.01.– 30.09.2021	01.01.– 30.09.2020
Maintenance expenses	19.7	23.0	70.9	60.1
thereof investment properties	17.2	21.5	66.4	57.8
Capital expenditure	90.6	80.3	237.6	202.7
thereof investment properties	88.3	79.5	233.9	200.7
Total investment	110.3	103.3	308.5	262.8
thereof investment properties	105.5	101.0	300.3	258.5
Area of investment properties in million sqm	9.47	9.01	9.45	8.94
Adjusted total investment	99.5	102.3	280.0	259.6
Adjusted average investment per sqm (€)	10.51	11.35	29.63	29.02

Net income from the disposal of investment properties

T10

Net income from the disposal of investment properties

€ million	Q3 2021	Q3 2020	01.01.– 30.09.2021	01.01.– 30.09.2020
Income from the disposal of investment properties	2.2	3.5	28.3	30.2
Carrying amount of the disposal of investment properties	-2.3	-3.5	-28.3	-30.3
Costs of sales of investment properties	-0.3	-0.2	-0.7	-0.7
Net income from the disposal of investment properties	-0.4	-0.2	-0.7	-0.8

In the reporting period, income from the disposal of investment properties declined slightly to EUR 28.3 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 2020.

Net income from remeasurement of investment property

The remeasurement of investment properties was conducted as of 30 June 2021. There were minor changes in the third quarter 2021 due to the remeasurement of the assets held for sale according to IFRS 5.

Net income from remeasurement of investment properties amounted to EUR 1,119.8 million in the reporting period which corresponds to a 7.6% rise (including the remeasured acquisitions) compared to the start of the financial year.

The average value of investment properties (incl. IFRS 5 objects) is EUR 1,655 per square metre including acquisitions (31 December 2020: EUR 1,503 per square metre).

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

Net income from the disposal of real estate inventory

The remaining real estate inventory held as at 30 September 2021 amounted to 0.2 Mio. Euro is land under development.

Administrative and other expenses

T11

Administrative and other expenses

€ million	Q3 2021	Q3 2020	01.01. – 30.09.2021	01.01. – 30.09.2020
Other operating expenses	-4.7	-2.0	-12.9	-12.4
Staff costs	-6.6	-4.9	-20.1	-16.0
Purchased services	-0.4	-0.3	-0.9	-1.1
Depreciation and amortisation	-1.0	-1.0	-2.9	-3.1
Administrative and other expenses	-12.7	-8.2	-36.8	-32.6
Depreciation and amortisation	1.0	1.0	2.9	3.1
Non-recurring project costs and extraordinary and prior-period expenses	3.2	0.5	7.4	6.9
Adjusted administrative and other expenses	-8.5	-6.8	-26.5	-22.7

The increase in other operating expenses is mainly attributable to increased consulting costs. Staff costs in the first nine months of 2021 were characterised by Corona bonus payments, hirings, restructurings and the entry of a third management board member as of 1 July 2020. Adjusted administrative expenses are therefore EUR 3.8 million higher than in the comparative period.

Net finance earnings

T12

Net finance earnings

€ million	Q3 2021	Q3 2020	01.01. – 30.09.2021	01.01. – 30.09.2020
Interest income	0.0	0.1	0.0	0.1
Interest expenses	-27.4	-25.5	-84.5	-71.2
Net interest income	-27.4	-25.4	-84.5	-71.1
Net income from other financial assets and other investments	-0.3	0.0	3.4	1.9
Net income from associates	-	-	-	-
Net income from the fair value measurement of derivatives	-8.7	-33.8	5.4	-43.7
Net finance earnings	-36.4	-59.2	-75.7	-112.9

Interest expense increased by EUR 13.3 million year on year to EUR 84.5 million. This includes interest expense from loan amortisation, which increased to the comparative period by EUR 2.7 million to EUR 12.5 million. This increase resulted from the corporate bond which was issued in the second quarter of 2021 with a nominal value of EUR 600.0 million as well as the corporate bond issued in the first quarter of 2021 with a nominal value of EUR 500.0 million.

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

Year-on-year a further reduction in the average interest rate to 1.23% was achieved as at 30 September 2021 (1.35% as at 30 September 2020) based on an average term of around 7.4 years (7.7 years as at 30 September 2020).

Dividends received from equity investments in non-consolidated and non-associated companies increased by EUR 1.4 million year-on-year to EUR 3.3 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 5.4 million (comparative period: EUR -43.7 million).

Income tax expenses

T13

Income tax expenses

€ million	Q3 2021	Q3 2020	01.01. – 30.09.2021	01.01. – 30.09.2020
Current tax expenses	-1.1	-0.9	-3.4	-2.9
Deferred tax expenses	-24.7	-16.5	-274.7	-155.7
Income tax expenses	-25.8	-17.4	-278.1	-158.6

An effective Group tax rate of 19.4% was assumed in the reporting period in accordance with Group tax planning (comparative period: 18.3%). Current tax expenses include with EUR 2.4 million the formation of a provision for risks from tax audits regarding the tax years 2013 until 2020.

Reconciliation to FFO

FFO I is a key financial performance indicator of the LEG Group. The LEG Group distinguishes between FFO I (not including net income from the disposal of investment properties), FFO II (including net income from the disposal of investment properties) and AFFO (FFO I adjusted for capex). The calculation methods for these key figures can be found in the [glossary in the annual report 2020](#).

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 2021	Q3 2020	01.01. – 30.09.2021	01.01. – 30.09.2020
Net cold rent	171.2	156.5	509.7	464.5
Profit from operating expenses	0.1	0.4	-0.5	-1.2
Maintenance for externally procured services	-14.6	-13.4	-43.6	-37.4
Staff costs	-20.1	-17.4	-61.5	-53.7
Allowances on rent receivables	-2.0	-1.3	-5.8	-5.6
Other	9.1	3.8	17.2	6.5
Non-recurring project costs (rental and lease)	1.2	1.1	4.5	3.2
Current net rental and lease income	144.9	129.7	420.0	376.3
Current net income from other services	2.9	2.1	7.1	6.6
Staff costs	-6.6	-4.9	-20.1	-16.0
Non-staff operating costs	-5.1	-2.4	-13.8	-13.6
Non-recurring project costs (admin.)	3.2	0.5	7.4	6.9
Extraordinary and prior-period expenses	0.0	0.0	0.0	0.0
Current administrative expenses	-8.5	-6.8	-26.5	-22.7
Other income and expenses	0.0	0.0	0.0	0.0
Adjusted EBITDA	139.3	125.0	400.6	360.2
Cash interest expenses and income	-21.9	-21.1	-64.1	-59.7
Cash income taxes from rental and lease	-0.2	-0.8	-0.7	-2.0
FFO I (before adjustment of non-controlling interests)	117.2	103.1	335.8	298.5
Adjustment of non-controlling interests	-1.2	-1.0	-1.6	-1.8
FFO I (after adjustment of non-controlling interests)	116.0	102.1	334.2	296.7
Weighted average number of shares outstanding	72,839,625	71,451,447	72,363,118	69,876,373
FFO I per share	1.59	1.43	4.62	4.25
Net income from the disposal of investment properties	0.7	0.0	0.5	-0.3
Cash income taxes from disposal of investment properties	-0.9	0.0	-2.7	-0.9
FFO II (incl. disposal of investment properties)	115.8	102.1	332.0	295.5
CAPEX	-83.0	-80.3	-230.0	-202.7
Capex-adjusted FFO I (AFFO)	33.0	21.8	104.2	94.0

At EUR 334.2 million, FFO I was 12.6 % higher in the reporting period than in the same period of the previous year (comparative period: EUR 296.7 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.

