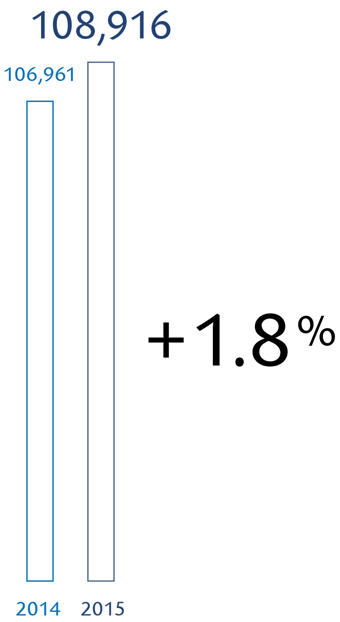
LEG
gewohnt gut.

WE FOCUS.

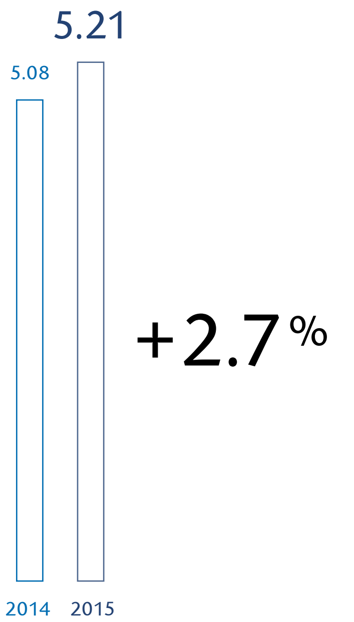
WE GROW.

ANNUAL REPORT 2015

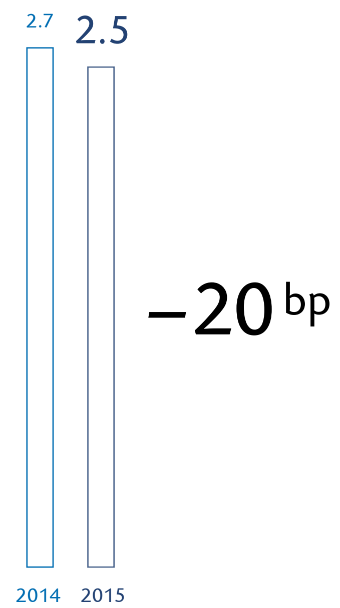
KEY FACTS 2015



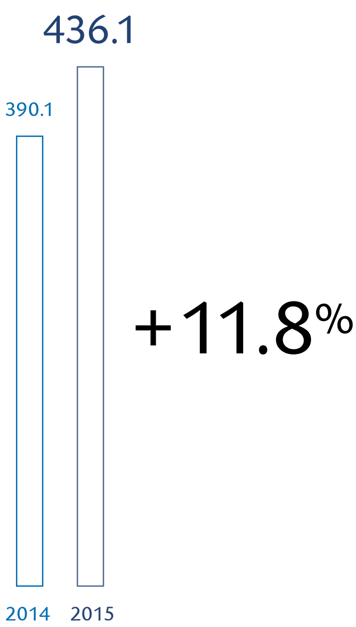
Number residential units



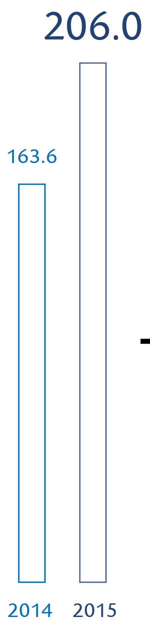
In-place rent on 31.12. (like-for-like) in €/sqm



EPRA Vacancy rate on 31.12. (like-for-like) in %

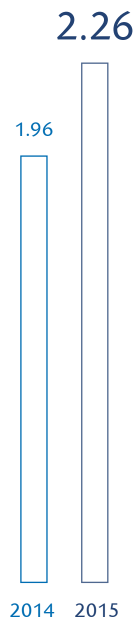


Rental income in € million



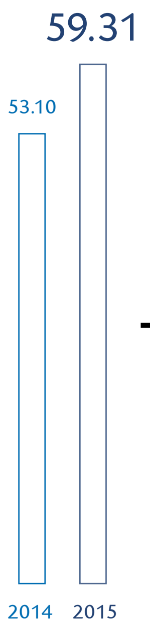
+25.9%

FFO I in € million



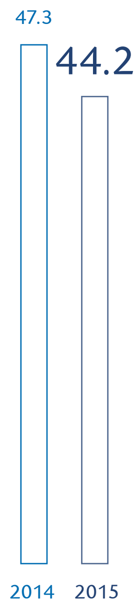
+15.3%

Dividend per share in €



+11.7%

EPRA NAV per share in €, diluted



–310 bp

LTV in %

bp = basis points

KEY FACTS 2015

T1 – Key facts

		2015	2014	+/– %/bp
RESULTS OF OPERATIONS				
Rental income	€ million	**436.1**	390.1	11.8
Net rental and lease income	€ million	**320.5**	284.9	12.5
EBITDA	€ million	**561.0**	390.3	43.7
EBITDA adjusted	€ million	**293.7**	259.3	13.3
EBT	€ million	**299.7**	219.5	36.5
Net profit or loss for the period	€ million	**217.7**	155.6	39.9
FFO I	€ million	**206.0**	163.6	25.9
FFO I per share	€	**3.53**	3.04	16.1
FFO II	€ million	**209.6**	161.9	29.5
FFO II per share	€	**3.60**	3.00	20.0
AFFO	€ million	**146.2**	120.2	21.6
AFFO per share	€	**2.51**	2.23	12.6
PORTFOLIO		**31.12.2015**	31.12.2014	+/– %/bp
Number residential units		**108,916**	106,961	1.8
In-place rent	€/sqm	**5.21**	5.07	2.8
In-place rent (l-f-l)	€/sqm	**5.21**	5.08	2.7
EPRA vacancy rate	%	**2.6**	2.8	–20 bp
EPRA vacancy rate (l-f-l)	%	**2.5**	2.7	–20 bp
STATEMENT OF FINANCIAL POSITION		**31.12.2015**	31.12.2014	+/– %/bp
Investment property	€ million	**6,398.5**	5,914.3	8.2
Cash and cash equivalents	€ million	**252.8**	129.9	94.6
Equity	€ million	**2,985.0**	2,490.4[1]	19.9
Total financial liabilities	€ million	**3,241.6**	2,960.3	9.5
Current financial liabilities	€ million	**496.0**	413.8	19.9
LTV	%	**44.2**	47.3	–310 bp
Equity ratio	%	**41.5**	39.5	200 bp
EPRA NAV, diluted	€ million	**4,027.1**	3,294.7	22.2
EPRA NAV per share, diluted	€	**59.31**	53.10	11.7

[1] Adjustment arising from final purchase price allocation of Vitus transaction
bp = basis points

CONTENTS

ECKHARD SCHULTZ
Chief Financial Officer

THOMAS HEGEL
Chief Executive Officer

HOLGER HENTSCHEL
Chief Operating Officer

LETTER FROM THE MANAGEMENT BOARD

Dear Shareholders,
dear Ladies and Gentlemen,

2015 was an eventful year for LEG – a year of challenges from which our company has emerged stronger. We vigorously continued our value-enhancing growth strategy and thereby again outperformed our goals overall.

The title of the 2015 annual report "We Focus. We Grow." describes what is behind LEG's success and how we see ourselves. With its leading management concept, LEG – as the market leader in North Rhine-Westphalia – relies on a deep understanding of the markets in NRW and its proximity to its customers. The regional concentration of our residential portfolio goes hand-in-hand with leading management efficiency. Targeted investments with sound judgement are subject to strict capital discipline and take into account the interests of tenants and shareholders. Further increasing customer satisfaction is a central concern of our management strategy. We approach this with a high degree of motivation and the service orientation of our employees.

The success is reflected in the positive operational performance indicators for the 2015 financial year: On a like-for-like basis we generated rental growth per square metre of +2.7% in the reporting year. In the free-financed portfolio we even achieved growth of +3.6% (like-for-like), thus again demonstrating the impressive management expertise of LEG and the quality of our property portfolio. Thanks in part to the successful implementation of individual vacancy concepts, the EPRA vacancy rate has been reduced to 2.5% (like-for-like), even lower than the already low level of the previous year.

At the same time, LEG vigorously pressed ahead with its expansion strategy. In 2015 we concluded agreements for the acquisition of a total of around 21,000 residential units on our core markets. We achieved a significant portion of this in November 2015, with the agreement to acquire a portfolio of around 13,600 residential units. This is the largest acquisition in the history of our company. The purchase price for this portfolio was around EUR 600 million. This represents a highly attractive rental yield of 8%. Thus, LEG is further expanding its leading market position on the attractive housing market of North Rhine-Westphalia.

With the integration of acquisitions, we are simultaneously expanding the platform for providing tenant-oriented services. Thus, the multimedia business posted higher earnings contributions in the second year of its existence. January 2016 also saw the launch of the company EnergieServicePlus, which we operate in cooperation with RWE. We are continuing to work on the development of innovative concepts that create added value for both our tenants and for our shareholders.

The dynamic organic and external growth of LEG, positive effects from lower financing costs and our strict cost discipline are all reflected in a further substantial improvement of our key financial performance indicators. FFO I, our main financial performance indicator, thus increased by 25.9% to EUR 206.0 million in the 2015 financial year. FFO I per share climbed by 16.1% to EUR 3.53 – accordingly our shareholders will also profit from a higher dividend. The Management Board and the Supervisory Board will therefore propose a dividend of EUR 2.26 per share at the Annual General Meeting for the 2015 financial year. This marks growth of 15.3% compared to the previous year's dividend.

Further value added was created for our shareholders thanks to the positive performance of the property portfolio. Net asset value (NAV not including goodwill) therefore also increased significantly by 11.8% year-on-year to EUR 58.92 per share. The foundation for this is still a strong balance sheet with a low loan-to-value ratio (LTV) of 44.2%.

The capital market is rewarding the positive business development and outlook for value-adding growth. Including the dividend distribution of EUR 1.96 per share, LEG shares generated a total return of 25.6%. The confidence of the capital market was also shown by the response and support we experienced in performing two capital increases with a total volume of EUR 380 million last year.

We will continue to implement our focused growth strategy unwaveringly and focus on what we have always done best: managing our property portfolio expertly and efficiently, leveraging internal and external growth opportunities with discipline and further expanding innovative tenant-oriented services. This way we will create visible and lasting value added for tenants, shareholders and communities. We are forecasting that our dynamic earnings performance will continue in both the 2016 and 2017 financial years. We project a rise in FFO I to between EUR 254 million and EUR 259 million (EUR 4.05 to EUR 4.13 per share) for 2016, and to between EUR 279 million and EUR 284 million (EUR 4.44 to EUR 4.52 per share) for 2017.

The key earnings drivers are still continuing strong organic growth, the positive effects of the acquisitions already secured and the additional positive effects from our efficiency enhancement programme. We thus assume that our leading operating profitability will be increased further and that the EBITDA margin will widen from 67.3% in 2015 to around 72% in 2017.

LEG is therefore highly optimistic for the future. The fundamental conditions for our business model are still positive. However, we also anticipate challenges to the entire sector. The housing sector has a key role to play in the integration of migrants and refugees. We as LEG will also face up to this social responsibility. But in order to master the tasks ahead, the housing industry needs room to manoeuvre and support from politicians. Past and future intensification of the regulatory environment will have a counter-productive effect on the provision of affordable housing in the long term.

Once again, the most important factor in LEG's success in the past year has been its employees. We extend our special thanks to all of you! Your loyalty and performance are what allow us to successfully implement our growth strategy. In addition, we would like to take this opportunity to thank our shareholders for the trust placed in us and the intensive exchange of ideas. We look forward to continuing our path together in a successful future of high growth.

THOMAS HEGEL
Chief Executive Officer

ECKHARD SCHULTZ
Chief Financial Officer

HOLGER HENTSCHEL
Chief Operating Officer

EQUITY STORY

Focused strategy reflected in leading profitability and operating performance

Leading operating profitability forms a basis for attractive, growing dividends

Through market leadership in one of Europe's largest metropolitan regions combined with rigorous cost discipline, LEG achieves unrivalled efficiency in property management. This is the foundation for attractive distributions with stable growth potential.

72%

GUIDANCE EBITDA MARGIN 2017

LEG – the property experts in NRW: outstanding rental results with a sustainable management strategy

LEG knows its markets and its customers. In the letting business, LEG has continuously outperformed the market in recent years. Comparable rental growth in the free-financed portfolio of 3.6%, a low vacancy rate of 2.5% and an investment strategy with sound judgement demonstrate LEG's capabilities.

2.5%

VACANCY RATE (LIKE-FOR-LIKE)

Successful acquisition strategy creates significant value-added

Since the IPO at the beginning of 2013, LEG has acquired around 40,000 residential units in its core markets. Earnings per share have been significantly increased without a negative impact on NAV. LEG's in-depth market knowledge and high synergy levels are key success factors here.

25.9%

INCREASE IN FFO

Innovative services: expansion of new business areas ensures additional, attractive growth

LEG claims innovation leadership in the residential sector for the development of tenant-oriented services. Multimedia business, entry on the market for energy services and pilot projects for support of senior citizens are having a positive impact on customer satisfaction and are already delivering a tangible, positive earnings contribution.

3

NEW BUSINESS AREAS

Low costs of capital secured on a long-term basis

An average loan term of 11 years at low interest rates averaging 2.3% ensures high planning capability for future earnings and dividend growth. With its strong balance sheet and transparency, LEG is ideally positioned on the financing market.

2.3%

AVERAGE COST OF DEBT

THE SHARE

The German stock market gained in 2015 while showing high volatility. Accordingly, the DAX® ended the year up 9.6%. Following a strong performance at the start of the year, some major corrections occurred as the year progressed, mainly due to the debt crisis in Greece and the economic weakness in China in conjunction with the depreciation of the yuan. The return for LEG shareholders for 2015, including the dividend payment, amounts to 25.6%.

In the first few months of 2015, the stock markets in Germany and Europe performed strongly. This positive trend was mainly driven by the further easing of monetary policy through the launch of the ECB's bond-buying programme. In addition, export-oriented securities were boosted by the weaker euro. Against this background, the DAX® reached a high of 12,375 points on 10 April. Pressure on the bond markets increased accordingly, causing the return on ten-year German government bonds to fall to a low of 0.05% in the same month.

However, sentiment on the stock markets soon took a sharp turn for the worse during the second quarter. Following speculation regarding an agreement in the debt dispute with Greece, uncertainty surrounding the start of the shift in interest-rate policy in the USA led to major share-price fluctuations as the year progressed. In particular, however, the disappointing economic figures for China combined with depreciation of the yuan sparked fears of a global economic slowdown. For instance, ongoing turbulence and a crash on Chinese stock markets led to some massive falls in share prices worldwide. The downward spiral in oil prices was also interpreted as a sign of deterioration of the global economy.

The German stock market was more volatile last year than at any time since the end of 2011. In September, the DAX® dropped to a yearly low of 9,428 points, falling almost 24% from its yearly high within five months. A sharp decline in individual stocks caused by company-specific and sector-specific factors also had an adverse impact on the overall market here. The DAX® ended 2015 at 10,743 points, up 9.6% on the previous year.

German property stocks were also affected by the general market fluctuations, although they continued to benefit from the persistently low interest rates. For instance, the FTSE EPRA/NAREIT Germany Index, which tracks German property securities, rose by 18.4%.

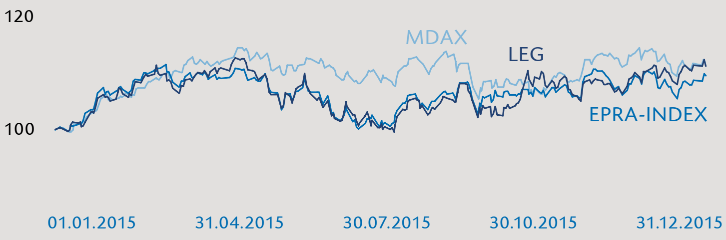
Strong performance for LEG shares in 2015

Closing at EUR 75.50 per share, LEG shares achieved a price increase of 21.8%, significantly outperforming the German market as a whole and the benchmark index of the peer group. Including the dividend distribution of EUR 1.96 per share, the total return for LEG shareholders therefore amounted to 25.6%. LEG shares reached their high for the year on 10 April with a closing price on Xetra of EUR 77.30. The low of EUR 61.44 was reached in July.

T2 – Share performance indicators

Ticker symbol	**LEG**
German Securities Code Number (WKN)	**LEG111**
ISIN	**DE000LEG1110**
Number of shares	**62,769,788**
Initial listing	**1 February 2013**
Market segment	**Prime Standard**
Indices	**MDAX, FTSE EPRA/NAREIT, GPR Indizes, Stoxx® Europe 600**
Closing price (31 December 2015)	**€75.50**
Market capitalisation (31 December 2015)	**€4,739.1 million**
Free float (31 December 2015)	**100%**
Weighting in the MDAX (31 December 2015)	**3.05%**
Weighting in the EPRA Europe (31 December 2015)	**2.33%**
Average single-day trading volume (2015)	**196,367 shares**
Highest price (2015)	**€77.30**
Lowest price (2015)	**€61.44**

F1 – Share price development



Share price development

01.02.2013	02.01.2015	10.04.2015
Emission price	**Open**	**High**
€ 44.00	*€ 62.26*	*€ 77.30*

08.07.2015	31.12.2015
Low	**Close**
€ 61.44	*€ 75.50*

Share Price 2015 indexed to 100

Investor relations activities

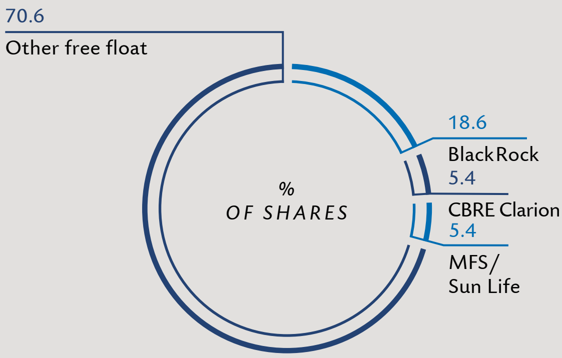
Active and transparent communication with investors is a matter of great importance to LEG. To intensify personal dialogue, LEG spent around 40 days at capital market conferences in 2015, as well as holding roadshows in key international financial centres. In addition, the Management Board and the Investor Relations team welcomed investors to our headquarters in Dusseldorf and presented our property portfolio in the context of property tours.

LEG shares are currently being actively tracked by analysts from 20 prestigious institutes. This means coverage was further expanded in 2015. This also demonstrates the sustained high levels of interest in LEG shares shown by investors. The analysts' opinions on the future performance of LEG shares are mostly positive. The average figure for price targets as at 31 December 2015 was EUR 78. A current overview of analysts' recommendations and price targets can be found on LEG's website.

LEG shares continue to gain in prominence

The positive price performance and issue of new shares also resulted in a higher weighting of LEG shares in relevant benchmark indices. For instance, the weighting in the German midcap index MDAX® increased from 2.66% in the previous year to 3.05% in December 2015. In the EPRA Europe Index, LEG shares were weighted at 2.33% at the end of 2015 (previous year: 2.21%).

F2 – Shareholder structure



Capital increases successfully placed

The capital market's confidence in LEG's growth strategy was also reflected by the successful completion of two capital increases: after the close of trading on 12 November, LEG placed 4,510,000 new shares with institutional investors at a price of EUR 68.00 per share in an accelerated book-building process. This represented a discount of 3.2% on the Xetra closing price. The gross issue proceeds of EUR 306.7 million were earmarked for the acquisition of a portfolio of around 13,600 residential units in North Rhine-Westphalia.

By 23 June 2015, for partial financing of a further acquisition of 3,500 residential units, LEG had already completed a tailored capital increase in an accelerated book-building process and placed 1,196,344 new shares with institutional investors at EUR 61.54 each. This resulted in gross issue proceeds of EUR 73.6 million.

PORTFOLIO

As at 31 December 2015, LEG Immobilien AG's portfolio comprised 108,916 residential units, 1,053 commercial units and 26,840 garages and parking spaces. The assets are distributed across around 170 locations in North Rhine-Westphalia. The average apartment size is 64 square metres with three rooms. The average building has seven residential units across three storeys.

108,916

RESIDENTIAL UNITS

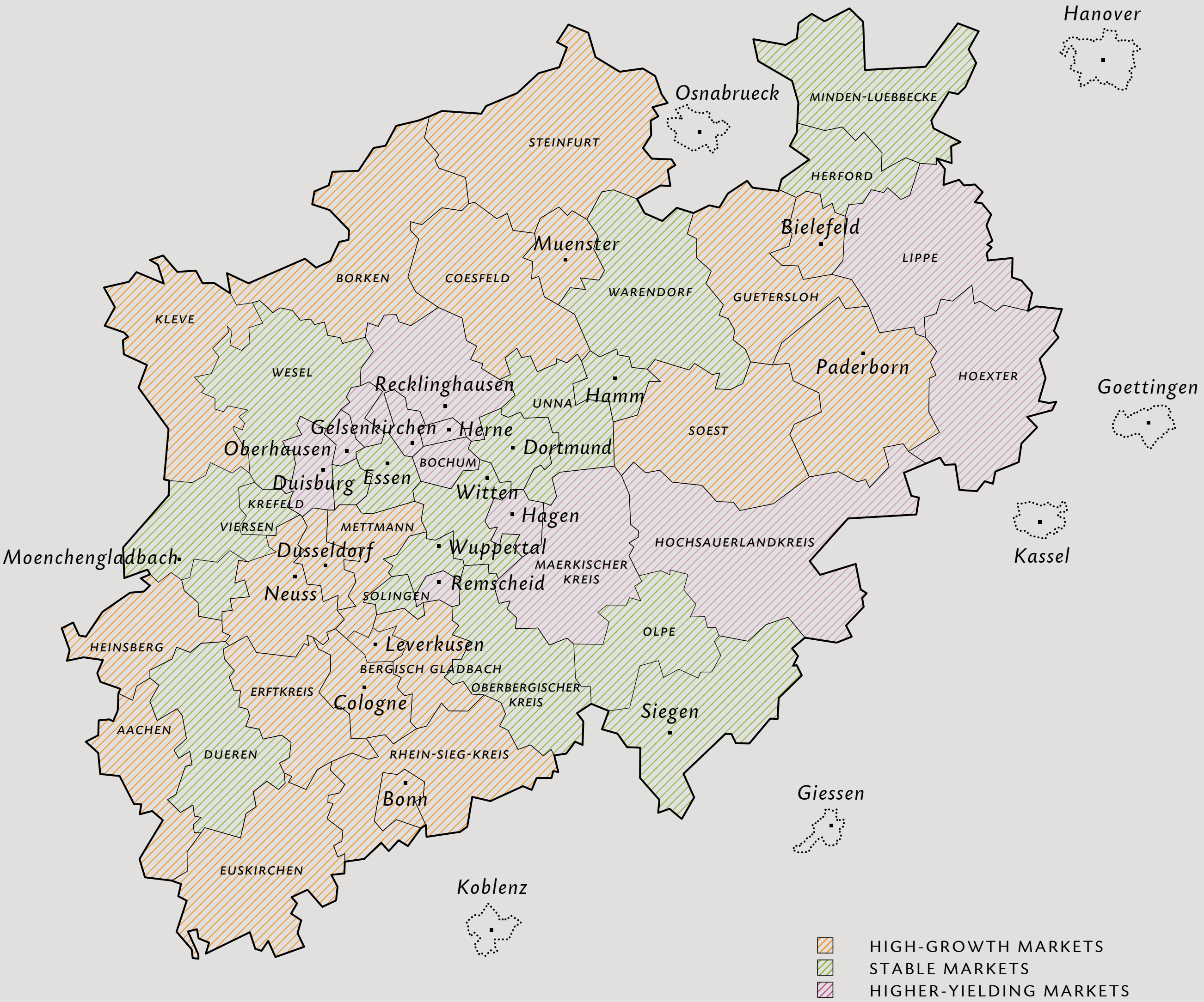
+3.6%

RENTAL GROWTH LIKE-FOR-LIKE FREE-FINANCED UNITS

+4.8%

INCREASE IN VALUE OF PROPERTY PORTFOLIO

LEG in North Rhine-Westphalia by market segment



Acquisitions of LEG

T3 – Acquisitions in 2015

Residential units	*Main locations*	*Transfer*	*In-place rent*	*Vacancy rate*
713	Cologne, Leverkusen, Sankt Augustin	June 2015	5.33 €	2.9 %
3,539	Bielefeld, Detmold	January 2016	5.19 €	3.6 %
2,037	Duisburg, Essen	January 2016	5.04 €	6.7 %
13,570	Gelsenkirchen, Bergkamen, Marl, Herne	April 2016	4.86 €	5.3 %
1,291	Siegen	January/July 2016	5.16 €	17.3 %

Portfolio segmentation

The LEG portfolio is divided into three market clusters using a scoring system: growth markets, stable markets and higher-yielding markets.

The scoring system is updated on a three-yearly basis. For the last update on 31 December 2015, it used data sets provided to LEG on the basis of the cooperation with INWIS Forschung & Beratung GmbH and CBRE.

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

— Population trend 2011 to 2014 (INWIS/IT.NRW)
— Household forecast 2012 to 2030 (BBSR)
— Purchasing power index 2014 (INWIS/GFK)
— Trend in number of people in employment and paying social security contributions 2005 to 2014 (INWIS/IT.NRW)
— Asking rents Q3/2014 to Q2/2015 (Empirica)
— Vacancy rate on the active market 2014 (CBRE/Empirica)

Market clustering is performed comprehensively at district level and includes those districts in which LEG does not own any properties.

The high-growth regions are situated in the Rhineland and around the Westphalian regional centres of Muenster, Bielefeld and Paderborn.

The core cities of the Ruhr area – Essen and Dortmund – are assigned to the stable markets cluster, as are the Bergisches Land, Siegerland and the regions of Hamm and Unna in Westphalia.

T4 – Portfolio segments – Top 3 locations

	31.12.2015				
	Number of LEG apartments	*Share of LEG portfolio %*	*Living space sqm*	*In-place rent €/sqm*	*EPRA vacancy rate %*
HIGH-GROWTH MARKETS	**37,329**	**34.3**	**2,466,722**	**5.76**	**1.2**
District of Mettmann	8,160	7.5	565,696	5.84	1.1
Muenster	6,076	5.6	403,461	6.20	0.2
Dusseldorf	3,503	3.2	227,096	6.32	0.8
Other locations	19,590	18.0	1,270,469	5.47	1.6
STABLE MARKETS	**40,523**	**37.2**	**2,597,195**	**4.92**	**2.6**
Dortmund	12,439	11.4	813,340	4.80	1.5
Moenchengladbach	6,037	5.5	382,442	5.05	1.5
Hamm	3,974	3.6	239,782	4.76	1.4
Other locations	18,073	16.6	1,161,631	5.00	3.9
HIGHER-YIELDING MARKETS	**29,607**	**27.2**	**1,818,825**	**4.83**	**4.8**
District of Recklinghausen	6,554	6.0	408,611	4.83	6.3
Duisburg	6,519	6.0	403,003	5.02	4.2
Maerkisch District	4,679	4.3	287,067	4.62	2.7
Other locations	11,855	10.9	720,144	4.81	5.1
OUTSIDE NRW	**1,457**	**1.3**	**96,230**	**5.49**	**0.7**
TOTAL	**108,916**	**100.0**	**6,978,972**	**5.21**	**2.6**

The higher-yielding markets are concentrated on a semicircular area extending from Lippe district and Hoexter via the Hochsauerland and the Maerkisch district to the city of Hagen. The Ruhr cities of Duisburg, Gelsenkirchen, Bochum and Herne are also assigned to this cluster, as is Recklinghausen district.

The updated portfolio segmentation saw the following changes in allocation: the previously stable markets of Bielefeld, Leverkusen and Soest district are now classified as growth markets. Unna district, which was previously a high-yielding market, is now classified as a stable market, while the formerly stable markets of Bochum, Bottrop and Lippe district are now assigned to the high-yielding market segment. All in all, a net total of 5,250 residential units were upgraded in the new segmentation.

GROWTH MARKETS

Growth markets are characterised by a positive population trend, favourable forecasts for household numbers and sustained high demand for housing.

STABLE MARKETS

Stable markets are more heterogeneous than growth markets in terms of their demographic and socio-economic development; their housing industry appeal is on average solid to high.

HIGHER-YIELDING MARKETS

Higher-yielding markets are subject to a higher risk of population decline. However, a strong local presence, attractive micro-locations and good market access mean there are still opportunities for attractive returns in these sub-markets.

	31.12.2014						
	Number of LEG apartments	*Share of LEG portfolio %*	*Living space sqm*	*In-place rent €/sqm*	*EPRA vacancy rate %*	*Change in-place rent % like-for-like*	*Change (basis points) vacancy rate like-for-like (31.12.2015)*
	36,827	**34.4**	**2,423,628**	**5.62**	**1.3**	**2.6**	**–10**
	8,248	7.7	571,548	5.70	1.4	2.5	–20
	6,098	5.7	404,555	6.06	0.3	2.3	–10
	3,542	3.3	228,960	6.06	0.7	4.6	20
	18,939	17.7	1,218,564	5.36	1.7	2.3	–10
	39,389	**36.8**	**2,527,601**	**4.79**	**3.2**	**2.5**	**–50**
	12,554	11.7	821,009	4.71	2.2	1.8	–70
	6,050	5.7	383,259	4.87	2.6	3.6	–110
	3,975	3.7	239,894	4.60	1.9	3.5	–40
	16,810	15.7	1,083,439	4.86	4.4	2.4	–10
	28,831	**27.0**	**1,772,393**	**4.71**	**4.8**	**2.7**	**10**
	6,567	6.1	410,197	4.72	6.3	2.3	10
	5,697	5.3	353,197	4.92	3.6	3.0	80
	4,679	4.4	287,067	4.52	2.7	2.4	0
	11,888	11.1	721,933	4.68	5.3	2.8	–20
	1,914	**1.8**	**131,056**	**5.05**	**1.4**	**3.0**	**–100**
	106,961	**100.0**	**6,854,678**	**5.07**	**2.8**	**2.7**	**–20**

Operating performance (rents, vacancy)

In the 2015 financial year, LEG again recorded dynamic rental growth. In-place rent per square metre on a like-for-like basis increased by 2.7% year-on-year, from EUR 5.08 to EUR 5.21.

In the same period, rents rose by 3.6% to EUR 5.51 per sqm (on a like-for-like basis) in the free-financed segment. This positive development is visible across all market segments: in the growth markets, rents increased by 3.6% to EUR 6.25 per sqm as of 31 December 2015 (on a like-for-like basis). The stable markets saw like-for-like rental growth of 3.5% to EUR 5.13 per sqm. In the higher-yielding markets, rents rose by 3.3% to EUR 5.02 per sqm (on a like-for-like basis).

In the rent-restricted apartments sector, the average rent generated rose by 0.7% to EUR 4.66 per sqm (on a like-for-like basis) year-on-year.

+2.7%

RENTAL GROWTH LIKE-FOR-LIKE

T5 – Performance LEG portfolio

		High-growth markets		*Stable markets*		
		31.12.2015	*31.12.2014*	**31.12.2015**	*31.12.2014*	
Subsidised residential units						
Units		13,002	12,666	14,200	15,386	
Area	sqm	914,382	887,954	963,193	1,036,205	
In-place rent	€/sqm	4.94	4.91	4.57	4.51	
EPRA vacancy rate	%	0.7	1.0	2.5	3.0	
Free-financed residential units						
Units		24,327	24,161	26,323	24,003	
Area	sqm	1,552,340	1,535,673	1,634,003	1,491,396	
In-place rent	€/sqm	6.24	6.04	5.13	4.98	
EPRA vacancy rate	%	1.4	1.4	2.6	3.3	
Total residential units						
Units		37,329	36,827	40,523	39,389	
Area	sqm	2,466,722	2,423,628	2,597,195	2,527,601	
In-place rent	€/sqm	5.76	5.62	4.92	4.79	
EPRA vacancy rate	%	1.2	1.3	2.6	3.2	
Total commercial						
Units						
Area	sqm					
Total parking						
Units						
Total other						
Units						

The successful management strategy and the sustained high level of demand for affordable housing led to a further increase in the occupancy rate to 97.5% (on a like-for-like basis) as of 31 December 2015. The number of vacant apartments amounted to 2,701 units (on a like-for-like basis) or, taking into account the acquisitions made during the year, 2,799 units (in absolute terms).

In the growth markets, LEG's properties had an occupancy rate of 98.8% (on a like-for-like basis) at year-end 2015. The occupancy rate in the stable markets also saw encouraging development, increasing by 50 basis points to 97.4% (on a like-for-like basis). The locations of Dortmund and Moenchengladbach underlined the attractiveness of LEG's apartments in this market segment with low vacancy rates of 1.5% (on a like-for-like basis). The higher-yielding markets recorded a largely stable occupancy rate of 95.2% (on a like-for-like basis).

97.5%

OCCUPANCY RATE LIKE-FOR-LIKE

		Higher-yielding markets		*Outside NRW*		*Total*	
		31.12.2015	*31.12.2014*	**31.12.2015**	*31.12.2014*	**31.12.2015**	*31.12.2014*
		7,289	7,653	108	120	34,599	35,825
	sqm	481,227	509,967	8,824	9,809	2,367,626	2,443,935
	€/sqm	4.33	4.27	4.37	4.31	4.67	4.61
	%	5.4	5.2	0.0	1.6	2.3	2.7
		22,318	21,178	1,349	1,794	74,317	71,136
	sqm	1,337,598	1,262,426	87,405	121,247	4,611,346	4,410,742
	€/sqm	5.01	4.88	5.60	5.11	5.48	5.33
	%	4.6	4.6	0.8	1.3	2.7	2.8
		29,607	28,831	1,457	1,914	108,916	106,961
	sqm	1,818,825	1,772,393	96,230	131,056	6,978,972	6,854,678
	€/sqm	4.83	4.71	5.49	5.05	5.21	5.07
	%	4.8	4.8	0.7	1.4	2.6	2.8
						1,053	**1,059**
	sqm					**183,440**	**195,572**
						26,840	**26,695**
						1,526	**1,240**

Value development

The following table shows the distribution of assets by market segment. The rental yield of the residential property portfolio based on in-place rents is 6.9% (rent multiplier: 14.5x). The valuation of the residential portfolio corresponds to an EPRA net initial rental yield of 5.5%.

Investment activity

In the 2015 financial year, a total of EUR 114.2 million or EUR 16.1 per sqm was invested in maintenance and value-enhancing investments eligible for capitalisation (previous year: EUR 89.1 million; EUR 13.8 per sqm). EUR 59.8 million (previous year: EUR 43.4 million) of the total investments related to capital expenditure, while maintenance measures accounted for EUR 54.4 million (previous year: EUR 45.7 million). This resulted in a capitalisation rate of 52.4% (previous year: 48.7%).

The largest investments in 2015 included the continued energy renovation of building shells in Monheim. Another development of note was the modernisation of building technology within the listed Reuter estate in Bonn, which began in the fourth quarter of 2015. This measure marked the start of the revitalisation measures that are scheduled to be carried out with particular care between now and 2017 with a volume of around EUR 1.5 million.

T6 – Market segments

	Residential units	Residential assets € million[1]	Share residential assets / %	Value €/sqm	In-place rent multiplier	Commercial/ other assets € million[2]	Total assets € million
HIGH GROWTH MARKETS	**37,329**	**2,855**	**47**	**1,157**	**17.1x**	**171**	**3,025**
District of Mettmann	8,160	613	10	1,085	15.8x	64	677
Muenster	6,076	564	9	1,399	18.9x	37	601
Dusseldorf	3,503	311	5	1,394	18.5x	19	331
Other locations	19,590	1,366	22	1,072	16.7x	50	1,417
STABLE MARKETS	**40,523**	**1,937**	**32**	**745**	**13.1x**	**89**	**2,025**
Dortmund	12,439	639	10	782	13.9x	36	675
Moenchengladbach	6,037	286	5	747	12.9x	9	295
Hamm	3,974	159	3	660	11.7x	3	162
Other locations	18,073	852	14	736	12.9x	40	893
HIGHER-YIELDING MARKETS	**29,607**	**1,219**	**20**	**668**	**12.2x**	**37**	**1,256**
District of Recklinghausen	6,554	291	5	676	12.7x	15	306
Duisburg	6,519	287	5	708	12.4x	10	298
Maerkisch District	4,679	172	3	600	11.2x	2	174
Other locations	11,855	469	8	669	12.3x	9	479
SUBTOTAL NRW	**107,459**	**6,011**	**99**	**872**	**14.5x**	**296**	**6,307**
Portfolio outside NRW	1,457	91	1	943	14.5x	1	92
TOTAL PORTFOLIO	**108,916**	**6,102**	**100**	**873**	**14.5x**	**297**	**6,399**
Prepayments for property held as an investment property							203
Leasehold + land values							26
Inventories (IAS 2)							4
Finance lease (outside property valuation)							3
TOTAL BALANCE SHEET[3]							**6,635**

[1] Excluding 321 residential units in commercial buildings; including 290 commercial and other units in mixed residential assets.
[2] Excluding 290 commercial units in mixed residential assets; including 321 residential units in commercial buildings, commercial, parking, other assets as well as IAS 16 assets.
[3] Thereof assets held for sale: EUR 6.7 million.

WE
FOCUS.

WE
GROW.

INTERVIEW WITH THE MANAGEMENT BOARD

In 2015, LEG again increased its leading operating performance and profitability on the basis of its regionally focused portfolio. The capital market appreciated that LEG continues its stand-alone strategy and the company showed further growth. Hence, the Management Board draws a positive conclusion for the year 2015 but is also aware of the challenges awaiting LEG and the entire housing industry. In the interview, the Management Board members Thomas Hegel (CEO), Eckhard Schultz (CFO) and Holger Hentschel (COO) comment on the past fiscal year and on the strategic orientation of the company.

THERE WAS A LOT OF MOVEMENT IN THE HOUSING INDUSTRY IN 2015. THE KEYWORD WAS CONSOLIDATION. WHAT IS YOUR CONCLUSION?

THOMAS HEGEL First of all, we are very pleased with where we are now. In the past year there was indeed a great deal of movement on the housing market – and LEG was in the middle of it. In the interests of our shareholders, we examined strategic options, but eventually the capital market declared that we should continue to pursue our successful growth strategy on our proven stand-alone basis. Regardless of how the competitive structure evolves, LEG is an economically strong company with a very solid foundation – and so we are entering a new year even stronger.

WHAT FEEDBACK DO YOU GET FROM THE CAPITAL MARKET?

ECKHARD SCHULTZ We had many intensive discussions with investors and analysts in the past financial year. We received highly positive feedback on our strategy and business development. Our regionally focused residential portfolio and leading operational performance, in addition to our profitability, set us apart. Our acquisitions create clearly visible added value with high synergy potential at comparably low risk – investors give us a lot of credit for that.

Since the IPO, LEG has counted on open and fair communication. This transparency is increasingly gaining in importance on the capital market and is also rewarded accordingly. This confirms that we are on the right path.

Finally, the capital market's confidence in us and our performance is also corroborated by the two capital increases with which we generated proceeds of around EUR 380 million in the past year.

