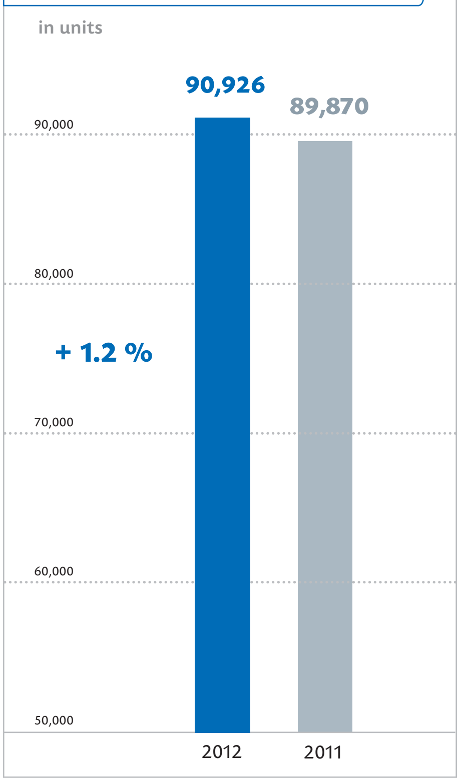
LEG Annual Report 2012

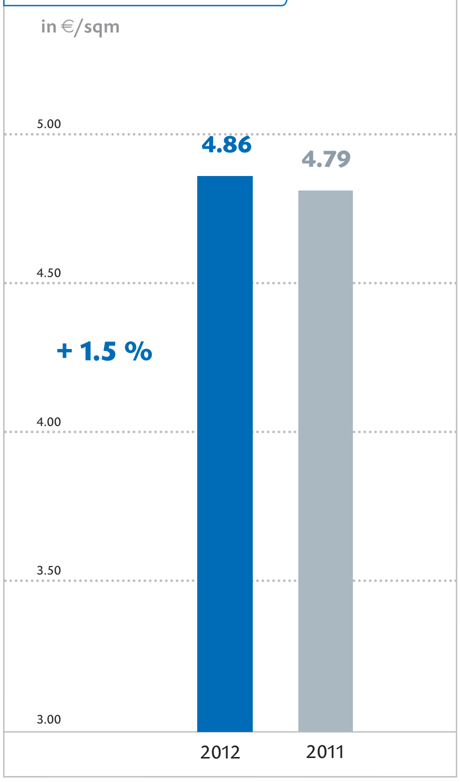
Ready for the Future

KEY FIGURES

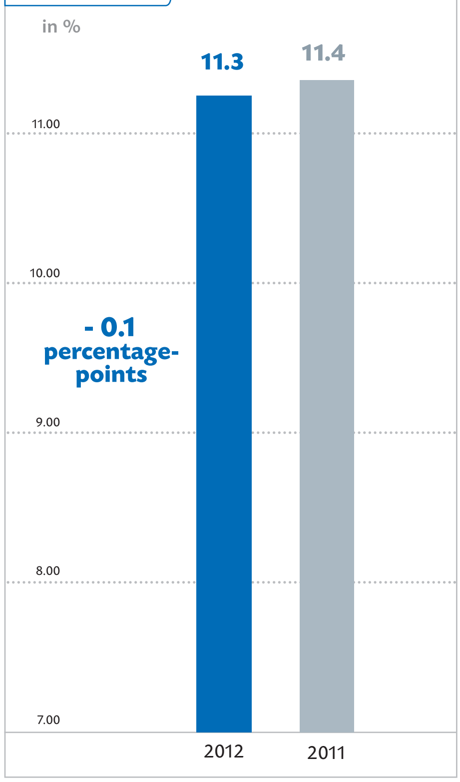
DEVELOPMENT OF RESIDENTIAL UNITS



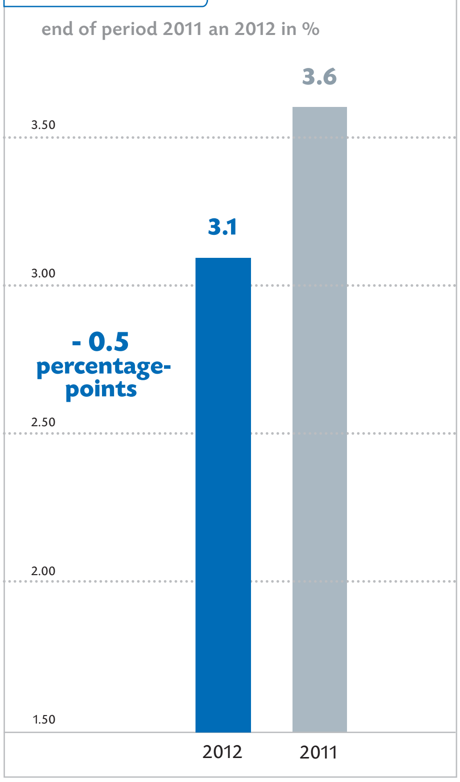
IN-PLACE RENT ON 31.12.



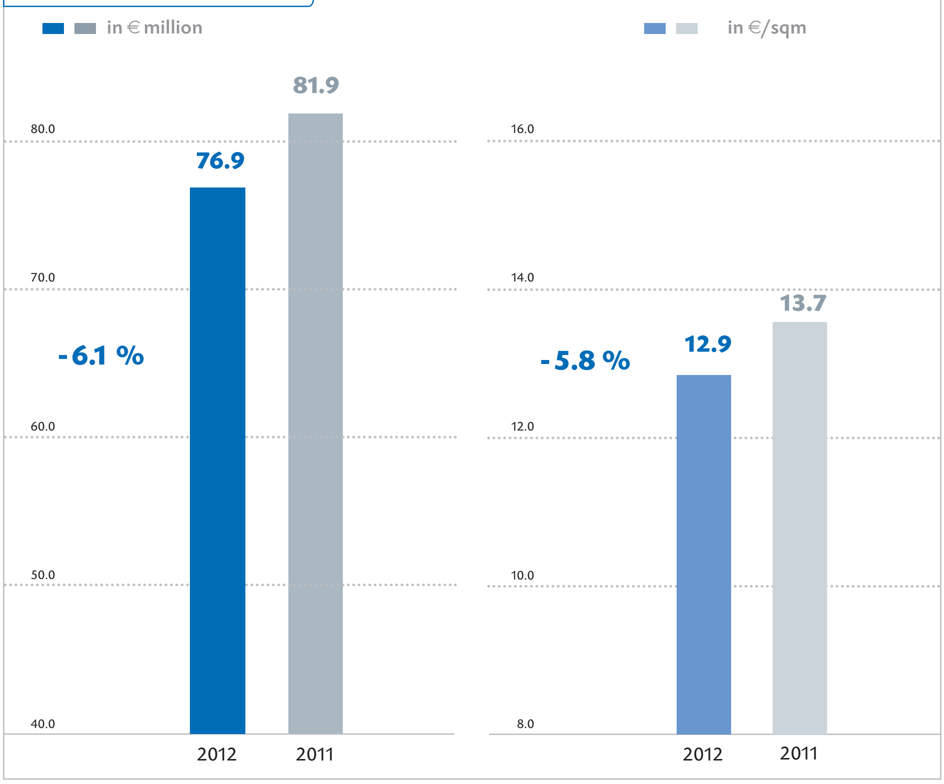
TURN OVER

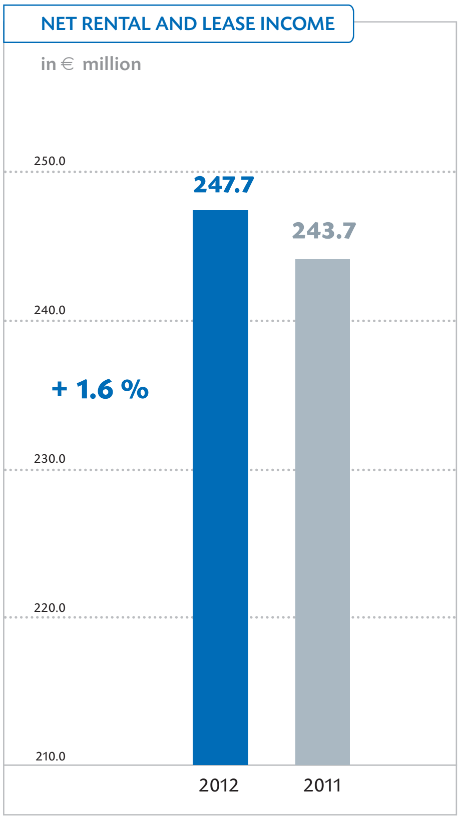


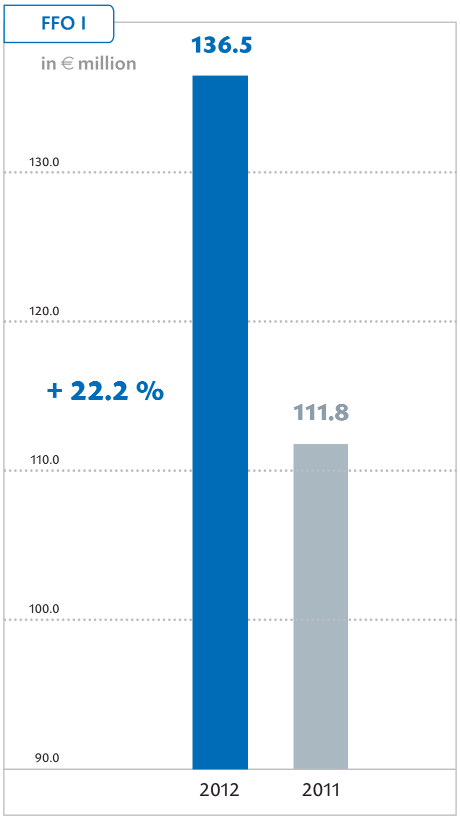
VACANCY RATE

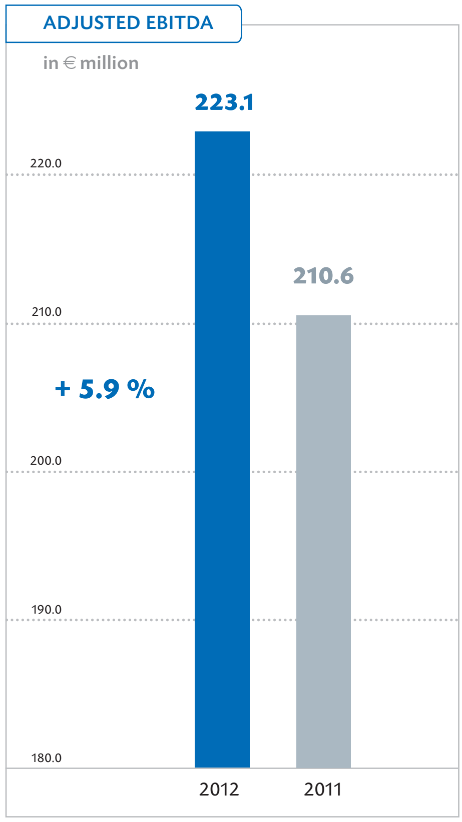


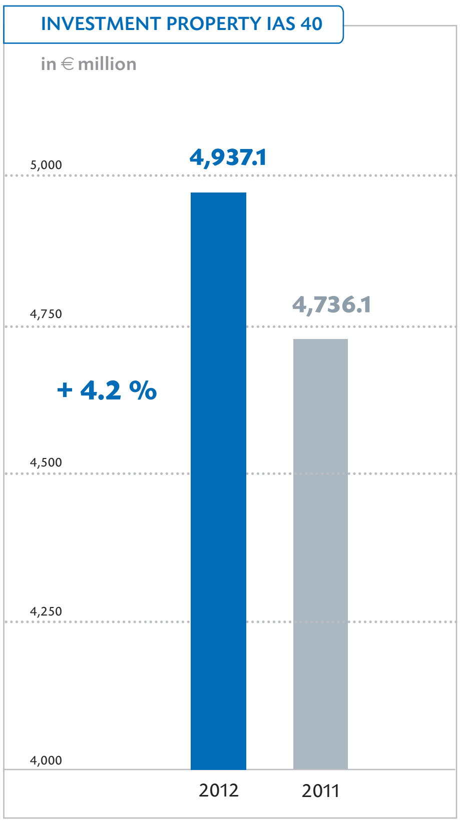
PORTFOLIO INVESTMENTS

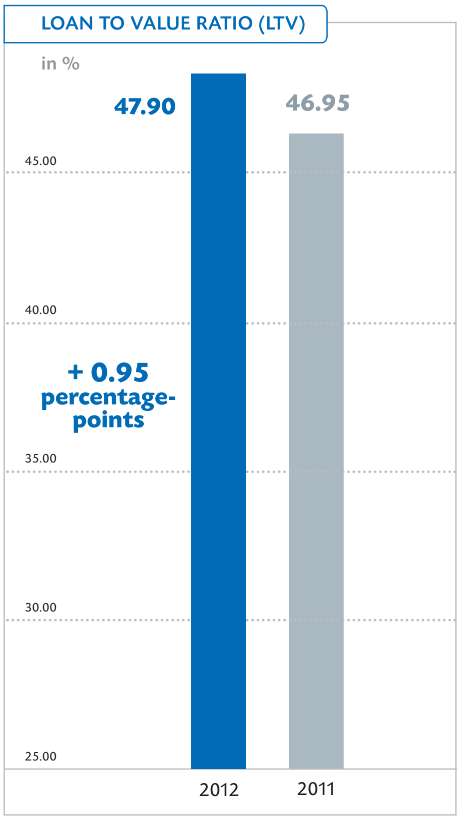


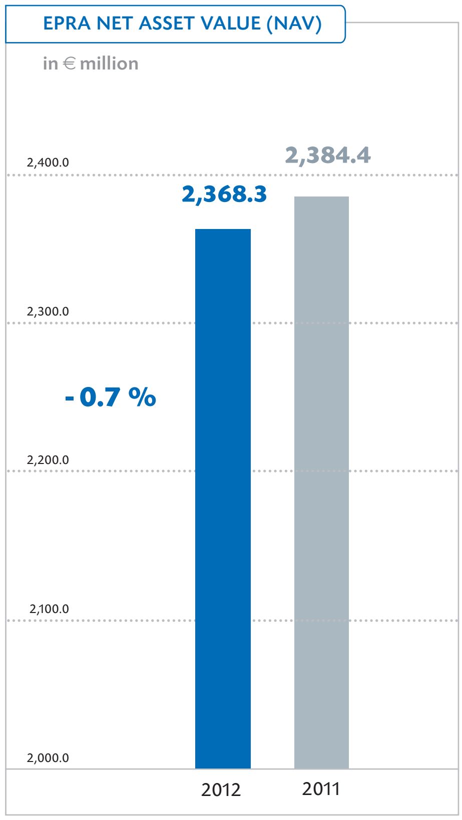

NET RENTAL AND LEASE INCOME
in € million
250.0
240.0
230.0
220.0
210.0
247.7
243.7
+ 1.6 %
2012
2011


FFO I
in € million
136.5
130.0
120.0
110.0
100.0
90.0
111.8
+ 22.2 %
2012
2011


ADJUSTED EBITDA
in € million
223.1
220.0
210.0
200.0
190.0
180.0
210.6
+ 5.9 %
2012
2011


INVESTMENT PROPERTY IAS 40
in € million
5,000
4,750
4,500
4,250
4,000
4,937.1
4,736.1
+ 4.2 %
2012
2011


LOAN TO VALUE RATIO (LTV)
in %
47.90
46.95
45.00
40.00
35.00
30.00
25.00
+ 0.95 percentage-points
2012
2011


EPRA NET ASSET VALUE (NAV)
in € million
2,400.0
2,300.0
2,200.0
2,100.0
2,000.0
2,384.4
2,368.3
- 0.7 %
2012
2011

KEY FIGURES

KEY FIGURES

	2012	2011	Change
Result of operations			
Rental income	€344.3 m	€338.2 m	1.8 %
Net rental and lease income	€247.7 m	€243.7 m	1.6 %
EBITDA	€318.7 m	€190.4 m	67.4 %
EBITDA adjusted	€223.1 m	€210.6 m	5.9 %
EBT	€114.5 m	€9.2 m	-
Consolidated net profit	€112.1 m	€-15.1 m	842.4 %
FFO I	€136.5 m	€111.8 m	22.2 %
FFO II	€135.1 m	€111.4 m	21.3 %
AFFO	€95.0 m	€70.4 m	34.9 %
Statement of financial position			
Investment property	€4,937.1 m	€4,736.1 m	4.2 %
Cash and cash equivalents	€133.7 m	€81.8 m	63.4 %
Equity	€2,085.5 m	€2,145.9 m	-2.8 %
Total financial liabilities	€2,499.7 m	€2,306.6 m	8.4 %
Current financial liabilities	€396.8 m	€310.0 m	28.0 %
LTV	47.90 %	€46.95 %	-
Equity ratio	39.8 %	€42.9 %	-
EPRA NAV	€2,368.3 m	€2,384.4 m	-0.7 %
Portfolio			
Residential units	90,926	89,870	1.2 %
In-place rent	4.86 €/sqm	4.79 €/sqm	1.5 %
Vacancy rate	3.1 %	3.6 %	-

CONTENT


COO
Holger Hentschel
CEO
Thomas Hegel
CFO
Eckhard Schultz

LETTER FROM THE MANAGEMENT BOARD

Dear shareholders, customers and business partners,

LEG Immobilien AG was listed on the Frankfurt stock exchange on February 1, 2013. Thus, the restructuring phase that began in 2008 has reached its conclusion – a happy ending, one might say. Above all, however, the IPO was also the first step towards the future, our growth phase. Continuous operating improvements in our portfolio will result in sustainable value creation and cash flow increases. Moreover, we also intend to further improve FFO (funds from operations) and the prospects for ongoing dividend growth with selective acquisitions. We successfully demonstrated how we intend to do this in October 2012 with the purchase of 1,244 residential units in Bocholt. Further acquisitions are set to follow, and the completion of the refinancing efforts means the company has available liquidity.

The restructuring efforts of the last five years are now paying off. The transformation of what was once a state-ownedcomplicated corporation with a conglomerate of companies and services into a clearly structured, efficient and forward-looking enterprise is now complete. Around €120 million was invested in the establishment of an integrated management platform, the implementation of SAP, the transition to IFRS and, above all, the refinancing of loans of approximately €2 billion. The platform provides LEG with the potential for continuous operating improvements and organic growth. This way, further acquisitions can be integrated at low incremental costs. We also have an industry-leading financing structure by international standards for listed property companies. The average loan term of twelve years, low average interest costs of 3.3 percent and low indebtedness, expressed as a loan-to-value ratio of around 48 percent, are the core pillars for a low risk profile with high visibility for future profits.

Our special thanks go to our employees for their huge commitment in recent years. They laid the essential foundations for our IPO by implementing numerous projects while at the same time successfully expanding our operating business.

The potential of the new LEG will first benefit the shareholders. The opportunities provided by cash flow growth should ensure sustainably high dividend potential. From the fiscal year 2013, 65 percent of FFO will be distributed directly to shareholders and 35 percent of FFO will then be available for acquisitions, repayments and investments to enhance the value of the portfolio. Business partners, employees and tenants will also benefit from the added increase in transparency, the greater professionalism and the further improved reporting system. They are all dealing with a new LEG which understands that transparency and dependability form the basis for trust and a long-term business relationship that will be successful for all involved.

According to official forecasts, the number of single and two-person households in North Rhine-Westphalia will grow significantly by 2030; NRW is already benefiting greatly from immigration from abroad and we expect this trend to continue. For us this means a further boost to rental demand. With an average monthly cold rent in the Group of €312, we offer not just a good living space with appropriate value for money, we also cover the lower and mid-price range that is particularly in demand in NRW. After all, 53 percent of households in Germany's most populous state have an income of less than €2,000 per month.

In the past seven years, we have invested a total of approximately €660 million in the portfolio for our tenants. That averages at around €17 per square meter per year. Thus, every year we invest significantly more than the minimum investment obligation of €12.50 per square meter of living space stipulated by the social charter. Each house is modernized according to the requirements, wishes and the ability to pay of our tenants. It is important to us to keep the apartments affordable and to ensure long-term tenant loyalty. With a portfolio of roughly 40 percent subsidized apartments, LEG especially lives up to this principle. Economic and social sustainability are not in conflict, rather they are united in the interests of the tenants and the shareholders.

The successful IPO was like a happy ending – but only for the successfully concluded restructuring phase. The future of LEG has therefore now truly begun. We are delighted to be able to take this journey with you.

Yours,

Thomas Hegel
(CEO)

Eckhard Schultz
(CFO)

Holger Hentschel
(COO)

LETTER TO SHAREHOLDERS

HEADING TO THE FUTURE

The "new" LEG – highly professional, competitive, operating on the capital markets and yet still firmly anchored in the proven principles of a sustainable and responsible housing industry. This synthesis of an experienced management team, comprehensive market expertise and an efficient structural organization with motivated employees is what made the successful IPO on February 1, 2013 possible. This date marks a new milestone in the company's development. At the same time, the IPO also ended the chapter of the far-reaching transformation of the Group that began in 2008.

Looking back

In order to better understand what was achieved in the period of the Group's transformation, it's worthwhile taking a quick look back. From the time it was founded in 1970 until August 2008, the LEG Group was an instrument of state residential construction and urban development policy and majority-owned by the state of North Rhine-Westphalia. What was then a state development company operated in the social housing sector as well as in the property development business and residential property management. It was a developer of sophisticated real estate projects – including in the commercial sector – and a major city developer for entire housing settlements. Modernization work was often refinanced by selling apartment holdings. Overall, the LEG of that time consisted of a conglomerate of several dozen subsidiaries, some of which had a completely independent business policy, their own brands and offices and sometimes even their own IT systems. Efficient cost management was possible only with great difficulty under these conditions. LEG was not aligned to the market, rather it had a mission to perform defined by state policy.

This phase of the company's history undoubtedly laid the housing industry foundations of the LEG Immobilien AG of today:

- A solid residential portfolio that – constantly updated, repaired and modernized – offers an apartment and a home for broad segments of the population.
- A locally anchored structure of branches, customer centers and tenant offices enabling direct contact with customers and potential tenants.
- A comprehensive social commitment to city districts, residential areas and residents. The term "corporate social responsibility" was still largely unknown, but LEG already employed social workers and initiated and supported social quarter management and tenant events.

This natural legacy of LEG forms the foundation for a positive development in values that even today still reflects the long-term, sustainable business model of LEG.

The transformation of the Group – "being one of the best"

The sale of what was then a state development company to an investor syndicate consisting of entities controlled by Goldman Sachs and Perry Capital in August 2008 was the initial spark for the comprehensive transformation of the Group that ended in 2012. The social charter agreed between the state government of North Rhine-Westphalia and the buyers as part of the privatization that, among other things, defines an average minimum investment in the portfolio

22.6.1970

LEG Landesentwicklungsgesellschaft NRW GmbH is formed through the merger of Rheinische Heim GmbH (Bonn), Rote Erde GmbH (Münster), Westfälische Lippe Heimstätte GmbH (Dortmund) and Rheinische Heimstätte GmbH (Düsseldorf)

1987

Portfolio acquisition from the former "Neue Heimat" NRW GmbH (approx. 38,000 residential units)

1995

In its first 25 years, LEG constructs around 41,000 residential units, providing a new home for some 120,000 people in NRW.

for a ten-year period, provided a framework for the Group's transformation without hampering its business prospects. Staying within this framework – as is confirmed each year by NRW's government – forms the basis for the political and public acceptance of LEG's comprehensive conversion into a competitive private sector residential company and generates trust among the tenants. LEG also concentrated on its core business as a residential property manager, gradually selling off or discontinuing all of its non core activities. This applies in particular to the former Development division.

The fundamental corporate strategy was set out first: The aim was for LEG to focus on its core residential business, making it one of the best private residential companies in Germany and a leader in terms of customer satisfaction. Broken down into individual strategies for residential management, HR, IT, refinancing and procurement, this specifically meant:

- virtually the full refinancing of privately financed loan liabilities of around €2 billion (as of: Q1 2013),
- restructuring of capital providers, risk-optimized maturity staggering and optimization of debt service,
- introduction of a new, uniform, high performance, future-proof ERP system based on SAP,
- introduction of IFRS from the 2011 consolidated financial statements,
- therefore state-of-the-art systems for external reporting and internal controlling,
- reduction of inefficiencies, such as parallel customer centers,
- optimization and harmonization of all relevant processes,
- centralization of procurement and pooling to generate value creation for portfolio and tenants by leveraging economies of scale,
- strict focus on customer orientation and tenant service,
- introduction of product/price differentiation for the pricing of each apartment according to its individual features and location criteria,
- differentiated management of investments according to profitability, tenant requests and residential purchasing power,
- striking of a balance between economic, ecological and social aspects of sustainable business,
- using a sophisticated systems for recruitment and HR development, turning LEG into an attractive employer "to attract the best" – for training as well – and to inspire loyalty to the company.

With an ambitious timetable and considerable investment, the Group's transformation was the top priority for management and the shareholders at all times.

It is remarkable that operating successes continued even in the heavy phases during which there were often multiple projects running simultaneously. For example, the vacancy rate also fell over the past year to 3.1 percent as of the end of 2012. The annual tenant turnover consistently remained at a low level by industry standards. At the same time, rental income in the privately financed residential portfolio rose by a total of around 14.3 percent over the last

1999
LEG acquires the state-owned housing company Rheinland Köln with around 8,000 residential units.

2000
On its 30th anniversary, the LEG Group owns more than 100,000 residential units and has more than 300,000 tenants.

2004
The Group is restructured as a holding company.

29.8.2008
LEG is acquired by Whitehall Real Estate Funds, the real estate investment funds operated by Commercial Bank Goldman Sachs.

four years. This demonstrates the strong acceptance of LEG's business strategy, which combines high performance local service with a market-driven investment strategy, and it shows the considerable market expertise of LEG in the North Rhine-Westphalia area. LEG also bucked the trend by posting a positive rent performance in regions with weaker growth. It depends on market expertise and the micro locations, and these are systematically developed and improved at LEG. LEG – the residential specialist in NRW!

LEG 2013 – Ready for the future

The Group's transformation gave LEG's business model a new foundation. The new LEG Immobilien AG is ready for the future. The first step was the successful IPO on February 1, 2013. With one of the largest German IPOs of recent years, LEG has gone from a standing start to being one of the leading listed real estate companies, which increases its appeal to institutional investors. The new institutional shareholders are backing its value-based strategy and stable growth prospects in an attractive market. Its business approach, namely that only satisfied tenants create satisfied shareholders in the longer term, has proved to be a convincing one.

Following the completion of its reorganization and its IPO, LEG is now geared for growth. The purchase in October 2012 and the fast, smooth integration of 1,244 apartments in Bocholt have demonstrated that, with its fully integrated management platform and localized management structures, LEG is able to integrate residential portfolios throughout NRW at low additional management costs, which is the basis for strong earnings growth. The further improvement in value drivers, such as continual rent increases, effective vacancy management, optimization of the cost structure and a range of extensive tenant services, is also being systematically advanced in its existing portfolio.

The future of LEG has begun.

2012

LEG's head office moves to Hans-Böckler-Straße 38, Düsseldorf

1.2.2013

LEG Immobilien AG goes public

RATINGEN-WEST

Block on Otto-Hahn-Strasse

Number of residential units	348
Year built	1969
Rents	€6.00-6.90 per sqm

COLOGNE-NIEHL

"LEG's Ford Estate"

Number of residential units	345
Year built	1951-1953
Rents	€7.05-9.81 per sqm

MONHEIM

Berliner Viertel

Number of residential units	2,768
Year built	1967-1995
Rents	€4.40-7.85 per sqm

LEG RESIDENTIAL HOLDINGS

We come from NRW. It's where we live and what we know. With a population of 17.8 million people, North Rhine-Westphalia is not just the most populous and most densely populated state in Germany, it is also the country's economic heavyweight with a 22.1 percent share of gross domestic product and home to 19 of the 50 biggest German companies. With a concentrated portfolio and an integrated management platform, LEG is one of the market leaders on the attractive North Rhine-Westphalian market and in Germany as a whole.

With 160 locations distributed across the three major regions of the Rhineland, the Ruhr area and Westphalia, LEG offers approximately 250,000 tenants a good and affordable place to live throughout NRW. To provide personal support to its tenants at a local level it maintains 91 tenant offices, 16 customer centers and nine branches.

LEG has the right product for the requirements of the majority of North Rhine-Westphalian households. Its well-maintained portfolio is evenly distributed across the various micro markets of NRW and tailored exactly to demand. This is illustrated by the high occupancy rate of 96.9 percent. The satisfaction of LEG tenants can be seen by the low tenant fluctuation with an average lease duration of twelve years.

So that things stay this way, LEG has invested around €660 million in its portfolio in the past seven years. In this context, the company always pays attention that each investment is both market-driven and reasonable for the target group in terms of rent after modernization. The portfolio is in good condition, predominantly modernized or partially modernized: Around 10 percent of unrenovated LEG apartments make up its "modernization reserve". Finally, the long-term value of the residential portfolio, and thereby the enterprise value of the company, is guaranteed by the minimum average investment requirement stipulated in the social charter of €12.50 per square meter of living space.

Ecological values and social commitment

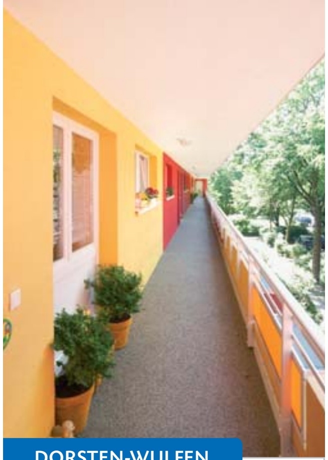
A sustainable modernization of LEG's residential holdings in ecological terms therefore goes hand-in-hand with socio-structural change and the growing statutory and public demands for improved climate protection. While paying due consideration to the ability of its tenants to pay their rent, LEG fulfills its public obligation and, in an exemplary modernization project at LEG's Ford estate in Cologne-Niehl, cut energy consumption values for heating and warm water from 290 kilowatt hours per square meter per year to now just 47 kilowatt hours per square meter. CO_2 emissions were reduced from around ten tonnes per apartment to now just 0.7 tonnes p.a. The comprehensive energy upgrade of the entire building shell ensures that it surpasses the new construction standard as per the German Energy Saving Ordinance (EnEV) by more than 30 percent. Where it has added new apartments to the building, LEG has even achieved the three-liter house standard.

From 2007 to 2012, North Rhine-Westphalia's biggest low energy building was created in three stages at the Ratingen-West location: Here, LEG invested around €18.7 million in the modernization of all three "houses in the sky".

It is also part of LEG's corporate philosophy that, in addition to construction investments, a housing company's role also includes the upkeep of the neighborhood and social ties within its tenant base. LEG therefore invests funds and resources to initiate and support quarter management projects and social integration. (See Sustainability section).

WE ENSURE THAT INVESTMENTS ARE MARKET-DRIVEN AND REASONABLE FOR THE TARGET GROUP IN TERMS OF RENT AFTER MODERNIZATION.

RATINGEN-WEST „HOUSES IN THE SKY"



DORSTEN-WULFEN

Barkenberg

Number of residential units	1,056
Year built	1968-1974
Rents	€2.54-5.43 per sqm

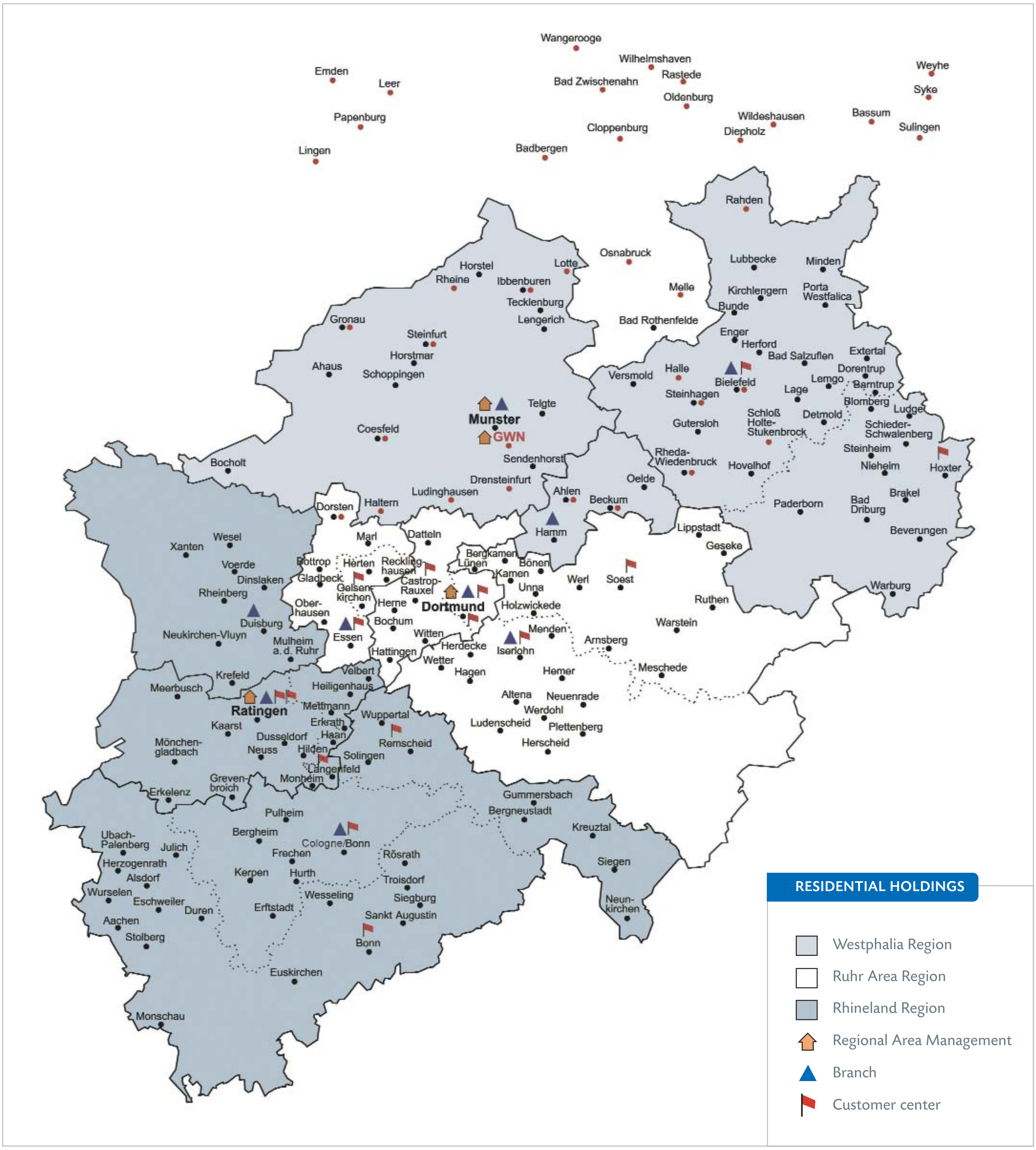
GELSENKIRCHEN

Eichkamp Estate

Number of residential units	268
Year built	1957-1958
Rents	€4.00-4.88 per sqm

DORTMUND-WICKEDE

Number of residential units	1.409
Year built	1959-1975
Rents	€ 4.00-5.50 per sqm



Balanced quality portfolio

As of December 31, 2012, the entire LEG residential portfolio numbered 90,926 residential units, of which around 60 percent are privately financed and almost 40 percent publicly subsidized. The average in-place rent for a free financed unit is €5.13 per square meter, while a publicly subsidized apartment generates an average of €4.48 per square meter. For the portfolio as a whole, this results in an average monthly in-placerent per square meter of €4.86. Given an average apartment size of 64 square meters, the average rent is €312 per unit.

In terms of construction type, the LEG portfolio predominantly consists of medium and low-rise buildings. 62 percent of the residential portfolio – 8,665 buildings – have an average number of three to six stories. The average rent per square meter in this segment is €4.90. 5,052 buildings, or 36 percent of the portfolio as a

MUNSTER

Aaseestadt

Number of residential units	69
Year built	1963
Rents	€6.21-8.50 per sqm

BOCHOLT

Number of residential units	1,244
Year built	1937-2007
Rents	€3.64-7.50 per sqm

BIELEFELD

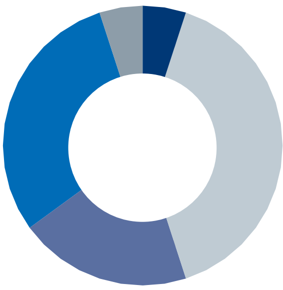
Brodhagen

Number of residential units	244
Year built	1950-1953
Rents	€5.70-5.85 per sqm

KEY FIGURES

Number of units	90,926
Number of privately financed apartments	54,343
Number of publically financed apartments	36,583
Number of privately financed apartments in %	60
Number of publically financed apartments in %	40
In-place-rent of privately financed apartments in €/sqm	5.13
In-place-rent of publically financed apartments in €/sqm	4.48
Monthly in-place-rent total in €/sqm	4.86
Monthly in-place-rent in €/unit	312.38
Residential space in sqm	5,844,367
Occupancy rate in %	96.9
Average apartment size in sqm	64.28
Units per building	6.5
Number of rooms per unit	3

APARTMENT TYPES



BUILDING TYPES

Number of buildings with 1-2 stories	5,052
Number of buildings with 1-2 stories in %	36
Average monthly in-place-rent/sqm building with 1-2 stories	4.78
Number of buildings with 3-6 stories	8,665
Number of buildings with 3-6 stories in %	62
Average monthly in-place-rent/sqm building with 3-6 stories	4.90
Number of buildings with more than 6 stories	317
Number of buildings with more than 6 stories in %	2
Average monthly in-place-rent/sqm building with more than 6 stories	4.73

whole, have one to two stories and generate average monthly in-place rent of €4.78 per square meter. Only 2 percent of the LEG portfolio as a whole consists of buildings with more than six stories. The average rent for this sector is €4.73 per square meter.

WE HAVE THE RIGHT APARTMENTS FOR OUR TARGET GROUPS: WELL-KEPT, AFFORDABLE, NOT EXCESSIVELY MODERNIZED, AND IN GOOD LOCATIONS.

SAMPLE APARTMENT

"WE HAVE SWITCHED INTO GROWTH MODE"

INTERVIEW WITH THE MANAGEMENT BOARD

The IPO has delivered fresh momentum for LEG Immobilien AG. The Group's transformation is complete, the integrated management platform is in place as a prerequisite for the fast, cost-effective integration of newly-aquired residential portfolios. Processes are still being optimized. The residential portfolio is constantly being developed in line with tenant interests. There are sufficient available funds for acquisitions expected to further leverage income. The members of the Management Board Thomas Hegel (CEO), Eckhard Schultz (CFO) and Holger Hentschel (COO) talk about the positioning of LEG – yesterday, today and tomorrow.

The IPO was a success, congratulations. Now you can sit back and relax...

HEGEL: We can't do that, and we don't want to either. With the IPO we created ourselves a platform that now we have to expand further and utilize. There's still plenty to do moving forward. We intend to grow...

What is there still to be done in terms of the Group's transformation?

HEGEL: The management platform is in place. We have introduced SAP and IFRS, both products and standards that necessarily change the process landscape within a company, but naturally there is still some fine tuning to be done. However, it's no longer a question of transformation, but rather of continuous improvement.

What does that mean specifically?

HENTSCHEL: For example, there is Central Procurement that still needs to be developed. Moreover, the settlement of ancillary costs has to be handled in SAP for the first time. We are, incidentally, the first company that managed to implement the first settlement of ancillary costs smoothly after launching SAP.

What have the change in legal form and the IPO changed at LEG?

HEGEL: A stock corporation requires an even greater degree of transparency. We also have to ensure that all the provisions of stock corporation law are complied with. Another thing that has changed is that we now have an obligation to a variety of owners and we have to maintain contact with the capital market and a number of investors.

SCHULTZ: A listed company has considerably more stringent publicity requirement. We have to publish the annual financial statements and the quarterly reports within much tighter deadlines. It can generally be said that a stock corporation faces significantly greater expectations of professionalism. This also applies to the reliability and consistency of the forecasts that are made. "Promise and deliver", which has always been very important to us, applies especially as regards our investors.

HEGEL: The IPO means that we have now gone from restructuring mode to growth mode. It's the access to the capital market that enables the implementation our growth strategy.

That sounds like a lot more work. Do you also benefit from the need for greater transparency and more self-reflection?

SCHULTZ: Over the past few years we have built up a very professional reporting system that is now helping us. In order to be transparent to the market, we also have to have a complete basis of figures internally, and naturally this also lends us management transparency. People usually talk about outward transparency, but inward management transparency is also extremely important to us.

HEGEL: Transparency can be broken down

HEGEL:

THE PRIMARY STRATEGY IS TO ACQUIRE RESIDENTIAL PORTFOLIOS WITH A CLEAR FOCUS ON NRW.

into three areas. Firstly, it is important for our employees who – as in the past – know which business goals we have to achieve. We have substantially improved our reporting system yet again, so that we can look at our targets and compare them to where we currently stand every day. Secondly, we are transparent for our business partners because our reporting duty means that they can get right down into the details. And thirdly, tenants benefit from the public reporting because it allows them to see LEG very accurately.

How does the duty to publish quarterly reports gel with real estate, which is a very long-term investment?

SCHULTZ: We have always prepared quarterly reports, we've just never had to publish them before. Quarterly reports help us to steer the company, to counteract any deviations from planning that may arise in time. We invest in our holdings on a long-term basis, not in terms of our quarterly results. So we don't see any contradiction in this.

Did the stock exchange understand your story?

HEGEL: Clearly. Investor demand was very high and our IPO price was in the middle of the defined range. And investors have understood our content as well. We have completed the transformation, we have a solid market in North Rhine-Westphalia and we have created the opportunity to grow at low additional cost thanks to our integrated management platform. We are grateful to our investors for this trust. At the same time, it also spurs us on to live up to these expectations and to generate a sustainably attractive return for our shareholders.

Real estate is fashionable at the moment, no doubt about it. But who knows how long this will last. What are you doing to remain successfully placed on the stock exchange in the long term?

SCHULTZ: In recent years we have attached a great deal of importance to building a structure that allows us to react flexibly to changing situations. Firstly, we are pursuing an acquisition approach that allows us to further leverage profitability. Secondly, we have to assure the best possible performance in the management of our real estate, and we've already done an extraordinary amount towards this.

HENTSCHEL: We are focusing on our four most important levers: rent, reducing vacancies and sales deductions and tailored, profitable investment in the portfolio. We call this organic growth. We can increase the value of LEG on an ongoing basis with moderate rent development. Just in the closing months of 2012, we reduced our vacancies again from 3.6 to 3.1 percent. And the other operating performance indicators are improving all the time as well.

SCHULTZ: This is in stark contrast to the occasionally rather poor forecasts for the market in NRW, which often fall under the heading of "demographic decline". Our take on this is different, and we say that the market in NRW is strong and healthy, because it's not the population forecast alone that matters, it's the trend in households. According to public forecasts, for example, one to two-person households will increase by 13.5 percent by 2030, which means a stable demand situation. Another issue is immigration movement, of which NRW is a key beneficiary. This means that we have consistently rising and stable demand, we are a sustainable property manager and our acquisitions to boost returns are the icing on the cake. Realistically, our rents can develop organically by two to three percent per year in the long term.

Let's talk about acquisitions. What is your strategy here?

HEGEL: The primary strategy is to acquire residential portfolios with a clear focus on NRW. It is especially appealing to us to be able to buy apartments that can be integrated into our portfolio at low additional cost. An example of this is our most recent acquisition in Bocholt. We would also buy properties in the bordering federal states within a range of around 50 kilo-

SCHULTZ:

"AN ANALYIS BY VARIOUS BROKERAGE COMPANIES SHOWED THAT WE HAVE THE BEST FINANCING STRUCTURE OF ALL LISTED REAL ESTATE CORPORA-TIONS IN EUROPE."

meters of our locations. And we can imagine acquiring smaller companies in keeping with our specifications and framework.

SCHULTZ: When we grow, we don't want it to be just on account of size alone. We will proceed selectively, however. We can picture growth in all our existing locations, provided that the micro location is right. The second criterion is on the financial side. Our key control parameter is FFO, funds from oper-ations. The FFO return at the level of the company as a whole is just under six percent; we want to increase this further through acquisitions.