Despite higher interest expenses, the interest coverage ratio (ratio of adjusted EBITDA to cash interest expense) increased from 603 % in the same period of the previous year to 625 % in the reporting period with simultaneously slightly increased 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 2021	Q3 2020	01.01. – 30.09.2021	01.01. – 30.09.2020
Net profit or loss for the period attributable to parent shareholders	76.4	41.8	1,138.0	653.4
Changes in value of investment properties	-9.5	-3.8	-1,119.8	-593.4
Profits or losses on disposal of investment properties, development properties held for investment, other interests and sales of trading properties including impairment charges in respect of trading properties	0.4	0.8	0.8	3.3
Tax on profits or losses on disposals	0.2	0.2	0.4	1.0
Changes in fair value of financial instruments and associated close-out costs	8.7	33.8	-5.4	43.7
Acquisition costs on share deals and non-controlling joint venture interests	-0.1	3.2	0.0	4.3
Deferred tax in respect of EPRA adjustments	1.3	0.1	199.5	108.5
Refinancing expenses	-	-	2.0	0.4
Other interest expenses	1.2	1.1	6.6	1.1
Non-controlling interests in respect of the above	-	0.2	1.6	0.4
EPRA earnings	78.6	77.4	223.7	222.7
Weighted average number of shares outstanding	72,839,625	71,451,447	72,363,118	69,876,373
EPRA earnings per share (undiluted) in €	1.08	1.08	3.09	3.19
Potentially diluted shares	3,470,683	3,438,349	3,470,683	3,438,349
Interest coupon on convertible bond	0.7	2.1	2.1	2.1
Amortisation expenses convertible bond after taxes	-0.3	0.7	0.7	0.7
EPRA earnings (diluted)	79.0	80.2	226.5	225.5
Number of diluted shares	76,310,308	74,889,796	75,833,801	73,314,722
EPRA earnings per share (diluted) in €	1.04	1.07	2.99	3.08

Net assets

T16

Condensed statement of financial position

€ million	30.09.2021	31.12.2020
Investment properties	16,179.8	14,582.7
Prepayments for investment properties	122.8	43.3
Other non-current assets	218.1	221.6
Non-current assets	16,520.7	14,847.6
Receivables and other assets	320.0	77.7
Cash and cash equivalents	515.1	335.4
Current assets	835.1	413.1
Assets held for sale	25.2	21.6
Total assets	17,381.0	15,282.3
Equity	8,366.4	7,389.9
Non-current financial liabilities	6,639.5	5,377.7
Other non-current liabilities	1,983.9	1,650.5
Non-current liabilities	8,623.4	7,028.2
Current financial liabilities	108.6	491.3
Other current liabilities	282.6	372.9
Current liabilities	391.2	864.2
Total equity and liabilities	17,381.0	15,282.3

A fair value measurement of investment property was conducted in the reporting period. The resulting profit from remeasurement of investment property of EUR 1,119.8 million (comparative period: EUR 593.3 million) was the main driver for the increase compared to 31 December 2020. Furthermore, additions from acquisitions with EUR 279.5 million and capitalisation of property modernisation measures with EUR 226.3 million contributed to the increase of investment properties.

The recognition of real estate transfer tax expense as other inventories (EUR 6.2 million) for the remainder of the financial year, short-term financial investments (EUR 200.0 million) and the deferral of prepaid operating costs (EUR 45.8 million) contributed significantly to the development of the current assets.

Cash and cash equivalents increased by EUR 179.7 million to EUR 515.1 million. This development was mainly due to the cash flow from operating activities (EUR 257.4 million) and the capital measures implemented to finance investments. The issuance of two corporate bonds (EUR 1,088.6 million) is to be mentioned here. Scheduled and unscheduled repayments (EUR 224.5 million), payments for acquisitions (EUR – 560.2 million) and long-term financial investments (EUR – 174.9 million) had an opposite effect. For the financial year 2020, less the dividend distribution through the issue of new shares, a cash dividend of EUR 185.7 million was paid.

The development of equity since 31 December 2020 is mainly characterised by the net profit for the period (EUR 1,162.2 million), the dividend payment to shareholders (EUR – 272.6 million) as well as the capital increase in connection with the scrip dividend (EUR 86.8 million).

Within the non-current liabilities, the issued convertible bonds increased the obligations by EUR 68.9 million, within the current liabilities these obligations decreased by EUR 91.9 million. Driven by the valuation of properties as of June 2021, deferred tax liabilities shown in Other non-current liabilities increased by EUR 274.6 million as at 30 September 2021.

EPRA Net Tangible Asset (EPRA NTA)

Further key metrics relevant in the property industry are EPRA NRV, NTA and NDV. LEG Immo has defined the EPRA NTA as the relevant key figure. The calculation method for the respective key figure can be found in the [glossary in the 2020 annual report](#).

LEG Immo reports an EPRA NTA of EUR 10,484.8 million or EUR 137.40 per share as at 30 September 2021. Deferred taxes on investment properties are adjusted by the amount attributable to LEG Group's planned property sales. The acquisition costs are not considered. The key figures are presented exclusively on a diluted basis.

T17

EPRA NRV, EPRA NTA, EPRA NDV

€ million	30.09.2021			31.12.2020		
	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NRV	EPRA NTA	EPRA NDV
Equity attributable to shareholders of the parent company	8,340.9	8,340.9	8,340.9	7,365.6	7,365.6	7,365.6
Hybrid instruments	451.6	451.6	451.6	464.3	464.3	464.3
Diluted NAV at fair value	8,792.5	8,792.5	8,792.5	7,829.9	7,829.9	7,829.9
Deferred tax in relation to fair value gains of IP and deferred tax on subsidised loans and financial derivatives	1,715.3	1,701.7	-	1,431.3	1,417.4	-
Fair value of financial instruments	93.4	93.4	-	102.7	102.7	-
Goodwill as a result of deferred tax	-55.9	-55.9	-55.9	-55.9	-55.9	-55.9
Goodwill as a result of synergies	-	-43.7	-43.7	-	-43.7	-43.7
Intangibles as per the IFRS balance sheet	-	-3.2	-	-	-2.8	-
Fair value of fixed interest rate debt	-	-	-318.6	-	-	-443.0
Deferred taxes of fixed interest rate debt	-	-	61.8	-	-	87.2
Revaluation of intangibles to fair value	-	-	-	-	-	-
Estimated ancillary acquisition costs (real estate transfer tax) ¹	1,553.9	-	-	1,421.7	-	-
NAV	12,099.2	10,484.8	8,436.1	10,729.7	9,247.6	7,374.5
Fully diluted number of shares	76,310,308	76,310,308	76,310,308	75,534,292	75,534,292	75,534,292
NAV per share	158.55	137.40	110.55	142.05	122.43	97.63

¹ Taking the ancillary acquisition costs into account would result into an NTA of EUR 12,024.2 million or EUR 157.57 per share.

Loan-to-value ratio (LTV)

Net debt at the end of the reporting period was higher compared with 31 December 2020, which resulted in a slightly increasing loan-to-value ratio (LTV) of 38.0% at the interim reporting date (31 December 2020: 37.6%).

T18

LTV

€ million	30.09.2021	31.12.2020
Financing liabilities	6,748.1	5,869.0
Without lease liabilities IFRS16 (not leasehold)	25.5	30.8
Less cash and cash equivalents	515.1	335.4
Net financing liabilities	6,207.5	5,502.8
Investment properties	16,179.8	14,582.7
Assets held for sale	25.2	21.6
Prepayments for investment properties	122.8	43.3
Real estate assets	16,327.8	14,647.6
Loan-to-value ratio (LTV) in %	38.0	37.6

Financial position

A net profit for the period of EUR 1,140.5 million was realised in the reporting period (comparative period: EUR 656.1 million). Equity amounted to EUR 8,366.4 million at the reporting date (31 December 2020: EUR 7,389.9 million). This corresponds to an equity ratio of 48.1% (31 December 2020: 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. – 30.09.2021	01.01. – 30.09.2020
Cash flow from operating activities	257.4	240.5
Cash flow from investing activities	-745.6	-607.9
Cash flow from financing activities	667.9	765.0
Change in cash and cash equivalents	179.7	397.6

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 –560.2 million. In addition cash proceeds from property disposals of EUR 11.9 million, payments for long term financial investments of EUR –174.9 million, a prepayment for a company acquisition of EUR –10.0 million and an equity investment of EUR –6.0 million have an effect.