ASIDE FROM THE TRANSPARENCY OF ITS ACTIONS, HOW IS LEG POSITIONED ON THE MARKET? WHAT MAKES YOU DIFFERENT FROM YOUR COMPETITORS?

THOMAS HEGEL LEG has a unique corporate culture and sets great store by flexibility. We are positioned so that we can keep on evolving constantly. That may sound disconcerting at first – after all we were once a federal state development corporation. But that is precisely the point: As a former federal state company, we were forced to change radically in the process of privatisation. We have maintained this momentum. Because we grew tremendously in the following years. At the same time we were and are always aware of our responsibility to customers and employees. These traits are highly valued on the capital market, and therefore we are looking better today than ever before.

»We intend to expand our leading cost efficiency and profitability, and thereby continue our value-adding growth«

THOMAS HEGEL
Chief Executive Officer

AT A BASIC LEVEL, WHAT DOES LEG STAND FOR?

THOMAS HEGEL It is our ultimate goal to sustainably increase enterprise value. To do that we use organic and external growth with efficient management and the expansion of tenant-oriented services. We also have an exceptionally strong balance sheet and a defensive financing strategy. In short, we intend to expand our leading cost efficiency and profitability, and thereby continue our value-adding growth.

HOLGER HENTSCHEL Thanks to our broad market positioning, no one knows the North Rhine-Westphalia housing market as well as we do. That is the reason why we can get exactly the right rent at each site. We can integrate purchased housing portfolios profitably from day one, as we are already in place everywhere with our experienced staff and services. We are even successful on relatively new territory, like innovative value-added services such as in the energy sector, because we know our markets and our customers' needs.

»We can leverage further value potential on slightly under-managed properties with targeted investments, rent adjustments and vacancy management.«

ECKHARD SCHULTZ
Chief Financial Officer

YOU AGREED TO PURCHASE A PACKAGE OF 13,600 APARTMENTS IN 2015. HAS THAT PUSHED LEG TO ITS LIMITS?

ECKHARD SCHULTZ We have the organisational and financial clout to make such acquisitions – moving ahead as well. Like we have done so far, we take it step by step. Our very solid financial foundation is a strong base for this. We enjoy great confidence from the capital market and also from banks. This allows us to take up equity and debt for our growth on favourable terms. Moreover, our Baa1 investment grade rating from Moody's means that we have the opportunity to use other financial instruments, such as bonds. This further increases our flexibility.

HOLGER HENTSCHEL Furthermore, we now have a lot of experience in the integration of property portfolios. We bought around 40,000 residential units in just the last three years. Of course they are not self-propelling, but our tried and tested structures and experienced staff can handle it. In our acquired portfolios, our leading management platform has allowed us to reduce vacancies and achieve higher rents with our product range. This way we have created additional value. In addition to integrating new property portfolios, we have also continuously improved the key performance indicators of our existing portfolio since 2009. This is proof of the performance of our management platform.

THE BAR HAS BEEN SET VERY HIGH WITH THE LARGEST ACQUISITION IN THE COMPANY'S HISTORY. ARE ACQUISITIONS OF THIS MAGNITUDE THE STANDARD FOR LEG FROM NOW ON?

THOMAS HEGEL No, not as a rule – but it must not remain the exception either. We are still committed to our annual acquisition target of 5,000 residential units. But if there is a portfolio on the market that is right in terms of quality, price and compatibility with our regional focus, then we will go for it. We do not want to grow at any cost, rather growth must always create value.

ECKHARD SCHULTZ And this acquisition strategy is highly valued by the capital markets: We create immediate value. We have formulated strict acquisition criteria for this. Our acquisitions increase FFO per share immediately and, at the same time, we avoid any dilution of net asset value. Economies of scale increase our operational efficiency.

NOT EVERY BUILDING IN A PORTFOLIO YOU ACQUIRE IS A CASH COW. HOW DO YOU DEAL WITH THAT?

ECKHARD SCHULTZ All acquisitions must meet these strict acquisition criteria. Since the IPO in 2013 we have acquired approximately 40,000 residential units at an average initial FFO yield in excess of 8%. All our acquisitions were off-market transactions on our core markets with high potential for synergies. We acquired the package of 13,600 units sold by Vonovia with a very attractive rental yield of 8%.

The standard of housing units is allowed to be a bit below LEG standards at the time of the acquisition. We can leverage further value potential on slightly under-managed properties with targeted investments, rent adjustments and vacancy management. We are very good at this. Our deep knowledge of the market helps us to assess this potential correctly in acquisitions.

HOLGER HENTSCHEL This is exactly where our neighbourhood management comes into play. We are not just interested in building fabric and energetics, we also care about the people. With our commitment, as shown by up to 150 tenant events, holiday activities for children and competent employees on site, we create communities and strengthen our neighbourhoods. New tenants are carefully integrated into existing communities.

NRW IS A HETEROGENEOUS MARKET. YOUR ACQUISITIONS ARE FOCUSED ON NRW AND NEIGHBOURING AREAS – ARE YOU THE NRW SPECIALIST?

THOMAS HEGEL Clearly yes. North Rhine-Westphalia, one of the largest metropolitan areas in Europe, is our core market, and we know it better than any other housing provider. With our extensive expertise we can implement distinct strategies for growth and rent increases. This means that we break down our activities right down to street level and thereby take the right measures for every market.

ECKHARD SCHULTZ This strong local market position is also a key lever for efficiency advantages in management – as demonstrated by our figures. LEG is therefore distinguished by a leading operational performance and profitability in the German residential property sector.

YOU HAVE BEEN OFFERING TENANTS VALUE-ADDED SERVICES FOR QUITE SOME TIME NOW. WHAT EXACTLY DOES THAT MEAN?

HOLGER HENTSCHEL We offer our tenants more than just an apartment. Through our cooperation with the cable network provider Unitymedia we offer them tailored TV and Internet solutions. Together with the experienced social services provider K&S we launched “VitalLokal”. There senior citizens can take advantage of services such as nursing, car sharing and the offer of a meeting place. A key step towards more service was the foundation of EnergieServicePlus (ESP). Together with RWE, we have formed a company that takes care of all of LEG properties’ energy and energy-related needs. This innovative business model makes business and environmental sense for LEG and is also consistent with current objectives and policy requirements in the field of energy management.

ECKHARD SCHULTZ EnergieServicePlus has been generating positive results since it was founded in 2015 and can fully finance its investments from its operating cash flow and borrowing – no investment subsidies by the shareholders are needed. Cost savings, increased efficiency and the synchronisation of processes within ESP will lead to appreciable FFO inflows at LEG. This is an entirely new value lever that we are using here. Therefor, in addition to our tenants, our shareholders are benefiting from the expansion of tenant-oriented services as well.

TENANTS WANT TO BE SERVED AND ADVISED – NOT JUST IN TERMS OF NEW SERVICES. HOW DO YOU APPROACH THIS?

HOLGER HENTSCHEL Our expectations of ourselves and of ideal customer service are high. Our comprehensive on-site presence is a big plus point in this regard. So is our free 24-hour service hotline, which is open to all tenants seven days a week. And yet there is still potential for optimisation. That is why we launched a project for the reorganisation of our operating units in the 2015 financial year. By setting up service centres, which will bundle and coordinate all incoming customer contacts in future, over the course of the year we want to improve the availability of our staff, reduce the response time for inquiries and thus increase the satisfaction of our customers significantly.

THESE ARE SERVICES FOR THE TENANTS. WHAT DO YOU DO FOR YOUR OTHER "CUSTOMERS", THE SHAREHOLDERS?

ECKHARD SCHULTZ Ultimately any service for tenants contributes to our success on the capital market. Satisfied tenants choose to keep on living with us, and a low turnover cuts our costs. But naturally this is just one component. Since our IPO our strong business performance has been a persuasive argument. FFO I increased significantly to EUR 206 million, and our EPRA NAV has also risen very considerably to EUR 58.92 per share. We consistently distribute around 65% of our FFO I to our shareholders. In our outlook for 2016 and 2017, we are already seeing the prospect of continuing momentum in earnings and dividends.

SPEAKING OF SAVINGS, LAST YEAR YOU ANNOUNCED SAVINGS OF EUR 5 MILLION. WHAT BECAME OF THAT?

ECKHARD SCHULTZ We had initially assumed that, after an intensive review of all internal processes and structures, we would be able to achieve additional annual cost savings of at least EUR 5 million by 2016. In actual fact we are progressing better than expected with the ongoing efficiency enhancement programme. We therefore raised our cost savings target further – to EUR 10 million in total. We expect that the savings effects will be fully visible in the 2017 financial year. As a result, we also raised the target for the 2017 EBITDA margin from 71% to 72%.

ARE YOU STILL USING LONG-TERM FINANCING?

ECKHARD SCHULTZ Our financing structure – which is defensive and secure in the long-term – with a balanced maturity profile is an essential part of our equity story. Last year, we refinanced EUR 900 million and were thus able to extend our maturity profile to an average of 11 years. Despite the volatile markets and the fact that long-term interest rates, after a record low, picked up during the refinancing phase, we achieved our goals. This means that we reduced our average cost of debt significantly from 2.8% to below 2.3%. With the current very attractive financing offers for our acquisitions, we expect a further decline in our average financing costs.

EMPLOYEES VALUE CONTINUITY AS WELL. HOW IS THE RESPONSE FROM AMONG YOUR OWN RANKS?

THOMAS HEGEL Let me put it this way – our team knows how important healthy development is and supports LEG's strategy. I know that our employees have had an eventful and challenging year. But we, the Management Board, and the entire management team of LEG have continued to push for open communication and the greatest possible transparency. Trust is an important factor and one that can be found to a great extent at LEG. Our employees are flexible and have already experienced some challenging times in the past – just think of the privatisation and IPO.

Some might want to rest on their laurels, but we are busier than ever: we are optimising, modernising, integrating – not just property portfolios, but processes as well. The flexibility of our employees is a valuable asset that we can rely on.

»By setting up service centres, which will bundle and coordinate all incoming customer contacts in future, over the course of the year we want to improve the availability of our staff, reduce the response time for inquiries and thus increase the satisfaction of our customers significantly.«

HOLGER HENTSCHEL
Chief Operating Officer

WHAT DO YOU DO FOR YOUR EMPLOYEES, AND WHAT CAN YOU OFFER APPLICANTS?

THOMAS HEGEL A lot. In addition to a strong corporate culture that offers both security and room for change, we are interested in the opinions of our employees and react accordingly. We maintain an open employee dialogue, have introduced 360-degree feedback and practice individual personal development. In 2014 we took part in the "Great Place to Work" employee survey and processed the results in interdisciplinary workshops. This clearly shows how intensively we are working to implement the suggestions from our employees. We know that our employees are our company's capital, and so we do a lot for them. And not just for those already at LEG, but for future employees and applicants as well. With professional employer branding we outwardly convey what we have known for a long time – we offer more than a roof over your job!

THE FACT THAT GERMANY HAS BECOME A FOCAL POINT FOR REFUGEES FROM CONFLICT AREAS IS A CONCERN FOR LEG AS WELL – TO WHAT EXTENT?

HOLGER HENTSCHEL We have been able to rent around 1,300 apartments to refugees already. But it's about more than just providing housing; corresponding integrative measures such as language courses or assistance when visiting authorities have to be available as well. As a reliable community partner LEG has been practising its social responsibility for many years, and operates professional neighbourhood management for different tenant groups. After all, we provide a home for people from around 120 different nations.

Not just for LEG, but for all stakeholders, the goal has to be to recognise immigration as an ongoing challenge to the housing industry and urban development – one that must be structured, funded and resolved. LEG's experience to date providing accommodation for refugees shows that we carefully integrate people into existing and well-established neighbourhoods. This ensures a harmonious integration of the new tenants for all involved, so that neither the other tenants within the buildings nor the neighbourhoods are overchallenged. In consultation with local authorities, individual apartments have to be provided specifically for refugees and the neighbourhoods have to be transparently informed. So far this has never led to a defensive response from our tenants, and actually reduces stress to a minimum from the outset.

»We are fully aware of our responsibility and want to move ahead on issues such as accommodation for refugees and climate protection.«

THOMAS HEGEL
Chief Executive Officer

THOMAS HEGEL We are well aware of our socio-political role. We also realise that we can tackle this situation better together. That is why we have set up a central database together with other property companies as part of an initiative to provide refugees with housing. It lists vacant apartments and passes this information on directly to this cities and local councils. This way they can be quickly rented to families in need.

WHAT CHALLENGES DOES THE INFLUX OF REFUGEES MEAN FOR THE HOUSING INDUSTRY, AND FOR CITIES AND MUNICIPALITIES AS WELL?

THOMAS HEGEL The integration of refugees means enormous challenges to the housing industry, but also to urban development. It is important to approach the new tasks jointly with targeted initiatives and programmes. And housing companies, municipalities, charities and civil society organisations need targeted support from politicians. Only together, we can respond to the new situation successfully and provide quick and practical solutions.

A little less bureaucracy would do the housing industry good in other areas as well. In Germany we need more affordable housing – especially in urban agglomerations. But unfortunately investing in new construction is not made easy for anyone any more. There are too many rules, restrictions and other obstacles. Take for example the new German Energy Saving Ordinance. The high energy and other building standards are driving up construction costs. That keeps investors away from new construction rather than encouraging them. Even rental business is more restricted than supported in many areas. Rent control, the cap on rent increases after modernisation and reducing the modernisation charge – none of this helps us to make our contribution to the energy revolution or to remodel apartments in line with demographic change. I speak not just for LEG, but for the entire industry. We are fully aware of our responsibility and want to move ahead on issues such as accommodation for refugees and climate protection. But stricter rental legislation and the rising regulation of the market make it difficult for us. The current regulations and those planned by politicians are impeding the very market players to whom society is looking to solve its housing problems.

WILL YOU VENTURE AN OUTLOOK FOR THE FUTURE OF LEG AND THE MARKET ENVIRONMENT?

THOMAS HEGEL Despite some uncertainties, the fundamental conditions for the German residential property market are still favourable. We at LEG are looking to the future with confidence. Last year we once again demonstrated the flexibility and mobility of our company. We are the nimble speedboat of the housing market – and we have no interest in becoming an unwieldy freighter.

»In our outlook for 2016 and 2017, we are already seeing the prospect of continuing momentum in earnings and dividends.«

ECKHARD SCHULTZ
Chief Financial Officer

WE FOCUS.

TENANTS

CLEAR FOCUS ON
CUSTOMER NEEDS

CLOSE PROXIMITY
TO CUSTOMERS

SELECTED
VALUE-ADDED SERVICES

PROPERTY PORTFOLIO

CONCENTRATION
ON ATTRACTIVE MARKET
OF NORTH RHINE-WESTPHALIA

TARGETED
INVESTMENTS

EFFICIENT
MANAGEMENT

EMPLOYEES

PROMOTING
A CULTURE OF DIALOGUE
AND FEEDBACK

TARGETED
TRAINING AND DEVELOPMENT

EMPLOYEES
MAKE THE DIFFERENCE

WE GROW.

RENT PER SQM UP AN AVERAGE OF

2.6%

PER YEAR SINCE 2012 (LIKE-FOR-LIKE)

FFO I UP

51%

IN THREE YEARS

VACANCY RATE REDUCED BY

80

BASIS POINTS IN THREE YEARS (ACCUMULATED, LIKE-FOR-LIKE)

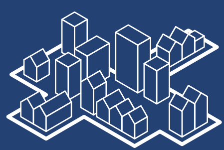
INVESTMENTS UP

49%

IN THREE YEARS

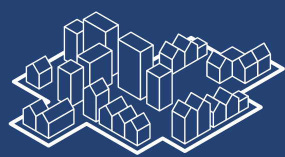
91,000

RESIDENTIAL UNITS
FY 2012



107,000

RESIDENTIAL UNITS
FY 2014



130,000

RESIDENTIAL UNITS
Q2/2016

NUMBER OF RESIDENTIAL UNITS UP

43%

IN AROUND THREE YEARS*

*INCL. ACQUISITIONS IN 2015

»This apartment is exactly what we need. It is close to the local facilities and has excellent transport connections, but it is still quiet and affordable.«

ADORF FAMILY, MUENSTER

WE FOCUS.

Staying close at hand

Focus on tenants

For most people, where they live is of vital importance to them. Size and quality of fittings are not the only factors in ensuring that they feel at home. The neighbourhood, the residential environment and the service they receive are at least as important.

Real knowledge of our tenants' needs and desires is essential if we are to offer them apartments that truly fit them. This is why we maintain a regular dialogue above and beyond the usual points of contact: with our local presence, by providing a wide range of services, and through tenant parties and active neighbourhood management.

This gives us a permanent overview of our tenants' specific requirements, allowing us to respond to changes in a timely manner and continuously improve our results.

»Whether maintenance or renovation, our investments always pay off – for tenants and the company alike.«

UTE LARISCH, HAMM
Branch Manager

WE FOCUS.

Investing in real opportunities

Focus on properties

Opportunities are only truly worth taking if they are a good fit for us. The best way of ensuring that our properties continue to enjoy excellent development is through complementary portfolios and the systematic expansion of our strong market position.

We are already the biggest landlord in the North Rhine-Westphalia metropolitan region, meaning we are very familiar with this attractive market and can make carefully targeted investments in extending our portfolio and maintaining its value through continuous maintenance and modernisation.

Our core offering consists of affordable housing for broad population groups, meaning that we occupy a segment that is in high demand. Efficient property management will ensure that this remains the case. We are safeguarding our sustainable success by concentrating on our strengths.

»I like working for LEG
because giving people a new home
makes me happy«

MICHAEL JÜDES, ISERLOHN
Customer Centre

WE FOCUS.

Developing together

Focus on employees

We also want only the best when it comes to our employees – both from them and for them. This is why we focus on resources and personal interests in equal measure and seek to ensure a culture of community throughout the company.

In order to leverage potential, we focus on targeted individual development and engage in a regular dialogue in which we agree on expertise and performance targets. To ensure that our employees are both willing and able to reach these targets, we support them in achieving a healthy work-life balance with well-founded health management, including family services.

Working together, learning from each other, taking care of one another: this is the approach we adopt across every hierarchical level, to the benefit of everyone involved. The result is that our employees generally remain with the company for many years.

WE GROW.

Extending our lead

The result: »growth«

Bundling our strengths makes us even stronger. This begins at the roots – end-to-end human resources development and strong employer branding help us to attract exactly the specialists and managers we need to ensure a successful future.

In customer service, for example, an area that we are continuously optimising and extending to include innovative services. Combined with active neighbourhood management and a systematic, needs-oriented approach, this means we can win over more and more potential tenants with our properties and increase our occupancy rate and rental income. Active portfolio maintenance and the fact that our expansion primarily involves portfolios with high synergy potential are two strategies that are paying off.

Focusing on strengths, potential and real opportunities will enable us to continue to generate sustainable growth.

CORPORATE GOVERNANCE

2

REPORT OF THE SUPERVISORY BOARD

MICHAEL ZIMMER
Chairman of the Supervisory Board

Dear Shareholders,

We have had an intensive and, at the same time, successful 2015 financial year. The year was characterised by the consolidation efforts of the property industry on the capital market. For LEG Immobilien AG, this meant that in September 2015 the Management Board and the Supervisory Board spoke out in favour of the takeover bid for LEG Immobilien AG by Deutsche Wohnen AG. In this context the company entered into an agreement in principle with Deutsche Wohnen AG. This agreement was ended amicably when Deutsche Wohnen AG cancelled a general meeting that had been convened for 28 October 2015 on account of the unlikelihood of achieving the 75% majority of shareholder votes necessary to implement the capital increase. Following the rejection of the merger, LEG Immobilien AG immediately continued and intensified its proven strategy so valued by investors.

LEG Immobilien AG continued its ambitious growth strategy and in 2015 took the largest growth steps in the company's history.

Portfolio acquisitions of around 21,000 residential units (notarised in 2015) in conjunction with tailored capital increases of around EUR 380 million have confirmed that the company can not only meet its growth targets, but exceed them. Here, the company focused on its core market of North Rhine-Westphalia.

Through the constant monitoring of the markets and the systematic and constant development of its internal processes, LEG has been able to consolidate its market position and further expand its profitability. This is largely supported by the consistent pursuit of an efficiency programme.

Key areas of Supervisory Board activities

The Management Board, the Supervisory Board and the company faced particular challenges in 2015. This required intensive cooperation among the executive bodies. There was regular and comprehensive discussion between the Management Board and the Supervisory Board on strategic, economic and financial matters and on business developments. The continuous and comprehensive involvement of the Supervisory Board in all decisions that were of essential significance to the company was ensured by the Management Board in addition to the regularly scheduled Supervisory Board meetings. This is also shown by the number of Supervisory Board meetings in the 2015 financial year, which were convened immediately as needed. The members of the Supervisory Board were always at the company's disposal – even for meetings and conference calls arranged at short notice.

The 2015 financial year has shown how important it is to have the right members in the Supervisory Board. Collectively, the members of the Supervisory Board have the necessary knowledge, abilities and specialist experience to perform their duties properly. The professional expertise of the individual Supervisory Board members is complementary in that the Supervisory Board as a whole is sufficiently diverse to perform its duties comprehensively. This ensures that the Supervisory Board performs its control and advisory function properly as prescribed by law, the Articles of Association, the German Corporate Governance Code and the Rules of Procedure.

There were four scheduled meetings of the Supervisory Board and six extraordinary meetings (some of which held as conference calls) in the 2015 financial year.

The member of the Supervisory Board Nathan Brown, CFO of Perry Capital UK LLP, resigned from this position effective 24 June 2015 (Annual General Meeting). He took this step in light of the sale of shares held by Perry Luxco RE S.àr.l., a company of the Perry Group, on 17 October 2014. Perry Luxco RE S.àr.l. therefore no longer holds a significant interest in LEG Immobilien AG.

Effective 24 June 2015, Natalie C. Hayday was elected to the Supervisory Board of LEG Immobilien AG by the Annual General Meeting as Nathan Brown's successor. Natalie C. Hayday has many years of capital markets expertise. Since 2013 she has had her own private consultancy firm for the fields of capital markets and investor relations.

In order to maintain continuity in the committees, the seats left vacant by Nathan Brown in the Executive Committee, the Nomination Committee and the Audit Committee were reassigned at the extraordinary Supervisory Board meeting on 24 June 2015. The members of these bodies are therefore now as follows:

T7 – Composition of committees of LEG Immobilien AG in 2015

	Supervisory Board	*Audit Committee*	*Executive Committee*	*Nomination Committee*
Nathan Brown	Member until 24.06.2015	Member until 24.06.2015	Member until 24.06.2015	Member until 24.06.2015
Natalie Hayday	Member from 24.06.2015	Member from 24.06.2015	–	–
Stefan Jütte	Deputy Chairman	Chairman	Deputy Chairman	Deputy Chairman
Dr Johannes Ludewig	Member	–	Member from 24.06.2015	Member from 24.06.2015
Dr Jochen Scharpe	Member	Deputy Chairman	Substitute member from 24.06.2015	Substitute member from 24.06.2015
Jürgen Schulte-Laggenbeck	Member	Substitute member	–	–
Michael Zimmer	Chairman	–	Chairman	Chairman

Executive Committee

The members of the Executive Committee are the Chairman of the Supervisory Board, Mr Michael Zimmer, his deputy, Mr Stefan Jütte, and – from 24 June 2015 – Dr Johannes Ludewig as the successor to Mr Nathan Brown (until 24 June 2015). Dr Jochen Scharpe was elected as a substitute member (from 24 June 2015). As the Chairman of the Supervisory Board, Mr Michael Zimmer is also the Chairman of the Executive Committee. The Executive Committee met eight times in the 2015 financial year, with three of these meetings taking the form of a conference call.

The Executive Committee intensively discussed the purchase of residential property portfolios during its meetings as well as by way of written vote and made appropriate recommendations to the Supervisory Board. The acquisitions amounted to a total volume of 21,150 residential units.

The committee moreover held several conference calls during the year.

The meetings focused on the discussion and resolution of the financing and growth strategy (e.g. acquisitions, their financing and refinancing) and the target achievement of the members of the Management Board. The Executive Committee paid particular attention to monitoring the consolidation market and the positioning of LEG in this market environment, in addition to the talks with Deutsche Wohnen AG. The Executive Committee also supported the acquisition activities of the company.

Nomination Committee

The Nomination Committee meets as required and proposes suitable candidates to the Supervisory Board for its nominations for the Annual General Meeting. The Nomination Committee consists of members of the Executive Committee. Dr Johannes Ludewig was elected as the successor to Nathan Brown effective 24 June 2015. Dr Jochen Scharpe was elected as a substitute member (from 24 June 2015). The Nomination Committee held two conference calls in the 2015 reporting year. The conference calls discussed the coordination of a succession plan for Mr Nathan Brown and Mr Jürgen Schulte-Laggenbeck. Mr Schulte-Laggenbeck relocated to outside of Europe for professional reasons during the 2015 financial year, with the result that he resigned his position on the Supervisory Board as at 31 December 2015. The Nomination Committee proposed Ms Natalie Hayday as a successor to Mr Nathan Brown at the Annual General Meeting on 24 June 2015. The Annual General Meeting adopted this proposal. The Nomination Committee is proposing Dr Claus Nolting as the successor to Mr Jürgen Schulte-Laggenbeck. The election is scheduled for the Annual General Meeting on 19 May 2016.

Audit Committee

The Audit Committee consists of the following three members: Mr Stefan Jütte (Chairman), Dr Jochen Scharpe (Deputy Chairman) and Ms Natalie Hayday as the successor to Mr Nathan Brown (from 24 June 2015). Mr Jürgen Schulte-Laggenbeck remained the substitute member of the Audit Committee in the reporting year.

The Audit Committee met five times in the 2015 financial year; one of these meetings was an extraordinary meeting. The matters covered at the ordinary Audit Committee meetings were the detailed discussion of the annual financial statements and annual report, including the 2014 management report (separate financial statements) and the consolidated financial statements and annual report, including the management 2014 report. The Audit Committee also acknowledged the reports of the Management Board on the quarterly figures, the internal key performance indicators ("KPI tree") compared to the peer group and the financial structure. Furthermore, at its meetings the Audit Committee dealt intensively with the refinancing in 2015 and the loan plan for 2015. In addition, the Audit Committee discussed the 2015/2016 sales programme, the report of the Management Board in accordance with section 107(3) AktG, the status of the "LenErGy" project, the founding of the joint venture with RWE on the performance of energy-related services for LEG properties and their tenants, the current status of the rating process, the updated audit planning for 2015 and primarily the 2016-2020 business planning.

At its extraordinary meeting on 5 November 2015, the Audit Committee discussed the planned capital increase to finance the acquisition of a residential portfolio of around 13,570 units from Vonovia SE.

Meetings of the Supervisory Board

The Supervisory Board met for four ordinary Supervisory Board meetings and five extraordinary meetings in the 2015 financial year. The Supervisory Board also held conference calls to exchange information as necessary at short notice.

Twelve resolutions were passed by way of written procedure. These resolutions had been previously discussed in detail at Supervisory Board meetings, but the Board had not been ready to make a decision at the time of the meeting. The resolutions by written procedure were announced at the preceding Supervisory Board meeting. It was agreed by the Supervisory Board that the corresponding resolutions would be passed by way of written procedure.

All the members of the Supervisory Board attended at least half the meetings. Mr Jürgen Schulte-Laggenbeck attended half the meetings.

T8 – Audit Committee meeting attendance 2015

Audit Committee Member	*23.03.15*	*01.06.15*	*17.09.15*	*05.11.15 (E)*
Stefan Jütte (Chairman)	X	X	X	X
Dr Jochen Scharpe (Deputy Chairman)	X	X	X	X
Natalie Hayday	no membership	no membership	X	X
Nathan Brown*	X	X	X	X

All Supervisory Members attended the AGM on 24 June 2015
* until 24 June 2015
X = attendance

At its meeting on 24 March 2015, following a detailed examination and discussion, the Supervisory Board adopted the annual financial statements for 2014, including the management report, and approved the consolidated financial statements for 2014, including the Group management report, at the recommendation of the Audit Committee. In preparation for the third Annual General Meeting, the Supervisory Board again appointed Mr Stefan Jütte as the Deputy Chairman of the Annual General Meeting for the event of the absence of the Chairman of the Supervisory Board. The Supervisory Board also dealt with preparatory resolution items, determined the agenda for the third Annual General Meeting and decided the appointment of the auditor for 2016.

Furthermore, the Supervisory Board adopted the report of the Supervisory Board for the 2014 financial year to the Annual General Meeting; the Supervisory Board approved the annual report for 2014, including the joint report by the Management Board and the Supervisory Board on corporate governance in accordance with item 3.10 of the German Corporate Governance Code. Moreover, it updated its goals in accordance with item 5.4.1 of the German Corporate Governance Code.

Another key area of the meeting was the adjustment and extension of Management Board agreements. The Supervisory Board resolved the following reappointments:

— Mr Holger Hentschel's appointment as a member of the Management Board, in consultation with him, was revoked for its remaining term and, at the same time, he was reappointed until 31 December 2019

— From 1 February 2016, Mr Thomas Hegel will be reappointed as the CEO of LEG Immobilien AG for a further five years until 31 January 2021

— From 1 February 2016, Mr Eckhard Schultz will be reappointed as the Deputy CEO of LEG Immobilien AG for a further five years until 31 January 2021

T9 – Supervisory Board meeting attendance 2015

Supervisory Board Member	*24.03.15*	*02.06.15*	*24.06.15 (E)*	*18.09.15*	*19.09.15 (E)*	*20.09.15 (E)*	*28.09.15 (E)*	*02.11.15 (E)*	*05.11.15 (E)*	*01.12.15*
Michael Zimmer (Chairman)	X	X	–	X	X	X	X	–	–	X
Stefan Jütte (Deputy Chairman)	X	X	X	X	X	X	X	X	X	X
Dr Johannes Ludewig	X	X	X	X	X	X	X	X	X	–
Dr Jochen Scharpe	X	X	X	X	X	X	X	X	X	X
Jürgen Schulte-Laggenbeck	–	X	–	X	X	X	–	X	–	–
Natalie Hayday	no membership	no membership	X	X	X	X	X	X	X	X
Nathan Brown*	X	X								

All Supervisory Members attended the AGM on 24 June 2015
* until 24 June 2015
X = attendance; – = no attendance

The Supervisory Board also resolved the adjustment of Management Board remuneration.

Similarly, the Supervisory Board dealt intensively with the target achievement of the Management Board. PwC was commissioned to review whether the figures on which the STI calculation was based are consistent with the annual financial statement figures as at 31 December 2014. PwC confirmed the arithmetical accuracy of the STI calculation. On the basis of the figures tested by PwC, the Supervisory Board resolved the payment of bonus entitlements earned by the Management Board (100% of the target STI) for the 2014 financial year. In this context, the Supervisory Board also discussed the attainment of the 2013 and 2014 long-term incentives and, based on this, resolved the full payment of the 2013 LTI for performance period 1. The meeting of the Supervisory Board on 24 March 2015 also focused on a succession plan for Nathan Brown, the increased remuneration of the Supervisory Board effective 1 July 2015, the 2014/2015 sales programme, 2015 loan planning and current portfolio acquisitions.

The Supervisory Board meeting on 2 June 2015 mainly dealt with the reports of the committees, the acknowledgement of the quarterly report for Q1 2015, the resolution on female representation on the Supervisory Board and the Management Board and the acknowledgement of key projects of the company. The Supervisory Board also acknowledged the report on the duty to implement safety precautions in the 2014 financial year.

The only item on the agenda at the extraordinary meeting on 24 June 2015 was the reassignment of the seats held by Nathan Brown in the Supervisory Board committees. There were new elections for the Executive Committee, the Nomination Committee and the Audit Committee. Effective 24 June 2015, the members of these bodies are now as follows:

Executive Committee

— Mr Michael Zimmer (Chairman)
— Mr Stefan Jütte (Deputy Chairman)
— Dr Johannes Ludewig (as the successor to Mr Nathan Brown)
— Dr Jochen Scharpe (substitute member)

Nomination Committee

— Mr Michael Zimmer (Chairman)
— Mr Stefan Jütte (Deputy Chairman)
— Dr Johannes Ludewig (as the successor to Mr Nathan Brown)
— Dr Jochen Scharpe (substitute member)

Audit Committee

— Mr Stefan Jütte (Chairman)
— Dr Jochen Scharpe (Deputy Chairman)
— Ms Natalie Hayday (as the successor to Mr Nathan Brown)
— Mr Jürgen Schulte-Laggenbeck (substitute member)

The meeting of the Supervisory Board on 18 September 2015 was dominated by the possible merger of LEG with Deutsche Wohnen AG. The Supervisory Board also acknowledged the interim report for Q2 2015 and the reports of the committees. Furthermore, a time limit for membership of the Supervisory Board regardless of age was set at fifteen years (first-time appointment plus two re-elections). Also, the conclusion of a supplement to the social charter was approved, whereby the investment measures by the LenErGy project company count towards the social charter investment obligations.

The extraordinary meeting of the Supervisory Board on 20 September 2015 discussed the status of negotiations with Deutsche Wohnen AG and the presentation of the agreement in principle, ready to be signed, on the takeover bid. In particular, the joint future growth strategy, the strengthening of the Dusseldorf operational site, the members of committees and job protection were covered and discussed with the Supervisory Board as the key points of the agreement in principle.

Another extraordinary meeting of the Supervisory Board that was held as a conference call on 28 September 2015 mainly covered the market response to the announcement of the merger between LEG and Deutsche Wohnen. Furthermore, following intensive discussion of the advantages and disadvantages, the Supervisory Board brought about the resolution to authorise the Supervisory Board to engage a bank to issue a fairness opinion.

The only item on the agenda at the extraordinary meeting on 2 November 2015, also a conference call, was the acquisition and financing of a residential portfolio of around 13,570 units from Vonovia SE. The acquisition and financing of the residential portfolio was approved by the Supervisory Board at the recommendation of the Executive Committee.

The extraordinary meeting of the Supervisory Board on 5 November 2015 discussed bringing about the resolution in principle for the capital increase with the issue of up to 5,825,978 new shares with pre-emption rights disapplied to enable the financing of the residential portfolio of around 13,570 residential units. The Supervisory Board also dealt with the supplement to a resolution on a residential portfolio in the greater Westphalia area and the approval and issue of the declaration of compliance by the Supervisory Board and the Management Board in accordance with section 161 AktG.

The final meeting of the Supervisory Board in the 2015 financial year on 1 December 2015 focused on the acknowledgement of the Q3 2015 quarterly report, Supervisory Board reporting, the approval of business planning for 2016 and the acknowledgement of business planning for the years 2017 to 2020, which was first discussed intensively by the Audit Committee on 30 November 2015. Furthermore, the Supervisory Board acknowledged the 2016 sales programme, approved the early refinancing of Ruhr-Lippe Wohnungsgesellschaft mbH and acknowledged the agenda for the planned strategy conference in January 2016.

Corporate governance

Working with the Management Board, in November 2015 the Supervisory Board discussed the updated version of the declaration of compliance in accordance with section 161(1) AktG that was issued in the previous year and issued this. The updated declaration has been made permanently available on the company’s website.

Audit of annual and consolidated financial statements

The Management Board prepared the annual (separate) financial statements and management report for the 2014 financial year in accordance with the provisions of the Handelsgesetzbuch (HGB – German Commercial Code) and the consolidated financial statements and Group management report in accordance with the provisions of the International Financial Reporting Standards (IFRS), as endorsed in the European Union, and the additional commercial regulations of section 315a HGB. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC) was engaged to audit the annual and consolidated financial statements for the 2015 financial year. PwC audited the annual financial statements, including the management report, and the consolidated financial statements, including the Group management report, for the 2014 financial year and issued an unqualified audit opinion for each.

In the report on the risk management and monitoring system of the Management Board, the auditor commented on risks jeopardising the continued existence of the company as a going concern. The auditor considers that the risk management and monitoring system is suitable for the early detection of developments that could threaten the continuation of the company. The Supervisory Board received the audited and certified annual financial statements and the management report for the 2014 financial year 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. The same applies to the consolidated financial statements, the Group management report and the proposal of the Management Board for the appropriation of earnings.

At the meeting of the Supervisory Board on 24 March 2015 and at the meeting of the Audit Committee on 23 March 2015, representatives for the auditor explained the results of the audit as a whole and the individual areas of audit focus. There were no further 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. Following a thorough examination of all documents by the Supervisory Board, no objections were raised. The Supervisory Board approved the results of the audit.

The Supervisory Board approved the (separate) financial statements for 2014 and the consolidated financial statements for 2014 in accordance with the proposal of the Audit Committee on 24 March 2015. The annual financial statements for 2014 were therefore adopted and the consolidated financial statements for 2014 were approved.

The Supervisory Board reviewed the proposal of the Management Board for the appropriation of the unappropriated surplus, taking into account in particular the liquidity of the company and its financial and investment planning. After this review, the Supervisory Board endorsed the Management Board's proposal to distribute EUR 111,844,350.24 as a dividend.

The amount of EUR 3,302,535.16 not paid out to entitled shares will be carried forward to new account.

At its meeting on 9 March 2016, after in-depth examination and discussion, the Supervisory Board adopted the annual financial statements for 2015, including the management report, and approved the consolidated financial statements for 2015, including the Group management report, at the recommendation of the Audit Committee.

The Management Board and the Supervisory Board

There were no personnel changes in the Management Board in the 2015 financial year.

By way of letter dated 30 November 2015, Mr Jürgen Schulte-Laggenbeck informed the company that he would be resigning as a member of the Supervisory Board effective 31 December 2015. The Nomination Committee has selected Dr Claus Nolting as Mr Schulte-Laggenbeck's successor, and will be proposing this to the shareholders at the Annual General Meeting on 19 May 2016.

The Supervisory Board would like to thank the shareholders for their trust in the company and their support of the LEG strategy. In particular, the Supervisory Board wishes to thank the Management Board and the employees of the LEG Group for their commitment and the economic success in the intensive 2015 reporting year.

Dusseldorf, 9 March 2016

On behalf of the Supervisory Board
of LEG Immobilien AG

MICHAEL ZIMMER
Chairman of the Supervisory Board

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 110 of the annual report); this information is also part of our corporate governance reporting.

Compliance with the recommendations of the German Corporate Governance Code

LEG Immobilien AG complies with the currently applicable recommendations of the German Corporate Governance Code as amended 5 May 2015 ("Code").

The Management Board and Supervisory Board have discussed compliance with the recommendations of the Code and, in November 2015, issued a declaration of compliance in accordance with section 161(1) of the Aktiengesetz (AktG – German Stock Corporation Act). The declaration of compliance issued in the 2015 financial year has been printed in the corporate governance declaration (page 110 of the annual report).

LEG Immobilien AG also complies with the suggestions of the Code, which can be deviated from without disclosure in the declaration of compliance, with the following exceptions:

— Item 2.3.3 of the Code suggests that the company should make it possible for shareholders to monitor the Annual General Meeting using modern communication media (e.g. the Internet). LEG Immobilien AG has examined the technical cost and effort this would entail and has come to the conclusion that this would be disproportionate to the information benefit for shareholders, particularly since all presentations and speeches by the Management Board and the Supervisory Board are published on the company's website.

— In accordance with item 3.7(3) of the Code, in the event of a takeover bid, the Management Board should convene an extraordinary general meeting at which shareholders discuss the takeover bid and possibly decide on corporate action. It is questionable as to whether the organisational effort of convening a general meeting would be justified if no corporate action was to be resolved. Accordingly, the Management Board reserves the right to convene an extraordinary general meeting only if a resolution is planned.