That means that you rather need portfolios that still have development potential?

HENTSCHEL: We are happy to look at portfolios that are in a good micro location and that, to a certain degree, have been inefficiently managed to date. We still have operational possibilities here, such as in the development of rents or the vacancy rate. We are positioned to be able to leverage the potential of portfolios.

Are there sufficient own funds available?

SCHULTZ: Yes. We have completely refinanced the Group. As a result we have a solid cash position that is enough to acquire around 10,000 more units in addition to our currently 91,000 apartments over the next two years without a capital increase. We are also working on new instruments that will enable us to implement acquisitions at short notice as well. The more solid the financial background and the quicker the funding can be guaranteed the better the negotiations with the potential seller.

Is approximately 100,000 units your target?

HEGEL: Our platform provides the opportunity to acquire 20,000 to 25,000 units at very low management costs in the coming years. That would take us past 100,000. However, we do not have a specific size in mind as a target. What is important is that the platform works. It generates its own return, and this can be significantly increased by acquisitions.

Interest rates are low – which makes this a good time to restructure loans. But sooner or later they will rise again. What is LEG doing so that it does not become dependent on low interest rates?

SCHULTZ: As part of the IPO we were analyzed by various brokerage companies and they attested that, throughout the whole of Europe, we have the best financing structure of all listed real estate corporations. Among other things, our liabilities have an average term of twelve years – the longest for any comparable company – so short or medium-term changes in interest rates would increase our total costs only marginally. When interest rates rise, rents will naturally also rise after a certain delay. We believe that this will by far more than compensate for the rise in financing costs. We would by all means consider ourselves to be the winner in such a scenario.

Has anything changed for your tenants as a result of the IPO?

HENTSCHEL: No, nothing has changed. We are still investing in our portfolio at a high level of around €13 per square meter. We've always been well ahead of what the social charter demands here, that won't change. Moving forward our focus will shift strongly to the subject of all-round services, particularly for living for a long life and support for our older tenants. Our goal and the desire of our tenants is that they can live in our properties for as long as possible.

The Group's transformation demanded much of your employees and took a lot of time.

SCHULTZ: In recent years we have paid a great deal of attention to making our processes more efficient and more uniform. This gives our employees more time to take care of the customers. But we're not finished yet. There are other issues, such as the question of how mobile digital devices can make on-site work even more efficient.

The sharp and ongoing hikes in rents have become a political issue. How does LEG handle the balancing act between economic sustainability and providing affordable apartments?

HENTSCHEL: We have introduced a system that we call product/price differentiation. The more basic apartments are offered at more affordable prices than better equipped or situated apartments in the same building. The aim of this is to further differentiate apartments, features and rent prices. We're not modernizing the portfolio to a level that tenants can no longer afford, rather we are picking an individual strategy that guides our modernization strategy.

HEGEL: The criticism from the political level – "rents are rising" – concerns the industry in general. In recent years we have utilized moderate rent increase potential and always invested at an economically reasonable level. Parallel to this, our tenant turnover has continued to moderately decline to around 11 percent. Our tenants, therefore, accept and support our business policy, which pursues a balanced mix of sustainability, tenant satisfaction and sensible investments. When people talk about rising or suddenly increased rents in certain areas, it primarily refers to conurbations, expensive apartments and new buildings in particular. However, we operate in the lower and medium price segment.

SCHULTZ: It is also one of LEG's specifications that our residential portfolio is still nearly 40 percent subsidized; this means that rents are decided by the Second Rent Computation Ordinance. So there's no discussion of rent in this respect. If you look at the absolute figures, namely of a 2.3 percent increase in rent as a long-term average, this is roughly in line with inflation. We have an average monthly cold rent of €312 per apartment for 64 square meters. That's very moderate. On the other hand, we have seen increases in staff, building and maintenance costs. If we wish to maintain the quality of the portfolio and the level of service for tenants, we can do this only if rents are adjusted moderately, but on an ongoing basis, within this framework.

HEGEL: As a result of the Enquete Commission in NRW, there are very strong calls for new regulations. What matters though is that times have changed significantly since the Enquete Commission was launched in fall 2010, as many shortcomings were caused by the old financing conditions. We were impressed – given that we have just been through a refinancing of €2 billion – by how closely the banks looked at us, what our business model is and how seriously we take sustainability. Since then there has been a market correction that is no doubt significantly more efficient than possible regulatory measures imposed by legislation. The market has implemented massive self-regulation as a result of banks' financing conditions. Unfortunately this is rarely taken into account in public perception.

HENTSCHEL:

"WE EXAMINE WHAT TENANTS ARE ABLE AND WILLING TO PAY FOR WHAT STANDARD ON A HOUSE BY HOUSE BASIS AND GEAR OUR MODERNISATION STRATEGY TOWARDS THESE FINDINGS."

MILESTONES ON THE PATH TO THE IPO IN 2012

LEG set itself the ambitious goal for 2012 of completing the reorganization of the company and preparing for a new chapter in the company's development. Hand-in-hand with this, LEG also intended to reposition its operations. The measures implemented as a whole and the development towards a fully integrated platform moved in the clear direction of creating the conditions for value-adding growth through acquisitions.
Key milestones on this path were:

- the introduction of SAP software as a central element for internal management and external reporting
- the transition to accounting in line with the International Financial Reporting Standards (IFRS)
- the refinancing of liabilities
- the implementation of key steps towards the optimization of the integrated platform
- the implementation of the new acquisition strategy

Launch of new MIS enhances productivity

Since completing the implementation of the SAP software system, the company now has a state-of-the-art and high performance ERP system that is consistent across all divisions. This allows a more precise allocation of costs to the various divisions and therefore more effective management. The uniform Management Information System (MIS) allows the rapid integration of new portfolios into the SAP system. As a result, the acquisition of the new units in Bocholt in 2012 was smoothly integrated into the new system. The new IT structure enables daily reports and budget controls down to residential unit level, which has a positive impact on the identification of rent potential and the reduction of vacancies.

Introduction of IFRS successfully implemented

The introduction of IFRS was a key step in being able to operate on the capital market. The highly extensive process transition with integration in SAP was successfully achieved in just a short time. The consolidated financial statements for 2011 were prepared in accordance with IFRS for the first time.

Restructuring of loan structure ensures best-in-class status

A key milestone for the reorientation of LEG was also the restructuring of the loan structure, which was almost completed in 2012. The granular, complex loan structure of the past with almost 6,000 individual loans from more than 200 creditors was a clear contradiction to the demands of efficient, centralized finance management.

Almost €2 billion was refinanced in the last few years with the establishment of a core bank system. The number of individual loans was reduced by more than 60 percent. A key element of the financing structure was also an optimization of the repayment structure in line with market standards. The progress in terms of liquidity reflected the needs of a private real estate company by improving its dividend capability.

As a result of the refinancing, the average interest rate was reduced to 3.3 percent and the average remaining term of loans was increased to around twelve years, which makes LEG "best in class" among listed European real estate companies in terms of its financing.

Expansion of integrated management platform

The integrated management platform underwent further optimization last year supported by the new information systems. A target rent system based on market rents for each individual rental unit promotes the leverage of rent potential while at the same time reducing the vacancy rate. The advances made in efficiency and the scalability of the systems gave rise to a platform that is ready to add further portfolios for value-adding growth.

Implementation of the new acquisition strategy

Following the successful reorganization and restructuring of the company in recent years, a key focus of business strategy is on utilizing synergies and economies of scale through acquisitions. A number of offers were already examined last year and, in implementing a selective acquisition strategy, 1,244 residential units were acquired in the attractive growth market of Bocholt. In addition to attractive initial return and the synergy potential with the existing LEG portfolio, we believe that the acquired portfolio offers excellent opportunities for further reducing portfolio vacancies and leveraging rent increase potential. We are confident that this transaction will raise NAV and FFO per share for our shareholders.

BUSINESS ACTIVITIES

Leading property manager with focus on attractive tenant market

LEG is a focused property manager of residential real estate and this business model makes it one of the leading providers on the German market. As of the end of the fiscal year, LEG had a portfolio of 90,926 units in apartment buildings located almost exclusively in the core region of North Rhine-Westphalia, the most populous federal state with the biggest residential market in Germany.

LEG's product serves the high and growing demand for an affordable and high quality place to live. In the core region, which is divided into the three sub-markets of the Rhineland, Ruhr area and Westphalia, LEG has a profound knowledge of the individual macro and micro locations thanks to its broad market coverage of 160 locations.

The high population density of 523 inhabitants per square meter (as of 2011) makes NRW the state with by far the highest population density, barring the city states.

Our positioning gives us the competitive edge that we can generate efficiency benefits thanks to our concentrated regional focus and, at the same time, we have sufficient potential for further portfolio growth thanks to the large number of individual markets.

This deep understanding of the markets is reflected in the ranking of the markets, which LEG bases on a points system with objective criteria such as projected population and household trends, the development of purchasing power and the labor market and rent multipliers. Operative decisions for portfolio management or the allocation of capital for investments in the portfolio or acquisitions are therefore based on the risk/reward profiles of the specific macro and micro locations.

The core region of North Rhine-Westphalia has 17.8 million inhabitants coupled with a low home ownership rate of 43 percent (as of 2011). This makes NRW the biggest market for rented accommodation in Germany. With a 22.1 percent share of German gross domestic product, North Rhine-Westphalia is the economic heavyweight in the overall structurally strong German economy. In addition to its traditionally highly industrial roots, this is also reflected by the fact that a total of nine out of 30 companies in the German DAX benchmark index are managed from NRW. The size of the labor market is also a factor for the region's attraction for immigrants, which has correspondingly positive implications for economic performance and demand for living space. The development on the labor market is clearly positive overall with a significant reduction in the unemployment rate from twelve percent in 2005 to 8.1 percent in 2012.

According to forecasts by the state of NRW, positive net growth of 2.9 percent is expected between 2009 and 2030 in the number of households, a key determinant in demand for living space. The number of one to two person households is expected to grow very strongly by 13.5 percent over the same period. In total, more than 50 percent of households have a monthly net income of less than €2,000. LEG's products are precisely tailored to this demand situation on the market.

New construction activity in this market segment has stagnated at a very low level. According to the most recent figures from the Federal Office of Statistics, only around 12,500 new residential units in apartment buildings were built in NRW in 2011, corresponding to a share of just 0.25 percent of the current apartment building portfolio. This does also not take into account apartments lost due to demolition. The persistently low rent level, coupled with the rising cost of construction, is an almost insurmountable barrier to market entry in the lower and medium price segment. This means a continuing boost to developments in rents and the reduction of vacancies. LEG's average rent of €4.86 per square meter is significantly less than the level needed to generate an adequate return on new construction.

With its business strategy geared to sustainable portfolio and rent development, LEG is still pursuing an efficient and, simultaneously, growth-oriented maintenance and modernization strategy. Last year, spending for these purposes was around €12.90 per square meter, above the minimum stipulated in the social charter of

STRATEGY

€12.50 per square meter . Over the last three years, spending has averaged around €13.50 per square meter.

Broad presence and knowledge of heterogeneous markets ensures attractive return
In line with its internal assessment model for specific sub-markets, LEG has defined three market segments: growth markets, stable markets and higher yielding markets. LEG is well positioned to generate returns appropriate to its risk in all these sub-markets. The balance of these segments therefore helps LEG to maintain an above average growth profile and, at the same time, high cash flow profitability for attractive dividends. With a 45 percent share of the value of the portfolio, growth markets take the number one position in the portfolio (see section: Portfolio). This perspective of the markets in the various regions aids in operative decision-making, such as deriving specific investment strategies.

Comprehensive restructuring and reorganization measures have been implemented in the last three years to create a uniform and scalable management platform. Key value drivers such as rent, vacancies, procurement and modernization work/investments are managed centrally. There is a broad leasing and service network hierarchically structured across nine branches, 16 customer centers and 91 local tenant offices that guarantees comprehensive local knowledge and customer proximity. A low vacancy rate of 3.1 percent, average rent growth of 3.4 percent in the last three years in the free financed portfolio and tenant loyalty with a high average lease duration of over twelve years are the result of an integrated management platform that combines local knowledge with an individual, apartment-specific target rent system.

Scalable platform and solid balance sheet as a basis for further growth
A key component of the business model is the solid statement of financial position and financing structure of the company. The low LTV of less than 48 percent, the long average remaining term of loans of around twelve years and low average financing costs of 3.3 percent with 97 percent fixed are key pillars for high projected profitability and visibility of earnings and therefore dividend distributions in the years to come.

LEG's strategy is clearly geared to value-added growth for its shareholders. In addition to organic growth by leveraging rent potential and the reduction of vacancies including selective modernization investments in the portfolio, this also comprises external growth through acquisitions.

Actively closing gap to market rents

The current portfolio has the potential for further strong rent growth as a key organic value driver. The gap between the in-place rents in the portfolio and the respective market rents is the basis for this growth.

With active management of the portfolio, this gap will gradually be closed as new units are let and rent control expires. Based on data from CB Richard Ellis, the average difference between in-place rents and market rents is around 13 percent.

Further components for future rent growth are rising market rents by way of rent index (Mietspiegel) adjustments. In our growth markets in particular, focusing on the Rhineland and university cities, the potential here is accelerating.

With efficient capital allocation geared towards clear return specifications, the modernization potential that exists will be selectively leveraged to generate value growth.

In the rent restricted portfolio, further stable growth will result from the adjustment of the cost of rent in line with inflation.

This way, organic rent growth of two to three percent p.a. will be achieved.

Increasing rental income through further vacancy reduction

A further core objective is the optimization of the already low vacancy rate. Vacancy periods will be avoided or reduced by re-letting. New, efficiency-enhancing IT systems will create additional personnel resources for leasing. Master agreements with tradesmen should help to accelerate the process of renovation on tenant turnover. On the basis of these measures, a vacancy rate of less than three percent is hoped for in the medium term.

Growth through acquisition, in the core regions especially

LEG has the organizational platform and the financial strength to continue its growth through value-added acquisitions. Growth in the core regions in particular will allow economies of scale, which means that the integration of new portfolios will result in only low additional costs. In addition to revenue growth, this should result in a further improvement in the operating margin for strong earnings growth.

The acquisition of 1,244 residential units in Bocholt is exemplary for the future acquisition strategy. In addition to an attractive initial return, only low additional costs were incurred (management costs of €150 p.a. per unit), with the result that the EBITDA margin is significantly above the existing portfolio. The acquisition strategy is geared to further improvement in FFO per share and NAV.

Further increasing customer satisfaction

The LEG portfolio offers a good quality of living thanks to maintenance and modernization work that for years has exceeded the requirements of the social charter. Through regular social activities, LEG is strengthening the sense of identification among tenants and raising customer satisfaction. Tenant turnover, which has already improved from a low level, will be reduced further in the sub-markets with low growth potential in particular, with correspondingly positive effects on renovation costs and vacancies.

Further improvement of the cost base

In recent years, the reorganization of the company has brought significant efficiency enhancements. Further cost reductions are expected from measures such as the introduction of centralized procurement in the future. This is expected to cut procurement costs for investments and maintenance by ten percent. With expenses planned to remain constant, there is therefore the potential for further quality enhancement, which is to be channeled into rent potential.

Development of services that create value added for tenants

The current considerable large customer base of 250,000 tenants will be used to develop additional services offering further income potential. In cooperation with local retailers, for example, possible approaches include introducing tenant cards or care services for seniors.

PORTFOLIO-MANAGEMENT

Overview

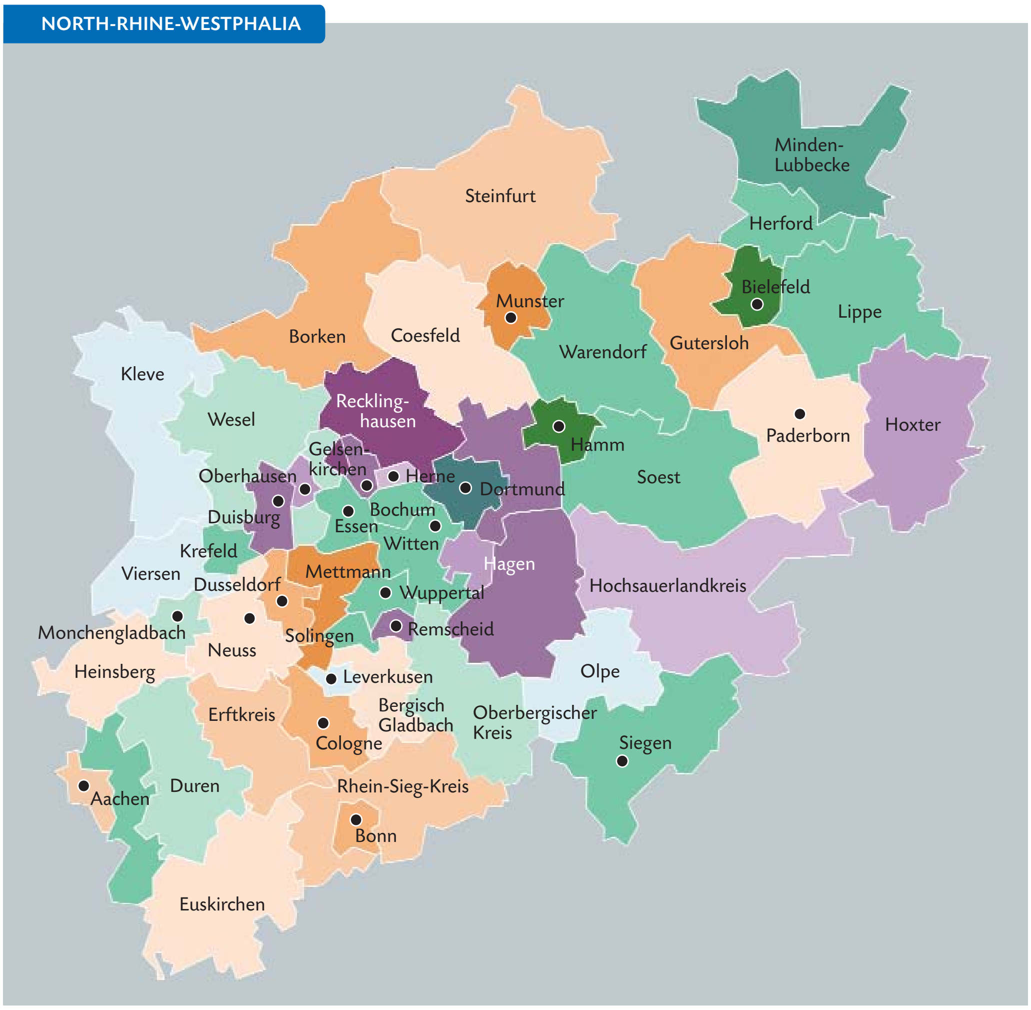
As of December 31, 2012, the LEG Immobilien AG portfolio comprised 90,926 residential units, 986 commercial units and 21,596 garages and parking spaces. The portfolio is distributed almost entirely across 160 locations in North Rhine-Westphalia. On average, the apartments measure 64 square meters and have three rooms. Buildings comprise an average of 6.5 residential units and three stories.

Portfolio segmentation

The LEG portfolio is divided into three market clusters using a scoring system developed by CBRE: growth markets (orange), stable markets (green) and higher yielding markets (purple). All 54 municipalities and districts of North Rhine-Westphalia were analyzed. Except for the city of Leverkusen and the Olpe, Kleve and Viersen districts, LEG maintains a presence in all regions with a focus on the urban markets.

Growth markets (orange) are characterized by a positive population trend, positive household projections and consistently high demand for apartments.
Stable markets (green) are more heterogeneous than growth markets in terms of the demographic and socio-economic development; their housing industry appeal is solid to high on average.
The higher yielding markets (purple) are

NORTH-RHINE-WESTPHALIA



High growth markets | Stable markets | Higher yielding markets expected to see in average population declines in future owing to aging and migration.

However, there will still be potential in these sub-markets given an appropriate local presence, good market penetration and good micro locations.

The underlying indicators are based on the following demographic, socio-economic and real estate market data:

- population trend 2000 to 2010
- household projections 2010 to 2020
- purchasing power index
- number of people in employment and paying social security contributions 2000 to 2010
- rent level in €/sqm
- multiplier/broker factor for apartment buildings

Out of a maximum of 48 possible points (8 points per indicator), the Bonn sub-market performed best at 40 points. Places 2 and 3 went to Munster and Rhein-Sieg District, followed by Cologne and Dusseldorf. A further 15 growth markets are distributed across the Rhineland and parts of Munsterland and the District of Paderborn. The list of the municipalities and districts classified as stable markets is headed by the District of Aachen, the Oberbergisch District and Bielefeld; there are 20 further sub-markets spread across the entire state. With 18 points, the District of Unna heads the higher yielding market segment, followed by ten further sub-markets – predominantly in the Ruhr area and Sauerland.

PORTFOLIO SEGMENTATION – TOP THREE LOCATIONS

by number of apartments per cluster	Number of LEG apartments	Share of LEG portfolio in %	Living in sqm	In-place rent €/sqm	Vacancy rate in %
High growth market	**31,465**	**34.6**	**2,077,330**	**5.38**	**1.4**
District of Mettmann	8,099	8.9	561,508	5.33	1.8
Münster	6,107	6.7	405,395	5.72	0.4
Cologne	3,514	3.9	237,574	5.54	0.8
Other locations	13,745	15.1	872,853	5.20	1.8
Stable markets with attractive yields	**32,048**	**35.2**	**2,065,868**	**4.59**	**3.8**
Dortmund	11,561	12.6	766,528	4.53	2.9
Hamm	3,976	4.4	239,995	4.37	2.4
Bielefeld	2,337	2.6	142,498	5.18	2.9
Other locations	14,174	15.6	916,847	4.63	5.1
Higher yielding markets	**26,024**	**28.5**	**1,609,085**	**4.51**	**4.5**
District of Recklinghausen	6,420	7.0	401,977	4.53	6.1
Duisburg	4,734	5.2	290,114	4.63	3.7
Maerkisch District	4,412	4.8	269,730	4.45	2.8
Other locations	10,458	11.5	647,264	4.49	4.8
Outside NRW	**1,389**	**1.5**	**92,084**	**4.90**	**0.8**
Total	**90,926**	**100.0**	**5,844,839**	**4.86**	**3.1**

Performance of the LEG portfolio

Operational development (rents, vacancies, fluctuation)

The residential portfolio increased by 1,056 units in net terms in 2012. The acquisition of the portfolio in Bocholt (1,244 units, of which 1,209 units transferred in 2012) was offset by the disposal of 141 apartments and twelve units lost due to apartments being combined in the same period. These disposals related to the break-up of locations or sales of individual properties in various locations.

The rent development remained positive within the planning framework in 2012: the in-place rents generated climbed from an average of €4.79 per square meter to €4.86 per square meter.

This below-average rent development compared to previous years (on a like-for-like basis) is due to three extraordinary effects, but means the promise of significantly accelerated rent growth in the coming quarters.

Firstly, more favorable refinancing led to some compensatory low rent cuts in the rent restricted residential portfolio.

The implementation of rent increases at the Munster location was postponed to the first

DEVELOPMENT OF THE LEG-PORTFOLIO

Residential units	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	High growth markets		Stable markets		Higher yielding markets		Non Core		Total	
Price-controlled apartments										
Number	11,558	11,934	15,488	15,154	9,317	9,781	220	224	**36,583**	**37,093**
Area (in sqm)	800,355	822,631	1,050,229	1,032,888	615,683	648,724	17,192	17,550	**2,483,459**	**2,521,793**
Target rent (in €)	3,895,920	3,944,680	4,585,822	4,543,106	2,581,504	2,714,616	72,035	73,623	**11,135,282**	**11,276,025**
In-place rent (€/sqm)	4.87	4.80	4.34	4.39	4.20	4.20	4.20	4.19	**4.48**	**4.48**
Vacancy rate (in %)	1.5	1.6	3.8	4.9	5.2	5.1	1.4	0.4	**3.4**	**3.9**
Tenant turnover (in %)	9.2	9.7	10.9	10.4	10.7	10.6	14.1	10.3	**10.3**	**10.2**
Privately financed apartments										
Number	19,907	18,395	16,560	16,946	16,707	16,275	1,169	1,161	**54,343**	**52,777**
Area (in sqm)	1,276,976	1,192,428	1,015,639	1,036,733	993,402	961,488	74,892	74,269	**3,360,908**	**3,264,919**
Target rent (in €)	7,274,089	6,655,017	4,911,517	4,908,581	4,677,695	4,452,051	379,976	366,560	**17,243,277**	**16,382,209**
In-place rent (€/sqm)	5.69	5.59	4.83	4.74	4.70	4.66	5.07	4.94	**5.13**	**5.04**
Vacancy rate (in %)	1.4	1.6	3.8	4.5	4.1	4.3	0.7	0.4	**3.0**	**3.4**
Tenant turnover (in %)	10.4	11.4	13.0	12.9	12.3	12.3	14.4	11.8	**11.9**	**12.2**
Total apartments										
Number	31,465	30,329	32,048	32,100	26,024	26,056	1,389	1,385	**90,926**	**89,870**
Area (in sqm)	2,077,330	2,015,060	2,065,868	2,069,621	1,609,085	1,610,213	92,084	91,819	**5,844,367**	**5,786,712**
Target rent (in €)	11,170,010	10,599,697	9,497,339	9,451,687	7,259,199	7,166,667	452,011	440,183	**28,378,559**	**27,658,234**
In-place rent (€/sqm)	5.38	5.26	4.59	4.57	4.51	4.48	4.90	4.79	**4.86**	**4.79**
Vacancy rate (in %)	1.4	1.6	3.8	4.7	4.5	4.6	0.8	0.4	**3.1**	**3.6**
Tenant turnover (in %)	10.0	10.7	12.0	11.7	11.8	11.7	11.5	14.3	**11.3**	**11.4**
Total commercial										
Number									**986**	**988**
Area (in sqm)									**193,420**	**194,315**
Total parking										
Number									**21,596**	**21,071**

ASSET DISTRIBUTION OF THE INDIVIDUELL MARKET CLUSTER

Market segments	Residential units	Residential assets (€ million)	Share residential assets in %	Value €/sqm	In-place basic rent multiplier	Commercial/ other assets (€ million)	Total assets
High growth markets	31,465	2,132	46	1,027	16.2 x	181	2,313
Stable markets with attractive yields	32,048	1,413	31	682	12.9 x	83	1,496
Higher yielding markets	26,024	998	22	621	12.1 x	44	1,042
NRW portfolio	**89,537**	**4,543**	**98**	**789**	**14.1 x**	**307**	**4,851**
Portfolio outside NRW	1,389	79	2	849	14.6 x	12	91
Total portfolio	**90,926**	**4,622**	**100**	**790**	**14.1 x**	**319**	**4,941**
Leasehold and other properties							27
Inventories (IAS 2)							16
Total							**4,984**

quarter. The postponement effect relates to a new rent index in Munster containing average rent growth of 6.5 percent. The portfolio in Munster, consisting of 6,113 residential units, accounts for around ten percent of the portfolio's value.

Modernization work that can be translated directly into rent increases was also postponed from the closing quarter of 2012 to the first half of 2013. Overall, the combined total of these postponement and catch-up effects promises rent growth ahead of projections in the first half of the year.

An increase of 1.8 percent to €5.13 per square meter was recorded in the free financed segment in 2012. For rent controlled apartments, the previous year's level of €4.48 per sqm remained unchanged despite the extraordinary factors. The next rent adjustment for rent controlled apartments is scheduled for January 2014. Rents rose in all market segments with correspondingly higher momentum in the growth markets. The rent level in the higher yielding markets climbed by €0.03 per square meter while the increase on the higher growth markets averaged €0.12 per square meter.

The stable markets segment (green) – enjoyed a positive development in terms of letting performance. Thus, its vacancy rate declined significantly from 4.7 percent to 3.8 percent. Vacancy decreases of 0.2 percent and 0.1 percent were also generated in the growth and higher yielding markets respectively. In total, the number of vacant apartments was reduced by 360 units to 2,860 in 2012 as a result of active letting management, with the result that the vacancy rate fell considerably year-on-year from 3.6 percent to 3.1 percent.

Tenant satisfaction is also reflected in the tenant turnover figures. As against the previous year, incidences of tenants giving notice declined further, bringing the fluctuation rate down to 11.3 percent (2011: 11.4 percent). Tenant turnover in the high growth markets was down most significantly; the figure for this cluster went from 10.7 percent to 10.0 percent.

The table on this page shows the assets distribution of the individual market clusters.

Value development

Modernization and measures to increase value (capex)

Two projects have been presented as examples for LEG's extensive modernization and maintenance program:

- **Gelsenkirchen-Eichkamp Estate**

A portfolio of 268 apartments in 30 buildings was comprehensively renovated for around €5.2 million. The properties from the 1950s were fitted with modern heating technology and intercoms. In addition, the building shells were partially insulated to improve their energy level. Further energy and construction requirements were satisfied by insulating the top floor ceilings and renovating electrical installations in vacant apartments. The package was rounded off by contemporary bathrooms and front doors in vacant apartments. The selective combining of apartments served the clear focus on the target group of "young families", while somewhat smaller apartments were designed for seniors in line with demand.

- **Ratingen, "Houses in the Sky"**

LEG owns approximately 2,650 apartments at the Ratingen-West location. As part of the overall "low energy building project", the last of three high rise buildings with 240 apartments each was comprehensively renovated in 2012. All the windows were replaced, the facades insulated and fitted with Alucobond elements. These measures were implemented in accordance with the current German Energy Saving Ordinance (EnEV). The annual heating requirements can be reduced by approximately a third. Balconies were also renovated, entrances redesigned and state-of-the-art transponder access technology was installed. By the time this project had been concluded, around €18.7 million had been invested in these three properties with a total of approximately 720 residential units.

Measures to increase value on tenant changeover (turn cost)

- **Example of measures to increase value on tenant changeover at the Munster location**

In 2012, an investment program was launched at the Munster growth location with the aim of better exhausting the available rent potential on the one hand and sustainable value improvements on the other by way of specific individual investment in apartments. Thus, the value of the portfolio was increased significantly by spending an average of around €7,000 on the turnover of 45 residential units. An average return of 16.8 percent was generated by implementing ambitious new rental prices of €9.60 per square meter. These measures will be continued in 2013.

Optimization of procurement

LEG has reorganised its activities in the field of procurement management and implemented a central ordering system. Thus, all technical services, including modernization and maintenance services as well as the sourcing of consumer materials and energy is organised throughout the Group according to uniform quality standards. In the area of construction services in particular (modernization and maintenance), which has an annual volume of around €80 million, the introduction of standardized service specifications and master agreements with construction firms will enable savings of around ten percent per year. The aim of supplier management, in which the performance of companies and their service offerings are subjected to ongoing monitoring, is to increase transparency and avoid supply bottlenecks. Further efficiency enhancements will be generated by exclusive agreements with certified companies.

FINANCING

Refinancing: Complexity reduced and boost in liquidity for investments and dividends

Since 2009, LEG has systematically pursued the process of restructuring its debt. In the past four years, LEG has so far concluded a total of 16 bilateral credit agreements with nine banks. The contracted volume totaled €2.15 billion by the end of 2012. The refinancing has enabled LEG to achieve the homogeneous utilization of the mortgaging potential in the residential portfolios of the entire LEG Group. Furthermore, debt service to banks was sustainably reduced, thereby significantly improving the cash flow available for investments and dividends.

Another key objective of the refinancing strategy was greater transparency in financing relationships throughout the Group. As a result of the restructuring, the number of individual loans was reduced from originally over 6,000 to less than 1,900, around 1,840 of which are subsidized property loans from NRW.Bank. In addition, the repayment of former creditors of LEG NRW GmbH in the first quarter of 2013 reduced the number of creditors from over 200 to currently ten.

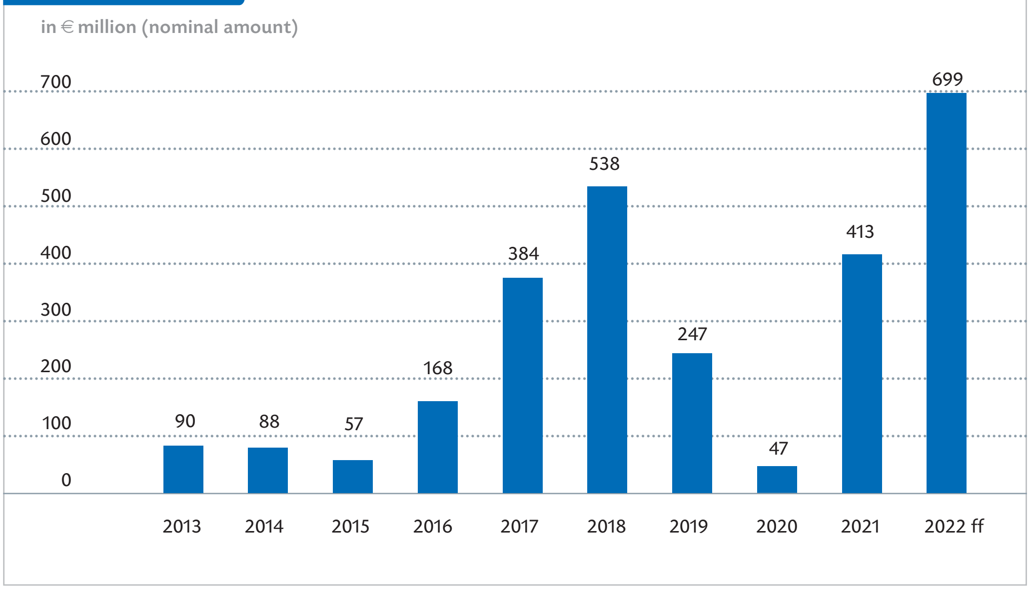
Balanced structure of core banks

Around 23 percent of loan liabilities relate to subsidized loans from NRW.Bank. The remaining 77 percent of loan liabilities are distributed among a further ten banks, predominantly from the German mortgage and state bank (landesbank) sector. In selecting financing partners, attention was paid to ensure a balanced overall credit portfolio to avoid cluster risks in liabilities. Accordingly, none of the banks involved accounts for more than 25 percent of the credit portfolio as a whole.

Balanced, long-term maturity profile

The refinancing concluded over recent years was arranged on the basis of medium and long-term agreements with terms of up to ten years. Given the long terms of the subsidized loans, the financing portfolio as a whole has an average maturity of around twelve years. The loans are primarily secured by the real collateral of the properties in the respective financing portfolios in the form of mortgages and other collateral usually provided for property portfolio loans.

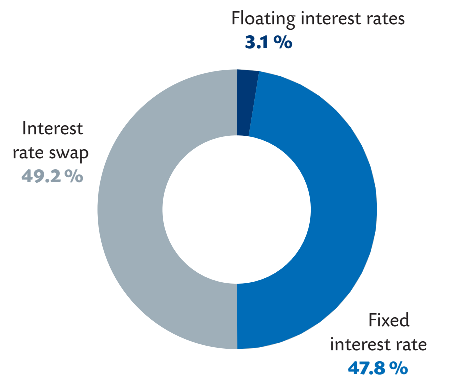
MATURITY PROFILE



Interest hedging

In line with the long-term nature of the hedged items at LEG, there are fixed rate interest agreements or interest rate swaps in place for around 97 percent of the financing agreements with banks. The use of derivative interest hedging instruments is closely linked to the respective hedged loan. LEG uses interest derivatives only for the purpose of hedging interest rate risks; it has no material open or speculative positions. Given the interest rate hedges concluded, no significant interest rate risks are anticipated at LEG in the medium term.

INTREST HEDGING INSTRUMENTS



Covenants

The credit agreements concluded as part of the refinancing contain regulations on compliance with defined financial covenants. These covenants must be complied with over the term of the loan agreements. Non-compliance can lead to sanctions by the lender up to and including the option to terminate the agreement. The covenants agreed relate to figures within the portfolio financed by the respective bank or at the level of the respective borrower. The material financial indicators are:

- loan-to-value (LTV; ratio of loan amount to market value of the portfolio)
- debt service coverage ratio (DSCR; ratio of net rental income (after management) to debt service)
- debt-to-rent (DRR; ratio of loan amount to net rental income)

The covenants agreed for the loans are within the following ranges:

- LTV 65.0 percent to 82.5 percent
- DSCR 102.5 percent to 150.0 percent
- DRR 804.0 percent to 1,250.0 percent

Compliance with the covenants is monitored on an ongoing basis as part of company-wide risk management. Deadlines have also been agreed for the loans by which possible contract breaches can be remedied. LEG has not violated the covenants of its loan agreements to date and such instances are also not currently foreseeable.

COMPLIANCE

Responsible corporate governance is a top priority at LEG. LEG has an interest in ensuring the trust of its tenants, customers, business partners, employees and the public. Compliance with legal and ethical principles in day-to-day business is therefore an integral part of our corporate culture.

The main principles for conduct within the company, and with business partners, are compiled in the LEG Code of Conduct. As a guideline for proper conduct, it helps employees to make the right decisions in their day-to-day work. Its content is based on the "Compliance Management Manual" of the Corporate Governance Initiative of the German Real Estate Industry Association, of which LEG is a member. The Code of Conduct is supplemented by internal guidelines and regulations. The Code of Conduct can be accessed on the LEG website.

Compliance is seen as a management responsibility at all levels of LEG. LEG regularly identifies business risks relating to conduct and establishes suitable risk management and controlling processes. LEG has appointed a Compliance Officer to control the compliance management system. The Compliance Officer assists the executives in ensuring compliance. The Compliance Officer also advises and trains employees. Compliance is assigned to the Audit and Compliance department, which reports directly to the CEO of LEG.

The corruption prevention concept is certified according to IDW 980 standard.

SUSTAINABILITY / CODE OF CORPORATE SUSTAINABILITY

At LEG, sustainability means establishing harmony between economic, ecological and social objectives. LEG feels an obligation to sustainability and the principles of sustainable business. Among other things, this includes the principles of fairness, treating tenants, employees and business partners respectfully and exercising overall social responsibility. As one of the biggest real estate companies in NRW, LEG sets benchmarks in sustainability management. This includes a holistic and transparent sustainability commitment.

Sustainable action for our tenants

At LEG this means providing individual living space with appropriate value for money and exercising social responsibility, including in the direct living environment of tenants. Organizing tenant festivals promotes tenants' sense of identification with their neighborhood. In 2012, LEG arranged around 150 tenant events and vacation and recreation programs in the interests of long-term tenant loyalty.

Furthermore, LEG has demonstrated its social commitment by creating the LEG NRW Tenant Foundation, which has endowment capital of €5 million and supports benevolent and charitable projects. For example, measures can include an accessible apartment or a pro-integration and intercultural event in residential quarters, also open to non-LEG tenants. The formation of the foundation was officially recognised by the Dusseldorf district authority on December 30, 2009. In 2012, a total of 94 projects or tenants in need of care received funding worth around €190,000. Of these projects/subsidies, around €43,000 were of a benevolent nature and €147,000 of a charitable nature.

Long-term employee loyalty

To us, a sustainable strategy also means treating our employees responsibly. This includes healthcare and preventative activities as a top priority. In light of this, LEG operates a health management scheme for its entire organization and relies on health advisors.

A central element of our sustainably designed HR strategy is to offer our employees good development opportunities in a motivational working environment. We are consciously integrating our 36 trainees into the work environment. We ensure long-term loyalty among key players with a comprehensive HR development system that, in addition to systematically fostering potential (see "Employees" section for detailed information), also supports long-term HR development measures (including combined work/study opportunities). Employee satisfaction is also highlighted by the low fluctuation rate of 4.9 percent.

Social responsibility beyond our borders

Since 2010, LEG has donated a total of €51,000 to DESWOS, the German Development Assistance Association for Social Housing. As a result, homes were built for around 120 families in the state of Tamil Nadu in the south of India, protecting them from monsoon floods, extreme sun exposure and hurricanes. Thus, LEG has ideally combined a social project with its values. This support for community, neighborly and sustainable action is in keeping with the social responsibility and activities of LEG.

Sustainable real estate management

The issue of ecological awareness is a high priority for LEG – particularly in the area of resource-efficient modernization and maintenance work. This includes promoting the use of environmentally friendly technologies and materials, and using renewable energy sources. The energy improvement of facilities in line with the applicable standards is of great importance in this respect. All technical service providers are under obligation to ensure the legally correct handling of all relevant environmental issues in the master agreements. For larger construction projects, the environmental impact assessments prepared are made part of the general contractor agreement and partners are contractually required to comply with environmental regulations. LEG pays particular attention that the relevant environmental protection provisions are adhered to.

In order to reduce the CO_2 emissions of properties, LEG utilizes renewable energies. In particular, these are used to obtain electricity for the generally accessible areas of the LEG Group's residential facilities.

In 2012, LEG invested a total of €15.2 million in the energy refurbishment of its portfolios and the modernization of heating facilities. Thus, ecological and economic modernization work in buildings with a total of 2,640 residential units was carried out in 2012. One example of a successful energy modernization is the measures carried out between 2007 and 2012 on the three "Houses in the Sky" in Ratingen-West. In three stages, the biggest low energy building project in North Rhine-Westphalia was created for an investment of around €18.7 million. Thanks to the improvements to the facilities and the additional use of renewable energies, LEG can achieve advantages for its tenants who reap the benefits in their utility bills. Given the shortages of selected resources and the resulting price increases, the ecological focus is a factor in LEG's success.

REPORT OF THE SUPERVISORY BOARD

LEG Immobilien AG was created by the transformation of LEG Immobilien GmbH by way of entry of the new legal form in the commercial register on January 11, 2013. The shares of LEG Immobilien AG have been traded on the regulated market (Prime Standard) of the Frankfurt stock exchange since February 1, 2013.

As part of the company's transformation, it formed a Supervisory Board that, as per its Articles of Association, consists of nine members, who are all shareholder representatives. The following persons were elected as members of the Supervisory Board of LEG Immobilien AG by the shareholder meeting on January 2, 2013:

- Mr. Nathan Brown
- Mr. James Garman
- Dr. Martin Hintze
- Mr. Stefan Jütte
- Dr. Johannes Ludewig
- Ms. Heather Mulahasani
- Dr. Jochen Scharpe
- Mr. Jürgen Schulte-Laggenbeck und
- Mr. Michael Zimmer

Substitute members:
- Mr. Michael Furth
- Mr. Chetan Gulati
- Mr. Richard Spencer
- Mr. Patrick Tribolet

As the term in office of the Supervisory Board only began in January 2013, the Supervisory Board did not hold any meetings in the fiscal year 2012. In its constituting meeting on January 2, 2013, the Supervisory Board elected Mr. Michael Zimmer as the Chairman and Mr. Stefan Jütte as the Deputy Chairman of the Supervisory Board. The newly constituted Supervisory Board appointed Mr. Thomas Hegel (also Chairman of the Management Board), Mr. Eckhard Schultz (also Deputy Chairman of the Management Board) and Mr. Holger Hentschel as members of the Management Board. The members of the Management Board have each been appointed for a term in office until January 31, 2016. The members of the Supervisory Board reviewed the process of the formation of LEG Immobilien AG by way of the transformation of LEG Immobilien GmbH and issued a formation report on this together with the members of the Management Board on January 2, 2013.

In its meeting on January 17, 2013, the Supervisory Board approved Rules of Procedure for the Supervisory Board and the Management Board. For the purposes of the efficient division and performance of its duties, the Supervisory Board also established committees, namely the Executive Committee, a Nomination Committee and an Audit Committee. Given that these committees were also only formed in January 2013, they also held no meetings in fiscal 2012. The duties and composition of the committees of the Supervisory Board are described in more detail in the corporate governance declaration on page 69 of the annual report. The Management Board reported to the Supervisory Board on the forthcoming IPO.

Corporate Governance

The Supervisory Board has dealt with compliance with the recommendations of the "Government Commission of the German Corporate Governance Code" as amended May 15, 2012 and in March 2013 issued its first declaration of compliance in accordance with section 161(1) AktG together with the Management Board. The declaration has been made permanently available on the company's website. In its meeting on April 23, 2013, the Supervisory Board also adopted objectives for its composition (see also comments on "Corporate governance" on page 38 of the annual report).

No objections in audit of annual and consolidated financial statements

The Management Board prepared the annual financial statements and the management report for the fiscal year 2012 in accordance with the provisions of the HGB and the consolidated financial statements and the Group management report in accordance with the provisions of the International Financial Reporting Standards (IFRS), as endorsed in the European Union, and the additional commercial regulations of section 315a HGB. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft was appointed as the auditor of the annual financial statements and the consolidated financial statements. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft audited the annual financial statements, including the management report, and the consolidated financial statements, and the Group management report, for the fiscal year 2012 and issued them with unqualified audit opinions.