In the first nine months of 2021, the main driver of the cash flow from financing activities amounting to EUR 667.9 million was the issuance of corporate bonds (EUR 1,088.6 million). The scheduled repayments of bank and subsidised loans (EUR –224.5 million) had an opposite effect as had the dividend payment (EUR –185.7 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 [annual report 2020](#). To date, no further risks that would lead to a different assessment have arisen or become discernible in the fiscal year 2021.

Forecast

Based on the business performance in the first nine months of 2021, LEG believes it is well positioned overall to confirm its earnings targets for the financial year 2021. With the release of the quarterly report as of 30 June 2021, LEG had specified its forecast for FFO I and since then expects to reach the upper end of the range of EUR 410 to EUR 420 million. For more details, please refer to the forecast report in the [annual report 2020 \(page 75\)](#).

T20

Outlook 2021

FFO I	upper end of the range of 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

With the earnings release as at 30 September 2021, the outlook has been extended by the following targets for financial year 2022.

T21

Outlook 2022

FFO I	EUR 450 million to EUR 460 million
Like-for-like rental growth	c. 3.0%
Investments	c. 44 – 46 Euro per sqm
LTV	43 % max.
Dividend	70 % of FFO I

Consolidated statement of financial positions

T22

Assets

€ million	30.09.2021	31.12.2020
Non-current assets	16,520.7	14,847.6
Investment properties	16,179.8	14,582.7
Prepayments for investment properties	122.8	43.3
Property, plant and equipment	82.5	86.3
Intangible assets and goodwill	102.8	102.4
Investments in associates	10.2	10.2
Other financial assets	21.2	15.1
Receivables and other assets	0.2	0.2
Deferred tax assets	1.2	7.4
Current assets	835.1	413.1
Real estate inventory and other inventory	7.9	7.2
Receivables and other assets	303.7	64.4
Income tax receivables	8.4	6.1
Cash and cash equivalents	515.1	335.4
Assets held for sale	25.2	21.6
Total assets	17,381.0	15,282.3

Equity and liabilities

€ million	30.09.2021	31.12.2020
Equity	8,366.4	7,389.9
Share capital	72.8	72.1
Capital reserves	1,639.2	1,553.1
Cumulative other reserves	6,628.9	5,740.4
Equity attributable to shareholders of the parent company	8,340.9	7,365.6
Non-controlling interests	25.5	24.3
Non-current liabilities	8,623.4	7,028.2
Pension provisions	144.6	157.3
Other provisions	8.4	7.3
Financing liabilities	6,639.5	5,377.7
Other liabilities	200.3	129.9
Deferred tax liabilities	1,630.6	1,356.0
Current liabilities	391.2	864.2
Pension provisions	5.0	6.7
Other provisions	21.7	27.8
Provisions for taxes	0.0	0.1
Financing liabilities	108.6	491.3
Other liabilities	240.6	325.9
Tax liabilities	15.3	12.4
Total equity and liabilities	17,381.0	15,282.3

Consolidated statement of comprehensive income

T23

€ million	Q3 2021	Q3 2020	01.01. – 30.09.2021	01.01. – 30.09.2020
Net rental and lease income	140.9	126.2	407.3	365.7
Rental and lease income	248.4	215.4	703.5	632.5
Cost of sales in connection with rental and lease income	-107.5	-89.2	-296.2	-266.8
Net income from the disposal of investment properties	-0.4	-0.2	-0.7	-0.8
Income from the disposal of investment properties	2.2	3.5	28.3	30.2
Carrying amount of the disposal of investment properties	-2.3	-3.5	-28.3	-30.3
Cost of sales in connection with disposed investment properties	-0.3	-0.2	-0.7	-0.7
Net income from the remeasurement of investment properties	9.5	0.6	1,119.8	593.3
Net income from the disposal of real estate inventory	-0.1	-0.5	-0.1	-2.3
Income from the real estate inventory disposed of	-	-	1.3	-
Carrying amount of the real estate inventory disposed of	-	-	-1.1	-
Costs of sales of the real estate inventory disposed of	-0.1	-0.5	-0.3	-2.3
Net income from other services	2.1	1.3	4.8	4.2
Income from other services	3.9	2.9	10.0	9.4
Expenses in connection with other services	-1.8	-1.6	-5.2	-5.2
Administrative and other expenses	-12.7	-8.2	-36.8	-32.6
Other income	0.0	0.1	0.0	0.1
Operating earnings	139.3	119.3	1,494.3	927.6
Interest income	0.0	0.1	0.0	0.1
Interest expenses	-27.4	-25.5	-84.5	-71.2
Net income from investment securities and other equity investments	-0.3	0.0	3.4	1.9
Net income from the fair value measurement of derivatives	-8.7	-33.8	5.4	-43.7
Earnings before income taxes	102.9	60.1	1,418.6	814.7
Income taxes	-25.8	-17.4	-278.1	-158.6
Net profit or loss for the period	77.1	42.7	1,140.5	656.1

€ million	Q3 2021	Q3 2020	01.01. – 30.09.2021	01.01. – 30.09.2020
Change in amounts recognised directly in equity	2.9	-4.9	21.7	-8.6
Thereof recycling				
Fair value adjustment of interest rate derivatives in hedges	2.2	0.0	13.9	-7.8
Change in unrealised gains/(losses)	2.6	0.0	16.7	-8.3
Income taxes on amounts recognised directly in equity	-0.4	0.0	-2.8	0.5
Thereof non-recycling				
Actuarial gains and losses from the measurement of pension obligations	0.7	-4.9	7.8	-0.8
Change in unrealised gains/(losses)	1.0	-7.1	11.2	-1.1
Income taxes on amounts recognised directly in equity	-0.3	2.2	-3.4	0.3
Total comprehensive income	80.0	37.8	1,162.2	647.5
Net profit or loss for the period attributable to:				
Non-controlling interests	0.8	0.8	2.5	2.7
Parent shareholders	76.3	41.9	1,138.0	653.4
Total comprehensive income attributable to:				
Non-controlling interests	0.8	0.8	2.5	2.7
Parent shareholders	79.2	37.0	1,159.7	644.8
Basic earnings per share in € million	1.01	0.50	15.73	9.35
Diluted earnings per share in € million	1.05	0.50	14.34	9.35

Statement of changes in consolidated equity

T24

€ 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			
As of 01.01.2020	69.0	1,202.2	4,718.9	-53.0	-27.2	5,909.9	24.0	5,933.9
Net profit or loss for the period	-	-	653.4	-	-	653.4	2.7	656.1
Other comprehensive income	-	-	-	-0.8	-7.8	-8.6	0.0	-8.6
Total comprehensive income	-	-	653.4	-0.8	-7.8	644.8	2.7	647.5
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
As of 30.09.2020	72.1	1,553.2	5,116.6	-53.8	-35.0	6,653.1	24.5	6,677.6
As of 01.01.2021	72.1	1,553.1	5,824.8	-50.1	-34.3	7,365.6	24.3	7,389.9
Net profit/loss for the period	-	-	1,138.0	-	-	1,138.0	2.5	1,140.5
Other comprehensive income	-	-	-	7.8	13.9	21.7	0.0	21.7
Total comprehensive income	-	-	1,138.0	7.8	13.9	1,159.7	2.5	1,162.2
Other	-	-	1.3	-	-	1.3	-	1.3
Change in consolidated companies	-	-	-	-	-	-	1.0	1.0
Capital increase	0.7	86.1	-	-	-	86.8	-	86.8
Withdrawals from reserves	-	-	-	-	-	-	-2.2	-2.2
Changes from put options	-	-	-	-	-	-	-	-
Distributions	-	-	-272.5	-	-	-272.5	-0.1	-272.6
As of 30.09.2021	72.8	1,639.2	6,691.6	-42.3	-20.4	8,340.9	25.5	8,366.4