Objectives for the composition of the Supervisory Board

The Supervisory Board of LEG Immobilien AG consists of six 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 2017 financial year.

On 23 April 2013, in accordance with item 5.4.1(2) of the recommendations of the Code, the Supervisory Board stipulated the following goals for its composition, which were amended on 25 March 2014 (on account of the reduction of the number of Supervisory Board members in the year 2014) as well as on 18 September 2015 (on account of the specification of a regular limit for re-appointments):

— The Supervisory Board should be composed so that qualified monitoring of the Management Board and its support and advice 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 can and should complement each other so that the Supervisory Board as a whole is able to perform its duties.

— 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 expertise in the property business.

— The Supervisory Board should have an appropriate number of members who are independent within the meaning of item 5.4.2 of the Code. In particular, a member of the Supervisory Board is not considered independent within the meaning of this 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 a temporary, conflict of interests. At least five of the members of the Supervisory Board should be independent in the above sense. 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. The Supervisory Board shall endeavour 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 Code 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 one member 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 of activity and horizons of experience of its members. An appropriate participation of women in the Supervisory Board is intended. Based on the current size of the Supervisory Board, it is intended to include at least one woman in the Supervisory Board. This is subject to the proviso that the other goals 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: Generally, only candidates younger than 75 at the time of the election should be proposed for the Supervisory Board. Furthermore, independent of age, a regular limit of length of membership of fifteen years (first time appointment plus two re-appointments) was stipulated.
- 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. In particular, in its own estimation, the Supervisory Board has an appropriate number of independent members; in the opinion of the Supervisory Board, the members Ms Natalie Hayday, Mr Stefan Jütte and Dr Jochen Scharpe 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 involving shares of LEG Immobilien AG or related financial instruments immediately if the value of the transactions attributable to the member and related persons reaches or exceeds a total of EUR 5,000 within a calendar year. Eight such share transactions were reported to LEG Immobilien AG in the 2015 financial year. Details of these transactions were published as required and can be accessed on the company's website at www.leg-wohnen.de/en/corporation/investor relations/corporate-governance/directors dealings/.

Share programmes and shareholdings

Currently, LEG Immobilien AG has not set up any share option plans and does not currently have any similar share-based incentive systems. As at 31 December 2015, the members of the Management Board and the Supervisory Board held less than 1% of the shares issued by the company.

Transparency

In dealing with the shareholders of the company, LEG Immobilien AG applies the principle of comprehensive, continuous and timely information. We provide detailed documents and information on our website, such as financial reports, current ad hoc disclosures and press releases and information on Annual General Meetings. 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 refer to page 47 of the annual report for information on the compliance management system.

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 applied in addition to the statutory requirements, is a component of the management report. Please see page 110 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 website of LEG Immobilien AG at www.leg.ag.

COMPLIANCE

Compliance is a key element of responsible and successful corporate governance at LEG. LEG has an interest in ensuring the trust of its tenants, customers, business partners, employees, shareholders and the public. Fully aware of this, the compliance system is designed for our day-to-day business.

The main principles applying both to conduct within the company and with respect to business partners are compiled in the LEG Code of Conduct, which can be accessed on the LEG website. As a guideline for proper conduct, it helps employees to make the right decisions in their day-to-day work. Associated guidelines substantiate the Code of Conduct with regard to central issues such as integrity, competition and working with business partners.

Persons who identify any breaches of compliance can contact the external ombudsman, who will treat their information confidentially and anonymously if so desired. The information is investigated and measures are taken as appropriate.

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

LEG has appointed a Compliance Officer to head up the compliance management system. The Compliance Officer assists executives in ensuring compliance. He is also in charge of employee training and advice. At regular meetings, the heads of the Legal and Human Resources central divisions and the external ombudsman advise the Compliance Officer on the design of the compliance system. Permanent benchmarking against other compliance systems and independent assessment by external experts also serve to ensure the continuous development and improvement of our compliance system. The adequacy and suitability of the compliance management system to prevent fraud has been tested and confirmed by an auditor.

Compliance is assigned to the Legal, Audit and Compliance department, which reports directly to the CEO of LEG.

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

SUSTAINABILITY / CODE OF CORPORATE SUSTAINABILITY

As one of the biggest housing companies in Germany, LEG takes its social responsibility very seriously. LEG has sought to ensure that its business is sustainable for years now, combining economic stability with social commitment and ecological requirements.

To ensure that LEG continues to enjoy the trust of tenants, investors, business partners and employees in future, sustainable action is firmly enshrined within its strategy. LEG considers itself as having a corporate responsibility to provide tenants with a home in an intact environment, attractive housing and selected value-added services at a fair price. People of every background and culture should feel safe and at home where they live. Among other things, LEG seeks to achieve this through social projects, events and the LEG NRW Tenant Foundation.

For tenants – satisfaction in their neighbourhoods

In addition to targeted investments and sustainable property management, neighbourhood management is a key element when it comes to preserving and enhancing the value of the company. LEG's neighbourhood management is geared towards strong cooperation with cities and councils. For example, in 2015 the company concluded a second neighbourhood agreement for Dorsten, Wulfen-Barkenberg, with the aim of continuing urban development and social projects in cooperation with the town of Dorsten and Dorstener Wohnungsgesellschaft. With this agreement, the three partners renewed the commitment to the location that they first expressed in 2011, demonstrating their intention to work together for a positive future for the neighbourhood and to continue to pursue the aims adopted in 2011. This includes the rational use of brownfield sites and enhancement works, as well as the reorganisation of the neighbourhood office and the continuation of the Winni streetwork project. LEG has invested a total of EUR 27,000 in Barkenberg in social measures alone.

As a housing company, it is important for LEG to respond to demographic change at an early stage. With this in mind, the first VitalLokal opened its doors in Dortmund-Wickede in early 2015. The joint project operated by LEG and K&S Unternehmensgruppe together with its subsidiary, Ambulanter Pflegedienst Dr Krantz, is a cross-generational meeting place for the Meylant district in Dortmund. VitalLokal not only acts as a local point of contact, but also offers household services and care services at fair conditions as required. It also hosts free events as well as a "meals on wheels" service, assistance for shopping, and car-sharing. Another measure with which LEG is reflecting demographic change in this location is the planned renovation and conversion of an entire building to ensure accessibility, thereby meeting the needs of older residents in a targeted manner. The project forms part of the state-wide "Besser Wohnen – Energetisches Sanierungsplus" initiative. Whenever it renovates a portfolio property, LEG also examines whether the property can be made accessible.

As part of the property management and occupancy strategy in its residential neighbourhoods, LEG places great importance on ensuring that tenants get along in a spirit of mutual understanding. Tenant parties are an important element in making neighbourhoods that work. Since the early 1990s, LEG has been strengthening its neighbourhoods throughout NRW with its popular leisure and holiday programme for younger and older tenants alike. The company organised around 150 events in the past financial year, including tenant and district events. In addition to the company's comprehensive local presence, the tenant parties are one of the unique selling points with which LEG seeks to systematically ensure personal contact with its tenants. The aim is to develop residential facilities through a combination of portfolio maintenance, professional neighbourhood management and social events in order to ensure that properties are let to satisfied customers on a long-term basis.

Sport sponsorship traditionally forms part of the company's commitment to sustainability. For example, the company supports the LEG Super Cup in Mönchengladbach, which was held in August 2015. The predecessor company Gladbau had provided personnel and financial support for the tournament for U9 and U13 teams ever since it was launched, and LEG is upholding this commitment. In 2015, more than 600 children and young people took part in the LEG Arminia Football School camps.

Working together for a shared goal – this is the aim of the integrated running team of the Blau-Weiß Aasee sports club at the annual Münster Marathon, which receives financial support from LEG. For the past seven years, sportspeople and runners with disabilities have run the final 800 metres of the race together.

The Hoffnungsflotte also set sail once more, as twelve yachts from Sunshine4kids e.V. took to the Baltic Sea in summer 2015. Six young LEG tenants were among those on board. The "Fleet of Hope" provides holidays to children and young people in need.

The growing number of asylum seekers and refugees posed a significant challenge for cities and councils in 2015. As of the end of February 2016, LEG was supporting cities and councils in NRW by letting around 1.300 apartments to these users. The company is holding local discussions and information events to prepare existing tenants for their new neighbours. In Castrop-Rauxel, one apartment was converted into a neighbourhood office for this purpose, with contacts from the city in regular attendance. LEG is also ensuring that refugees are looked after locally by providing services from language classes through to assistance in dealing with the authorities. LEG is also involved in a project initiated by the state government, the Internet platform www.wohnraumkarte.de/refugees. Vacant apartments are listed on this website in order to make it easier for cities and municipalities to find properties for refugees.

In addition, LEG takes into account the needs of its foreign tenants, who come from around 120 different countries, by providing information on housing in multiple languages on its own website, in flyers and in the form of foreign-language TV and Internet packages – a service that LEG subsidiary WohnServicePlus expanded in 2015.

LEG and other leading local landlords campaigned for diversity and tolerance in Dortmund under the motto "Dortmund wohnt bunt". The company is committed to enabling the various people of different ages, ethnic backgrounds and religious orientations who live in LEG apartments to coexist peacefully in a spirit of tolerance.

The company introduced a new crisis management service in 2015 in cooperation with Schuldnerhilfe Köln e.V. It is supporting tenants seeking assistance in Cologne, Remscheid, Wuppertal and other towns and cities in the Bergisches Land and Rhein-Erft-Kreis regions. The purpose of the charitable association, which works in close cooperation with the local aid network, is to help people in need. The "NRW Rent Arrears Service – Preventive Budget Counselling for Secure Housing" project runs until the end of August 2017 and is being supported by the NRW Ministry of Labour, Integration and Social Affairs.

The independent LEG NRW Tenant Foundation supports benevolent and charitable projects for individuals and groups alike. The aim is to provide individual assistance for tenants who find themselves in difficulties, such as sudden disabilities or financial straits. The foundation also supports integrative or intercultural events and projects, thereby contributing to improved tolerance and understanding among individuals from various cultural backgrounds. The foundation provided around EUR 109,000 for tenants in 2015.

For the environment – sustainable management and energy renovation

LEG takes responsibility when it comes to climate change and has founded the new company EnergieServicePlus (ESP) together with its cooperation partner RWE. ESP bundles all of the tasks and services in the area of heating, meaning it is responsible for operating, maintaining and investing in energy-efficient systems technology, as well as gradually assuming responsibility for heat supply and providing special offers for tenants. ESP uses a range of measures to ensure a secure, environmentally friendly heat supply at a stable price. This includes renovating the existing heating systems, controlling and managing system operations, gas procurement and reducing the CO_2 emissions of heating systems. Tenants also have access to RWE's state-of-the-art efficiency products for saving energy, as well as benefiting from lower consumption thanks to remote adjustments to heating systems.

LEG is working with its new partner Techem when it comes to recording heating and hot water consumption. Heat meters throughout the entire LEG portfolio are being gradually renovated so that tenant consumption can be measured precisely, which is proven to help reduce consumption.

In 2015, LEG again modernised its housing stock with sound judgement, investing a total of around EUR 23 million in measures relating to increasing energy efficiency. For example, the company spent around EUR 1.6 million on renovating its apartments in Monheim, while a further EUR 100,000 was invested in playgrounds. In Münster, the company spent EUR 2.6 million on renovation and thermal insulation measures at 188 apartments in the urban area. In the period from 2008 to the end of 2014, LEG renovated 800 apartments in the Meylant district in Dortmund-Wickede alone, investing a total of EUR 13.1 million in the process. This will have risen to almost 1,000 apartments and more than EUR 16 million by the end of 2016.

These and other modernisation measures will ensure the future viability of LEG's housing portfolio and contribute to greater quality of living for tenants. The renovation measures also translate into a reduction in CO_2 emissions for the respective buildings, thereby reducing tenants' annual heating requirements, saving costs and protecting the environment.

For rebuilding – international development aid

Since 2010 LEG has been supporting international sustainability projects together with DESWOS, the German Development Assistance Association for Social Housing. The construction of an LEG village in India for 127 families from the caste known as untouchables was followed by a multi-year project in the Philippines. In the wake of the devastation caused by Typhoon Haiyan in 2013, the company decided to build 13 houses as part of a larger project consisting of 124 houses in the particularly hard-hit City of Tanauan on the island of Leyte. The resulting storm- and flood-resistant houses were unaffected by a subsequent severe typhoon that hit in January 2015.

For employees – developing health management

LEG's success would not be possible without the commitment, expertise and creativity of its employees. This is based on a corporate culture that is characterised by openness, trust and mutual respect. Accordingly, sustainable human resources management and development enjoy a high priority within the company.

LEG further expanded its health management in 2015. Employees were given the opportunity to participate in active lunch breaks, while an external service provider delivered fruit baskets to LEG locations. For the first time, LEG held health days at its major sites, allowing employees to get information about topics such as nutrition, exercise and ergonomics.

The external service provider pme Familienservice continued to support employees in achieving a healthy work-life balance with services in the areas of childcare, including emergency childcare, as well as homecare, care for the elderly, and life coaching.

Rapid technical, social and economic change demands permanent learning. LEG places great importance on continuous qualification and training. Accordingly, it offers a comprehensive advanced training portfolio with qualified and tailored seminars and workshops on professional topics as well as aspects of the work-life balance.

SEPARATE FINANCIAL STATEMENTS OF LEG IMMOBILIEN AG

LEG Immobilien AG

As the managing holding company of the LEG Group, LEG Immobilien AG, based in Dusseldorf, performs controlling activities and administrative services for the LEG Group.

As at the balance sheet date of 31 December 2015, the separate entity company is a large corporation within the meaning of section 267 of the Handelsgesetzbuch (HGB – German Commercial Code). Since applying for a stock market listing in December 2012, LEG Immobilien AG has been considered a capital market oriented company in accordance with section 264d HGB and is subject to section 267(3) HGB.

On entry in the commercial register on 11 January 2013, LEG Immobilien GmbH underwent a change of legal form and was renamed LEG Immobilien AG. LEG Immobilien AG went public on 1 February 2013 with the initial listing of its shares on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

HGB annual financial statements for 2015

Net retained profits

The separate financial statements of LEG Immobilien AG reported net retained profits of EUR 148.5 million as at 31 December 2015. This includes a net loss for the year of EUR 24.8 million, a withdrawal from capital reserves of EUR 170.0 million and a profit carryforward of EUR 3.3 million, which resulted from the net retained profits for 2014 (EUR 115.1 million) after a distribution of EUR 111.8 million in the 2015 financial year.

Assets

The changes in financial assets essentially result from a contribution of EUR 150.0 million at LEG NRW GmbH and a loan of EUR 150.0 million to LEG NRW GmbH.

Current assets amounted to EUR 298.8 million as at the balance sheet date (previous year: EUR 334.1 million). These predominantly consist of receivables from affiliated companies (EUR 279.0 million), trade receivables in connection with the founding of EnergyServicePlus GmbH (EUR 7.0 million) and cash and cash equivalents (EUR 12.7 million).

Prepaid expenses of EUR 34.5 million predominantly consist of a discount that results from the difference between the issue proceeds and the liability for the convertible bond recognised at the settlement amount.

T 10 – Balance Sheet 31.12.2015

Mio. €	**31.12.2015**	*31.12.2014*	*Change*
Financial assets	1,057.3	762.3	295.0
Receivables	286.1	332.8	−46.7
Cash and cash equivalents	12.7	1.3	11.4
Prepaid expenses	34.5	40.8	−6.3
TOTAL ASSETS	**1,390.6**	**1,137.2**	**253.4**
Equity	1,024.1	780.5	243.6
Provisions	50.8	54.5	−3.7
Liabilities	315.7	301.8	13.9
Deferred income	0.0	0.4	−0.4
TOTAL EQUITY AND LIABILITIES	**1,390.6**	**1,137.2**	**253.4**

Equity and liabilities

The equity and liabilities side of the balance sheet essentially consists of equity of EUR 1,024.1 million, liabilities of EUR 315.7 million and provisions of EUR 50.8 million.

As at 31 December 2015 the equity of LEG Immobilien AG consists of the subscribed capital of EUR 62.8 million, capital reserves of EUR 781.1 million, revenue reserves of EUR 31.7 million and net retained profits of EUR 148.5 million.

The provisions are primarily determined by a provision for the conversion right in the amount of EUR 45.6 million.

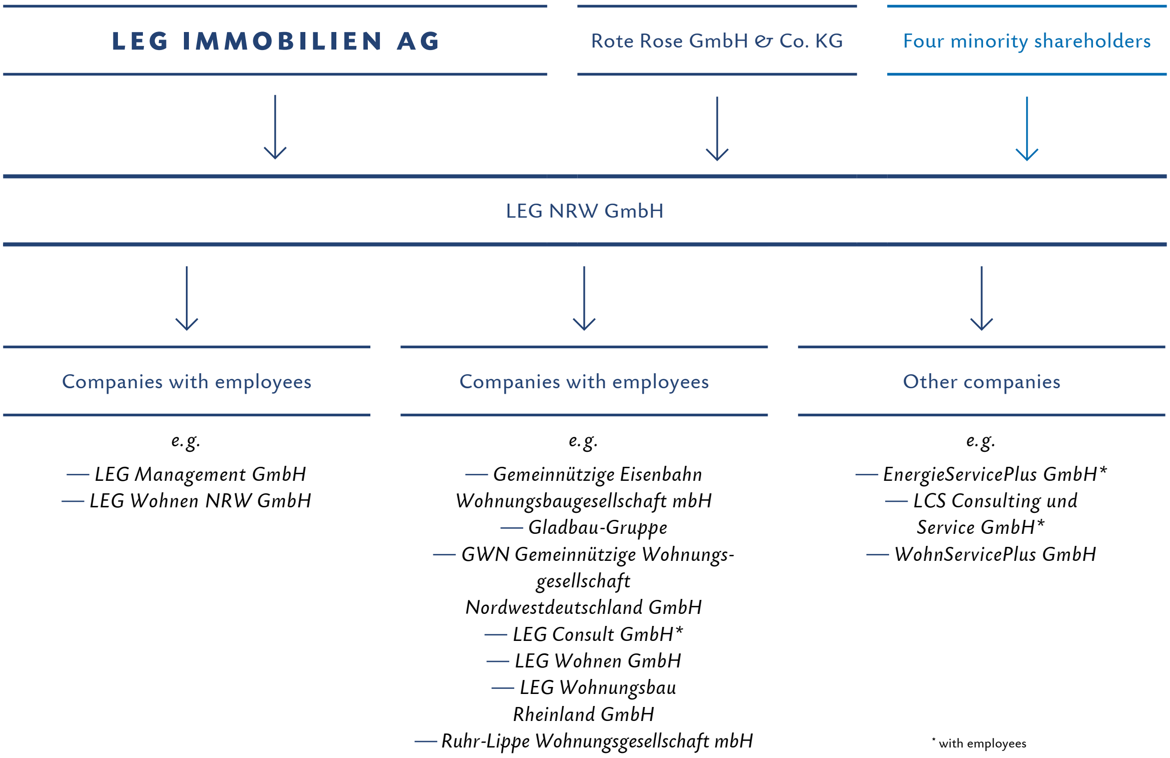
Financial statements

The full HGB annual financial statements of LEG Immobilien AG, with an unqualified audit opinion from the auditor, are disclosed in the electronic Federal Gazette. They can be requested from LEG Immobilien AG as a special print and are published on the website of LEG Immobilien AG.

MANAGEMENT REPORT

3

F3 — LEG Group structure



BASIC INFORMATION ABOUT THE GROUP

Group structure

LEG Immobilien AG was formed in 2013 following the transformation of LEG Immobilien GmbH. The change in legal form was effected by notarisation by way of a shareholder resolution on 2 January 2013, and entered in the commercial register on 11 January 2013.

Business activities and strategy

LEG's core business involves the management and development of its own residential property portfolio and the focused expansion of the portfolio through acquisitions with strong synergy potential. The business model is supplemented by the selective expansion of tenant-oriented value-added services. LEG's focused business model is strategically geared towards the attractive rental market of North Rhine-Westphalia (NRW).

LEG is one of the leading managers of residential property in Germany with around 109,000 residential units. Its product range meets the high level of demand for affordable housing. Affordable housing is becoming increasingly important in view of the steadily rising number of single- and two-person households, migrants and refugees in Germany. The regional focus of LEG's portfolio is on the North Rhine-Westphalia metropolitan region, Germany's economic powerhouse and most populous federal state. LEG benefits from the positive fundamental data of this region, which leads to constant growth in demand for housing and high population density. NRW is a core region for migration to Germany. At the same time, the regional focus of its portfolio gives LEG a sustainable competitive edge in terms of the results of portfolio management and operating efficiency.

LEG's growth- and customer-focused business model applies a sustainable, value-oriented approach that reconciles shareholder and tenant interests. The sustainable growth strategy comprises organic growth with the existing residential property portfolio, including the selective expansion of tenant-oriented services, and growth through value-enhancing acquisitions.

Organic growth

LEG's diversified property portfolio has consistently achieved rental growth in excess of the market average in recent years (up 2.4% per year since 2010). Comparable rental growth of 2.7% was achieved in 2015. At the same time, the vacancy rate on a like-for-like basis was reduced to 2.5%. These results were achieved on the basis of efficient and targeted capital employment with investments of around EUR 16 per square metre, taking into account the interests of tenants and shareholders alike. These figures are also proof of LEG's management expertise with its focused approach, as well as the quality of its property portfolio and the attractiveness of its markets.

The positive rental trend is expected to continue for the next few years. Together with pronounced cost discipline, further structural and process optimisation and secured long-term financing at favourable conditions, this is set to lead to strong organic earnings growth.

LEG's organic rental growth is based on a diversified mix of growth drivers. This emphasises the highly defensive overall nature of its growth profile. In its free financed portfolio, changes in market rent can be implemented through regular rent index adjustments and when properties are re-let. In the rent-restricted portfolio, inflationary developments are passed on to tenants directly every three years in the form of regular adjustments to the cost of rent. Over the coming years, rent control will gradually expire for some of this portfolio. This provides the corresponding leeway for rent adjustments on properties where the rent, in some cases, is significantly below market levels.

Taking into account the specific market conditions, LEG makes selective, value-enhancing modernisation investments in its portfolio that are subject to strictly defined return criteria.

A basic requirement for a positive development in management results is high tenant satisfaction, which is reflected by low tenant fluctuation, for instance. To this end, LEG's model relies on a strong service focus with direct proximity to customers through personal points of contact, as well as targeted tenant-oriented services.

External growth

LEG's management platform has the potential to leverage economies of scale through integration of acquisitions, thus raising the operating margin. Purchases are focused on the company's core regions in NRW, where the highest cost synergies can be generated. A sound balance sheet, a strong presence with around 170 locations and the resulting market expertise and quick decision-making processes are LEG's key competitive advantages. LEG applies a selective, value-oriented acquisition strategy that is geared towards clear financial targets for increasing its leading operating margins and the FFO I yield, and to the development of net asset value (NAV). Since the IPO in 2013, LEG has acquired and successfully integrated portfolios of different sizes with around 40,000 units at attractive returns. LEG's management expertise therefore allowed it to create additional value-added for shareholders and tenants.

Expansion of tenant-oriented services

The customer base of around 300,000 tenants is also the foundation for selective expansion of tenant-oriented services. LEG can create value-added for tenants and shareholders by providing innovative and selected services. Having successfully launched its multimedia business back in 2014, LEG provides its tenants with a much-improved product range at low rates. Since March 2015, there has also been a joint venture with RWE that covers the supply of all energy and energy systems for LEG's properties. The service business thus makes a highly positive earnings contribution that should keep on growing.

Defensive financing strategy and strong balance sheet

The key element of LEG's business model is the security provided by a defensive balance sheet structure and a balanced, long-term financing structure at favourable conditions.

A strong balance sheet supports the defensive nature of the business model in the interests of shareholders, tenants, employees and business partners, while also securing the company's long-term growth potential. A low LTV of 44.2%, an average remaining term on loans of 11 years and average financing costs of less than 2.3% reflect LEG's defensive risk profile and its strong position on the financing market.

Group management system

The business strategy of LEG is geared towards sustainably increasing its enterprise value. The Group management system is systematically focused on supporting this value-oriented corporate strategy and on deviations in leading indicators.

As in the previous year, the management system of the LEG Group is built on a control concept based on performance indicators, with the planning process serving as a key instrument. This is an integrated process resulting in 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, planning for the current financial year is revised and updated at regular intervals on the basis of current business performance. At the same time, there is a close connection between planning and forecasts with the risk management system, with the result that corresponding countermeasures can be promptly derived and implemented for any risks ascertained. Cash flow projections for the development of the liquidity situation are prepared on a monthly basis and allow potential financial risks to be identified at an early stage.

The Management Board and executives are informed on the key value drivers and current business performance on a monthly and quarterly basis in the form of standardised reporting. The foundation for this reporting system is the IT-based Group data warehouse, which is connected to the Group-wide SAP system. As part of this regular reporting, current actual data is compared against forecast data, with any deviations being analysed and commented on before countermeasures are developed and introduced. Particular importance is attached to deviations in leading indicators that provide an outlook for future business performance. Key leading indicators are data such as the termination of leases, fluctuation, changes in the regulatory environment and interest rate developments.

In addition to monthly reporting, talks are held in person at various levels on a monthly basis, where current business figures are analysed, measures – e.g. for improving efficiency – are devised and their effectiveness is reviewed. The efficiency of Group management is determined to a large extent by the effectiveness of this management cycle.

The overall system of key performance indicators is structured on a segment-specific basis to ensure the targeted management of individual areas. Within the segments, there is a target definition and achievement system that stipulates responsibility for all value drivers within the organisation. The target system affects the focus of the individual levels of hierarchy.

The essential financial key performance indicator for Group management is FFO. Further key figures relevant for the property industry, such as NAV and LTV, are also aggregated, analysed and assessed at Group level.

Furthermore, other financial performance indicators, such as the breakdown of the financing structure, are also subject to special monitoring, and there is regular benchmarking against the corresponding figures for competitors.

In the Residential segment, LEG focuses in particular on further improving the performance indicators in its operating business. Key indicators include rent per square metre and vacancy, which directly and indirectly influence the Group's key figures. The corresponding cost items, such as maintenance measures and staff and non-staff operating costs, are budgeted and monitored. Monthly reporting is used to analyse effect relationships and to derive measures. The impact of acquisitions is examined separately.

The Other segment primarily consists of development business, which is being discontinued, and the central divisions that perform general Group functions. The Other segment's share in Group assets is marginal and negligible. In addition to the inventories that are yet to be sold, the key components of the planning and management system for this segment are staff and non-staff operating costs in particular. Detailed budgets for the individual cost positions are discussed and agreed with the respective cost centre managers.

Amongst others, the following key figures are not part of the Group management but are subject to monitoring on a regular basis.

For staff costs, financial indicators of a less direct nature – such as sick leave, employee turnover and staff development needs – are taken into account in management reporting.

The nature of the industry means that debt service plays an important role in company management on account of the importance of the liquidity and earnings situation. The central Finance and Corporate Finance divisions, which are responsible for controlling, ensure the optimisation of the LEG Group's liquidity position while taking into account market developments. Based on current forecast figures and risk and opportunity reports, various liquidity scenarios are included in reporting and measures are derived on this basis. Additional financial reports on refinancing, covenants and interest rate developments are also important elements of Management Board and Executive reporting.

As a further condition, compliance with the obligations under the social charter until 28 August 2018 is taken into account. All of the protective provisions, such as minimum investment, are incorporated into management processes and included in regular standard reporting.

ECONOMIC REPORT

General economic conditions

Economic upturn in Germany continues

The German economy continued its moderate growth trend in 2015. The main driver was private consumption, which benefited from several factors: in addition to rising incomes from increased employment and higher wages, purchasing power was boosted by low oil prices. However, in contrast with the consistently buoyant domestic economy, exports slowed down from mid-2015 despite the depreciation of the euro. International business was particularly hit by a lack of impetus from emerging nations in the Far East. This also impacted on corporate investment, which proved sluggish due to low demand from abroad. Overall, real gross domestic product (GDP) in Germany grew by +1.7% in 2015 according to the German Federal Statistical Office. Consequently, the German economy slightly outperformed the euro zone, which posted growth of +1.6%.

According to the Bundesbank, the moderate trend in Germany is set to continue at the start of 2016, although economic growth is expected to gain momentum as the year progresses. However, this is contingent on greater expansion of global trade. Accordingly, real GDP is expected to rise by +1.8% in 2016. For the euro zone, the European Commission also forecasts a +1.8% increase in real GDP. Positive influencing factors for the euro zone particularly include higher incomes as a result of rising employment as well as more favourable lending terms.

Employment in Germany continued its long-standing growth trend in 2015. The number of people in work rose by +1.0% up to November 2015, reaching around 43.5 million. Immigration from abroad was one of the factors in this positive trend.

According to Bundesbank estimates, net migration (excluding refugees) amounted to 400,000 people, and net migration of asylum seekers came to 700,000 people. However, for the latter, integration in the employment market is not expected immediately due to the amount of time required for the asylum procedure and the acquisition of qualifications and language skills. Unemployment in Germany continues to fall. Compared with the previous year, the unemployment rate was down by 30 basis points to 6.4%. The Bundesbank expects it to stay at the same level in 2016. The trend on the employment market was also positive in North Rhine-Westphalia. In December, the unemployment rate stood at 7.7% compared with 7.8% at the end of the previous year.

Incomes of private households increased further as a result of higher employment and new collective agreements. According to Bundesbank calculations, gross wages climbed by 2.9% in 2015, significantly ahead of the rate of inflation at 0.2%. Gross wages are expected to rise by 2.7% in 2016.

Overall, the general economic situation is conducive to housing demand in Germany, and therefore also beneficial to LEG's business model.

NRW residential market

Enduring appeal of residential markets with stronger momentum in purchase prices

The NRW residential market continues to show positive trends in the development of asking rents and property prices. Thus, 53 out of 54 cities and districts are reporting a positive underlying trend in asking rents. Overall, the trend already seen in the previous year of slowing rental price momentum continued. On average, asking rents climbed by 1% year-on-year from EUR 6.08 per square metre to EUR 6.14 per square metre in 2015.[1] Purchase prices in both the owner-occupied and the apartment building segments developed very well. Sparked by excess demand and the consistently low interest rates on the capital market, purchase prices in NRW increased by an average of more than 5% compared to the same period of the previous year.[2]

The demand for housing and thus the appeal of North Rhine-Westphalia is growing all the time. According to IT.NRW, the population as at 31 December 2014 increased by around 70,000 as against the previous year to around 17.64 million.[3] This is the biggest increase in North Rhine-Westphalia in the past 20 years.[4] Refugees have hardly been factored in to the official statistics so far. The vacancy rate continued to decline to an average of 3.1%. According to estimates by NRW's Ministry of Construction, Housing, Urban Development and Transport, the additional demand due to the influx of refugees – which is difficult to predict – cannot be covered by existing marketable residential vacancies, and additional demand of 120,000 homes in total is assumed in the next few years.[5]

Rent development

In the period under review from October 2014 to September 2015, slightly higher asking rents were observed compared to the same period of the previous year. With the exception of the Siegen-Wittgenstein district (no change), higher rents than in the previous year were achieved in all districts and cities.[6] As expected, growth in rents in the northern Ruhr area (Gelsenkirchen, Recklinghausen, Herne, Bottrop, Oberhausen) and Bergisches Land (Wuppertal, Remscheid) was below average at between 0.5% and 1.5%. The biggest increases were observed in the rural districts Hochsauerlandkreis (up 4.4%) and Minden-Lübbecke (up 4.7%).

The positive trend of recent years continued on the region's growth markets: Münster had a median value of EUR 8.97 (up 2.5%) and just narrowly missed the nine-euro mark. At EUR 9.81 (up 3.3%), Cologne increased its lead over Dusseldorf (EUR 9.20; up 1.8%), followed by Münster and Bonn at EUR 8.86 (up 2.5%). In addition to the traditionally strong university cities of Aachen (city: up 3.4%) and Bielefeld (up 2.6%), Dortmund (up 3.6%) also experienced strong growth and rose to EUR 6.00 per square metre.

Outside the conurbations and the attractive mid-sized cities, price trends were moderate with minor growth rates. The rising price pressure on the regions surrounding Münster is becoming significant: the districts of Warendorf and Coesfeld posted increases of 3.0% and 2.7% respectively. While only five districts and cities fell short of the five-euro mark in the prior-year period, this is now down to just the Höxter district (EUR 4.46) and Hochsauerlandkreis (EUR 4.94).

The situation is similar overall for asking rents in the low-cost segment (lowest quartile of asking rents). The strongest increases were in Hochsauerlandkreis and the cities of Dortmund and Hamm. By far the most affordable residential market is the Höxter district at EUR 3.96 per square metre (up 1.3%).

At the end of 2014 there were 597,300 rent-restricted apartments in North Rhine-Westphalia. This figure was therefore down by 16,600 units (–2.7%) as against the previous year. Around 489,000 of these units are social rental apartments in multi-story residential buildings. With around 4.8 million multi-story residences in NRW, only around 10% of all rented accommodation is rent- restricted. [7]

The previous year's trend in figures for completed buildings has accelerated, as shown by NRW.Bank in the 2015 NRW Housing Market Report. Approximately 46,300 apartments in residential and non-residential buildings were completed in the past year – an increase of 18%. [8] The main reason for this was the sharp increase in apartment buildings with more than 21,000 completed units (up 38%). As in the previous year, construction activity for detached and semi-detached houses was significantly slower with an increase of 0.6%. Overall, new construction was predominantly restricted to the upper price segment.

Vacancy development

As in previous years, demand for housing in NRW was characterised by population growth due to migration and a rise in the number of households, driven by the growth in single- and two-person households.

The average vacancy rate in NRW – based on active vacancies (real rentable living area) – was down by a further ten basis points as against the previous year at 3.1%, and was therefore on par with the national average of 3.0%. [9]

In addition to migration, mainly younger households relocating for training or professional reasons have resulted in higher demand in selected cities. In the low-cost segment especially, this trend is further intensifying demand pressure and therefore causing prices to rise and the vacancy reserve – already at a low level – to diminish. The residential markets of Cologne, Dusseldorf, Bonn and above all Münster are showing indications of a housing shortage, reflected in extremely low vacancy rates in some cases. As a result of the continuing economic and cultural appeal of these cities, vacancies were reduced significantly between 2009 and 2014: Cologne from 2.2% to 1.1%, Dusseldorf from 2.5% to 1.6%, Bonn from 2.1% to 1.2% and Münster even from 1.7% to 0.6%. [10] Münster therefore ranks among the cities with the lowest vacancy rates in all of Germany.

Even outside the classic growth centres, the residential markets in NRW benefited from the general trend and reduced or at least stabilised their vacancies.

Prices for owner-occupied apartments continue to rise strongly in growth centres

Driven by the favourable general conditions, purchase prices for owner-occupied apartments in Cologne and Münster again rose by double digits across all segments. In Münster a buyer must now invest around EUR 2,850 per square metre on average, in Cologne around EUR 2,750. At 8.4% the rise in prices in the state capital of Dusseldorf was lower than in the previous year, but at just short of EUR 2,900 per square metre it still has the highest figure for all cities and districts in North Rhine-Westphalia.[11] In Bonn the rise in prices slowed significantly across most segments (up 3.4%), though the low-cost segment experienced an increase of approximately 10%.

The top four locations in the apartment building segment have moved closer together: median prices are between around EUR 1,800 per square metre (Bonn: up 6.9%) and EUR 2,040 per square metre (Cologne: up 11.3%). In this segment Münster (around EUR 1,900) is just behind the major cities of Cologne and Dusseldorf (around EUR 2,000). In line with the level of asking rents, purchase prices in the apartment building segment were below EUR 600 per square metre in the districts of Höxter and Hochsauerlandkreis and the city of Gelsenkirchen.

[1] cf. empirica systems market database
[2] cf. empirica systems market database
[3] cf. IT NRW
[4] cf. NRW.Bank: 2015 NRW Housing Market Report
[5] cf. NRW.Bank: 2015 NRW Housing Market Report
[6] cf. empirica systems market database
[7] cf. NRW.Bank: Rent-restricted Housing Portfolio NRW 2014
[8] cf. NRW.Bank: 2015 NRW Housing Market Report
[9] cf. CBRE-empirica Vacancy Index 2014
[10] cf. CBRE-empirica Vacancy Index 2014
[11] cf. empirica systems market database

Transaction market

Residential property portfolios were again among the most popular investment targets on the German property market in 2015. According to CBRE, residential packages and residential facilities of at least 50 units with a property value of around EUR 23.3 billion were traded throughout Germany in the past 12 months. This clearly exceeded the previous year's impressive figure by EUR 9.9 billion or 74%, and constitutes an all-time record, 24% above the figure for the last boom year of 2005 (EUR 18 billion).

In the fourth quarter of 2015 alone, 58,950 residential units were traded for approx. EUR 4.8 billion. Momentum on the German investment market for residential properties therefore remains strong. In particular, sales of large portfolios with over 10,000 residential units dominated the investment market in 2015 with a share of around 59%. 236,400 residential units with a volume of EUR 13.6 billion were traded in this segment. LEG's acquisition of a portfolio with 13,600 residential units from Vonovia SE was one of the biggest transactions in 2015.

In addition to the purchases of large-volume portfolios, several acquisitions of and equity investments in residential companies were key factors in the result. The listed companies were the largest buyer group, accounting for two-thirds of the entire transaction volume. Furthermore, dedicated property funds, insurance firms and pension funds stepped up their investments in German residential properties compared with the previous year.

Overall, 263 portfolio transactions were notched up last year (up 13% on the previous year), with over 338,500 residential units sold (up 50%). Package sales were mainly focused on the Berlin market and the state of North Rhine-Westphalia.

Against a backdrop of sustained strong demand on the German investment market for residential portfolios, investors are also increasingly concentrating on new developments. Accordingly, a transaction volume of around EUR 2.3 billion was recorded from 70 projects in the course of 2015. Measured in terms of transaction volume and residential units, these projects were mainly based in Berlin as well as major cities in Hesse and North Rhine-Westphalia.

The generated sales price per residential unit rose by 17% year-on-year to an average of EUR 68,770. The purchase price per square metre also increased compared with the previous year by 13% to EUR 1,100. This also reflects the growing prominence of new developments, particularly in the conurbations, with correspondingly high initial costs.

Around 90,000 residential units were traded for approximately EUR 5.1 billion in portfolio transactions in LEG's core market of North Rhine-Westphalia in 2015, up 100% on the previous year. North Rhine-Westphalia is therefore the most in-demand regional investment location in the residential segment, accounting for around 22% of the total German transaction volume, even beating Berlin.

Employees

The quality of cooperation between management and employees is a key requirement in ensuring commitment and motivation, and thus for the success of LEG. The annual "Power Employee Appraisal" is therefore an integral part of corporate culture. In 2015 we developed this instrument further into the Employee Dialogue. Employees do not just receive feedback from their superiors, but also give feedback on the quality of cooperation themselves.

Number of employees

LEG had a total of 970 employees (2014: 1,040), including 38 trainees (2014: 36) as at the end of 2015. Adjusted for members of the Management Board, managers and trainees, the number of full-time equivalents (FTES) was 811.8 (2014: 854.7 FTE).