As part of a special audit of the risk management and monitoring system of the Management Board, the auditor reported on risks jeopardizing continued existence as going concern. It believes that this system is suitable for the early detection of developments that could threaten the continuation of the company. The Supervisory Board received the audited annual financial statements and the management report for the fiscal year 2012 in a timely manner and conducted its own audit taking into account the report of the auditor and the report of the Chairman of the Audit Committee on the preliminary audit. This also applies to the consolidated financial statements, the Group management report and the proposal of the Management Board for the appropriation of earnings.

At the meeting of the Supervisory Board on April 23, 2013 and at the meeting of the Audit Committee on April 22, 2013, representatives of the auditor explained the results of the audit as a whole and the individual areas of audit focus. They dealt with the question of whether there are significant weaknesses in the internal control and risk management system for the accounting process. This was not the case. There were also no other objections. The auditors found no facts during their audit that contradict the declaration of compliance. They reported that there were no circumstances giving rise to concern over their impartiality. They also reported on the services that they have rendered in addition to audits of financial statements. The representatives of the auditor and the Management Board answered the questions of the members of the Supervisory Board in detail. There were also no objections after a thorough examination of all documents by the Supervisory Board. The Supervisory Board approved the results of the auditor's audit. On April 23, 2013, in accordance with the proposal of the Audit Committee, the Supervisory Board approved the annual financial statements and the consolidated financial statements of the company; the annual financial statements are thereby adopted.

The Supervisory Board reviewed the proposal of the Management Board for the appropriation on the unappropriated surplus, taking into account in particular the liquidity of the company and its financial and investment planning. Following this review, the Supervisory Board concurs with the proposal of the Management Board to distribute €21.7 million and to carry forward the remaining net retained profits of €40.1 million to new account.

Dusseldorf, April 23rd, 2013

On behalf of the Supervisory Board of
LEG Immobilien AG

Michael Zimmer
Chairman of the Supervisory Board

CHAIRMAN OF THE SUPERVISORY BOARD

Michael Zimmer

CORPORATE GOVERNANCE

The trust of investors, employees, customers and the public in LEG Immobilien AG is gained and maintained by responsible and value-based management and control of the company geared to long-term business success. Respecting the interests of shareholders and employees, transparency and responsibility in business decisions and the appropriate handling of risk are therefore core elements of our corporate governance and the basis for the work of the Supervisory Board, the Management Board and the employees of LEG Immobilien AG.

Below, the Management Board, together with the Supervisory Board, reports on corporate governance at LEG Immobilien AG. Further information on this can be found in the corporate governance declaration (page 69 of the annual report); this information is also part of our corporate governance reporting.

Compliance with the recommendations of the German Corporate Governance Code

The Management Board and the Supervisory Board dealt with compliance with the recommendations of the "Government Commission of the German Corporate Governance Code" as amended May 15, 2012 and in March 2013 issued the first declaration of compliance in accordance with section 161(1) of the Aktiengesetz (AktG – German Stock Corporation Act). The following declaration was made permanently available to the public on the website of LEG Immobilien AG:

"The Management Board and the Supervisory Board of LEG Immobilien AG declare that LEG Immobilien AG has complied with the recommendations of the Government Commission of the German Corporate Governance Code as amended May 15, 2012 (GCGC) since being listed on February 1, 2013 with the following exceptions and intends to continue to comply with them:

- *Deviation from 3.8(3) GCGC: No deductible in D&O insurance for members of the Supervisory Board of LEG Immobilien AG*

3.8(3) GCGC recommends the arrangement of a deductible if the company has taken out D&O insurance for the Supervisory Board. This deductible should amount to at least ten percent of the loss up to at least the amount of one and a half times the fixed annual compensation of the Supervisory Board member. The D&O insurance of LEG Immobilien AG has not and does not provide for a deductible for the members of the Supervisory Board. The Management Board and the Supervisory Board agree that a deductible is not necessary or suitable for improving the sense of motivation or responsibility with which the members of the Supervisory Board perform their duties.

- *Deviation from 5.4.1(2) GCGC: The Supervisory Board has not yet named specific objectives for its composition*

In accordance with 5.4.1(2) GCGC, the Supervisory Board should specify objectives for its composition that, whilst considering the specific situation of the company, take diversity into account among other things. Given that LEG Immobilien AG has only existed in the legal form of a stock corporation since January 11, 2013, the Supervisory Board has not yet stipulated such objectives but intends to do so at its next ordinary meeting.

- *Deviation from 5.4.2 GCGC: Membership of a Supervisory Board member in the supervisory board of a key competitor*

Supervisory Board members should not exercise directorships or similar positions or advisory tasks for important competitors of the enterprise (item 5.4.2 GCGC). Dr. Scharpe was and is a member of the Supervisory Board of both LEG Immobilien AG and GSW Immobilien AG, Berlin. LEG Immobilien AG sees GSW Immobilien AG as a competitor as a large residential property company. Given the fact firstly that the activities of the two companies geographically overlap only slightly at the current time and that, secondly, market and industry expertise are very valuable to the Supervisory Board, the Supervisory Board and the Management Board are of the opinion that Dr. Scharpe's membership in the Supervisory Board of GSW Immobilien AG as well does not constitute a material conflict of interests, but rather that the contribution of his knowledge and experience to the Supervisory Board is in the best interests of LEG Immobilien AG.

- *Deviation from 7.1.2 sentence 4 GCGC: Non-compliance with the shorter publication periods of the GCGC as compared to the statutory requirements*

In accordance with 7.1.2 sentence 4 GCGC, the consolidated financial statements of the company should be publicly accessible within 90 days of the end of the fiscal year and interim reports within 45 days of the end of the reporting period. LEG Immobilien AG will publish its consolidated financial statements by the longer statutory deadline and its interim reports within two months of the end of the respective reporting period. It is the conviction of the Supervisory Board and the Management Board that these periods are appropriate and necessary for the careful preparation of these documents. The possibility of compliance with the shorter deadlines in accordance with 7.1.2 sentence 4 GCGC will be examined on an ongoing basis and is a goal for the future."

Objectives for the composition of the Supervisory Board

The Supervisory Board of LEG Immobilien AG consists of nine members, all of whom are elected by the Annual General Meeting as shareholder representatives. The mandates of the current members of the Supervisory Board are scheduled to end after the Annual General Meeting that resolves the official approval of their actions for the fiscal year 2017.

On April 23, 2013, in accordance with 5.4.1 of the recommendations of the GCGC, the Supervisory Board stipulated the following objectives for its composition:

- The Supervisory Board should be composed so that qualified monitoring of the Management Board and its support and advice as between equals are guaranteed at all times. Collectively, the members of the Supervisory Board must have the necessary knowledge, abilities and relevant experience to perform their duties properly. The knowledge, abilities and experience of the individual members of the Supervisory Board should complement each other so that the Supervisory Board as a whole is able to perform its duties.
- To increase the efficiency of its work, the Supervisory Board should form committees from among its members. In particular, these include the Executive Committee of the Supervisory Board, the Nomination Committee and the Audit Committee. These committees have already been formed. Further committees, particularly those focusing on the strategy of LEG Immobilien AG, can be formed.
- The Supervisory Board should have at least one independent member with expertise in the fields of accounting or auditing within the meaning of section 100(5) AktG and special knowledge and experience in the application of internal control procedures. At least two members of the Supervisory Board should have special knowledge or experience in the real estate business.
- The Supervisory Board should have an appropriate number of members who are independent within the meaning of item 5.4.2 of the GCGC. In particular, a member of the Supervisory Board is not considered independent within the meaning of this GCGC recommendation if he/she has personal or business relations with the company, its executive bodies, a controlling shareholder or an enterprise associated with the latter which may cause a substantial and not merely temporary conflict of interests. Given the current shareholder structure of LEG Immobilien AG, at least the majority of Supervisory Board members should be independent as defined above. These objectives apply inclusively of the independent financial expert. Furthermore, the Supervisory Board should not include more than two former members of the Management Board.
- Members of the Supervisory Board should not hold an executive or consulting position at a key competitor of the company, unless this is in the interests of the company by way of exception. Such an exception in the interests of the company currently applies in the case of Dr. Scharpe, who is a member of the supervisory boards of both LEG Immobilien AG and its key competitor GSW Immobilien AG at this time (please see the declaration of compliance in accordance with section 161(1) AktG reproduced above). The Supervisory Board shall endeavor to avoid potential conflicts of interest in future Annual General Meeting proposals for the election of members. If any specific or permanent conflicts of interest arise during the term in office of a member of the Supervisory Board, the recommendations of the GCGC will be taken into account in its handling.
- As the business activities of LEG Immobilien AG primarily concentrate on residential property in Germany, it is not necessary, in the opinion of the Supervisory Board, that the Supervisory Board has one or more members with a particular degree of international experience. Nonetheless, the Supervisory Board of LEG Immobilien AG

currently has several members with an international background, which the Supervisory Board expressly welcomes.

- The diversity in the composition of the Supervisory Board is reflected in part by the different career paths, areas or activity and horizons of experience of its members. An appropriate participation of women in the Supervisory Board is intended. The Supervisory Board currently has one female member. In the next scheduled elections to the Supervisory Board, based on the current size of the Supervisory Board it is intended that at least two members of the Supervisory Board will be women. This is subject to the proviso that the other objectives for the composition of the Supervisory Board are guaranteed and that appropriately qualified female candidates are available for the office of Supervisory Board member at the relevant time.
- A member of the Supervisory Board who is a member of the management board of another listed company in addition to his or her Supervisory Board mandate at LEG Immobilien AG should not hold more than two other supervisory board mandates at listed companies or in regulatory bodies of companies with similar requirements that do not belong to the group of the respective company in which the management board function is exercised.
- The age regulations stipulated by the Supervisory Board in its Rules of Procedure are taken into account: only candidates younger than 75 at the time of the election should be proposed for the Supervisory Board.
- In preparing and adopting Annual General Meeting proposals for the election of Supervisory Board members, the Supervisory Board will always be guided by the interests of the company.

The Supervisory Board feels it has accomplished all these goals with the current composition of the Supervisory Board, barring the medium-term objective of increasing the share of women. Particularly, in its own estimation, the Supervisory Board has an appropriate number of independent members; in the opinion of the Supervisory Board, Dr. Jochen Scharpe, Mr. Jürgen Schulte-Laggenbeck and Mr. Stefan Jütte currently qualify as independent financial experts.

Directors' dealings

In accordance with section 15a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), the members of the Supervisory Board and the Management Board are required to disclose transactions with shares of LEG Immobilien AG or related financial instruments immediately. LEG Immobilien AG was created by way of change in legal form in January 2013; hence there were no directors' dealings in the fiscal year 2012.

Transparency

In dealing with the shareholders of the company, LEG Immobilien AG applies the principle of comprehensive, continual and timely information. We provide detailed documents and information on our website, such as financial reports, current ad hoc disclosures and press releases, or information on the first Annual General Meeting to be held in 2013. The Articles of Association of the company can also be found on our website.

Compliance management system

Compliance with the law and the company's internal guidelines is a key management and monitoring function. LEG Immobilien AG maintains a compliance management system and, in this context, has appointed a compliance officer and an experienced external ombudsman as an additional point of contact. Please see page 34 of the annual report for information on the compliance management systems.

Declaration in accordance with section 289a HGB

The corporate governance declaration in accordance with section 289a of the Handelsgesetzbuch (HGB – German Commercial Code), including the above declaration in accordance with section 161 AktG and the relevant disclosures on corporate governance practices applies in addition to the statutory requirements, is a component of the management report. Please see page 69 of the annual report in this respect.

The corporate governance report of LEG Immobilien AG including the corporate governance declaration in accordance with section 289a HGB can also be found on the homepage of LEG Immobilien AG at www.leg-nrw.de.

MANAGEMENT REPORT

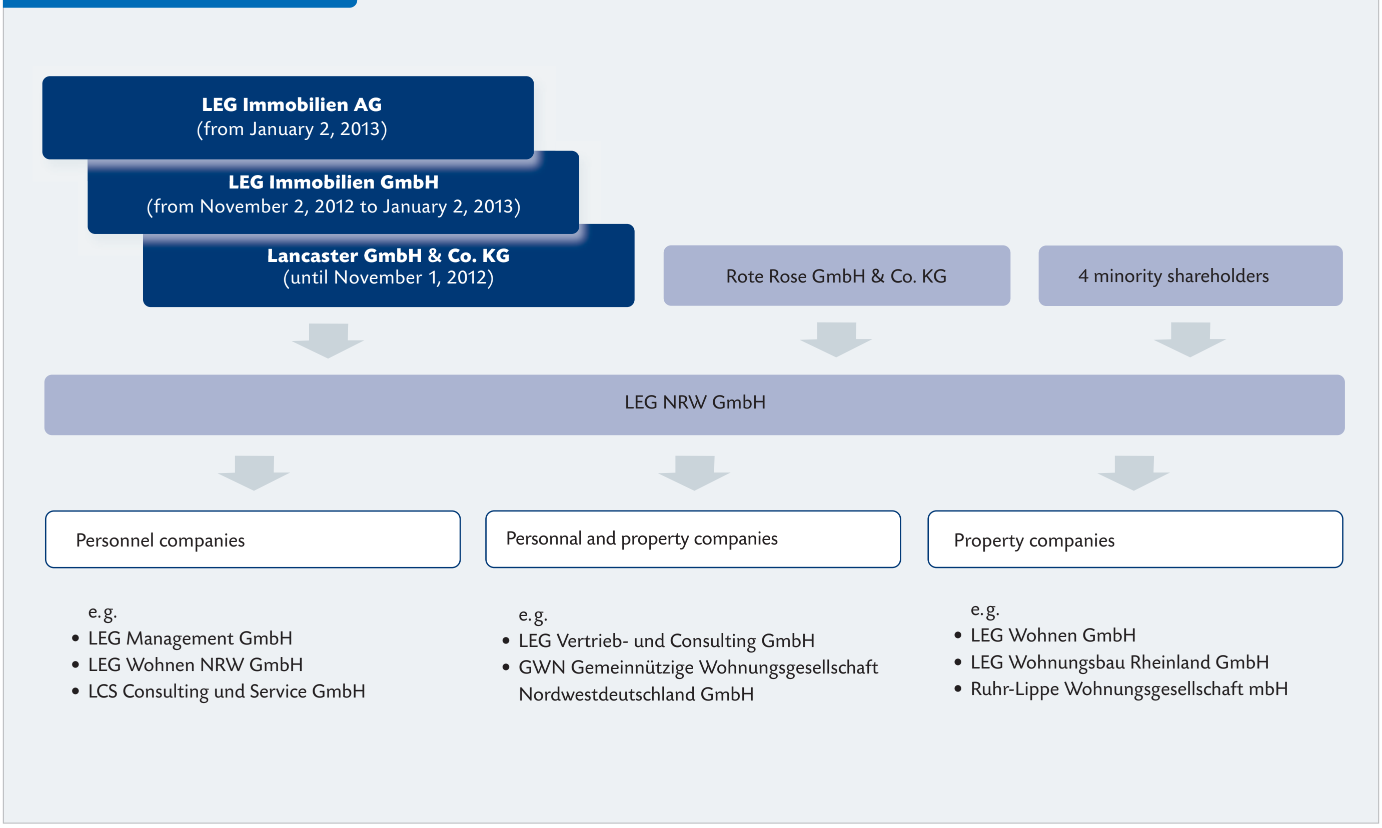
GROUP STRUCTURE

The current structure of the Group resulted from a two-stage development. Firstly, the transformation of Lancaster GmbH & Co. KG into LEG Immobilien GmbH was effected by notarization by way of shareholder resolution of October 31, 2012. This was entered in the commercial register on November 28, 2012.

Then, in a second step, the transformation of LEG Immobilien GmbH into LEG Immobilien AG was effected by notarization by way of shareholder resolution of January 2, 2013. This was entered in the commercial register on January 11, 2013.

Since December 2012, LEG Immobilien AG or LEG Immobilien GmbH respectively has held an interest of 94.9 percent in Rote Rose GmbH & Co. KG.

STRUCTURE OF THE LEG-GROUP



GROUP MANAGEMENT

The management of the LEG Group is based on control concept aligned to performance indicators. A key instrument in this is the planning process. This is an integrated planning process based on IFRS. The result of this planning process is rolling, five-year planning consisting of the statement of comprehensive income, the statement of financial position and the statement of cash flows. The entire process is based on detailed planning specific to properties, persons and projects. As part of the forecast process, current annual planning is revised and updated at regular intervals on the basis of current business performance in order to extrapolate forecast total comprehensive income for the current fiscal year. On the basis of these forecasts, monthly cash flow projections are prepared on the development of the liquidity situation. As a result, possible financial risks are recognised early on.

The Management Board and division leaders are informed of current business performance on a monthly and quarterly basis in the form of standardized reporting. The reporting is based on the IT-based Group data warehouse, which is filled by the Group-wide SAP system. As part of this regular reporting, current actual data are compared against planning data and any deviations are analyzed and commented on. Special importance is attached to deviations in early indicators that provide an outlook for future business performance. In addition to monthly reporting, there are personal talks at various levels once per month, in which current business figures are analyzed, measures devised and their effectiveness reviewed.

BUSINESS ACTIVITIES AND STRATEGY

LEG is a focused property manager of German residential real estate with a portfolio concentrated in the core regions of NRW. Its business model applies a long-term, value-oriented approach that combines the interests of owners and customers.

Key elements of this business strategy are:

- optimized commercial and technical management of the residential portfolio
- actively reducing the difference between in-place and market rents
- increasing rental income through further vacancy reduction
- growth through acquisition, particularly in the core regions
- further increasing customer satisfaction
- further improvement of the cost base
- development of services that create value for tenants

GENERAL ECONOMIC CONDITIONS

German economy continuing growth in difficult environment

Once more in 2012, a year again plagued by the European debt crisis, the German economy continued to prove resilient. Despite weakening tendencies, gross domestic product (GDP) for 2012 climbed by 0.7 percent after adjustment for inflation to €2,645 billion as against 2011, while a decline of 0.4 percent is assumed for the euro zone (EU 17) as a whole (German Federal Statistical Office). A slight decline in GDP in the final quarter of 2012 of 0.4 percent is considered temporary by leading research institutes as further growth is already expected in 2013.

In particular, the development in gross domestic product was positively affected by the 0.6 percent rise in consumer spending and the 1.1 percent increase in net exports (German Federal Statistical Office). The growth in consumer spending benefited from a rise in wages of 2.4 percent per employee, which was above the rate of inflation at two percent and therefore resulted in moderate real pay increases of 0.4 percent.

Economic development in North Rhine-Westphalia remained on track for growth in 2012. The last statistics published by the Statistical Office in NRW showed GDP growth of 0.8 percent for the first half of 2012.

The labor market also continued to develop well. In 2012, 1.0 percent more people were in employment than in 2011, a new high since reunification for the sixth year in a row. The unemployment rate was 6.8 percent in 2012 and therefore well below the average (10.5 percent) in euro zone (EU 27). Unemployment in NRW amounted to 7.9 percent as the number of people in employment rose (annual average: 8.1 percent), and was significantly below the 2005 level of twelve percent, thereby showing a clearly positive underlying trend.

In addition to its internationally competitive economic structure, Germany is also benefiting from its relatively solid public debt situation. Gross debt in Germany amounted to 81.7 percent of gross domestic product in 2012, well below the EU average (euro zone: 92.9 percent). This is reflected in historically low returns for German government bonds. The German real estate sector is also profiting from the low interest rates induced by ECB policy with financing conditions continuing favorably in 2012.

Aided by the low interest levels, the price increases in residential real estate of recent years both continued and spread in 2012. This is shown by the development in various price indices, among other things. For example, based on the data for 125 cities, prices for residential real estate rose by 5.25 percent in 2012 over 2011, according to Deutsche Bundesbank. Thus, the price increase was almost as high as in 2011 over 2010 (5.5 percent). Prices for owner-occupied apartments in cities with a population of more than 500,000 people rose by around 7 percent in 2012. This is proof of the migration trends towards conurbations. The favorable supply/demand situation in cities in particular also affected the rental market. According to BulwienGesa AG, rents in the 125 biggest cities for newly built apartments climbed by 4.75 percent and by 3.5 percent after re-letting.

These positive economic data are triggering a stronger wave of migration towards Germany. In 2012, the net figure for immigration/emigration was positive for the third year in a row and amounted to around 340,000 people. As this figure also exceeded the net birth/death total, Germany's population is growing again and currently amounts to 82 million people. In addition to positive implications anticipated for the further development of the economy, this is also causing direct positive demand effects for living space and thereby aiding the improvement in the demand situation overall. According to the Federal Statistical Office, NRW is the big winner in this development.

Forecasts for 2013 are still assuming a moderate increase in gross domestic product at a level similar to the previous year. Thus, the Bundesbank is anticipating growth of 0.4 percent and the International Monetary Fund estimated 0.6 percent in its last published forecast. It is generally assumed that the rise in the second half of the year will outperform that in the first. The improving picture is shored up by the most recent data from the Ifo Business Climate Index,

NRW RESIDENTIAL MARKET

which has improved again significantly since the fourth quarter of 2012. The index was at 107.4 points in February 2013 as against the low of 100.1 in October 2012. The economy is still being supporting by consumer spending, itself benefiting from real wage increases and robust consumer confidence. Stagnation or a slight rise in the unemployment rate are generally expected on the labor market (Bundesbank: 7.2 percent).

Positive demand trend drives up rents

The residential market of North Rhine-Westphalia was characterized by demographic change in 2012 as well. While the number of residents in Germany's most populous state remained constant at around 17.84 million, the number of households (NRW Statistical Office), the most important demand driver, rose steadily as a result of the ongoing shrinkage of household members (2011: up 0.6 percent compared to 2010). The NRW Statistical Office's long-term forecast projects statewide growth in the number of households of 2.9 percent between 2009 and 2030. The individual sub-markets vary considerably. Household growth on the Rhine route, including cities such as Cologne and Bonn, is forecast at ten percent. Dusseldorf, the Rhein-Sieg, Neuss, Kleve districts and Heinsberg are also expected to see clear growth of between five and ten percent. The forecasts are also highly positive for the university cities of Munster and Paderborn. However, declines in households are anticipated for the East Westphalian districts of Herford and Lippstadt as well as for Remscheid and Hagen.

Overall, however, the trend in demand for living space – especially in the low price segment – has been robust, which means that the rent level has risen again.

Housing supply

From the point of view of apartment landlords, the regional residential markets have developed positively in NRW. Barring a few exceptions (Lippe and Herford districts) average asking rents rose in all cities and districts. While the reasons for this state of affairs are the shortage of housing supply and the generally high demand in the growth regions, the reasons in the stable or weaker sub-markets lie in competing demand from families, students and pensioners for an affordable place to live (cf. NRW.Bank: Residential Market Report NRW 2012. Thus, average asking rents rose to €6.56 per square meter in 2012 (InWIS Forschung & Beratung GmbH: NRW Rental Apartment Market 2012). In the two top locations of Cologne and Dusseldorf, the average rent was €9.17 and €9.22 per square meter respectively. These are offset by locations offering affordable to very affordable living space at significantly less than €5 Euro per square meter. These include the

Ruhr area cities Gelsenkirchen and Herne and the Höxter and Hochsauerlandkreis districts (cf. NRW.Bank: Residential Market Report 2012).

In particular, the supply of affordable living space is limited in the top locations along the Rhine and the attractive university locations Munster and Aachen. This trend is intensified by the ongoing decline in publicly subsidized living space. While around ten percent (854,000) of apartment complex units in NRW were publicly subsidized in 2007, this number fell to around 656,000 in 2011 (InWIS Forschung & Beratung GmbH: NRW Rental Apartment Market 2012).

The level of buildings being completed is still relatively low, and this is aiding the demand surplus on the popular sub-markets. While more buildings were built across all segments in 2012 than at the start of the financial crisis (36,000 residential units completed compared to 32,000 in 2009), this figure is around a third lower than the 2004 level (57,000 units). Apartment complexes account for around 47 percent with a slightly rising trend. Slight growth to 38,000 apartments is expected for 2013.

Housing demand

Demand for housing is rising in the current socio-demographic environment, with an increased trend towards single-person households or migration gains. The general trend towards single-person households can be seen in the prosperous metropolises of Dusseldorf, Cologne, Bonn, Munster and Aachen in particular. However, it is not just the number of households that is rising in these cities. The population as a whole is also rising as a result of massive migration gains, thereby indicating further increases in demand. In particular, affordable living space for recipients of Hartz IV benefits, students and pensioners is growing increasingly scarce, as a result of which market experts are already predicting tightening trends in this segment (cf. NRW.Bank: Residential Market Report 2012).

Demand varies considerably from region to region. However, it can already be seen that the growing number of older households is leading to changing demands in terms of accessibility and infrastructure. The structural shift in demand among younger and older people moving away from rural regions and into the cities in particular is creating price pressure in the owner-occupied segment in rural regions on the one hand, while there is greater demand for smaller, more affordable rented apartments – especially in well-developed or urban locations – with correspondingly positive implications for rent development. But even in regions with a general shortage of living space, there will be surplus demand in the rented accommodation market on account of the low share of apartment buildings, as appropriate supply is also growing increasingly short here (cf. NRW.Bank: Residential Market Report 2012).

It is interesting to observe that the natural population decline of recent years in North Rhine-Westphalia was already almost offset by massive immigration gains from elsewhere in Europe in 2011. Thus, around 43,000 people moved to North Rhine-Westphalia in 2011. Other than the popular cities of Cologne and Dusseldorf, the big Ruhr cities of Essen, Dortmund and Duisburg and the rural districts of Borken, Kleve and the Märkisch District benefited from this, according to the Federal Statistical Office (Der SPIEGEL, April 2013/Federal Statistical Office/Goethe Institute).

Positive increase in rents continues in cities

The price increase already observed in the previous year had an even stronger impact on rents in 2012. The analysis of the ImmobilienScout24 advertisement database by InWIS Forschung & Beratung GmbH verifies the increase in asking rents in almost all of NRW in the past year. The average asking rent of €6.56 per square meter is slightly higher than the previous year's level of €6.44 per square meter (up 1.8 percent). The highest asking rents per square meter were seen in Dusseldorf (€9.22), Cologne (€9.17), Munster (€8.64) and Bonn (€8.60). The lowest asking rents can be found in the District of Höxter (€4.36), Hochsauerlandkreis (€4.68) and in the cities Gelsenkirchen (€4.82) and Herne (€4.97) (InWIS Forschung & Beratung GmbH: NRW Rental Apartment Market 2012).

The ongoing appeal of the Rhine residential markets can be seen by the continuing price rise that has occurred despite the high starting level. The university city of Aachen saw the highest increase with growth in asking rents of 6.4 percent, ahead of Dusseldorf (5.1 percent) and Bonn (5.0 percent). The average asking rent in Cologne climbed by 3.7 percent. Average asking rents in Dusseldorf have risen by 18 percent since 2008, while in Cologne they have increased by around ten percent since 2009 (cf. Jones Lang LaSalle: on.point Residential City Profile Dusseldorf and Cologne, 2013). The major cities in the Ruhr area have also benefited from rising rents: Bochum (up 2.7 percent), Dortmund (up 2.4 percent) and Essen (up 2.1 percent) increased significantly in 2012. However, there are more distinct differences there in asking rents between micro locations, reflecting the north/south divide: popular micro locations in the south of the cities and less in-demand quarters in the north. The trend in asking rents in 2012 was exemplified in the at times difficult market conditions in some rural regions. Rents in the Herford and Lippe districts dropped from an already low level (around €5 per square meter) by 0.6 percent.

As of the end of 2012, LEG had an average rent of €4.86 per square ²meter and is therefore still an important provider of affordable living space for all target groups.

Prices increase faster than rents in many major cities

The positive fundamental development is reflected in an analysis of asking prices for properties for sale. Inflation concerns and the return to solid capital investments have led to greater interest in the residential asset class. Accordingly, apartment prices have risen significantly in some cases. The biggest increases in average asking prices for owner-occupied apartments were in Aachen (up 7.7 percent) and Dusseldorf (up 6.4 percent). The positive trend is less pronounced in the apartment building segment: average prices in the most attractive sub-market of Dusseldorf stagnated at over €1,500 per square meter. The biggest price increase in this segment was at the Gelsenkirchen location, though the rise of 5.3 percent is also due to the low level of currently around €540 per square meter.

TRANSACTION MARKET

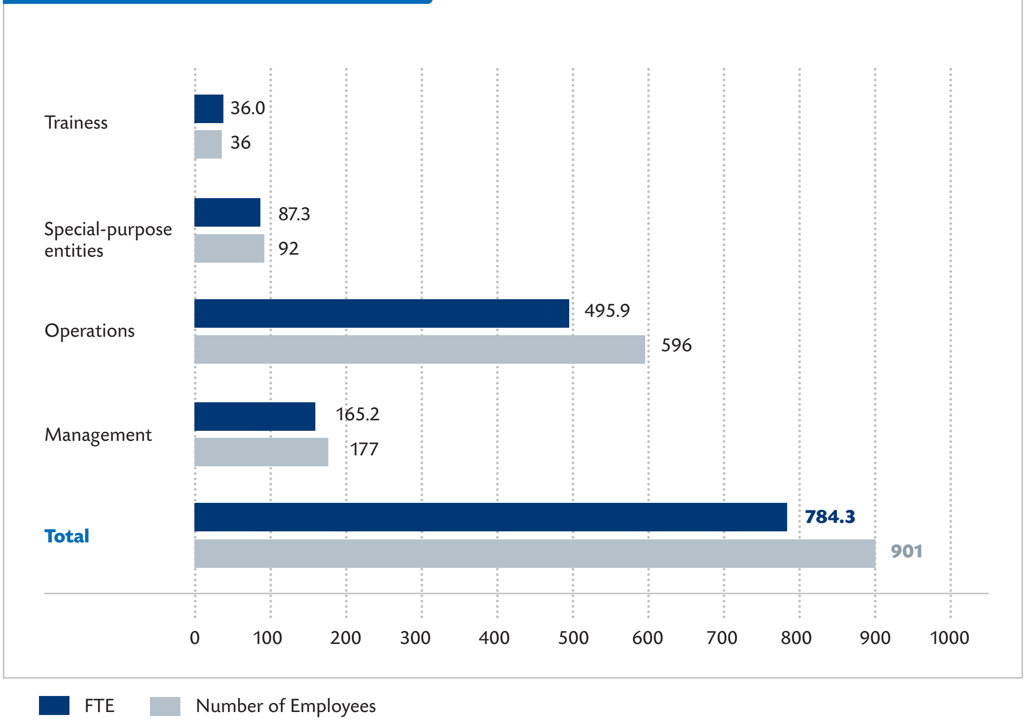
In 2012, the investment volume on the transaction market for residential real estate portfolio in Germany reached its highest level since the financial crisis in 2007. According to CBRE statistics, the overall transaction volume for residential packages and complexes in the 2012 investment year was around €11.25 billion, an 84 percent increase over the previous year. The total volume broke down among 197 registered portfolio transactions with more than 204,000 residential units. The average purchase price of transactions was almost €870 per square meter. One characteristic of the German transaction market in 2012 was the sale of very large residential portfolios to institutional investors. Hence, a total of five major portfolios of 10,000 or more units were sold.

There was also further recovery on the NRW transaction market. Revenues have been climbing again in recent years after transaction volumes hit a low of €0.55 billion in 2009. In 2012, around 18,000 residential units with an investment volume of around €1 billion were traded in NRW, equivalent to a share of around 9 percent of the investment volume for the whole of Germany. The absence of major transactions with more than 10,000 units, which is a highly volatile quantity, was noted here in the relative comparison. The average transaction size in 2012 was 300 units.

EMPLOYEES

The success of LEG is largely built on dedicated employees in a motivational working environment.

PERSONNEL STRUCTURE OF LEG GROUP



HR development makes an essential contribution in the implementation of HR strategy by systematically raising staff quality through a targeted training and qualification system. The basis for this is an annual interview in which training requirements are discussed in a dialog between employees and management, and needs-driven measures are agreed.

For employees with the distinct potential to take on greater responsibility, there is also the option to participate in orientation centers in order to then be advanced with individual HR development plans.

HR development activities at LEG focus especially on promoting up-and-coming managers and ensuring management quality. LEG's management principles form the basis for all these activities, such as executive coaching, peer consulting or the management training program.

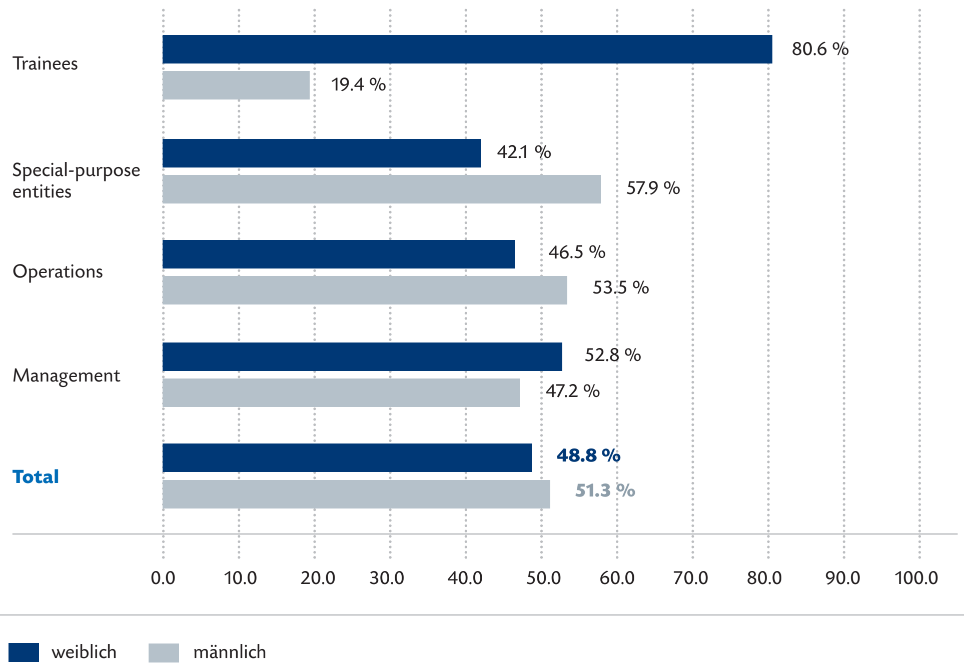
Employees with the potential to take on executive responsibility are selectively identified by an assessment center and their leadership skills are then systematically developed further as part of a leadership development program. A special aspect of the program lies in its pronounced practical focus on training, which is ensured by accompanied project work and a mentor program.

A further focus of HR development is ensuring employee satisfaction and long-term staff loyalty. A key element of this is systematic health management that, in addition to traditional prevention measures, contributes towards an optimal work/life balance by offering special family services.

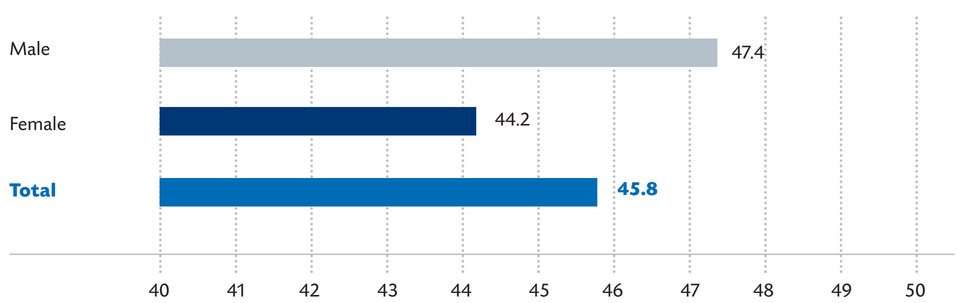
A particularly important target group in HR development at LEG is trainees. With the motto "Get a LEG up – Your path to becoming a real estate professional", trainees developed their own training mission statement that takes into account in particular the qualifications requirements of young people. For example, this includes taking part in projects.

LEG is therefore systematically pursuing its strategy of promoting and developing qualified employees and executives from among its own ranks.

GENDER DISTRIBUTION



AGE STRUCTURE AT THE LEG GROUP



CURRENT BUSINESS ACTIVITIES

As of the end of the reporting period, LEG Immobilien AG had a portfolio of 90,926 apartments, 986 commercial units and 21,596 garages and parking spaces.

The development of the real estate portfolio is shown in the table below:

DEVELOPMENT OF THE REAL ESTATE PORTFOLIO

Figure	Type of use	31.12.2012	31.12.2011	Change	in %
	Residential	90,926	89,870	1,056	1.2
	Commercial	986	988	-2	-0.2
Number of rental units	**Total residential and commercial**	**91,912**	**90,858**	**1,054**	**1.2**
	Parking	21,596	21,071	525	2.5
	Combined total	**113,508**	**111,929**	**1,579**	**1.4**
	Residential	5,844,367	5,786,712	57,654	1.0
Rentable space	Commercial	193,420	194,315	-894	-0.5
	Total residential and commercial	**6,037,787**	**5,981,027**	**56,760**	**0.9**
	Residential	4.86	4.79	0.07	1.5
In-place rent in €/sqm	Commercial	7.68	7.68	0,00	0.1
	Total residential and commercial	**4.94**	**4.88**	**0.06**	**1.3**
	Residential	2,860	3,219	-359	-11.2
Number of vacant units	Commercial	130	113	17	15.0
	Total residential and commercial	**2,990**	**3,332**	**-342**	**-10.3**
	Residential	3.1	3.6	-0.4	-12.1
Vacancies in %	Commercial	13.2	11.5	1.6	14.2
	Total residential and commercial	**3.3**	**3.7**	**-0.4**	**-11.3**

The change in the real estate portfolio is essentially due to the acquisition of holdings in Bocholt and the moderate selling off of apartments, including the remainder of the past privatization portfolios. No further administrative units were developed for tenant privatization in the past fiscal year.

As of December 1, 2012 and March 1, 2013, a total of 1,244 apartments and ten commercial units with a total area of 71,689 square meters in residential and usable space were acquired in Bocholt. Therefore, as a part of LEG's selective acquisition strategy, an existing portfolio of 220 apartments gained a logical addition in a strong market with good potential, predominantly in Munsterland. In addition to the synergy potential with the existing portfolio, there is also additional potential for value creation in the reduction of vacancies and the adjustment of in-place rents in line with market rents.
The rent level of the LEG Group was thereby increased from €4.79 as of December 31, 2011 to €4.86 as of December 31, 2012, a rise of around 1.5 percent. The below average growth as against previous years is essentially due to extraordinary factors. The shift in rent increases in connection with a new rent index in Munster gives hope for positive catch-up effects in 2013. Furthermore, the interest benefits of the refinancing activities performed by the Group were passed on to tenants in publicly subsidized apartments, thereby reducing their rent. In light of these factors, the increase in-place rents have been satisfactory overall. As the refinancing of the individual Group companies was largely completed by the end of 2012, these activities will hardly have any impact in the coming years.

The vacancy rate of all residential units of the LEG Group as of the end of the reporting period improved to an excellent value of 3.1 percent in the fiscal year 2012. A reduction to 2,860 vacancies as of December 31, 2012 was achieved in spite of the resource-intensive preparations for

SOCIAL CHARTER

the IPO and the transition to a new ERP system, and shows the very good letting performance in the fiscal year 2012. This is due in part to the individual concepts targeting vacancies that were developed at settlement meetings. However, employee specialization, the completion of major measures and thereby the reduction of vacancies due to these measures also account for a large share of this positive result.

The LEG Group has invested selectively in its portfolios in the past fiscal year in line with and taking into account its social charter specifications. Total capital expenditure was around €5 million lower than in the previous year at €77 million. Average investment per square meter of living and usable area (not including the Bocholt acquisition) thus amounted to around €12.90, still above the figure stipulated in the social charter of €12.50 per square meter. Thanks to the further optimization of central procurement and needs-driven investment management, a majority of capital expenditure went towards measures to improve value, as a result of which the capitalization rate rose to around 54 percent or €41.5 million in the fiscal year 2012.

Social charter

As part of the sale of the LEG Group to Lancaster GmbH & Co. KG (today LEG Immobilien AG), an extensive social charter with far-reaching protection provisions, some of which are enforceable by penalty, was agreed for a period of ten years (thru 2018) for the benefit of the tenants and employees of the entire LEG Group.

These protection provisions include regulations on:

■ **tenant protection**
- protection against eviction
- special protection against eviction for older tenants
- protection for leasehold improvements for existing tenants
- obligation to provide corresponding information to tenants and proof of performance
- general continuance of section 16(1) WoBindG
- limit on rent increases
- exclusion of luxury modernizations for existing tenants
- minimum investment in Group apartments
- restrictions on disposal when selling apartments
- relocation of existing tenants within the Group
- upkeep of social services
- duty to establish a foundation

■ **employee protection**
- exclusion of redundancies/dismissals with option of altered employment conditions
- protection of existing collective and works agreements against termination
- obligation to provide corresponding information to all employees and partners under collective law and proof of performance
- membership in employer association
- continuance of trainee positions
- offering of training activities

■ **economic restrictions and restrictions on resale and restructuring activities**
A report is prepared each year on all measures, action taken and action not taken in connection with the protective provisions of the social charter, on the basis of which the Ministry for Construction, Housing, Urban

Development and Transport of the State of North Rhine-Westphalia monitors compliance with the social charter. This report is subject to annual review by an independent audit firm. The 2011 social charter report, which was prepared in 2012, was issued with an unqualified opinion.

The wording of the regulations and provisions can be found on the company's homepage at www.leg-nrw.de.

The IPO of LEG Immobilien AG does not affect the protective provisions. All protective provisions, including all employee protection rights, continue to apply in full.

GWN, Gemeinnützige Wohnungsgesellschaft Nordwestdeutschland GmbH

As part of the share purchase and transfer agreement of December 14, 2011 for the shares in GWN, a social charter was agreed with the seller Bundeseisenbahnvermögen. This social charter had a term of ten years. Regardless of this, as a – former – railway housing company, GWN, Gemeinnützige Wohnungsgesellschaft Nordwestdeutschland GmbH must still be operated as a social institution in accordance with principles stipulated by Bundeseisenbahnvermögen. This means that the residential portfolio still primarily serves the purpose of providing adequate and affordable living space for railway employees and their families. The company practices these specifications. This is also reviewed each year in an audit conducted by an audit firm.

Acquisition of Gagfah portfolios

By way of purchase agreement dated October 19, 2012, LEG Wohnen Bocholt GmbH, a wholly owned subsidiary of the LEG Group, acquired 1,244 apartments in Bocholt from GAGFAH S.A. This portfolio is subject to the social charter protection of GAGFAH. This charter is in effect until January 3, 2017, is enforceable by penalty and was assumed in full by LEG Wohnen Bocholt GmbH. The protective provisions include regulations on the following:

- tenant protection
  - protection against eviction
  - special protection against eviction for older tenants
  - protection for leasehold improvements for existing tenants
  - limit on rent increases
  - exclusion of luxury modernizations for existing tenants
  - restrictions on disposal when selling apartments
  - economic restrictions and restrictions on resale and restructuring activities

DIVIDEND

The dividend of LEG is based on the development of FFO I (see glossary). Fundamentally, 65 percent of FFO I for the relevant fiscal year should be distributed to the shareholders in the form of a dividend. For the fiscal year 2012, the Management Board and the Supervisory Board will propose to the Annual General Meeting the distribution of an initial dividend of €0.41 per share. This corresponds to around a quarter of the strategic target value that will take effect from the fiscal year 2013. Thus, our shareholders will profit from the past fiscal year, even though the IPO only took place at the start of 2013.

ANALYSIS OF NET ASSETS AND RESULTS OF OPERATIONS

Please see the glossary in the annual report for a definition of individual ratios and terms.

Results of operations

The condensed statement of income is as follows:

CONDENSED INCOME STATEMENT

€ million	2012	2011
Net rental and lease income	247.7	243.7
Net income from disposal of investment property	-1.4	-0.4
Net income from the remeasurement of investment property	120.3	11.0
Net income from the disposal of real estate inventory	-1.8	-5.6
Net income from other services	3.0	0.8
Administrative and other expenses	-59.4	-66.6
Other income	1.7	0.9
Operating earnings	**310.1**	**183.8**
Net finance costs	**-195.6**	**-174.6**
Earnings before income taxes	**114.5**	**9.2**
Income taxes	**-2.4**	**-24.3**
Net profit or loss for the period	**112.1**	**-15.1**

Operating results (before taxes) amounted to €310.1 million in the reporting year (previous year: €183.8 million). Clearly positive profit net of €112.1 million (previous year: €-15.1 million).