Consolidated statement of cash flows

T25

€ million	01.01. – 30.09.2021	01.01. – 30.09.2020
Operating earnings	1,494.3	927.6
Depreciation on property, plant and equipment and amortisation on intangible assets	13.4	12.9
(Gains)/Losses from the measurement of investment properties	-1,119.8	-593.3
(Gains)/Losses from the disposal of assets held for sale and investment properties	0.0	0.2
(Decrease)/Increase in pension provisions and other non-current provisions	-2.0	-3.2
Other non-cash income and expenses	5.8	4.5
(Decrease)/Increase in receivables, inventories and other assets	-75.2	-61.3
Decrease/(Increase) in liabilities (not including financing liabilities) and provisions	4.3	14.1
Interest paid	-64.2	-59.8
Interest received	0.0	0.1
Received income from investments	3.7	3.1
Taxes received	2.0	2.7
Taxes paid	-4.9	-7.1
Net cash from/(used in) operating activities	257.4	240.5
Cash flow from investing activities		
Investments in investment properties	-560.2	-629.4
Proceeds from disposals of non-current assets held for sale and investment properties	11.9	30.0
Investments in intangible assets and property, plant and equipment	-6.4	-11.0
Short and long term financial investments	-174.9	25.1
Investments in associates	-6.0	-
Acquisition of shares in consolidated companies	-10.0	-22.6
Net cash from/(used in) investing activities	-745.6	-607.9

€ million	01.01. – 30.09.2021	01.01. – 30.09.2020
Cash flow from financing activities		
Borrowing of bank loans	-	258.4
Repayment of bank loans	-224.5	-173.5
Issue of convertible corporate bonds	1,088.6	544.0
Repayment of lease liabilities	-8.8	-8.0
Other proceeds	0.1	-
Other payments	-	-1.3
Capital contribution	-	269.6
Withdrawals from reserves	-	50.0
Distribution to shareholders	-185.7	-172.4
Distribution and withdrawal from reserves of non-controlling interest	-1.8	-1.8
Net cash from/(used in) financing activities	667.9	765.0
Change in cash and cash equivalents	179.7	397.6
Cash and cash equivalents at beginning of period	335.4	451.2
Cash and cash equivalents at end of period	515.1	848.8
Composition of cash and cash equivalents		
Cash in hand, bank balances	515.1	848.8
Cash and cash equivalents at end of period	515.1	848.8

Selected notes on the IFRS interim consolidated Financial statements as at 30 September 2021

1. Basic information on the Group

LEG Immobilien SE, Dusseldorf (hereinafter: "LEG Immo"), its subsidiaries, especially LEG NRW GmbH, Dusseldorf (hereinafter: "LEG") and the subsidiaries of the latter company (hereinafter referred to collectively as the "LEG Group") are among the largest residential companies in Germany. On 30 September 2021, LEG Group held a portfolio of 146,976 (30 September 2020: 139,896) residential and commercial units on 30 September 2021 (146,735 (30 September 2020: 139,448) units excluding IFRS 5 objects).

LEG Group and its subsidiaries engages in three core activities as an integrated property company: the optimisation of the core business, the expansion of the value chain as well as the portfolio strengthening.

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

2. Interim consolidated financial statements

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

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

3. Accounting policies

The accounting policies applied in the interim consolidated financial statements of LEG Immo are the same as those presented in the IFRS consolidated financial statements as of 31 December 2020. These interim consolidated financial statements as at 30 September 2021 should therefore be read in conjunction with the consolidated financial statements as at 31 December 2020.

LEG Immo has fully applied the new standards and interpretations that are mandatory from 1 January 2021. The amendments to IFRS 16 (Covid-19-related rent concessions) do not affect LEG Group's lease accounting. The optional exemption from assessing whether a COVID-19-related rent concession is a lease modification was not applied at LEG Group. There were no cases of rent being deferred or waived as a direct result of the coronavirus pandemic for leases where LEG Group is the lessee. Due to the amendments to the Interest Rate Benchmark Reform of IFRS 9, IAS 39 and IFRS 7 no significant impact on the measurement of derivatives used in hedge accounting is expected. Within the prospective effectiveness of the hedging relationship it is assumed that the underlying effect from the replacement of the reference rate due to the IBOR reform is not significant.

4. Changes in the Group

On 11 March 2021 the conversion of LEG Immobilien AG into the legal form of an SE Societas Europaea (European Company) was registered in the commercial register.

As part of a portfolio acquisition, the companies Cero Wohnen GmbH und Cero Wohnen 2 GmbH were acquired on 2 August 2021 and consolidated for the first time as of 30 September 2021.

On 24 August 2021 Grundstücksentwicklungsgesellschaft Ennigerloh Süd-Ost mbH was liquidated. The deconsolidation of the company was effective as of 31 August 2021.

5. Business combinations

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

29 employees were assumed in the scope of the transaction. After antitrust approval, the transaction was closed on 30 September 2020.

Fischbach Service GmbH was active for several years as a general contractor for the LEG Group in the context of vacant apartment refurbishment. With approx. 33 employees, the company was responsible for approx. 25% of the vacant apartment refurbishment in LEG Group and is characterised by high quality and efficient processes.

As at 30 September 2020, the acquisition of the company was treated as a business combination within the meaning of IFRS 3 as material business processes were acquired.

The purchase price allocation was final as at 30 September 2021. The final consideration for the business combination is made up as follows:

T26

Final consideration

€ million	30.09.2021 final	30.09.2020 provisional	change
Net purchase price	22.5	22.5	-
Contingent reimbursement	12.5	12.5	-
Preexisting relationship	-12.6	-12.6	-
Total consideration	22.4	22.4	-

There are two so-called earn-out clauses. According to §4 (2) a) of the purchase agreement, the purchase price component 4a in the amount of EUR 2.4 million depends on a successful integration phase. This is linked to the criteria of no staff turnover (max. 20%), no turnover of subcontractors (max. 15%) and the fulfilment of completion quotas (95%). This purchase price component is due seven months after the closing date. As of 30 April 2021, the purchase price component 4a was fulfilled 100% and a payment in the amount of EUR 2.4 million was made.

Pursuant to §4 (3) a), the purchase price component 4b in the amount of EUR 2.5 million depends on the achievement of the business case. This purchase price component is due ten days after adoption of the annual financial statements as at 31 December 2022. It can be assumed that the purchase price component 4b will be fulfilled 100%.

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

T27

Final purchase price allocation

€ million	30.09.2021 final	30.09.2020 provisional	change
Factory and office equipment	0.1	0.1	-
Property, plant and equipment – finance lease	0.7	0.7	-
Intangible assets	0.0	0.0	-
Receivables and other assets	1.0	1.0	-
Cash and cash equivalents	2.5	2.5	-
Total assets	4.3	4.3	-
Other provisions	0.1	0.1	-
Other liabilities	9.1	9.1	-
Total liabilities	9.2	9.2	-
Net assets at fair value	-4.9	-4.9	-
Non-controlling interests	-	-	-
Net assets at fair value without non-controlling interests	-4.9	-4.9	-
Consideration	22.4	22.4	-
Goodwill	27.3	27.3	-

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

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

The income statement does not include any sales of LWS Plus GmbH, as the acquired company only generates intra-group sales. This applies both to the entire financial year 2020 as well as for the period of affiliation to the Group. The group's result for the period includes small losses related to the refurbishment of vacant apartments which cannot be capitalised.

For tax purposes, the goodwill is not deductible.

6. Assumptions and estimates

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

Although the management believes that the assumptions and estimates used are appropriate, any unforeseeable changes in these assumptions could impact the net assets, financial position and results of operations. The Covid-19 situation was taken into account in the discretionary decisions. There was no significant impact. Moreover, there were no triggering events for the conduct of an impairment test on goodwill during the reporting period.

In view of the global effects of the Covid-19 pandemic on the economy and society, all current forecasts can be made only with a considerably higher degree of uncertainty. This applies particularly in the context of international links and interrelations between the financial markets, the real economy and political decisions, which each individually have an influence on the economic effects of the pandemic already, but when combined are impossible to assess with any certainty ex ante. The following sections are therefore based on the fundamental assumption that the Covid-19 pandemic represents a temporary phenomenon.

Development of property prices and demand

Supply and demand for housing will still be the decisive factors for future price development. It can be assumed that the construction activity will remain at a high level, but continue to lag behind the trend in demand. Due to the supply deficit that is largely present the general conditions for rising prices 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 currently be classified as insignificant.