Training

504 LEG employees took part in training in 2015. Each employee completed an average of two seminar days. In 2015 LEG's training costs amounted to around EUR 959,000, corresponding to EUR 987 per employee per year.

Health management

LEG's occupational health management again included health care activities in the 2015 financial year – such as massage at work or the offer of fresh fruit for free. LEG's family service, which helps employees with their work/life balance, was also still available. People again took part in the "RUN4iDEAS" corporate run in Dusseldorf and Dortmund. Furthermore, the new chance to get involved in an active lunch break has been established at various locations. Health days were held for the first time at our major sites, with keen participation and activities relating to nutrition, exercise and ergonomics.

Management development

A 360° feedback survey was carried out for all executives (level II) in 2015. The results of the survey were discussed in detail by each executive in workshops with their employees; common measures to further optimise cooperation were devised.

Trainees

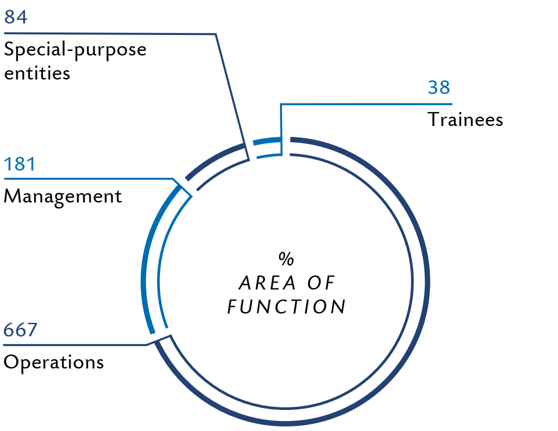
37 young people were being trained as estate agents at LEG as at 31 December 2015. Four of these trainees are doing a property-related degree in tandem as part of LEG's scheme for nurturing outstanding talent. LEG concluded contracts with all trainees who expressed a wish to join the company (91.6%). To foster independence and awareness of responsibility from the outset, LEG's trainees are involved in major projects right from the start.

T11 – LEG employees as of 31 December

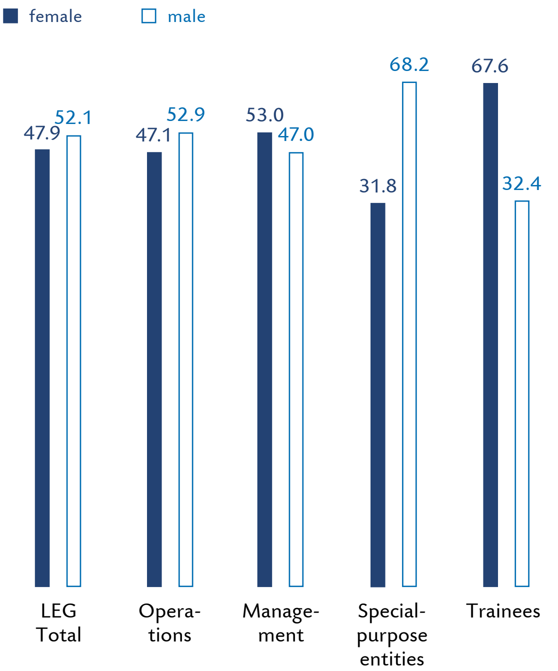
	2015	*2014*	*Change*
TOTAL	**970**	**1,040**	**–70**
male in %	52	52	
female in %	48	48	
FTEs (excluding Management Board members and trainees)	812	855	–43
Fluctuation rate in %	4.8	4.1	+70 bp
Absence rate in %	3.8	4.0	–20 bp
Average age in years	44.1	46.0	–190 bp

bp = basis points

F4 – Employee distribution by functional area



F5 – Employee distribution by gender in %



Current business activities

LEG successfully continued its growth in the 2015 financial year. FFO I, the main financial performance indicator for Group management, increased by 25.9% to EUR 206.0 million in the 2015 financial year after EUR 163.6 million. The key drivers behind this earnings increase were an encouragingly positive trend in existing rents, further acquisitions of residential portfolios, rising income from tenant-oriented services and a reduction of average financing costs.

As at 31 December 2015, LEG Immobilien AG's property portfolio consisted of 108,916 apartments, 1,053 commercial units and 26,840 garages and parking spaces. The table below shows the key portfolio data as compared to the previous year. Table T12

The change in the portfolio is essentially due to the acquisition of three residential portfolios with around 3,200 units that were transferred in 2015. This was offset by the moderate disposal of approximately 1,150 residential units. These properties were residual holdings from former tenant privatisation activities or individual properties in peripheral regions that were sold in the interests of portfolio optimisation. Moreover, in connection with the acquisition of the Vitus Group effective 1 November 2014, the exchange of properties at the respective peripheral locations was agreed with the seller, Vonovia SE (formerly: Deutsche Annington). This exchange took place on 1 January 2015 and resulted in a net reduction of approximately 30 residential units.

The acquisitions were portfolios with locations in core LEG markets with correspondingly high synergy potential. The main cities in the portfolios were Duisburg, Witten, Essen, Krefeld, Leverkusen and Cologne. In addition to achieving cost synergies by generating economies of scale, there is additional potential for increasing value by reducing vacancies and adjusting rents in line with market levels.

The portfolios acquired were successfully integrated into the Group's scalable systems and processes and already made a pro rata contribution to increasing operating earnings in the 2015 financial year. Furthermore, acquisitions of four more portfolios with more than 20,000 apartments were notarised and will be transferred in the 2016 financial year.

The significant operating value drivers and key performance indicators developed as follows:

Rent per square metre on a like-for-like basis, a key driver for organic growth, rose by 2.7% year-on-year. In absolute terms, rent per square metre of residential space was EUR 5.21 as at 31 December 2015. In the free-financed segment, the comparable rate increased by 3.6%. This positive development was achieved in all market segments equally. Rents for rent-restricted apartments, which still account for around 31.8% of the total portfolio as at the end of the year, climbed by 0.7% to EUR 4.66 in the reporting year.

This positive rental trend can also be seen in vacancies. The EPRA like-for-like vacancy rate for all residential units of the LEG Group decreased further from 2.7% to 2.5% in the 2015 financial year. Including the acquisition portfolio, the vacancy rate as at 31 December 2015 was 2.6%.

The reason for this satisfactory result, in addition to the positive market development, is the individual vacancy concepts in particular that are being developed for business units with higher vacancies. At the same time, employee specialisation has made progress, and investment planning is even more targeted and tailored to customer wishes. Not least, the local organisation of the customer centres and tenant offices with their respective customer proximity contribute significantly to successful neighbourhood management.

In the past financial year, the LEG Group once again implemented selective and targeted investments in its portfolio, in compliance with and taking into account the provisions of the Social Charter – and thereby held itself to its own high standards as a long-term property manager. Investment in the portfolio increased by 28.2% from EUR 89.1 million in the previous year to EUR 114.2 million. Average investment per square metre of living and usable area amounted to EUR 16.1. Investment therefore

T12 – Development of the real estate portfolio

Key figure	*Usage*	**31.12.2015**	*31.12.2014*	*Change*	*%*
Number residential units	Residential	108,916	106,961	1,955	1.8
	Commercial	1,053	1,059	–6	–0.6
	TOTAL RESIDENTIAL AND COMMERCIAL	**109,969**	**108,020**	**1,949**	**1.8**
	Parking	26,840	26,695	145	0.5
	TOTAL	**136,809**	**134,715**	**2,094**	**1.6**
Lettable area in sqm	Residential	6,978,972	6,854,678	124,295	1.8
	Commercial	183,440	195,572	–12,132	–6.2
	TOTAL RESIDENTIAL AND COMMERCIAL	**7,162,412**	**7,050,249**	**112,163**	**1.6**
In-place rent in €/sqm	Residential	5.21	5.07	0.13	2.6
	Residential (l-f-l)	5.21	5.08	0.13	2.7
	Commercial	7.32	7.28	0.04	0.6
	TOTAL RESIDENTIAL AND COMMERCIAL	**5.26**	**5.13**	**0.13**	**2.4**
Number of vacancies	Residential	2,799	2,975	–176	–5.9
	Commercial	189	195	–6	–3.1
	TOTAL RESIDENTIAL AND COMMERCIAL	**2,988**	**3,170**	**–182**	**–5.7**
EPRA vacancy in %	Residential	2.6	2.8	–0.2	–8.7
	Commercial	13.0	12.2	0.8	6.4
	TOTAL RESIDENTIAL AND COMMERCIAL	**2.9**	3.2	–0.2	–7.8

increased by EUR 2.3 per square metre as against the previous year, and is still significantly higher than the amount of EUR 12.50 per square metre stipulated in the Social Charter. The capitalisation rate and therefore the share of value-enhancing measures was 52.4% (previous year: 48.7%).

The range of tenant-oriented services was expanded further in the past financial year. In establishing EnergieServicePlus GmbH, LEG and its strategic partner RWE are breaking new and innovative ground in energy supply. The company was founded in 2015. Operations in the areas of energy (heat and electricity) and energy-related services commenced on 1 January 2016. By contrast, the multimedia offering that provides LEG tenants with cable TV, Internet and telephone access at affordable terms is already largely established and has also been rolled out to many of the portfolios newly acquired in the meantime.

Overall, all key operating value drivers are showing a positive trend and ongoing operations have developed according to plan in relation to the core portfolio. The good performance of the portfolios acquired in the past financial year and the previous year also mean that earnings have increased strongly. Further details can be found in the forecast report.

Financing

Refinancing of EUR 900 million and acquisition financing

Around EUR 900 million in existing financing maturing by 2018 was refinanced in 2015. This move reduced future interest expenses considerably by around EUR 17 million per year, significantly extending the terms of loan agreements. The costs associated with this restructuring, in particular for prepayment penalties and payments to close out interest rate derivatives, will fully amortise within three years. Furthermore, long-term financing agreements for more than EUR 330 million were concluded for the acquisition of residential portfolios. There is also still a credit facility of EUR 100 million for the interim financing of acquisition portfolios.

Balanced core bank structure

Around 82.5% of the LEG Group's total loan liabilities relate to bank loans and 17.5% to subsidised loans from NRW.Bank. The loan liabilities with banks are mainly distributed among 13 banks, primarily in the mortgage and state bank (landesbank) sector. In addition to the criterion of market conditions, a balanced structure in the credit portfolio is also a key criterion in selecting financing partners. In line with the financing strategy to date, the maximum share of a single bank in the total credit portfolio is capped at around 25% to avoid an excessive dependence on any one financing partner. The LEG Group's largest creditor after NRW. Bank has a share of less than 15% of the total loan portfolio.

Balanced, long-term maturity profile

In line with the long-term nature of its basic business and in order to ensure its defensive risk profile, LEG has established a balanced, long-term financing structure. Financing is arranged on the basis of medium- and long-term agreements with terms of up to twelve years. Taking into account the long-term subsidised loans, the financing portfolio as a whole has an average maturity of approximately 10.8 years. The goal in managing contract terms is that no more than 20% of total liabilities fall due within one year. The loans are primarily secured by the real collateral of the properties and other collateral usually provided for property portfolio loans.

Interest rate hedging and average financing costs

The financing agreements, befitting the long-term strategic orientation of the company, are around 94% hedged by way of fixed-rate agreements or interest rate swaps. Derivative interest hedging instruments are linked to the respective hedged loan (micro hedge). In line with the internal policies of LEG, interest derivatives can only be used to hedge interest rate risks. Thus, the company does not maintain open or speculative items. Given the long-term interest rate hedges in place, no significant interest rate risks are anticipated in the medium term. As at the end of the reporting period, the average financing costs including the convertible bond amounted to 2.28%.

Covenants

Credit agreements typically contain regulations on compliance with defined financial covenants that the borrower must comply with throughout the term of the agreements. A violation of covenants can result in the agreement being cancelled and early repayment of the loan. 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 the loan amount to the market value of the portfolio)
- debt service coverage ratio (DSCR; ratio of net rental income after management to debt service)
- debt-to-rent ratio (DRR; ratio of the loan amount to net rental income)

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

- LTV 60.0% – 82.5%
- DSCR 110.0% – 200.0%
- DRR 780.0% – 1,330%

Furthermore, individual loan agreements contain stipulations regarding rentals, whereby the vacancy rate must not exceed a ratio of 7% to 8%.

As part of its risk management for the company as a whole, LEG has implemented a process for the continuous monitoring of compliance with covenants. To date, LEG has complied with the covenants of its loan agreements in full. No violations are foreseeable at present or in the future.

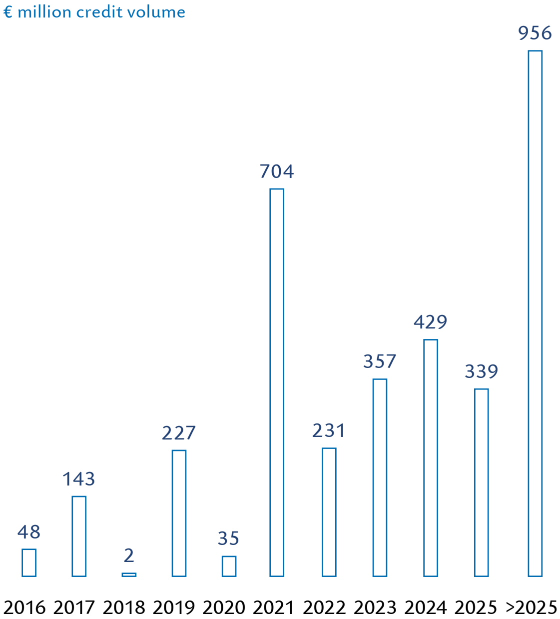
Confirmation of credit quality and basis for further diversification of financing

With the first-time publication of a long-term issuer rating, since May 2015 LEG has had a public and objective assessment of its credit quality. The strength of LEG's credit risk profile was confirmed by the renowned independent rating agency Moody's with an investment-grade rating of Baa1. The rating particularly reflects the strong market position, active portfolio management and long-term financing strategy of LEG Immobilien AG. Furthermore, the rating forms the basis for a possible further diversification of LEG's financing instruments.

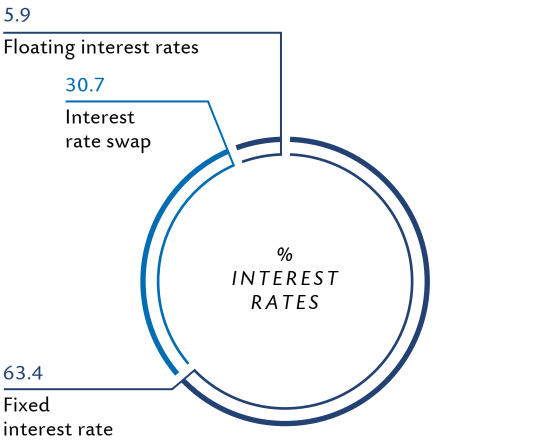
Strengthening of equity ratio with tailored equity financing

As part of the tailored financing of its growth, LEG carried out two capital increases in the past year. 1,196,344 new shares were placed on 23 June 2015. A further 4,510,000 new shares were placed on 12 November 2015. The placement prices were EUR 61.54 and EUR 68.00 respectively. Both transactions were placed with institutional investors extremely quickly by way of accelerated book building. The total gross issue volume of the two share issues of more than EUR 380 million provided equity for the company's acquisitions. The targeted strengthening of the equity ratio is in line with the communicated strategy of high capital discipline with the bespoke and value-adding financing of portfolio acquisitions.

F6 – Maturity profile



F7 – Interest hedging instruments



Social Charter

The LEG Group has successfully implemented the provisions of the social charter (SC) for the past seven years.

As part of the sale of the LEG Group to Lancaster GmbH & Co. KG (now 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 (29 August 2008 to 28 August 2018) for the benefit of the tenants, employees and properties of the entire LEG Group at the date on which the social charter was concluded.

These protection provisions include regulations on:

Tenant/property protection

- protection against eviction
- special protection against eviction for older tenants
- protection of leasehold improvements for existing tenants
- obligation to provide corresponding information to tenants and proof of performance
- general continuance of section 16(1) of the German Controlled Tenancy Act
- limit on rent increases
- exclusion of luxury modernisations 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 training activities

Economic restrictions and restrictions on resale and restructuring activities

An audited 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. In the most recent 2014 audit period (as in previous years as well), full compliance was confirmed by the auditor with an unqualified opinion.

To date, no objections have been raised by the then seller. The social charter report for the 2015 financial year will be prepared in the 2016 financial year.

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

The protection provisions were not affected by the IPO of LEG Immobilien AG on 1 February 2013. All the protective provisions, including all employee protection rights, remain unaffected and continue to apply in full.

GWN Gemeinnützige Wohnungsgesellschaft Nordwestdeutschland GmbH (GWN) and Gemeinnützige Eisenbahn-Wohnungsbau-Gesellschaft mit beschränkter Haftung Wuppertal (GEWG)

The share purchase and transfer agreement for the shares in GWN of 14 December 2001 contained a social charter that was agreed with the seller, "Bundeseisenbahnvermögen". This social charter had a term of ten years.

Regardless of this social charter, which has since expired, the former railway housing company GWN Gemeinnützige Wohnungsgesellschaft Nordwestdeutschland GmbH must continue to be operated as a social institution of the German federal railways in accordance with principles stipulated by Bundeseisenbahnvermögen for as long as authorised persons (railway workers) live in these properties and former GWN employees who were employed by the company when the shares were acquired are still in employment.

The same holds true for compliance with the social charter at Gemeinnützige Eisenbahn-Wohnungsbau-Gesellschaft mit beschränkter Haftung Wuppertal. The company has been acquired in October 2014 as part of the Vitus Group acquisition.

The residential portfolio of both companies still serves primarily the purpose of providing adequate and affordable housing for railway workers and their families. The company complies with these specifications. This is also confirmed to annually in an audit report by PricewaterhouseCoopers (PwC).

Acquisition of portfolios

By way of purchase agreement dated 19 October 2012, LEG Wohnen Bocholt GmbH, a wholly owned subsidiary of the LEG Group, acquired 1,244 apartments in Bocholt from GAGFAH S.A. These properties are subject to the social charter protection of GAGFAH, which will remain in force until 3 January 2017 and is enforceable by contractual penalty. LEG Wohnen Bocholt GmbH has adopted the provisions of this social charter protection in full. Monitoring compliance with this charter is made easier by the fact that the entire portfolio is managed by a customer centre created especially for this purpose, and is included in its quality controls performed during the year.

There are also social charter regulations, which have likewise been adopted by LEG, for the Vitus portfolio properties acquired in October 2014. In particular, the Vitus Group owns Gemeinnützige Eisenbahn-Wohnbau-Gesellschaft mbH, Wuppertal (GEWG). Like GWN, this is a former housing company for railway workers. The comments on GWN also apply here.

Although there is no duty to report or provide information on the additional properties acquired – except for GEWG – corresponding process descriptions have been included in LEG Immobilien AG's social charter report since the properties were acquired.

Tenant Foundation

The LEG NRW Tenant Foundation has been working for social concerns for six years now. The formation of the foundation had been a component of the acquisition and takeover agreement of 29 August 2008.

The former shareholders of LEG NRW GmbH established the foundation in cooperation with the state of North Rhine-Westphalia for social concerns to benefit tenants and the community. The aim of this is to create non-profit or charitable value added for tenants and the public.

The support offered by the foundation has been successfully used by more and more LEG tenants since it was founded. The foundation's support services extend from individual assistance for tenants in financial difficulties, to providing accessible housing to integrative or intercultural events in residential quarters, which are also enjoyed by non-LEG tenants.

The formation of the foundation, which has endowment capital of EUR 5 million, was officially recognised by the Dusseldorf district authority on 30 December 2009. A total of 73 projects or tenants in need of assistance received funding of EUR 109,077 in 2015. EUR 80,000 of these projects/subsidies were of a benevolent nature and EUR 29,077 of a charitable nature.

Social commitment is a matter of great importance to LEG Immobilien AG.

Dividend

The dividend paid by LEG is based on the development of the company's FFO I. LEG's aim is to sustainably distribute 65% of FFO I directly to its shareholders as a dividend. Among other things, the retained portion of FFO I is available for value enhancing portfolio investments, loan repayments and acquisitions, and hence for a further increase in shareholder value.

In order to offset short-term dilution for existing shareholders following the capital increases in 2015, a higher payout ratio is planned for the 2015 financial year.

On this basis, the Management Board and the Supervisory Board will propose to the Annual General Meeting the payment of a dividend of EUR 2.26 for the 2015 financial year. This corresponds to a payment ratio of 68.9% and a dividend yield of 3.0% based on LEG's closing share price at year-end.

Analysis of net assets, financial position and results of operations

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

Results of operations

Aggregate income statement

The condensed income statement is as follows:

T13 – Condensed income statement

€million	*Q4 2015*	*Q4 2014*	**2015**	*2014*
Net rental and lease income	78.1	71.8	320.5	284.9
Net income from the disposal of investment properties	2.9	–1.4	3.6	–1.7
Net income from the remeasurement of investment properties	285.5	143.0	285.5	143.0
Net income from the disposal of real estate inventory	–0.7	–0.5	–1.2	–3.1
Net income from other services	0.8	–0.3	0.9	–0.3
Administrative and other expenses	–25.4	–13.2	–58.1	–41.6
Other income	0.3	–0.1	0.9	0.5
OPERATING EARNINGS	**341.5**	**199.3**	**552.1**	**381.7**
Interest income	0.0	0.4	0.6	1.2
Interest expenses	–35.6	–34.7	–181.5	–128.5
Net income from investment securities and other equity investments	1.6	–0.1	4.3	7.1
Net income from associates	0.0	0.3	0.0	0.3
Net income from the fair value measurement of derivatives	2.1	–40.4	–75.8	–42.3
NET FINANCE EARNINGS	**–31.9**	**–74.5**	**–252.4**	**–162.2**
EARNINGS BEFORE INCOME TAXES	**309.6**	**124.8**	**299.7**	**219.5**
Income taxes	**–70.0**	**–37.4**	**–82.0**	**–63.9** [1]
NET PROFIT OR LOSS FOR THE PERIOD	**239.6**	**87.4**	**217.7**	**155.6**

[1] Q4 2014: Adjustment arising from final purchase price allocation of Vitus transaction

Operating earnings amounted to EUR 552.1 million in the year under review (previous year: EUR 381.7 million). Adjusted EBITDA, which includes the adjustment for the non-cash earnings effect of the portfolio's remeasurement, climbed from EUR 259.3 million in the previous year to EUR 293.7 million.

The main driver in the development of adjusted EBITDA was net rental and lease income, which improved by EUR 35.6 million and was mainly contributed to by the EUR 46.0 million rise in net cold rent.

The increase in administrative expenses was essentially due to higher project costs.

The decline in net finance costs from EUR –162.2 million in the previous year to EUR –252.4 million in the reporting period is predominantly due to the change in the fair value of derivatives from the convertible bond (down by EUR –40.3 million from EUR –33.7 million in the previous year to EUR –74.0 million in the reporting period). The expenses for refinancing in the financial year contributed around EUR –56 million to net finance costs. This was countered by the EUR 7.0 million reduction in cash interest expense.

Despite a rise in income taxes, essentially consisting of deferred taxes, a slight decline in the tax rate allowed significantly higher net income for the period of EUR 217.7 million (previous year: EUR 155.6 million).

Segment reporting

The condensed income statement for 2015 for the purposes of segment reporting is as follows:

T14 – Segment reporting 2015

€million	*Residential*	*Other*	*Reconciliation*	*Group*
P&L position				
Rental and lease income	643.3	3.9	–2.6	644.6
Costs of sales in connection with rental lease income	–324.5	–1.8	2.2	–324.1
NET RENTAL AND LEASE INCOME	**318.8**	**2.1**	**–0.4**	**320.5**
Net income from the disposal of IAS 40 property	3.7	–0.2	0.1	3.6
Net income from remeasurement of IAS 40 property	287.1	–1.6	–	285.5
Net income from the disposal of real estate inventory	1.0	–2.2	0.0	–1.2
Net income from other services	0.4	33.4	–32.9	0.9
Administrative and other expenses	–45.9	–45.4	33.2	–58.1
Other income	0.7	0.2	–	0.9
SEGMENT EARNINGS	**565.8**	**–13.7**	**0.0**	**552.1**
Statement of financial position item				
SEGMENT ASSETS (IAS 40)	**6,350.5**	**48.0**	**–**	**6,398.5**
Key figures				
Rentable area in sqm[1]	6,975,345	3,627		6,978,972
Monthly target rents as of end of reporting period	36.3	0.0		36.3
EPRA vacancy rate in %	2.6	0.0		2.6

[1] excluding commercial objects

The condensed income statement for the 2014 financial year by segment is as follows:

T15 – Segment reporting 2014

€million	*Residential*	*Other*	*Reconciliation*	*Group*
P&L position				
Rental and lease income	573.8	5.2	–2.2	576.8
Costs of sales in connection with rental lease income	–291.1	–2.5	1.7	–291.9
NET RENTAL AND LEASE INCOME	**282.7**	**2.7**	**–0.5**	**284.9**
Net income from the disposal of IAS 40 property	–1.2	–0.5	–	–1.7
Net income from remeasurement of IAS 40 property	144.0	–1.0	–	143.0
Net income from the disposal of real estate inventory	0.2	–3.3	–	–3.1
Net income from other services	0.5	27.8	–28.6	–0.3
Administrative and other expenses	–37.8	–33.0	29.2	–41.6
Other income	0.3	0.3	–0.1	0.5
SEGMENT EARNINGS	**388.7**	**–7.0**	**0.0**	**381.7**
Statement of financial position item				
SEGMENT ASSETS (IAS 40)	**5,864.9**	**49.4**	**–**	**5,914.3**
Key figures				
Rentable area in sqm[1]	6,851,050	3,627		6,854,677
Monthly target rents as of end of reporting period	34.8	0.0		34.8
EPRA vacancy rate in %	2.8	3.3		2.8

[1] excluding commercial objects

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

Intragroup transactions between the segments are conducted at arm's length conditions. The development in segment earnings is described below in the report on the components of consolidated net income.

Net rental and lease income

Net rental and lease income breaks down as follows in 2015:

T16 – Net rental and lease income

€million	*Q4 2015*	*Q4 2014*	**2015**	*2014*
Net cold rent	110.8	103.5	436.1	390.1
Profit from operating expenses	1.8	0.8	1.2	1.3
Maintenance	–17.9	–17.5	–54.4	–45.7
Staff costs	–10.0	–8.8	–37.4	–33.2
Allowances on rent receivables	–1.3	–1.9	–6.0	–5.4
Depreciation and amortisation expenses	–1.3	–1.1	–4.6	–4.2
Other	–4.0	–3.2	–14.4	–18.0
NET RENTAL AND LEASE INCOME	78.1	71.8	320.5	284.9
NET OPERATING INCOME – MARGIN (IN %)	70.5	69.4	73.5	73.0
Non-recurring project costs – rental and lease	0.5	0.5	2.3	1.4
Depreciation	1.3	1.1	4.6	4.2
ADJUSTED NET RENTAL AND LEASE INCOME	**79.9**	**73.4**	**327.4**	**290.5**
ADJUSTED NET OPERATING INCOME – MARGIN (IN %)	**72.1**	**70.9**	**75.1**	**74.5**

The LEG Group increased its net rental and lease income by EUR 35.6 million year-on-year in the past financial year. The main drivers in this development were the EUR 46.0 million rise in net cold rent and, offsetting this, the EUR 8.7 million higher maintenance expenses.

Rent increases and the acquisitions of property portfolios contributed to a rise in net rent of 11.8 % from EUR 390.1 million in the previous year to EUR 436.1 million in the reporting period.

As a result of acquisitions, other volume-based management costs rose at a slower rate overall than net cold rent. Adjusted for one-time project costs, the NOI margin was up year-on-year from 74.5 % to 75.1 % despite higher maintenance expenses.

The EPRA vacancy rate, which compares rental value of vacant space to rental value of the whole portfolio, was down from 2.7 % at 2.5 % like-for-like as at 31 December 2015.

T17 – EPRA vacancy rate

€ thousand	**31.12.2015**	*31.12.2014*
Rental value of vacant space – like-for-like	10,698.1	11,257.0
Rental value of vacant space – total	11,109.7	11,657.9
Rental value of the whole portfolio – like-for-like	420,911.9	410,920.5
Rental value of the whole portfolio – total	435,501.6	417,426.3
EPRA VACANCY RATE – LIKE-FOR-LIKE (IN %)	**2.5**	**2.7**
EPRA VACANCY RATE – TOTAL (IN %)	**2.6**	**2.8**

The LEG Group invested selectively in its properties in the year under review. Investing activities in the reporting period focused on measures aimed at facilitating the new letting of vacant apartments. Up by EUR 15.3 million, they contributed to the rise in total investments of EUR 25.1 million to EUR 114.2 million.

Newly acquired portfolios accounted for EUR 10.7 million of total investment. Table T18

An above-average level of work eligible for capitalisation was performed in the final quarter of the reporting period. As a result, the capitalisation rate for the 2015 financial year was slightly higher than 50% in line with planning.

In particular, the higher level of ongoing maintenance work caused maintenance expenses to climb from EUR 45.7 million in the previous year to EUR 54.4 million in the reporting period. At the same time, at EUR 11.4 million, the higher volume of turn costs contributed to the rise in capitalised modernisation expenses of EUR 16.4 million.

The implementation of more major projects is expected for the 2016 financial year, hence average investment per square metre is expected to rise slightly and the capitalisation rate is set to remain at a high level.

Compliance with the requirements of the social charter, which prescribe a minimum investment volume of EUR 12.50 per square metre, is assured.

Net income from the disposal of investment property

Net income from the disposal of investment property is composed as follows in 2015: Table T19

In connection with the acquisition of the Vitus Group effective 1 November 2014, the exchange of properties at the respective peripheral locations was agreed with the seller, Vonovia SE (formerly: Deutsche Annington Immobilien SE). The LEG Group sold properties with a carrying amount of EUR 24.5 million effective 1 January 2015 in this context. At the same time, it also acquired properties worth EUR 16.1 million as at 1 January 2015.

Further investment property was sold in the reporting period for the purposes of selective portfolio streamlining. Block sales resulted in a book profit of EUR 2.9 million (sales proceeds: EUR 57.8 million; carrying amount disposals EUR 54.9 million), while individual sales contributed a book profit of EUR 0.5 million (sales proceeds: EUR 11.7 million; carrying amount disposals EUR 11.2 million) to net income from the disposal of investment property.

T18 – Maintenance and modernisation of investment properties

€million	*Q4 2015*	*Q4 2014*	**2015**	*2014*
Maintenance expenses for investment properties	17.9	17.5	54.4	45.7
Capital expenditure	26.3	16.7	59.8	43.4
TOTAL INVESTMENT	**44.2**	**34.2**	**114.2**	**89.1**
Area of investment properties in million sqm	7.16	6.45	7.11	6.45
AVERAGE INVESTMENT PER SQM (€/SQM)	**6.2**	**5.3**	**16.1**	**13.8**

T19 – Net income from the disposal of investment properties

€million	*Q4 2015*	*Q4 2014*	**2015**	*2014*
Income from the disposal of investment properties	45.4	6.2	112.3	37.6
Carrying amount of the disposal of investment properties	–42.3	–6.2	–107.0	–37.2
Costs of sales of investment properties sold	–0.2	–1.4	–1.7	–2.1
NET INCOME FROM THE DISPOSAL OF INVESTMENT PROPERTIES	**2.9**	**–1.4**	**3.6**	**–1.7**

Furthermore, commercial properties were sold at higher than their carrying amount in the reporting period (sales proceeds: EUR 15.4 million; carrying amount disposals EUR 14.1 million).

As part of a portfolio streamlining programme, sale agreements were concluded for properties at a carrying amount of EUR 35.6 million by 30 September 2015 (reported in the statement of financial position as assets held for sale). The transactions were closed in the final quarter of 2015. The sales commission of around EUR 0.7 million had already arisen as at 30 September when the contract was concluded.

Net income from the remeasurement of investment property

Net income from the remeasurement of investment property amounted to EUR 285.5 million in 2015 (2014: EUR 143.0 million). Based on the portfolio as at the end of the year under review, this corresponds to an increase in value of around 4.8%. The increase in in-place rents and the development in the discount rate had a positive impact on net remeasurement income in the current financial year. This was countered by the slightly higher maintenance and management cost rates.

The average value of residential investment property (including IFRS 5 properties) was EUR 873/sqm as at 31 December 2015 (31 December 2014: EUR 827/sqm) including acquisitions and EUR 876/sqm not including acquisitions. Thus, a year-on-year increase of 5.9% in the value in euro per square metre (including investments in the portfolio but not including acquisitions) was generated in the 2015 financial year.

Net income from the disposal of inventory properties

Net income from the disposal of inventory properties was composed as follows in 2015: Table T20

The sale of the remaining properties of the former Development division continued in 2015. The remaining inventory properties held as at 31 December 2015 amounted to EUR 3.6 million, EUR 2.2 million of which related to properties under development.

As a result of further staff savings, the cost of sales in connection with the disposal of inventory properties was EUR 0.3 million lower than in the previous year. The reversal of a provision for a completed development project (EUR 1.2 million) and lower additions to provisions for obligations for properties disposed of (EUR 0.7 million) contributed to the improvement in cost of sales.

Net income from other services

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

As part of the Vitus acquisition, administrative services were performed for Vonovia SE residential holdings for the period 1 November to 31 December in the previous year. These services were discontinued from 1 January 2015 and contributed income and expenses of EUR 0.4 million each in the previous year.

T20 – Net income from the disposal of real estate inventory

€million	*Q4 2015*	*Q4 2014*	**2015**	*2014*
Income from the disposal of inventory properties	0.1	0.2	1.0	5.7
Carrying amount of the real estate inventory disposed of	–0.1	–0.1	–0.7	–5.0
Cost of sales of the real estate inventory disposed of	–0.7	–0.6	–1.5	–3.8
NET INCOME FROM THE DISPOSAL OF REAL ESTATE INVENTORY	**–0.7**	**–0.5**	**–1.2**	**–3.1**

T21 – Other services

€million	*Q4 2015*	*Q4 2014*	**2015**	*2014*
Income from other services	2.8	2.7	8.9	9.3
Expenses in connection with other services	–2.0	–3.0	–8.0	–9.6
NET INCOME FROM OTHER SERVICES	**0.8**	**–0.3**	**0.9**	**–0.3**

Expenses for the generation of electricity and heat were increased by an addition to provisions of EUR 1.0 million in the previous year. The net operating income from electricity and heat generation also increased slightly in the past financial year. Table T21

Administrative and other expenses

Administrative and other expenses are composed as follows: Table T22

Administrative and other expenses are strongly defined by non-recurring effects overall.

Essentially, higher project costs (EUR +13.8 million) resulting from transaction costs for the acquisition of a portfolio with 3,539 residential units (EUR 6.9 million) and legal and consulting costs in connection with the Deutsche Wohnen AG takeover bid since negotiated (EUR 3.7 million) led to a rise in other operating expenses as against the previous year. Expenses for the long-term incentive programme (LTIP) with the former shareholders were EUR 1.0 million lower in the year under review.

As a result of volume effects arising from the consolidation of new companies, current administrative expenses temporarily increased as expected to EUR 36.7 million (previous year: EUR 33.1 million).

Despite further portfolio growth of more than 20,000 units compared to 31 December 2015, ongoing administrative expenses are expected to decline in the 2016 financial year on account of the successful implementation of the efficiency programme.

Net finance costs

The refinancing in the past financial year and the remeasurement of derivatives for the convertible bond are the main drivers for the development in net finance costs compared to the previous year. Table T23

Prepayment penalties for the dissolution of fixed loans (around EUR 8 million) and closing interest rate swaps (EUR 43.7 million, EUR 39.5 million of which in profit or loss) resulted in refinancing expenses of around EUR 52 million. The refinancing furthermore resulted in additional interest expenses for loan amortisation of EUR 8 million. The refinancing gave rise to total additional interest expenses of around EUR 56 million.

The measurement of the convertible bond at amortised costs of EUR –6.4 million (previous year: EUR –4.5 million) was included in interest expenses for loan amortisation in the reporting period.

As a result of the further reduction of average interest costs, cash interest expenses fell by EUR 7.0 million year-on-year to EUR 87.5 million.

T 22 – Administrative and other expenses

€million	*Q4 2015*	*Q4 2014*	**2015**	*2014*
Other operating expenses	–18.3	–7.1	–32.3	–16.9
Staff costs	–6.3	–5.3	–22.7	–21.6
Purchased services	–0.2	–0.2	–1.0	–0.9
Depreciation and amortisation	–0.6	–0.6	–2.1	–2.2
ADMINISTRATIVE AND OTHER EXPENSES	**–25.4**	**–13.2**	**–58.1**	**–41.6**

T23 – Net finance earnings

€million	*Q4 2015*	*Q4 2014*	**2015**	*2014*
Interest income	0.0	0.4	0.6	1.2
Interest expenses	–35.6	–34.7	–181.5	–128.5
NET INTEREST INCOME	**–35.6**	**–34.3**	**–180.9**	**–127.3**
Net income from other financial assets and other investments	1.6	–0.1	4.3	7.1
Net income from associates	–0.1	0.3	0.0	0.3
Net income from the fair value measurement of derivatives	2.1	–40.4	–75.8	–42.3
NET FINANCE EARNINGS	**–32.0**	**–74.5**	**–252.4**	**–162.2**

The decline in net income from other financial assets essentially results from the reimbursement of payments of tax arrears by the former shareholder for external tax audits for the years 2005 to 2008 in the amount of EUR 5.7 million in the previous year. Payments of VAT and income tax arrears from external audits of EUR 2.5 million in total were reimbursed by the former shareholders in the reporting period. Provisions had already been recognised in previous years for the expected payment of VAT arrears and the share of income tax arrears to be paid by the company.

The average interest rate for the entire loan portfolio declined to 2.3% (2014: 2.8%) on an average term of 10.8 years (2014: 9.8 years).

Income taxes

As at 31 December 2015 the current effective Group tax rate was 27.4% (previous year: 29.1%), which was largely influenced by the results of the remeasurement of investment property. The rise in income taxes from EUR –63.9 million in the previous year to EUR –82.0 million in the reporting period is essentially due to higher deferred tax liabilities on investment property. This was countered by lower payments of tax arrears from external audits for financial years before 2008.

Current income taxes include a prior-period expense of EUR 1.0 million as at 31 December 2015. In the previous year there was a non-recurring effect of EUR 6.1 million for payments of tax arrears from external audits for the years 2005 to 2008. Around EUR 5.7 million of this was reimbursed by the shareholder at the time on the basis of an obligation under the sale agreement in 2008. The reimbursement amount was reported in net income from other financial assets.

Furthermore, as against the previous year, deferred tax income of EUR 6.7 million (previous year: EUR 1.2 million) from amended deferred tax assets on tax loss carryforwards was taken into account. This income largely results from the tax effects of the refinancing.

The finalisation of the purchase price allocation for the Vitus portfolio acquisition led to a net reduction in deferred taxes of EUR 1.2 million as at the acquisition date 1 November 2014. The deferred taxes as at 31 December 2014 were unchanged. As a result, the expense from deferred income taxes for the period from 1 November to 31 December 2014 increased by EUR 1.2 million.