The condensed income statement for segment reporting is as follows:

CONDENSED INCOME STATEMENT FOR SEGMENT REPORTING 2012

€ million

	Residential	Other	Reconciliation	Group
Rental and lease income	495.8	6.4	-2.0	500.2
Cost of sales of rental and lease	-254.3	-1.4	3.2	-252.5
Net rental and lease income	**241.5**	**5.0**	**1.2**	**247.7**
Net income from the disposal of IAS 40 property	-0.8	-0.6	0.0	-1.4
Net income from the remeasurement of IAS 40 property	118.4	1.9	0.0	120.3
Net income from the disposal of real estate inventory	0.7	-2.5	0.0	-1.8
Net income from other services	-0.0	43.2	-40.2	3.0
Administrative and other expenses	-50.6	-45.1	36.3	-59.4
Other income	1.4	0.3	0.0	1.7
Segment earnings	**310.6**	**2.2**	**-2.7**	**310.1**

The Housing segment generated operating segment earnings of €310.6million in 2012. The Other segment generated operating segment earnings of €2.2million.

The condensed income statement for the fiscal year 2011 by segment was as follows:

CONDENSED INCOME STATEMENT FOR SEGMENT REPORTING 2011

€ million

	Residential	Other	Reconciliation	Group
Rental and lease income	491.4	7.6	0.0	499.0
Cost of sales of rental and lease	-260.5	-6.1	11.3	-255.3
Net rental and lease income	**230.9**	**1.5**	**11.3**	**243.7**
Net income from the disposal of IAS 40 property	0.6	-1.1	0.1	-0.4
Net income from the remeasurement of IAS 40 property	11.8	-0.8	0.0	11.0
Net income from the disposal of real estate inventory	3.9	-9.6	0.1	-5.6
Net income from other services	-0.1	51.2	-50.3	0.8
Administrative and other expenses	-56.8	-48.9	39.1	-66.6
Other income	0.7	0.2	0.0	0.9
Segment earnings	**191.0**	**-7.5**	**0.3**	**183.8**

The Housing segment generated operating segment earnings of €191.0 million in 2011. The Other segment generated operating segment earnings of €-7.5 million.

The largest share of income in the Other segment was accounted for by income from agency agreements between LEG Management GmbH and property companies in the Residential segment. The resulting income in the Other segment and the corresponding expenses in the Residential segment are internal to the Group and are eliminated in the "Reconciliation" column.

Intra-Group transactions between the segments are conducted at standard market conditions.. The development in segment earnings is described below in the report on components of consolidated net income.

Net rental and lease income

Rental and lease income broke down as follows in 2012:

NET RENTAL AND LEASE INCOME

€ million	2012	2011
Gross rental income	495.7	497.6
of which: net cold rent	344.3	338.2
Other income	4.5	1.4
Rental and lease income (gross)	**500.2**	**499.0**
Purchased services	-200.3	-212.7
Staff costs	-30.8	-28.5
Depreciation and amortization expense	-4.1	-3.3
Other operating expenses	-17.3	-10.8
Cost of sale in connection with rental and lease income	**-252.5**	**-255.3**
Net rental and lease income	**247.7**	**243.7**

The LEG Group increased its rental and letting income by €1.2 million compared to the previous year 2012. The main drivers in this development were increased net cold rents of €344.3 million (previous year: €338.2 million) as well as a reduction in vacancies.

A lower cost allocation rate for property management expenses in the 2011 accounting period resulted in a slight decline in gross rental income overall as against the previous year.

At around 92 percent of all contractual rent, the largest share of rental income relates to apartment rentals (previous year: 92 percent). Income from the rental of commercial areas and parking spaces accounts for the remainder of around 8 percent (previous year: 8 percent).

As part of the launch of SAP and the associated organizational changes, the method for the functional allocation of office space and IT costs (other operating expenses) and staff costs in the Other segment was adjusted from the fiscal year 2012. This increased the share allocated to rental and letting income as against the previous year.

LEG Group has invested selectively in its portfolios in the past fiscal year as well in line with and taking into account its social charter specifications. Total capital expenditure was around €5 million lower than in the previous year at €77 million. Average investment per square meter of living and usable area (not including the Bocholt acquisition) was therefore still above the figure stipulated in the social charter of €12.50 per square meter. Thanks to the further optimization of central procurement and needs-driven investment management, a greater share of capital expenditure went towards measures to improve value. As a result, the capitalization rate climbed to 54 percent or around €41.5 million in the fiscal year 2012 (previous year: around 51 percent or around €41.4 million).

MAINTENANCE AND MODERNIZATION OF INVESTMENT PROPERTY

€ million	2012	2011
Maintenance expenses for investment property	35.4	40.5
Capital expenditure	41.5	41.4
Total investment	**76.9**	**81.9**
Area of investment property in million m^2	5.97	5.98
Average investment per square meter (€ per m^2)	**12.9**	**13.7**

Net income from the disposal of investment property

Net income from the disposal of investment property broke down as follows in 2012:

NET INCOME FROM THE DISPOSAL OF INVESTMENT PROPERTY		
€ million	2012	2011
Income from the disposal of investment property	13.4	16.7
Carrying amount of investment property disposed of	-13.9	-15.4
Cost of sales of investment property disposed of	-0.9	-1.7
Net income from the disposal of investment property	**-1.4**	**-0.4**

As a result of portfolio activities, less investment property was sold in 2012. The LEG Group sold these properties at close to carrying value.

Staff savings in sales led to a decline in the cost of sales for investment property. Net income from the disposal of investment property therefore dropped by around €1.0 million compared to 2011 to €-1.4 million.

Net income from the valuation of investment property

Net income from the valuation of investment property at fair value amounted to €120.3 million in 2012 (previous year: €11.0 million). The main factors contributing to the growth in fair values in 2012 were the rise in basic rents, the favorable market environment, a reduction in vacancies and a 0.09 percentage point drop in the discounting rate to 6.06 percent.

The average value of residential investment property (including IFRS 5 properties) per square meter was €789 per square meter not including the acquisition of the Bocholt portfolio (€790 total) as of December 31, 2012 (previous year: €765). Thus, a year-on-year increase of 3.2 percent in value in euro per square meter was generated in the fiscal year 2012 (not including Bocholt acquisition, 3.3 percent total). Since January 1, 2010, the value in euro per square meter has risen by 6.3 percent (not including Bocholt acquisition, 6.4 percent total); this corresponds to an average (CAGR) of 2.0 percent (not including the Bocholt acquisition, 2.1 percent total) p.a.

Net income from the disposal of inventory properties

Net income from the disposal of inventory properties is composed as follows in 2012:

NET INCOME FROM THE DISPOSAL OF INVENTORY PROPERTIES		
€ million	2012	2011
Income from the disposal of inventory properties	7.6	19.6
Carrying value of inventory property sold	-6.9	-19.9
Cost of sales in connection with inventory properties sold	-2.5	-5.3
Net income from the disposal of inventory properties	**-1.8**	**-5.6**

The sale of the remaining properties of the former Development division continued in 2012. The remaining real estate inventory as of December 31, 2012 amounted to €16.3 million, €11.8 million of which related to properties under development.

The declining total volume of disposal business and the ongoing winding up of development measures led to a reduction in costs of purchased services in 2012. Provisions were already recognised for risks of real estate inventory as of December 31, 2012 in previous years. These two effects result in a decline in the cost of sales of real estate inventory sold in 2012.

Net income from other services

OTHER SERVICES

€ million	2012	2011
Income from other services	14.3	12.4
Expenses in connection with other services	-11.3	-11.6
Net income from other services	**3.0**	**0.8**

Net income from other services includes income from electricity and heat fed to the grid, IT service activities for third parties and administration activities for third-party real estate.

A land purchase agreement originally intended for development purposes was reversed in 2012. The original purchase price of €2.9 million was reimbursed in full. A write-down of €0.5 million had been recognised on the property in the meantime; this was reversed when the agreement was rescinded. This non-recurring factor led to a positive earnings contribution of €0.5 million in 2012.

Earnings prospects are increasingly negative in third-party management business in particular. Partly in light of this, the company LEG Betreuung von Wohneigentum GmbH was sold as of January 1, 2012. The third-party management volume at the other companies was reduced in 2012. Furthermore, some support and management agreements in place were terminated as of December 31, 2012.

Administrative and other expenses

Administrative and other expenses broke down as follows:

ADMINISTRATIVE AND OTHER EXPENSES

€ million	2012	2011
Other operating expenses	-39.7	-44.7
Staff costs	-17.0	-18.8
Purchased services	-0.6	-2.2
Depreciation and amortization	-2.1	-0.9
Administrative and other expenses	**-59.4**	**-66.6**

The company-wide activities in preparation for the IPO caused higher consulting costs in 2012. The share of these costs directly caused by the IPO of €7.4 million was passed on to the majority owners Saturea B.V. and Perry Luxco. After adjustment for reimbursement, consulting expenses were up €4.3 million on the previous year at €28.0 million.

As part of the launch of SAP and the associated organizational changes, the method for the functional allocation of office space and IT costs and staff costs was adjusted from the fiscal year 2012, reducing the share allocated to administrative operations as against the previous year.

The approaching end of activities to harmonize the system and organizational structure led to a drop in purchased IT services in 2012.

The SAP platform used for Group-wide planning and controlling since 2012 was capitalized as an intangible asset. A majority of the capitalized costs arose in 2011, which increased amortization expense accordingly in 2012.

Net finance costs

The LEG Group reported net finance costs of €195.6 million (previous year: €174.6 million). These break down as follows:

NET FINANCE COSTS

€ million	2012	2011
Interest income	1.5	2.8
Interest expenses	-195.0	-175.0
Net interest income	**-193.5**	**-172.2**
Net income from other financial assets and other investments	0.6	1.2
Net income from associates	0.4	2.9
Net income from the fair value measurement of derivative	-3.1	-6.5
Net finance costs	**-195.6**	**-174.6**

As part of the refinancing, new loans in the amount of €497.5 million as of December 31, 2012 were extended in 2012. A further €175.8 million was received in 2012 from refinancing transactions concluded in 2011. The newly concluded loans were essentially used for the early repayment of existing loans.

The refinancing concluded in 2012 included some loan amounts that will not be extended until 2013. For this reason, prepayment penalties were deferred in 2012, which contributed greatly to the strong rise in interest expenses as against the previous year. Moreover, the refinancing volume in 2012 was up on the previous year, further intensifying the rise. In total, prepayment penalties reduced net interest income by €23.9 million more than in the previous year at €37.8 million. Given the drop in interest rates on the capital market over the course of 2012, the weighted average interest rate for financing concluded in 2012 was reduced to 3.39 percent (2011: 4.02 percent). By contrast, the margins agreed with the banks climbed by 0.12 percentage points as against 2011. In particular, this development is due to the discussion of the regulatory impact of Basel III on the future own funds requirements of banks.

The average interest rate for the entire loan portfolio declined to 3.3 percent on an average term of twelve years. Despite the higher refinancing volume, cash net interest income after adjustment for prepayment penalties among other things improved by €7.3 million as against 2011.

Reconciliation to FFO

A key performance indicator at LEG Immobilien AG is FFO. LEG Immobilien AG distinguishes between FFO I (not including the results of the disposal of investment property) and FFO II (including the results of the disposal of investment property) and AFFO (FFO I adjusted for capex capitalization). Details of the calculation system for each indicator can be found in the glossary.

FFO I, FFO II and AFFO were calculated as follows in 2012:

CALCULATION OF FFO I, FFO II UND AFFO

€ million	2012	2011
Net profit or loss for the period (IFRS)	**112.1**	**-15.1**
Interest income	-1.5	-2.8
Interest expenses	195.0	175.0
Net interest income	**193.5**	**172.2**
Other financial expenses	2.1	2.4
Income taxes	2.4	24.3
EBIT	**310.1**	**183.8**
Depreciation, amortization and write-downs	8.6	6.6
EBITDA	**318.7**	**190.4**
Measurement at fair value of investment property	-120.3	-11.0
Non-recurring project costs	20.3	21.7
Extraordinary and prior-period expenses and income	1.2	3.5
Net income from the disposal of investment property	1.4	0.4
Net income from the disposal of real estate inventory	1.8	5.6
Adjusted EBITDA	**223.1**	**210.6**
Cash interest expenses and income	-90.1	-97.4
Cash income taxes	3.5	-1.4
FFO I (not including disposal of investment property)	**136.5**	**111.8**
Net income from the disposal of investment property	-1.4	-0.4
FFO II (including disposal of investment property)	**135.1**	**111.4**
Capex	-41.5	-41.4
AFFO	**95.0**	**70.4**

FFO I (not including the results of the disposal of investment property) rose by 22.2 percent from €111.8 million to €136.5 million in 2012, essentially as a result of higher rental income, low maintenance expenses and the lower cash interest expenses caused by the new refinancing in 2012.

Net asset situation (Condensed balance sheet)

The condensed balance sheet is as follows:

CONDENSED BALANCE SHEET

€ million	31.12. 2012	31.12. 2011
Investment property	4,937.1	4,736.1
Other non-current assets	114.1	106.5
Non-current assets	**5,051.2**	**4,842.6**
Receivables and other assets	50.7	61.6
Cash and cash equivalents	133.7	81.8
Current assets	**184.4**	**143.4**
Assets held for disposal	**2.2**	**2.4**
Total Assets	**5,237.8**	**4,998.4**
Equity	**2,085.5**	**2,145.9**
Non-current financial liabilities	2,102.9	1,996.6
Other non-current liabilities	480.2	417.6
Non-current borrowed capital	**2,583.1**	**2,414.2**
Current financial liabilities	396.8	310.0
Other current liabilities	172.4	118.3
Current borrowed capital	**569.2**	**428.3**
Total Equity and liabilities	**5,237.8**	**4,998.4**

Total assets amounted to €5,237.8 million in the reporting year (2011: €4,998.4 million). The LEG Group reported consolidated net income of €112.1 million (2011: consolidated net loss of €15.1 million).

The largest item on the assets side is non-current assets at €5,051.2 million. The main asset of the LEG Group is investment property of €4,937.1 million as of December 31, 2012 (2011: €4,736.1 million). As of December 31, 2012, this accounted for a notional share of 94.3 percent of total assets (2011: 94.8 percent).

The main equity and liability items are the reported equity of €2,085.5 million (2011: €2,145.9 million) and the financial liabilities of €2,499.7 million (2011: €2,306.6 million).

Derivative financial instruments with a negative fair value and actuarial losses in the context of pension remeasurement contributed to a decline in equity despite the positive consolidated net income on account of the lower interest level. Furthermore, liabilities to the shareholder Saturea B.V. of €93.1 million from a share acquisition were offset by way of a withdrawal from the capital reserves.

The rise in financial liabilities in 2012 as against 2011 is due to the refinancing and the purchase price financing of the acquired Bocholt portfolio.

The LEG Group reported total provisions of €159.6 million (2011: €140.4 million), €0.1 million of which for taxes (2011: €0.1 million) and €127.3 million for pensions and similar obligations (2011: €103.0 million). The historically low interest level resulted in a decline in the interest rate used in calculations, which increased pension provisions. The rise due to interest rate changes is reported in other comprehensive income.

Net Asset Value (NAV)

Another key performance indicator in the LEG Group is NAV. Details of the calculation system for each indicator can be found in the glossary.

As of December 31, 2012, the LEG Group reported EPRA NAV (EPRA NAV includes the shares of both controlling and non-controlling shareholders) of €2,368.3 million.

EPRA-NAV

€ million	2012	2011
Equity	**2,085.5**	**2,145.9**
Note: Shareholder loans to be converted to equity	**40.5**	**-**
Effect of exercising options, convertible bonds and other rights	0.0	0.0
NAV	**2,085.5**	**2,145.9**
Fair value measurement of derivative financial instruments	89.7	30.3
Deferred taxes	193.1	208.2
EPRA-NAV	**2,368.3**	**2,384.4**

Loan-to-value ratio

Net debt in relation to property assets rose slightly as against the previous year in the period under review. The loan-to-value ratio (LTV) therefore amounts to 47.90 percent (2011: 46.95 percent).

LOAN-TO-VALUE RATIO € million	31.12.2012	31.12.2011
Financial liabilities	2,499.7	2,306.6
Less cash and cash equivalents	133.7	81.8
Net financial liabilities	**2,366.0**	**2,224.8**
Investment property	4,937.1	4,736.1
Assets held for sale	2.2	2.4
	4,939.3	**4,738.5**
Loan-to-Value (LTV) ratio in %	**47.90**	**46.95**

Financial position

Net profit of €112.1 million was generated (previous year: consolidated net loss of €15.1 million). Equity amounted to €2,085.5 million (previous year: €2,145.9 million). This corresponds to an equity ratio of 39.8 percent (previous year: 42.9 percent).

As part of the transformation of the former Lancaster GmbH & Co. KG into LEG Immobilien GmbH, the share capital of the company was stipulated at €15 million. The share capital was provided from the net assets of LEG Immobilien GmbH; the contribution resulted in a decline in the capital reserves of the same amount.

Furthermore, an increase in the share capital of (what was then) LEG Immobilien GmbH, Dusseldorf, was resolved and implemented in two stages. The capital increase amounted to €38.0 million in total and was implemented against the contribution of shares in Rote Rose GmbH & Co. KG. The assets and liabilities received almost exclusively consisted of shares in consolidated, affiliated companies and liabilities to consolidated, affiliated companies.

The capital increase therefore did not result in a significant change in the cumulative equity of the LEG Group. However, the capital increase caused a rise in the share of equity attributable to the controlling shareholders and an analogous decline in non-controlling interests.

The condensed statement of cash flows of the LEG for 2012 is as follows:

STATEMENT OF CASH FLOWS € million	2012	2011
Cash flows from/used operating activities	103.6	77.3
Cash flows from/used in investing activities	-81.3	-31.0
Cash flows from/used in financing activities	29.6	-48.0
Changes in cash and cash equivalents	**51.9**	**-1.7**

A cash flow from operating activities of €103.6 million was generated (previous year: €77.3 million). The rise as against the previous year was essentially due to the increase in rental revenues, low maintenance expenses and lower interest payments from current debt service.

The cash flow used in investing activities amounted to €81.3 million (previous year: €31.0) million. The change as against the previous year is essentially due to the acquisition of the Bocholt portfolio in December 2012.

The debt financing of this acquisition contributed largely to the cash flow from financing activities moving in the direction of a net cash inflow. This development was amplified by the higher refinancing level as against the previous year. Hence, significantly more new loans were extended in 2012 than were repaid, as a result of which there was an overall cash inflow from financing activities of €29.6 million (previous year: outflow of €48.0 million).

As is normal for residential companies, the company's assets are essentially financed by way of loans from banks and other lenders secured by land charges. The loan liabilities to banks and other lenders, and the liabilities from loans to affiliated companies and other investees and investors, were reported in a total amount of around €2,473.7 million (previous year: €2,279.6 million). In their agreements for loans secured by land charges, the companies of the LEG Group have agreed typical performance indicators and reporting duties. Financing partners are informed regularly in the respectively agreed reports.

Obligations under such loan agreements were met without exception in the year under review. The options to prolong loans already in place for property finance were unaffected by the volatile general financial market situation. Funding of LEG NRW GmbH not secured by land charges was repaid as part of the refinancing and restructuring of the subsidiaries concerned.

Since 2009, LEG Immobilien AG has been successfully pursuing a refinancing strategy with the particular aim of achieving greater transparency and less complexity in its financing structures, the optimization of its collateral options and a reduction of debt service. The financing parameters of companies were adapted in line with a homogeneous, Group-wide structure. Over the years 2009 to 2012, 16 loan agreements were concluded with a total credit volume of €2,135 million. The company it aiming to conclude the implementation of its refinancing strategy in the first half of 2013 in order to take advantage of the currently favorable market environment and the low interest rates in particular. The refinancing also entailed basic company law restructuring, one aim of which in particular was to boost the equity of LEG NRW GmbH as a sub-group parent company. As of the time of these annual financial statements being prepared, some of the refinancing planned for 2013 is in the final negotiations (see "Supplementary report").

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

SUPPLEMENTARY REPORT

Change in legal form

By way of entry in the commercial register on January 11, 2013, LEG Immobilien GmbH underwent a change in legal form and was renamed LEG Immobilien AG. The founders of LEG Immobilien AG are Saturea B.V. and Perry Luxco RE S.à r.l.

Successful IPO

LEG debuted on the stock market on February 1 with its initial listing on the Frankfurt stock exchange. The IPO enjoyed high demand among institutional investors from Germany and abroad. The shares were oversubscribed several times over at the issue price of €44. The strong demand among recognised international real estate specialists is a good indication of the quality of LEG's IPO story. With an issue volume of around €1.165 billion, LEG's IPO was the second-biggest German IPO since 2008 and the biggest Western European real estate IPO in general.

The access to the capital market has thereby created the key prerequisite for tapping future growth potential.

Integration of the Bocholt acquisition

The operating performance indicators for the portfolio of 1,244 residential units in Bocholt acquired at the end of 2012 were already significantly improved in the first quarter. Vacancies were reduced from 4.1 percent to 3.1 percent and, at the same time, the average rent was increased from €5.67 per square meter to €6.00 per square meter.

Refinancing

After December 31, 2012, refinancing loans in the amount of €200.6 million from agreements concluded in 2012 were extended. A remaining credit facility of €0.4 million had not yet been utilized as of the time of the preparation of the 2012 annual financial statements.

Further agreements to conclude the refinancing of the LEG Group were in the final stages of negotiation at the time of the 2012 annual financial statements being prepared.

Contribution to capital reserves

By way of agreement dated January 17, 2013, the shareholders Restio B.V. and Perry Luxco S.à r.l. contributed loan receivables totaling €40.5 million to the capital reserves of LEG Immobilien AG.

REPORT ON RISKS AND OPPORTUNITIES

Standard process for integrated management of corporate risks (GRC)

LEG Immobilien AG regularly assesses opportunities to enable the ongoing development and growth of the Group. In order to be able to take advantage of opportunities, risks may also have to be taken. It is therefore a matter of great importance that all key risks are recognised, assessed and professionally managed. As part of its responsible handling of risk, LEG Immobilien AG has implemented a Group-wide structure for the identification, management and controlling of risks. A central component of this is the risk management system and the internal control system.

The key features of the internal control system for the (consolidated) accounting process are summarized as follows:

- LEG Immobilien AG has a clear and transparent organizational and control and management structure.
- The functions in the different areas of the accounting process (e.g. operating costs, financial accounting) are clearly regulated.
- The duties and controls in the accounting process are set out in guidelines. The guidelines are regularly checked to ensure that they are up to date and adjusted as appropriate.
- The dual control principle and the separation of functions (e.g. between payments and financial accounting) are central elements in the accounting process.
- The accounting process is supported by standard software. IT permissions reflect the authorities described in the guidelines.
- There are Group-wide accounting principles that are regularly updated.
- There is integrated central accounting, the controlling of the key Group companies is performed at the Group's head office
- Regular controls and analyses are performed in the preparation of the separate financial statements and the consolidated financial statements and ensure completeness and accuracy.
- Independent audits of the main processes relevant to accounting are performed by the internal audit department.

Risk management

As an indirect shareholder in all LEG companies, LEG Immobilien AG has a central risk management system that is applied in the entire LEG Group. Since fall 2010, this system has been supported by the IT tool "r2c - risk to chance" and enables uniform, traceable, systematic and permanent procedures. Thus, the conditions have been created to identify, analyze, assess, steer, document, communicate and track the development of risks. This system satisfies the general legal conditions and ensures audit security. The overall risk management process is coordinated and monitored by a central risk manager.

Market risks

Virtually the entire real estate portfolio of LEG is located in North Rhine-Westphalia.

The regions in NRW currently show a heterogeneous economic development. Both the opportunities and risks that these developments entail for demand for apartments and rent trends will therefore vary in different regions. All relevant changes on the various sub-markets are closely observed by LEG and incorporated into ongoing decisions on portfolio management.

Overall, demand for living space developed in a stable fashion in 2012 and allowed the rent level to rise.

Macroeconomic risks

The German real estate market is being influenced by the current economic uncertainty as regards the future of the euro zone, the consolidation of European public finances, the development on the European banking market and the general economic development in Germany. LEG cannot dissociate itself from this. A clear deterioration in the economic environment with a correspondingly negative impact on the labor market and income situation could also have disadvantageous effects on the letting business. Distortions on the financial markets could impair financing conditions in the medium term and real estate valuation.

Risks in connection with business activities

Risks from the social charter

Non-compliance with protection provisions enforceable by penalty can lead to fines that would also entail a resulting loss of reputation on the residential market. Intra-year quality controls, restrictive authorization concepts and the annual audit by an audit firm have been implemented as precautions to minimize the risk of a violation. In the most recent 2011 audit period, full compliance (as in previous years as well) as was confirmed by the auditor with an unqualified opinion. If, contrary to expectations, non-compliance with the protection provisions nonetheless occurs, any violations can be rectified in full within six months of learning of them under the social charter. These risks are therefore classified as extremely low.

The GWN social charter, which is regulated in the purchase agreement of December 14, 2000, is still controlled as part of organised committee work.

Risk of default on rent

As a landlord, LEG is subject to the risk of rental payment delinquencies. We conduct standardized credit checks as part of the letting process to reduce the risk delinquencies. In addition to this, our newly restructured receivables management helps us to identify problem leases more quickly and to take corresponding countermeasures in a timely manner. The risk of default on rent does exist in individual cases, but is still classified as low overall.

Letting risks

The extent of risks from vacancies, such as greater sales deductions, varies from region to region.

A number of measures, such as letting campaigns and the establishment of a central letting team, were successfully implemented to reduce vacancy risks. Furthermore, investments in vacant apartments to promote letting are allocated on a targeted and needs-driven basis.

In order to reflect demographic developments, work is already underway on comprehensive and far-reaching concepts for the residential requirements of aging generations.

The price sensitivity of our customers is taken into account in price/product differentiation with price recommendations for specific target groups for each apartment. This price recommendation takes into account aspects such as the apartment's position in the building, etc.

A lower fluctuation rate combined with the reduction in vacancies in 2012 illustrates the improvements in letting performance.

Portfolio risks

The portfolio as a whole is examined for various risks on an ongoing basis. The following risks apply to the portfolio:

- Technical risks leading to a substantial deterioration in the fabric of buildings, requiring the company to pay unplanned expenses for repairs.
- An unexpected deterioration in demand situation in that the housing supply available does not cover the demand of the various customer groups at the respective locations.

Regular tours by employees with technical expertise guarantee that possible technical risks are quickly recognised and that suitable measures can be taken.

Our existing service structure ensures that we operate close to customers and the local markets. Thus, management risks that arise can be identified immediately and countermeasures can be initiated early on.

Acquisition risks

As part of our acquisition activities, we analyze the acquisition of new portfolios in a structured fashion. Risks and potential are assessed with the involvement of internal and external experts. This allows us to produce high quality analyses of the portfolios. However, there is the risk that information negatively influencing economic assumptions will only be learned after the conclusion of acquisition activities, with a correspondingly negative effect on profitability and the value of portfolios.

Risks from the sale of real estate

The sale of real estate from the portfolio is essentially limited to the ending privatization of owner-occupied apartments from property owner associations already being sold and portfolio rationalization activities. There is the risk that intended sale prices cannot be achieved or that sales have to be reversed.

In our opinion, the sales process in place ensures that the value of each disposal is guaranteed and that the credit rating of customers is checked thoroughly. Hence, in our estimation, there are no serious risks from the sale of real estate.

Risks from the development of construction projects

No new construction activities have been begun in the Development area since the fiscal year 2009. The projects that were still being prepared for construction at the end of 2008 are no longer being pursued. Risks identified in development business are often building cost risks, letting/marketing risks and legal risks.

Various projects are still being wound up at the current time.

The value of such risks has been reduced significantly in the last two years.

The risks in the Development area will continue to diminish in future thanks to active risk management.

HR risks

There is the risk that contractual penalties will have to be paid in the event of violations of social charter restrictions. These concern the ban on redundancies, the ban on dismissals with the option of altered employment conditions, the ban on the termination of collective works, the ban on the termination of works agreements and the ban on leaving the employer association.

There is the general risk that expert and management staff cannot be adequately replaced at short notice.

IT risks

LEG's IT systems are essential for the successful execution of business processes. In particular, the availability of the SAP application launched as of January 1, 2012 is of crucial importance in this respect. The network infrastructure needed to operate this application is provided by an external service provider on the basis of defined service agreements. Redundant system components reduce the risk of downtime on the platform operated by the company.

Risks in regard to the value of real estate

The value of the real estate portfolio is based on a number of factors such as the developments on individual micro markets, rent levels, the technical features of buildings or occupancy rates. It can therefore have a negative effect if individual value drivers do not remain on budget. There is a similar risk in respect of a general rise in interest rates or an increase in risk premiums as a result of a deterioration in the macroeconomic environment.

Financing risks

Debt risk

LEG's debt level could make it more difficult or more expensive for it to obtain access to new financing sources. Banks could no longer be able or willing to prolong expiring loans. It cannot be ruled out that refinancing becomes more expensive or is hampered as a result.

Breach of financial covenants

There are financial covenants in the loan agreements that could result in extraordinary termination by the banks if not complied with. In the event of a violation of loan agreement covenants, the banks could demand early repayment of the loan (or parts thereof), higher interest payments, less favorable loan conditions or the realization of the collateral pledged.

Changes in interest rates

The increase in general interest rate levels could raise LEG's financing costs and could influence the value of real estate and the possible sales proceeds from real estate. Changes in general interest levels could also affect the discounting rate applied by LEG to its pension obligations. The risk of changes in interest rates mainly applies to the non-current, floating rate financial liabilities and is predominantly hedged by interest rate derivatives.

Interest hedges

Interest rate hedges are concluded solely for the purpose of hedging the risk of changes in interest rates. These exist for floating rate loans, which amount to €1.38 billion (52 percent of the loan portfolio). In total, around 97 percent of loan volumes are either at fixed rates or are hedged. Interest rate derivatives were generally concluded with the lender financing the hedged loan. Also, no one counterparty in derivatives business accounts for more than 25 percent of the portfolio as a whole. The conclusion of interest rate hedges also leads to risks in connection with the measurement of hedges, which can affect economic results.

Liquidity risk

Financial risks include a delayed cash flow on revenues and the extension of loans and unforeseen expenses that can result in liquidity bottlenecks. The cash flows of the company and possible future dividend payments are accordingly dependent on economic success or have to be supplemented by borrowed capital. In the previous fiscal year, sufficient liquidity assured at all times the coverage of any potential expenses. Currently, there are no signs that the situation will change.

Official, tax and legal risks

General legal risks and resulting losses can arise due to a lack of or insufficient compliance with legal or contractual requirements or a lack of or insufficient implementation of new or amended laws or new legislation. LEG Immobilien AG has taken personnel and organizational measures in order to detect these early on and to take the necessary measures and, where necessary, recognised the appropriate provisions and allowances. LEG is subject to the general tax framework of Germany, which could possibly alter disadvantageously, including with retroactive effect. Additional taxes could arise from external audits. The years 2005 to 2008 are currently being audited.

The tax regulations on the interest expenses disallowance rule apply to LEG. In line with this, net interest expenses (i.e. after deduction of interest income) are tax deductible up to 30 percent of taxable EBITDA. A higher interest deductibility is permitted, among other scenarios, if the equity rate of the Group is not significantly higher than the equity rate of the individual operation (referred to as the escape clause). LEG has used the escape clause in the past.

According to current information, these risk factors in their entirety are not expected to have a material impact on the net assets, financial position or results of operations of the company.

Opportunities report

The transformation from what was once a state-owned real estate group into a listed residential company was successfully completed on February 1, 2013 after just five years with the IPO on the Frankfurt stock exchange. The restructuring of the organization and the financing of LEG created a professional real estate platform with a leading financing structure compared to its industry peers.

The LEG Group operates on the attractive real estate market of NRW. Thanks to our integrated management platform, the LEG Group is a leading provider of affordable apartments on this market and therefore well-positioned to benefit from the forecasted growth, particularly in smaller households.

Our goal is to further increase our customer loyalty. We intend to achieve this by offering additional services for tenants. We also plan to achieve further growth not just by optimizing our current portfolio, but also through acquisitions. A major acquisition objective is to selectively leverage our resources to further increase the efficiency of our management platform for strong FFO growth. Acquisition decisions will focus on both the economic sustainability and suitability of the portfolio.

REMUNERATION REPORT

Management Board remuneration system

The stock corporation paid no remuneration to its executive bodies in the fiscal year 2012.

In the fiscal year 2012, the current members of the Management Board had management employment contracts with LEG NRW GmbH or LEG Wohnen NRW GmbH. On notarization of the change in the legal form of the company into a stock corporation on January 2, 2013 (effective from entry in the commercial register on January 11, 2013), Mr. Hegel, Mr. Schultz and Mr. Hentschel were appointed as members of the Management Board of LEG Immobilien AG by way of resolution of the Supervisory Board on January 2, 2013.

Interim employment agreements were concluded with the members of the Management Board for the period between their appointment (January 2, 2013) and the commencement of trading in shares of the company on the Frankfurt stock exchange (February 1, 2013).

On January 17, 2013, the Supervisory Board of LEG Immobilien AG resolved employment agreements for the Management Board that entered into effect on February 1, 2013. Among other things, these Management Board employment agreements also contain separate regulations on the remuneration of the Management Board.

Details of Management Board remuneration:

Remuneration consists of fixed remuneration, a short-term incentive (STI), a medium and long-term incentive (LTI) and various additional benefits.

In the fiscal year 2012, the current members of the Management Board received the following remuneration from LEG NRW GmbH and LEG Wohnen NRW GmbH:

2012 MANAGING DIRECTOR REMUNERATION

€ thousand	Fixed remuneration	Variable remuneration	Other remuneration	Total
Thomas Hegel	345	278	26	649
Eckhard Schultz	300	278	20	598
Holger Hentschel	168	65	9	242
Total	**813**	**621**	**55**	**1,489**

Additions to pension provisions 2012

No pension provisions have been recognised for Mr. Hegel or Mr. Schultz.

There was a direct commitment from LEG Wohnen NRW GmbH for Mr. Hentschel. The obligation for this amounted to €75,693 in accordance with the German Accounting Law Modernization Act (BilMoG) as of December 31, 2012. This value was transferred to LEG Immobilien AG as of February 1, 2013. LEG Immobilien AG assumed the direct commitment obligation.

LEG Immobilien AG is continuing the provident fund commitment of LEG NRW GmbH for Mr. Schultz. LEG Immobilien AG is paying €20,000 gross annually into a provident fund for this.

Fixed remuneration, STI and LTI

2013 MANAGEMENT BOARD REMUNERATION

€ thousand	Fixed remuneration	Short-term incentive (STI) (100%)	Long-term incentive (LTI) (100%)	Total
Thomas Hegel	400	250	300	950
Eckhard Schultz	360	240	280	880
Holger Hentschel	210	140	150	500
Total	**970**	**630**	**730**	**2,330**

Short-term Incentive (STI)

The short-term incentive consists of an annual payment measured on the basis of four targets:

- net basic rent
- net rental income
- adjusted EBITDA
- funds from operations I per share

The first three targets each account for 20 percent and the final target for 40 percent of the STI. The targets are set by the Supervisory Board in the business plan for the year in question or, if no business plan was resolved, at its reasonable discretion (section 315 of the Bürgerliches Gesetzbuch (BGB – German Civil Code), whereby discretion must be based on the targets of the previous year.

Long-term Incentive (LTI)

The long-term incentive is an annual amount that is divided into three equal tranches and distributed over a period of three years. The target amount divided into three equal tranches is allocated to the following three performance periods:

a) the fiscal year in which the targets are set ("the relevant fiscal year"), and the subsequent fiscal year,
b) the relevant fiscal year and the two subsequent fiscal years,
c) the fiscal year following the relevant fiscal year and the two fiscal years thereafter ("each one performance period").

The LTI is calculated on the basis of attainment of two targets for each of the performance periods. The values for each of the LTI targets and each of the performance periods are set mutually by the Supervisory Board and the respective Management Board member. If no agreement is reached, the Supervisory Board can stipulate these unilaterally on the basis of targets for preceding years at its reasonable discretion (section 315 BGB), whereby discretion must be based on the targets of the previous year. The relevant targets are each 50 percent weighted:

– development of total shareholder return ("TSR")
– development of share price relative to the EPRA Germany Index ("EPRA Index")

Additional benefits

Company pension scheme:

The company is continuing the provident fund commitment for Mr. Eckhard Schultz. This was previously assumed by LEG NRW GmbH and satisfied by way of payments to Allianz-Lebensversicherung AG. The company undertakes to pay annual contributions of €20,000 gross to the provident fund.

The company will assume and continue the direct commitment made by LEG Wohnen NRW GmbH for Mr. Holger Hentschel, based on a pensionable salary of €127,553.

In addition to the remuneration components described above, the members of the Management Board also receive additional benefits. These include, for example, the assumption of insurance premiums for life and invalidity insurance. The company provides the members of the Management Board with an appropriate company car for business and private use.

As the members of the Management Board are not subject to statutory pension insurance, all three members of the Management Board receive payment of up to 50 percent of standard contributions to the statutory pension insurance scheme (in 2013 max. €548.10 per month/ €6,577.20 per year).

Termination benefits:

In the event of early termination of a contract without good cause in accordance with section 84 of the Aktiengesetz (AktG – German Stock Corporation Act), any payment agreed (settlement cap) must not exceed the value of two years' remuneration or the value of the remuneration for the relevant remaining term. This must be based on the total remuneration for the past fiscal year and possibly on the anticipated total remuneration for the current fiscal year (recommendation 4.2.3. of the German Corporate Governance Code)

D&O insurance:

The company has concluded D&O insurance for the members of the Management Board that provides for a legally permitted deductible.

Supervisory Board remuneration system

The Supervisory Board was constituted on January 2, 2013. In accordance with the Articles of Association, all remuneration for Supervisory Board work is payable after the end of the fiscal year. Supervisory Board members who are only on the Supervisory Board or a committee of the Supervisory Board for part of the fiscal year receive corresponding pro rata temporis remuneration for this fiscal year.

The members of the Supervisory Board received fixed annual basic remuneration of €50,000. The Chairman of the Supervisory Board receives double this, a Deputy Chairman receives one and a half times this amount.

The members of the Audit Committee receive additional fixed annual remuneration of €10,000; the chairman of the committee receives double this.
Members of the Supervisory Board who sit on one or more other committees of the Supervisory Board that meet at least once per year receive additional fixed annual remuneration of €2,500 for their membership in each committee; the chairman of a committee receives €5,000.

No remuneration is paid for being a member or chairman of the Nomination Committee.

The total of any remuneration in accordance with section 8.10 of the shareholder agreement plus remuneration for membership in supervisory boards or similar executive bodies of Group companies must not exceed an amount of €100,000 per Supervisory Board member per calendar year, regardless of the number of committee memberships and positions.

The company reimburses the members of the Supervisory Board for appropriate expenses arising in the exercise of their office. The VAT is reimbursed by the company to the extent that the members of the Supervisory Board are entitled to invoice VAT to the company separately and that they exercise this right.

The company has taken out D&O insurance for the members of the Supervisory Board with an appropriate insurance sum. A deductible is not intended for members of the Supervisory Board.

CORPORATE GOVERNANCE DECLARATION IN ACCORDANCE WITH SECTION 289A HGB

As a listed stock corporation, LEG Immobilien AG is required to issue a corporate governance declaration in accordance with section 289a of the Handelsgesetzbuch (HGB – German Commercial Code). This includes (i) the declaration of compliance in accordance with section 161(1) AktG, (ii) relevant information on corporate governance practices going beyond statutory requirements and (iii) a description of the working methods of the Management Board and the Supervisory Board plus the composition and working methods of their committees.

In light of this, LEG Immobilien AG issues the following corporate governance:

Declaration of compliance in accordance with section 161(1) AktG

Vorstand und Aufsichtsrat der LEG Immobilien AG haben im März 2013 die folgende Erklärung gemäß § 161 Abs. 1 AktG abgegeben und auf der Internetseite der Gesellschaft dauerhaft öffentlich zugänglich gemacht:

The Management Board and the Supervisory Board of LEG Immobilien AG issued the following declaration in accordance with section 161(1) AktG in March 2013 and made it permanently available to the public on the company's website:

"The Management Board and the Supervisory Board of LEG Immobilien AG declare that LEG Immobilien AG has complied with the recommendations of the Government Commission of the German Corporate Governance Code as amended May 15, 2012 (GCGC) since being listed on February 1, 2013 with the following exceptions and intends to continue to comply with them:

- *Deviation from 3.8(3) GCGC: No deductible in D&O insurance for members of the Supervisory Board of LEG Immobilien AG*

  3.8(3) GCGC recommends the arrangement of a deductible if the company has taken out D&O insurance for the Supervisory Board. This deductible should amount to at least ten percent of the loss up to at least the amount of one and a half times the fixed annual compensation of the Supervisory Board member. The D&O insurance of LEG

Immobilien AG has not and does not provide for a deductible for the members of the Supervisory Board. The Management Board and the Supervisory Board agree that a deductible is not necessary or suitable for improving the sense of motivation or responsibility with which the members of the Supervisory Board perform their duties.

- *Deviation from 5.4.1(2) GCGC: The Supervisory Board has not yet named specific objectives for its composition*

  In accordance with 5.4.1(2) GCGC, the Supervisory Board should specify objectives for its composition that, whilst considering the specific situation of the company, take diversity into account among other things. Given that LEG Immobilien AG has only existed in the legal form of a stock corporation since January 11, 2013, the Supervisory Board has not yet stipulated such objectives but intends to do so at its next ordinary meeting.

- *Deviation from 5.4.2 GCGC: Membership of a Supervisory Board member in the supervisory board of a key competitor*

  Supervisory Board members should not exercise directorships or similar positions or advisory tasks for important competitors of the enterprise (item 5.4.2 GCGC). Dr. Scharpe was and is a member of the Supervisory Board of both LEG Immobilien AG and GSW Immobilien AG, Berlin. LEG Immobilien AG sees GSW Immobilien AG as a competitor as a large residential property company. Given the fact firstly that the activities of the two companies geographically overlap only slightly at the current time and that, secondly, market and industry expertise are very valuable to the Supervisory, the Supervisory Board and the Management Board are of the opinion that Dr. Scharpe's membership in the Supervisory Board of GSW Immobilien AG as well does not constitute a material conflict of interests, but rather that the contribution of his knowledge and experience to the Supervisory Board is in the best interests of LEG Immobilien AG.

  Deviation from 7.1.2 sentence 4 GCGC: Non-compliance with the shorter publication periods of the GCGC as compared to the statutory requirements

  In accordance with 7.1.2 sentence 4 GCGC, the consolidated financial statements of the company should be publicly accessible within 90 days of the end of the fiscal year and interim reports within 45 days of the end of the reporting period. LEG Immobilien AG will publish its consolidated financial statements by the longer statutory deadline and its interim reports within two months of the end of the respective reporting period. It is the conviction of the Supervisory Board and the Management Board that these periods are appropriate and necessary for the careful preparation of these documents. The possibility of compliance with the shorter deadlines in accordance with 7.1.2 sentence 4 GCGC will be examined on an ongoing basis and is a goal for the future."

This information on compliance with the recommendations of the GCGC matches the content on page 184 of the LEG Immobilien AG prospectus of January 18th, 2013. On April 23rd, 2013, the Supervisory Board of the LEG Immobilien AG plans, according to section 5.4.1, subsection 2 of the GCGC, to set specific goals for a constitution. For further information on these goals, please refer to the LEG Immobilien AG's Corporate Governance section of this Annual Report as shown on page 38.

Relevant disclosures on corporate governance practices exceeding statutory requirements

LEG Immobilien AG is geared towards sustainable, successful portfolio management and growth. This is inseparably tied to value-driven corporate governance and corporate social responsibility, to which LEG Immobilien AG has pledged itself. Customer orientation, reliability and social commitment are core elements of the company's corporate philosophy. They ensure the lasting high utilization and value of the portfolios and maintain or create a basis of trust with tenants as well as private and public sector partners.