Housing vacancies

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

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

For further information, please refer to the [consolidated financial statements as at 31 December 2020](#).

7. Selected notes to the consolidated statement of financial position

On 30 September 2021, LEG Group held 145,656 apartments and 1,320 commercial units in its portfolio (146,735 units excluding IFRS 5 objects).

Investment property developed as follows in the financial year 2020 and in 2021 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	Other				
Carrying amount as of 01.01.2021¹	14,582.7	6,262.9	4,808.4	2,802.2	0.0	231.9	280.1	165.2	32.1
Acquisitions	279.5	152.2	59.9	40.2	2.3	16.6	8.7	-0.4	0.0
Other additions	230.3	79.3	86.6	60.3	0.0	2.6	0.8	0.7	0.0
Reclassified to assets held for sale	-31.8	-3.2	-20.4	-4.0	-1.9	-1.3	-0.8	-0.1	0.0
Reclassified to property, plant and equipment	-1.7	-27.5	1.7	20.0	0.0	0.4	1.4	2.2	0.1
Reclassified from property, plant and equipment	1.0	0.9	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Fair value adjustment	1,119.8	549.6	369.4	183.8	-0.4	3.3	18.7	-5.3	0.8
Reclassification	0.0	-6.3	42.3	-43.3	0.0	18.9	-2.6	-2.3	-6.8
Carrying amount as of 30.09.2021	16,179.8	7,007.9	5,348.0	3,059.2	0.0	272.4	306.3	160.0	26.2

¹ Expansion in market classification within the BRD

Fair value adjustment as of 30.09.2021 (in Euro million):	1,119.8
hereupon as of 30.09.2021 in the portfolio:	1,118.6
hereupon as of 30.09.2021 disposed investment properties:	1.2

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	Other				
Carrying amount as of 01.01.2020	12,031.1	5,126.8	3,923.0	2,390.2	0.0	225.9	219.4	113.3	32.5
Acquisitions	1,139.6	517.6	407.8	106.3	0.0	38.0	26.5	39.2	4.3
Other additions	284.6	102.2	99.1	80.2	0.0	2.8	0.2	0.0	0.2
Reclassified to assets held for sale	-44.7	-18.0	-13.9	-9.1	0.0	-1.9	-1.4	0.0	-0.4
Reclassified from assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassified to property, plant and equipment	-0.9	-0.6	-0.1	-0.2	0.0	0.0	0.0	0.0	0.0
Reclassified from property, plant and equipment	2.6	0.0	0.0	0.0	0.0	2.6	0.0	0.0	0.0
Fair value adjustment	1,170.4	516.4	389.8	239.3	0.0	-12.4	26.7	12.2	-1.6
Reclassification	0.0	18.6	2.7	-4.5	0.0	-23.1	8.7	0.5	-2.9
Carrying amount as of 31.12.2020	14,582.7	6,262.9	4,808.4	2,802.2	0.0	231.9	280.1	165.2	32.1
Fair value adjustment 31.12.2020 (in Euro million):		1,170.4							
hereupon as of 31.12.2020 in the portfolio:		1,168.5							
hereupon as of 31.12.2020 disposed investment properties:		1.9							

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 to the acceptance of the completed buildings (F99 anticipated for 1 March 2022, F 101 anticipated for 1 September 2022).

The acquisition of a property portfolio of around 505 residential and commercial units was notarised on 2 August 2021. The portfolio generates annual net cold rent of around EUR 2.3 million. The average in-place rent is around EUR 6.13 per square metre and the initial vacancy rate is around 8.0%. The transaction was closed on 30 September 2021. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

Investment property was remeasured most recently by LEG Group as of the interim reporting date of 30 June 2021. No further fair value adjustment was made as at 30 September 2021. With regard to the calculation methods and parameters, please refer to the consolidated financial statements as at 31 December 2020.

Significant market developments and measurement parameters affecting the market values of LEG Immo are reviewed each quarter. If necessary, the property portfolio is revalued. As at 30 September 2021, the results of this review did not require any value adjustment. Despite the existing Covid-19 pandemic there are no observable effects on the market, which could affect the long-term value of the property portfolio.

The table below shows the measurement method used to determine the fair value of investment properties and the material unobservable inputs used as of 30 June 2021 and 31 December 2020:

T30

Valuation parameters as at 30 June 2021

	GAV investment properties € million	Valuation technique	Market rent residential/commercial €/qm			Maintenance cost residential/commercial €/qm			Administrative cost residential/commercial €/unit			Stabilised vacancy rate %		
			min	Ø	max	min	Ø	max	min	Ø	max	min	Ø	max
			Residential assets											
High-growth markets	6,909	DCF	3.63	8.28	14.35	8.64	11.82	15.89	183.36	307.58	471.41	0.7	1.8	6.0
Stable markets	5,275	DCF	1.94	6.82	13.09	8.44	11.85	15.38	177.12	305.84	471.05	1.5	3.0	9.0
Higher-yielding markets	3,000	DCF	0.32	6.15	9.21	7.48	11.92	15.76	176.64	305.97	471.05	1.5	4.4	8.5
Commercial assets	229	DCF	0.50	7.06	27.00	4.00	6.84	11.73	0.29	229.46	5,480.52	1.0	2.7	8.5
Leasehold	160	DCF	-	-	-	-	-	-	1.95	24.88	75.37	-	-	-
Parking and other assets	302	DCF	-	-	-	34.61	75.60	90.16	39.47	39.77	40.31	-	-	-
Land values	29	Earnings/ reference value method	-	-	-	-	-	-	0.06	6.33	42.44	-	-	-
Total portfolio (IAS 40)¹	15,903	DCF	0.32	6.99	27.00	4.00	17.86	90.16	0.06	279.70	5,480.52	0.7	3.2	9.0

	Discount rate			Capitalisation rate			Estimated rental development		
	%			%			%		
	min	Ø	max	min	Ø	max	min	Ø	max
Residential assets									
High-growth markets	2.9	4.1	5.0	1.9	4.7	11.0	1.1	1.6	2.0
Stable markets	2.9	4.1	5.0	1.6	5.3	11.1	0.9	1.3	1.9
Higher-yielding markets	3.1	4.2	4.8	2.6	5.7	11.9	0.7	1.1	1.5
Commercial assets	2.5	6.4	9.0	2.5	7.1	11.4	0.8	1.4	2.0
Leasehold	3.0	4.2	6.0	2.6	5.6	11.9	1.0	1.4	1.8
Parking and other assets	2.8	4.2	5.2	2.4	6.3	11.9	0.7	1.3	2.0
Land values	3.9	4.2	4.8	2.8	10.8	12.3	0.9	1.3	1.8
Total portfolio (IAS 40)¹	2.5	4.2	9.0	1.6	5.5	12.3	0.7	1.3	2.0

¹ In addition, as at 30 June 2021, there are assets held for sale (IFRS 5) in the amount of EUR 1.7 million, which correspond to Level 2 of the fair value hierarchy.