T24 – Income tax expenses

€million	*Q4 2015*	*Q4 2014*	**2015**	*2014*
Current tax expenses	–0.5	–	–1.6	–6.8
Deferred tax expenses	–69.4	–37.4	–80.4	–57.1 [1]
Income tax expenses	**–69.9**	**–37.4**	**–82.0**	**–63.9**

[1] Q4 2014: Adjustment arising from final purchase price allocation of Vitus transaction

Reconciliation to FFO

FFO is a key performance indicator at LEG Immobilien AG. 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 capitalisation). Details of the calculation system for the respective indicator can be found in the glossary.

FFO I, FFO II and AFFO were calculated as follows in 2015: Table T25

At EUR 206.0 million in the year under review, FFO I (not including net income from the disposal of investment property) was 25.9% higher than in the previous year (EUR 163.6 million). In particular, the increase reflects the effects of the rise in net cold rent as a result of both organic growth and acquisitions (EUR +46.0 million). The decline in cash interest expenses also had a positive effect on the development of FFO I (EUR +7.0 million). This was offset by the higher maintenance expenses than in the previous year (EUR –8.7 million).

T25 – Calculation of FFO I, FFO II and AFFO

€million	*Q4 2015*	*Q4 2014*	**2015**	*2014*
Net cold rent	110.8	103.5	436.1	390.1
Profit from operating expenses	1.8	0.8	1.2	1.3
Maintenance	–17.9	–17.5	–54.4	–45.7
Staff costs	–10.0	–8.8	–37.4	–33.2
Allowances on rent receivables	–1.3	–1.9	–6.0	–5.4
Other	–4.0	–3.2	–14.4	–18.0
Non-recurring project costs (rental and lease)	0.5	0.5	2.3	1.4
CURRENT NET RENTAL AND LEASE INCOME	**79.9**	**73.4**	**327.4**	**290.5**
CURRENT NET INCOME FROM OTHER SERVICES	**1.1**	**0.1**	**2.9**	**1.8**
Staff costs	–6.3	–5.3	–22.7	–21.6
Non-staff operating costs	–18.5	–7.4	–33.3	–17.9
LTIP (long-term incentive programme)	0.0	0.2	0.2	1.2
Non-recurring project costs (admin.)	12.6	3.4	19.0	5.2
Extraordinary and prior-period expenses	0.0	–0.1	0.1	0.0
CURRENT ADMINISTRATIVE EXPENSES	**–12.2**	**–9.2**	**–36.7**	**–33.1**
Other income and expenses	–0.5	–0.3	0.1	0.1
ADJUSTED EBITDA	**68.3**	**64.0**	**293.7**	**259.3**
Cash interest expenses and income	–20.8	–24.1	–87.5	–94.5
Cash income taxes	–	–0.1	–0.2	–1.2
FFO I (NOT INCLUDING DISPOSAL OF INVESTMENT PROPERTY)	**47.5**	**39.8**	**206.0**	**163.6**
Net income from the disposal of investment properties	2.9	–1.4	3.6	–1.7
FFO II (INCL. DISPOSAL OF INVESTMENT PROPERTIES)	**50.4**	**38.4**	**209.6**	**161.9**
Capex	–26.3	–16.7	–59.8	–43.4
CAPEX-ADJUSTED FFO I (AFFO)	**21.2**	**23.1**	**146.2**	**120.2**

EPRA earnings per share (EPS)

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

T26 – EPRA earnings per share (EPS)

€million	**Q4 2015**	*Q4 2014*	**2015**	*2014*
NET PROFIT OR LOSS FOR THE PERIOD ATTRIBUTABLE TO PARENT SHAREHOLDERS	**239.7**	**86.8**	**217.8**	**154.7**
Changes in value of investment properties	–285.5	–143.0	–285.5	–143.0
Profits or losses on disposal of investment properties, development properties held for investment, other interests and sales of trading properties including impairment charges in respect of trading properties	–1.5	1.9	–2.4	4.8
Tax on profits or losses on disposals	7.9	2.0	6.8	1.1
Changes in fair value of financial instruments and associated close-out costs	–2.1	40.4	75.8	42.3
Acquisition costs on share deals and non-controlling joint venture interests	–0.7	3.6	–0.1	3.6
Deferred tax in respect of EPRA adjustments	85.2	42.8	90.1	66.0
Refinancing expenses	4.1	0.0	16.7	0.0
Other interest expenses	0.2	–0.1	39.8	0.1
Non-controlling interests in respect of the above	–0.1	0.1	0.0	0.1
EPRA EARNINGS	**47.2**	**34.5**	**159.0**	**129.7**
Weighted average number of shares outstanding	60,665,121	56,653,444	58,286,212	53,885,944
EPRA earnings per share (undiluted) in €	0.79	0.61	2.73	2.41
Potentially diluted shares	5,134,199	4,979,237	5,134,199	3,056,698
Interest coupon on convertible bond	0.2	0.2	1.1	0.8
Amortisation expenses convertible bond after taxes	0.9	1.1	4.6	3.4
EPRA EARNINGS (DILUTED)	**48.3**	**35.8**	**164.7**	**133.9**
Number of diluted shares	65,799,320	61,632,681	63,420,411	56,942,642
EPRA EARNINGS PER SHARE (DILUTED) IN €	**0.74**	**0.58**	**2.60**	**2.35**

Net assets

The condensed statement of financial position is as follows: Table T27

Total assets amount to EUR 7,195.1 million (31 December 2014: EUR 6,310.4 million). The Group reported a net profit for the period of EUR 217.7 million (2014: EUR 155.6 million).

Non-current assets are the largest item on the assets side of the statement of financial position. The main assets of the LEG Group are its investment property, which amounted to EUR 6,398.5 million as at 31 December 2015 (31 December 2014: EUR 5,914.3 million). This corresponds to 88.9% of total assets at 31 December 2015 (31 December 2014: 93.7%).

Prepayments for the acquisition of further property portfolios of EUR 203.1 million were reported as investment property as at the end of the year under review. Other advance payments for company acquisitions of EUR 146.1 million are reported in other non-current assets. The economic transfer of these portfolios took place in the first quarter of 2016.

The main items on the equity and liabilities side are the reported equity of EUR 2,985.0 million (31 December 2014: EUR 2,490.4 million) and financial liabilities of EUR 3,241.6 million (31 December 2014: EUR 2,960.3 million).

T27 – Condensed statement of financial position

€million	**31.12.2015**	*31.12.2014*
Investment properties	6,398.5	5,914.3
Prepayments for investment properties	203.1	16.8
Other non-current assets	296.8	155.1 [1]
Non-current assets	6,898.4	6,086.2
Receivables and other assets	37.2	35.9
Cash and cash equivalents	252.8	129.9
Current assets	290.0	165.8
Assets held for sale	6.7	58.4
TOTAL ASSETS	**7,195.1**	**6,310.4**
Equity	2,985.0	2,490.4 [1]
Non-current financial liabilities	2,745.6	2,546.5
Other non-current liabilities	673.7	612.3
Non-current liabilities	3,419.3	3,158.8
Current financial liabilities	496.0	413.8
Other current liabilities	294.8	247.4 [1]
Current liabilities	790.8	661.2
TOTAL EQUITY AND LIABILITIES	**7,195.1**	**6,310.4**

[1] Adjustment arising from final purchase price allocation of Vitus transaction

In particular, the net profit for the period of EUR 217.7 million and the capital increases (gross issue proceeds: EUR 380.3 million) contributed to a rise in equity in the past financial year.

Loans of around EUR 1.0 billion were dissolved as part of the refinancing. The proceeds of refinanced loans and acquisition financing served to increase financial liabilities by around EUR 1.3 billion, leading to a net increase in financial liabilities of around EUR 0.3 billion.

In addition, the refinancing also entailed the reclassification to profit or loss without equity effect and subsequent derecognition of the negative fair value of derivatives (reported under other liabilities, predominantly non-current) in the amount of around EUR 39.5 million. EUR 39.6 million has been recognised under other liabilities for potential obligations as the writer of put options (EUR 38.8 million of which is non-current).

Pension provisions declined by EUR 14.8 million in total to EUR 149.8 million as a result of the slight increase in the discount rate as against the previous year in particular. The decline due to the changes in the assumptions used in calculations (EUR –12.1 million) is reported in other comprehensive income. The remeasurement of investment property made a significant contribution to the rise in deferred tax liabilities of EUR 96.0 million.

The change in the fair value of the derivative for the convertible bond contributed EUR 74.0 million to the increase in other current liabilities. The change in other current liabilities was also affected by the recognition of purchase prices received as at 31 December 2014 for property sales of EUR 34.8 million and the scheduled payment of the EK 02 instalment of EUR 9.3 million.

Net asset value (NAV)

A further performance indicator relevant in the property industry is NAV. Details of the calculation system for this indicator can be found in the glossary.

The LEG Group reported basic EPRA NAV of EUR 3,599.9 million as at 31 December 2015. The effects of the possible conversion of the convertible bond are shown by an additional calculation of diluted EPRA NAV. After adjustment for goodwill effects, adjusted diluted EPRA NAV amounted to EUR 4,000.7 million as at the end of the reporting period. Table T28

T28 – EPRA NAV

€million	**31.12.2015 undiluted**	**2015 Effect of exercise of convertibles/ options**	**31.12.2015 diluted**	*31.12.2014 undiluted*	*31.12.2014 Effect of exercise of convertibles/ options*	*31.12.2014 diluted*
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	2,967.8	–	2,967.8	2,476.2	–	2,476.2 [1]
NON-CONTROLLING INTERESTS	17.2	–	17.2	14.2	–	14.2
EQUITY	**2,985.0**	**–**	**2,985.0**	**2,490.4**	**–**	**2,490.4**
Effect of exercise of options, convertibles and other equity interests	–	427.2	427.2	–	308.7	308.7
NAV	**2,967.8**	**427.2**	**3,395.0**	**2,476.2**	**308.7**	**2,784.9**
Fair value measurement of derivative financial instruments	165.5	–	165.5	136.1	–	136.1
Deferred taxes on WFA loans and derivatives	35.4	–	35.4	32.2	–	32.2
Deferred taxes on investment property	465.7	–	465.7	376.0	–	376.0
Goodwill resulting from deferred taxes on investment property	–34.5	–	–34.5	–34.5	–	–34.5 [1]
EPRA NAV	**3,599.9**	**427.2**	**4,027.1**	**2,986.0**	**308.7**	**3,294.7**
NUMBER OF SHARES	**62,769,788**	**5,134,199**	**67,903,987**	**57,063,444**	**4,979,236**	**62,042,680**
EPRA NAV PER SHARE	**57.35**	**–**	**59.31**	**52.33**	**–**	**53.10**
EPRA NAV	3,599.9	427.2	4,027.1	2,986.0	308.7	3,294.7
Goodwill resulting from synergies	26.4	–	26.4	26.4	–	26.4 [1]
ADJUSTED EPRA NAV (W/O EFFECTS FROM GOODWILL)	**3,573.5**	**427.2**	**4,000.7**	**2,959.6**	**308.7**	**3,268.3**
NUMBER OF SHARES	**62,769,788**	**5,134,199**	**67,903,987**	**57,063,444**	**4,979,236**	**62,042,680**
ADJUSTED EPRA NAV PER SHARE	**56.93**	**–**	**58.92**	**51.87**	**–**	**52.69**
EPRA NAV	3,599.9	427.2	4,027.1	2,986.0	308.7	3,294.7
Fair value measurement of derivative financial instruments	–165.5	–	–165.5	–136.1	–	–136.1
Deferred taxes on WFA loans and derivatives	–35.4	–	–35.4	–32.2	–	–32.2
Deferred taxes on investment property	–465.7	–	–465.7	–376.0	–	–376.0
Goodwill resulting from deferred taxes on investment property	34.5	–	34.5	34.5	–	34.5 [1]
Fair value measurement of financing liabilities	–327.6	–	–327.6	–374.5	–	–374.5
Valuation uplift resulting from FV measurement financing liabilities	295.9	–	295.9	124.8	–	124.8
EPRA NNNAV	**2,936.1**	**427.2**	**3,363.3**	**2,226.5**	**308.7**	**2,535.2**
NUMBER OF SHARES	**62,769,788**	**5,134,199**	**67,903,987**	**57,063,444**	**4,979,236**	**62,042,680**
EPRA NNNAV per share	**46.78**	**–**	**49.53**	**59.02**	**–**	**40.86**

[1] Adjustment arising from final purchase price allocation of Vitus transaction

Loan-to-value ratio (LTV)

Net debt in relation to property assets declined year-on-year in the year under review as a result of the increased value of the property portfolio, the cash flow from operating activities and the capital increases. This was offset by acquisitions, the dividend distribution and the completed refinancing.

The loan-to-value ratio (LTV) is therefore 44.2% (31 December 2014: 47.3%).

T29 – Loan-to-value ratio

€million	**31.12.2015**	*31.12.2014*
Financial liabilities	3,241.6	2,960.3
Less cash and cash equivalents	252.8	129.9
NET FINANCING LIABILITIES	**2,988.8**	**2,830.4**
Investment properties	6,398.5	5,914.3
Assets held for disposal	6.7	58.4
Prepayments for investment properties	203.1	16.8
Prepayments for business combinations	146.1	–
REAL ESTATE ASSETS	**6,754.4**	**5,989.5**
LOAN TO VALUE RATIO (LTV) IN %	**44.2**	**47.3**

Financial position

Financing structure

The Group generated a net profit for the period of EUR 217.7 million (previous year: EUR 155.6 million). Equity amounts to EUR 2,985.0 million (previous year: EUR 2,490.4 million), corresponding to an equity ratio of 41.5% (previous year: 39.5%).

LEG Immobilien AG performed two capital increases in the reporting period. 1,196,344 new shares were placed at EUR 61.54 each on 23 June 2015. 4,510,000 new shares were placed at EUR 68.00 each on 12 November 2015.

A dividend of EUR 111.8 million (EUR 1.96 per share) was paid from cumulative other reserves in the reporting period.

Statement of cash flows

The condensed statement of cash flows of the LEG Group for 2015 is as follows:

T30 – Statement of cash flows

€million	**2015**	*2014*
Cash flow from operating activities	166.9	146.9
Cash flow from investing activities	–495.9	–607.4
Cash flow from financing activities	451.9	479.7
CHANGE IN CASH AND CASH EQUIVALENTS	**122.9**	**19.2**

Higher receipts from net cold rent had a positive effect on the development of cash flow from operating activities. Opposing effects resulted from payments for maintenance and volume-based management costs. The cash flow from operating activities therefore increased by EUR 20.0 million year-on-year to EUR 166.9 million.

Acquisitions, modernisation work on the existing property portfolio and advance payments for property purchases completed after 31 December 2015 resulted in payments of EUR –421.9 million reported in the cash flow from investing activities. Advance payments of EUR –151.6 million for acquisitions completed after 31 December 2015 were already recognised as at the end of the reporting period. This was offset by the proceeds from the sale of properties in the amount of EUR 80.6 million.

Repayments of bank loans (EUR 1,086.9 million) and the utilisation of new loans (EUR 1,281.1 million), mostly due to the refinancing, contributed to the cash flow from financing activities. The dividend distribution in 2015 was EUR 20.2 million higher than in the same period of the previous year (EUR 91.6 million). The capital increases contributed EUR 375.8 million to the positive net cash flow from financing activities.

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

SUPPLEMENTARY REPORT

A. Acquisitions

1. Portfolio 1

On 30 November 2015 LEG Immo signed a purchase agreement with Sahle Wohnen GmbH & Co. KG to acquire 94.9% of shares in SW Westfalen Invest GmbH and three other asset purchase agreements, consisting of a property portfolio of 3,539 residential units. The portfolio is distributed over multiple (12) locations in NRW, while its most important local markets are Detmold (1,151 units), Bielefeld (950 units) and Lippstadt (315 units). The current net cold rent is around EUR 14.2 million per year, rent per square metre EUR 5.19 and the vacancy rate is 3.6%. 23 employees (FTEs) were taken on in the context of the transaction. Following antitrust approval, the transaction was closed on 1 January 2016.

2. Portfolio 2

The acquisition of a property portfolio of around 2,037 residential units was notarised on 11 August 2015. The portfolio generates annual net cold rent of around EUR 7.7 million. The average in-place rent is around EUR 5.04 per square metre and the initial vacancy rate is around 6.7%. The transaction was closed as at 1 January 2016.

3. Portfolio 3

The acquisition of a property portfolio of around 1,291 residential units was notarised on 16 December 2015. The portfolio generates annual net cold rent of initially around EUR 4.63 million. The average in-place rent is around EUR 5.16 per square metre and the initial vacancy rate is around 17.3%. The economic transfer of 999 residential units took place as at 1 January 2016. The remaining 292 units will be transferred as at 1 July 2016.

Prepayments totalling EUR 349.1 million were made for the acquisitions of portfolios 1, 2 und 3.

Thereof EUR 203.1 million (portfolio acquisition 1: EUR 55.1 million, portfolio acquisition 2: EUR 95.4 million, portfolio acquisition 3: EUR 52.0 million, others EUR 0.6 million) were recognized as prepayments for investment properties; EUR 146.0 million for portfolio acquisition 1 were reported under other financial assets.

4. Portfolio 4

On 22 December 2015 LEG Immo concluded a purchase agreement with Vonovia SE for the acquisition of 13,570 residential units. The purchase price is around EUR 600 million, corresponding to an initial rental yield of 8.0%. The portfolio is distributed over various locations in and on the border of North Rhine-Westphalia. The initial annual net cold rent is EUR 48 million, rent per square metre EUR 4.86 and the vacancy rate is 5.3%. 43 employees will be taken on in the wake of the transaction. The transaction is expected to close on 1 April 2016.

B. Refinancing

Loans of EUR 130.0 million were refinanced after the end of the reporting period.

RISK, OPPORTUNITY AND FORECAST REPORT

Report on Risks and Opportunities

1. Governance, risk & compliance

1.1 Standard process for integrated management of corporate risks

LEG regularly reviews opportunities to advance the development and growth of the Group. In order to take advantage of opportunities, risks may also have to be taken. It is therefore essential that all key risks are recognised, assessed and professionally managed. As part of its responsible handling of risk, LEG 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.

1.2 Accounting process/internal control system

Regarding the accounting process, the aim and purpose of the internal control system is to record and present transactions accurately, completely and in accordance with statutory requirements. To this end, LEG has established an internal control system in line with the relevant legal provisions and industry standards that comprises principles, procedures and measures aimed at ensuring proper accounting.

For business processes that are divided into strategic, core business, operational and central support processes, all recurring transactions must be recorded and presented accurately, completely and in accordance with statutory requirements in addition to being updated on an ongoing basis. To this end, in 2012 LEG established the internal control system in line with the relevant legal provisions and industry standards that comprises principles, methods and measures aimed at ensuring proper procedures.

The internal control system comprises the following objectives:

— Compliance with legal requirements for risk management (in particular sections 91 and 107 AktG)
— Targeted monitoring of business risks
— Creating a systematic integration between risk management and the internal control system

The internal control system is constantly being expanded and improved to meet business process requirements. The types and forms of controls are specified further in workshops with Internal Audit and Compliance. Further improvements in risk control matrices for each business process ensure consistent documentation and provide clear regulations for control responsibilities to ensure the continuous performance of controls. Key controls are also stipulated.

LEG's Internal Audit conducts process-independent audits to monitor the effectiveness of the internal control system. The auditor assesses the internal control system as part of the audit of the annual financial statements. On the basis of these reports, the Supervisory Board and the Audit Committee review the functionality of the internal control system with respect to the accounting process. The key features as regards the (consolidated) accounting process are summarised as follows:

— LEG has a clear and transparent organisational and control and management structure
— The duties within the accounting process are clearly defined and explicit roles are assigned
— Self-control, the dual/multiple control principle, the separation of functions and analytical audit procedures are central elements in the accounting process
— The accounting process is aided by standard software in that IT authorisations reflect the authorities described in the guidelines and thereby guarantee system control

- There is integrated central accounting and central controlling for the key Group companies
- The uniform Group-wide accounting, account assignment and measurement criteria are regularly examined and updated

1.3 Compliance management

Compliance is a key element of responsible and successful corporate governance at LEG. LEG has an interest in ensuring the trust of its tenants, customers, business partners, employees, shareholders and the public. Fully aware of this, the compliance system is designed for our day-to-day business.

The main principles applying both to conduct within the company and with respect to business partners are compiled in the LEG Code of Conduct, which can be accessed on the LEG website. As a guideline for proper conduct, it helps employees to make the right decisions in their day-to-day work. Associated guidelines substantiate the Code of Conduct with regard to central issues such as integrity, competition and working with business partners.

Persons who identify any breaches of compliance can contact the external ombudsman, who will treat their information confidentially and anonymously if so desired. The information is investigated and measures are taken as appropriate.

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

LEG has appointed a Compliance Officer to head up the compliance management system. The Compliance Officer assists executives in ensuring compliance. He is also in charge of employee training and advice. At regular meetings, the heads of the Legal and Human Resources central divisions and the external ombudsman advise the Compliance Officer on the design of the compliance system. Permanent benchmarking against other compliance systems and independent assessment by external experts also serve to ensure the continuous development and improvement of our compliance system. The adequacy and suitability of the compliance management system to prevent fraud has been tested and confirmed by an auditor.

Compliance is assigned to the Legal, Audit and Compliance department, which reports directly to the CEO of LEG.

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

1.4 Risk management

LEG Immobilien AG has a Group-wide risk management system (RMS). A key component of the RMS is LEG's Group-wide risk early warning system. This system is supported by the "r2c – risk to chance" IT tool.

The coordination and monitoring of the overall system, the organisation of processes and instrument responsibility for the IT tool used fall within the purview of Controlling & Risk Management. The organisational structure that has been implemented thus allows uniform, traceable, systematic and permanent procedures. As such, the conditions have been created to identify, analyse, assess, control, document, communicate and track the development of risks. This system satisfies the general legal conditions and ensures audit security.

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

The risk management system in place is subject to a constant process of development and optimisation so that it can handle the changing internal and external requirements.

On account of its business activities, the LEG Group is exposed to an interest rate risk that results in particular from the conclusion of floating rate liabilities and the maturity of interest-hedged liabilities over time. The interest rate risk is hedged using derivative financial instruments such as interest rate swaps or fixed interest agreements. They serve to hedge the financial expense of financial transactions. The aim is to reduce the effect of volatilities on earnings and cash flows arising from changes on the interest markets. Derivative financial instruments are used solely to hedge interest rates at the LEG Group. The Treasury policy prohibits the use of derivatives for speculative purposes.

At an operating level, the results of the quarterly risk inventories are reported to the decision-making and supervisory committees. The Management Board and Risk Management also discuss the assessment and management of the risks identified and resolve and implement changes as necessary. In addition to the quarterly risk reports to the Management Board, material risks with a potential loss of EUR 0.2 million or more before measures are immediately reported to the Management Board – also involving Controlling and Risk Management.

The foundation for all reporting is the risk inventories, for which the uniform, traceable, systematic and permanent procedures are based on the following assessment content and schemes for risks.

1.5 Assessment content/schemes

In a uniform risk catalogue system – broken down by categories and their subcategories – risks are calculated and assessed by the risk owners as part of a non-central, bottom-up analysis. The risk catalogue comprises both strategic and operational risks. To help substantiate and prioritise risks at LEG, they are assessed and classified according to extent of damage and probability of occurrence.

The effect on liquidity, taking into account the business model in place, serves almost exclusively as the benchmark for assessing and classifying a risk's damage. In cases in which a risk does not directly affect liquidity its impact on earnings is used. In such cases, the assessment and classification are based on deviations from planned earnings as per the business planning adopted by the Supervisory Board.

LEG uses a risk assessment matrix consisting of four categories for the impact of risk notifications. A risk assessment model with four groups has also been established for probability of occurrence.

The individual categories for risk impact are as follows:

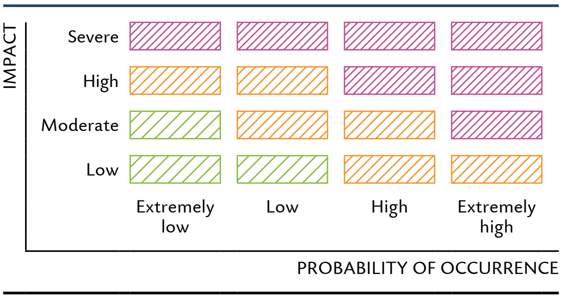
a) Low: Impact of between EUR 0 million and EUR 0.5 million
b) Moderate: Impact of between EUR 0.5 million and EUR 2.25 million
c) Significant: Impact of between EUR 2.25 million and EUR 11.25 million and
d) Severe: Impact of between EUR 11.25 million and EUR 45.0 million

The categories for the probability of occurrence are as follows:

a) Extremely low: Probability of occurrence of between 0.0% and 5.0%
b) Low: Probability of occurrence of between 5.1% and 20.0%
c) High: Probability of occurrence of between 20.1% and 50.0% and
d) Extremely high: Probability of occurrence of between 50.1% and 100.0%

This model forms the basis for an assessment matrix that uses a traffic light system (red, yellow, green) to classify the individual risk notifications in terms of their expected values (impact weighted by probability of occurrence):

F8 – Risk matrix



2. Overall assessment of risks and opportunities

Below, we will first discuss general risks such as macroeconomic risks and market risks. We will then continue from the overall risks determined to those that, in the opinion of the company, are particularly relevant and the measures used to control them.

Overall, the Management Board does not expect any risks to the continued existence of the LEG Group as a whole for the 2015 and 2016 financial years.

Beyond the risk categories used for internal risk detection and monitoring, the company is exposed to the following general risks:

2.1 Macroeconomic risks

The property market in Germany is influenced by general economic development and is therefore subject to both internal and external economic risk factors. LEG cannot separate itself from this.

The economy in Germany is currently being buoyed by robust domestic trade. However, for Germany and the euro area, there are external risks economic, particularly in slowing growth in emerging markets, a decline in world trade and ongoing geopolitical tensions. In addition, the economic recovery in the euro area is still prone to failure due to persistent structural problems and high private and public debt.

A significant deterioration in the economic environment could have a negative impact on the employment market and the income situation of private households, and therefore could adversely affect letting business. Furthermore, turbulence on the financial markets could have a negative impact on financing conditions and property values in the medium term.

Opportunities lie in a significant acceleration of the global economy, in immigration and receiving refugees, and the resulting increased demand for affordable housing on the German property market.

2.2 Market risks

The majority of LEG's property portfolio is located in Germany's most populous state of North Rhine-Westphalia. A small share of the properties are located in the neighbouring state of Lower Saxony. Within NRW various sub-markets can be observed that show different characteristics regarding their demographic and economic characteristics. In particular, high population growth, which can mainly be seen in economically strong conurbations such as Cologne, Dusseldorf, Bonn and Muenster, correlates with strong demand for housing and corresponding increases in rents and purchase prices. Accordingly, there is greater competition between providers of housing in regions with less economic appeal. The development in rents and prices on such tenant markets is less dynamic compared to the growth markets.

By monitoring the market, LEG forms a comprehensive picture of the individual sub-markets on the basis of internal and external data sources. In doing so it uses both historical data and future projections. The primary sources are publications by statistical offices and other authorities, market studies by independent third parties and analyses of the company's own data sets. Overall, the trend seen in previous years continued in 2015, leading to rising rents with increasing demand on the North Rhine-Westphalia housing market.

Owing to the strong upturn in refugee numbers in 2015, forecasts based on updated data from previous years are less precise at the current time. This migration is expected to generate positive stimulus on all sub-markets. The risks and opportunities (expressed as, for example, active vacancies, rent levels, etc.) identified in market monitoring are taken into account in the profitability calculations for investment and management processes. Divestments are implemented by selling properties, a measure largely taken in the interests of risk minimisation (locations or individual properties with a below-average forecast). Further arguments for selling properties objects are comparatively low management efficiency at locations with poor property concentrations and market trends where the average purchase prices observed have undergone a significantly higher increase than rents (opportunistic sales).

2.3 Risks concerning property valuation

The parameters for property valuation are divided into market information, assessment of the technical quality of the properties and economic indicators related directly to the properties, of which the occupancy rate and the rent are the most important. Market information is used in macro and micro market scoring, in which socio-demographic data and the existence of infrastructure are the most important aspects. The area of market data also includes the local comparative rents and vacancies in the sub-market, from which the rent potential is derived for valuation. A scoring system reflecting the state of the most important aspects of the building is used to determine the technical quality of the property.

Each parameter has to, varying degrees, both a positive and negative impact on the results of valuation. The parameters with the strongest influence are market rent, the general price trend, which is reflected in the discount and capitalisation rate, and the assumed future developments with regard to rent and cost increases.

In connection with the general economic development in Germany, numerous factors can also affect property valuation results. The prices of other forms of investment such as stocks or bonds can also influence the prices observed on the property market as property can become more or less attractive relative to these investment alternatives. Owing to the time lag between a transaction and data availability, market distortions can result in the delayed consideration of effects in valuation.

2.4 Risk categorisation

In its risk reporting, LEG classifies the identified risks according to the main categories and subcategories shown below, and their associated impact and probability of occurrence (after countermeasures): Table T31

The table shows all relevant risk categories. Risks that are assigned to the "red" assessment range are considered particularly relevant. These are shown in the table.

The risk situation is essentially the same as in the previous year. In addition to the table, the main risk categories of our business model are explained in more detail below regardless of their valuation levels.

T31 – Risk categories

Risks main categories	*Risks sub categories*	*Impact*	*Probability of occurrence*
General business risks	No relevant risks	No relevant risks	No relevant risks
Compliance risks	No relevant risks	No relevant risks	No relevant risks
Property risks	Modernisation/maintenance	Moderate	Extremely high
	Technical management	Moderate	Extremely high
Finance	Rollover risk	Severe	Extremely low
	Breach of financial covenants	Severe	Extremely low
Accounting	No relevant risks	No relevant risks	No relevant risks
Tax risks	Taxes/external audit	Moderate	Extremely high
	Taxes/real estate transfer tax	Severe	Extremely low
Human resources risks	No relevant risks	No relevant risks	No relevant risks
Legal risks	Liability/insurance risks	Severe	Low
	Contract risks	Moderate	Extremely high
Information and communication risks	No relevant risks	No relevant risks	No relevant risks
Project business risks	No relevant risks	No relevant risks	No relevant risks

2.4.1 General business risks

According to the LEG risk assessment matrix these are not relevant risks.

Until the Social Charter expires in 2018, its protection provisions – violations of which would be punishable – must be complied with in full. They include regulations on tenant and employee protection, economic restrictions and limitations on reselling and restructuring. Many operations and transactions in the LEG Group are affected by the protection provisions of the Social Charter.

Avoiding breaches of the Social Charter is still a top priority in the LEG Group in order to avoid both the payment of penalties and the loss of reputation on the housing market that this would entail.

Thanks to the quality assurance concept proven in recent years and the annual review of all measures and actions relating to the protection provisions of the Social Charter by an auditor, a reliable system to avoid the risk of an infringement has been implemented.

In the most recent 2014 audit period (as in previous years as well), full compliance was confirmed by the auditor with an unqualified opinion. If, contrary to expectations, the protection provisions are nonetheless not complied with, the terms of the Social Charter state that any violations may be rectified in f ull within six months of becoming known.

Part of the organised committee work is the controlling of the Social Charter of Gemeinnützige Wohnungsgesellschaft Nordwestdeutschland GmbH (GWN), which is regulated in the purchase agreement of 14 December 2000. This is also true of compliance with the Social Charter for Gemeinnützige Eisenbahn-Wohnungsbau-Gesellschaft mit beschränkter Haftung, Wuppertal.

In 2012 LEG Wohnen Bocholt GmbH acquired 1,244 apartments in Bocholt. This portfolio is protected by the GAGFAH Social Charter, which applies until 3 January 2017 and is also enforced by penalty. This protection was adopted in full by LEG Wohnen Bocholt GmbH. Monitoring compliance with this charter is made easier by the fact that the entire portfolio is managed by a customer centre created especially for this purpose, and is included in its quality controls performed during the year.

2.4.2 Compliance risks

According to the LEG risk assessment matrix these are not relevant risks.

Fraud can occur wherever there are business, contractual or even personal relationships between employees of the LEG Group and outside persons.

In the letting business irregular lease benefits can occur. These are prevented by organisational measures, e.g., the application of standardised lease contracts and the definition of target rents.

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

2.4.3 Property risks

Modernisation/maintenance risks

Modernisation and maintenance risks essentially include changing legislation and regulations on safety precautions or similar requirements, such as for energy efficiency. If known of in time, the changes and their monetary impact are taken into account in business planning and approved by the relevant executive bodies.

Should unforeseen risks in relation to safety precautions arise, measures are taken to avert or mitigate the risk promptly.

Technical management

Risks in the technical management of property essentially result from:

- The technical structure of properties (particularly technical shortcomings in acquisitions)
- Compliance with fire protection regulations and other regulatory requirements
- Compliance with building regulations
- The implementation of safety services
- The taking on of existing contracts on acquisitions
- Compliance with the agreed terms in the implementation of existing agreements

To counteract or minimise these risks in technical management, LEG will continue to focus its efforts on pooling and standardising services, optimising processes and integrated service management.

Portfolio risks

According to the LEG risk assessment matrix these are not relevant risks.

A regular evaluation of factors that influence value from an operational and a market perspective leads to the following significant risks for the portfolio:

A sudden and unexpected deterioration of a building's fabric is referred to as a technical risk. If such a risk occurs, unplanned maintenance costs can be incurred. To minimise the risk, there are regularly inspections of properties by qualified internal or external technicians. Averting real danger to life and limb is accorded the utmost priority by regular safety inspections.

The deterioration of the economic environment, changes in customer preferences with respect to the type of apartment wanted and increased competition can lead to demand risks. These risks can generally result in reduced demand for housing or reduced demand for a particular type of apartment. If necessary, LEG is able to respond to changes in customer demand even at short notice. The ongoing development of the portfolio is ensured by long-term management concepts as part of the general housing strategy.

Risk of rent default

According to the LEG risk assessment matrix these are not relevant risks.

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

Acquisition risks

According to the LEG risk assessment matrix these are not relevant risks.

The possible acquisition of new properties is constantly under review as part of LEG's structured acquisition activities. Internal and external experts are involved in assessing the risks and potential. This enables reliable assessments of the quality of properties and their (rent) development.

In addition to the risk of an incorrect assessment of acquisition parameters, there is also the risk that information negatively influencing economic assumptions only becomes known after the conclusion of acquisition activities, and thus affects the profitability and value of properties. As far as possible these risks are protected against by guarantees in purchase agreements. There is also the opportunity that the properties acquired perform better than expected in terms of rent, quality and occupancy rate as a result of extensive rent and neighbourhood management by LEG.

Sales risks

According to the LEG risk assessment matrix these are not relevant risks.

Sales activities consist of the privatisation of individual apartments and the sale of individual properties for management and portfolio optimisation. This relates to residential and commercial properties. There are risks that the planned purchase prices are not possible on the market. Rescission can also occur after sales have been implemented.

The structured sales process applied at LEG guarantees the safe selection of disposal portfolios, the intrinsic value of the properties being sold and the credit and integrity of buyers. The currently high demand on the transaction market, even for opportunistic properties, is seen as an opportunity and can be leveraged to selectively sell properties that are not a good fit for LEG's core portfolio in the long term.

2.4.4 Financial risks

Rollover risk

Rollover risk describes the risk that, when financing expires, follow-up financing cannot be prolonged or cannot be prolonged at the anticipated conditions, thereby necessitating the repayment of financing. This risk is limited thanks to the long-term financing structure and the distribution of maturities over a period of several years. The rollover risk is also very minor thanks to the currently consistently good environment on the finance market in terms of the willingness of banks to finance housing portfolios and historically low interest rates.

Rollover risk has been reduced further by the latest refinancing agreements (June/July 2015). The next follow-up financing is scheduled for the first quarter of 2016.

Breach of financial covenants

Failure to comply with contractually agreed financial covenants can lead to the risk of extraordinary termination of credit agreements. A breach of financial covenants can also lead to higher interest payments, special repayments or the realisation of the collateral provided.

An internal control process has been implemented at LEG to ensure compliance with financial covenants. The covenants stipulated in the loan agreements were complied with at all times in the past financial year. There are no indications that financial covenants will not be complied with in future.

Stability of bank partners (banking market)

According to the LEG risk assessment matrix these are not relevant risks.

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

In particular, the default of a financing partner could lead to direct financial losses under contractual arrangements giving rise to claims on the part of LEG, e.g. derivative interest hedges. The internal guidelines for concluding new interest rate hedges therefore provide corresponding minimum requirements regarding the counterparty's credit rating.

LEG currently has no claims against its counterparties as the derivatives all had a negative market value as at the end of the reporting period.

Although a rise in long-term interest rates has been observed since the end of May 2015, this development is having only a limited impact on the market value of derivatives. Thus, their market values should remain negative in future as well.

Liquidity risk

According to the LEG risk assessment matrix these are not relevant risks.

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

Changes in interest rates

According to the LEG risk assessment matrix these are not relevant risks.

Interest rate risk essentially relates to financing agreements for which there is no long-term interest agreement. Approximately 90% of the liabilities are hedged on a long-term basis by way of fixed-rate agreements or interest rate swaps, hence there are no significant foreseeable interest rate risks.

The current low interest phase also still offers the opportunity for securing low interest rates in the longer term.

Debt risk

According to the LEG risk assessment matrix these are not relevant risks.

The leverage ratio has a significant effect on the assessment of LEG's economic situation and therefore on its access to the financing market. The result of operations is expected to improve thanks to lower average interest expenses and the absence of refinancing costs such as prepayment penalties. Compared to the 2015–2019 business plan, the 2016–2020 business plan provides for higher and rising EBIT, partly due to acquisitions, with nominally constant interest expenses declining relative to income and thereby improving EBIT. Analyst opinion following the IPO attests to the excellent market position of the LEG Group. A downgrading of its credit rating by banks makes the prospect of a margin deterioration appear unlikely. LEG has had a public rating from the rating agency Moody's (Baa1) since May 2015. As LEG has no rated financial instruments outstanding, Moody's rating entails no additional risk.

Fundamental possibility of the conversion of convertible bonds

According to the LEG risk assessment matrix these are not relevant risks.

The bearers of LEG convertible bonds fundamentally have the option to convert their convertible bonds into shares of LEG. The probability of conversion increases as the applicable conversion price is exceeded. In the event of conversion, the number of LEG shares outstanding would increase by the number of shares arising from the conversion of the bond.

2.4.5 Accounting

According to the LEG risk assessment matrix these are not relevant risks.

Accounting risks can result from a failure to comply with statutory regulations, which could lead to incorrect annual, consolidated or quarterly financial statements. In addition, risks can result from further regulatory requirements, such as the German Corporate Governance Code, from disclosure obligations or from operating cash inflows or outflows. Consequences of this could include, for example, a qualified audit opinion or record of denial, a loss of reputation or an impact on the share price. Regarding its accounting process, LEG has implemented an effective internal control system with the goal of counteracting these risks. Please also see the description of the internal control system in the risk report.

2.4.6 Tax risks

Taxes/external audit

Tax risks can arise from external audits and, if they occur, achieve a relevant magnitude. The LEG Group is currently being audited for the years 2005 to 2008; the external audit of key LEG companies for the years 2009 to 2012 has also been initiated.

The audit of the Vitus Group acquired in 2014 for the years 2007 to 2009 concluded with no significant findings. The tax assessments for these years are now largely final.