Promotion of local social projects

LEG Immobilien AG and its subsidiaries are committed to a number of local projects such as tenant and district festivals, supporting cultural or social institutions and sports clubs. These measures actively promote social structures and neighborhoods in order to strengthen the sense of identity and bonds amongst tenants and with the company, which in turn leads to a long-term rental partnership and appreciation that maintains value and a sense of responsibility for the estate.

LEG NRW Tenant Foundation

The charitable "LEG NRW Tenant Foundation" was created in 2010. With endowment assets of €5.0 million, it supports individual tenants of the Group who require support on account of acute economic distress or their emotional, physical or mental state. In addition, local social projects, schools and charitable initiatives are aided individually and specifically. The aim of this commitment is to create specific value added for tenants, estates and the public, for example in the form of easy access apartments or pro-integration or intercultural events.

Social charter

As part of a social charter, LEG Immobilien AG recognises and is committed to a number of conditions and measures that serve to protect its tenants, employees and real estate holdings. Further information on this can be found on page 52.

Corporate Governance Code of the German Real Estate Industry Association

LEG Immobilien AG is a member of the Corporate Governance Initiative of the German Real Estate Industry Association (deutsche Immobilienwirtschaft e.V). At www.immo-initiative.de , the Corporate Governance Initiative of the German Real Estate Industry Association published a "Corporate Governance Code of the Real Estate Industry Association" (as of September 2010, "ICGK"), which contains recommendations going beyond the German Corporate Governance Code. The Supervisory Board and the Management Board of LEG Immobilien AG agree that – with the exception of the regulations in items 3.9.i, 4.3.6.i(2) to (4), 5.3.2i and 5.5.i – the recommendations of the ICGK should also be complied with.

Item 3.9.i of the ICGK recommends that real estate transactions between the company and members of the Management Board or the Supervisory Board should be avoided and – if they are concluded anyway – should be subject to the approval of the Supervisory Board. LEG Immobilien AG has not adopted these regulations. Instead, all transactions – not just real estate transactions – between Group companies and members of the Management Board or a related party of a Management Board member with a total value in excess of €25,000 require the approval of the Supervisory Board. The Management Board and the Supervisory Board consider this approval requirement to be appropriate and sufficient, as on the one hand it does not restrict the transactions to be considered to real estate transactions, and on the other it reduces controlling activities to relevant transactions. There is currently no approval requirement for real estate transactions between the company and members of the Supervisory Board. The Supervisory Board will consider the necessity and appropriateness of such an approval requirement.

Items 4.3.6.i and 5.5.i of the ICGK recommend the disclosure of private real estate transactions by members of the Management Board and the Supervisory Board with corresponding applications to the Chairman of the Supervisory Board. Furthermore, the Supervisory Board is expected to define rules of procedure for compliance with principles for the avoidance of conflicts of interest with regard to transactions between affiliated companies, real estate purchases and disposals and the placement of contracts in the field of real estate. The Supervisory Board and the Management Board of LEG Immobilien AG will consider compliance with these recommendations.

Item 5.3.2.i of the ICGK recommends that the Supervisory Board or the Audit Committee or a separate valuation committee be entrusted with the valuation of the property portfolio. The Rules of Procedure of the Management Board of LEG Immobilien AG currently only stipulate that fundamental changes to valuation methods are subject to the approval of the Supervisory Board. The Supervisory Board will consider the necessity and appropriateness of it attending to the content of a specific valuation of the real estate portfolio of the Group going beyond a change in the basic valuation procedures.

Description of the working methods of the Management Board and the Supervisory Board and the composition and working methods of their committees

As a stock corporation under German law, LEG Immobilien AG has a dual management system consisting of the Management Board and the Supervisory Board. Executive management and control are clearly separated in a dual management system.

The Management Board

The Management Board manages LEG Immobilien AG on its own responsibility in accordance with the provisions of law, the Articles of Association and the Rules of Procedure for the Management Board. The Rules of Procedure for the Management Board were adopted by the Supervisory Board on January 17, 2013. Among other things, these stipulate that certain transactions of particular significance require the prior approval of the Supervisory Board or one of its committees. The Management Board reports to the Supervisory Board regularly, comprehensively and in a timely manner on all issues of strategy, planning, business performance, the risk situation, risk management and compliance relevant to the company. The Management Board performs its management duties as a collective body. Regardless of their overall responsibility, the individual members of the Management Board manage the departments assigned to them in the context of Management Board resolutions on their own responsibility. The allocation of duties among the members of the Management Board is taken from the assignment plan.

The Supervisory Board

The Supervisory Board monitors and advises the Management Board. It appoints and dismisses the members of the Management Board and, together with the Management Board, ensures long-term succession planning. Its duties and rights are determined by the legal provisions, the Articles of Association and the Rules of Procedure for the Supervisory Board. The Supervisory Board thus issued itself Rules of Procedure in its ordinary meeting on January 17, 2013. In accordance with the Articles of Association, the Supervisory Board of LEG Immobilien AG has nine members. The period in office of all current members of the Supervisory Board ends after the 2018 Annual General Meeting.

Cooperation between the Management Board and the Supervisory Board

The Management Board and the Supervisory Board work together closely for the good of the company. The intensive and constant dialog between the bodies is the basis for efficient and targeted business management. The Management Board develops the strategic orientation of LEG Immobilien AG, coordinates this with the Supervisory Board and ensures its implementation. The Management Board discusses the status of strategy implementation with the Supervisory Board at regular intervals.

The Chairman of the Supervisory Board maintains regular contact with the Management Board, particularly with the Chairman of the Management Board, and advises it on issues of strategy, planning, business performance, the risk situation, risk management and compliance at the company. The Chairman of the Supervisory Board is immediately informed by the Chairman of the Management Board of key events significant to the assessment of the position and development of the company and Group companies and their management. The Chairman of the Supervisory Board then reports to the Supervisory Board and convenes an extraordinary meeting of the Supervisory Board if necessary.

Committees of the Supervisory Board

In its ordinary meeting on January 17, 2013, the Supervisory Board resolved to form three committees: the Executive Committee, the Nomination Committee and the Audit Committee. Further committees can be formed if required.

Executive Committee of the Supervisory Board: The Executive Committee discusses key issues and prepares resolutions by the Supervisory Board. In particular, the Executive Committee discusses resolutions by the Supervisory Board on the following matters:

- the appointment and dismissal of members of the Management Board, naming of the Chairman of the Management Board;
- the conclusion, amendment and termination of employment agreements with members of

the Management Board and

- the structure of the remuneration system for the Management Board including the key contract elements and the total remuneration of the individual members of the Management Board.

The Executive Committee regularly discusses – with the involvement of the Management Board – the long-term succession planning for the Management Board. In place of the Supervisory Board but subject to the above and other mandatory responsibilities of the Supervisory Board, the Executive Committee passes resolutions on the following matters:

- transactions with members of the Management Board in accordance with section 112 AktG;
- approval of transactions – if their value exceeds €25,000 – between the company or one of its Group companies on the one hand and a member of the Management Board or persons or undertakings related to a member of the Management Board on the other;
- consent to other activities by a member of the Management Board in accordance with section 88 AktG and approval of other additional employment, in particular holding supervisory board mandates and mandates in similar executives bodies of companies outside the Group;
- granting loans to the persons named under sections 89, 115 AktG;
- approval of contracts with Supervisory Board members in accordance with section 114 AktG; and
- any other approval required in accordance with the Articles of Association of the company or the Rules of Procedure for the Management Board for measures by the Management Board if the matter cannot be delayed and a resolution by the Supervisory Board cannot be passed in a timely manner.

The members of the Executive Committee are the Chairman of the Supervisory Board, Mr. Michael Zimmer, his deputy, Mr. Stefan Jütte, and Mr. James Garman. As the Chairman of the Supervisory Board, Mr. Michael Zimmer is also the Chairman of the Executive Committee.

Nomination Committee:
The Nomination Committee meets as required and suggests suitable candidates to the Supervisory Board for its nominations for the Annual General Meeting. The members of the Nomination Committee are the members of the Executive Committee (Mr. Michael Zimmer, Mr. Stefan Jütte and Mr. James Garman). The Chairman of the Supervisory Board is also the Chairman of the Nomination Committee.

Audit Committee:
In particular, the Audit Committee deals with the monitoring of the accounting process, the effectiveness of the internal control system and the internal audit system, the audit of the financial statements, including in particular the independence of the auditor, the other services performed by the auditor, the granting of the audit mandate to the auditor, the determination of the key areas of the audit, the fee agreement and compliance. The Audit Committee prepares the resolutions by the Supervisory Board on the annual financial statements (and possibly the consolidated financial statements) and the agreements with the auditor (in particular the granting of the audit mandate to the auditor and the determination of the key areas of the audit). The Audit Committee takes appropriate measures to determine and monitor the independence of the auditor. In place of the Supervisory Board, the Audit Committee resolves the approval of agreements with auditors on additional advisory services to the extent that these agreements require approval in accordance with the Articles of Association or the Rules of Procedure for the Management Board.

The members of the Audit Committee are Dr. Jochen Scharpe (Chairman), Mr. Stefan Jütte and Mr. Jürgen Schulte-Laggenbeck. The Chairman of the Audit Committee is independent and has special expertise and experience in the application of accounting policies and internal control procedures.

The specific members of the Management Board and the Supervisory Board are shown in the notes to the consolidated financial statements on page 138 of the annual report.

The corporate governance declaration in accordance with section 289a HGB, including the above declaration in accordance with section 161 AktG and the other disclosures on corporate governance can also be found on the homepage of LEG Immobilien AG at www.leg-nrw.de.

TAKEOVER DISCLOSURES IN ACCORDANCE WITH SECTION 315(4) HGB

Composition of issued capital

There are 52,963,444 no-par-value ordinary shares admitted to trading on the Frankfurter stock exchange. The shares are registered shares and do not differ in terms of the securitized rights and duties.

Restrictions relating to voting rights and transfers of shares

There are no further restrictions on voting rights, the exercise of voting rights or the transfer of shares beyond the statutory provisions.

Interests in capital with shares of voting rights exceeding ten percent

As of December 31, 2012, LEG Immobilien AG still operated in the legal form of a limited liability company. Shareholders in capital with shares of voting rights exceeding ten percent were:

– Saturea B.V., Netherlands
– Perry Luxco RE S.a.r.l., Luxembourg

Following the delivery and transfer of the shares assigned as part of the IPO on February 5, 2013, the following shareholders had an interest in capital with voting rights of more than ten percent:

– Saturea B.V., Netherlands
– Perry Luxco RE S.a.r.l., Luxembourg

Bearers of shares with special rights granting powers of control

The shares issued by LEG do not have special rights granting powers of control.

Rules for the appointment and dismissal of members of the Management Board and amendments to the Articles of Association

Members of the Management Board are appointed and dismissed in accordance with the provisions of section 84 AktG. There are no material supplementary or divergent provisions to the Articles of Association or Rules of Procedure. Amendments to the Articles of Association are effected in accordance with the provisions of the German Stock Corporation Act. There are no material supplementary or divergent provisions to the Articles of Association or Rules of Procedure.

Authority of the Management Board to issue and buy back shares

The Management Board is authorized, with the approval of the Supervisory Board, to increase share capital of the company by up to a total of €26,481,722 by issuing up to 26,481,722 new shares by January 2, 2018.

The share capital has been contingently increased by up to €26,481,722 by the issue of up to 26,481,722 new shares. The contingent capital increase is subject to the condition that the requirements for conversion/option rights or obligations issued in 2013 are satisfied and not served by treasury shares, shares from authorized capital or otherwise.

Authorization to acquire and utilize treasury shares

On January 17, 2013, the Annual General Meeting of LEG Immobilien AG authorized the Management Board in accordance with section 71(1) no. 8 AktG to acquire treasury shares up to a total of ten percent of the share capital in place as of the time of the authorization. The shares acquired on the basis of this authorization, together with other shares of the company that the company has already acquired and still holds or that are attributable to it, cannot account for more than ten percent of the share capital at any time. The authorization applies until January 16, 2018 and can be exercised in full or in part on one or more occasions. At the discretion of the Management Board, the shares must be acquired in accordance with the principle of equal treatment (section 53a AktG) either on the stock market or by way of a public purchase offer made to all shareholders or a public invitation to all shareholders of the company to submit offers for sale.

If the shares are acquired on the stock market, the acquisition price (not including incidental costs of acquisition) must be within ten percent (higher or lower) of the arithmetic average of the price of the shares on the stock exchange in Frankfurt/Main on the last ten trading days before the acquisition or the assumption of an acquisition obligation. If acquired by way of a public purchase offer made to all shareholders or a public invitation to all shareholders of the company to submit offers for sale, the acquisition price (not including incidental costs of acquisition) paid to shareholders must not exceed by ten percent or be 20 percent less than the arithmetic average of the price of the shares on the stock exchange in

FORECAST

Frankfurt/Main on the last ten trading days before the publication of the offer or, if acquired otherwise, before the acquisition.
The authorization can be exercised for any legally permissible purpose. The Management Board was also authorized to use the shares acquired on the basis of the acquisition authorization – subject to other requirement – as follows in particular: (i) to withdraw shares, (ii) for resale on the stock exchange, (iii) to offer for subscription to shareholders, (iv) for disposal in a manner other than on the stock exchange or by way of offer to all shareholders if the acquired shares are sold against cash payment at a price not significantly less than the stock market price within the meaning of section 186(3) sentence 4 AktG, whereby this authorization is limited to a pro rata amount of share capital totaling not more than ten percent of share capital as of the time of the resolution by the Annual General Meeting or – if lower – ten percent of the share capital as of the time of the disposal of the shares, (v) as part of a merger or for the acquisition of companies, parts of companies or equity investments in companies, including increases of existing holdings, or of other eligible assets such as real estate, real estate portfolios and receivables from the company and (vi) to serve warrants, convertible bonds or profit participation rights with conversion or option rights/obligations. The pre-emptive subscription rights of shareholders can be disapplied in certain cases including fractional amounts.

The statutory provisions also apply.

Agreements with the parent company for the event of a change of control following a takeover bid

The financing agreements in place stipulate that a change of control of LEG NRW, which bundles the real estate companies of the LEG Group, requires the approval of the financing bank.

Compensation agreements in the event of a takeover bid

No compensation agreements have been concluded with employees or members of the Management Board in the event of a takeover bid.

The development in the past fiscal year fulfilled the company's expectations.
A key objective was to achieve an annual increase in rental income of between two and three percent over a horizon of two years. An increase in rental income of 1.8 percent in 2012 and the delayed effects from the rent index adjustment in Munster expected in the first half of 2013 confirm this growth trend. The investments of €12.90 were in the range of the budgeted figure of around €13. The operating earnings of the Residential segment developed positively as anticipated. The company benefited from the development on the interest markets and the refinancing was concluded at lower than originally expected average interest costs.

Renowned and independent institutions are forecasting that the moderate economic growth in Germany will continue in 2013. For example, the Bundesbank and the IMF are anticipating GDP growth of 0.4 percent and 0.6 percent respectively. Based on these estimates for the state of the economy as a whole, the following forecasts have been derived for the performance of the company.

LEG feels it is well positioned to benefit from the structurally favorable overall supply and demand constellation for landlords in an attractive market. Against this backdrop, the company is also forecasting further growth in rental income in the coming years as the basis for rising FFO and thereby further increases in dividends. The secure and favorable long-term financing creates a key prerequisite for a high level of earnings visibility.

Rents

LEG is assuming that annual rent growth of 2-3 percent per square meter on a like-for-like basis can be anticipated in the coming years. The top end of this range is more likely in years in which an adjustment of the cost of rent in the rent restricted portfolio is expected, which is next scheduled for 2014.

Result from valuation of investment property

The company is assuming that the positive expectations for rent development will also continue to have a positive effect on net income from valuation as well.

Vacancies

Starting on an already very good vacancy level, the company believes there is the potential for a further gradual reduction in vacancies in the portfolio. The company is striving for a target of 3 percent in the medium term.

Maintenance and capital expenditure

LEG employs a sustainable, value-oriented strategy. Sufficient investments are an integral part of this strategy. The company will continue to spend around €13 per square meter p.a. on investments and maintenance in the coming years, thereby exceeding the social charter requirement of €12.50 at all times.

Acquisitions

LEG intends to generate additional growth through value-adding acquisitions. The aim is to acquire around 10,000 additional residential units by the end of 2014, corresponding to a planned annual volume of around 5,000 units. The selective acquisition strategy focuses on growth in the core regions and is geared to clearly defined quality standards.

Statement of financial position structure

LEG has a very solid statement of financial position structure with a low LTV of 47.9 percent. This figure could rise slightly in future given the planned acquisition strategy. A cap of 55 percent, which still ensures the defensive risk profile of the company, will also not be exceeded in future.

FFO I

The company is forecasting FFO I for 2013 in the range of €136 million to €140 million. A key assumption for this is a return to a normalized capitalization rate with planned investments remaining virtually stable overall. A stronger increase is forecast in projected AFFO, which does not distinguish between capitalized and non-capitalized investments.

Dividende

The company is planning to distribute 65 percent of the FFO I generated in fiscal 2013 as a dividend.

CONSOLIDATED FINANCIAL STATEMENTS

LEG IMMOBILIEN AG CONSOLIDATED STATEMENT OF FINANCIAL DECEMBER 31, 2012

ASSETS

€ million	NOTE	31.12.2012	31.12.2011
Non-current assets		**5,051.2**	**4,842.6**
Investment property	E.1	4,937.1	4,736.1
Property, plant and equipment	E.2	72.3	75.7
Intangible assets	E.3	5.9	6.3
Investments in associates	E.4	8.3	8.1
Other financial assets	E.5	4.9	5.7
Receivables and other assets	E.6	1.9	2.5
Deferred tax assets	E.15	20.8	8.1
Current assets		**186.6**	**145.8**
Inventory properties and other inventories	E.7	17.4	21.8
Receivables and other assets	E.6	31.3	38.6
Income tax receivables	E.15	2.0	1.2
Cash and cash equivalents	E.8	133.7	81.8
Assets held for sale	E.9	2.2	2.4
Total assets		**5,237.8**	**4,988.4**

EQUITY AND LIABILITIES

€ million	NOTE	31.12.2012	31.12.2011
Equity	E.10	**2,085.5**	**2,145.9**
Share capital		53.0	0.0
Capital reserves		436.1	544.3
Cumulative other reserves		1,571.5	1,226.6
Equity attributable to shareholders of the parent company		2,060.6	1,770.8
Non-controlling interests		24.9	375.1
Non-current liabilities		**2,583.1**	**2,414.2**
Provisions for pensions	E.11	121.5	97.2
Other provisions	E.12	12.2	14.6
Financial liabilities	E.13	2,102.9	1,996.6
Other liabilities	E.14	101.2	51.4
Tax liabilities	E.15	31.4	38.2
Deferred tax liabilities	E.15	213.9	216.3
Current liabilities		**569.2**	**428.3**
Provisions for pensions	E.11	5.8	5.8
Other provisions	E.12	20.1	22.8
Provisions for taxes	E.15	0.1	0.1
Financial liabilities	E.13	396.8	310.0
Other liabilities	E.14	125.5	65.7
Tax liabilities	E.15	20.9	23.8
Liabilities in connection with assets held for disposal	E.9	-	0.1
Total equity and liabilities		**5,237.8**	**4,988.4**

LEG IMMOBILIEN AG CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2012

€ million	NOTE	01.01.-31.12.2012	01.01.-31.12.2011
Net rental and lease income	F.1	**247.7**	**243.7**
Rental and lease income		500.2	499.0
Cost of sales in connection with rental and lease income		-252.5	-255.3
Net income from the disposal of investment property	F.2	**-1.4**	**-0.4**
Income from the disposal of investment property		13.4	16.7
Carrying amount of investment property disposed of		-13.9	-15.4
Cost of sales in connection with investment property disposed of		-0.9	-1.7
Net income from the remeasurement of investment property	F.3	**120.3**	**11.0**
Net income from the disposal of inventory properties	F.4	**-1.8**	**-5.6**
Income from the real estate inventory disposed of		7.6	19.6
Carrying amount of the real estate inventory disposed of		-6.9	-19.9
Cost of sales of the real estate inventory disposed of		-2.5	-5.3
Net income from other services	F.5	**3.0**	**0.8**
Income from other services		14.3	12.4
Expenses in connection with other services		-11.3	-11.6
Administrative and other expenses	F.6	**-59.4**	**-66.6**
Other income and expenses		**1.7**	**0.9**
Operating earnings		**310.1**	**183.8**
Interest income	F.7	1.5	2.8
Interest expenses	F.8	-195.0	-175.0
Net income from investment securities and other equity investments		0.6	1.2
Net income from associates		0.4	2.9
Net income from the fair value measurement of derivatives		-3.1	-6.5
Earnings before income taxes		**114.5**	**9.2**
Income taxes	F.9	-2.4	-24.3
Net profit or loss for the period		**112.1**	**-15.1**
Change in amounts recognized directly in equity			
Fair value adjustment of interest rate derivatives in hedges		**-42.1**	**-18.5**
Change in unrealized gains/losses		-55.8	-23.1
Income taxes on amounts recognized directly in equity		13.7	4.6
Actuarial gains and losses from the measurement of pension obligations		**-17.4**	**-3.5**
Change in unrealized gains/losses		-25.0	-5.1
Income taxes on amounts recognized directly in equity		7.6	1.6
Total comprehensive income		**52.6**	**-37.1**
Net profit or loss for the period attributable to:			
Non-controlling interests		17.7	-3.6
Parent shareholders		94.4	-11.5
Total comprehensive income attributable to:			
Non-controlling interests		8.4	-7.4
Parent shareholders		44.2	-29.7
Earnings per share (basic and diluted) in €	F.10	**5.9**	**-0.8**

LEG IMMOBILIEN AG
CONSOLIDATED STATEMENT OF CASH FLOWS
DECEMBER 31, 2012

€ million	NOTE	01.01.-31.12.2012	01.01.-31.12.2011
Earnings before interest and taxes		**308.0**	**181.4**
Depreciation on property, plant and equipment and amortization on intangible assets		8.6	6.6
(Gains)/Losses on the remeasurement of investment property		-120.3	-11.0
(Gains)/Losses from associates		-0.3	-0.2
(Gains)/Losses on the disposal of assets held for sale and investment property		0.4	-1.3
(Gains)/Losses on the disposal of intangible assets and property, plant and equipment		-0.1	-0.1
(Gains)/Losses on the disposal of investments in associates		-0.0	-2.1
(Reduction)/increase in pension provisions and other non-current provisions		-3.0	-4.5
(Gains)/Losses on the fair value measurement of derivatives		3.1	6.5
Other non-cash income and expenses		-25.1	-23.4
(Reduction)/increase in receivables, inventories and other assets		-7.9	58.2
Reduction/(increase) in liabilities (not including financial liabilities) and provisions		46.6	2.3
Change in deferred taxes in profit or loss		-6.2	-23.0
Interest paid		-91.6	-102.9
Interest received		1.5	2.4
Taxes received		0.6	-
Taxes paid		-10.7	-11.6
Net cash from/(used in) operating activities		**103.6**	**77.3**
Cash flow from investing activities			
Investments in investment property		-94.6	-41.4
Proceeds from disposals of non-current assets held for sale and investment property		13.4	16.7
Investments in intangible assets and property, plant and equipment		-2.5	-6.4
Proceeds from disposals of intangible assets and property, plant and equipment		0.0	0.0
Investments in financial assets and other assets		-	-0.3
Proceeds from disposals of financial assets and other assets		2.7	0.0
Investments in associates		-	-
Proceeds from disposals of associates		0.0	-
Acquisition of shares in consolidated companies		-0.2	0.3
Proceeds from disposals of shares in consolidated companies		0.1	-
Net cash from/(used in) investing activities		**-81.1**	**-31.0**
Cash flow from financing activities			
Borrowing of bank loans		709.4	807.6
Repayment of bank loans		-588.4	-768.6
Repayment of lease liabilities		-2.6	-2.7
Loans from shareholders		-	-
Loan repayments to shareholders		-79.4	-27.6
Capital contributions		-	0.4
Withdrawals from reserves		-	-47.2
Distributions and withdrawals from reserves from non non-controlling interests		-9.6	-9.8
Net cash from/(used in) financing activities		**29.4**	**-48.0**
Change in cash and cash equivalents		**51.9**	**-1.7**
Cash and cash equivalents at beginning of period		81.8	83.6
Cash and cash equivalents at end of period		**133.7**	**81.8**
Composition of cash and cash equivalents			
Cash in hand, bank balances		133.7	81.8
Cash and cash equivalents at end of period		**133.7**	**81.8**

NOTES

A. General information on the consolidated financial statements of LEG Immobilien AG

1. Basic information about the Group

LEG Immobilien AG, Düsseldorf (hereinafter: "LEG Immo"; formerly LEG Immobilien GmbH, formerly Lancaster GmbH & Co. KG), its subsidiary LEG NRW GmbH, Dusseldorf (formerly: LEG Landesentwicklungsgesellschaft Nordrhein-Westfalen GmbH, Dusseldorf, hereinafter: "LEG") and the subsidiaries of the latter company (hereinafter referred to collectively as the "LEG Group") are among the largest housing companies in North Rhine-Westphalia state. As of December 31, 2012, the LEG Group's portfolio consisted of 91,912 units (residential and commercial).

LEG Immo, Hans-Böckler-Strasse 38, 40476 Dusseldorf, Germany, was formed on May 9, 2008 and is entered in the commercial register of the Düsseldorf Local Court under HRB 69386. LEG NRW, the main subsidiary of LEG Immo, was formed in 1970. The company is also domiciled at Hans-Böckler-Strasse 38, 40476 Dusseldorf, Germany, and is entered in the commercial register of the Dusseldorf Local Court under HRB 12200.

LEG Immo and its subsidiaries, acting as an integrated real estate company, pusue the long-term, growth-oriented management of their residential property portfolio, including the strategic acquisition of housing portfolios for long-term value growth.

Effective August 29, 2008, Lancaster GmbH & Co. KG acquired a majority of the shares in LEG from Beteiligungsverwaltungsgesellschaft des Landes Nordrhein-Westfalen and NRW-Bank, Anstalt des öffentlichen Rechts.

The sole general partner of Lancaster GmbH & Co. KG was Lancaster Holding GmbH, Dusseldorf, which was formed in May 2008 and which was also responsible for the management of Lancaster GmbH & Co. KG. The company's share capital amounted to €25 thousand. The limited partner of Lancaster GmbH & Co. KG was Saturea B.V. Amsterdam, Netherlands, with a fixed capital contribution of €1 thousand. The sole shareholder of Saturea B.V. is Restio B.V., Amsterdam, Netherlands.

A change of legal form and the renaming of Lancaster GmbH & Co. KG as LEG Immobilien GmbH were entered in the commercial register on November 28, 2012.

By way of entry in the commercial register on January 11, 2013, LEG Immobilien GmbH underwent a change in legal form and was renamed LEG Immobilien AG.

LEG Immo went public on February 1, 2013, with the initial listing of its shares in the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange. Further information can be found in section I.12.

The present consolidated financial statements were approved for publication by LEG Immo's management on March 28, 2013.

2. Consolidated financial statements

The consolidated financial statements of the LEG Group have been prepared in accordance with the

The consolidated financial statements of the LEG Group for the year ended December 2012 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) as required to be applied in the European Union. The consolidated financial statements have been prepared in accordance with the provisions of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council dated July 19, 2002, concerning the application of international accounting standards in conjunction with section 315a (3) of the German Commercial Code (HGB) and the additional provisions of the HGB.

Individual items of the statement of comprehensive income and the statement of financial position have been aggregated to improve the clarity of presentation. These items are discussed in the notes to the consolidated financial statements. The statement of comprehensive income is classified using the cost of sales method.

The consolidated financial statements have been prepared in Euro. Unless otherwise indicated, all amounts are shown in millions of Euro (€million).

The consolidated financial statements are prepared on the basis of the recognition of assets and liabilities at amortised cost. This does not include investment property, securities held for sale and derivative financial instruments, which are carried at their fair value as of the end of the reporting period.

The consolidated financial statements and the Group management report are published in the electronic Bundesanzeiger (Federal Gazette).

The preparation of consolidated financial statements in accordance with the IFRS requires estimates and judgments on the part of the management. Areas with greater scope for judgment or areas in which assumptions and estimates are of material importance to the consolidated financial statements are listed in notes D.21 and D.22.

The consolidated financial statements of LEG Immo constitute exempting consolidated financial statements within the meaning of section 291 HGB for LEG NRW GmbH, Ruhr-Lippe Wohnungsgesellschaft mbH and Wohnungsgesellschaft Münsterland mbH. These companies are not required to prepare subgroup financial statements as they are included in the consolidated financial statements of LEG Immo, no minority shareholders have applied for the preparation of consolidated financial statements and a Group management report has been submitted by minority shareholders in accordance with section 291 (3) sentence 1 no. 2 HGB, and the other conditions of section 291 (2) no. 2 and no. 3 HGB have been met.

No subsidiaries have exercised the exemption provisions set out in section 264 (3) HGB or section 264b HGB.

B. New accounting standards

1. International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) that have been published but that are not yet required to be applied

Amendments to the following standards have been adopted:

The section of IFRS 9 “Financial Instruments” published in November 2009 provides new guidance on the classification and measurement of financial assets. In future, there will be only two measurement categories (amortised cost and fair value). The expanded section published in October 2010 describes the classification and measurement of financial liabilities. Most of the existing provisions of IAS 39 are taken over. There is a change for financial liabilities measured at fair value. In November 2012, the IASB published a draft proposing the introduction of an additional measurement category for debt securities. The amendments are required to be applied for reporting periods beginning on or after January 1, 2015. The LEG Group is currently investigating the precise consequences in terms of recognition and measurement.

In December 2010, the IASB published the amended IFRS 1 “First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”. The amendment is required to be applied in the EU for reporting periods beginning on or after January 1, 2013. It is not expected to have an impact on the LEG Group.

The publication of IFRS 13 “Fair Value Measurement” in May 2011 defines uniform regulations for fair value measurement and the mandatory disclosures on fair value measurement in the notes to the financial statements. The required disclosures will be expanded. The standard is required to be applied for reporting periods beginning on or after January 1, 2013. The amendments will have an impact on the disclosures in the notes to LEG Immo’s consolidated financial statements.

In May 2011, the IASB published the amended IAS 27 “Separate Financial Statements”. Following the adoption of IFRS 10 and IFRS 12, the scope of IAS 27 is limited to the recognition of investments in subsidiaries, associates and joint ventures in single-entity financial statements. The standard provides for first-time application in the EU for reporting periods beginning on or after January 1, 2014. It is not expected to have a major impact on the LEG Group.

In May 2011, the IASB published IFRS 10 “Consolidated Financial Statements”. The standard supersedes the provisions of IAS 27 on group accounting and the provisions of SIC-12 on the consolidation of special purpose entities. The standard provides for first-time application in the EU for reporting periods beginning on or after January 1, 2014. It is not expected to have a major impact on the LEG Group.

IFRS 11 “Joint Arrangements”, which was published by the IASB in May 2011, supersedes the provisions of IAS 31 and SIC-13. The standard provides for first-time application in the EU for reporting periods beginning on or after January 1, 2014. It will not have an impact on the LEG Group.

The IASB also published IFRS 12 “Disclosure of Interest in Other Entities” in May 2011. In future, IFRS 12 will provide uniform guidance for the information to be disclosed as part of group accounting. The standard provides for first-time application in the EU for reporting periods beginning on or after January 1, 2014. It is expected to have an impact on the LEG Group.

The amended IAS 28 “Investments in Associates and Joint Ventures” was also published in May 2011. The amended IAS 28 is required to be applied in the EU for reporting periods beginning on or after January 1, 2014. It is not expected to have a major impact on the LEG Group’s financial statements.

The amendment to IAS 1 “Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income” in June 2011 introduced new provisions for the presentation of items of other comprehensive income. The amendments to IAS 1 are required to be applied for reporting periods beginning on or after July 1, 2012. They will not affect the net assets, financial position and results of operations of the Group.

IAS 19 “Employee Benefits” was comprehensively revised in June 2011. One fundamental change relates to the abolition of the corridor method for the recognition of actuarial gains and losses. In future, actuarial gains and losses will be required to be recogniserecognised directly in other comprehensive income. In addition, there is a change to the classification of termination benefits. There will also be changes to the future disclosure requirements. The amendments to IAS 19 are required to be applied in the EU for reporting periods beginning on or after January 1, 2013. The LEG Group already reports actuarial gains and losses in other comprehensive income. This means that the amendments will have only a minor effect on LEG Immo’s consolidated statement of financial position and consolidated statement of comprehensive income, largely in connection with partial retirement agreements.

IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine” was published in October 2011. IFRIC 20 is required to be applied in the EU for reporting periods beginning on or after January 1, 2013 and is not relevant for the LEG Group.

In addition, the revised IAS 12 “Income Taxes: Deferred Tax - Recovery of Underlying Assets” was published in December 2011. For investment property carried at fair value in accordance with IAS 40, this amendment introduces the rebuttable presumption that realization will take the form of disposal. The amended IAS 12 is required to be applied in the EU for reporting periods beginning on or after January 1, 2013. It will not have an impact on the LEG Group.

The amendments to IAS 32 “Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities” and IFRS 7 “Financial Instruments: Disclosures” that were published in December 2011 serve to clarify the conditions for the offsetting of financial instruments. The amendment to IAS 32 is required to be applied in the EU for reporting periods beginning on or after January 1, 2014, while the amendment to IFRS 7 is required to be applied from January 1, 2013. The LEG Group does not expect this to have a material impact in terms of recognition and measurement.

In March 2012, IFRS 1 was amended with regard to the accounting treatment of government loans at below-market interest rates. The amendment is required to be applied for reporting periods beginning on or after January 1, 2013, and is not relevant as the LEG Group is no longer a first-time IFRS adopter as of the application date of January 1, 2013.

The annual Improvements to IFRS (2009-2011) were published in May 2012. These are required to be applied for reporting periods beginning on or after January 1, 2013. They will not have an impact on the LEG Group’s consolidated financial statements.

In June 2012, the IASB published an amendment to the transition provisions for the first-time application of IFRS 10, IFRS 11 and IFRS 12: “Transition Guidance”. Under the new provisions, the assessment of control is performed on the date of first-time application and not from the start of the comparative prior period. Furthermore, it is no longer necessary to disclose comparative information on unconsolidated structured entities. The amendment is required to be applied for reporting periods beginning on or after January 1, 2013. It is expected to have an impact on the LEG Group.

The amendments to IFRS 10, IFRS 12 and IAS 27 concerning investment entities that were published in October 2012 are required to be applied for reporting periods beginning on or after January 1, 2014. The amendments require that investment entities recognise their investments in subsidiaries in accordance with IAS 39 rather than IFRS 10 or IFRS 12. Special disclosure requirements for investment entities are also introduced in accordance with IFRS 12. It is not expected to have an impact on the LEG Group.

2. International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) required to be applied for the first time

The amendments to IFRS 7 "Financial Instruments: Disclosures: Transfer of Financial Assets" published in October 2010 introduce additional disclosure requirements for the transfer of financial assets. They are intended to enable an improved understanding of the impact of the risks remaining with the reporting entity and the rights and obligations retained and assumed. The amendment is required to be applied in the EU for reporting periods beginning on or after July 1, 2011. First-time application has not had an impact on recognition and measurement at the Group. The only change relates to the disclosures in the notes to the consolidated financial statements.

C. Basis of consolidation and consolidation methods

1. Consolidation methods

a) Subsidiaries

The consolidated financial statements of the LEG Group contain all material subsidiaries over which LEG Immo has the power to govern the financial and operating policies, either directly or indirectly. Subsidiaries are consolidated from the date on which LEG Immo first obtains control. For LEG Group subsidiaries, control is deemed to exist when LEG Immo holds a majority of the voting rights, either directly or indirectly. Subsidiaries are deconsolidated as soon as LEG Immo no longer has control.

The financial statements of subsidiaries are prepared using uniform accounting policies and the same reporting date as LEG Immo's financial statements.

Capital consolidation is performed using the acquisition method, under which the consideration transferred is offset against the proportionate share in the equity of the acquired entity. Under the acquisition method, the equity of the acquired entity at the acquisition date is calculated taking into account the fair values of the identifiable assets, liabilities and contingent liabilities, deferred taxes and any goodwill at this date.

Non-controlling interests represent the portion of earnings and net assets that is not attributable to the shareholders of LEG Immo. Non-controlling interests are presented separately in the consolidated statement of comprehensive income and the consolidated statement of financial position. In the consolidated statement of financial position, non-controlling interests are presented within equity as a separate item from the equity attributable to the shareholders of the parent company.

All intragroup receivables and liabilities, income and expenses and gains and losses from intragroup transactions are eliminated.

b) Associates

Associates are equity interests whose financial and business policy can be significantly influenced by the LEG Group. Significant influence is presumed when LEG Immo holds between 20 percent and 50 percent of the voting rights in the respective company, either directly or indirectly, unless it can be clearly demonstrated that this is not the case.

Associates are accounted for using the equity method. Under the equity method, investments in associates are recognised at cost, and the carrying amount is adjusted for changes in the LEG Group's interest in the net assets of the associate and any impairment losses.

Losses from associates in excess of the carrying amount of the investment or other long-term receivables from the financing of the respective associate are not recognised unless there is an obligation to make additional payments.

Due to their immateriality for the net assets, financial position and results of operations of the Group, certain individual associates are carried at fair value or, if the fair value cannot be reliably determined for unlisted equity instruments, at cost and presented in other non-current financial assets.

A list of the LEG Group's shareholdings can be found in section J.

2. Changes in the Group

a) Subsidiaries

The scope of consolidation of the LEG Group developed as follows:

NUMBER OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

	2012	2011
As of January 1	**40**	**36**
Additions	4	3
Additions due to change in method of consolidation	-	1
Disposals	-4	-
As of December 31	**40**	**40**

Rote Rose GmbH & Co. KG was consolidated for the first time effective November 30, 2012. With shareholder resolution dated November 30, 2012, the shareholders of Rote Rose GmbH & Co. KG, Perry Luxco RE S.ar.l. and Saturea B.V., contributed a total of 94.9 percent of the shares of the company to LEG Immo as a non-cash contribution. This resulted in a reduction in non-controlling interests at LEG Immo. Further details can be found in section E.10.

The balance sheet of Rote Rose GmbH & Co. KG as of the contribution date November 30, 2012, was composed as follows:

ASSETS	
€ million	30.11.2012
Non-current assets	**118.1**
Investments in affiliates	118.1
Total assets	**118.1**

EQUITY AND LIABILITIES	
€ million	30.11.2012
Equity	**99.5**
Share capital	0.0
Capital reserves	92.8
Other reserves	6.7
Current liabilities	**18.6**
Other liabilities	18.6
Total equity and liabilities	**118.1**

In addition, LEG Wohnen Bocholt GmbH was consolidated for the first time effective December 1, 2012. The company was formed in connection with the acquisition of a property portfolio. Further details can be found in section E.1.

The other additions relate to LEG Wohnen Immobilien GmbH & Co. KG and Ruhr-Lippe Wohnungsgesellschaft & Immobilien GmbH & Co. KG, each of which was formed as a result of the spin-off of a property portfolio to form a limited partnership. These additions did not lead to any changes in the consolidated statement of financial position.

The disposals relate to LEG Wohnen Beteiligungsgesellschaft mbH, GWN Beteiligungsgesellschaft mbH and LEG Immobilien GmbH & Co. KG, which were merged into fully consolidated subsidiaries. In addition, LEG Betreuung von Wohneigentum GmbH was sold. This company was already presented in assets held for sale in the consolidated financial statements for the year ended December 31, 2011.

b) Associates

The following table shows the development of associates accounted for using the equity method:

NUMBER OF ASSOSIATES ACCOUNTED FOR USING THE EQUITY METHOD	2012	2011
As of January 1	**5**	**7**
Disposals	-1	-2
As of December 31	**4**	**5**

c) Assets held for sale – companies sold

LEG Eichholz GmbH, Cologne, is presented in assets held for sale in the amount of €0.6 million. The shares in this subsidiary, which is not fully consolidated, were previously reported in other non-current assets in the amount of €1.2 million. They were revalued to the expected selling price of €0.6 million in 2012 and reclassified to assets held for sale.

Details on the composition of this item can be found in section E.9.

D. Accounting policies

1. Investment property

Investment property consists of the LEG Group's properties that are held to earn rentals or for capital appreciation or both, rather than for owner occupance or sale in the ordinary course of business. Investment property includes land with residential and commercial buildings, undeveloped land, land with transferable leasehold land interest, parking spaces and garages.

In accordance with IFRS 5, investment property that is held for sale and that is highly likely to be sold within the next 12 months is presented in assets held for sale under current assets. Measurement is consistent with the measurement of investment property.

Properties that are both used by the LEG Group and rented to third parties are separated to the extent that it is legally possible to separate the respective property and neither the owner-occupied portion nor the portion rented to third parties are immaterial. The portion rented to third parties is allocated to investment property, while the owner-occupied portion is presented in property, plant and equipment. The ratio of the respective areas is applied in allocating the components.

Property is transferred from investment property when there is a change in use evidenced by the commencement of owner-occupancy or the development with a view to sale.

On acquisition investment property is recognised at cost plus corresponding ancillary transaction costs. In accordance with the option provided by IAS 40, investment property is subsequently carried at fair value. Changes to the fair value are recognised in profit or loss for the period in which they occur.

Individual units are sold to tenants, owner-occupants and private investors as part of portfolio optimization measures.

Subsequent costs for extension, partial replacement or maintenance of properties (IAS 40.17) are capitalised if they constitute the replacement of parts of a unit in accordance with the component approach (IAS 40.19) and the costs can be reliably determined. In addition, such costs are capitalised if the activities will result in increased future benefits and the costs can be reliably determined. Capitalised costs are not amortiseddepreciated, as scheduled depreciation is not generally performed in connection with the fair value option provided by IAS 40.

Fair values are calculated internally by LEG Immo. In the fiscal year ended December 31, 2012, the fair values calculated by LEG Immo were checked for plausibility entirely (100 percent) by a third-party expert. In future, this plausibility check will be performed annually for the entire portfolio (100 percent). The properties are reviewed individually at the level of individual building entrances in terms of their location, condition, fixtures and fittings, current contractual rent and potential for development. The fair values calculated by LEG Immo correspond to the IFRS market values, i.e. the amount for which the respective property could be exchanged between knowledgeable, willing parties in an arm's-length transaction (IAS 40.5 rev.).

The fair values of investment property and properties held for sale are calculated on the basis of the forecast net cash flows from property management using the discounted cash flow (DCF) method. For properties with no positive net cash flow (generally vacant buildings), the fair value is calculated using a liquidation value method. Undeveloped land is generally valued on the basis of an indirect comparison of indicative land values.

DCF method applies a detailed planning period of ten years. After the end of the tenth year, a sales value is recognised that is calculated by capitalising the forecast annual net profit for the eleventh period. The contractually agreed rental income for the respective property and other property-specific value parameters are applied in the first year of the detailed planning period.

The average monthly net rent excluding heating for the rented properties in the property portfolio (referring here and hereinafter to both investment property and properties held for sale) amounted to €4.87 per m² as of the end of the reporting period (2011: €4.72 per m²). The future development of annual rent was projected on the basis of individual assumptions for the planning period. A distinction was made between rental income from existing tenancies and new lettings due to forecasted fluctuation. During the detailed planning period market rent increases annually at an individually determined rate. For new lettings, rent in the amount of the assumed market rent is applied. Market rent growth applied varies from zero percent and two percent depending on the assessment of the respective market and property. Rent from existing tenancies are projected on the basis of the statutory environment and the assessment of the respective market and property; and are assumed to converge with the overall development of the market over time. The vacancy rate in terms of rental space amounted to 3.4 percent on measurement date (2011: 3.9 percent). The assumptions with regard to the future development of the vacancy rate are based on the location and individual property characteristics.

Publicly subsidized properties are treated differently depending on the existence and duration of potential rent control. If rent control is set to end within the ten-year detailed planning period, a rent adjustment towards the market rent is recognised for the subsequent year, taking into account the statutory requirements. For the remaining subsidized properties, for which rent control will expire by 2081 at the latest, a discount on the capitalization rate was recogniserecognised depending on the remaining duration of the rent control.