T31

Valuation parameters as at 31 December 2020

	GAV investment properties € million	Valuation technique	Administrative costs €/qm			Stabilised vacancy ratio €/qm			Maintenance costs €/unit			Capitalisation rate %		
			min	Ø	max	min	Ø	max	min	Ø	max	min	Ø	max
			Residential assets											
High-growth markets	6,242	DCF	3.63	8.14	14.01	5.62	11.70	15.73	181.85	304.85	466.74	1.0	1.8	6.0
Stable markets	4,806	DCF	2.33	6.69	10.31	6.64	11.78	15.23	163.73	302.89	466.38	1.5	3.0	9.0
Higher-yielding markets	2,802	DCF	0.32	6.05	9.29	5.86	11.85	15.61	161.96	302.97	466.38	1.5	4.4	8.5
Commercial assets	232	DCF	0.50	7.40	27.00	4.46	7.37	15.47	0.16	257.60	5,480.52	1.0	2.6	8.5
Leasehold	165	DCF	-	-	-	-	-	-	1.95	28.93	75.37	-	-	-
Parking + other assets	280	DCF	-	-	-	34.27	77.10	89.27	39.07	39.37	39.50	-	-	-
Land values	28	Earnings/reference value method	-	-	-	-	-	-	0.06	5.64	14.40	-	-	-
Total portfolio (IAS 40)¹	14,555	DCF	0.32	6.86	27.00	4.46	17.34	89.27	0.06	280.14	5,480.52	1.0	3.2	9.0

	Discount rate			Market rent			Estimated rent development residential		
	%			%			%		
	min	Ø	max	min	Ø	max	min	Ø	max
Residential assets									
High-growth markets	3.3	4.4	5.3	2.2	5.0	11.3	1.1	1.6	1.9
Stable markets	3.2	4.4	5.3	1.9	5.6	11.4	0.9	1.2	1.8
Higher-yielding markets	3.4	4.5	5.1	2.9	5.9	12.0	0.7	1.1	1.6
Commercial assets	2.5	6.5	9.0	2.8	7.1	9.5	0.8	1.4	1.9
Leasehold	3.3	4.5	6.0	10.4	11.1	11.8	0.9	1.4	1.8
Parking + other assets	3.0	4.5	5.4	2.6	6.9	12.0	0.7	1.3	1.9
Land values	4.2	4.4	5.0	2.8	11.0	11.9	0.9	1.3	1.8
Total portfolio (IAS 40)¹	2.5	4.5	9.0	1.9	5.7	12.0	0.7	1.3	1.9

¹ In addition, as at 31 December 2020, there are assets held for sale (IFRS 5) in the amount of EUR 21.6 million, which correspond to Level 2 of the fair value hierarchy.

With regard to the calculation methods, please see the [consolidated financial statements as at 31 December 2020](#).

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

Property, plant and equipment as well as intangible assets included right of use leases in the amount of EUR 25.6 million as of 30 September 2021. 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 2.9 million have been added.

T32

Right of use leases

€ million	30.09.2021	31.12.2020
Right of use buildings	3.6	5.2
Right of use technical equipment and machinery	15.0	17.8
Right of use operating and office equipment	5.8	5.9
Property, plant and equipment	24.4	28.9
Right of use software	1.2	1.4
Intangible assets	1.2	1.4
Right of use leases	25.6	30.3

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

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

Financing liabilities are composed as follows:

T33

Financing liabilities

€ million	30.09.2021	31.12.2020
Financing liabilities from real estate financing	6,661.0	5,776.1
Financing liabilities from lease financing	87.1	92.9
Financing liabilities	6,748.1	5,869.0

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

The consolidated financial statements of LEG Immo reported financial liabilities from real estate financing of EUR 6,661.0 million as at 30 September 2021.

In the financial year 2021, the issuance of two corporate bonds with carrying amounts of EUR 595.2 million and EUR 496.6 million increased the financing liabilities. Scheduled and unscheduled repayments of EUR 222.5 million and the amortisation of transaction costs 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 (IFRS carrying amount: EUR 525.8 million) or EUR 400.0 million (IFRS carrying amount: EUR 390.6 million) respectively, as well as five corporate bonds with nominal values of EUR 600 million (IFRS carrying amount of EUR 595.2 million), EUR 500 million (IFRS carrying amount of EUR 496.6 million), EUR 500 million (IFRS carrying amount of EUR 499.1 million), EUR 300 million (IFRS carrying amount of EUR 299.2 million) and EUR 500 million (IFRS carrying amount of EUR 502.1 million) respectively.

The convertible bonds were classified and recognised in full as debt due to the issuer's contractual cash settlement option. There are several embedded derivatives and derivatives that must be separated that are to be jointly regarded as a compound derivative and carried at fair value. The host debt instrument is recognised at amortised cost.

The decrease in financing liabilities from lease financing results mainly from decrease in lease liabilities for buildings and heat contracting. Already concluded leases starting after the reporting date will arise cash outflows in the amount of EUR 3.9 million.

The main drivers for the changes in maturity of financing liabilities as against 31 December 2020 are the issuance of two corporate bonds with a nominal value of EUR 600.0 million (IFRS carrying amount of EUR 595.2 million) and EUR 500.0 million (IFRS carrying amount of EUR 496.6 million) respectively as well as the reclassification of the convertible bond with a nominal value of EUR 400.0 million (IFRS carrying amount of EUR 390.6 million) from short-term to mid-term maturity.

T34

Maturity of financing liabilities from real estate financing

€ million	Remaining term			Total
	< 1 year	> 1 to 5 years	> 5 years	
30.09.2021	99.1	2,775.6	3,786.3	6,661.0
31.12.2020	480.4	2,086.3	3,209.4	5,776.1

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. – 30.09.2021	01.01. – 30.09.2020
Net cold rent	509.7	464.5
Profit from operating expenses	-0.5	-1.2
Maintenance for externally procured services	-43.6	-37.4
Staff costs	-61.5	-53.7
Allowances on rent receivables	-5.8	-5.6
Depreciation and amortisation expenses	-8.2	-7.4
Other	17.2	6.5
Net rental and lease income	407.3	365.7
Net operating income-margin (in %)	79.9	78.7
Non-recurring project costs – rental and lease	4.5	3.2
Depreciation	8.2	7.4
Adjusted net rental and lease income	420.0	376.3
Adjusted net operating income-margin (in %)	82.4	81.0

In the reporting period, the LEG Group increased its net rental and lease income by EUR 41.6 million compared to the same period of the previous year. The main driver of this development was the EUR 45.2 million rise in net cold rents. In-place rent per square metre on a like-for-like basis rose by 3.3% in the reporting period. The increase in Other by EUR 10.7 million is mainly due to the expansion of value-added services as well as raise in own work capitalised. This was countered by the increase in staff costs by EUR 7.8 million, which was mainly due to an increase in the number of employees.

Due to disproportionate development of net rental and lease income compared with the development of in-place rent the NOI margin increased from 78.7% to 79.9% in the reporting period.

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

T36

Depreciation expense of leases

€ million	01.01. – 30.09.2021	01.01. – 30.09.2020
Right of use buildings	0.2	0.1
Right of use technical equipment and machinery	3.6	3.6
Right of use operating and office equipment	1.9	1.6
Depreciation expense of leases	5.7	5.3

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 (comparable period: EUR 0.4 million).

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

T37

Net income from the disposal of investment properties

€ million	01.01. – 30.09.2021	01.01. – 30.09.2020
Income from the disposal of investment	28.3	30.2
Carrying amount of the disposal of investment properties	-28.3	-30.3
Costs of sales of investment properties	-0.7	-0.7
Net income from the disposal of investment properties	-0.7	-0.8

Net income from the remeasurement of investment properties

The remeasurement of investment properties was conducted as of 30 June 2021. There were minor changes in the third quarter 2021 due to the remeasurement of the assets held for sale according to IFRS 5.

Net income from remeasurement of investment properties amounted to EUR 1,119.8 million in the reporting period which corresponds to a 7.6 % rise (including the remeasured acquisitions) compared to the start of the financial year.

The average value of investment properties (incl. IFRS 5 objects) is EUR 1,655 per square metre including acquisitions (31 December 2020: EUR 1,503 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. – 30.09.2021	01.01. – 30.09.2020
Other operating expenses	-12.9	-12.4
Staff costs	-20.1	-16.0
Purchased services	-0.9	-1.1
Depreciation and amortisation	-2.9	-3.1
Administrative and other expenses	-36.8	-32.6
Depreciation and amortisation	2.9	3.1
Non-recurring project costs and extraordinary and prior-period expenses	7.4	6.9
Adjusted administrative and other expenses	-26.5	-22.7

The increase in other operating expenses is mainly attributable to increased consulting costs. Staff costs in the first nine months of 2021 were characterised by Corona bonus payments, hirings, restructurings and the entry of a third management board member as of 1 July 2020. Adjusted administrative expenses are therefore EUR 3.8 million higher 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. – 30.09.2021	01.01. – 30.09.2020
Right of use buildings	1.5	1.5
Right of use operating and office equipment	0.2	0.2
Right of use software	0.2	0.1
Depreciation expense of leases	1.9	1.8

Interest income

Net interest income is composed as follows:

T40

Interest income

€ million	01.01. – 30.09.2021	01.01. – 30.09.2020
Other interest income	0.0	0.1
Interest income	0.0	0.1

T41

Interest expenses

€ million	01.01. – 30.09.2021	01.01. – 30.09.2020
Interest expenses from real estate financing	-55.1	-51.0
Interest expense from loan amortisation	-12.5	-9.8
Prepayment penalty	-2.0	-0.4
Interest expense from interest derivatives for real estate financing	-6.2	-6.2
Interest expense from change in pension provisions	-0.5	-0.9
Interest expense from interest on other assets and liabilities	-0.1	-0.2
Interest expenses from lease financing	-1.5	-1.6
Other interest expenses	-6.6	-1.1
Interest expenses	-84.5	-71.2

Interest expense increased by EUR 13.3 million year on year to EUR 84.5 million. This includes interest expense from loan amortisation, which increased to the comparative period by EUR 2.7 million to EUR 12.5 million. This increase resulted from the corporate bond which was issued in the second quarter of 2021 with a nominal value of EUR 600.0 million as well as the corporate bond issued in the first quarter of 2021 with a nominal value of EUR 500.0 million. The rise in prepayment penalties is due to early redemption of loans.