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% of taxable EBITDA. Higher interest deductibility is permitted, among other scenarios, if the Group's equity ratio is not significantly higher than the equity ratio of the individual operation (referred to as the escape clause). The LEG Group has utilised the escape clause in the past.

Taxes/real estate transfer taxes

In the opinion of the tax authorities, when acquiring shares in property companies with upstream separation measures, a higher assessment base can be used for real estate transfer taxes.

2.4.7 Human Resources risks

According to the LEG risk assessment matrix these are not relevant risks.

HR management faces major strategic challenges in irreversible megatrends such as demographic and technological change and the changing values of younger generations. We will meet these challenges mainly with life phase-oriented HR development and with measures and activities geared to the needs of our current and future staff that contribute to our employer branding and the work-life harmony of our employees. With innovative HR management instruments, we are lastingly ensuring the attractiveness and appeal of LEG as an employer while also allowing these aspects to evolve constantly. In 2016 we will again take part in the "Great Place to Work" contest.

Being and remaining an employer of choice requires a variety of measures to motivate qualified employees and managers in the long term and to ensure their loyalty to the company. We achieve this with a modern, pleasant working environment, attractive remuneration and the opportunity to develop personally. Activities that promote team spirit outside day-to-day business also play an important role for us.

The HR department has a reasonable risk and opportunity situation aligned to the strategic objectives of the company.

2.4.8 Legal risks

Liability/insurance risks

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

Information on the LEG Group is regularly analysed for its significance to the LEG Group and, if the legal requirements are met, categorised as insider information – sometimes even just as a precaution. If information really is insider information, it is only communicated among a select group of participants and the participants are expressly advised that this is confidential. Furthermore, there are statutory lists of insiders and the persons on it receive special training. In addition, there is an ad hoc committee that, firstly, can be reached at all times to discuss developments at short notice by using a group e-mail address created for this purpose and corresponding telephone directories; secondly, this committee meets regularly to discuss project issues and other fundamental issues concerning LEG's ad hoc obligations. Finally, technical measures have been set up to guarantee the technical publication of ad hoc disclosures at all times. As a result of these measures, the probability of occurrence of these risks is rated as low. Finally, from the 2016 financial year the LEG Group is protected against any claims under securities trading law with basic insurance.

Contract risks

No new construction activities have been initiated in the Development segment since the 2009 financial year. Various projects are still being wound up at the current time. This gives rise to risks in connection with warranty, legal disputes and technical problems. Sufficient provisions for these were recognised in previous years. The value of these risks has been steadily and significantly reduced by selling these projects over the last few years.

Legal disputes

According to the LEG risk assessment matrix these are not relevant risks.

In legal disputes, LEG distinguishes between asset and liability proceedings. Active proceedings are all proceedings within LEG in which it is claiming a receivable. These can be payments in arrears under leases (low disputed values/high number of cases) or other claims, such as defect warranty proceedings from former construction activities (high disputed values/low number of cases). Active rental proceedings (rent receivables) are conducted out of court by the competent handlers (receivables management) and, if unsuccessful, passed on to a law firm. From 1 January 2016, these cases will be checked for plausibility by case management, a unit within Legal, and then passed on to the law firm. Active proceedings with a high disputed value are first examined by the Legal department in terms of the prospects of success. Thereafter a third-party lawyer may be engaged to collect the receivable. The further development of such proceedings is monitored by Legal.

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

Other legal risks

According to the LEG risk assessment matrix these are not relevant risks.

General legal risks and, in the event of the risk materialising, the disadvantages to the LEG Group can arise in particular if legal stipulations are not or only insufficiently complied with. In addition, risks can arise if new laws or regulations are passed, or existing ones are amended, or if the interpretation of laws and regulations already in place changes. For example, risks can result with regard to technical building facilities or the conditions of the rental agreements for the LEG Group's residential properties. Examples of this include the legislation on the rent control or the new Consumer Rights

Directive. The LEG Group has assigned specialist employees to monitor these developments in order to identify risks early on. If these risks occur, LEG minimises their impact through appropriate organisational measures, such as by making corresponding amendments to the relevant agreements or by planning modernisation measures. Provisions and write-downs are recognised as necessary.

2.4.9 Information and communication risks

IT risks

According to the LEG risk assessment matrix these are not relevant risks.

LEG companies use SAP as a business application. Special applications are also used for individual business processes. The system components operated by the subsidiary LCS are designed redundantly for critical business processes. Appropriate service levels have been agreed with service providers. The security of the IT infrastructure is monitored by regular penetration tests.

Technological trends are monitored on an ongoing basis and assessed for their potential contribution to process or cost optimisation. Mobile applications and digitisation help to streamline internal operational business processes. In addition, LEG uses digital service platforms for enterprise-wide business processes with business partners.

2.4.10 Project business risks

Commercial/technical project business risks

According to the LEG risk assessment matrix these are not relevant risks.

The relevant risks subject to a review of the contractually agreed conditions without a legal discussion include reviews of subsidies that may be claimed excessively or the implementation of a type of building use (e.g. of higher value) other than that contractually intended, or the processing of warranty defects not covered by a warranty bond.

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

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

According to the LEG risk assessment matrix these are not relevant risks.

LEG is the majority shareholder in a biomass heating power plant.

The complex technology may cause unplanned downtime leading to relevant risks such as lost revenues or unplanned repair expenses. Audits are carried out on a regular basis in order to prevent these risks. Thanks to the work performed, the system is currently operating with stable operating income.

Other project business risks

According to the LEG risk assessment matrix these are not relevant risks.

The risks in the Development area will continue to diminish thanks to active risk management. The risks identified from old projects are being processed. The necessary provisions have been recognised. We expect the measures taken to fully cover any potential future charges. There are no signs of any additional hidden liability risks from our former Development business.

3. Report on opportunities

In addition to the opportunities discussed in the risk section, the significant opportunities the LEG Group, which have not changed substantially since the previous year, are listed below:

With around 109,000 residential units as at 31 December 2015, LEG Immobilien AG is one of the leading managers of residential property and listed property companies in Germany. Its regional focus is on the North Rhine-Westphalia (NRW) metropolitan region. A consistently value-oriented business model geared to growth and a focus on customers reconciles the interests of shareholders and tenants. LEG's growth strategy is aimed at the sustainable growth of its existing portfolio, the selective expansion of tenant-oriented services and value-adding acquisitions. Demand for affordable housing is rising, and is being accelerated by the current high migration figures into urban areas especially.

One important growth driver is leveraging economies of scale through selective external growth. Since the IPO, a total of around 40,000 residential units have been acquired. 21,000 of these were in 2015. Further acquisitions are planned. The regional focus is on the existing core markets with the highest synergy potential, and will be expanded at their geographical borders in accordance with LEG's management platform.

LEG is excellently positioned and is experiencing continuous rental growth above the market average. This reflects the quality of the property portfolio, LEG's management expertise and the resistance to economic fluctuations. The main growth drivers in free-financed housing are regular rent index adjustments and adjustments in line with market rents. The cost of rent is adjusted at regular intervals in the rent-restricted portfolio. As rent control will be steadily phased out in parts of the rent-restricted portfolio in the coming years, this will also mean the potential for high rent adjustments. The like-for-like occupancy rate can also be increased as an additional opportunity.

Forecast report

LEG achieved and, in most cases, exceeded its targets in the 2015 financial year.

The development of the key performance indicators compared to previous year's forecast:

With FFO I of EUR 206.0 million, the company exceeded the forecast range, which had been upwardly revised during the course of the year to the range of EUR 200 to 204 million. The target had been revised due to the first effects of acquisitions and reduced financing costs. In addition to the positive business performance, lower financing costs in particular ultimately led to the earnings target being exceeded slightly.

In the real estate sector FFO is the relevant earnings key indicator. Other than net income, FFO is not influenced by volatile valuation results that are beyond the influence of the company.

At 2.7%, rental growth per square metre on a like-for-like basis also exceeded the forecast range slightly, with the forecast having been adjusted from 2.3–2.5% to 2.4–2.6% during the course of the year. The vacancy rate, which is another key operating performance indicator, was expected to remain stable or continue to decline slightly. The like-for-like vacancy rate could be reduced to 2.5% at the reporting date, below the prior-year figure of 2.7%.

With regard to the implementation of the acquisition strategy, portfolio acquisitions with a total volume of around 21,000 residential units were signed as of the reporting date, meaning that LEG significantly exceeded its annual acquisition target of at least 5,000 residential units.

LEG is committed to a strong balance sheet with an LTV of around 50%. With an LTV of 44.2% at the reporting date, this target was also achieved.

Outlook 2016

For 2016, the majority of economic research institutes expect to see a continuation of the current moderate economic growth. Thus, the Bundesbank is forecasting real GDP growth of +1.8% in Germany.

LEG believes that it remains well positioned to continue to benefit from the favourable supply and demand situation for affordable housing in Germany, a situation that is being additionally driven by migration. As such, LEG expects to see further growth in rental income. Thanks to the continued improvement in operating efficiency and falling financing costs this is set to be accompanied by above-average earnings growth, and hence an increased dividend.

Based on the positive fundamental conditions, LEG has defined the following forecasts for 2016.

Forecast for the financial and operating key performance indicators:

FFO I

LEG expects to generate FFO I of between EUR 254 and 259 million in 2016. For 2017, a further increase to between EUR 279 and 284 million is expected. This forecast does not yet take into account any additional effects from planned future acquisitions.

Rents

In 2016, there will be no significant adjustments to the cost rent in the rent-restricted portfolio. Accordingly, rental growth of between 2.4% and 2.6% is forecast on a like-for-like basis. With the next regular adjustment of the cost rent scheduled for 2017, this is expected to lead to accelerated year-on-year rental growth in the range of 3.0% to 3.3%.

Vacancy rate

The vacancy rate has already reached an extremely low level and is expected to remain stable on a like-for-like basis in 2016.

Forecast for further relevant indicators:

Maintenance and capital expenditure

LEG's management strategy is geared towards maintaining and selectively expanding the quality of its property portfolio while ensuring a high degree of capital efficiency. The amount invested in the portfolio in 2016 will be around EUR 17 per square metre. Newly acquired properties will account for an above-average share of this figure.

Acquisitions

Thanks to its leading market position in NRW, LEG believes that it is well positioned to acquire at least a further 5,000 residential units annually in the coming years.

LTV

To ensure a defensive long-term risk profile, an LTV of 50% shall not be exceeded.

NAV

LEG expects the forecast rental growth to be reflected in the positive performance of its property portfolio. The ratio of rental growth to value development, which is expressed in the change in the rental yield from the property portfolio, is extremely difficult to forecast. The required yield level for residential properties is influenced by the performance of other asset categories and the development of interest rates, among other things.

Dividend

LEG is planning to distribute a dividend of 65% of FFO I to its shareholders on a sustainable basis.

REMUNERATION REPORT

The remuneration report outlines the structure and amount of the remuneration paid to the members of the Management Board and the Supervisory Board. The report is based on the recommendations of the German Corporate Governance Code (DCGK), the requirements of the German Commercial Code (HGB), the German Accounting Standards as well as the International Financial Reporting Standards (IFRS).

Preliminary remarks

With the notarisation of the change in the legal form of the company into a stock corporation on 2 January 2013 (effective from the entry in the commercial register on 11 January 2013), Thomas Hegel, Eckhard Schultz and Holger Hentschel were appointed as members of the Management Board of LEG Immobilien AG by resolution of the Supervisory Board on 2 January 2013.

On 17 January 2013, the Supervisory Board of LEG Immobilien AG resolved employment agreements for the members of the Management Board that came into effect on 1 February 2013. The Annual General Meeting of LEG Immobilien AG on 19 July 2013 resolved to approve the remuneration system for the members of the Management Board in accordance with section 120(4) of the Aktiengesetz (AktG – German Stock Corporation Act).

By way of resolution of the Supervisory Board on 24 March 2015 and individual Management Board agreements dated 14/15 April 2015, the Management Board agreements were amended as follows:

The appointment of Thomas Hegel as a member of the Management Board and his appointment as the CEO of LEG Immobilien AG was extended by five years to 31 January 2021.

The appointment of Eckhard Schultz as a member of the Management Board and Deputy Chief Executive Officer (CFO) of the LEG Immobilien AG was extended by five years to 31 January 2021.

By way of the above resolution of the Supervisory Board and in consultation with him, the appointment of Holger Hentschel as a member of the Management Board was revoked for its remaining term. Mr Hentschel was reappointed to the Management Board (COO) with immediate effect until 31 December 2019.

Remuneration system of the Management Board

The remuneration system takes into account joint and individual performance with a view to ensuring the company's sustained success. The remuneration system is performance-based and success-based. A long-term focus, appropriateness and sustainability are key criteria.

With the existing rights and obligations of the members of the Management Board remaining in effect, the individual Management Board agreements were amended or replaced particularly as regards the remuneration components effective 1 July 2015.

The remuneration of the members of the Management Board consisted of a fixed component (basic remuneration), a variable component with a short-term incentive function (STI) and a variable component with a mid to long-term incentive function (LTI) for the whole of the 2015 financial year.

The respective target values for the individual remuneration components developed as follows:

T32 – Remuneration components

T€	*Thomas Hegel CEO*	*Eckhard Schultz CFO*	*Holger Hentschel COO*
Fixed remuneration			
from 1 July 2015	520	468	300
until 1 July 2015	400	360	300
One-year variable remuneration (STI)			
from 1 July 2015	325	312	200
until 1 July 2015	250	240	200
Multi-year variable remuneration (LTI)			
from 1 July 2015	390	364	250
until 1 July 2015	300	280	200
TOTAL REMUNERATION			
from 1 July 2015	**1,235**	**1,144**	**750**
until 1 July 2015	**950**	**880**	**700**

From 1 July 2015, the maximum total remuneration granted in return for the work of the respective member of the Management Board for one financial year – including basic remuneration, STI, LTI (plus full utilisation of possible adjustments) and benefits – is EUR 1,510 thousand for Thomas Hegel, EUR 1,397 thousand for Eckhard Schultz and EUR 930 thousand for Holger Hentschel. If the maximum remuneration for a financial year is exceeded, the payout of the LTI tranches for the corresponding financial year will be reduced.

Fixed remuneration component

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

In the event of temporary incapacity, LEG Immobilien AG will pay the remuneration in the same amount for a continuous period of up to six months.

In addition to basic remuneration, the Management Board receives contractually agreed benefits.

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

If members of the Management Board are voluntarily insured under the statutory pension scheme or are members of a professional pension scheme in place of the statutory pension scheme, 50% of the standard contributions to the statutory pension scheme are paid. This is capped at an annual payment of EUR 15,000 from 1 July 2015.

Furthermore, LEG Immobilien AG provides its Management Board members with an appropriate company car for business and private use. All costs of its upkeep and use are paid by the company. In addition, members of the Management Board can use the services of a driver for official journeys.

From 1 July 2015, the monetary value arising from private use is capped at EUR 45 thousand for Thomas Hegel and EUR 30 thousand for Eckhard Schultz and Holger Hentschel. The wage and income taxes on these benefits are paid by the respective member of the Management Board. Members of the Management Board are also reimbursed for expenses and travel costs.

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

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

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

The basis of calculation for the STI is the attainment of the following four sub-targets defined in the respective consolidated IFRS business plan of the company. The business plan resolved by the Supervisory Board for the respective fiscal year applies. If the Supervisory Board does not resolve a business plan for the respective fiscal year, the four sub-targets for the purposes of the STI are defined by the Supervisory Board at its discretion (section 315 of the German Civil Code) with reference to the targets for the previous year.

The STI consists of an annual payment measured on the basis of the following four targets:

— Net cold rent
— Net rental and lease income
— Adjusted EBITDA
— Funds from Operations I per share (weighted average number of shares in the reporting year)

The first three targets each account for 20% and the final target for 40% of the STI if each sub-target is achieved in full. The attainment of each individual sub-target is determined independently. However, the sub-targets can offset over- and underperformance amongst themselves. The target STI amount cannot be exceeded overall, even if the targets are outperformed.

In the event of changes in the basis of consolidation or capital measures during the current financial year, the respective sub-targets set in the business plan must be adjusted by the Supervisory Board. They are adjusted pro rata temporis.

After the end of the financial year, the level of attainment for the sub-targets is determined by the Supervisory Board on the basis of the IFRS consolidated financial statements of the company and internal accounting. The STI is then calculated accordingly.

From 1 July 2015, the calculated STI can be increased or decreased by up to 30% by way of discretionary decision of the Supervisory Board.

In the event of extraordinary developments, after the end of the respective financial year the Supervisory Board can adjust the calculated levels of attainment and, as appropriate, the STI adjusted by way of discretionary decision from 1 July 2015 by up to 20% in either direction.

From 1 July 2015, the STI to be calculated and possibly adjusted for the respective financial year is capped at EUR 423 thousand for Thomas Hegel, EUR 406 thousand for Eckhard Schultz and EUR 260 thousand for Holger Hentschel.

If the above calculation results in the payment of an STI, this must be settled and paid to the respective Management Board member no later than 30 days after the approval of the IFRS consolidated financial statements of the company.

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

In addition to STI, the members of the Management Board are entitled to LTI based on the company's long-term development. The four-year LTI is newly awarded for each fiscal year and is spread over three performance periods of two or three years. The key performance targets for the LTI are:

— Development of total shareholder return
— Development of the company's share price compared with the relevant index, EPRA Germany.

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

PERFORMANCE PERIOD I:
From the (proportionate) fiscal year in which the LTI is awarded (relevant fiscal year) up until the end of the first fiscal year following the relevant fiscal year

PERFORMANCE PERIOD II:
From the relevant fiscal year up until the end of the second fiscal year following the relevant fiscal year

PERFORMANCE PERIOD III:
From the fiscal year following the relevant fiscal year up until the end of the third fiscal year following the relevant fiscal year

The target LTI and the individual tranches are not increased in the event of target attainment in excess of 100%. Each tranche is separated into two equal amounts. One of the two performance targets is allocated to each of these amounts.

After the end of each performance period, the level of target attainment for the two performance targets is determined by the Supervisory Board following the adoption of the consolidated financial statements for the last fiscal year of the respective performance period and the resulting amounts for the tranche are calculated. Target attainment is determined separately for each performance target and each tranche. However, netting may be performed within a tranche – providing this is mathematically possible – with the shortfall for one performance target being offset by the excess for the other performance target. Netting may not be performed above and beyond the individual tranches. The amount paid for each tranche is determined on the basis of the level of target attainment for both performance targets by adding the respective amounts thus calculated. However, the total amount for each tranche may not exceed one-third of the target LTI, even if the overall level of target attainment for both performance targets is in excess of 100%.

The Supervisory Board meeting on 24 March 2015 clarified the Management Board agreements as regards the calculation of the LTI for performance periods beginning in 2013.

From 1 July 2015, the LTI achieved based on the set targets can be increased or decreased – at the discretion of the Supervisory Board (discretionary decision) – by up to 30%.

In the event of extraordinary developments, after the end of the respective performance period the Supervisory Board can adjust the calculated levels of attainment and, as appropriate, the LTI adjusted by way of discretionary decision from 1 July 2015 by up to 20% in either direction. As a result, the amount allotted to each tranche can be undershot or exceeded by one third of the target LTI.

From 1 July 2015, the LTI calculated and possibly adjusted for the respective performance period is capped at EUR 169 thousand for Thomas Hegel, EUR 158 thousand for Eckhard Schultz and EUR 108 thousand for Holger Hentschel. The total LTI available for a financial year is capped at EUR 507 thousand for Thomas Hegel, EUR 473 thousand for Eckhard Schultz and EUR 325 thousand for Holger Hentschel.

The resulting gross amount for a tranche must be settled and paid to the respective Management Board member no later than 30 days after the adoption of the IFRS consolidated financial statements for the last financial year in the performance period.

At the start of each relevant financial year, the Supervisory Board and the Management Board member conclude an LTI target agreement, which contains the specifications for the two performance targets for each tranche based on the relevant performance period. Similarly, the ratio between the degree of attainment and the attributable share of the partial amount of the tranche must be stipulated. If no agreement is reached, these components are set by the Supervisory Board at its discretion (section 315 BGB) by reference to the targets for the previous year.

The following specific targets (target corridors) apply:

LTI 2013

T33 – LTI 2013/Performance period I

	Target attainment 80%		*Target attainment 100%*		*Target attainment 120%*	
%	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*
Total shareholder return p. a.	3.0	5.0	4.0	7.0	6.0	10.0
TOTAL SHAREHOLDE RETURN PERFORMANCE PERIOD I Ø P. A.	**4.0**		**5.5**		**8.0**	
PERFORMANCE AGAINST EPRA	**90**		**100**		**110**	

T34 – LTI 2013/Performance period II

	Target attainment 80%			*Target attainment 100%*			*Target attainment 120%*		
%	*2013*	*2014*	*2015*	*2013*	*2014*	*2015*	*2013*	*2014*	*2015*
Total shareholder return p. a.	3.2	5.6	5.6	4.0	7.0	7.0	4.8	8.4	8.4
TOTAL SHAREHOLDE RETURN PERFORMANCE PERIOD II Ø P. A.	**4.8**			**6.0**			**7.2**		
PERFORMANCE AGAINST EPRA	**90**			**100**			**110**		

T35 – LTI 2013/Performance period III

	Target attainment 80%			*Target attainment 100%*			*Target attainment 120%*		
%	*2014*	*2015*	*2016*	*2014*	*2015*	*2016*	*2014*	*2015*	*2016*
Total shareholder return p. a.	5.6	5.6	5.6	7.0	7.0	7.0	8.4	8.4	8.4
TOTAL SHAREHOLDE RETURN PERFORMANCE PERIOD III Ø P. A.	**5.6**			**7.0**			**8.4**		
PERFORMANCE AGAINST EPRA	**90**			**100**			**110**		

F9 – Performance periods

Performance period I	2013	2014	
Performance period II	2013	2014	2015
Performance period III		2014	2015	2016

2013 = relevant fiscal year

PERIOD UNDER REVIEW LTI

LTI 2014

T36 – LTI 2014/Performance period I

	Target attainment 80%		*Target attainment 100%*		*Target attainment 120%*	
%	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*
Total shareholder return p. a.	5.6	5.6	7.0	7.0	8.4	8.4
TOTAL SHAREHOLDE RETURN PERFORMANCE PERIOD I Ø P. A.	**5.6**		**7.0**		**8.4**	
PERFORMANCE AGAINST EPRA	**90**		**100**		**110**	

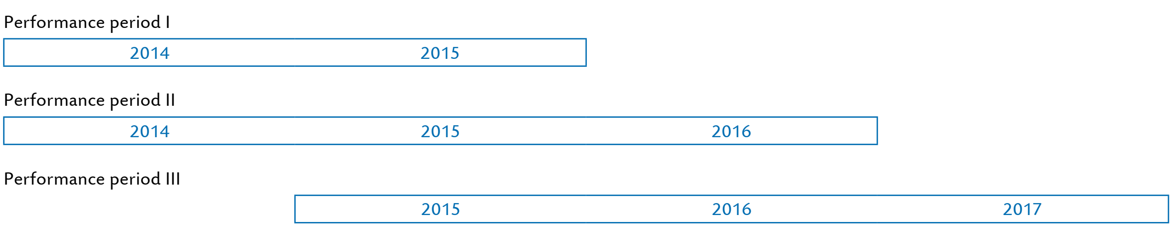
T37 – LTI 2014/Performance period II

	Target attainment 80%			*Target attainment 100%*			*Target attainment 120%*		
%	*2014*	*2015*	*2016*	*2014*	*2015*	*2016*	*2014*	*2015*	*2016*
Total shareholder return p. a.	5.6	5.6	5.6	7.0	7.0	7.0	8.4	8.4	8.4
TOTAL SHAREHOLDE RETURN PERFORMANCE PERIOD II Ø P. A.	**5.6**			**7.0**			**8.4**		
PERFORMANCE AGAINST EPRA	**90**			**100**			**110**		

T38 – LTI 2014/Performance period III

	Target attainment 80%			*Target attainment 100%*			*Target attainment 120%*		
%	*2015*	*2016*	*2017*	*2015*	*2016*	*2017*	*2015*	*2016*	*2017*
Total shareholder return p. a.	5.6	5.6	5.6	7.0	7.0	7.0	8.4	8.4	8.4
TOTAL SHAREHOLDE RETURN PERFORMANCE PERIOD III Ø P. A.	**5.6**			**7.0**			**8.4**		
PERFORMANCE AGAINST EPRA	**90**			**100**			**110**		

F10 – Performance periods



2014 = relevant fiscal year

PERIOD UNDER REVIEW LTI

LTI 2015

T39 – LTI 2015/Performance period I

	Target attainment 80%		*Target attainment 100%*		*Target attainment 120%*	
%	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*
Total shareholder return p. a.	5.6	5.6	7.0	7.0	8.4	8.4
TOTAL SHAREHOLDE RETURN PERFORMANCE PERIOD I Ø P. A.	**5.6**		**7.0**		**8.4**	
PERFORMANCE AGAINST EPRA	**90**		**100**		**100**	

T40 – LTI 2015/Performance period II

	Target attainment 80%			*Target attainment 100%*			*Target attainment 120%*		
%	*2015*	*2016*	*2017*	*2015*	*2016*	*2017*	*2015*	*2016*	*2017*
Total shareholder return p. a.	5.6	5.6	5.6	7.0	7.0	7.0	8.4	8.4	8.4
TOTAL SHAREHOLDE RETURN PERFORMANCE PERIOD II Ø P. A.	**5.6**			**7.0**			**8.4**		
PERFORMANCE AGAINST EPRA	**90**			**100**			**110**		

T41 – LTI 2015/Performance period III

	Target attainment 80%			*Target attainment 100%*			*Target attainment 120%*		
%	*2016*	*2017*	*2018*	*2016*	*2017*	*2018*	*2016*	*2017*	*2018*
Total shareholder return p. a.	5.6	5.6	5.6	7.0	7.0	7.0	8.4	8.4	8.4
TOTAL SHAREHOLDE RETURN PERFORMANCE PERIOD III Ø P. A.	**5.6**			**7.0**			**8.4**		
PERFORMANCE AGAINST EPRA	**90**			**100**			**110**		

F11 – Performance periods

Performance period I
2015 2016

Performance period II
2015 2016 2017

Performance period III
2016 2017 2018

2015 = relevant fiscal year

PERIOD UNDER REVIEW LTI

In the event of a legal end to the engagement of a Management Board member, the company can settle the tranches that will become due at a later date early. In such event the Supervisory Board and the respective member of the Management Board can mutually agree a notional target attainment rather than calculating actual target attainment. The amount of a tranche calculated based on this notional target attainment can then be reduced by 30%.

Long-term incentive plan with former shareholders

As a result of the IPO of LEG Immobilien AG – as in previous years – claims arose as at 31 December 2015 from agreements between former shareholders and the Management Board.

Total remuneration of the Management Board in 2015

The benefits granted to the Management Board for the 2015 financial year were as follows: Table T42

On the basis of the assessment of the attainment of performance hurdles, staff costs of EUR 0.8 million (2014: EUR 0.5 million) were recognised for the 2013 to 2015 LTI as at 31 December 2015, EUR 0.3 million of which for Thomas Hegel (2014: EUR 0.2 million), EUR 0.3 million for Eckhard Schultz (2014: EUR 0.2 million) and EUR 0.2 million for Holger Hentschel (2014: EUR 0.1 million).

For the 2015 (2014) STI, an amount of EUR 0.3 million (EUR 0.3 million) was recognised in staff costs for Thomas Hegel, of EUR 0.3 million (EUR 0.2 million) for Eckhard Schultz and EUR 0.2 million (EUR 0.2 million) for Holger Hentschel.

A total expense of EUR 0.2 million (2014: EUR 0.4 million) was recognised for the LTIP with former shareholders in 2015, EUR 0.0 million of which for Thomas Hegel (2014: EUR 0.0 million), EUR 0.2 million for Eckhard Schultz (2014: EUR 0.3 million) and EUR 0.0 million for Holger Hentschel (2014: EUR 0.1 million).

T42 – Remuneration and benefits earned

	Thomas Hegel CEO				*Eckhard Schultz CFO*				*Holger Hentschel COO*			
€ thousand	**2015**	*2015 min.*	*2015 max.*	*2014*	**2015**	*2015 min.*	*2015 max.*	*2014*	**2015**	*2015 min.*	*2015 max.*	*2014*
Fixed remuneration [2]	460	460	460	400	414	414	414	360	300	300	300	300 [1]
Additional benefits	40	40	40	29	19	19	19	27	20	20	20	20
TOTAL FIXED REMUNERATION COMPONENTS	**500**	**500**	**500**	**429**	**433**	**433**	**433**	**387**	**320**	**320**	**320**	**320**
One-year variable remuneration (STI) [2]	288	0	361	250	276	0	347	240	200	0	250	200 [1]
Multi-year variable remuneration (LTI)	194	0	434	153	181	0	405	143	127	0	283	102
LTI 2013 (until 2016)	0	0	0	0	0	0	0	0	0	0	0	0
LTI 2014 (until 2017)	0	0	0	153	0	0	0	143	0	0	0	102 [1]
LTI 2015 (until 2018) [2]	194	0	434	0	181	0	405	0	127	0	283	0
LTIP former shareholders	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL VARIABLE REMUNERATION COMPONENTS	**482**	**0**	**795**	**403**	**457**	**0**	**752**	**383**	**327**	**0**	**533**	**302**
TOTAL FIXED AND VARIABLE REMUNERATION COMPONENTS	**982**	**500**	**1,295**	**832**	**891**	**433**	**1,185**	**770**	**647**	**320**	**853**	**622**
Pension costs	0	0	0	0	20	20	20	20	11	11	11	7
TOTAL REMUNERATION	**982**	**500**	**1,295**	**832**	**911**	**453**	**1,205**	**790**	**658**	**331**	**864**	**629**

[1] Retroactive contract adjustments as at 1 January 2014
[2] Contract adjustments as at 1 July 2015

The amounts paid to the members of the Management Board were as follows:

T43 – Remuneration and benefits paid

	Thomas Hegel CEO		Eckhard Schultz CFO		Holger Hentschel COO	
€ thousand	**2015**	*2014*	**2015**	*2014*	**2015**	*2014*
Fixed remuneration [2]	460	400	414	360	300	300
Additional benefits	40	29	19	27	20	20
TOTAL FIXED REMUNERATION COMPONENTS	**500**	**429**	**433**	**387**	**320**	**320**
One-year variable remuneration (STI) [1]	250	250	240	240	200	140
Multi-year variable remuneration (LTI)	2,238	1,386	1,804	1,109	255	133
LTI 2013 (until 2016)	100	0	93	0	50	0
LTI 2014 (until 2017)	0	0	0	0	0	0
LTI 2015 (until 2018) [2]	0	0	0	0	0	0
LTIP former shareholders	2,138	1,386	1,711	1,109	205	133
TOTAL VARIABLE REMUNERATION COMPONENTS	**2,488**	**1,636**	**2,044**	**1,349**	**455**	**273**
TOTAL FIXED AND VARIABLE REMUNERATION COMPONENTS	**2,989**	**2,065**	**2,477**	**1,736**	**775**	**593**
Pension costs	0	0	20	20	11	7
TOTAL REMUNERATION	**2,989**	**2,065**	**2,497**	**1,756**	**786**	**600**

[1] Final payment for previous financial year
[2] Contract adjustments as at 1 July 2015

The total remuneration of the Management Board in 2015 was as follows:

T44 – Total remuneration

	Thomas Hegel CEO		Eckhard Schultz CFO		Holger Hentschel COO		Sum	
€ thousand	**2015**	*2014*	**2015**	*2014*	**2015**	*2014*	**2015**	*2014*
Fixed remuneration [2]	460	400	414	360	300	300 [1]	1,174	1,060
Additional benefits	40	29	19	27	20	20	79	76
TOTAL FIXED REMUNERATION COMPONENTS	**500**	**429**	**433**	**387**	**320**	**320**	**1,253**	**1,136**
One-year variable remuneration (STI) [2]	288	250	276	240	200	200 [1]	764	690
Multi-year variable remuneration (LTI) [2]	194	153	181	143	127	102 [1]	502	398
TOTAL VARIABLE REMUNERATION COMPONENTS	**482**	**403**	**457**	**383**	**327**	**302**	**1,266**	**1,088**
TOTAL REMUNERATION	**982**	**832**	**890**	**770**	**647**	**622**	**2,519**	**2,224**

[1] Retroactive contract adjustments as at 1 January 2014
[2] Contract adjustments as at 1 July 2015

No loans or advances were granted or extended to the members of the Management Board in the 2015 financial year.

Retirement benefits

Company pension scheme

Effective 1 February 2013, LEG Immobilien AG assumed the occupational pension commitment for the Management Board member Holger Hentschel from LEG Wohnen NRW GmbH (in accordance with section 4(2) no. 1 of the Betriebsrentengesetz (BetrAVG – German Occupational Pensions Act)). This grants a pension including benefits for surviving dependents. The amount of benefits is dependent on eligible service and pensionable remuneration. The pension will be paid when Mr Hentschel reaches 65 years of age. A pensionable basic salary of EUR 92,676 is assumed. The corresponding provision amounted to EUR 300,358 as at 31 December 2015 (2014: EUR 325,188). The recognised staff costs in 2015 amounted to EUR 11 thousand (2014: EUR 7 thousand).

Eckhard Schultz has a vested occupational pension (including disability insurance) via a provident fund that was also assumed by LEG Immobilien AG. Gross annual premiums of EUR 20,000 are paid. The benefits will be paid in 2025 as a lump sum payment of EUR 391,658. There are also benefits from profit participation.

In 2013 the Supervisory Board resolved to establish an employer-financed pension commitment for Eckhard Schultz and Holger Hentschel via a provident fund by way of a defined contribution plan. The additional payments by LEG Immobilien AG are limited to a maximum of 50% of the standard contributions to the statutory pension scheme. In case of death, the provident fund will make a one-time, lump-sum capital payment to the respective dependents.

When Eckhard Schultz reaches retirement age in 2032, the payments will take the form of a non-contributory monthly pension of EUR 544 or a lump-sum payment of EUR 139,249.

When Holger Hentschel reaches retirement age in 2033, the payments will take the form of a non-contributory monthly pension of EUR 580 or a lump-sum payment of EUR 153,512.

No provisions were recognised for Thomas Hegel or Eckhard Schultz as at 31 December 2015.

Early termination benefits

Severance pay

In the event of the early termination of the activity of a member of the Management Board, the payments made to the respective member, including additional benefits, may not exceed the value of two years' remuneration ("severance cap") or the value of the remuneration payable for the remaining term of this employment agreement. The settlement cap is based on the total remuneration for the past fiscal year and, where applicable, the anticipated total remuneration for the current fiscal year (as recommended in section 4.2.3 of the German Corporate Governance Code).

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

Death benefits

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

Remuneration system of the Supervisory Board

The Supervisory Board was constituted on 2 January 2013 with nine members. At the proposal of the Management Board and the Supervisory Board of LEG Immobilien AG, the Annual General Meeting on 25 June 2014 resolved to reduce the number of Supervisory Board members to six.

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

In accordance with the Articles of Association, all remuneration for Supervisory Board work is payable after the end of the 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 remuneration on a pro rata basis for this fiscal year.

In accordance with the Articles of Association of LEG Immobilien AG applicable in the first half of the year, the following applied in accordance with Article 8.10:

The members of the Supervisory Board each receive fixed annual basic remuneration of EUR 50,000. The Chairman of the Supervisory Board receives double this amount (EUR 100,000), while the Deputy Chairman receives one and a half times this amount (EUR 75,000).

The members of the Audit Committee receive additional fixed annual remuneration of EUR 10,000; the Chairman of the Audit Committee receives double this amount (EUR 20,000).

Members of the Supervisory Board who sit on one or more other committees of the Supervisory Board (e.g. the Executive Committee) that meet at least once per year receive additional fixed annual remuneration of EUR 2,500 for their membership of each committee; the Chairman of the respective committee receives EUR 5,000.

No remuneration is paid to the members or the Chairman of the Nomination Committee.

The total of all remuneration in accordance with Article 8.10 of the Articles of Association, plus remuneration for membership of the supervisory boards or similar executive bodies of Group companies, may not exceed EUR 100,000 per Supervisory Board member per calendar year, regardless of the number of committee memberships and positions held.

At the proposal of the Management Board and the Supervisory Board of LEG Immobilien AG, the Annual General Meeting on 24 June 2015 resolved to amend Article 8.10 as follows.

"The Supervisory Board members receive a fixed annual basic remuneration of EUR 50,000. The chairperson of the Supervisory Board receives double this amount, the deputy chairperson receives one-and-a-half times this amount. Members of a Supervisory Board committee receive an additional fixed annual remuneration of EUR 15,000; the committee chairperson receives double this. No remuneration is paid for membership or chairing of the nomination committee. Each member receives an additional payment of EUR 2,000 for each Supervisory Board or committee meeting where physical attendance is required. Each of the amounts stated above are payable after the fiscal year ends. Supervisory Board members who have only belonged to the Supervisory Board or a Supervisory Board committee during part of the fiscal year receive corresponding remuneration for the fiscal year pro rata temporis. The provisions in the above sentences shall apply as of 1 July 2015."

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

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

Nathan James Brown resigned his position as a member of the Supervisory Board of LEG Immobilien AG effective from the end of the Annual General Meeting on 24 June 2015.

Natalie C. Hayday was elected to the Supervisory Board by the Annual General Meeting on 24 June 2015. In accordance with Article 8.4 of the Articles of Association of LEG Immobilien AG, she has been appointed for the remainder of the term in office of Nathan James Brown, who left the Supervisory Board at the end of the Annual General Meeting on 24 June 2015, i.e. for a term in office until the end of the Annual General Meeting that adopts a resolution on the official approval of her actions for the 2017 financial year.

The necessary elections of members of the Audit Committee, the Executive Committee and the Nomination Committee were held at the Supervisory Board meeting on 24 June 2015.

By way of letter dated 30 November 2015, Mr Jürgen Schulte-Laggenbeck informed the company that he would be resigning as a member of the Supervisory Board effective 31 December 2015. The Nomination Committee has selected Dr Claus Nolting as Mr Schulte-Laggenbeck's successor, and will be proposing this to the shareholders at the Annual General Meeting on 19 May 2016.

The total remuneration of members of the Supervisory Board of LEG Immobilien AG amounted to EUR 0.5 million in 2015 (2014: EUR 0.5 million).

No loans or advances were granted or extended to the members of the Supervisory Board in the 2015 financial year.