Average annual maintenance costs of €10.45 per m² are applied for reactive and periodical maintenance measures depending on the condition and year of construction of the respective property (2011: €11.17 per m²). The valuation model for investment property was refined further in 2012 thanks to continued improvement in the available information on the lifecycle of the individual properties. These changes had little to no influence on the results of portfolio valuation. The refinement leads to allocation of maintenance costs to the correct periods, leading to an increase in capitalization rate and a reduction in the assumed maintenance costs, among other things.

Administrative costs are applied at a flat rate per residential unit (€264.31 p.a.) and per parking space or garage parking space (€34.47 p.a.). For residential buildings with a commercial component or another type of use, administrative costs for the non-residential component are recogniserecognisedapplied in the amount of 1 percent (2011: 1 percent) of gross commercial income.

Around 1,66 percent (2011: 1.56 percent) of the units in the Group's portfolio are classified as commercial properties. In some cases, these properties may also contain residential units, but they are characterized by their primarily commercial character. Due to the differing rent terms and market conditions compared with the residential portfolio, these properties are also subject to different assumptions with regard to the key parameters affecting their value.

The average rent of the properties is €6.64 per m² (2011: €6.68 per m²), with average maintenance costs of €7.68 per m² (2011: €8.06 per m²) during the detailed planning period. The vacancy rate in terms on usable space amounted to 9.6 percent on measurement date period (2011: 9.2 percent). Administrative costs are recogniserecognisedapplied at a rate of 1 percent (2011: 1 percent) of gross commercial income.

Cash flows are discounted using standard market discount rates with matching maturities, giving a weighted average rate of 6.09 percent (weighted average; 2011: 6.15 percent) and standard market capitalisation rates for perpetuals, giving a weighted average of 6.54 percent (weighted average; 2011: 5.83 percent); this takes into account the property-specific management cost ratio and reflects the individual risk/opportunity profile of the respective property. In addition to location criteria, the determination of an appropriate interest rate takes into account the property type, property condition, age, potential rental growth, the forecast for the location and potential government subsidies in particular. The change between 2011 and 2012 is primarily attributable to the recognition of the positive market development due to improved operating business in the form of rent increases and reductions in vacancy rates and the impact of these developments on the discount rates applied.

With the acquisition of the shares in LEG from Beteiligungsverwaltungsgesellschaft des Landes Nordrhein-Westfalen and NRW-Bank, Anstalt des öffentlichen Rechts, effective August 29, 2008, the LEG Group undertook to uphold social conditions including compliance with the usual provisions on tenant protection and safeguarding the relevant property portfolio.

These social conditions include the following obligations:

Under the terms of the Social Charter, tenants have a right of first refusal at preferential conditions in certain cases. Planned sales of rented buildings or complexes with more than one rented residential unit may only be conducted if certain conditions are met.

In some cases, the operating companies of the LEG Group are subject to restrictions on rent increases with respect to certain tenants with rights of first refusaland in connection with assistance in the form of loans at below-market rates of interest or investment subsidies. Legal requirements with regard to privatisation of residential properties must also be observed. The LEG-Group is required to spend a predetermined average amount per square meter on maintenance and improvement measures. Certain parts of the portfolio are also subject to unconditional restrictions on sale.

2. Property, plant and equipment

Property, plant and equipment is carried at cost and depreciated on a straight-line basis over its expected economic life. Subsequent expenditure is capitalised if this serves to increase the value in use of the respective item. The useful lives and residual values are examined annually and adjusted as necessary.

Any subsidies received are deducted in calculating cost.

Depreciation is performed using the following useful lives, which are applied uniformly throughout the Group:

USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT

in years	2012	2011
Owner-occupied residential property	80	80
owner-occupied commercial property	50	50
Technical equipment and machinery/ Other office and operating equipment	5 bis 23	5 bis 15

The carrying amounts of property, plant and equipment are tested for impairment as soon as there are indications that the carrying amount of an asset may exceed its recoverable amount.

Property, plant and equipment is derecognised when sold or when no further economic benefit is expected from the continued use or the sale of the asset. The gains or losses resulting from derecognition of the asset are recognised directly in profit or loss in the consolidated statement of comprehensive income.

In accordance with the tax regulation on the depreciation of low-value assets that has been in place since January 2010, low-value assets with a net value of up to €150 or less are written off in full in the year of their acquisition. Assets with a net value of between €150.01 and €1,000 are assigned to an omnibus item and depreciated on a straight-line basis over a period of five years. Deviations from the economic life of the respective assets are considered to be immaterial.

3. Intangible assets

Acquired intangible assets are carried at cost. This relates to software licenses with a defined useful life. Software licenses are amortised on a straight-line basis over an expected economic life of between three and five years from the date on which they are provided.

The following principles are applied to the recognition of internally generated intangible assetsrecogniserecognised:

Development costs that are directly allocated to the development and testing of identifiable individual software products controlled by the are recognised as intangible assets if the recognition criteria set out in IAS 38 are met.

Development costs not meeting these criteria are expensed in the period in which they are incurred. Development costs that have already been expensed may not be capitalised in a subsequent period.

Capitalised development costs for software are amortised on a straight-line basis over their estimated useful lives (maximum five years).

4. Impairment of non-financial assets

Within the LEG Group, intangible assets and property, plant and equipment are tested for impairment annually in accordance with IAS 36 in order to determine whether recognisethere is evidence of potential impairment. If such evidence exists, the recoverable amount for the respective asset is calculated; this being the higher of its fair value less costs to sell and its value in use. A standard pre-tax interest rate is applied.

In the year under review, there was no need to perform impairment testing for intangible assets or property, plant and equipment as no triggering events occurred.

Investment property is not subject to impairment testing in accordance with IAS 36 as it is carried at fair value.

If the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recogniserecognised immediately in profit or loss.

5. Other financial assets

The LEG Group recognises financial assets at the trade date.

In accordance with IAS 39, subsidiaries that are not consolidated due to immateriality are classified as available-for-sale financial assets for valuation purposes.

Available-for-sale financial assets are carried at their fair value as of the end of the reporting period or, if this cannot be reliably determined, at cost. Shares in unconsolidated subsidiaries or subsidiaries recognised using the equity method are not publicly listed. Due to the significant volatility and the lack of an active market, the fair value of these instruments cannot be reliably determined. There is not currently any intention to sell these shares in the near future.

AfS financial instruments are recognised at fair value on acquisition.

Gains and losses on subsequent fair value measurement are recognised directly in equity (cumulative other reserves).

On disposal of a financial asset, the cumulative net gain or loss on remeasurement previously recognised in other reserves is reversed and recognised in profit or loss in the statement of comprehensive income.

If the value of a financial asset is subject to an impairment, an adjustment to in the amount of the respective impairment is recognised in profit or loss. When an impairment is reversed, the respective amount is recogniserecognised in profit or loss for debt instruments and recognised directly in equity for equity instruments. Impairments may not be reversed in the case of AfS instruments carried at cost; any impairments are recognised in profit or loss.

6. Accounting for leases as the lessee

Leased assets for which the economic ownership lies with the LEG Group (finance leases in accordance with IAS 17) are recogniserecognised as non-current assets at the lower of the present value of minimum lease payments or the fair value of the leased property and are depreciated on a straight-line basis. The depreciation period is the shorter of the lease term and the useful life of the asset. In cases where ownership of the asset is transferred to the LEG Group at the end of the lease term, the depreciation period is the economic life of the asset. A corresponding liability is recogniserecognised in the amount of the present value of the future minimum lease payments. Repayments net of finance charge serve to reduce the liability in subsequent periods.

Leases under which economic ownership does not lie with the LEG Group are classified as operating leases. The expenses resulting from these leases are recognised in profit or loss when the respective leased assets are used.

7. Accounting for leases as the lessor

As a matter of principle, the relevant statutory provisions require that rental agreements for residential properties provide tenants with an option to terminate the agreement at short-notice. In accordance with IAS 17, these agreements are classified as operating leases as substantially the risks and rewards incident to ownership remain with the LEG Group. The same applies for the current agreements for commercial property.

Income from operating leases is recognised in the statement of comprehensive income in rental and letting income on a straight-line basis over the term of the respective leases.

8. Inventories properties and other inventories

Other inventories are carried at cost, which is calculated on the basis of the allocable direct costs for service provision plus production-related overheads. Inventories are carried at the lower of cost and net realizable value as of the end of the reporting period. Details on the accounting treatment of borrowing costs can be found in section D.20.

9. Receivables and other assets

On initial recognition, trade receivables and other financial assets are recognisecarried at their fair value plus transaction. They are measured at amortised cost in subsequent periods.

Potential default risks are recognised in the form of appropriate valuation adjustments based on past experience and individual risk assessments, taking into account the forecasted net cash flows. For financial instruments carried at amortised cost, a distinction is made between specific valuation allowances and portfolio-based valuation allowances.

Portfolio-based allowances are used to recognise impairments on financial assets, for which it is unlikely that all of the contractually agreed payments (interest and/or principal) will be achieved on maturity.

10. Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits, other short-term, highly liquid financial assets with original maturities of three months or less, and bank overdrafts. Utilized bank overdrafts are shown in the consolidated statement of financial position in current financial liabilities.

11. Assets held for sale

In addition to individual non-current assets, assets held for sale may include groups of assets (disposal groups) or components of entities (discontinued operations) if their sale is considered to be highly probable within the next twelve months. For classification in accordance with IFRS 5 the asset or disposal group must be available for immediate sale in its present condition at conditions subject only to terms that are usual and customary for sale of such assets or disposal groups.

Liabilities disposed in directly associated with the planned disposal form part of the disposal group or the discontinued operations and are also presented separately.

In accordance with IFRS 5, assets held for sale are stated at the lower of carrying amount and fair value less costs to sell. Items of investment property classified as assets held for sale are measured at fair value in accordance with IAS 40.

12. Provisions for pensions

Pension and similar obligations result from commitments to employees. Obligations under defined benefit plans are measured using the projected unit credit method, taking into account pensions and benefits as of the end of the reporting period as well as expected future salary and pension increases. The biometric basis is provided by the 2005G mortality tables published by Dr. Klaus Heubeck.

The Group has both defined benefit and defined contribution plans. The amount of the pension benefits payable under defined benefit plans is based on the qualifying period of employment and the pensionable income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited directly to equity in cumulative other reserves in the period in which they arise. No past service costs were incurred in the current fiscal year or the previous fiscal year. The interest effect included in pension expenses is shown in interest expense in the consolidated statement of comprehensive income. Past service costs are shown under operating result in the individual functions.

13. Other provisions

Other provisions are recognised if the LEG Group has a present legal or constructive obligation as a result of past events to make payments that is likely to be settled by an outflow of resources embodying economic benefits that can be reliably determined. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Non-current provisions are carried at their discounted settlement amount at the reporting date on the basis of corresponding market interest rates with matching maturities. The previously unutilized "EK 02" taxable equity is discounted using the applicable tax discount rate of 5.5 percent.

14. Financial liabilities

On initial recognition, financial liabilities are recognised at their fair value plus transaction costs and adjusted for any premiums and discounts. The fair value at the grant date corresponds to the present value of future payment obligations based on a market interest rate with matching maturity and risk.

In subsequent periods financial liabilities are measured amortised cost using the effective interest method. The effective interest rate is determined at initial recognition of the financial liability .

Changes in terms affecting the amount and timing of interest and principal payments result in remeasurement of the carrying amount of the liability in the amount of the present value on the basis of the effective interest rate originally calculated. Any differences compared to the previous carrying amount are recognised in profit or loss. If changes in terms lead to significant differences in contractual conditions in accordance with IAS 39.AG 62, the original liability is treated as if it had been repaid in full in accordance with IAS 39.40 and a new liability is recognised at fair value.

15. Derivative financial instruments

The LEG Group uses derivative financial instruments to hedge interest rate risks arising from real estate financing.

Derivative financial instruments are carried at fair value. Changes in the fair value of derivatives are recognised in profit or loss unless the respective instruments are designated as hedging instrument in accordance with IAS 39. Derivatives used as hedging instruments are used to hedge uncertain future cash flows, including highly probable forecast transactions. The LEG Group is exposed to future cash flow risks as a result of floating-rate financial liabilities in particular. Derivative financial instruments designated as hedging instruments are carried at fair value.

Changes in fair value are divided into an effective and an ineffective portion. Effectiveness is determined using the dollar offset method. The effective portion is the portion of the gain or loss on remeasurement that represents an effective hedge against the cash flow risk. The effective portion, net of deferred taxes, is recognised directly in cumulative other reserves in equity.

The ineffective portion of the gain or loss on remeasurement is presented in net interest income in the consolidated statement of comprehensive income. At the end of the hedge, the amounts recognised directly in equity are transferred to the consolidated statement of comprehensive income if gains or losses in connection with the former underlying are recognised in profit or loss.

16. Fair values of financial instruments

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

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 calculated using the reference interest rates as of the end of the reporting period.

In the case of financial instruments at fair value, the fair value is generally calculated on the basis of correspondingthe discounted cash flow method, with individual credit ratings and other market conditions taken into account by applying standard credit rating or liquidity spreads when calculating the 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. Accordingly, derivatives are assigned to level 2 of the fair value hierarchy set out in IFRS 7.27A (measurement on the basis of observable input data).

17. Recognition of income and expenses

Income is recognised when it is probable that the economic benefit will flow to the LEG Group and the amount of the income can be reliably determined. The following recognition criteria must also be met in order for income to be recongnised:

a) Rental and lease income

Income from rental and lease of properties for which the corresponding rental and lease agreements are classified as operating leases is recognised on a straight-line basis over the term of the respective leases agreement. When incentives to tenants are provided, the cost of incentive is recognised over the lease term, on a straight-line basis, as a reduction of rental and lease income.

Rental and lease income also includes tenant payments for utilities and service charges if the costs and the amount of the income can be reliably determined and the services have been provided.

b) Income from the disposal of investment property

Income from the disposal of investment property is recognised when the LEG Group transfers substantially all the risks and rewards incident to ownership to the buyer. A transfer is generally assumed to take place when the LEG Group transfers title and effective control of the sold property to the buyer and it is probable that the income from the disposal will flow to the LEG Group.

By contrast, income is not recognised if the LEG Group assumes yield guarantees, provides rights of return to the buyer or enters into other material obligations with respect to the buyer that prevent the transfer of risks and rewards of ownership to the buyer.

c) Income from other services

Income from the rendering of service projects is recognised in the period in which the service is provided. This is determined in accordance with the percentage of completion of the respective project and the ratio of the services rendered as of the end of the reporting period to the total services to be provided.

Income from third-party management is only recognised once the corresponding services have been rendered.

d) Interest income

Interest income is recognised using the effective interest method in the period in which it arises.

e) Dividend income

Dividend income is recognised when the right to receive the respective payment arises.

f) Expenses

Operating expenses are recognised in profit or loss when the respective service is utilized or the expenses are caused.

18. Government grants

Government grants within the meaning of IAS 20 are recognised if there is reasonable assurance that the grants will be received and that the company will comply with the corresponding conditions. Expense-related grants are recognised as income over the period that is expected to be necessary to offset the expenses for which the grants compensate.

The LEG Group has primarily received government grants in the form of loans at below-market rates of interest.

These loans at below-market rates of interest are property loans and are reported as financial liabilities. Compared to regular loans, they provide benefits, such as lower interest rates or periods free of interest and principal payments. The loans were measured at fair value when the company was acquired in 2008 and carried at amortised cost in subsequent periods.

On initial recognition, new investment loans and loans at below-market interest rates are measured at their present value based on the applicable market interest rate at the grant date. The difference between the nominal amount and the present value of the loan is recognised as deferred income and reversed on a straight-line basis over the remaining term of the corresponding loan, which is measured at amortised cost in subsequent periods.

19. Current and deferred taxes

Income tax expense represents the sum of current tax expense and deferred taxes.

Current tax expense is calculated on the basis of the taxable income for the respective year. Taxable income differs from the consolidated net profit for the period as shown in the consolidated statement of comprehensive income due to income and expenses that are only taxable or tax-deductible in future periods, if at all. The Group's liabilities and provisions for current taxes are calculated on the basis of the applicable tax rates.

Deferred taxes are recognised for differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base for the purpose of calculating taxable income. Deferred tax liabilities are generally recognised for all taxable temporary differences, while deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized. Deferred tax assets also include reductions in taxes resulting from the expected utilization of existing tax loss carryforwards (or similar items) in subsequent periods if realisation is assured to a reasonable extent.

In addition, deferred taxes are recognised for outside basis differences if the relevant conditions are met.

The carrying amount of deferred tax assets is examined annually as of the end of the reporting period and adjusted by the amount for which it is no longer probable that sufficient taxable income will be available to realise the corresponding deferred tax asset.

Deferred tax liabilities and deferred tax assets are calculated on the basis of the tax rates (and tax legislation) that are expected to be in force when the liability is settled or the asset is realised. This is based on the tax legislation in force or adopted by the Bundestag (Lower House of the German Parliament) and, where applicable, the Bundesrat (Upper House of the German Parliament) as of the end of the reporting. The measurement of deferred tax assets and liabilities reflects the tax consequences arising from the manner in which the Group expects to settle the deferred tax liabilities or realize the deferred tax assets as of the end of the reporting period.

Current or deferred taxes are recognised in profit or loss unless they relate to items that are recognised in other comprehensive income or recognised directly in equity. In this case, the corresponding current and deferred taxes are recognised in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same tax authority and to the same taxable entity.

20. Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. For inventories in accordance with IAS 2, borrowing costs are capitalised in case of qualifying assets exist. The same applies for property, plant and equipment and intangible assets.

21. Judgments

The management is required to use judgments in applying the accounting policies. This applies in particular to the following items:

- For assets held for sale, it must be determined whether the assets can be sold in their present condition and whether their sale can be considered highly likely within the meaning of IFRS 5. If this is the case, the assets and any corresponding liabilities are reported and measured as assets and liabilities held for sale.
- It must be determined whether property should be classified as inventories or investment property depending on the intended use.
- Buildings that are both owner-occupied and used by third parties must be reported as separate assets in accordance with IAS 16 and IAS 40 unless the owner-occupied component is immaterial.

22. Use of estimates

The preparation of IFRS consolidated financial statements requires assumptions and estimates affecting the carrying amounts of the assets and liabilities recognised, income and expenses and the disclosure of contingent liabilities.

Among other things, these assumptions and estimates relate to:

- Measurement of investment property: Significant measurement parameters include the expected cash flows, the assumed vacancy rate and the discount and capitalisation rates. If market values cannot be derived from transactions including similar properties, measurement is performed using the DCF method, under which future cash flows are discounted to the reporting date. These estimates involve assumptions concerning the future. In light of the large number of properties affected and their geographical spread, individual measurement uncertainties are subject to statistical smoothing. Measurement is performed on the basis of publicly available market data (e.g. property market reports by expert committees, data from the service provider INWIS, etc.) and the extensive knowledge of the LEG Group and its subsidiaries in the respective regional submarkets.

- Recognition and measurement of provisions for pensions and similar obligations: Provisions for pensions and similar obligations are measured on the basis of actuarial calculations, applying assumptions with regard to interest rates, future wage and salary increases, mortality tables and future pension growth.

- Recognition and measurement of other provisions: Recognition and measurement is subject to uncertainty concerning future price growth and the amount, timing and probability of utilization of the respective provision.

- Measurement of financial liabilities: The measurement of financial liabilities depends in particular on estimates of future cash flows and potential changes in terms . Estimates of the company-specific risk premium are also required.

- Recognition of deferred tax assets: Deferred tax assets are recognised if it is probable that future tax benefits will be realised. The actual taxable income in future financial years, and hence the extent to which deferred tax assets can be utilised, may deviate from the estimates made when the deferred tax assets are recognised.

Further information on assumptions and estimates made by management can be found in the disclosures to the individual items of the financial statements. All assumptions and estimates are based on the prevailing circumstances and assessments as of the end of the reporting period.

The estimation of future business development also takes into account the future economic environment that is currently assumed to be realistic in the industries and regions in which the LEG Group is active.

Although the management considers assumptions and estimates apllied to be appropriate, unforeseeable changes to these assumptions could have an impact on the Group’s net assets, financial position and results of operations.

23. Changes in presentation following the introduction of the ERP system

In the current financial, an adjustment was made to the cost of sales method to ensure that cost and performance accounting is presented more accurately. Among other things, IT costs, staff costs and occupancy costs have been more precisely allocated to the individual functions. Due to the introduction of the new ERP system, retrospective adjustments cannot be reliably determined. As a whole, the changes in allocation to the functions are not material. Net profit for the period remains unaffected by the change.

24. Share-based payment (long-term incentive program)

Commitments granted by shareholders to selected employees of the LEG Group are treated as share-based payment by LEG Immo in accordance with IFRS 2. Share-based payments are calculated using financial mathematics techniques based on option pricing models. Options are measured using estimated parameters at the respective grant date. The amount calculated is allocated to the period up until the vesting date recognised in staff cost and in equity (equity-settled plan).

E. Notes to the consolidated statement of financial position

1. Investment property

Investment property developed as follows in the 2012 and 2011 fiscal years:

INVESTMENT PROPERTY

€ million	2012	2011
Carrying amount as of January 1	**4,736.1**	**4,703.1**
Acquisitions	52.5	-
Other additions	41.5	41.4
Reclassified to assets held for sale	-13.1	-16.4
Reclassified to real inventory properties	-	-2.3
Reclassified to property, plant and equipment	-0.3	-0.9
Reclassified from property, plant and equipment	0.1	0.2
Fair value adjustment	120.3	11.0
Carrying amount as of December 31	**4,937.1**	**4,736.1**

By way of a purchase agreement dated October 19, 2012, LEG Wohnen Bocholt GmbH acquired around 1,244 residential units, nine commercial units and 400 garages and parking spaces from GBH Acquisition GmbH. This transaction is reported in acquisitions for the fiscal year including the corresponding incidental costs of acquisition, among other things.

Development loans were also transferred along with the property portfolio – for more details see E.13. First-time consolidation took place on December 1, 2012.

The acquisition of the property portfolio is treated as a group of assets in the consolidated financial statements. A business within the meaning of IFRS 3.3 was not acquired as there was no transfer of material business processes.

Other additions in the fiscal year primarily relate to investments in existing properties. The largest investments in 2012 took place in Ratingen-West and Gelsenkirchen (Eichkampsiedlung), among others.

Disposals from the residential property portfolio at carrying amounts primarily related to individual sales, although some block sales were also conducted. The units were sold to independent market participants in the course of the ordinary disposal process.

Investment property was composed as follows in the 2012 and 2011 fiscal years:

COMPOSITION OF INVESTMENT PROPERTIES

	31.12.2012		31.12.2011	
€ million	Investment Property	Property held for sale	Investment Property	Property held for sale
Developed land	4,810.3	1.5	4,611.4	2.3
Undeveloped land	22.2	0.1	21.9	-
Other	105.1	0.0	102.8	0.0
Total	**4,937.6**	**1.6**	**4,736.1**	**2.3**

The positive development in fair values in the fiscal year and the previous fiscal year is largely due to the reduction in the discount rate on the back of positive market development, as well as positive development in the Group's operating business in the form of increased actual rent and lower vacancy rates.

As of the reporting date, the LEG Group still expects future fluctuations in fair value to be primarily attributable to factors beyond the Group's control. In particular, this includes the discount rates used in measurement.

The fair values of the developed land (IAS 40/IFRS 5) included in the portfolio as of December 31 would change as follows if the discount rate as of December 31 had been 0.25 percent higher/lower than the actual rate applied:

INVESTMENT PROPERTY/ASSETS HELD FOR SALE

Sensitivity analysis in € million	Discount rate			Discount rate		
Developed land		31.12.2012	31.12.2011		31.12.2012	31.12.2011
	0.00 %	4,811.8	4,613.7	0.25 %	4,622.6	4,421.4
	0.00 %	4,811.8	4,613.7	-0.25 %	5,011.8	4,825.7

Some investment property is let under the terms of commercial rental agreements and leases. These rental agreements and leases generally have a term of ten years and contain extension options for a maximum of two times five years.

The Group also has land with third-party heritable building rights with an original contractual term that is generally between 75 and 99 years.

The rental agreements for residential property concluded by the LEG Group can be terminated by the tenant at any time giving three months' notice to the end of the month. Accordingly, fixed cash flows in the amount of three monthly rents are expected from these rental agreements.

The following amounts are expected to be due over the coming years based on the minimum lease installments for long-term rental agreements for commercial property that were in place as of December 31, 2012:

AMOUNT BASED ON MINIMUM LEASE INSTALLMENTS FOR LONG-TERM RENTAL AGREEMENT

€ million	Remaining term up to 1 year	Remaining term between1 and 5 year	Remaining term more than 5 year	Total
December 31, 2011	12.8	27.7	24.8	**65.3**
31.12.2012	13.7	37.3	26.5	**77.5**

Land with third-party heritable building rights under finance leases had a net carrying amount of €0.3 million as of the end of the reporting period (2011: €0.3 million).

Investment property is used almost exclusively as securities for financial liabilities – for more details see E.13.

2. Property, plant and equipment

This item is used to report land and buildings classified in accordance with IAS 16, technical equipment and office and operating equipment. The development of property, plant and equipment is shown in the consolidated statement of changes in assets (Appendix II).

Assets under finance leases had the following net carrying amounts at the reporting date:

ASSETS UNDER FINANCIAL LEASES

€ million	31.12.2012	31.12.2011
Heat-generating plants	15.6	17.1
Measuring instruments	6.1	5.2
Power lines	1.3	1.4
Hardware	0.1	0.2
Multi-functional printers	0.1	0.1
Others	0.2	-
Total	**23.4**	**24.0**

The reduction of the carrying amount of heating facilities and the other carrying amounts for power lines, hardware and multi-functional printers is due to scheduled depreciation in the year under review. The increase in measuring instruments is due to new agreements concluded in the current fiscal year under review.

3. Intangible assets

The development of intangible assets is shown in the consolidated statement of changes in assets (Annex II).

4. Investments in associates

The following table provides a summary of the financial information for associates accounted for using the equity method:

COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD		
€ million	31.12.2012	31.12.2011
Investments in associates	8.3	8.1
Net income from associates	0.4	2.9

COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD		
€ million	31.12.2012	31.12.2011
Assets (1)	56.6	57.7
Liabilities (1)	35.6	37.1
Group share of net assets	8.3	8.1
	2012	2012
Revenue (1)	7.0	7.2
Gain/(loss) (1)	0.8	0.7
Group share of net profit	0.3	0.3

(1) equivalent to 100% share

Losses at associates are recognized up to a carrying amount of zero. Any losses in excess of this amount are carried forward in an auxiliary account if there is no obligation to make additional payments.

Unrecognized proportionate losses developed as follows:

UNRECOGNIZED PRO RATA LOSSES		
€ million	2012	2011
for period	0.0	0.1
cumulative	0.3	0.2

The carrying amounts were calculated as follows at the respective reporting date:

CARRYING AMOUNTS		
Reconciliation in € million	2012	2011
January 1	**8.1**	**10.5**
Share of profit	0.3	0.2
Disposals	-0.1	-2.6
December 31	**8.3**	**8.1**

5. Other financial assets

Other financial assets are composed as follows:

OTHER FINANCIAL ASSETS		
€ million	31.12.2012	31.12.2011
Shares in related unconsolidated entities	0.1	1.3
Equity investments and shares in associates	2.0	4.1
Other financial assets	2.8	0.3
Total	**4.9**	**5.7**

Details of other financial assets can be found in section I.3.

6. Receivables and other assets

Receivables and other assets are composed as follows:

RECEIVABLES AND OTHER ASSETS		
€ million	31.12.2012	31.12.2011
Trade receivables, gross	27.0	25.2
Allowances	-7.1	-5.4
Total	**19.9**	**19.8**
thereof attributable to rental and leasing	5.1	5.5
thereof attributable to property disposals	4.3	12.3
thereof attributable to other receivables	10.5	2.0
thereof with a remaining term up to one year	18.0	17.4
thereof with a remaining term of between one and five years	1.9	2.3
thereof with a remaining term of more than five years	0.0	0.1
€ million	31.12.2012	31.12.2011
Receivables from uninvoiced operating costs	5.2	7.8
Loans	1.2	6.8
Other financial assets	5.2	5.3
Miscellaneous other assets	1.7	1.4
Total	**13.3**	**21.3**
thereof with a remaining term up to one year	13.3	21.2
thereof with a remaining term of between one and five years	0.0	0.1
thereof with a remaining term of more than five years	-0.0	0.0
Total receivables and other assets	**33.2**	**41.1**

Details of related parties can be found in section I.6.

7. Inventory properties and other inventories

Inventory properties and other inventories are composed as follows:

REAL ESTATE AND OTHER INVENTORIES		
€ million	31.12.2012	31.12.2011
Land with completed buildings	1.4	1.6
Undeveloped land	3.1	1.4
Land under development	11.8	17.0
Other incomplete buildings	0.2	1.7
Other inventories	0.9	0.1
Total	**17.4**	**21.8**

Further information on inventories can be found in the following table:

ADDITIONAL INFORMATION		
€ million	31.12.2012	31.12.2011
Amount of inventories recognized as an expense in the reporting period	7.6	23.3
Amount of inventories with tenancy of more than one year	16.6	19.2

The decrease in inventories expensed in the period under review is due to the winding-up of the Development division and the resulting reduction in revenue, as well as the reclassification of completed properties to investment property.

8. Cash and cash equivalents

CASH AND CASH EQUIVALENTS		
€ million	31.12.2012	31.12.2011
Bank balances	133.6	81.7
Cash in hand	0.1	0.1
Cash and cash equivalents	**133.7**	**81.8**
Balances with restricted access – escrow accounts	0.6	0.7

Bank balances have variable interest rates for overnight deposits. Short-term deposits are made for periods of between one day and three months, depending on the Group's liquidity requirements.

9. Assets held for sale

In accordance with IFRS 5, assets held for sale consist solely of those assets for which a decision on disposal has been made as of the reporting date, the disposal of the property within twelve months of the decision is considered to be highly likely, and active marketing activities have been initiated.

ASSETS HELD FOR SALE		
€ million	2012	2011
Carrying amount as of January 1	**2.4**	**1.3**
Reclassified from investment property	13.1	16.4
Disposal due to sale of land and buildings	-13.9	-15.4
Disposal due to sale of companies	-2.1	-
Other additions	2.7	0.1
Carrying amount as of December 31	**2.2**	**2.4**

The selected properties reported in disposals due to the sale of land and buildings were sold as scheduled in the year under review as part of the LEG Group's sales program. This relates to developed and undeveloped land as well as residential and commercial properties. The largest single item of property sold in the year under review was a developed, unbuilt plot at Grundstückentwicklungsgesellschaft Münsterland in the amount of €2.2 million.

Other additions include the sale of shares in CityPalais KG in the amount of €2.1 million. The shares were sold effective December 31, 2012, resulting in the recognition of a disposal due to the sale of companies in the same amount.

In the fiscal year 2012, it was resolved to sell the investment in "Wesseling-Eichholz" (formerly LEG-Eichholz). The search for a buyer resulted in impairment of €0.6 million to the recoverable amount of €0.6 million and led to the classification of the investment as held for sale (reported in other additions).

The associated assets and liabilities are as follows:

ASSETS HELD FOR SALE		
Mio. €	31.12.2012	31.12.2011
Investment property	**1.6**	**2.3**
Equity investment	0.6	-
Cash and cash equivalents	-	0.1
Assets held for sale	**2.2**	**2.4**

The units were sold to independent market participants in the course of the ordinary disposal process.

10. Equity

The change in equity components is presented in the statement of changes in equity. Please refer to Appendix I.

a) Share capital

Until November 27, 2012, the company had the legal form of a GmbH & Co. KG under German law. The limited partner's interest of Lancaster GmbH & Co. KG amounted to €1,000 and was held by Saturea B.V., Amsterdam, Netherlands. The limited partner's interest was fully paid up.

A change of legal form and the renaming of Lancaster GmbH & Co. KG as LEG Immobilien GmbH was entered in the commercial register on November 28, 2012. At the same date, the share capital was increased by €15.0 million through the conversion of capital reserves to share capital.

By way of a shareholder resolution dated November 30, 2012, two capital increases were resolved by way of non-cash contributions in the form of shares in Rote Rose GmbH & Co. KG. The first capital increase, which was entered in the commercial register on December 12, 2012, increased the share capital by €32.3 million, from €15.0 million to €47.3 million. The second capital increase, which was entered in the commercial register on December 17, 2012, then increased the share capital by a further €5.7 million, from €47.3 million to €53.0 million. As of December 31, 2012, the shareholders of LEG Immo are Saturea B.V. with an interest in the share capital of €47.3 million and Perry Luxco RE S.ar.l. with an interest in the share capital of €5.7 million. Further details can be found in section A.1.

By way of entry in the commercial register on January 11, 2013, LEG Immobilien GmbH underwent a change in legal form and was renamed LEG Immobilien AG. The founders of LEG Immobilien AG are Saturea B.V. and Perry Luxco RE S.ar.l. Details can be found in section I.I.11.

The notifications in accordance with section 160(1) no. 8 AktG can be found in the Appendices IV to VI.

b) Capital reserves

Until November 28, 2012, capital reserves contained the amounts contributed by the limited partner Saturea B.V., Amsterdam, Netherlands.

As a result of the capital increase from company funds, capital reserves decreased by €15.0 million on November 28, 2012.

Saturea B.V. also withdrew €93.2 million from capital reserves in the current fical year.

c) Cumulative other reserves

Cumulative other reserves consist of the Group's retained earnings and other reserves.

Retained earnings are composed of the net profits generated by the companies included in consolidation in prior periods and the current period, to the extent that these have not been distributed.

Other reserves consist of adjustments to the fair values of derivatives used as hedging instruments and actuarial gains and losses from the remeasurement of provisions for pensions.

d) Non-controlling interests

Non-controlling interests primarily relate to Rote Rose GmbH & Co. KG, Dusseldorf. The contribution of the shares of Rote Rose GmbH & Co. KG to LEG Immobilien GmbH by Saturea B.V. and Perry Luxco RE S.ar.l. resulted in a significant reduction in non-controlling interests compared with the previous year; this is shown in the item "Changes in the basis of consolidation" in the statement of changes in equity. The reduction in Group equity of €38.7 million is due to the first-time consolidation of Rote Rose GmbH & Co. KG (€-37.9 million) and the deconsolidation of LEG Immobilien GmbH & Co. KG (€-0.8 million). See also section C.2. However, the reduction is accompanied by an increase in share capital of €38.0 million due to the contribution of the shares of Rote Rose GmbH & Co. KG. This means that the first-time consolidation of Rote Rose GmbH & Co. KG effectively increased Group equity by €0.1 million.

Non-controlling interests in other comprehensive income were composed as follows:

NON-CONTROLLING INTERESTS IN OTHER COMPREHENSIVE INCOME		
€ million	31.12.2012	31.12.2011
Actuarial gains and losses from the measurement of pension obligations	2.7	0.6
Fair value adjustment of interest rate derivatives in hedges	6.6	3.2
Non-controlling interest in other comprehensive income	**9.3**	**3.8**

11. Provisions for pensions

Expenses for defined contribution plans amounted to €3.5 million in the year under review (2011: €3.6 million).

In connection with defined benefit plans, the LEG Group uses statistical and actuarial calculations by actuaries in order to ensure that future developments are taken into account in the calculation of expenses and obligations. Among other things, these calculations are based on assumptions with regard to the discount rate and future wage and salary growth. A reduction in the discount rate of 25 bp to 2.65 percent would increase the obligation by €4.3 million (2011: €3.3 million), while an increase in the discount rate of 25 bp to 3.15 percent would reduce the obligation by €4.4 million (2011: €3.1 million).

In accordance with IAS 19, provisions for pensions for defined benefit plans are calculated on the basis of actuarial assumptions. The following parameters were applied in the and 2011 fiscal years 2012 and 2011:

CALCULATION OF PROVISIONS FOR PENSIONS		
%	31.12.2012	31.12.2011
Discounting rate	2.90	4.50
Salary trend	2.75	2.75
Pension trend	2.00	2.00

Expenses for defined benefit plans were composed as follows in 2012:

EXPENSES FOR DEFINED BENEFIT PLANS		
€ million	31.12.2012	31.12.2011
Service cost	1.2	1.1
Interest expenses	4.3	4.6
Pension expenses	**5.5**	**5.7**

The following table shows the development of pension obligations. The immediate recognition of actuarial gains and losses in cumulative other reserves and the lack of plan assets means that the present value of the obligation in both years corresponds to the both the recognized provision and the plan deficit.

DEVELOPMENT OF PENSION OBLIGATIONS		
€ million	2012	2011
Present value of obligations as of January 1	**103.0**	**97.8**
Service cost	1.1	1.1
Interest cost	4.3	4.6
Disposal due to sale	-0.4	-
Payments	-5.7	-5.6
Unrecognized actuarial loss	25.0	5.1
Present value of obligations as of December 31	**127.3**	**103.0**

Pension costs are reported in the various functions. The new actuarial loss in the year under review was taken directly to equity in cumulative other reserves. Experience adjustments resulted in a loss of €1.0 million in the year under review (2011: €-1.4 million). In total, cumulative other reserves contain actuarial losses in the amount of €32.5 million (2011: €7.5 million).

In 2010, the present value of the obligation amounted to €97.8 million, while experience adjustments resulted in a gain of €1.1 million.

A pension payment of €5.8 million is expected for 2013.

12. Other provisions

Other provisions are composed as follows:

OTHER PROVISIONS		
€ million	31.12.2012	31.12.2011
Provisions for assistance	-	2.1
Provisions for bonuses	-	0.6
Provisions for partial retirement	2.0	1.8
Personnel related provisions	**2.0**	**4.5**
Provision for construction work in progress	11.0	13.5
Provisions for other risks	10.2	9.6
Provisions for litigation risks	5.3	5.2
Provisions for leased properties	2.4	2.9
Provision for year-end closing costs	1.2	1.6
Provision for archiving	0.1	0.1
Provisions for refurbishment	0,0	0,0
Other provisions	**30.3**	**32.9**

Details of the development of provisions can be found in Annex III.

Construction book provisions contain amounts for outstanding measures and guarantees relating to development projects and property development measures.

Provisions for management bonuses are reported in liabilities with effect from the fiscal year 2012.

The cash outflows for provisions are expected to amount to €20.1 million within one year (previous year: €22.8 million) and €15.3 million after one year (previous year: €14.6 million).

13. Financial liabilities

Financial liabilities are composed as follows:

FINANCIAL LIABILITIES

€ million	31.12.2012	31.12.2011
Financial liabilities from real estate financing	2,473.7	2,279.6
Financial liabilities from lease financing	26.0	27.0
Financial liabilities	**2,499.7**	**2,306.6**

Financial liabilities from real estate financing result in particular from the financing of investment property.

In the fiscal year 2012, new refinancing arrangements with a total volume of €497.5 million were conducted at GWN Gemeinnützige Wohnungsgesellschaft Nordwestdeutschland GmbH and Ruhr-Lippe Wohnungsgesellschaft mbH. A further €175.8 million was extended under the refinancing arrangements concluded in 2011, resulting in a reduction in the number of loans accompanied by an increase in loan liabilities. The acquisition and initial financing of LEG Wohnen Bocholt GmbH led to a further increase in liabilities. This was offset by scheduled and unscheduled repayments.

The liabilities are secured by way of real security in the form of land charges.

Properties are used almost exclusively as security for the loans; details of the amount of the land charges entered in the land register can be found in section I.8.

The equity interests in individual companies and rent receivables also serve as security for certain loan agreements. The expected rent pledged as security amounted to €368.0 million in fiscal 2012 (2011: €353.4 million).

In addition to security in the form of land charges, potential receivables from buildings insurance have been pledged to the creditors of the respective land charges. By contrast, the security provided in the form of pledged rent receivables is increased by the corresponding receivables for incidental costs.

a) Financial liabilities from real estate financing

The maturities shown in the consolidated financial statements are based on the contractually agreed fixed interest periods and not the final maturities of the respective financial liabilities.

The remaining terms of financial liabilities from real estate financing are composed as follows:

MATURITY OF FINANCIAL LIABILITIES FROM REAL ESTATE FINANCING

€ million	Remaining term of less than 1 year	Remaining term of between 1 and 5 years	Remaining term of more than 5 years	Total
31.12.2011	306.7	757.5	1,215.4	**2,279.6**
31.12.2012	393.2	784.6	1,295.9	**2,473.7**

b) Financial liabilities from lease financing

Financial liabilities from lease financing are composed as follows:

MATURITY OF FINANCIAL LIABILITIES FROM LEASE FINANCING

€ million	Remaining term less than 1 year	Remaining term of between 1 and 5 years	Remaining term of more than 5 years	Total
31.12.2011	3.3	9.3	14.4	**27.0**
31.12.2012	2.7	10.0	13.3	**26.0**

Future minimum lease payments are derived as follows as of December 31, 2012:

FUTURE MINIMUM LEASE PAYMENTS

€ million	Remaining term less than 1 year	Remaining term of between 1 and 5 years	Remaining term of more than 5 years	Total 31.12.2012
Minimum lease payments	4.2	14.5	18.4	**37.1**
Financing costs	1.5	4.5	5.1	**11.1**
Present value of minimum lease payments	**2.7**	**10.0**	**13.3**	**26.0**

The reconciliation for December 31, 2011 is as follows:

RECONCILIATION MINIMUM LEASE PAYMENTS FOR DECEMBER 31, 2011

€ million	Remaining term less than 1 year	Remaining term of between 1 and 5 years	Remaining term of more than 5 years	Total 31.12.2011
Minimum lease payments	4.3	14.1	19.7	**38.1**
Financing costs	1.0	4.8	5.3	**11.1**
Present value of minimum lease payments	**3.3**	**9.3**	**14.4**	**27.0**

Detailed information on lease financing can be found in section E.2.

14. Other liabilities

Other liabilities are composed as follows:

OTHER LIABILITIES

€ million	31.12.2012	31.12.2011
Interest derivatives	89.7	30.3
Advance payments received	23.0	28.4
Liabilities from shareholder loans	40.7	15.7
Trade payables	32.6	14.9
Rental and lease liabilities	10.8	8.4
Liabilities from other taxes	3.8	2.7
Liabilities to employees	5.1	2.3
Social security liabilities	0.6	1.2
Liabilities from operating cost	0.9	0.1
Liabilities from cash collateral	0.0	0.1
Interest benefit recognised as a liability	7.8	4.5
Miscellaneous liabilities	11.7	8.5
Miscellaneous liabilities	**226.7**	**117.1**
thereof with a remaining term less than one year	125.5	65.7
thereof with a remaining term of between one and five years	12.5	6.1
thereof with a remaining term of more than five years	88.7	45.3

The significant increase in interest rate derivatives is due to the large volume of refinancing concluded in 2012, in which floating-rate refinancing loans are hedged using interest rate swaps. Negative changes in the fair value of existing interest rate derivatives also led to a further increase in the corresponding liabilities.

The increase in the interest benefit recognized as a liability was due to substantial contractual amendments accompanied by a change in the interest benefit compared with the original terms. In the previous year, the interest benefit recognized as a liability was reported in miscellaneous other liabilities.

The change in shareholder loans is due to the termination of old shareholder loans and the simultaneous extension of new shareholder loans.

15. Tax liabilities

Current and non-current tax liabilities in the amount of €52.3 million (2011: €62.0 million) primarily consist of the present value of the settlement of the "EK 02" taxable equity of several Group companies in the amount of €40.7 million (2011: €47.6 million). Under the German Annual Tax Act 2008, the previous distribution-based provision on the treatment of "EK 02" equity was eliminated and a flat-rate installment payment was introduced in its place. The resulting tax amount is to be paid in equal annual installments over a ten-year period from 2008 to 2017. This means that a distribution no longer results in corporation tax expense.

Deferred tax assets and liabilities result from temporary differences and tax loss carryforwards and are broken down as follows:

DEFERRED TAX ASSETS AND LIABILITIES

€ million	31.12.2012		31.12.2011	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Non-current assets				
Investment property	5.7	227.1	7.9	170.6
Other non-current assets	2.5	9.4	1.8	9.1
Current assets	7.0	0.5	7.0	2.0
Non-current liabilities				
Provisions for pensions	16.9	-	9.2	-
Other provisions	1.0	0.2	0.3	-
Other non-current liabilities	29.3	84.8	14.1	-
Current liabilities				
Other provisions	0.8	0.1	2.0	0.3
Other current liabilities	20.3	7.4	3.2	80.1
Total deferred taxes from temporary differences	**83.5**	**329.5**	**45.5**	**262.1**
Deferred taxes on loss carryforwards	52.9	-	8.4	-
Total deferred taxes	**136.4**	**329.5**	**53.9**	**262.1**
Netting	115.6	115.6	45.8	45.8
Balance sheet carrying amount	**20.8**	**213.9**	**8.1**	**216.3**

The deferred taxes from non-current assets and non-current liabilities are expected to reverse more than twelve months after the end of the reporting period.