In the reporting period, the costs for the early redemption of an interest rate derivative in the amount of EUR 4.5 million were the main reason for the increase in other interest expenses.

Income taxes

T42

Income tax expenses

€ million	01.01. – 30.09.2021	01.01. – 30.09.2020
Current tax expenses	-3.4	-2.9
Deferred tax expenses	-274.7	-155.7
Income tax expenses	-278.1	-158.6

An effective Group tax rate of 19.4% was assumed in the reporting period in accordance with Group tax planning (previous year: 18.3%). Current tax expenses include EUR 2.4 million for the formation of a provision for risks from tax audits for the tax years 2013 to 2020.

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.

Following the capital increase on 24 June 2021 in connection with the scrip dividend for the financial year 2020 a total of 743,682 new shares were issued.

Earnings per share according to IAS 33

T43

Earnings per share (basic)

	01.01. – 30.09.2021	01.01. – 30.09.2020
Net profit or loss attributable to shareholders in € million	1,138.0	653.4
Average numbers of shares outstanding	72,363,118	69,876,373
Earnings per share (basic) in €	15.73	9.35

T44

Earnings per share (diluted)

€ million	01.01. – 30.09.2021	01.01. – 30.09.2020
Net profit or loss attributable to shareholders	1,138.0	653.4
Convertible bond coupon after taxes	3.4	2.6
Measurement of derivatives after taxes	-5.5	43.7
Amortisation of the convertible bond after taxes	2.3	1.8
Net profit or loss for the period for diluted earnings per share	1,138.2	701.5
Average weighted number of shares outstanding	72,363,118	69,876,373
Number of potentially new shares in the event of exercise of conversion rights	7,026,824	4,633,776
Number of shares for diluted earnings per share	79,389,942	74,510,149
Intermediate result	14.34	9.41
Diluted earnings per share in €	14.34	9.35

As at 30 September 2021, LEG Immo had convertible bonds outstanding, which authorise the bearer to convert it into up to 7.0 million new ordinary shares.

Diluted earnings per share are calculated by increasing the average number of shares outstanding by the number of all potentially dilutive shares. The net profit/loss for the period is adjusted for the expenses no longer incurring for the interest coupon, the measurement of the embedded derivatives 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 were not dilutive within the meaning of IAS 33.41 as at 30 September 2020.

The diluted earnings per share were therefore equal to basic earnings per share as at 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.

LEG Group is managed by the following key performance indicators:

Reconciliation to FFO

FFO I is a key financial performance indicator of LEG Group. LEG Group distinguishes between FFO I (not including net income from the disposal of investment properties), FFO II (including net income from the disposal of investment prop-erties) and AFFO (FFO I adjusted for capex). The calculation methods for these key figures can be found in the [glossary in the annual report 2020](#).

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 2021	Q3 2020	01.01. – 30.09.2021	01.01. – 30.09.2020
Net cold rent	171.2	156.5	509.7	464.5
Profit from operating expenses	0.1	0.4	-0.5	-1.2
Maintenance for externally procured services	-14.6	-13.4	-43.6	-37.4
Staff costs	-20.1	-17.4	-61.5	-53.7
Allowances on rent receivables	-2.0	-1.3	-5.8	-5.6
Other	9.1	3.8	17.2	6.5
Non-recurring project costs (rental and lease)	1.2	1.1	4.5	3.2
Current net rental and lease income	144.9	129.7	420.0	376.3
Current net income from other services	2.9	2.1	7.1	6.6
Staff costs	-6.6	-4.9	-20.1	-16.0
Non-staff operating costs	-5.1	-2.4	-13.8	-13.6
Non-recurring project costs (admin.)	3.2	0.5	7.4	6.9
Extraordinary and prior-period expenses	0.0	0.0	0.0	0.0
Current administrative expenses	-8.5	-6.8	-26.5	-22.7
Other income and expenses	0.0	0.0	0.0	0.0
Adjusted EBITDA	139.3	125.0	400.6	360.2
Cash interest expenses and income	-21.9	-21.1	-64.1	-59.7
Cash income taxes from rental and lease	-0.2	-0.8	-0.7	-2.0
FFO I (before adjustment of non-controlling interests)	117.2	103.1	335.8	298.5
Adjustment of non-controlling interests	-1.2	-1.0	-1.6	-1.8
FFO I (after adjustment of non-controlling interests)	116.0	102.1	334.2	296.7
Weighted average number of shares outstanding	72,839,625	71,451,447	72,363,118	69,876,373
FFO I per share	1.59	1.43	4.62	4.25
Net income from the disposal of investment properties	0.7	0.0	0.5	-0.3
Cash income taxes from disposal of investment properties	-0.9	0.0	-2.7	-0.9
FFO II (incl. disposal of investment properties)	115.8	102.1	332.0	295.5
CAPEX	-83.0	-80.3	-230.0	-202.7
Capex-adjusted FFO I (AFFO)	33.0	21.8	104.2	94.0

EPRA Net Tangible Asset (EPRA NTA)

Further key metrics relevant in the property industry are EPRA NRV, NTA and NDV. LEG Immo has defined the EPRA NTA as the relevant key figure. The calculation method for the respective key figure can be found in the [glossary in the 2020 annual report](#).

LEG Immo reports an EPRA NTA of EUR 10,484.8 million or EUR 137.40 per share as at 30 September 2021. Deferred taxes on investment property are adjusted by the amount attributable to LEG Group's planned property sales. The acquisition costs are not considered. The key figures are presented exclusively on a diluted basis.

T46

EPRA NRV, EPRA NTA, EPRA NDV

€ million	30.09.2021			31.12.2020		
	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NRV	EPRA NTA	EPRA NDV
Equity attributable to shareholders of the parent company	8,340.9	8,340.9	8,340.9	7,365.6	7,365.6	7,365.6
Hybrid instruments	451.6	451.6	451.6	464.3	464.3	464.3
Diluted NAV at fair value	8,792.5	8,792.5	8,792.5	7,829.9	7,829.9	7,829.9
Deferred tax in relation to fair value gains of IP and deferred tax on subsidised loans and financial derivatives	1,715.3	1,701.7	-	1,431.3	1,417.4	-
Fair value of financial instruments	93.4	93.4	-	102.7	102.7	-
Goodwill as a result of deferred tax	-55.9	-55.9	-55.9	-55.9	-55.9	-55.9
Goodwill as a result of synergies	-	-43.7	-43.7	-	-43.7	-43.7
Intangibles as per the IFRS balance sheet	-	-3.2	-	-	-2.8	-
Fair value of fixed interest rate debt	-	-	-318.6	-	-	-443.0
Deferred taxes of fixed interest rate debt	-	-	61.8	-	-	87.2
Revaluation of intangibles to fair value	-	-	-	-	-	-
Estimated ancillary acquisition costs (real estate transfer tax) ¹	1,553.9	-	-	1,421.7	-	-
NAV	12,099.2	10,484.8	8,436.1	10,729.7	9,247.6	7,374.5
Fully diluted number of shares	76,310,308	76,310,308	76,310,308	75,534,292	75,534,292	75,534,292
NAV per share	158.55	137.40	110.55	142.05	122.43	97.63

¹ Taking the ancillary acquisition costs into account would result into an NTA of EUR 12,024.2 million or EUR 157.57 per share.