T45 – Breakdown of Supervisory Board remuneration
Remuneration paid or to be paid to the members of the Supervisory Board for the fiscal year 2015

in €	*Supervisory Board*		*Audit Committee*		*Executive Committee*		*Nomination Committee*	*Total*
Name of member	*Remuneration*	*Attendance Fee*	*Remuneration*	*Attendance Fee*	*Remuneration*	*Attendance Fee*		
Michael Zimmer	100,000	6,000	–	–	17,500	4,000	0	127,500
	Chairman		–		Chairman		Chairman	
Stefan Jütte	75,000	8,000	25,000	8,000	8,750	4,000	0	126,750
	Deputy Chairman		Chairman		Deputy Chairman		Deputy Chairman	
Dr Johannes Ludewig	50,000	6,000	–	–	7,542	4,000	0	67,542
	Member			–	Member from 25.06.2015[1] Substitute member until 24.06.2015[1]		Member from 25.06.2015[1] Substitute member until 24.06.2015[1]	
Dr Jochen Scharpe	50,000	8,000	12,500	6,000	0	0	0	76,500
	Member		Deputy Chairman		Substitute member until 25.06.2015[1]		Substitute member until 25.06.2015[1]	
Jürgen Schulte-Laggenbeck	50,000	4,000	–	–	–	–	–	54,000
	Member		Substitute member		–		–	
Nathan Brown (until 24.06.2015)	24,167	–	4,833	–	1,208	–	0	30,208
	Member[1]		Member[1]		Member[1]		Member[1]	
Natalie Hayday (from 25.06.2015)	25,833	8,000	7,667	6,000	–	–	–	47,500
	Member[1]		Member[1]		–		–	
TOTAL	**375,000**	**40,000**	**50,000**	**18,000**	**35,000**	**12,000**	**–**	**530,000**

[1] Remuneration on a pro rata basis

CORPORATE GOVERNANCE DECLARATION IN ACCORDANCE WITH SECTION 289A HGB

As a listed stock corporation, LEG Immobilien AG issues a corporate governance declaration in accordance with section 289a of the German Commercial Code (HGB). This includes (i) the declaration of compliance in accordance with section 161(1) of the German Stock Corporation Act (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:

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

The Management Board and the Supervisory Board of LEG Immobilien AG submitted the following declaration in accordance with section 161 AktG in November 2015:

"The Management Board and Supervisory Board of LEG Immobilien AG (the "Company") hereby declare that the Company has complied with the recommendations of the "Government Commission for the German Corporate Governance Code" (version dated 24 June 2014) published by the German Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) on 30 September 2014 without exception since submitting its last declaration of conformity in accordance with section 161 of the German Stock Corporation Act (AktG) in November 2014.

Furthermore, the Management Board and Supervisory Board of LEG Immobilien AG declare that the Company currently complies with the recommendations of the "Government Commission for the German Corporate Governance Code" (version dated 5 May 2015) published by the German Federal Ministry of Justice in the official section of the Federal Gazette on 12 June 2015 without exception and that it will continue to do so in future.

Dusseldorf, November 2015

The Management Board of LEG Immobilien AG
The Supervisory Board of LEG Immobilien AG"

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 expressed its commitment. Customer orientation, reliability and social commitment are core elements of the company's corporate philosophy. They ensure the lasting high utilisation 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 and supporting cultural or social institutions and sports clubs. These measures actively promote social structures and neighbourhoods in order to strengthen the sense of identity and the bond between 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 neighbourhood.

LEG NRW Tenant Foundation

The charitable LEG NRW Tenant Foundation was created in 2010. With endowment assets of EUR 5.0 million, it supports individual tenants of the Group who require support on account of acute economic distress or due to their emotional, physical or mental state. Local social projects, schools and charitable initiatives are also aided on an individual and specific basis. 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 its Social Charter, LEG Immobilien AG recognises and is committed to a number of conditions and measures that serve to protect its tenants, employees and/or property holdings. Further information can be found on page 67.

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. At www.immo-initiative.de, the Corporate Governance Initiative of the German Real Estate Industry Association published a "Corporate Governance Code of the German Real Estate Industry" (as at June 2014, "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 provisions of item 5.3.2i – the recommendations of the ICGK should also be complied with.

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 and the selection of the valuation experts. The Rules of Procedure of the Management Board of LEG Immobilien AG currently stipulate that fundamental changes to valuation methods require the approval of the Supervisory Board. In addition, the Supervisory Board and the Audit Committee of the Supervisory Board comprehensively monitor and review the preparation of the annual financial statements and, in connection with this, the valuation of the property portfolio in accordance with the statutory provisions and the recommendations of the German Corporate Governance Code. The valuation of the property portfolio itself is performed by the company but is validated by an external property valuation expert and the auditor. Both the auditor and the external property valuation expert regularly participate in meetings of the Supervisory Board and the Audit Committee of the Supervisory Board.

Code of Conduct

The LEG Group has established a Code of Conduct with the aim of minimising the risk of compliance breaches. To this end, the LEG Group has not only created a Code of Conduct that must be acknowledged by its business partners, but has also appointed an anti-corruption officer and an ombudsman.

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 most recently amended by the Supervisory Board on 19 November 2014. 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 based on the assignment plan.

The Supervisory Board

The Supervisory Board has six members and monitors and advises the Management Board. It appoints and dismisses the members of the Management Board and, together with the Management Board, ensures long-term succession planning. Its duties and rights are determined by the legal provisions, the Articles of Association and the Rules of Procedure for the Supervisory Board. The Supervisory Board most recently amended the Rules of Procedure at its ordinary meeting on 25 March 2014. Nathan Brown resigned his position on the Supervisory Board from the 2015 Annual General Meeting; the Annual General Meeting elected Natalie C. Hayday as his successor on 24 June 2015. Jürgen Schulte-Laggenbeck also resigned from the Supervisory Board from 31 December 2015. A successor is to be elected at the 2016 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 dialogue 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 the strategy implementation with the Supervisory Board at regular intervals.

The Chairman of the Supervisory Board maintains regular contact with the Management Board, particularly with the Chairman of the Management Board, and advises 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 Executive Committee or the Supervisory Board and convenes extraordinary meetings if necessary.

Committees of the Supervisory Board

The Supervisory Board had three committees in the 2015 financial year: 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;
- The structure of the remuneration system for the Management Board, including the key contract elements and the total compensation paid to the individual members of the Management Board; and
- The acquisition of property portfolios.

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

- Transactions with members of the Management Board in accordance with section 112 AktG
- Approval of transactions with a value in excess of EUR 25,000 between the company or one of its Group companies on the one hand and a member of the Management Board or persons or undertakings related to a member of the Management Board on the other
- Consent to other activities by a member of the Management Board in accordance with section 88 AktG and approval of other additional employment, in particular holding supervisory board mandates and mandates in similar executives bodies of companies outside the Group

- Granting loans to the persons named under sections 89, 115 AktG
- Approval of contracts with Supervisory Board members in accordance with section 114 AktG
- Any other approval required in accordance with the Articles of Association of the company or the Rules of Procedure for the Management Board for measures by the Management Board if the matter cannot be delayed and a resolution by the Supervisory Board cannot be passed in a timely manner

The members of the Executive Committee are the Chairman of the Supervisory Board, Mr Michael Zimmer, his deputy, Mr Stefan Jütte, Dr Johannes Ludewig (since 24 June 2015) and Mr Nathan Brown (until 24 June 2015). 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, Dr Johannes Ludewig (since 24 June 2015) and Mr Nathan Brown (until 24 June 2015)). 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 the consolidated financial statements where applicable) and the agreements with the auditor (in particular, the granting of the audit mandate to the auditor, the determination of the key areas of the audit and the fee agreement). The 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 Mr Stefan Jütte (Chairman), Dr Jochen Scharpe (Deputy Chairman), Ms Natalie C. Hayday (since 24 June 2015) and Mr Nathan Brown (until 24 June 2015). The Chairman of the Audit Committee is independent and has special expertise and experience in the application of accounting policies and internal control procedures.

Detailed information on the work of the Supervisory Board and the composition of the committees of the Supervisory Board in the 2015 financial year can be found in the Report of the Supervisory Board from page 37 of this annual report.

Targets for the participation of women

In accordance with section 76(4) and section 111(5) of the German Stock Corporation Act, the Supervisory Board and the Management Board are required to set targets for the participation of women in (i) the Supervisory Board, (ii) the Management Board and (iii) the two management levels below the Management Board, to stipulate a timeframe for when this goal must be achieved and to report on the achievement of this goal.

Supervisory Board

At its meeting on 2 June 2015 the Supervisory Board, based on the six-person Supervisory Board of LEG Immobilien AG and given the current composition of the Supervisory Board, resolved a ratio of 16.6% (corresponds to one woman on the six-person Supervisory Board).

The deadline for achieving this goal was set as 31 December 2016. After this date the Supervisory Board will discuss the goal again at its following meeting and set a new one based on the information at the time. This goal had been achieved as at 31 December 2015.

Management Board

Also at its meeting on 2 June 2015, the Supervisory Board of LEG Immobilien AG set a goal for the share of women on the Management Board of currently 0.0%, in particular on account of the extension of Management Board appointments until 2021 (Mr Hegel and Mr Schultz) and 2019 (Mr Hentschel) just in March 2015. The goal is therefore for the current status.

The deadline for achieving this goal was set as 31 December 2016. After this date the Supervisory Board will discuss the goal again and set a new one in light of the information at the time. This goal had been achieved as at 31 December 2015 as there were no changes in the Management Board.

Management levels below Management Board

LEG Immobilien AG itself has no employees. Hence it is not possible to set goals for employees that it does not have. However, at the Management Board meeting of 17 June 2015 the Management Board of LEG Immobilien AG voluntarily set Group-wide targets for the appointment of women to management positions. A target of 30% was set for both the first and second management levels below the Management Board. The period for achieving these goals was limited until 31 December 2016. At the time of the resolution 25% of the first level of management below the Management Board and 36% of the second were women; thus the setting of goals means increasing the share of women for the first level and maintaining a minimum share for the second. This does not preclude a further increase in the share of women at this management level. The share of women at the two management levels below the Management Board was unchanged as at 31 December 2015.

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 website of LEG Immobilien AG at www.leg.ag.

TAKEOVER DISCLOSURES IN ACCORDANCE WITH SECTION 315 (4) HGB

Composition of issued capital

There are 62,769,788 no-par-value ordinary shares admitted to trading on the Frankfurt Stock Exchange. The shares are registered shares and do not differ in terms of the securitised rights and obligations.

After partial utilization, the Authorized Capital amounts to EUR 24,021,722.00. The Contingent Capital amounts to EUR 28,531,722.00.

Restrictions relating to voting rights and transfers of shares

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

Interests in capital with shares of voting rights exceeding 10%

As of 31 December 2015, BlackRock, Inc. and its affiliated companies held 18.64% of the share capital of the company, and hence also of the voting rights (notification in accordance with section 41 (4f) of the German Securities Trading Act (WpHG). As a material investor, BlackRock notified LEG of the objectives pursued with the investment and the origin of the funds used in the acquisition in accordance with section 27a WpHG. LEG published this notification on 27 March 2015.

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 of the German Stock Corporation Act (AktG). There are no material supplementary or divergent provisions in the Articles of Association or Rules of Procedure.

Amendments to the Articles of Association are effected in accordance with the provisions of the AktG. There are no material supplementary or divergent provisions in the Articles of Association or Rules of Procedure.

Authority of the Management Board to issue and buy back shares

The Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the company by up to a total of EUR 24,021,722.00 by issuing up to 24,021,722 new shares until 23 June 2020.

The share capital is contingently increased by up to EUR 28,531,722.00 through the issue of up to 28,531,722 new shares. The contingent capital increase is subject to the proviso that the conditions for the conversion rights issued in 2014 or in future are exercised and serviced by way of the corresponding utilisation of contingent capital.

Authorisation on the acquisition and utilisation of treasury shares

On 17 January 2013, the Annual General Meeting of LEG Immobilien AG authorised the Management Board in accordance with section 71 (1) no. 8 AktG to acquire treasury shares up to a total of 10% of the share capital in place as of the time of the authorisation. The shares acquired on the basis of this authorisation, together with other shares of the company that the company has already acquired and still holds or that are attributable to it, may not account for more than 10% of the share capital at any time. The authorisation applies until 16 January 2018 and may 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 10% (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 10% or be 20% less than the arithmetic average of the price of the shares on the stock exchange in Frankfurt/Main on the last ten trading days before the publication of the offer or, if acquired otherwise, before the acquisition.

The authorisation can be exercised for any legally permissible purpose. The Management Board was also authorised to use the shares acquired on the basis of the acquisition authorisation – subject to other requirement – as follows, in particular: (i) to withdraw shares, (ii) for resale on the stock exchange, (iii) to offer for subscription to shareholders, (iv) for disposal in a manner other than on the stock exchange or by way of offer to all shareholders if the acquired shares are sold against cash payment at a price not significantly less than the stock market price within the meaning of section 186 (3) sentence 4 AktG, whereby this authorisation is limited to a pro rata amount of share capital totalling not more than 10% of the share capital as of the time of the resolution by the Annual General Meeting or – if lower – 10% of the share capital as of the time of the disposal of the shares, (v) as part of a merger or for the acquisition of companies, parts of companies or equity investments in companies, including increases of existing holdings, or of other eligible assets such as 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 subscription rights of shareholders is excluded in certain cases or can be excluded for fractional amounts in the case of subscription offers to shareholders.

The statutory provisions also apply.

Material agreements of the company for the event of a change of control following a takeover bid

In April 2014, LEG Immobilien AG issued a convertible bond with a volume of EUR 300 million. In the event of a change of control, the terms and conditions of the convertible bonds state that the bondholders shall be entitled to receive an increased number of shares at a correspondingly adjusted conversion price if the conversion is exercised within a defined period following the change of control. Prior to a change of control taking place, bondholders may submit their convertible bonds for conversion when a corresponding takeover bid is published subject to the condition precedent of the change of control taking place. The extent of the adjustment to the conversion price shall fall during the term of the convertible bond; this is defined in greater detail in the terms and conditions of the convertible bonds. A change of control in accordance with these conditions is considered to have taken place if a person or persons acting in concert hold 30% or more of the shares in LEG Immobilien AG or are otherwise able to exercise control over the company.

In addition, there are some financing agreements in place that contain a termination clause for the benefit of the financing banks, following such a change of control.

Compensation agreements concluded by the company with employees or members of the Management Board in the event of a takeover bid

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

CONSOLIDATED FINANCIAL STATEMENTS

4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

T46 – Consolidated statement of financial position
Assets

€ million	*Notes*	**31.12.2015**	*31.12.2014*
Non-current assets		**6,898.4**	**6,086.2**
Investment properties	E.1	6,398.5	5,914.3
Prepayments for investment properties		203.1	16.8
Property, plant and equipment	E.2	59.1	64.6
Intangible assets	E.3	63.1	64.0 [1]
Investments in associates	E.4	8.8	8.9
Other financial assets	E.5	148.8	2.4
Receivables and other assets	E.6	2.7	2.5
Deferred tax assets	E.15	14.3	12.7
Current assets		**290.0**	**165.8**
Real estate inventory and other inventory	E.7	5.1	6.2
Receivables and other assets	E.6	30.5	27.1
Income tax receivables	E.15	1.6	2.6
Cash and cash equivalents	E.8	252.8	129.9
Assets held for sale	E.9	**6.7**	**58.4**
TOTAL ASSETS		**7,195.1**	**6,310.4**

Equity and liabilities

€ million	*Notes*	**31.12.2015**	*31.12.2014*
Equity	E.10	**2,985.0**	**2,490.4**
Share capital		62.8	57.1
Capital reserves		779.2	578.9
Cumulative other reserves		2,125.8	1,840.1 [1]
Equity attributable to shareholders of the parent company		2,967.8	2,476.1
Non-controlling interests		17.2	14.3
Non-current liabilities		**3,419.3**	**3,158.8**
Pension provisions	E.11	142.8	158.3
Other provisions	E.12	11.4	14.6
Financing liabilities	E.13	2,745.6	2,546.5
Other liabilities	E.14	106.7	114.6
Tax liabilities	E.15	8.5	16.5
Deferred tax liabilities	E.15	404.3	308.3
Current liabilities		**790.8**	**661.2**
Pension provisions	E.11	7.0	6.3
Other provisions	E.12	19.1	17.5
Provisions for taxes	E.15	0.4	0.4
Financing liabilities	E.13	496.0	413.8
Other liabilities	E.14	253.1	206.6 [1]
Tax liabilities	E.15	15.2	16.6
TOTAL EQUITY AND LIABILITIES		**7,195.1**	**6,310.4**

[1] Adjustment arising from final purchase price allocation

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

T47 – Consolidated statement of comprehensive income

€ million	*Notes*	**01.01. – 31.12.2015**	*01.01. – 31.12.2014*
Net rental and lease income	F.1	**320.5**	**284.9**
Rental and lease income		644.6	576.8
Cost of sales in connection with rental lease income		–324.1	–291.9
Net income from the disposal of investment properties	F.2	**3.6**	**–1.7**
Income from the disposal of investment properties		112.3	37.6
Carrying amount of the disposal of investment properties		–107.0	–37.2
Cost of sales in connection with disposed investment properties		–1.7	–2.1
Net income from the remeasurement of investment properties	F.3	**285.5**	**143.0**
Net income from the disposal of real estate inventory	F.4	**–1.2**	**–3.1**
Income from the real estate inventory disposed of		1.0	5.7
Carrying amount of the real estate inventory disposed of		–0.7	–5.0
Costs of sales of the real estate inventory disposed of		–1.5	–3.8
Net income from other services	F.5	**0.9**	**–0.3**
Income from other services		8.9	9.3
Expenses in connection with other services		–8.0	–9.6
Administrative and other expenses	F.6	**–58.1**	**–41.6**
Other income		**0.9**	**0.5**
OPERATING EARNINGS		**552.1**	**381.7**
Interest income	F.7	0.6	1.2
Interest expenses	F.8	–181.5	–128.5
Net income from investment securities and other equity investments		4.3	7.1
Net income from associates		0.0	0.3
Net income from the fair value measurement of derivatives	F.9	–75.8	–42.3
EARNINGS BEFORE INCOME TAXES		**299.7**	**219.5**
Income taxes	F.10	–82.0	–63.9 [1]
NET PROFIT OR LOSS FOR THE PERIOD		**217.7**	**155.6**
Change in amounts recognised directly in equity			
Thereof recycling			
Fair value adjustment of interest rate derivatives in hedges		**31.2**	**–30.9**
Change in unrealised gains/(losses)		41.5	–42.1
Income taxes on amounts recognised directly in equity		–10.3	11.2
Thereof non-recycling			
Actuarial gains and losses from the measurement of pension obligations		**8.4**	**–22.2**
Change in unrealised gains/(losses)		12.1	–31.8
Income taxes on amounts recognised directly in equity		–3.7	9.6
TOTAL COMPREHENSIVE INCOME		**257.3**	**102.5**
Net profit or loss for the period attributable to:			
Non-controlling interests		–0.1	1.0 [1]
Parent shareholders		217.8	154.6 [1]
Total comprehensive income attributable to:			
Non-controlling interests		–0.1	0.5 [1]
Parent shareholders		257.4	102.0 [1]
EARNINGS PER SHARE (BASIC AND DILUTED) IN €	F.11	**3.74**	**2.87**

[1] Adjustment arising from final purchase price allocation of Vitus transaction

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

T48 – Statement of changes in consolidated equity

				Cumulative other reserves				
€ million	*Share capital*	*Capital reserves*	*Revenue reserves*	*Actuarial gains and losses from the measurement of pension obligations*	*Fair value adjustment of interest derivatives in hedges*	*Equity attributable to shareholders of the Group*	*Noncontrolling interests*	*Consolidated equity*
AS OF 01.01.2014	**53.0**	**440.9**	**1,805.9**	**–16.6**	**–34.4**	**2,248.8**	**27.3**	**2,276.1**
Net profit or loss for the period	–	–	155.8	–	–	155.8	1.0	156.8
Other comprehensive income	–	–	–	–21.9	–30.7	–52.6	–0.5	–53.1
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**155.8**	**–21.9**	**–30.7**	**103.2**	**0.5**	**103.7**
Change in consolidated companies	–	–	13.9	–	–	13.9	–14.4	–0.5
Capital increase	4.1	198.8	62.0	–	–	264.9	0.9	265.8
Withdrawals from reserves	–	–62.0	–1.1	–	–	–63.1	–	–63.1
Distributions	–	–	–91.6	–	–	–91.6	–	–91.6
Contribution in connection with Management and Supervisory Board	–	1.2	–	–	–	1.2	–	1.2
AS OF 31.12.2014	**57.1**	**578.9**	**1,944.9**	**–38.5**	**–65.1**	**2,477.3**	**14.3**	**2,491.6**
Net profit/loss for the period – adjustment arising from final PPA Vitus	–	–	–1.2	–	–	–1.2	0.0	–1.2
AS OF 31.12.2014 ADJUSTED	**57.1**	**578.9**	**1,943.7**	**–38.5**	**–65.1**	**2,476.1**	**14.3**	**2,490.4**
AS OF 01.01.2015	**57.1**	**578.9**	**1,943.7**	**–38.5**	**–65.1**	**2,476.1**	**14.3**	**2,490.4**
Net profit or loss for the period	–	–	217.8	–	–	217.8	–0.1	217.7
Other comprehensive income	–	–	–	8.4	31.2	39.6	–	39.6
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**217.8**	**8.4**	**31.2**	**257.4**	**–0.1**	**257.3**
Change in consolidated companies/other	–	–	7.7	–	–	7.7	6.8	14.5
Capital increase	5.7	370.1	171.2	–	–	547.0	0.7	547.7
Withdrawals from reserves	–	–170.0	–38.8	–	–	–208.8	–0.2	–209.0
Distributions	–	–	–111.8	–	–	–111.8	–4.3	–116.1
Contribution in connection with Management and Supervisory Board	–	0.2	–	–	–	0.2	–	0.2
AS OF 31.12.2015	**62.8**	**779.2**	**2,189.8**	**–30.1**	**–33.9**	**2,967.8**	**17.2**	**2,985.0**

CONSOLIDATED STATEMENT OF CASH FLOWS

T49 – Consolidated statement of cash flows

Mio. €	*Notes*	**01.01.– 31.12.2015**	*01.01.– 31.12.2014*
Operating earnings		**552.1**	**381.7**
Depreciation on property, plant and equipment and amortisation on intangible assets		9.0	8.6
(Gains)/Losses from the remeasurement of investment properties		–285.5	–143.0
(Gains)/Losses from the disposal of assets held for sale and investment properties		–5.3	–0.4
(Decrease)/Increase in pension provisions and other non-current provisions		–6.0	1.1
Other non-cash income and expenses		5.9	6.7
(Decrease)/Increase in receivables, inventories and other assets		–3.3	–0.3
Decrease/(Increase) in liabilities (not including financing liabilities) and provisions		–7.0	–5.6
Interest paid		–88.2	–95.5
Interest received		0.7	1.0
Received income from investments		4.4	7.9
Taxes received		1.5	1.4
Taxes paid		–11.4	–16.7
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		**166.9**	**146.9**
Cash flow from investing activities			
Investments in investment properties		–421.9	–226.2
Proceeds from disposals of non-current assets held for sale and investment properties		80.6	70.1
Investments in intangible assets and property, plant and equipment		–3.1	–3.1
Proceeds from disposals of intangible assets and property, plant and equipment		0.1	0.0
Proceeds from disposals of financial assets and other assets		0.0	0.3
Acquisition of shares in consolidated companies		–151.6	–448.5
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		**–495.9**	**–607.4**
Cash flow from financing activities			
Borrowing of bank loans		1,281.1	208.8
Repayment of bank loans		–1,086.9	–127.3
Repayment of lease liabilities		–3.8	–3.2
Issue of convertible bond		–	296.1
Capital contribution		375.8	202.9
Other payments		–7.9	–6.0
Distribution to shareholders		–111.8	–91.6
Other proceeds		5.4	–
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**451.9**	**479.7**
Change in cash and cash equivalents		**122.9**	**19.2**
Cash and cash equivalents at beginning of period		129.9	110.7
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**252.8**	**129.9**
Composition of cash and cash equivalents			
Cash in hand, bank balances		252.8	129.9
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**252.8**	**129.9**

NOTES

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

1. Basic information on the Group

LEG Immobilien AG, Dusseldorf (hereinafter: "LEG Immo"), its subsidiary LEG NRW GmbH, Dusseldorf (hereinafter: "LEG") and the subsidiaries of the latter company (hereinafter referred to collectively as the "LEG Group") are among the largest residential companies in Germany. The LEG Group held a portfolio of 109,969 units (residential and commercial) on 31 December 2015.

LEG Immo and its subsidiaries engage in two core activities as an integrated property company: the value-adding long-term management of its residential property portfolio in connection with the strategic acquisition of residential portfolios in order to generate economies of scale for its management platform and the expansion of tenantoriented services.

LEG Immo went public on 1 February 2013 with the initial listing of its shares in the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange.

These consolidated financial statements were approved for publication by LEG Immo's Management Board on 8 March 2016.

2. Consolidated financial statements

The consolidated financial statements of the LEG Group 31 December 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) as applicable in the European Union. The consolidated financial statements have been prepared in accordance with the provisions of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council dated 19 July 2002, concerning the application of international accounting standards in conjunction with section 315a(3) of the Handelsgesetzbuch (HGB – German Commercial Code) and the additional provisions of commercial law.

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

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

The consolidated financial statements are prepared on the basis of accounting for assets and liabilities at amortised cost. Exceptions to this are investment property, securities held for sale and derivative financial instruments, which are carried at their fair value as at the end of the reporting period.

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

The preparation of consolidated financial statements in accordance with the IFRS requires estimates and judgements on the part of the management. Areas with greater scope for judgement or areas in which assumptions and estimates are of material importance to the consolidated financial statements are listed in D.22 and D.23.

The consolidated financial statements of LEG Immo constitute exempting consolidated financial statements within the meaning of section 291 HGB for 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 non-controlling interests have applied for the preparation of consolidated financial statements and a Group management report in accordance with section 291(3) sentence 1 no. 2 HGB, and the other conditions of section 291(2) no. 2 and no. 3 HGB have been met.

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 (IFRSs) and Interpretations (IFRICs) that have been published but that are not yet effective

The IASB has published the following IFRSs and IFRICs that are not yet effective: Table *T50*

LEG Immo does not adopt new standards early.

In December 2014 the IASB published amendments to IAS 1, Disclosure Initiative. The amendments are intended to remove boundaries with regard to judgements by the preparer in the presentation of the financial statements. Subject to the approval of the EU, the amendments are effective for reporting periods beginning on or after 1 January 2016. They will not affect the net assets, financial position or results of operations. However, changes in disclosures in the notes are expected. The LEG Group is currently reviewing the implications of the standard.

The IASB completed its project to replace IAS 39, Financial Instruments: Recognition and Measurement, in July 2014 with the publication of the final version of IFRS 9, Financial Instruments. IFRS 9 contains revised regulations on the classification and measurement of financial assets and a new loss allowance model that also takes expected losses into account in the calculation of loss allowances. Furthermore, it also includes the new hedge accounting regulations already published in November 2013. The standard therefore replaces all earlier versions of IFRS 9 and, subject to EU endorsement, is effective for the first time for reporting periods beginning on or after 1 January 2018. The adoption of IFRS 9 is expected to result in changes to the accounting of financial instruments at the LEG Group. The LEG Group is reviewing the impact of the standard.

In May 2014 the IASB published IFRS 15 Revenue from Contracts with Customers. IFRS 15 replaces the previous IFRS provisions on revenue recognition: IAS 18 and IAS 11. The goal of the new standard on revenue recognition is to compile the many regulations already contained in various standards and interpretations into a uniform model of revenue recognition. The standard establishes a five-step model to help determine the amount and timing of revenue recognition. Other changes can arise on account of the new regulations for revenue recognition on transfer of control, multi-component transactions with revenue recognised over the period of performance and extended disclosures in the notes. Subject to EU endorsement, the standard is effective for reporting periods beginning on or after 1 January 2018. The LEG Group is reviewing

T50 – Published IFRS and IFRIC that are not yet effective

	Content	*Effective for reporting periods beginning on*
New standards		
IFRS 9	"Financial Instruments: Classification and Measurement"	01.01.2018 *
IFRS 14	"Regulatory Deferral Accounts"	01.01.2016 *
IFRS 15	"Revenue from Contracts with Customers"	01.01.2018 *
IFRS 16	"Leases"	01.01.2019 *
Amendments to standards		
IFRS 11	"Joint Operations"	01.01.2016 *
IAS 16/IAS 38	"Property, Plant and Equipment and Intangible Assets"	01.01.2016 *
IAS 16/IAS 41	"Property, Plant and Equipment and Agriculture"	01.01.2016 *
IAS 27	"Separate Financial Statements"	01.01.2016 *
IFRS 10/ IAS 28	"Sales or Contributions of Assets between an Investor and its Associate/Joint Venture"	not defined
IAS 1	"Disclosure Initiative"	01.01.2016 *
IAS 7	"Disclosure Initiative"	01.01.2017 *
IAS 12	"Recognition of deferred tax assets for unrealised losses"	01.01.2017 *
IFRS 10/IFRS 12/IAS 28	"Applying the Consolidation Exception"	01.01.2016 *
IAS 19	"Defined Benefit Plans: Employee Contributions"	01.02.2015
Various standards	Annual Improvements to IFRSs 2010–2012	01.02.2015
Various standards	Annual Improvements to IFRSs 2012–2014	01.01.2016 *

* (not yet endorsed)

the impact of the standard. No material effects on the net assets, financial position, or results of operations are expected.

The IASB completed its project to replace IAS 17, Leases, in January 2016 with the publication of the final version of IFRS 16, Leases. IFRS 16 establishes a new accounting model based on the right to use an asset for leases in the lessee's financial statements. The current classification system that distinguishes between operating and finance leases will be replaced for lessees in future ("one-model approach"). For lessees, all leases will be shown "on-balance sheet". Thus, lessees will recognise a "right of use" asset and a lease liability for all leases. Subject to EU endorsement, the standard is effective for reporting periods beginning on or after 1 January 2019. This will affect the net assets, financial position and results of operations of the LEG Group. The precise extent is currently under analysis.

2. International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) effective for the first time

The following changes in IFRSs and interpretations were effective for the first time in the LEG Immo consolidated financial statements in the 2015 financial year: Table T51

IFRIC 21, Levies, published in May 2013, clarifies when to recognise a liability for a levy imposed by a government. It is effective for the first time for annual periods beginning on or after 17 June 2014. In accordance with IFRIC 21, real estate tax for the entire 2015 financial year were recognised as at 1 January 2015. There was no effect on the net assets, financial position or results of operations as at the end of the financial year.

c. Basis of consolidation and consolidation methods

1. Scope of consolidated financial statements and consolidation methods

a) Subsidiaries

The consolidated financial statements of the LEG Group contain all the material subsidiaries LEG Immo controls within the meaning of IFRS 10. An entity is to be included in consolidation by another entity when, in substance, the former is controlled by the latter, even if it does not hold more than 50% of the voting rights in the other entity.

LEG Immo only controls its subsidiaries if the following three requirements of IFRS 10.7 are met:

1) the parent company has power over the relevant activities of the subsidiary
2) variable returns from the subsidiaries go to the parent company and
3) the parent company has the ability to use its power over the subsidiary to affect the amount of the returns.

Subsidiaries are consolidated from the date at which LEG Immo first obtains control. Subsidiaries are deconsolidated as soon as LEG Immo no longer controls them.

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

T51 – Amended standards and new interpretations effective for the first time

	Content	*Effective for reporting periods beginning on*
Amendments to standards		
Various standards	Annual Improvements to IFRSs 2011–2013	01.01.2015
New interpretations		
IFRIC 21	"Levies"	17.06.2014

Capital is consolidated in accordance with the acquisition method, whereby the cost at the time of acquisition is offset against the pro rata share of net assets. Under the acquisition method, the net assets of the acquired subsidiary 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 share of profit and net assets not attributable to the shareholders of LEG Immo. Non-controlling interests are reported separately in the consolidated statement of comprehensive income and the consolidated statement of financial position. They are reported in the consolidated statement of financial position under equity but separately from the equity attributable to the shareholders of the parent company.

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

b) Associates

Associates are equity interests whose financial and operating policies can be significantly influenced by the LEG Group. Significant influence is presumed when LEG Immo holds between 20% and 50% of the voting rights in this 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 in the Group's financial statements, 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 non-current receivables from the financing of the respective associate, are not recognised unless there is an obligation to make additional payments.

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

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

2. Changes in the Group

a) Subsidiaries

The scope of consolidated financial statements of the LEG Group developed as follows:

T52 – Number of consolidated subsidiaries

	2015	*2014*
AS OF 01.01.	**48**	**43**
Additions	10	8
Additions due to change of consolidation method	1	0
Disposals	–5	–3
AS OF 31.12.	**54**	**48**

LEG Grundbesitz Erwerb 1 GmbH & Co. KG was consolidated for the first time as at 1 January 2015.

EnergieServicePlus GmbH was founded by way of notarised agreement on 17 February 2015. The object of the company is to provide energy supply services and energy-related services. It was included in consolidation for the first time as at 1 March 2015.

Noah Asset 4 GmbH was consolidated for the first time as at 1 June 2015.

Solis GmbH, Dusseldorf, Rheinweg Grundstücksgesellschaft mbH, Dusseldorf, and Jupp Grundstücksgesellschaft mbH, Dusseldorf, were acquired and included in consolidation for the first time as at 1 July 2015 in the context of a portfolio acquisition. Further details can be found in section E.1.

LEG Grundbesitz Erwerb 2 GmbH & Co. KG and LEG Grundbesitz Erwerb 3 GmbH & Co. KG were consolidated for the first time as at 1 July 2015. LEG Wohnviertel Dyk GmbH was consolidated for the first time as at 31 July 2015.

The disposals relate to former subsidiaries of the LEG Group merging within the LEG Group. LEG Bauträger GmbH, LEG Standort- und Projektentwicklung Bielefeld GmbH and LEG Standort- und Projektentwicklung Essen GmbH were merged with LEG Solution GmbH retrospectively as at 1 January 2015.

GEWG Beteiligungs GmbH was merged with GEWG GmbH as at 1 July 2015 and GEWG KG was merged with its general partner as at 31 March 2015. These changes in the scope of consolidated financial statements have no effect on the net assets, financial position and results of operations of the Group.

b) Associates

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

T52 – Number of associates accounted for using the equity method

	2015	*2014*
AS OF 01.01.	**4**	**4**
Additions/Disposals	–1	0
AS OF 31.12.	**3**	**4**

3. *Business combinations*

The purchase price allocation of the acquisition of the Vitus Group as at 1 November 2014 was still provisional with respect to the following items

- investment property
- deferred taxes
- operating costs
- consideration transferred

in the LEG Group's consolidated financial statements as at 31 December 2014.

After the conclusion of purchase price allocation, adjustments are made retrospectively as at the acquisition date (IFRS 3.45).

The finalisation involved the following changes:

- Consideration transferred: The purchase price was determined on the basis of the statements of financial position as at 30 September 2014 (purchase price statement of financial position). These were provisional as at the date of the 2014 consolidated financial statements being prepared. The finalisation of the purchase price statement of financial position resulted in a subsequent purchase price adjustment of EUR 0.5 million.
- Deferred taxes: The finalisation of the tax carrying amounts for the property assets resulted in a net reduction of deferred taxes by EUR 1.2 million. An adjustment of the offsetting in the final purchase price allocation resulted in a decline of deferred tax assets and liabilities by EUR 1.6 million each.

Total consideration and net assets acquired are as follows:

T54 – Consideration

€ million	*01.11.2014 final*	*01.11.2014 provisional*	*Change*
Net purchase price	463.4	462.9	–0.5
Contingent reimbursement of the purchase price	–0.9	–0.9	–
TOTAL CONSIDERATION	**462.5**	**462.0**	**–0.5**

T55 – Purchase price allocation

€ million	*01.11.2014 final*	*01.11.2014 provisional*	*Change*
Investment properties	436.3	436.3	–
Cash and cash equivalents	6.9	6.9	–
Other assets	7.3	8.9	1.6
Assets held for sale	24.5	24.5	–
TOTAL ASSETS	**475.0**	**476.6**	**1.6**
Other financing liabilities	–18.8	–18.8	–
Pension provisions	–15.5	–15.5	–
Deferred tax liabilities	–33.3	–36.1	–2.8
Other liabilities	–6.1	–6.1	–
TOTAL LIABILITIES	**–73.7**	**–76.5**	**–2.8**
Net assets at fair value	401.3	400.1	–1.2
Non-controlling interests	–0.3	–0.3	–
Net assets at fair value without non-controlling interests	401.6	400.4	–1.2
CONSIDERATION	**462.5**	**462.0**	**–0.5**
GOODWILL	**60.9**	**61.6**	**0.7**

The final goodwill for the acquisition of the Vitus Group therefore declined by EUR 0.7 million to EUR 60.9 million.

The finalisation of purchase price allocation affected the consolidated financial statements as at 31 December 2014 as follows:

- Other liabilities: The subsequent purchase price adjustment resulted in a EUR 0.5 million increase in other liabilities.

— Income taxes: The adjustment of deferred taxes described above was required only as at the acquisition date. The deferred taxes as at 31 December 2014 were unchanged. As a result, the expense from deferred income taxes for the period from 1 November to 31 December 2014 increased by EUR 1.2 million.
— Cumulative other reserves: The increase in income taxes resulted in a decline in equity of EUR 1.2 million (cumulative other reserves).

4. IFRS 12 disclosures

a) Disclosures on subsidiaries included in consolidation

An overview of the subsidiaries in which LEG Immo holds investments as at 31 December 2015 (IFRS 12.10 et seq.) can be found in section J.

LEG Immo holds 82.9% in LEG NRW GmbH directly and 17.07% indirectly through Rote Rose GmbH & Co. KG (Rote Rose). LEG NRW GmbH holds the other investments in the subsidiaries listed above.

The direct and indirect shares of capital held by LEG Immo in the subsidiaries are also equal to its shares of the voting rights. The companies not included in consolidation are not considered material in terms of the key performance indicators net profit for the year, total assets and revenue, and are therefore not included in the scope of consolidated financial statements.

b) Disclosures on subsidiaries with significant non-controlling interests

The financial information on significant, non-controlling interests in subsidiaries is summarised below (IFRS 12.B10). Intragroup transactions were not eliminated in the amounts disclosed.

As at 31 December 2015, EnergieServicePlus GmbH, Residential segment, is the only subsidiary with significant non-controlling interests, after LEG Immo sold 49% of the shares in EnergieServicePlus GmbH to RWE on 30 April 2014.

EUR 0.3 million of consolidated net income relates to the significant non-controlling interests of EnergieServicePlus GmbH. The carrying amount in the Group recognised for the non-controlling interests in EnergieServicePlus GmbH as at 31 December 2015 was EUR 0.8 million.

By way of increasing the shareholdings on 11 September 2015, Biomasse Heizkraftwerk Siegerland GmbH & Co.KG, Other segment, became a 94.86%-subsidiary of LEG Immo. There are therefore no significant non-controlling interests in Biomasse Heizkraftwerk GmbH & Co.KG as at 31 December 2015.

The sale of shares in EnergieServicePlus GmbH is accounted as equity transaction as well as the acquisition of further shares in Biomasse Heizkraftwerk Siegerland GmbH & Co.KG. Both transactions are presented as “Changes in the scope of consolidated financial statements/Other” in revenue reserves of the statement of changes in equity.