DEFERRED TAX ASSETS FROM TAX LOSS

€ million	31.12.2012	31.12.2011
Corporation tax	31.1	4.6
Trade tax	21.8	3.8
Total	**52.9**	**8.4**

Deferred tax assets from tax loss carryforwards are recognized in the same amount as deferred tax liabilities from temporary differences. Deferred tax assets from tax loss carryforwards in excess of this amount are only recognized to the extent that it is probable that the company will generate taxable income.

Interest expenses are tax-deductible up to the amount of interest income. Above and beyond this amount, deductibility is limited to 30 percent of EBITDA for the fiscal year (interest barrier) unless the exemption limit or the equity escape clause come into force.

Non-deductible interest expense in the current fiscal year is carried forward to subsequent periods. Deferred tax assets may only be recognized for interest carried forward to the extent that it is probable that the interest expense can be utilized in subsequent fiscal years. Due to the effective conclusion of profit transfer agreements between the subsidiaries that hold the property portfolios and the Group company LEG NRW GmbH in 2012 and the resulting fiscal entity for corporation and trade tax purposes, the interest barrier is not expected to apply to the (extended) fiscal entity.

As a result, the amount of interest carried forward for which no deferred taxes are recognized has declined to €0.0 million (previous year: €143.6 million). In fiscal year 2012, €18.3 million was recognized in equity for the remeasurement of primary and derivative financial instruments (2011: €4.6 million), while a further €9.9 million was recognized in equity for actuarial gains and losses (2011: €2.4 million). At the reporting date, deferred taxes recognized directly in equity amounted to €28.2 million (2011: €7.0 million).

The total temporary differences from shares in subsidiaries, associates and joint ventures that are not expected to reverse in the foreseeable future in accordance with IAS 12.29, and hence for which no deferred taxes have been recognized, amounted to €14.6 million as of the end of the reporting period (2011: €19.4 million).

F. Notes to the consolidated statement of comprehensive income

1. Net rental and lease income

a) Rental and letting income

Rental and lease income is composed as follows:

RENTAL AND LEASE INCOME

€ million	2012	2011
Rental income	499.7	497.6
Other income	0.5	1.4
Rental and lease income	**500.2**	**499.0**

The increase in rental income is due to the increase in net rent excluding heating and the decrease in the vacancy rate compared with the previous year, among other things. This is offset by a reduction in income from operating costs and other cost allocations.

b) Cost of sales in connection with rental and lease income

COST OF SALES IN CONNECTION WITH RENTAL AND LEASE INCOME

€ million	31.12.2012	31.12.2011
Purchased services	-164.9	-172.2
Ongoing maintenance	-35.4	-40.5
Staff costs	-30.8	-28.5
Depreciation and amortization	-4.1	-3.3
Other operating expenses	-17.3	-10.8
Cost of sales of rental and letting	**-252.5**	**-255.3**
Net rental and lease income	**247.7**	**243.7**

Expenses for individual vacant properties cannot be disclosed separately, as the LEG Group's cost accounting system does not contain the corresponding information for all cost types at the level of the individual residential units. Applying the average vacancy rate for residential properties based on residential space of 3.4 percent in 2012 (previous year: 3.9 percent) would result in expenses of €8.6 million for vacant properties (previous year: €10.0 million).

The reduction in purchased services is due to the lower level of allocable and non-allocable operating costs.

The increase in other operating expenses is due in part to the new allocation of costs for premises and IT costs following the introduction of ERP. Details can be found in section D.23.

2. Net income from the disposal of investment property

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

NET INCOME FROM THE DISPOSAL OF INVESTMENT PROPERTY

€ million	2012	2011
Income from the disposal of investment property	13.4	16.7
Carrying amount of investment property sold	-13.9	-15.4
Gain on the disposal of investment property	**-0.5**	**1.3**
Mio. €	2012	2011
Staff costs	-0.5	-1.3
Other operating expenses	-0.0	-0.2
Purchased services	-0.4	-0.2
Cost of sales in connection with investment property sold	**-0.9**	**-1.7**
Net income from the disposal of investment property	**-1.4**	**-0.4**

Net income from the disposal of investment property contains the gains and losses on the disposal of investment property. Details can also be found in D.11.

3. Net income from the remeasurement of investment property

Net income from the remeasurement of investment property amounted to €120.3 million in 2012 (2011: €11.0 million). The main reason for the year-on-year increase is the lower level of discount rates applied. The increase in actual rent and the reduction in vacancy rates in the current fiscal year also had a positive impact on remeasurement income. Details can be found in section D.1.

4. Net income from the disposal of inventory properties

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

NET INCOME FROM THE DISPOSAL OF INVENTORY PROPERTIES		
€ million	2012	2011
Income from of the disposal of inventory properties	7.6	19.6
Carrying amount of inventory properties sold	-6.9	-19.9
Gross book profit/loss on the disposal of inventory properties	**0.7**	**-0.3**
€ million	2012	2011
Other operating expenses	-1.7	-3.0
Staff costs	-1.8	-1.7
Purchased services and other	1.0	-0.6
Cost of sales in connection with inventory properties sold	**-2.5**	**-5.3**
Net income from the disposal of inventory properties	**-1.8**	**-5.6**

The sale of the remaining properties from the Development division continued in 2012. The difference in the figures between the current fiscal year and the previous year is due to the sale of heterogeneous properties.

The reduction in the cost of sales is attributable to the significant reduction of business activities in the areas of property and land development.

In addition to the relevant expenses, the item "Purchased services and other" contains the effects of the reversal of provisions.

5. Net income from other services

Net income from other services is composed as follows:

NET INCOME FROM OTHER SERVICES		
€ million	2012	2011
Income from other services	**14.3**	**12.4**
Purchased services	-5.4	-3.8
Other operating expenses	-2.3	-2.9
Staff costs	-1.3	-2.5
Depreciation and amortisation	-2.3	-2.4
Expenses in connection with other services	**-11.3**	**-11.6**
Net income from other services	**3.0**	**0.8**

Other services include electricity and heat feed-in, IT services for third parties and management services for third-party properties.

A land purchase agreement originally intended for development purposes was reversed in 2012. The original purchase price of €2.9 million was reimbursed in full. An impairment of €0.5 million had been recognized on the property in the meantime; this was reversed when the agreement was rescinded.

LEG Betreuung von Wohneigentum GmbH was sold with effect from January 1, 2012. The third-party management volume at the other companies was reduced in 2012. Furthermore, some support and management agreements in place were terminated as of December 31, 2012.

6. Administrative and other expenses

Administrative and other expenses are composed as follows:

ADMINISTRATIVE AND OTHER EXPENSES

€ million	2012	2011
Other operating expenses	-39.7	-44.7
Staff costs	-17.0	-18.8
Purchased services	-0.6	-2.2
Depreciation and amortisation	-2.1	-0.9
Administrative and other expenses	**-59.4**	**-66.6**

The other operating expenses contained in the table above are composed as follows:

OTHER OPERATING EXPENSES

€ million	2012	2011
Legal and consulting expenses	-35.4	-23.8
Rental and other expenses for business premises	-2.8	-5.2
Annual financial statement, accounting and audit expenses	-3.1	-2.9
Postage, telecommunications and IT expenses	-0.6	-0.9
Temporary staff	-0.5	-0.7
Vehicles	-0.4	-0.4
Travel expenses	-0.3	-0.2
Advertising expenses	-0.1	-0.1
Other expenses	-3.9	-10.5
Reimbursement of IPO costs by shareholders	7.4	-
Other operating expenses	**-39.7**	**-44.7**

Other operating expenses contain income from the reversal of impairments and provisions.

The increase in legal and consulting costs can be primarily attributed to making the company ready for the capital markets and preparations for its IPO.

Some of these costs are passed on to the majority shareholders Saturea B.V. and Perry Luxco SE S.a.r.l. Details can be found in section I.12.

The reduction in rental and other expenses for business premises is due to the new cost allocation following the introduction of SAP. Details can be found in section D.23.

7. Interest income

Interest income is composed as follows:

INTEREST INCOME

€ million	2012	2011
Interest income from bank balances	1.1	1.3
Income from loans	0.1	0.4
Other interest income	0.3	1.1
Interest income	**1.5**	**2.8**

8. Interest expenses

Interest expenses are composed as follows:

INTEREST EXPENSES

€ million	2012	2011
Interest expenses from financing of real estate	-76.3	-93.8
Interest expense from loan amortisation	-52.9	-49.6
Prepayment penalties	-37.8	-14.0
Interest expense from interest rate derivatives for real estate financing	-15.8	-4.6
Interest expense from changes in pension provisions	-4.3	-4.6
Interest expense from compounding of other assets and liabilities	-3.5	-4.0
Interest expenses from lease financing	-1.6	-0.9
Other interest expense	-2.8	-3.5
Interest expense	**-195.0**	**-175.0**

The utilization of a further refinancing tranche at LEG Wohnen GmbH and new financing arrangements at Ruhr-Lippe Wohnungsgesellschaft mbH and GWN Gemeinnützige Wohnungsgesellschaft Nordwestdeutschland GmbH in fiscal year 2012 resulted in changes in interest expenses.

Total interest expenses from financing of real estate declined as a result of the repayment of fixed-term loans and the conclusion of more favorable refinancing arrangements. Lower interest rates compared with 2011 also led to a further reduction in interest expenses from financing of real estate. By contrast, the conclusion of new interest rate hedges at the stage of the refinanced companies resulted in a higher level of interest expense from interest rate derivatives for real estate financing.

Prepayment penalties increased significantly as against the previous year. In addition to the refinancing arrangements in 2012, this was attributable to the refinancing arrangements in 2013 at LEG NRW GmbH and GeWo Gesellschaft für Wohnungs- und Städtebau mbH for which the economic basis was established in 2012.

Interest expenses from loan amortization increased moderately compared with the previous year.

The aforementioned effects are supported by further loan utilizations in 2012 at the companies refinanced between 2009 and 2011.

9. Income taxes

Income tax expense and income is broken down by origin as follows:

INCOME TAXES

€ million	2012	2011
Current income taxes	3.8	-1.3
Deferred taxes	-6.2	-23.0
Income taxes	**-2.4**	**-24.3**
Tax reimbursement for prior years	2.5	0.7

Based on the consolidated net profit before income taxes and the expected income tax expense, the reconciliation to current income tax expense is as follows:

RECONCILIATION TO CURRENT INCOME TAX EXPENSE

€ million	2012	2011
IFRS net profit before income taxes	114.4	9.2
Group tax rate (in %)	31.2	31.3
Expected income taxes	**-35.7**	**-2.9**
Reduction in taxes due to tax-free income and off-balance sheet deductions	16.9	10.9
Additional taxes due to non-deductible expenses and off-balance sheet additions	-11.4	-6.3
Tax effect due to capitalization of interest carryforwards (recognition not possible in previous year due to disallowance rule)	26.4	-23.2
Tax expenses relating to prior periods	2.5	0.7
Others	-1.1	-3.5
Income taxes as per statement of comprehensive income	**-2.4**	**-24.3**
Effective tax rate (in %)	2.1	264.1

The deferred taxes from non-current assets and non-current liabilities are expected to reverse more than twelve months after the end of the reporting period.

The tax rate applied in calculating theoretical income tax takes into account the current and expected future tax rates for corporate income tax (15 percent), the solidarity surcharge (5.5 percent of corporate income tax) and trade tax (15.4 percent) based on a basic rate of 3.5 percent and an average assessment rate of 440 percent (City of Dusseldorf).

10. Earnings per share

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

EARNINGS PER SHARE

	2012	2011
Net profit or loss attributable to shareholders in € million	94.4	-11.5
Average number of shares outstanding	18,163,620	15,000,000
Earnings per share (basic and undiluted) in €	**5.9**	**-0.8**

As of December 31, 2012, LEG Immo was not yet a stock corporation under German law. Due to its application for admission to the stock exchange, however, it is required to disclose earnings per share as of December 31, 2012. Instead of the number of shares outstanding, the number of shares of LEG Immobilien GmbH was applied for comparative purposes. For the period during which the company was a partnership, the original number of shares resulting from the conversion of Lancaster GmbH & Co. KG to LEG Immobilien GmbH (15,000,000 shares) was applied as the basis of measurement in accordance with IAS 33.26.

Non-controlling interests at LEG Immo declined to less than 1 percent (previously: 17.1 percent) following the contribution of Rote Rose GmbH & Co. KG on November 30, 2012. This resulted in a higher net profit attributable to the shareholders for the month of December than in the previous months of 2012. At the same time, the number of shares of LEG Immo increased from 15,000,000 to 52,963,444 as a result of the capital increase.

Basic earnings per share are identical to diluted earnings per share and are consistent with IFRS.

G. Notes to the consolidated statement of cash flows

1. Composition of cash and cash equivalents

The cash and cash equivalents shown in the statement of cash flows corresponds to the cash and cash equivalents reported in the statement of financial position, i.e. cash on hand and bank balances, less the trust assets reported in the statement of financial position.

2. Other notes to the statement of cash flows

No payments were made for the acquisition of subsidiaries in the 2012 and 2011 fiscal years. Cash and cash equivalents acquired in 2011 amounted to €0.3 million. Proceeds from the disposal of consolidated companies amounted to €0.1 million in 2012. The cash and cash equivalents sold as a result totaled €0.2 million.

The cash outflow for the repayment of bank loans also contains prepayment penalties and payments for the reversal of hedges incurred due to early loan repayments.

H. Notes on Group segment reporting

In accordance with IFRS 8, LEG Immo's segment reporting is based on the structure of internal management reporting. LEG distinguishes the Housing and Other segments.

The Housing segment comprises all residential and commercial property holdings and owner-occupied properties. The Housing segment comprises the portfolio companies and LEG Wohnen NRW. Property portfolios from completed project developments that are now let under long-term agreements and exclusively owned by the Group are also assigned to the Housing segment.

The Other segment comprises the development companies and the companies LEG Management GmbH, LCS Consulting and Service GmbH. Leased properties from the development business that are available for sale are also reported in the Other segment. LEG Management GmbH, which is assigned to the Other segment, primarily focuses on tasks relating to administrative functions and corporate management activities.

EPRA key figures are the main performance indicators used by management.

Intra-Group transactions between the segments are carried out at arm's length conditions.

Group segment reporting for the period from January 1 to December 31, 2012.

SEGMENT REPORTING 2012

€ million	Housing	Other	Reconcilation	Group
Function of expense position				
Rental and lease income	495.8	6.4	-2.0	500.2
Cost of sales in connection with rental and lease income	-254.3	-1.4	3.2	-252.5
Net rental and lease income	**241.5**	**5.0**	**1.2**	**247.7**
Net income from the disposal of IAS 40 property	-0.8	-0.6	0.0	-1.4
Net income from the measurement of IAS 40 property	118.4	1.9	0.0	120.3
Net income from the disposal of inventory properties	0.7	-2.5	0.0	-1.8
Net income from other services	0.0	43.2	-40.2	3.0
Administrative and other expenses	-50.6	-45.1	36.3	-59.4
Other income	1.4	0.3	0.0	1.7
Segment earnings	**310.6**	**2.2**	**-2.7**	**310.1**
Statement of financial position item				
Segment assets (IAS 40)	**4,861.0**	**76.1**	**0.0**	**4,937.1**
Key figures				
Rentable area in sqm	5,840,598	3,769		5,844,367
Monthly target rent as of end of reporting period	28.3	0.0		28.3
Vacancy rate by residential units in %	3.1	3.2		3.1

Group segment reporting for the period from January 1 to December 31, 2011

SEGMENT REPORTING 2011

€ million	Housing	Other	Reconcilation	Group
Function of expense position				
Rental and lease income	491.4	7.6	-0.0	499.0
Cost of sales in connection with rental and lease income	-260.5	-6.1	11.3	-255.3
Net rental and lease income	**230.9**	**1.5**	**11.3**	**243.7**
Net income from the disposal of IAS 40 property	0.6	-1.1	0.1	-0.4
Net income from the measurement of IAS 40 property	11.8	-0.8	0.0	11.0
Net income from the disposal of inventory properties	3.9	-9.6	0.1	-5.6
Net income from other services	-0.1	51.2	-50.4	0.8
Administrative and other expenses	-56.8	-48.9	39.1	-66.6
Other income	0.7	0.2	0.0	0.9
Segment earnings	**191.0**	**-7.5**	**0.3**	**183.8**
Statement of financial position item				
Segment assets (IAS 40)	**4,659.7**	**76.4**	**0.0**	**4,736.1**
Key figures				
Rentable area in sqm	5,782,678	4,034		5,786,712
Monthly target rent as of end of reporting period	27.6	0.0		27.6
Vacancy rate by residential units in %	3.6	0.0		3.6

I. Other disclosures

1. Overview of cost types

The following cost types are contained in the various functions:

COST TYPES

€ million	2012	2011
Purchased services	206.7	219.0
Staff costs	51.4	52.7
Depreciation, amortization and write-downs	8.6	6.6
Other operating expenses	73.0	61.6

Other operating expenses contain income from the reversal of write-downs and provisions, among other things.

2. Capital management

The Group's capital management is aimed at ensuring the continued existence of the company while generating income for its shareholders, as well as providing all of the other stakeholders of the LEG Group with the benefits to which they are entitled. All in all, the aim is to increase the value of the Group as a whole.

This end-to-end capital management strategy has not changed compared with 2011.

As is typical for the industry, the LEG Group monitors capital on the basis of net gearing. Net gearing describes the ratio of net debt to the fair value of investment property. Net debt is calculated by deducting cash and cash equivalents from financial liabilities.

As in 2011, the Group's aim in 2012 was to maintain an appropriate level of gearing in order to ensure continued access to debt financing at economically appropriate costs. Gearing as of December 31, 2012 and 2011 was calculated as follows:

NET GEARING (LTV)

€ million	31.12.2012	31.12.2011
Financial liabilities	2,499.7	2,306.6
Cash and cash equivalents	133.7	81.8
Net debt	**2,366.0**	**2,224.8**
Investment property	4,937.1	4,736.1
Assets held for sale	2.2	2.4
Total	**4,939.3**	**4,738.5**
Net gearing (LTV) in %	**47.90**	**46.95**

The assets held for sale shown in the above table relate solely to investment property.

The Group is subject to external capital requirements. It complied with these requirements at all times during the current fiscal year and the previous year. The aims of capital management were achieved in the current fiscal year.

Details of restricted funds can be found in section D.10.

3. Financial instruments

a) Other disclosures on financial instruments

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

CLASSES OF FINANCIAL INSTRUMENTS FOR FINANCIAL ASSETS AND LIABILITIES 2012

€ million		Measurement (IAS 39)		Measurement (IAS 17)	
	Carrying amounts as per statement of financial position 31.12.2012	Amortizated cost	Fair value through profit or loss		Fair value 31.12.2012
Assets					
Other financial assets	**4.9**				**4.9**
LaR	0.1	0.1	0.0		0.1
AfS	4.8	4.8			4.8
Receivables and other assets	**33.2**				**33.2**
LaR	31.7	31.7			31.7
Other non-financial assets	1.5				1.5
Cash and cash equivalents	**133.7**				**133.7**
LaR	133.7	133.7			133.7
Total	**171.8**	**170.3**	**0.0**		**171.8**
Of which IAS 39 measurement categories					
LaR	165.5	165.5			165.5
AfS	4.8	4.8			4.8
Equity and liabilities					
Financial liabilities	**-2,499.7**				**-2,678.8**
FLAC	-2,473.7	-2,473.7			-2,653.5
Liabilities from lease financing	-26.0			-26.0	-25.3
Other liabilities	**-226.7**				**-226.7**
FLAC	-76.8	-76.8			-76.8
Derivates HFT	-5.6		-5.6		-5.6
Hedge accounting derivates	-84.1	0.0	0.0		-84.1
Other non-financial liabilities	-60.2				-60.2
Total	**-2,726.4**	**-2,550.5**	**-5.6**	**-26.0**	**-2,905.5**
Of which IAS 39 measurement categories					
FLAC	-2,550.5	-2,550.5			-2.730.3
Derivates HFT	-5.6		-5.6		-5.6

LaR = loans and receivables
HFT = held for trading
AfS = available for sale
FLAC = financial liabilities at cost
FAHT = financial assets held for trading
FLHFT = financial liabilities held for trading

CLASSES OF FINANCIAL INSTRUMENTS FOR FINANCIAL ASSETS AND LIABILITIES 2011

€ million		Measurement (IAS 39)		Measurement (IAS 17)	
	Carrying amounts as per statement of financial position 31.12.2011	Amortized cost	Fair value through profit or loss		Fair value 31.12.2011
Assets					
Other financial assets	**5.7**				**5.7**
AfS	5.7	5.7			5.7
Derivates HFT	0.0		0.0		0.0
Receivables and other assets	**41.1**				**41.1**
LaR	39.8	39.8			39.8
Other non-financial assets	1.3				1.3
Cash and cash equivalents	**81.8**				**81.8**
LaR	81.8	81.8			81.8
Total	**128.6**	**127.3**	**0.0**		**128.6**
Of which IAS 39 measurement categories					
LaR	121.6	121.6			121.6
AfS	5.7	5.7			5.7
Derivates HFT	0.0		0.0		0.0
Equity and liabilities					
Financial liabilities	**-2,306.6**				**-2,394.0**
FLAC	-2,279.6	-2,279.6			-2,366.9
Liabilities from lease financing	-27.0			-27.0	-27.1
Other liabilities	**-117.1**				**-117.1**
FLAC	-34.5	-34.5			-34.5
Derivates HFT	-3.4		-3.4		-3.4
Hedge accounting derivates	-26.9				-26.9
Other non-financial liabilities	-52.3				-52.3
Total	**-2,423.7**	**-2,314.1**	**-3.4**	**-27.0**	**-2,511.1**
Of which IAS 39 measurement categories					
FLAC	-2,314.1	-2,314.1			-2,401.4
Derivates HFT	-3.4		-3.4		-3.4

LaR = loans and receivables
HFT = held for trading
AfS = available for sale
FLAC = financial liabilities at cost
FAHT = financial assets held for trading
FLHFT = financial liabilities held for trading

It was not possible to reliably determine the fair value of investments carried at amortized cost (see AfS in the table above). There is no intention to sell these investments.

The vast majority of trade payables and other liabilities have short remaining maturities, meaning that their carrying amounts approximate their fair value.

Originated financial instruments (liabilities from real estate and corporate financing, FLAC category, whose fair value does not correspond to their carrying amount) are classified as financial liabilities; this relates in particular to fixed-rate loans. The fair value of fixed-income liabilities is calculated as the present value of the future cash flows, taking into account the applicable risk-free interest rates and the LEG-specific risk premium at the reporting date. For floating-rate liabilities, the carrying amount corresponds to the fair value.

Net income for each measurement category is broken down as follows:

NET INCOME

€ million	2012	2011
LAR	-2.8	-0.8
AFS	1.4	3.8
FAHFT	-0.0	-0.5
FLHFT	-3.9	-7.1
FLAC	-169.2	-160.2
Total	**-174.5**	**-164.8**

Net income contains remeasurement effects as well as interest income and expense during the fiscal year.

b) Risk management

Principles of risk management:

The LEG Group is exposed to default risk, liquidity risk and market risk as a result of its use of financial instruments. In order to take these risks into account, the LEG Group has an effective risk management system supported by the clear functional organization of the risk controlling process.

The effectiveness of the risk management system is reviewed and assessed regularly on a company-wide basis by the Internal Audit and Compliance unit. Where adjustments are necessary or areas for improvement are identified, the Internal Audit and Compliance unit advises on, examines and monitors these activities.

The framework for the Group's financial policy is determined by the management and monitored by the Supervisory Board. The implementation of the financial policy and ongoing management are the responsibility of the Finance and Properties and Controlling and Risk Management units. The use of derivative financial instruments is governed by a corresponding Treasury guideline adopted by management and may only be undertaken in order to hedge existing underlyings, future cash flows and planned transactions whose occurrence is reasonably certain. Derivative financial instruments are only concluded to hedge against interest rate risks. The aforementioned Treasury guideline defines the responsibilities, framework for action and reporting within the divisions of the LEG Group that are involved, as well as prescribing the strict separation of front office and back office activities.

Default risk:

Credit or default risk describes the risk that business partners – primarily the tenants of the properties held by the LEG Group – will be unable to meet their contractual payment obligations and that this will result in a loss for the LEG Group. In order to prevent and control default risk to the greatest possible extent, new lettings are subject to credit checks.

Default risk exists for all classes of financial instrument, and in particular for trade receivables. The LEG Group is not exposed to significant default risk with regard to any individual party. The concentration of default risk is limited due to the Group's broad, heterogeneous customer base.

Rental and leasing activities resulted in gross receivables of €5.1 million. Security for receivables (primarily rent deposits) in the amount of €47.4 million is taken into consideration for the offsetting of outstanding receivables if the legal conditions are met.

With regard to cash and cash equivalents and derivatives, the LEG Group only enters into correspon-ding agreements with banks with extremely good credit ratings. The credit ratings of counterparties are monitored and assessed by the LEG Group on an ongoing basis, taking into account external ratings from various agencies (e.g. Standard & Poor's, Moody's, Fitch and others), the findings of internal research and financial market information. Depending on the availability of information with sufficient informative value, the LEG Group refers to one or more of the data sources described above. In the event of a substantial deterioration in the credit rating of a counterparty, the LEG Group takes efforts to ensure that its existing exposure is reduced as quickly as possible and that new exposures are no longer entered into with the respective counterparty.

As shown in the table below, the carrying amounts of recognized financial assets less any write-downs represent the highest default risk. The carrying amount of financial assets represents the maximum default risk. The default risk for interest rate derivatives is limited to the amount of the positive fair values of derivatives.

The following table shows the financial assets for which valuation allowances had been recognized at the reporting date:

IMPAIRED FINANCIAL ASSETS

€ million Classes of financial instruments 31.12.2012	Carrying amount before impairment	Impairment	Residual carrying amount
Loans	2.7	-1.3	1.4
Other financial assets	17.1	-1.9	15.2
Trade receivables	27.0	-7.1	19.9
Cash and cash equivalents	133.7	-	133.7
Total	**180.5**	**-10.3**	**170.2**

IMPAIRED FINANCIAL ASSETS

€ million Classes of financial instruments 31.12.2011	Carrying amount before impairment	Impairment	Residual carrying amount
Loans	8.7	-1.8	6.9
Other financial assets	18.9	-0.2	18.7
Trade receivables	25.2	-5.4	19.8
Cash and cash equivalents	81.8	-	81.8
Total	**134.6**	**-7.4**	**127.2**

The following table shows the maturity structure of assets that were overdue but for which specific valuation allowances had not been recognized at the reporting date.

NOT IMPAIRED FINANCIAL ASSETS

€ million Classes of financial instruments 31.12.2012	Carrying amount	of which past due as of end of reporting period but not impaired < 90 days	90-180 days	>180 days
Trade receivables	4.5	3.2	0.0	1.3
Other financial assets	0.0	0.0	0.0	0.0
Total	**4.5**	**3.2**	**0.0**	**1.3**

NOT IMPAIRED FINANCIAL ASSETS

€ million Classes of financial instruments 31.12.2011	Carrying amount	of which past due as of end of reporting period but not impaired <90 days	90-180 days	>180 days
Trade receivables	2.4	2.4	-	-
Other financial assets	0.0	-	-	0.0
Total	**2.4**	**2.4**	**-**	**0.0**

With regard to receivables that are not overdue and for which no valuation allowances have been recognized, there was no evidence that the debtors will fail to meet their payment obligations as of the reporting date.

In addition to specific valuation allowances, the LEG Group recognizes portfolio valuation allowances using various rates depending on the extent to which the respective receivables are overdue.

IMPAIRMENT LOSSES

€ million 2012	As of January 1,	Change due to remeasure-ment	Addition	Utilization	As of December 31,
Loans and receivables	1.8	0.0	-0.0	-0.5	1.3
Trade receivables	5.4	-	11.2	-9.6	7.1
Other financial assets	0.2	-	1.9	-0.2	1.9
Total	**7.4**	**0.0**	**13.1**	**-10.3**	**10.3**

IMPAIRMENT LOSSES

€ million 2011	As of January 1,	Addition	Utilization	Changes in companies included in consolidation	As of December, 31
Loans and receivables	15.7	0.5	-9.5	-4.9	1.8
Trade receivables	5.1	8.7	-8.4	0.0	5.4
Other financial assets	0.1	0.1	-	0.0	0.2
Total	**20.9**	**9.3**	**-17.9**	**-4.9**	**7.4**

c) Liquidity risk

The LEG Group defines liquidity risk as the risk that the Group will be unable to meet its own payment obligations at a contractually agreed date.

To ensure that this is not the case, the LEG Group's liquidity requirements are monitored and planned continuously by the Finance and Properties unit. Sufficient cash and cash equivalents to meet the Group's obligations for a defined period are available at all times. The LEG Group currently has credit facilities and bank overdrafts in the amount of around €13.3 million (previous year: €15.0 million).

The following table shows the contractually agreed (undiscounted) interest and principal payments for the LEG Group's primary financial liabilities and derivative financial instruments with a negative fair value. The maturities are based on the contractually agreed fixed interest periods for the respective financial liabilities.

TYPE OF LIABILITIES

€ million on December 31, 2012	Carrying amount	Remaining terms <1 year	1-5 years	>5 years
Financial liabilities from loans payable	2,473.7	427.8	952.6	1,938.5
Financial liabilities from lease financing	26.0	4.2	14.5	18.4
Interest rate derivatives	89.7	23.7	65.8	1.0
Liabilities to employees	5.1	4.9	-	0.2
Liabilities from operating costs	0.9	0.9	-	-
Rental and lease liabilities	10.8	10.8	-	-
Liabilities from shareholder loans	40.7	40.7	-	-
Trade payables	32.6	29.6	3.0	0.0
Other	8.7	7.8	0.8	0.0
Total	**2,688.2**	**550.4**	**1,036.7**	**1,958.1**

The increase in current loan liabilities is attributable in particular to the fact that the contractual conditions for the refinancing of LEG NRW GmbH and GeWo Gesellschaft für Wohnungs- und Städtebau mbH were established in 2012. This meant that it was necessary to classify the loans concerned as current liabilities, as repayment by the LEG Group is currently expected to take place in 2013.

TYPE OF LIABILITIES

€ million on December 31, 2011	Carrying amount	Remaining terms <1 year	1-5 years	>5 years
Financial liabilities from loans payable	2,279.6	352.5	948.3	1,952.8
Financial liabilities from lease financing	27.0	4.3	14.1	19.7
Interest rate derivatives	30.3	11.0	33.7	15.4
Liabilities to employees	2.3	2.2	-	0.2
Liabilities from operating costs	0.1	0.1	-	-
Rental and lease liabilities	8.4	8.4	-	-
Liabilities from shareholder loans	15.7	1.3	3.6	18.6
Trade payables	14.9	13.9	1.0	0.0
Liabilities from cash collateral received	0.1	0.1	-	-
Others	6.9	6.6	0.1	0.2
Total	**2,385.3**	**400.4**	**1,000.8**	**2,006.9**

All instruments for which payments were contractually agreed at the reporting date are included. Forecast figures for future new liabilities are not included. The variable interest payments for financial instruments are calculated using the most recent interest rates prior to the reporting date. Financial liabilities that are repayable at any time are always allocated to the earliest repayment date.

Some of the LEG Group's loan agreements contain financial covenants. In the event of a failure to comply with the agreed covenants, the LEG Group generally has the opportunity to resolve the situation; however, certain cases of non-compliance may result in the bank having the right to terminate the loan agreement with immediate effect. In addition, some agreements provide the bank with the possibility of increasing interest and principal payments or demanding further security for compliance with the covenants in the event of non-compliance. In any case, a long-term failure to comply with the agreed covenants means that the financing bank is entitled to terminate the respective agreement. Compliance with covenants is monitored continuously. There were no violations of the agreed covenants in the fiscal year 2012.

d) Market risk

Due to the nature of its business activities, the LEG Group is subject to significant interest rate risk. Interest rate risk results in particular from floating-rate liabilities to banks. In order to limit interest rate risk, the LEG Group generally enters into fixed-income loans or floating-rate loans, sometimes in connection with interest payer swaps. More than 95 percent of financial liabilities to banks are economically hedged in this way.

At the LEG Group, derivative financial instruments are used solely for interest rate hedging. The Treasury guideline prohibits the use of derivatives for speculative purposes.

The Group had the following derivative financial instruments as of December 31, 2012:

DERIVATES

€ million on December 31, 2012	Fair Value	of which <1 Jahr
Derivates – HFT – assets	-	-
thereof from interest rate swaps	-	-
thereof from interest rate caps	-	-
Derivates – HFT – liabilities	-5.6	-0.1
thereof from interest rate swaps	-5.6	-0.1
thereof from interest rate caps	-	-
Hedged derivatives	-84.1	-1.2

The Group had the following derivative financial instruments as of December 31, 2011:

DERIVATES

€ million on December 31, 2011	Fair Value	of which <1 Jahr
Derivatives – HfT – assets	0.0	-
thereof from interest rate swaps	-	-
thereof from interest rate caps	0.0	-
Derivatives – HfT – liabilities	-3.4	-0.0
thereof from interest rate swaps	-3.4	-0.0
thereof from interest rate caps	-	-
Hedged derivatives	-26.9	-0.6

The interest rate cap has a residual term of eight months and a fair value of €0.0 million as at the reporting date; the interest rate swaps have terms of between four and ten years.

The derivatives entered into by the LEG Group are used as hedging instruments in accordance with IAS 39 if they meet the conditions for hedge accounting. The cash flows from hedged items in cash flow hedge accounting will be received between 2013 and 2022 and will be recognized in profit or loss at the same time.

In 2012, the ineffective portion of a hedge was recognized in profit or loss in the amount of €0.1 million (previous year: €0.0 million) as part of hedge accounting.

The following table shows the amount recognized directly in other comprehensive income in the period under review. This corresponds to the effective portion of the change in fair value:

EQUITY IMPLICATIONS

€ million	2012	2011
Opening balance as of January 1	**-23.0**	**0.0**
Recognized in equity in reporting period	-70.4	-26.6
Reversed from equity to statement of comprehensive income	14.7	3.6
Closing balance at December 31	**-78.8**	**-23.0**

Sensitivities:

In accordance with IFRS 7, interest rate risk is presented using sensitivity analyses to determine the impact that a change in market interest rates would have on the interest income and expense, trading gains and losses and the equity of the LEG Group at the reporting date.

As part of sensitivity analysis, the effects on the LEG Group's equity and statement of comprehensive income are observed using a +/- 50 bp parallel shift in the €yield curve. The cash flow effects from the shift in the yield curve relate solely to interest expense and income for the next reporting period.

Based on the financial instruments held or issued by the LEG Group at the reporting date, a hypothetical change in the applicable interest rates for the respective instruments as quantified using sensitivity analysis would have had the following effects (before taxes) at the reporting date:

FINANCIAL INSTRUMENTS

€ million on December 31, 2012	Equity effect		Comprehensive income effect	
	+50 BP	-50 BP	+50 BP	-50 BP
Net position of all interest-sensitive financial instruments				
Financial liabilities	-	-	-1.7	1.7
Interest rate derivatives	33.9	-34.9	2.0	-2.0
Shareholder loans	-	-	-0.2	0.2

FINANCIAL INSTRUMENTS				
€ million on December 31, 2011	Equity effect		Comprehensive income effect	
	+50 BP	-50 BP	+50 BP	-50 BP
Net position of all interest-sensitive financial instruments				
Financial liabilities	-	-	-2.1	2.1
Interest rate derivatives	22.3	-22.3	1.0	-1.0
Shareholder loans	-	-	-0.1	0.1

4. Number of employees

The average number of employees at the LEG Group broken down by segment developed as follows compared with the previous year:

AVERAGE NUMBER OF EMPLOYEES	Average number of employees 2012	Employee capacity (FTEs) 2012	Average number of employees 2011	Employee capacity (FTEs) 2011
Residential	608	507	627	503
Others	250	232	279	253
Total	**858**	**739**	**906**	**756**

5. Total auditor's fees

The total fees paid to the auditor of the consolidated financial statements are composed as follows:

TOTAL AUDITOR'S FEES € million	2012	2011
Audits of financial statements	1.9	2.7
Other audit services	3.9	-
Other services	2.8	7.9
Total fee	**8.6**	**10.6**

6. Related party disclosures

Related parties are defined as companies and persons that have the ability to control the LEG Group or exercise significant influence over its financial and business policy. The existing control relationships were taken into account when determining the significant influence that related parties can exercise over the LEG Group's financial and business policy.

Related persons
Until November 27, 2012, related persons included the legal representatives of Lancaster Holding

GmbH as well as Restio B.V. and Saturea B.V. as the shareholders of Lancaster GmbH & Co. KG, as well as the members of the Supervisory Board and the management of LEG NRW GmbH, which is responsible for the operational management of the LEG Group.

Following the change in legal form and renaming of Lancaster GmbH & Co. KG as LEG Immobilien GmbH on November 28, 2012, related persons include the legal representatives of LEG Immo and Saturea B.V. as the shareholder, as well as the members of the Supervisory Board and the management of LEG NRW GmbH.

Related companies
Until November 27, 2012, the related companies of Lancaster GmbH & Co. KG were Lancaster Holding GmbH as the general partner, Saturea B.V. as the limited partner and its subsidiary Restio B.V., as well as its shareholder, the Whitehall fund. The fellow subsidiaries Rote Rose GmbH & Co. KG and Weiße Rose GmbH and all of the subsidiaries and associates of the LEG Group were also considered to be related companies, as were certain subsidiaries not included in consolidation.

Since November 28, 2012, the related companies of LEG Immo have included Saturea B.V. as a shareholder and its shareholder, the Whitehall fund. The fellow subsidiary Weiße Rose GmbH and all of the subsidiaries and associates of the LEG Group are also considered to be related companies, as are certain subsidiaries not included in consolidation.

The following tables show the receivables from and liabilities to related companies as at the reporting date and expenses and income involving related companies for the fiscal year:

RECEIVABLES FROM AND LIABILITIES TO RELATED COMPANIES

€ million	31.12.2012	December 31, 2011
Statement of financial position		
Receivables from equity investments	0.6	4.0
Receivables from non-consolidated companies	0.1	2.3
Receivables from associates	1.2	-
Liabilities to shareholders	41.7	15.6
Liabilities to equity investments	1.1	1.1
Liabilities to non-consolidated companies	0.2	0.1
Liabilities to associates	0.0	0.0

INCOME FROM AND EXPENSES FOR RELATED COMPANIES

€ million	2012	December 31, 2011
Statement of comprehensive income		
Income from associates	0.4	2.0
Income from equity investments	1.6	1.8
Expenses for shareholders	-1.4	-2.1
Expenses for non-consolidated companies	-2.6	-0.5

a) Related company disclosures

In the current fiscal year, LEG NRW acquired shares in Ruhr-Lippe Wohnungsgesellschaft mbH from LEG Immo in exchange for a price of €93.2 million (intragroup transaction) and from Rote Rose GmbH & Co. KG in exchange for a price of €19.2 million (intragroup transaction). The purchase price receivable in the amount of €93.2 million was transferred to Restio B.V. by the shareholder Saturea B.V. The purchase price receivable for Rote Rose GmbH & Co. KG was distributed to this company and transferred to its shareholder, Perry Luxco RE S.ar.l.

At the reporting date, LEG NRW had loan liabilities to Restio B.V. in the amount of €36.1 million (2011: €15.3 million) and a loan liability to Perry Luxco RE S.ar.l. in the amount of €4.4 million (2011: €1.8 million). Interest is charged on the loans at standard market rates. The interest liabilities amounted to €0.3 million (2011: €0.4 million).

In the current fiscal year, Saturea B.V. withdrew €93.2 million in connection with the share purchase described above (2011: €47.2 million).

The share capital was increased by €32.3 million, from €15.0 million to €47.3 million, as the result of a capital increase. The shares were not contributed in cash, but rather as a non-cash contribution of the limited partner's shares in Rote Rose GmbH & Co. KG held by Saturea B.V. Details can be found in section E.10.

Related companies controlled by LEG Immo or over which it can exercise a significant influence are included in the consolidated financial statements. Intragroup transactions under existing service and management agreements between the companies are eliminated as part of consolidation.

There was no significant exchange of goods and services with the other unconsolidated subsidiaries or associates.

b) Related person disclosures

The managing directors of LEG Immo did not receive remuneration from the company in the current fiscal year.

The total remuneration paid to the management of LEG, which encompasses the management of LEG NRW and the Head of Operations, amounted to €1.5 million in 2012 (2011: €1.2 million). Of this figure, fixed components accounted for €0.8 million (2011: €0.8 million) and variable components accounted for €0.7 million (2011: €0.5 million). No termination benefits were paid in 2012.

Remuneration paid to former members of management and their surviving dependents amounted to €0.3 million (2011: €0.3 million). Provisions of €3.0 million are recognized for pension commitments to former members of management and their surviving dependents (2011: €2.7 million).

The increase is primarily due to the payment of previously vested benefits. The total remuneration paid to the members of the Supervisory Board of LEG NRW in 2012 amounted to €0.1 million (2011: €0.1 million). This relates solely to fixed remuneration. Provisions for pensions are recognized for active members of the Supervisory Board in the amount of €0.5 million (2011: €0.4 million).

Provisions of €0.4 million are recognized for pension commitments to former members of the Supervisory Board and their surviving dependents (2011: €0.3 million).

ACMI GmbH, Munich, whose managing director is the Chairman of the Supervisory Board of LEG NRW GmbH, received a fee of €0.1 million under the terms of a contract with LEG in 2012 (2011: €0.1 million).

Further information can be found in the remuneration report, which forms part of the management report.

7. Long-term incentive program for members of management

The shareholders of the LEG Group, who grant the incentive payments, intend to increase - equity in the long-term until they sell their shares. The beneficiaries of the program make an important contribution to the future development of the LEG Group. The incentive program is intended to allow the beneficiaries to participate in the success of the LEG Group and future value growth, while also incentivising them to increase the success and value of the LEG Group. This was the reason behind the establishment of the long-term incentive program in the fiscal year 2011.

In the fiscal year 2012, some members of management received benefits under the aforementioned long-term incentive program.

The incentive payments are made by the shareholders when several conditions are met cumulatively. This includes the occurrence of an exit event, which is defined as a reduction in the shares of the LEG Group held by the current shareholder to less than 10 percent. The LEG Group is also required to achieve a defined internal yield and certain cash multiples by the exit date. The incentive payments are based on a percentage of the net cash flow received by the shareholders. There are various dates on which they are granted.

The benefits are granted in four equal tranches of 25 percent between the 2010 and 2013 fiscal years, providing that the beneficiary is still employed by the company. In the event of the early termination of the employment relationship, the incentive payments are adjusted depending on the reason for termination. Adjustments may result in non-payment.

The incentive program provides for direct payment by the shareholders. The LEG Group is not obliged to make these payments. Accordingly, the incentive program is treated as a share-based option plan in accordance with IFRS 2.

Based on the adjusted assessment of the LEG Group's management concerning the probability and timing of the shareholder's exit, as well as the expectations of the cash flows to be received by the shareholders as of the grant date (taking into account various business scenarios), the economic scenarios and the two performance criteria, a bonus payment is not expected and no expense was recognized in the fiscal year 2012 (previousyear: €0.0 million).

8. Contingent liabilities

The LEG Group has the following contingent liabilities:

CONTINGENT LIABILITIES

€ million	31.12.2012	31.12.2011
Land charges	2,646.9	2,571.5
Letters of comfort		
Amount of maximum utilization (maximum guarantee)	1.7	10.5
Amount of probable utilization (nominal amount)	1.7	4.5

The warranty agreements relate solely to letters of comfort for unconsolidated Group companies. Appropriate provisions have been recognized for the rent guarantees issued in conjunction with disposals.