Loan-to-value ratio (LTV)

Net debt at the end of the reporting period is higher compared with 31 December 2020, which resulted in a slightly increasing loan-to-value ratio (LTV) of 38.0% at the interim reporting date (31 December 2020: 37.6%).

T47

LTV

€ million	30.09.2021	31.12.2020
Financing liabilities	6,748.1	5,869.0
Without lease liabilities IFRS 16 (not leasehold)	25.5	30.8
Less cash and cash equivalents	515.1	335.4
Net financing liabilities	6,207.5	5,502.8
Investment properties	16,179.8	14,582.7
Assets held for sale	25.2	21.6
Prepayments for investment properties	122.8	43.3
Real estate assets	16,327.8	14,647.6
Loan-to-value ratio (LTV) in %	38.0	37.6

10. Financial instruments

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

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

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

For financial instruments at fair value, the discounted cash flow method is used to determine the 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 as at 30.09.2021

€ million	Carrying amounts as per statement of financial positions 30.09.2021	Measurement (IFRS 9)		Measurement (IFRS 16)	Fair value 30.09.2021
		Amortised cost	Fair value through profit or loss		
Assets					
Other financial assets	21.2				21.2
Hedge accounting derivatives	0.1				0.1
AC	7.3	7.3			7.3
FVtPL	13.8		13.8		13.8
Receivables and other assets	303.9				303.9
AC	253.9	253.9			253.9
Other non-financial assets	50.0				50.0
Cash and cash equivalents	515.1				515.1
AC	515.1	515.1			515.1
Total	840.2	776.3	13.8		840.2
Of which IFRS 9 measurement categories					
AC	776.3	776.3			776.3
FVtPL	13.8		13.8		13.8

AC = Amortized Cost

FVtPL = Fair Value through profit and loss

FLAC = Financial Liabilities at Amortized Cost

HFT = Held for Trading

€ million	Carrying amounts as per statement of financial positions 30.09.2021	Measurement (IFRS 9)		Measurement (IFRS 16)	Fair value 30.09.2021
		Amortised cost	Fair value through profit or loss		
Liabilities					
Financial liabilities	-6,748.1				-6,998.2
FLAC	-6,661.0	-6,661.0			-6,998.2
Liabilities from lease financing	-87.1			-87.1	
Other liabilities	-440.9				-440.9
FLAC	-171.1	-171.1			-171.1
Derivatives HFT	-121.4		-121.4		-121.4
Hedge accounting derivatives	-28.6				-28.6
Other non-financial liabilities	-119.8				-119.8
Total	-7,189.0	-6,832.1	-121.4	-87.1	-7,439.1
Of which IFRS 9 measurement categories					
AC	-6,832.1	-6,832.1			-7,169.3
FVtPL	-121.4		-121.4		-121.4

T49

Classes of financial instruments for financial assets and liabilities as at 31.12.2020

€ million	Carrying amounts as per statement of financial positions 31.12.2020	Measurement (IFRS 9)		Measurement (IFRS 16)	Fair value 31.12.2020
		Amortised cost	Fair value through profit or loss		
Assets					
Other financial assets	15.1				15.1
Hedge accounting derivatives	–				–
AC	1.3	1.3			1.3
FVtPL	13.8		13.8		13.8
Receivables and other assets	64.6				64.6
AC	57.6	57.6			57.6
Other non-financial assets	7.0				7.0
Cash and cash equivalents	335.4				335.4
AC	335.4	335.4			335.4
Total	415.1	394.3	13.8		415.1
Of which IFRS 9 measurement categories					
AC	394.3	394.3			394.3
FVtPL	13.8		13.8		13.8

AC = Amortized Cost

FVtPL = Fair Value through profit and loss

FLAC = Financial Liabilities at Amortized Cost

HFT = Held for Trading

€ million	Carrying amounts as per statement of financial positions 31.12.2020	Measurement (IFRS 9)		Measurement (IFRS 16)	Fair value 31.12.2020
		Amortised cost	Fair value through profit or loss		
Liabilities					
Financial liabilities	–5,869.0				–6,241.8
FLAC	–5,776.1	–5,776.1			–6,241.8
Liabilities from lease financing	–92.9			–92.9	
Other liabilities	–455.8				–455.8
FLAC	–166.1	–166.1			–166.1
Derivatives HFT	–127.0		–127.0		–127.0
Hedge accounting derivatives	–46.1				–46.1
Other non-financial liabilities	–116.6				–116.6
Total	–6,324.8	–5,942.2	–127.0	–92.9	–6,697.6
Of which IFRS 9 measurement categories					
FLAC	–5,942.2	–5,942.2			–6,407.9
Derivatives HFT	–127.0		–127.0		–127.0

As at 30 September 2021, the fair value of the very small equity investments was EUR 13.8 million, unchanged to the valuation as at 31 December 2020.

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 4.21%. As at 30 September 2021, the fair value of the very small equity investments was EUR 13.8 million. The stress test of this parameter on the basis of plus 50 basis points results in a lower fair value of EUR 12.5 million and at minus 50 basis point in a higher fair value of EUR 15.5 million.

11. Related-party disclosures

Please see the IFRS consolidated financial statements as at 31 December 2020 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 2020.

13. The Management Board and the Supervisory Board

There were no changes to the composition of the Management Board as at 30 September 2021 compared with the disclosures as at 31 December 2020.

Ms Natalie Hayday resigned from the LEG Immo Supervisory Board effective 6 January 2021.

By resolution of the Annual General Meeting on 27 May 2021, Dr Sylvia Eichelberg was appointed as a member of the LEG Immo Supervisory Board.

14. Supplementary Report

The acquisition of a property portfolio of around 2,215 residential and commercial units was notarised on 26 Mai 2021. The portfolio generates an annual net cold rent of around EUR 11.4 million. The average in-place rent is around EUR 6.51 per square metre and the initial vacancy rate is around 1.8%. It is expected the transaction will be closed on 31 December 2021. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

The acquisition of a property portfolio of around 2,264 residential and commercial units was notarised on 1 September 2021. The portfolio generates an annual net cold rent of around EUR 8.2 million. The average in-place rent is around EUR 6.09 per square metre and the initial vacancy rate is around 5.4%. It is expected the transaction will be closed on 1 December 2021. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

The acquisition of a property portfolio of around 433 residential and commercial units was notarised on 7 September 2021. The portfolio generates an annual net cold rent of around EUR 2.2 million. The average in-place rent is around EUR 6.28 per square metre and the initial vacancy rate is around 7.7%. It is expected the transaction will be closed on 31 December 2021. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

A further tranche of the already outstanding bond 2021/2033 was issued on 5 October 2021. The volume was increased by EUR 100.0 million to EUR 600.0 million.

There were no other significant events after the end of the interim reporting period on 30 September 2021.

Dusseldorf, 10 November 2021

LEG Immobilien SE
The Management Board

Lars von Lackum (CEO)	Susanne Schröter-Crossan (CFO)	Dr Volker Wiegel (COO)
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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 LEG Group, and the quarterly report includes a fair review of the development and performance of the business and the position of LEG Group, together with a description of the principal opportunities and risks associated with the expected development of LEG Group.”

Dusseldorf, 10 November 2021

LEG Immobilien SE, Dusseldorf
The Management Board

Lars von Lackum
(CEO)

Susanne Schröter-Crossan
(CFO)

Dr Volker Wiegel
(COO)

Financial calendar

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LEG financial calendar 2022

Release of annual report 2021	10 March 2022
Release of quarterly statement as of 31 March 2022	11 May 2022
Release of quarterly report as of 30 June 2022	10 August 2022
Release of quarterly statement as of 30 September 2022	10 November 2022

For additional dates see our [website](#).

Contact details and imprint

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In case of doubt, the German version takes precedence.

LEG

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