9. Other financial commitments

The Group's other financial commitments are composed as follows:

OTHER FINANCIAL COMMITMENTS

€ million	31.12.2012	31.12.2011
Future payments under operating leases	59.1	57.7
Purchase obligations	10.7	12.4

Future payments under operating leases result in particular from obligations for land with third-party heritable building rights in the amount of €39.8 million (previous year: €38.4 million) and rental obligations in the amount of €15.5 million (previous year: €18.0 million).

Future payment obligations under non-cancellable operating leases are broken down as follows:

MINIMUM LEASE PAYMENTS

€ million	Remaining term less than 1 year	Remaining term between1 and 5 years	Remaining term more than 5 years	Total
31.12.2011	4.2	13.1	40.5	**57.8**
31.12.2012	5.7	11.7	41.7	**59.1**

In the fiscal year 2012, minimum lease payments were expensed in the amount of €4.2 million (2011: €5.2 million).

10. Management

Management
The change of legal form and the renaming of Lancaster GmbH & Co. KG as LEG Immobilien GmbH resulted in a change in the composition of the management team:

Mr. Thomas Hegel (Erftstadt)

Frau Marielle Stijger, Amsterdam (Netherlands), (until October 31, 2012)

Ms. Mark Vennekens, Amsterdam (Netherlands), (until October 31, 2012)

Mr. Holger Hentschel (Erkrath), (from October 31, 2012)

Mr. Eckhard Schultz (Neuss), (from October 31, 2012)

Since January 2, 2013 (formation date), LEG Immobilien AG has been represented by the Management Board, which consists of the following members:

Mr. Thomas Hegel (Erftstadt)

Mr. Holger Hentschel (Erkrath)

Mr. Eckhard Schultz (Neuss)

Registered office of the company:

Hans-Böckler-Strasse 38
40476 Dusseldorf
Germany
Commercial register: HRB 69386

Auditor:

PricewaterhouseCoopers AG
Frankfurt/Main
Berlin Office
Lise-Meitner Strasse 1
10589 Berlin
Germany

11. The Supervisory Board

LEG Immo did not have a Supervisory Board as of December 31, 2012.

Following the change in legal form to a stock corporation (Aktiengesellschaft) under German law, the members and alternate members of the Supervisory Board were appointed as follows:

The Supervisory Board of LEG Immobilien AG consists of nine members and four alternate members.

The following members were elected by the shareholders' meeting:

Mr. Nathan James Brown, CFO, Perry Capital UK LLP, London, United Kingdom

Mr. James Garman, Investment Manager, Goldman Sachs International, London, United Kingdom

Dr. Martin Hintze, Bank Manager, Goldman Sachs International, London, United Kingdom

Mr. Stefan Jütte, Deputy Chairman, Merchant, Bonn

Dr. Johannes Ludewig, Business Consultant, Berlin

Ms. Heather Mulahasani, Investment Manager, Goldman Sachs International, London, United Kingdom

Dr. Jochen Scharpe, Managing Partner, AMCI GmbH, Munich

Mr. Jürgen Schulte-Laggenbeck, CFO, Otto GmbH & Co. KG, Hamburg

Mr. Michael Zimmer, Chairman; Merchant, FAIR GmbH, Pulheim

Alternate members of the Supervisory Board

Mr. Michael Furth, London, United Kingdom

Mr. Chetan Gulati, London, United Kingdom

Mr. Richard Spencer, Teddington, United Kingdom

Mr. Patrick Tribolet, Dallas, USA

12. Events after the balance sheet date

By way of entry in the commercial register on January 11, 2013, LEG Immobilien GmbH underwent a change in legal form and was renamed LEG Immobilien AG. The founders of LEG Immobilien AG are Saturea B.V. and Perry Luxco RE S.ar.l.

LEG Immo went public on February 1, 2013, with the initial listing of its shares in the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange.

In January 2013, an agreement was concluded between LEG Immo and the former shareholders on the assumption of IPO costs. Of the total costs incurred in connection with preparing the company for the capital markets and accessing the capital markets, €7.4 million was already reported as a receivable from shareholders in fiscal year 2012. This served to reduce administrative expenses in the respective functions. See also section F.6.

In preparation for LEG Immo's IPO, the previous long-term incentive agreements for members of management were rescinded in January (details of the old agreements can be found in section I.7) and replaced by new agreements for the members of the Management Board of LEG Immo. The new agreements provide for incentive payments by the former shareholders to the members of the Management Board if the IPO results in a certain level of proceeds (less costs). This is treated as a modification of the existing agreements in accordance with IFRS 2. This requires that the legacy commitment continue to be recognized as an expense, with any additional commitments from the modification date onward also being expensed.

In January, the former shareholders also entered into incentive agreements with selected members of the Supervisory Board; these agreements provide for payments by the former shareholders if the IPO is successful. The agreements have to be accounted in accordance with IFRS 2.

By way of agreement dated January 17, 2013, the shareholders Restio B.V. and Perry Luxco S.à r.l. contributed loan receivables totaling €40.5 million to the capital reserves of LEG Immobilien AG.

After the balance sheet date, December 31, 2012, further refinancing loan tranches were utilized in the amount of €200.6 million at individual Group companies. The loans will essentially be used to repay existing loans.

There were no other transactions of material importance to the company after the end of the fiscal year.

13. Declaration of compliance in accordance with section 161 of the German Stock Corporation Act

The Management Board and the Supervisory Board comply with the recommendations of the German Corporate Governance Code as presented in the management report. The declaration of compliance has been made permanently available to shareholders on the company's website at www.leg-nrw.de.

Dusseldorf, March 28, 2013

LEG Immobilien AG
(formerly LEG Immobilien GmbH, Dusseldorf, formerly Lancaster GmbH & Co. KG, Dusseldorf)

Legal representatives of the company

Thomas Hegel, Erftstadt

Holger Hentschel, Erkrath

Eckhard Schultz, Neuss

J. List of shareholdings

The following list provides an overview of the basis of consolidation of the LEG Group:

CONSOLIDATED COMPANIES

	Share of capital %	Equity* € thousand	Result* € thousand
LEG Immobilien AG, Dusseldorf (formerly LEG Immobilien GmbH, Düsseldorf; formerly Lancaster GmbH & Co. KG, Dusseldorf)	Parent company		
Rote Rose GmbH & Co. KG, Dusseldorf	94.90	99,523	13,422
LEG NRW GmbH, Dusseldorf	99.98	738,023	90,600
LEG Wohnen GmbH, Dusseldorf	100.00	584,868	0
LEG Wohnen Immobilien GmbH & Co. KG, Dusseldorf	100.00	1,421,587	-5,364
LEG Wohnungsbau Rheinland GmbH, Dusseldorf	100.00	112,639	0
LEG Wohnungsbau Rheinland Immobilien GmbH & Co. KG, Dusseldorf	100.00	269,926	500
LEG Rheinland Köln GmbH, Dusseldorf	100.00	33,969	0
LEG Wohnen Bocholt GmbH, Dusseldorf	100.00	25	0
LEG Bauträger GmbH, Dusseldorf	100.00	5,412	0
LEG Bauen und Wohnen GmbH, Cologne	100.00	2,165	0
LCS Consulting und Service GmbH, Dusseldorf	100.00	2,556	85
LEG Vertrieb und Consulting GmbH, Dusseldorf	100.00	302	0
GWN Gemeinnützige Wohnungsgesellschaft Nordwestdeutschland GmbH, Munster	94.86	76,008	0
GWN Gemeinnützige Wohnungsgesellschaft GmbH, Munster	100.00	216,470	-611
GeWo Gesellschaft für Wohnungs- und Städtebau mbH, Castrop-Rauxel	94.00	22,542	0
Hiltrup Grundbesitzverwertungsgesellschaft mbH, Munster	100.00	73	2
Wohnpark Hiltrup Grundbesitzverwertungsgesellschaft mbH & Co. KG, Munster	100.00	142	132
LEG Rheinrefugium Köln GmbH, Cologne	94.00	34	0
Calor Caree GmbH, Dusseldorf	94.00	25	0
LEG Beteiligungsverwaltungsgesellschaft mbH, Dusseldorf	100.00	13,745	0
LEG Grundstücksverwaltung GmbH, Dusseldorf	100.00	26	0
LEG Management GmbH, Dusseldorf	100.00	1.124	0
LEG Wohnen NRW GmbH, Dusseldorf	100.00	345	0
LEG Standort- und Projektentwicklung GmbH, Dusseldorf	100.00	555	0
LEG Standort- und Projektentwicklung Köln GmbH, Cologne	100.00	13,753	0
LEG Standort- und Projektentwicklung Essen GmbH, Essen	100.00	54,314	0
LEG Standort- und Projektentwicklung Bielefeld GmbH, Bielefeld	100.00	6,438	0
Biomasse Heizkraftwerk Siegerland GmbH & Co. KG, Cologne	51.00	803	5
LEG Grundstücksentwicklung Münsterland GmbH, Munster	94.90	-57	0
Grundstücksentwicklungsgesellschaft Ennigerloh Süd-Ost mbH, Ennigerloh	100.00	-6,526	-276
LEG Objekt Krefeld-Bockum GmbH & Co. KG, Dusseldorf	100.00	-4,085	393
Ravensberger Heimstättengesellschaft mbH, Bielefeld	100.00	89,970	0
Ravensberger Heimstättengesellschaft Immobilien GmbH & Co. KG, Bielefeld	100.00	198,918	-15
Gemeinnützige Bau- und Siedlungsgesellschaft Höxter-Paderborn GmbH, Hoxter	100.00	11,482	633
Ruhr-Lippe Wohnungsgesellschaft mbH, Dortmund	100.00	312,764	0
Ruhr-Lippe Wohnungsgesellschaft Immobilien mbH & Co. KG, Dortmund	100.00	908,072	-1,776
Ruhr-Lippe Immobilien-Dienstleistungsgesellschaft mbH, Dortmund	100.00	7,452	0
Wohnungsgesellschaft Münsterland mbH, Munster	100.00	164,978	0
Wohnungsgesellschaft Münsterland Immobilien GmbH & Co. KG, Munster	100.00	431,960	-2,816
Münsterland Immobilien-Dienstleistungsgesellschaft mbH, Munster	100.00	114	0

* Unless indicated otherwise, these figures are the HGB single-entity equity and result as of December 31, 2012. A zero result is shown in the event of there being a profit transfer agreement in place.

NON-CONSOLIDATED COMPANIES

	Share of capital %	Equity* € thousend	Result* € thousand
Entwicklungsgesellschaft Rhein-Pfalz GmbH, Mainz	100.00	25	0
Entwicklungsgesellschaft Rhein-Pfalz GmbH & Co. KG, Mainz	100.00	-382	247
Biomasse Heizkraftwerk Siegerland Verwaltungs GmbH, Cologne	51.00	32	1
LEG Krefeld-Bockum Verwaltungs GmbH, Dusseldorf	100.00	110	-3
Grundstücksentwicklungsgesellschaft Essen-Kettwig-Ruhrufer GmbH, Essen	100.00	0	0
LEG Eichholz GmbH, Cologne	100.00	1,198	-2
Verwaltung Musical Theater Essen GmbH, Essen	100.00	22	-3

* These figures are the HGB single-entity equity and result as of December 31, 2011. The financial statements as of December 31, 2012 were only used for Biomasse Heizkraftwerk Siegerland Verwaltungs GmbH, Cologne.

ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

	Share of capital %	Equity* € thousend	Equity* € thousend
Projektgesellschaft Hauptbahnhof Remscheid mbH, Remscheid	50.00	-16	26
Area of Sports GmbH & Co. KG, Monchengladbach	50.00	10	40
Kommunale Haus und Wohnen GmbH, Rheda-Wiedenbruck	40.62	17,722	693
Beckumer Wohnungsgesellschaft mbH, Beckum	33.37	3,345	43

* These figures are the HGB single-entity equity and result as of December 31, 2012. The financial statements as of December 31, 2011 were only used for Area of Sports GmbH & Co. KG, Monchengladbach.

ASSOCIATES NOT ACCOUNTED FOR USING THE EQUITY METHOD

	Share of capital %	Equity* € thousend	Equity* € thousend
Mönchengladbach Nordpark Area of Sports GmbH, Monchengladbach	50.00	25	0
Silo Rheinauhafen Köln, Verwaltung GmbH, Cologne	50.00	256	-47
ECR-Rheinauhafen Köln Verwaltung GmbH, Cologne	50.00	0	0
Multi Veste-LEG Domhof Galerie Minden GmbH & Co. KG, Minden	24.80	605	-15
Multi Veste-LEG Domhof Galerie Minden, Verwaltungsgesellschaft mbH, Minden	24.80	22	-8
Grundstücksgesellschaft Sendenhorst mbH, Sendenhorst	49.00	-431	44
Projektgesellschaft Eichholz GmbH, Dusseldorf	50.00	3,528	141

* These figures are the HGB single-entity equity and result as of December 31, 2011. The financial statements as of December 31, 2012 were only used for Grundstücksgesellschaft Sendenhorst mbH, Sendenhorst.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AS OF DECEMBER 31, 2012

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

€ million

	Share capital	Capital reserves	Revenue reserves
As of January 1, 2011	**-**	**591.1**	**1,257.6**
Net profit for the period	-	-	-11.5
Other comprehensive income	-	-	0.0
Total comprehensive income	**-**	**-**	**-11.5**
Change in consolidated companies	-	-	-
Capital increase	-	0.4	-
Withdrawels from reserves	-	-47.2	-
Distributions	-	-	-
As of December 31, 2011	**-**	**544.3**	**1,246.1**
Net profit for the period	-	-	94.4
Other comprehensive income	-	-	-
Total comprehensive income	**-**	**-**	**94.4**
Change in consolidated companies/contribution of non-controlling interests	-	-	312.9
Capital increase	53.0	-	-
Withdrawels from reserves	-	-108.2	-
Distributions	-	-	-
As of December 1, 2012	**53.0**	**436.1**	**1,653.4**

Cumulative other reserves				
Actuarial gains and losses from the measurement of pension obligations	Fair value adjustment of interest derivates in hedges	Equity attributable to shareholders of the group	Non-controlling interests	Consolidated equity
-1.3	**-**	**1,847.4**	**393.1**	**2,240.5**
-	-	-11.5	-3.6	-15.1
-2.9	-15.3	-18.2	-3.8	-22.0
-2.9	**-15.3**	**-29.7**	**-7.4**	**-37.1**
-	-	-	-1.3	-1.3
-	-	0.4	0.4	0.8
-	-	-47.2	-0.1	-47.3
-	-	-	-9.7	-9.7
-4.2	**-15.3**	**1,770.9**	**375.0**	**2,145.9**
-	0.0	94.4	17.7	112.1
-14.7	-35.5	-50.2	-9.3	-59.5
-14.7	**-35.5**	**44.2**	**8.4**	**52.6**
-3.4	-8.8	300.7	-339.4	-38.7
-	-	53.0	0.1	53.1
-	-	-108.2	-	-108.2
-	-	-	-19.2	-19.2
-22.3	**-59.6**	**2,060.6**	**24.9**	**2,085.5**

CONSOLIDATED STATEMENT OF CHANGES IN ASSETS

CONSOLIDATED STATEMENT OF CHANGES IN ASSETS 2012

€ million	Cost				
	As of January 1, 2012	Additions	Disposals	Additions from investment property	Disposal to investment property
Property, plant and equipment	**112.1**	**4.1**	**-9.7**	**0.3**	**-0.1**
Land, land rights and buildings	31.2	0.1	-1.1	0.3	-0.1
Technical equipment and machinery	34.7	0.4	-0.7	-	-
Other equipment, operating and office equipment	12.8	0.6	-3.9	-	-
Finance leases	33.4	3.0	-4.0	-	-
Intangible assets	**14.1**	**1.4**	**-3.0**	**-**	**-**
Total	**126.2**	**5.5**	**-12.7**	**0.3**	**-0.1**

CONSOLIDATED STATEMENT OF CHANGES IN ASSETS 2011

€ million	Cost				
	As of January 1, 2011	Additions	Disposals	Additions from investment property	Disposal to investment property
Property, plant and equipment	**107.1**	**20.4**	**-16.1**	**0.9**	**-0.2**
Land, land rights and buildings	29.6	2.4	-1.5	0.9	-0.2
Technical equipment and machinery	34.9	0.4	-0.6	-	-
Other equipment, operating and office equipment	12.8	0.0	0.0	-	-
Finance leases	29.8	17.6	-14.0	-	-
Intangible assets	**10.5**	**3.6**	**-0.0**	**-**	**-**
Total	**117.6**	**24.0**	**-16.1**	**0.9**	**-0.2**

	Cumulative depreciation, amortization and write-downs/fair value				Carrying amounts	
As of December 31, 2012	As of January 1, 2012	Additions	Disposals	As of December 31, 2012	As of December 31, 2012	As of December 31, 2011
106.7	**-36.4**	**-6,8**	**8.8**	**-34.4**	**72.3**	**75.7**
30.4	-1.6	-0.7	0.6	-1.7	28.7	29.6
34.4	-14.3	-2.3	0.7	-15.9	18.5	20.4
9.5	-11.1	-0.6	3.9	-7.8	1.7	1.7
32.4	-9.4	-3.2	3.6	-9.0	23.4	24.0
12.5	**-7.8**	**-1.8**	**3.0**	**-6.6**	**5.9**	**6.3**
119.2	**-44.2**	**-8.6**	**11.8**	**-41.0**	**78.2**	**82.0**

	Cumulative depreciation, amortization and write-downs/fair value				Carrying amounts	
As of December 31, 2011	As of January 1, 2011	Additions	Disposals	As of December 31, 2011	As of December 31, 2011	As of December 31, 2010
112.1	**-40.6**	**-6.3**	**10.5**	**-36.4**	**75.7**	**66.5**
31.2	-1.0	-0.6	0.0	-1.6	29.6	28.6
34.7	-12.3	-2.5	0.5	-14.3	20.4	22.6
12.8	-10.7	-0.4	0.0	-11.1	1.7	2.1
33.4	-16.6	-2.8	10.0	-9.4	24.0	13.2
14.1	**-7.4**	**-0.4**	**0.0**	**-7.8**	**6.3**	**3.1**
126.2	**-48.0**	**-6.7**	**10.5**	**-44.2**	**82.0**	**69.6**

CONSOLIDATED STATEMENT OF CHANGES IN PROVISIONS

CONSOLIDATED STATEMENT OF CHANGES IN PROVISIONS 2012

€ million

	As of January 1, 2012	Utilization	Reserval	Reclassified to the asset held for sale
Staff provision				
Staff provisions	4.5	-2.7	-0.6	-
Other provisions	**32.9**	**-10.3**	**-4.2**	**-**
Provisions for lease properties	2.9	-0.5	-0.1	-
Construction book provisions	13.6	-5.9	-0.2	-
Litigation risks	5.2	-0.5	-1.4	1.3
Miscellaneous provisions	11.2	-3.4	-2.5	-1.3
Total	**37.4**	**-13.0**	**-4.8**	**-**

CONSOLIDATED STATEMENT OF CHANGES IN PROVISIONS 2012

€ million

	As of January 1, 2011	Utilization	Reserval	Reclassified to the asset held for sale
Staff provision				
Staff provisions	4.5	-2.5	-0.9	-0.1
Other provisions	**32.3**	**-7.5**	**-9.9**	**0.1**
Provisions for lease properties	3.9	-0.9	-0.3	-
Construction book provisions	11.9	-3.2	-0.3	-
Litigation risks	7.2	-0.9	-4.6	0.1
Miscellaneous provisions	9.3	-2.5	-4.7	-
Total	**36.8**	**-10.0**	**-10.8**	**-**

Addition	interest	Discounting	As of December 31, 2012	of which non-current	current
0.8	-	-	2.0	1.1	0.9
9.7	**2.2**	**-**	**30.3**	**11.1**	**19.2**
-	0.1	-	2.4	1.9	0.5
3.2	0.3	-	11.0	2.8	8.2
0.7	-	-	5.3	0.2	5.1
5.8	1.7	0.0	11.5	6.1	5.4
10.5	**2.2**	**0.0**	**32.3**	**12.2**	**20.1**

Addition	Interest	Discounting	Stand am December 31, 2011	of which non-current	current
3.5	-	-	4.5	1.8	2.7
16.6	**1.4**	**-0.1**	**32.9**	**12.8**	**20.1**
0.0	0.2	-	2.9	2.0	0.9
5.0	0.2	-0.1	13.5	6.8	6.7
3.0	0.4	-	5.2	0.2	5.0
8.6	0.6	0.0	11.3	3.8	7.5
20.1	**1.4**	**-0.1**	**37.4**	**14.6**	**22.8**

OVERVIEW OF VOTING RIGHT NOTIFICATIONS IN ACCORDANCE WITH SECTION 21(1) WPHG

OVERVIEW OF VOTING RIGHT NOTIFICATIONS IN ACCORDANCE WITH SECTION 21(1) WPHG

Participating company	City	Country	Day of notification	Reason of notification	Date to which notification relates	Reporting thresholds concerned in %	TOTAL voting rights held	TOTAL voting rights in %
Goldman, Sachs & Co.	New York, NY	USA	13.03.13	Drop below thresholds	12.03.13	50	26,481,721	49.999
GS LEG Investor (Euro) Company	George Town	Cayman Islands	13.03.13	Drop below thresholds	12.03.13	50	26,481,721	49.999
Mr. Richard C. Perry		USA	17.04.13	Drop below thresholds	12.03.13	50	26,481,721	49.999
Perry Corp.	New York	USA	17.04.13	Drop below thresholds	12.03.13	50	26,481,721	49.999
Perry Global Holdings LLC	Wilmington, Delaware	USA	17.04.13	Drop below thresholds	12.03.13	50	26,481,721	49.999
Perry Luxco RE S.à r.l.	Luxembourg	Luxembourg	17.04.13	Drop below thresholds	12.03.13	50	26,481,721	49.999
Perry Luxco S.à r.l.	Luxembourg	Luxembourg	17.04.13	Drop below thresholds	12.03.13	50	26,481,721	49.999
Perry Partners International Master Inc.	Road Town, Tortola	British Virgin Islands	17.04.13	Drop below thresholds	12.03.13	50	26,481,721	49.999
Perry Partners International, Inc.	Road Town, Tortola	British Virgin Islands	17.04.13	Drop below thresholds	12.03.13	50	26,481,721	49.999
Perry Partners L.P.	Wilmington, Delaware	USA	17.04.13	Drop below thresholds	12.03.13	50	26,481,721	49.999
Perry Private Opportunities Fund GP, L.L.C.	Wilmington, Delaware	USA	17.04.13	Drop below thresholds	12.03.13	50	26,481,721	49.999
Perry Private Opportunities Fund, L.P.	Wilmington, Delaware	USA	17.04.13	Drop below thresholds	12.03.13	50	26,481,721	49.999
Perry Private Opportunities Offshore Fund (Cayman) GP, L.L.C.	Wilmington, Delaware	USA	17.04.13	Drop below thresholds	12.03.13	50	26,481,721	49.999
Perry Private Opportunities Offshore Fund, L.P.	George Town, Grand Cayman	Cayman Islands	17.04.13	Drop below thresholds	12.03.13	50	26,481,721	49.999
Restio B.V.	Amsterdam	Netherlands	13.03.13	Drop below thresholds	12.03.13	50	26,481,721	49.999
Saturea B.V.	Amsterdam	Netherlands	13.03.13	Drop below thresholds	12.03.13	50	26,481,721	49.999
The Goldman Sachs Group, Inc.	New York, NY	USA	13.03.13	Drop below thresholds	12.03.13	50	26,481,721	49.999
Goldman Sachs (UK) L.L.C.	London	United Kingdom	27.02.13	Drop below thresholds	21.02.13	3, 5	0	0.00
Goldman Sachs Group Holdings (UK)	London	United Kingdom	27.02.13	Drop below thresholds	21.02.13	3, 5	0	0.00
Goldman Sachs Holdings (UK)	London	United Kingdom	27.02.13	Drop below thresholds	21.02.13	3, 5	0	0.00
Goldman Sachs International	London	United Kingdom	27.02.13	Drop below thresholds	21.02.13	3, 5	0	0.00
CBRE Clarion Securities, LLC	Radnor	USA	04.02.13	Drop below thresholds	01.02.13	3	2,115,800	3.99

Allocation of voting rights in accordance with section 22 WpHG							
Companies whose voting rights are allocated to the reporting company	Reason for allocation	Number of allocated voting rights	Allocated voting rights in %	Companies whose voting rights allocated to the reporting company	Reason for allocation	Number of allocated voting rights	Allocated voting rights in %
GS LEG Investor (Euro) Company; Restio B.V.; Saturea B.V.	Section 22(1) sentence 1 WpHG	21,637,684	40.853	Perry Luxco RE S.à r.l.	Section 22(1) sentence 2, no. 1 WpHG	4,844,037	9.146
Restio B.V.; Saturea B.V.	Section 22(1) sentence 1 WpHG	21,637,684	40.853	Perry Luxco RE S.à r.l.	Section 22(1) sentence 2, no. 1 WpHG	4,844,037	9.146
Perry Corp.; Perry Partners, LP; Perry Global Holdings, L.L.C.; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l. Perry Corp.; Perry Partners International, Inc; Perry Partners International Master, Inc; Perry Global Holdings, LLC; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l. Perry Corp.; Perry Private Opportuntities Fund GP, L.L.C.; Perry Private Opportunities Fund, L.P.; Perry Global Holdings, L.L.C.; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l. Perry Corp.; Perry Private Opportunities Offshore Fund (Cayman) GP, LLC; Perry Private Opportunities Offshore Fund, L.P.; Perry Global Holdings, L.L.C.; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l.	Section 22(1) sentence 1 WpHG	4,844,037	9.146	Saturea B.V.	Section 22(1) sentence 2, no. 1 WpHG	21,637,684	40.853
Perry Partners, LP; Perry Global Holdings, LLC; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l. Perry Partners International, Inc; Perry Partners International Master, Inc; Perry Global Holdings, LLC; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l. Perry Private Opportunities Fund GP, L.L.C.; Perry Private Opportunities Fund, L.P.; Perry Global Holdings, LLC; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l. Perry Private Opportunities Offshore Fund (Cayman) GP, L.L.C.; Perry Private Opportunities Offshore Fund, L.P.; Perry Global Holdings, LLC; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l.	Section 22(1) sentence 1 WpHG	4,844,037	9.146	Saturea B.V.	Section 22(1) sentence 2, no. 1 WpHG	21,637,684	40.853
Perry Luxco S.à r.l. ; Perry Luxco RE S.à r.l.	Section 22(1) sentence 1 WpHG	4,844,037	9.146	Saturea B.V.	Section 22(1) sentence 2, no. 1 WpHG	21,637,684	40.853
Saturea B.V.	Section 22(1) sentence 1 WpHG	None	None	Saturea B.V.	Section 22(1) sentence 2, no. 1 WpHG	21,637,684	40.853
Perry Luxco RE S.à r.l.	Section 22(1) sentence 1 WpHG	4,844,037	9.146	Saturea B.V.	Section 22(1) sentence 2, no. 1 WpHG	21,637,684	40.853
Perry Global Holdings LLC, Perry Luxco S.à r.l. ; Perry Luxco RE S.à r.l.	Section 22(1) sentence 1 WpHG	4,844,037	9.146	Saturea B.V.	Section 22(1) sentence 2, no. 1 WpHG	21,637,684	40.853
Perry Partners International Master, Inc; Perry Global Holdings LLC, Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l.	Section 22(1) sentence 1 WpHG	4,844,037	9.146	Saturea B.V.	Section 22(1) sentence 2, no. 1 WpHG	21,637,684	40.853
Perry Global Holdings LLC, Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l.	Section 22(1) sentence 1 WpHG	4,844,037	9.146	Saturea B.V.	Section 22(1) sentence 2, no. 1 WpHG	21,637,684	40.853
Perry Private Opportunities Fund, L.P.; Perry Global Holdings LLC, Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l.	Section 22(1) sentence 1 WpHG	4,844,037	9.146	Saturea B.V.	Section 22(1) sentence 2, no. 1 WpHG	21,637,684	40.853
Perry Global Holdings LLC, Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l.	Section 22(1) sentence 1 WpHG	4,844,037	9.146	Saturea B.V.	Section 22(1) sentence 2, no. 1 WpHG	21,637,684	40.853
Perry Private Opportunities Offshore Fund, LP; Perry Global Holdings, L.L.C; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l.	Section 22(1) sentence 1 WpHG	4,844,037	9.146	Saturea B.V.	Section 22(1) sentence 2, no. 1 WpHG	21.637,685	40.853
Perry Global Holdings LLC, Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l.	Section 22(1) sentence 1 WpHG	4,844,037	9.146	Saturea B.V.	Section 22(1) sentence 2, no. 1 WpHG	21,637,684	40.853
Saturea B.V.	Section 22(1) sentence 1 WpHG	21,637,684	40.853	Perry Luxco RE S.à r.l.	Section 22(1) sentence 2, no. 1 WpHG	4,844,037	9.146
None	Section 22(1) sentence 1 WpHG	-	-	Perry Luxco RE S.à r.l.	Section 22(1) sentence 2, no. 1 WpHG	4,844,037	9.146
Goldman, Sachs & Co; GS LEG Investor (Euro) Company; Restio B.V.; Saturea B.V.	Section 22(1) sentence 1 WpHG	21,637,684	40.853	Perry Luxco RE S.à r.l.	Section 22(1) sentence 2, no. 1 WpHG	4,844,037	9.146
None	Section 22(1) sentence 1 WpHG	0	0.00	None	None	None	None
None	Section 22(1) sentence 1 WpHG	0	0.00	None	None	None	None
None	Section 22(1) sentence 1 WpHG	0	0.00	None	None	None	None
None	Section 22(1) sentence 1 WpHG	0	0.00	None	None	None	None
None	Section 22(1) sentence 1 WpHG	2,115,800	3.99	None	None	None	None

OVERVIEW OF VOTING RIGHT NOTIFICATIONS IN ACCORDANCE WITH SECTION 21(1A) WPHG

OVERVIEW OF VOTING RIGHT NOTIFICATIONS IN ACCORDANCE WITH SECTION 21(1) WPHG

Participating company	City	Country	Day of notification	Reason for notification	Day to which notification relates	Thresholds	TOTAL voting rights held	TOTAL voting rights in %
Goldman, Sachs & Co.	New York, NY	USA	05.02.2013	First-time admission of shares to trading on an organized market	31.01.13	None	52,963,444	100.00
GS LEG Investor (Euro) Company	George Town	Cayman Islands	05.02.13	First-time admission of shares to trading on an organized market	31.01.13	None	52,963,444	100.00
Mr. Richard C. Perry		USA	05.02.13	First-time admission of shares to trading on an organized market	31.01.13	None	52,963,444	100,00
Perry Corp.	New York	USA	05.02.13	First-time admission of shares to trading on an organized market	31.01.13	None	52,963,444	100.00
Perry Global Holdings LLC	Wilmington, Delaware	USA	05.02.13	First-time admission of shares to trading on an organized market	31.01.13	None	52,963,444	100.00
Perry Luxco RE S.à r.l.	Luxembourg	Luxembourg	05.02.13	First-time admission of shares to trading on an organized market	31.01.13	None	52,963,444	100.00
Perry Luxco S.à r.l.	Luxembourg	Luxembourg	05.02.13	First-time admission of shares to trading on an organized market	31.01.13	None	52,963,444	100.00
Perry Partners International Master, Inc.	Road Town, Tortola	British Virgin Islands	05.02.13	First-time admission of shares to trading on an organized market	31.01.13	None	52,963,444	100.00
Perry Partners International, Inc.	Road Town, Tortola	British Virgin Islands	05.02.13	First-time admission of shares to trading on an organized market	31.01.13	None	52,963,444	100.00
Perry Partners, L.P.	Wilmington, Delaware	USA	05.02.13	First-time admission of shares to trading on an organized market	31.01.13	None	52,963,444	100.00
Perry Private Opportunities Fund GP, L.L.C.	Wilmington, Delaware	USA	08.02.13	First-time admission of shares to trading on an organized market	31.01.13	None	52,963,444	100.00
Perry Private Opportunities Fund, L.P.	Wilmington, Delaware	USA	08.02.13	First-time admission of shares to trading on an organized market	31.01.13	None	52,963,444	100.00
Perry Private Opportunities Offshore Fund (Cayman) GP, LLC	Wilmington, Delaware	USA	08.02.13	First-time admission of shares to trading on an organized market	31.01.13	None	52,963,444	100.00
Perry Private Opportunities Offshore Fund, L.P.	George Town, Grand Cayman	Cayman Islands	05.02.13	First-time admission of shares to trading on an organized market	31.01.13	None	52,963,444	100.00
The Goldman Sachs Group, Inc.	Wilmington, Delaware	USA	05.02.13	First-time admission of shares to trading on an organized market	31.01.13	None	52,963,444	100.00
Restio B.V.	Amsterdam	Netherlands	05.02.13	First-time admission of shares to trading on an organized market	31.01.13	None	52,963,444	100.00
Saturea B.V.	Amsterdam	Netherlands	05.02.13	First-time admission of shares to trading on an organized market	31.01.13	None	52,963,444	100.00

Allocation of voting rights in accordance with section 22 WpHG							
Companies whose voting rights are allocated to the reporting company	Reason for allocation	Number of allocated voting rights	Allocated voting rights in %	Companies whose voting rights are allocated to the reporting company	Reason for allocation	Number of allocated voting rights	Allocated voting rights in %
GS LEG Investor (Euro) Company; Restio B.V.; Saturea B.V.	Section 22(1) no.1 WpHG	47,264,577	89.24	Perry Luxco RE S. à r.l.	§ 22 Abs. 2 WpHG	5,698,867	10.76
Restio B.V.; Saturea B.V.	Section 22(1) no.1 WpHG	47,264,577	89.24	Perry Luxco RE S. à r.l.	§ 22 Abs. 2 WpHG	5,698,867	10.76
Perry Corp.; Perry Partners, LP; Perry Global Holdings, L.L.C.; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l.; Perry Corp.; Perry Partners International, Inc; Perry Partners International Master, Inc; Perry Global Holdings, LLC; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l. Perry Corp.; Perry Private Opportunities Fund GP, L.L.C.; Perry Private Opportunities Fund, L.P.; Perry Global Holdings, L.L.C.; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l. Perry Corp.; Perry Private Opportunities Offshore Fund (Cayman) GP, LLC; Perry Private Opportunities Offshore Fund, L.P.; Perry Global Holdings L.L.C.; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l.	Section 22(1) no.1 WpHG	5,698,867	10.76	Saturea B.V.	§ 22 Abs. 2 WpHG	47,264,577	89.24
Perry Partners, LP; Perry Global Holdings, LLC; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l. Perry Partners International, Inc; Perry Partners International Master, Inc; Perry Global Holdings, LLC; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l. Perry Private Opportunities Fund GP, L.L.C. ; Perry Private Opportunities Fund, L.P.; Perry Global Holdings, LLC; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l. Perry Private Opportunities Offshore Fund (Cayman) GP, L.L.C.; Perry Private Opportunities OffshoreFund, L.P.; Perry Global Holdings, LLC; Perry Luxco S.à r.l.; Perry LuxcoRE S.à r.l.	Section 22(1) no.1 WpHG	5,698,867	10.76	Saturea B.V.	Section 22(2) WpHG	47,264,577	89.24
Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l.	Section 22(1) no.1 WpHG	5,698,867	10.76	Saturea B.V.	Section 22(2) WpHG	47,264,577	89.24
None	None	None	None	Saturea B.V.	Section 22(2) WpHG	47,264,577	89.24
Perry Luxco RE S.à r.l.	Section 22(1) no.1 WpHG	5,698,867	10.76	Saturea B.V.	Section 22(2) WpHG	47,264,577	89.24
Perry Global Holdings L.L.C.; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l.	Section 22(1) no.1 WpHG	5,698,867	10.76	Saturea B.V.	Section 22(2) WpHG	47,264,577	89.24
Perry Partners International Master, Inc; Perry Global Holdings L.L.C.; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l.	Section 22(1) no.1 WpHG	5,698,867	10.76	Saturea B.V.	Section 22(2) WpHG	47,264,577	89.24
Perry Global Holdings, L.L.C.; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l.	Section 22(1) no.1 WpHG	5,698,867	10.76	Saturea B.V.	Section 22(2) WpHG	47,264,577	89.24
Perry Private Opportunities Fund, LP; Perry Global Holdings, L.L.C; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l.	Section 22(1) no.1 WpHG	5,698,867	10.76	Saturea B.V.	Section 22(2) WpHG	47,264,577	89.24
Perry Global Holdings, L.L.C.; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l.	Section 22(1) no.1 WpHG	5,698,867	10.76	Saturea B.V.	Section 22(2) WpHG	47,264,577	89.24
Perry Private Opportunities Offshore Fund, LP; Perry Global Holdings, L.L.C; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l.	Section 22(1) no.1 WpHG	5,698,867	10.76	Saturea B.V.	Section 22(2) WpHG	47,264,577	89.24
Perry Global Holdings L.L.C.; Perry Luxco S.à r.l.; Perry Luxco RE S.à r.l.	Section 22(1) no.1 WpHG	5,698,867	10.76	Saturea B.V.	Section 22(2) WpHG	47,264,577	89.24
Goldman, Sachs & Co.; GS LEG Investor (Euro) Company; GS LEG Investor (Euro) Company; Restio B.V.; Saturea B.V.	Section 22(1) no.1 WpHG	47,264,577	89.24	Perry Luxco RE S. à r.l.	Section 22(2) WpHG	5,698,867	10.76
Saturea B.V.	Section 22(1) no.1 WpHG	47,264,577	89.24	Perry Luxco RE S. à r.l.	Section 22(2) WpHG	5,698,867	10.76
None	None	None	None	Perry Luxco RE S. à r.l.	Section 22(2) WpHG	5,698,867	10.76

OVERVIEW OF VOTING RIGHT NOTIFICATIONS IN ACCORDANCE WITH SECTION 25A WPHG

OVERVIEW OF VOTING RIGHT NOTIFICATIONS IN ACCORDANCE WITH SECTION 25A WPHG

Participating company	City	Country	Date of notification	Type of threshold effect	Date of threshold effect	Reporting thresholds concerned in %	Reportable share of voting rights in %	Reportable votes
Goldman, Sachs & Co.	New York, NY	USA	13.03.13	Drop below threshold	05.03.13	5, 10, 15, 20, 25, 30, 50	0.00	None
GS LEG Investor (Euro) Company	George Town	Cayman Islands	13.03.13	Drop below threshold	05.03.13	5, 10, 15, 20, 25, 30, 50	0.00	None
Restio B.V.	Amsterdam	Netherlands	13.03.13	Drop below threshold	05.03.13	5, 10, 15, 20, 25, 30, 50	0.00	None
Saturea B.V.	Amsterdam	Netherlands	13.03.13	Drop below threshold	05.03.13	5, 10, 15, 20, 25, 30, 50	0.00	None
The Goldman Sachs Group, Inc.	New York, NY	USA	13.03.13	Drop below threshold	05.03.13	5, 10, 15, 20, 25, 30, 50	0.00	None
The Goldman Sachs Group, Inc.	Wilmington, Delaware	USA	27.02.13	Threshold reached	21.02.13	50	50.00	26,481,722
Goldman Sachs (UK) L.L.C.	Wilmington, Delaware	USA	08.02.13	Drop below threshold	05.02.13	5, 10, 15, 20, 25, 30	0.00	None
Goldman Sachs Group Holdings (U.K.)	London	United Kingdom	08.02.13	Drop below threshold	05.02.13	5, 10, 15, 20, 25, 30	0.00	None
Goldman Sachs Holdings (U.K.)	London	United Kingdom	08.02.13	Drop below threshold	05.02.13	5, 10, 15, 20, 25, 30	0.00	None
Goldman Sachs International	London	United Kingdom	08.02.13	Drop below threshold	05.02.13	5, 10, 15, 20, 25, 30	0.00	None
Deutsche Bank AG	Frankfurt/Main	Germany	07.02.13	Drop below threshold	05.02.13	5	0.04	21,429

Details of voting rights						
Share of voting rights due to (financial/other) instruments in accordance with section 25a WpHG	of which held indirectly	Share of voting rights due to (financial/other) instruments in accordance with section 25 WpHG	of which held indirectly	Voting right shares in accordance with sections 21, 22 WpHG	Chain of controlled companies	Financial instruments
None	None	None	None	50.00% (26,481,722 voting rights)	GS LEG Investor (Euro) Company; Restio B.V.; Saturea B.V.	None
None	None	None	None	50.00% (26,481,722 voting rights)	Restio B.V.; Saturea B.V.	None
None	None	None	None	50.00% (26,481,722 voting rights)	Saturea B.V.	None
None	None	None	None	50.00% (26,481,722 voting rights)	None	None
None	None	None	None	50.00% (26,481,722 voting rights)	Saturea B.V.	None
3.72% (1,972,258 voting rights)	100.00% (1,972,258 voting rights)	None	None	46.28% (24,509,464 voting rights)	Goldman, Sachs & Co.; GS LEG Investor (Euro) Company; Restio B.V.; Saturea B.V.	Greenshoe (shareholder); expired: March 2, 2013
None	None	None	None	6.69% (3,546,781 voting rights)	None	None
None	None	None	None	6.69% (3,546,781 voting rights)	None	None
None	None	None	None	6.69% (3,546,781 voting rights)	None	None
None	None	None	None	6.69% (3,546,781 voting rights)	None	None
0.04% (21,429 voting rights)	0.00% (0 voting rights)	None	None	None	None	Cash-settled swap; maturing: November 1, 2013

AUDIT OPINION

We have audited the consolidated financial statements prepared by the LEG Immobilien AG, Düsseldorf (formerly LEG Immobilien GmbH, formerly Lancaster GmbH & Co. KG), comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to December 2012. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and/or the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.
Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, April 22, 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Gregory Hartman	ppa. Dierk Schultz
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

RESPONSIBILITY STATEMENT

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

FURTHER INFORMATION

GLOSSAR

GLOSSAR

CAPEX	**Cap**ital **ex**penditure Capitalized cost of modernization and maintenance work
EBIT	**E**arnings **b**efore **i**nterest and **t**axes operating earnings consolidated net income before net finance costs and taxes
EBITDA	**E**arnings **b**efore **i**nterest, **t**axes, **d**epreciation and **a**mortisation consolidated net income before net finance costs and taxes, depreciation on property, plant and equipment and amortization on intangible assets; depreciation and amortization also include impairment losses and reversals thereof
adj. EBITDA	adjusted (bereinigtes) EBITDA EBITDA adjusted for net income on the remeasurement of investment of investment property, net income from the disposal of real estate inventory, net income from the disposal of investment property, non-recurring project costs and other extraordinary and prior-period expenses and income
EPRA	**E**uropean **P**ublic **R**eal Estate **A**ssociation
EPRA – NAV	**n**et **a**sset **v**alue as defined by **EPRA** net asset value from a shareholder perspective assuming the long-term continuation of the company as a going concern This value is calculated on the basis of equity and eliminates the effects of the market measurement of derivative financial instruments and deferred taxes
FFO I	**f**unds **f**rom **o**perations **I** funds generated from operating activities LEG calculation: adj. EBITDA adjusted for cash interest expenses and income and cash taxes
FFO II	**f**unds **f**rom **o**perations **II** FFO I plus the net income from the disposal of investment property
AFFO	adjusted **FFO I** FFO I adjusted for investments for capitalized capex measures
LTV	**l**oan-**t**o-**v**alue The ratio of net financial liabilities (not including EK 02 tax liabilities), less cash and cash equivalents, to investment property and assets held for sale
project costs	include expenses for projects that are largely non-recurring with a complex structure whose goals are to be met within the budget and time provided

THE MANAGEMENT BOARD

The members of the Management Board are as follows (as of March 2013):

Thomas Hegel
Chairman of the Management Board (CEO), Erftstadt

Eckhard Schultz
Deputy Chairman of the Management Board (CFO), Neuss

Holger Hentschel
Member of the Management Board (COO), Erkrath

FINANCIAL CALENDAR

GESCHÄFTSJAHR 2013	
Publication of the 2012 annual report	April 30, 2013
Publication of the interim report as of March 31, 2013	May 28, 2013
Annual General Meeting, Dusseldorf	July 19, 2013
Publication of the interim report as of June 30, 2013	August 30, 2013
Publication of the interim report as of September 30, 2013	November 29, 2013

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