T56 – Statement of financial position

	Biomasse Heizkraftwerk GmbH & Co. KG		*EnergieServicePlus GmbH*		*Total*	
€ million	**2015**	*2014*	**2015**	*2014*	**2015**	*2014*
Non-current						
Assets	–	17.5	1.8	0.0	1.8	17.5
Liabilities	–	–14.7	–0.8	0.0	–0.8	–14.7
Non-current net assets	–	2.8	1.0	0.0	1.0	2.8
Current						
Assets	–	1.7	1.2	0.0	1.2	1.7
Liabilities	–	–6.6	–1.0	0.0	–1.0	–6.6
Current net assets	–	–4.9	0.2	0.0	0.2	–4.9

T57 – Statement of profit or loss

	Biomasse Heizkraftwerk GmbH & Co. KG		*EnergieServicePlus GmbH*		*Total*	
€ million	**2015**	*2014*	**2015**	*2014*	**2015**	*2014*
Revenue/other operating income	0.0	7.7	2.1	0.0	2.1	7.7
Earnings before income taxes	0.0	–1.8	0.0	0.0	0.0	–1.8
Net profit from continued operations	0.0	–1.8	0.0	0.0	0.0	–1.8
Net profit	0.0	–1.8	0.0	0.0	0.0	–1.8
TOTAL COMPREHENSIVE INCOME	**0.0**	**–1.8**	**0.0**	**0.0**	**0.0**	**–1.8**
Attributable to: interests without significant influence	0.0	–0.9	0.0	0.0	0.0	–0.9
Paid dividend to owner without significant interest	0.0	0.0	0.0	0.0	0.0	0.0

T58 – Statement of cash flows

	Biomasse Heizkraftwerk GmbH & Co. KG		*EnergieServicePlus GmbH*		*Total*	
€ million	**2015**	*2014*	**2015**	*2014*	**2015**	*2014*
Net cash from/used in						
Operating activities	–	1.7	0.1	0.0	0.1	1.7
Investing activities	–	–	–0.2	–	–0.2	–
Financing activities	–	–1.4	0.5	0.0	0.5	–1.4
CHANGE IN CASH AND CASH EQUIVALENTS	**–**	**0.3**	**0.4**	**–**	**0.4**	**0.3**

c) Disclosures on associates

1. Disclosures on significant associates

The investments in associates affect the statement of financial position and the statement of comprehensive income of the LEG Group as follows:

T59 – Investments in associates

€ million	**2015**	*2014*
Recognition	8.8	8.9
Total comprehensive income	0.0	0.3

The disclosures on the equity investments in associates classified as material are listed below.

T60 – Material associates

	Share of capital in %	*Equity € million**	*Result € million**
Kommunale Haus und Wohnen GmbH, Rheda-Wiedenbrück	40.62	19.4	0.7
Beckumer Wohnungsgesellschaft mbH, Beckum	33.37	3.5	0.0

* For Beckumer Wohnungsgesellschaft mbH, this relates to the equity and the results of the separate HGB financial statements as of 31 December 2015, for Kommunale Haus und Wohnen GmbH the equity and the results of the separate HGB financial statements as of 31 December 2014.

The companies listed above perform property management activities.

The relationships with the associates are of an operational nature. All the companies listed above are recognised in the consolidated financial statements using the equity method. There are no quoted market prices.

The compiled financial information for the key associates of the Group is shown below. The financial information shown below is consistent with the amounts in the financial statements of the associates.

T61 – Statement of financial position

	Kommunale Haus und Wohnen GmbH		*Beckumer Wohnungsgesellschaft mbH*		*Total*	
€ million	*31.12.2015*	*31.12.2014*	*31.12.2015*	*31.12.2014*	*31.12.2015*	*31.12.2014*
Non-current assets	42.1	43.0	7.6	7.9	49.7	50.9
Current assets	2.7	1.9	0.5	0.5	3.2	2.4
Cash and cash equivalents	1.7	2.2	0.9	0.9	2.6	3.1
Other assets	–	–	–	–	–	–
Non-current liabilities	–	–	–	–	–	–
Current liabilities	27.1	28.2	5.5	5.8	32.6	34.0
Financing liabilities	–	–	–	–	–	–
Non-financing liabilities	–	–	–	–	–	–
Net assets	**19.4**	**18.9**	**3.5**	**3.5**	**22.9**	**22.4**

T62 – Statement of profit or loss

	Kommunale Haus und Wohnen GmbH		*Beckumer Wohnungsgesellschaft mbH*		*Total*	
€ million	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*
Revenue	6.0	6.1	1.2	1.2	7.2	7.3
Depreciation	1.1	1.1	0.3	0.3	1.4	1.4
Interest income	–	–	–	–	–	–
Interest expense	0.6	0.6	0.1	0.1	0.7	0.7
Income taxes	–	–	–	–	–	–
Net profit from continued operations	0.7	0.6	0.0	0.1	0.7	0.7
Net profit from discontinued operations	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	**0.7**	**0.6**	**0.0**	**0.1**	**0.7**	**0.7**

Statement of reconciliation from compiled financial information to carrying amount of the equity investments:

T63 – Reconciliation

	Kommunale Haus und Wohnen GmbH		Beckumer Wohnungsgesellschaft mbH		Total	
€ million	*31.12.2015*	*31.12.2014*	*31.12.2015*	*31.12.2014*	*31.12.2015*	*31.12.2014*
Net assets of associates as of 01.01.	18.9	18.3	3.5	3.4	22.4	21.7
Net profit/loss	0.7	0.6	0.0	0.1	0.7	0.7
Addition to reserves	–0.1	–	–	–	–0.1	–
Dividend	–0.1	–	–	–	–0.1	–
Net assets of associates as of 31.12.	19.4	18.9	3.5	3.5	22.9	22.4
Group share in %	40.62	40.62	33.37	33.37	–	–
Interest in net assets of associates	7.7	7.7	1.2	1.2	8.9	8.9
Carrying amount of the investment	**7.7**	**7.7**	**1.2**	**1.2**	**8.9**	**8.9**

2. Disclosures on insignificant associates

The following table shows the associates classified as insignificant.

T64 – Non-material associates

	Share of capital in %	*Equity € million*	*Result € million*
Mönchengladbach Nordpark Area of Sports GmbH, Moenchengladbach	50.00	0.0	0.0
Grundstücksgesellschaft Sendenhorst mbH, Sendenhorst	49.00	0.4	0.8
Area of Sports GmbH & Co. KG, Moenchengladbach	50.00	0.1	0.0

The summary financial information of the individually insignificant associates of the Group can be found in the table below.

T65 – Summarised fiscal information

€ million	**31.12.2015**	*31.12.2014*
Group share of profit or loss from continued operations	0.2	0.3
Group share of post-tax profit or loss from discontinued operations	0.0	0.0
Group share of total comprehensive income	0.0	0.0
Total comprehensive income	0.2	0.3

The carrying amounts of the individually insignificant associates of the Group are shown below.

T66 – Carrying amounts

€ million	**31.12.2015**	*31.12.2014*
Total carrying amounts	0.1	0.1

The unrecognised losses of associates are shown in the following table.

T67 – Unrecognised losses

€ million	**31.12.2015**	*31.12.2014*
Unrecognised losses for period	0.0	0.0
Cumulative unrecognised losses	0.0	0.2

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 occupancy or sale in the ordinary course of business. Investment property includes land with residential and commercial buildings, undeveloped land, land with transferable leasehold land interests, parking spaces and garages.

In accordance with IFRS 5, investment property that is held for sale and that is highly likely to be sold within the next 12 months is recognised as an asset held for sale under current assets. Its measurement is consistent with the measurement of investment property.

Mixed-used properties are separated into the owner-occupied part and the part rented to third parties to the extent that it is legally possible to separate the property in question, and neither the owner-occupied portions nor the portions rented to third parties are immaterial. The portion rented to third parties is allocated to investment property, while the owner-occupied portion is recognised under property, plant and equipment. The ratio of the respective areas is used to allocate the components.

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

Unless acquired as part of a business combination, investment property is recognised at cost including incidental costs on acquisition. In accordance with the option provided by IAS 40 in conjunction with IFRS 13, investment property is subsequently recognised at fair value. IFRS 13.9 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value assumes the sale of an asset (exit price). It corresponds to the (theoretical) price to be paid to the seller in the event of a (hypothetical) sale of a property at the measurement date, regardless of an entity's specific intention or ability to sell. The concept of highest and best use of the property is assumed in calculating fair value (IFRS 13.27 et seq.). This implies the use or value maximisation of the asset as far as it is physically possible, legally permissible and financially feasible. Further details can be found in section D.17. Changes in the fair value of property are recognised in profit or loss for the period in which they occur.

Prepayments for property acquisitions are presented as prepayments for investment property. Prepayments for investment property that is acquired as part of a business combination are presented as prepayments for investment property (in case of an asset deal) or as other financial assets (in case of a share deal).

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

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

Fair values are calculated internally by LEG Immo. In addition to the fair values calculated internally by LEG Immo, the property portfolio was valued by an independent, third-party expert as at 31 December 2015. LEG uses the third-party valuation to check the plausibility of its own calculations and as a general confirmation of the value of the portfolio as a whole through a second opinion.

The properties are reviewed individually by LEG Immo at the level of individual building entrances in terms of their location, condition, fixtures and fittings, current contractual rent and potential for development. The fair values calculated are consistent with the IFRS market values, i.e. the amount for which the respective property could be exchanged between market participants under current market conditions on the measurement date in an orderly transaction (IAS 40.5 rev. in conjunction with IFRS 13.15).

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

A detailed planning period of ten years was applied in DCF measurement.

After the end of the tenth year, a sales value is recognised that is calculated by capitalising the forecast annual net profit for the eleventh period, taking the property-specific remaining useful life into account. It is generally assumed that the minimum and maximum remaining useful lives of the individual properties are 20 years and 80 years respectively. 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 inplace rent for the rented apartments in the property portfolio (referring here and hereinafter to both investment property and properties held for sale) used for the measurement in buildings used primarily for residential purposes was EUR 5.20/sqm as at the end of the reporting period (2014: EUR 5.09/sqm). These properties can also contain commercial units of minor significance in some cases. The future development of annual rent was projected on the basis of individual assumptions for the planning period. A distinction was made between rental income from existing tenancies and new lettings due to forecast fluctuation. During the detailed planning period market rent increases annually at an individually determined rate. For new lettings, rent in the amount of the assumed market rent is applied. The market rent growth applied ranges from 0% to 2%, depending on the assessment of the respective market and property. Rent from existing tenancies is projected on the basis of the statutory environment and the assessment of the respective market and property, and is assumed to converge with the overall market trend over time. The vacancy rate in terms of rental space used for measurement amounted to 3.36% as at the measurement date (2014: 3.0%). The assumptions with regard to the future development of the vacancy rate are based on location and individual property characteristics.

Publicly subsidised 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 to-wards the market rent is assumed for the subsequent year, taking into account the statutory requirements. For the remaining subsidised properties for which rent control will expire by 2081 at the latest, a discount on the capitalisation rate was recognised depending on the remaining duration of rent control.

Average annual maintenance costs of EUR 11.49/sqm are assumed for reactive and periodical maintenance work depending on the condition and year of construction of the respective properties used predominantly for residential purposes (2014: EUR 11.22/sqm).

Administrative costs are applied at a flat rate per residential unit of EUR 289.66 p.a. (2014: EUR 284.20 p.a.) and per parking or garage space of EUR 37.78 p.a. (2014: EUR 37.06 p.a.). For residential buildings with a commercial component or other type of use, administrative costs for the non-residential component are calculated at 1% (2014: 1%) of gross commercial income.

Management costs are largely based on the cost approaches known from the Second Computation Ordinance (II. BV, as of 1 January 2014). The II. BV management costs are adjusted in relation to the change in the consumer price index every three years. For continuity, the valuation model treats the increase of the last regular adjustment of management costs according to II. BV as an annual increase spread over three years.

In addition, the development of maintenance and management costs was dynamic in the period under review. The cost increase of 2% per year is derived from the increase in the consumer price index expected in the medium term.

Around 1.41% (2014: 1.47%) of the units in the portfolio are classified as commercial properties. In some cases, these properties can also contain residential units, but they are characterised by their primarily commercial character. Owing 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 primarily commercial properties is EUR 6.92/sqm (2014: EUR 6.95/sqm), with average maintenance costs of EUR 7.12/sqm (2014: EUR 6.82/sqm) in the detailed planning period. The vacancy rate in terms of usable space was 13.4% as at the measurement date (2014: 12.8%). Administrative costs are calculated at 1% (2014: 1%) of gross commercial income. Cash flows are discounted using standard market discount rates with matching maturities of 5.7% on average (weighted average; 2014: 5.93%) and standard market capitalisation rates to determine the resale value of the properties in the tenth year of use of 6.63% (weighted average; 2014: 6.50%); this takes into account the property-specific

T68 – Information about fair value measurements using significant unobservable inputs (Level 3)

			Discount rate *(sqm-weighted, in %)*[4]			**Capitalisation rate** *(sqm-weighted, in %)*[4]		
Segment € million	**GAV assets**	**Valuation technique**[3]	*min.*	*avg.*	*max.*	*min.*	*avg.*	*max.*
Residential assets[1]								
High-growth markets	2,855	DCF	4.3	5.5	7.2	2.8	6.0	8.9
Stable markets	1,936	DCF	4.4	5.7	7.0	3.4	6.7	12.8
Higher-yielding markets	1,219	DCF	4.6	5.9	6.6	4.1	7.3	12.6
Non NRW	91	DCF	4.4	5.5	6.2	4.2	7.1	9.1
Commercial assets[2]	159	DCF	4.8	6.7	10.7	5.0	7.3	11.8
Parking + other assets	118	DCF	5.3	–	6.9	4.0	–	13.3
Leasehold + land values	23	Earnings/ reference value method						
TOTAL IAS 40/IFRS 5	**6,401**	**DCF**	**4.3**	**5.7**	**10.7**	**2.8**	**6.6**	**13.3**

[1] Excluding 321 residential units in commercial buildings; including 290 commercial and other units in mixed residential assets.
[2] Excluding 290 commercial units in mixed residential assets; including 321 residential units in commercial buildings.
[3] Valuation technique information without consideration of IAS 16 assets. In exceptional cases liquidation value approach.
[4] Sqm-weighted interest rates refer to residential and commercial assets.

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 2014 and 2015 reflects the general positive development of the property market and the continuously improved operating business with a corresponding impact on the discounting and capitalisation rates.

Owing to the limited availability of market data, i.e. data and measurement parameters not directly observable on the market, the complexity of property valuation and the level of specification of property, the fair value measurement of investment property is assigned to level 3 of the measurement hierarchy of IFRS 13.86 (measurement based on unobservable inputs). Further details can be found in section D.17.

In measurement, investment property is broken down into categories defined by type of use:

- residential property
- commercial property
- garages, underground garages or parking spaces/other properties
- leasehold and undeveloped land

Commercial property is defined as properties with more than 1,000 sqm usable space or in which 50% of the building is used as commercial space. Other properties are essentially units with outside advertising media and wireless antennas. Properties are also broken down according to three market clusters using a scoring system: growth markets ("orange"), stable markets ("green") and higher yielding markets ("purple").

The table below shows the measurement method used to determine the fair value of investment property and the material unobservable inputs used.

	Sensitivities GAV *(variance discount rate, in %)*		**Sensitivities GAV** *(variance cap rate, in %)*		**Estimated rental development Residential** *(sqm-weighted, in %)*			**Estimated vacancy development Residential** *(sqm-weighted, in %)*
	−25 bp	*+25 bp*	*−25 bp*	*+25 bp*	*min.*	*durchschn.*	*max.*	T_0
	4.5	−4.2	2.6	−2.3	0.6	1.4	1.8	1.5
	4.0	−3.8	2.1	−2.0	0.6	0.9	1.3	3.3
	3.7	−3.5	1.8	−1.7	0.3	0.7	1.1	5.7
	3.7	−3.6	1.8	−1.8	0.5	1.1	1.4	1.1
	2.2	−2.1	1.8	−1.7	–	–	–	–
	4.7	−4.3	1.9	−1.7	–	–	–	–
	4.1	**−3.9**	**2.2**	**−2.1**				

The table below shows the measurement method used to determine the fair value of investment property as at 31 December 2014:

T69 – Information about fair value measurements using significant unobservable inputs (Level 3)

			Discount rate *(sqm-weighted, in %)*[4]			**Capitalisation rate** *(sqm-weighted, in %)*[4]		
Segment € million	**GAV assets**	**Valuation technique**[3]	*min.*	*avg.*	*max.*	*min.*	*avg.*	*max.*
Residential assets[1]								
High-growth markets	2,337	DCF	4.5	5.8	7.8	3.0	6.0	8.5
Stable markets	2,067	DCF	4.6	5.9	9.0	3.6	6.3	12.7
Higher-yielding markets	1,157	DCF	4.7	6.1	6.8	4.4	7.2	12.9
Non NRW	114	DCF	4.6	5.8	6.4	4.3	6.5	8.9
Commercial assets[2]	172	DCF	4.8	6.8	10.7	5.0	7.2	12.2
Parking + other assets	99	DCF	5.5	–	7.5	3.8	0.0	13.3
Leasehold + land values	27	Earnings/ reference value method						
TOTAL IAS 40/IFRS 5	**5,973**	**DCF**	**4.5**	**5.9**	**10.7**	**3.0**	**6.5**	**13.3**

[1] Excluding 309 residential units in commercial buildings; including 295 commercial and other units in mixed residential assets.
[2] Excluding 295 commercial units in mixed residential assets; including 309 residential units in commercial buildings, commercial, parking, other assets as well as IAS 16 assets.
[3] Valuation technique information without consideration of IAS 16 assets. In exceptional cases liquidation value approach. For 9,574 acquired residential units information included from the fair value measurement by CBRE as of 30 September 2014.
[4] Sqm-weighted interest rates refer to residential and commercial assets.

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

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 can only go ahead 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 refusal and in connection with assistance in the form of loans at below-market rates of interest or investment subsidies. Legal requirements with regard to the privatisation of residential properties must also be observed. The company is required to spend a predetermined average amount per square metre on maintenance and improvement measures. Certain parts of the portfolio are also subject to unconditional restrictions on sale.

	Sensitivities GAV *(variance discount rate, in %)*		**Sensitivities GAV** *(variance cap rate, in %)*		**Estimated rental development Residential** *(sqm-weighted, in %)*			**Estimated vacancy development Residential** *(sqm-weighted, in %)*
	−25 bp	*+25 bp*	*−25 bp*	*+25 bp*	*min.*	*avg.*	*max.*	T_0
	4.5	−4.1	2.6	−2.2	0.9	1.4	1.7	1.1
	3.7	−3.4	2.4	−2.1	0.5	0.9	1.4	3.3
	3.7	−3.5	1.8	−1.7	0.3	0.7	1.1	4.7
	3.7	−2.8	2.6	−1.7	0.5	1.2	1.5	2.7
	2.1	−2.0	1.9	−1.7	–	–	–	–
	4.5	−4.1	1.8	−1.6	–	–	–	–
	4.0	**−3.6**	**2.3**	**−2.1**				

2. *Property, plant and equipment*

Property, plant and equipment is recognised at cost and depreciated on a straight-line basis over its expected useful life. 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 recognised using the following useful lives, which are applied uniformly throughout the Group:

T70 – Useful life of property, plant and equipment

in years	**2015**	*2014*
Owner-occupied residential properties	80	80
Owner-occupied commercial properties	50	50
Technical equipment and machinery/ Other operating and office equipment	5–23	5–23

The carrying amounts of property, plant and equipment are tested for impairment when there are indications that the carrying amount of an asset exceeds 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 disposal 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 EUR 150 are written off in full in the year of their acquisition. Assets with a net value of between EUR 150.01 and EUR 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 immaterial.

3. Intangible assets and goodwill

Purchased intangible assets are capitalised at cost. Such assets are software licenses with a definite useful life. Software licenses are amortised on a straight-line basis over an expected economic life of between three and five years from the date on which they are provided.

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

Development costs that are directly allocated to the development and testing of identifiable individual software products controlled by the Group 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 are not capitalised in a subsequent period.

Goodwill arises from the acquisition of a business and represents the excess of consideration transferred over the fair values of the net assets less non-controlling interests as at the acquisition date. It is tested for impairment annually rather than being amortised. Impairment losses on goodwill cannot be reversed.

Basic information on and the premises of the impairment method used in the LEG Group in accordance with IAS 36 (Impairment of Assets) can be found in the section "Accounting policies" under "Impairment of assets".

Furthermore, in accordance with IAS 36, goodwill and intangible assets with an indefinite useful life are tested for impairment at least once per year.

The goodwill resulting from purchase price allocation (PPA) is allocated to the cash-generating units (CGUs) expected to benefit from the business combination. In the LEG Group, the Residential like-for-like and Vitus CGUs will benefit from the acquisition of the Vitus portfolio. The allocation of goodwill firstly takes into account the economic substance of the assets and liabilities assumed. Secondly, it also considers the ratio of synergies that the two CGUs are expected to generate from the business combination.

First-time consolidation resulted in net deferred tax liabilities that increase goodwill of EUR 33.3 million. This portion of goodwill results from assets and liabilities of the Vitus CGU; EUR 33.3 million of the goodwill is therefore allocated to this CGU.

The synergies anticipated from the business combination essentially consist of planned cost savings, additional income potential and tax savings, which will be implemented almost exclusively in the Residential like-for-like CGU. The remaining portion of goodwill of EUR 27.6 million is therefore allocated to this CGU.

In the goodwill impairment test, the recoverable amount is represented by the fair value less costs of disposal (FVLCOD). The FVLCOD is calculated as the present value of the free cash flows before interest and after taxes expected from continuing a CGU or a group of CGUs. A general tax rate of 31.2% (previous year: 31.2%) is applied to EBIT here. The cash flow forecast reflects past experience and takes into account management expectations of future market developments. These cash flow forecasts are based on the resolved medium-term planning, which covers a horizon of five years (detailed planning period). Administrative costs are accounted for appropriately.

There is also a cash flow forecast going beyond the five-year planning horizon. This is prepared by deriving a sustainable free cash flow from the detailed planning period and extrapolating this using a growth rate based on the specific market development.

A weighted average cost of capital that reflects the capital market's return requirements for debt and equity to the LEG Group is used to discount the free cash flows. A cost of capital after taxes is also used on the basis of the calculated free cash flows after taxes. Risks of free cash flows are taken into account by a matched risk capitalisation rate.

A uniform capitalisation rate of 3.0% (previous year: 3.1%) was used for the CGUs analysed in the goodwill impairment test, representing a corresponding pre-tax capitalisation rate of 3.4% (previous year: 3.5%), taking into account a typical tax rate on EBIT of 31.2%.

The changes in the capitalisation rates as against the previous year result from current forecasts for the medium and long-term development of the capital market.

A sustainable growth rate of 0.5% p.a. is assumed for both CGUs.

The goodwill impairment tests performed for the two CGUs in question (Residential like-for-like and Vitus) did not give rise to any impairment requirements.

The key premises and assumptions influencing impairment on a CGU were reviewed in the form of standardised sensitivity analyses.

EBIT margin

The risk of a 10% reduction in the EBIT margin was analysed for the reduced earnings scenario analysis. This calculation did not give rise to any impairment requirements for the two CGUs.

Weighted costs of capital

The risks from assumptions regarding the capitalisation rate used as standard to calculate the present value of FVLCOD were tested by simulating impairment on each CGU with a change in the costs of capital of +/−50 bp. This scenario analysis also did not give rise to any impairment requirements for the two CGUs.

4. Impairment of assets

Each year the LEG Group tests intangible assets and property, plant and equipment in accordance with IAS 36 for impairment losses. In doing so it determines whether there are indications of possible impairment. If there are such indications, the recoverable amount of the asset in question is calculated. This is the higher of its fair value less costs to sell and its value in use. A standard pre-tax interest rate is applied for discounting.

Impairment testing is generally performed at the level of individual assets. If largely independent future cash flows cannot be determined for individual assets, cash-generating units (CGUs) are formed as groups of assets whose future cash flows are interdependent. In the LEG Group CGUs are mostly analysed at the operating segment level. Given the consistency between the management structure and the legal structure, the identified CGUs also always consist of at least one legal entity. Thus, the data needed for the asset impairment test can be derived from annual financial statement and planning data.

The carrying amount of a CGU is determined by adding together the carrying amounts of the assets less those of the liabilities associated with the assets included (net position). Furthermore, the necessary working capital for the CGU has to be included. There were no assets and liabilities used jointly by several CGUs (corporate assets and liabilities) that would have been assigned to the CGUs pro rata in the past financial year.

In the financial year, in addition to the CGUs affected by the goodwill impairment test, an impairment text was required for the Biomasse CGU, which consists of the legal entity Biomasse Heizkraftwerk GmbH & Co.KG.

The recoverable amount for the Biomasse CGU was calculated on the basis of its FVLCOD. A capitalisation rate of 3.2% p.a. (previous year: 3.3% p.a.) was applied, reflecting an assumed tax rate of 28.6% and a pre-tax capitalisation rate of 3.5% (previous year: 3.6%). As the FVLCOD covered the carrying amount of the CGU, no additional calculation of the value in use was required.

There is detailed planning for the Biomasse CGU until the end of its useful life. A sustainable growth rate was therefore not taken into account.

The key premises and assumptions influencing impairment on a CGU were reviewed in the form of standardised sensitivity analyses.

EBIT margin

The risk of a 10% reduction in the EBIT margin was analysed for the reduced earnings scenario analysis. This calculation did not give rise to any impairment requirements for the Biomasse CGU.

Weighted costs of capital

The risks from assumptions regarding the capitalisation rate used as standard to calculate the present value of FVLCOD were tested by simulating impairment on each CGU with a change in the costs of capital of +/–50 bp. This scenario analysis also did not give rise to any impairment requirements for the Biomasse CGU.

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

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

5. Other financial assets

The LEG Group recognises financial assets as at the trade date.

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

Available-for-sale financial assets are recognised at fair value as at the end of the reporting period or, if this cannot be reliably determined, at cost. Shares in unconsolidated subsidiaries or subsidiaries recognised using the equity method are not quoted. Owing to the considerable volatility and the lack of an active market, the fair value of these instruments cannot be reliably determined. There is currently no intention to sell these shares in the near future.

Available for sale financial instruments are measured at fair value on acquisition.

Gains and losses on subsequent measurement at fair value are reported 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.

In the event of any impairment, the impairment loss in other reserves is corrected in profit or loss. If impairment is reversed, the respective amount is recognised in profit or loss for debt instruments and recognised directly in equity for equity instruments. Impairment cannot be reversed on AfS instruments at cost; any impairment is recognised in profit or loss.

6. Accounting for leases as the lessee

Leased assets for which beneficial ownership lies with the LEG Group (finance leases in accordance with IAS 17) are recognised 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 recognised in the amount of the present value of the future minimum lease payments. This liability is reduced in subsequent periods by the financial charge included in instalments.

Leases for which beneficial 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.

7. Accounting for leases as the lessor

Leases for residential properties grant tenants an option to terminate the agreement at short-notice on the basis of the statutory regulations. In accordance with IAS 17, these agreements are classified as operating leases as the significant risks and rewards remain with the LEG Group. The same applies to the current agreements for commercial property.

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

8. Real estate inventory and other inventory

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 realisable value as at the end of the reporting period.

9. Receivables and other assets

On initial recognition, trade receivables and other financial assets are carried at their fair value plus transaction costs. Subsequent measurement is at amortised cost.

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

Generalised individual allowances are used to recognise impairment on financial assets when it is unlikely that all the contractually agreed payments (interest 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. Utilised bank overdrafts are shown in the statement of financial position in current financial liabilities.

11. Assets held for sale

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

Liabilities that are directly associated with the planned disposal are a component of the disposal group or the discontinued operations and are also reported 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 arising from defined benefit plans are measured in accordance with the projected unit credit method. Using this method, forecast future increases in salaries and benefits are taken into consideration in addition to benefits and entitlements known at the end of the reporting period. The biometric basis is provided by the 2005G Heubeck mortality tables.

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

In Germany, the regulatory framework is the Betriebsrentengesetz (Germany Company Pension Act), according to which pensions rise in line with the rate of inflation. LEG bears the actuarial risks, such as the longevity risk, the interest rate risk and the inflation risk. There are no additional plan-specific risks at LEG.

Remeasurement components in connection with defined benefit plans, which cover actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, are recognised in other comprehensive income in the period in which they arise. No past service costs were incurred in the year under review or the previous year.

The interest effect included in pension expenses is shown in interest expenses in the consolidated statement of comprehensive income. Past service costs are shown under operating result in the individual functions.

13. Other provisions

Other provisions are recognised if the LEG Group has a present legal or constructive obligation as a result of past events that is uncertain with regard to settlement and/or amount. They are recognised at the present value of the expected settlement amount.

Non-current provisions are carried at their discounted settlement amount as at the end of the reporting period on the basis of corresponding market interest rates with matching maturities.

14. Financial liabilities

On initial recognition, financial liabilities are carried at fair value plus transaction costs and adjusted for any premiums or discounts. The fair value at the grant date is 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 at amortised cost using the effective interest method. The effective interest rate is determined on initial recognition of the financial liability.

Changes in terms affecting the amount and timing of interest and principal payments result in the 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. Interest derivatives

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

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

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 is recognised as an effective hedge against the cash flow risk. The effective portion, net of deferred taxes, is recognised directly in other comprehensive income (equity).

The ineffective portion of the gain or loss on remeasurement is reported in net finance costs in the consolidated statement of comprehensive income. The amounts recognised directly in equity are transferred to the consolidated statement of comprehensive income if gains or losses in connection with the underlying are recognised in profit or loss. In the event of the early termination of the hedge, the amounts recognised in equity are reclassified to profit or loss if gains or losses in connection with the underlying are recognised in profit or loss. If the underlying is terminated, then the amounts remaining in other comprehensive income (OCI) are immediately recognised in profit or loss.

16. Fair values of financial instruments

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

For non-current receivables, other assets and liabilities, the fair value is calculated on the basis of the forecast cash flows, applying the reference interest rates as at the end of the reporting period. The fair values of derivative financial instruments are calculated using the reference interest rates as at the end of the reporting period plus own risk or counterparty risk.

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

When calculating the fair value of derivative financial instruments, the input parameters for the valuation models are the relevant market prices and interest rates observed as at the end of the reporting period, which are obtained from recognised external sources. Accordingly, derivatives are assigned to level 2 of the fair value hierarchy set out in IFRS 13.72 et seq. (measurement on the basis of observable input data). Please see section 17.

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

17. Put options

LEG is the writer of several put options on the basis of which non-controlling shareholders can tender their interests in companies controlled by LEG to LEG Immo. They are recognised as financial liabilities in the amount of the present value of the claim to payment of the option holder (fair value). The liability is recognised against the equity attributable to the writer (LEG), if material risks and rewards of the interest remain at the non-controlling shareholders. If LEG can avoid repurchase by appointing a third party, at least the corresponding opportunity costs are recognised. There is no additional reporting of the put options as independent derivatives in this case. The financial instruments are subsequently measured at amortised cost using the effective interest method.

18. Calculation of fair value

All assets, equity instruments and liabilities measured at fair value in line with the requirements of other standards (except IAS 17 Leases and IFRS 2 Share-based Payment) are measured uniformly in line with IFRS 13. IFRS 13.9 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value assumes the sale of an asset (exit price). This also applies if the enterprise has neither the intention nor the capacity to sell the asset at the measurement date or to transfer the liability at this point in time. In calculating the fair value of non-financial assets, the concept of highest and best use is applied (IFRS 13.27 et seq.). This implies the use or value maximisation of the asset as far as it is physically possible, legally permissible and financially feasible.

Fair value measurement of investment property is assigned to level 3 of the measurement hierarchy of IFRS 13.86 (measurement based on unobservable inputs). For information on the measurement of investment property, please see the comments in section D.1. For the measurement of derivative financial instruments, please see section D.16 and section I.3.

The fair value hierarchy can be summarised as follows:

T71 – Fair value hierarchy

	Level 1	*Level 2*	*Level 3*
Purchase price allocation in the context of business combinations			X
Investment properties			X
Financing liabilities		X	
Other liabilities (particularly derivative)		X	

19. Recognition of income and expenses

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

a) Rental and lease income

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

Income from the disposal of 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 property sold 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 return guarantees, grants a right 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 services and third-party management

Income from the performance 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 at 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 and similar 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 utilised or the expenses are caused.

20. 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 interest rates.

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

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

21. Income taxes

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

LEG is only subject to taxation in Germany. Some judgements have to be made in assessing income tax receivables and liabilities. It cannot be ruled out that the tax authorities will make a different assessment. The uncertainty this entails is taken into account by only recognising uncertain tax receivables and liabilities when LEG considers their probability of occurrence to be higher than 50%. Any changes in judgements, e.g. due to final tax assessments, affect current and deferred tax items. The best estimate of the provisionally expected tax payment is used for recognised uncertain income tax items.

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same tax authority and to the same taxable entity. In addition, only deferred taxes that relate to items of the statement of financial position with the same maturity are netted.

The tax liability from the settlement of corporation tax from previously unutilised "EK 02" taxable equity is discounted using the applicable tax discount rate of 5.5%.

22. Judgements

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

— For assets held for sale, it must be determined whether the assets can be sold in their present condition and whether their disposal can be considered highly likely within the meaning of IFRS 5. If this is the case, the assets and any corresponding liabilities are reported and measured as assets and liabilities held for disposal.

— 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.

23. 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 for similar properties, they are measured using the DCF method, under which future cash flows are discounted to the end of the reporting period. These estimates involve assumptions concerning the future. In light of the large number of properties affected and their geographical distribution, individual measurement uncertainties are subject to statistical smoothing. Measurement is performed on the basis of publicly available market data (e.g. prop-erty 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 utilisation of the respective provision.

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

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

- Share-based Payment (IFRS 2): Assumptions and judgements regarding the development of performance indicators and fluctuation are required in accounting for stock option plans. They are calculated using option pricing models.

- Goodwill impairment test: The calculation of the FVLCOD requires assumptions and judgements regarding future EBIT development and sustainable growth rates in particular.

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

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

Although the management considers assumptions and estimates applied to be appropriate, unforeseeable changes to these assumptions could affect the Group's net assets, financial position and results of operations.

24. Share-based payment

The LEG Group has share-based remuneration plans (share option plans) for members of the Management Board of LEG Immo. In line with IFRS 2, the share option plans in the context of the long-term incentive programme are treated as cash-settled share-based remuneration. The provisions for these obligations are established at the level of the expected expense, with them being distributed pro rata across the defined vesting period. The fair value of the options is determined using recognised financial models.

In addition, former shareholders of the LEG Group have concluded an agreement with the Management Board on the granting of shares in LEG depending on a successful IPO or exit. In line with IFRS 2, these share option plans are classified and recognised as equity-settled share-based remuneration. The fair value of the shares is calculated using recognised financial models as at the grant date and distributed on a straight-line basis over the vesting period in which the enterprise receives the counterperformance in the form of employee service. The expenses are recognised in staff costs and recognised directly in equity.

Details of share-based payment can be found in section I.6.

E. Notes to the consolidated statement of financial position

1. Investment property

Investment property developed as follows in the 2015 and 2014 financial years:

T72 – Investment properties

€ million	**2015**	*2014*
CARRYING AMOUNT AS OF 01.01.	**5,914.3**	**5,163.4**
Acquisitions	189.6	615.9
Other additions	64.7	43.4
Reclassified to assets held for sale	–55.7	–52.6
Reclassified from assets held for sale	0.4	–
Reclassified to property, plant and equipment	–0.3	–1.3
Reclassified from property, plant and equipment	–	2.5
Fair value adjustment	285.5	143.0
CARRYING AMOUNT AS OF 31.12.	**6,398.5**	**5,914.3**

The following acquisitions were performed in the reporting period:

In connection with the acquisition of the Vitus Group with effect from 1 November 2014, the exchange of properties at the respective peripheral locations was agreed with the seller, Vonovia SE. The acquisitions include two property portfolios acquired from Vonovia SE. At the same time, LEG Immo sold individual portfolios taken over from the Vitus Group as agreed. The transactions were closed on 1 January 2015 in each case.

The additions also include the acquisition of a property portfolio of around 713 residential units that was notarised on 27 April 2015. The portfolio is distributed across the attractive North Rhine-Westphalian locations of Cologne, Leverkusen and Sankt Augustin and generates annual net cold rent of EUR 3.5 million. The average in-place rent is EUR 5.33 per square metre; the initial vacancy rate is 2.9%. The transaction was closed on 1 June 2015.

A property portfolio of around 2,400 residential units was acquired by way of a purchase agreement dated 17 September 2014. The purchase price is around EUR 111.4 million. The transaction was closed on 1 July 2015.

The acquisition of each of the above 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 financial year primarily relate to investments in existing properties. The largest investments in 2015 included the continued energy renovation of building shells in Monheim and the modernisation of building technology in connection with the revitalisation of the listed Reuter estate in Bonn.

The reclassification to properties held for sale essentially includes properties sold as part of a portfolio streamlining programme and the sale of four commercial properties. Please also see section E.9. The units were sold to independent market participants in the course of the ordinary sales process.

Investment property broke down as follows in the 2015 and 2014 financial years:

T73 – Composition of investment properties

	31.12.2015		*31.12.2014*	
€ million	*Investment properties*	*Properties held for sale*	*Investment properties*	*Properties held for sale*
Developed land	6,256.1	6.4	5,792.1	57.5
Undeveloped land	18.9	0.2	20.1	0.8
Other	123.5	0.0	102.1	0.1
TOTAL	**6,398.5**	**6.6**	**5,914.3**	**58.4**

The development in fair values in the financial year was again determined by the positive development of the market environment. The monitoring of general transaction activities is primarily reflected in a declining discount rate. As in the previous year, operating business made a solid contribution to increasing property values in the form of in-place rent increases and the reduction of vacancies.

Sensitivities were as follows as at 31 December 2015:

T74 – Sensitivity analysis 2015

			Sensitivities GAV (variance discount rate, in %)		**Sensitivities GAV** (variance cap rate, in %)	
€ million						
Segment	*GAV assets*	*Valuation technique*[3]	*–25 bp*	*+25 bp*	*–25 bp*	*+25 bp*
Residential assets[1]						
High-growth markets	2,855	Discounted cash flows	4.5	–4.2	2.6	–2.3
Stable markets	1,936	Discounted cash flows	4.0	–3.8	2.1	–2.0
Higher-yielding markets	1,219	Discounted cash flows	3.7	–3.5	1.8	–1.7
Non NRW	91	Discounted cash flows	3.7	–3.6	1.8	–1.8
Commercial assets[2]	159	Discounted cash flows	2.2	–2.1	1.8	–1.7
Parking + other assets	118	Discounted cash flows	4.7	–4.3	1.9	–1.7
Leasehold + land values	23	Earnings/ reference value method	–	–	–	–
TOTAL IAS 40/IFRS 5	**6,401**	**Discounted cash flows**	**4.1**	**–3.9**	**2.2**	**–2.1**

[1] Excluding 321 residential units in commercial buildings; including 290 commercial and other units in mixed residential assets.
[2] Excluding 290 commercial units in mixed residential assets; including 321 residential units in commercial buildings.
[3] Valuation technique information without consideration of IAS 16 assets. In exceptional cases liquidation value approach.

Sensitivities were as follows as at 31 December 2014:

T75 – Sensitivity analysis 2014

			Sensitivities GAV (variance discount rate, in %)		**Sensitivities GAV** (variance cap rate, in %)	
€ million						
Segment	*GAV assets*	*Valuation technique*[3]	*–25 bp*	*+25 bp*	*–25 bp*	*+25 bp*
Residential assets[1]						
High-growth markets	2,337	Discounted cash flows	4.5	–4.1	2.6	–2.2
Stable markets	2,067	Discounted cash flows	3.7	–3.4	2.4	–2.1
Higher-yielding markets	1,157	Discounted cash flows	3.7	–3.5	1.8	–1.7
Non NRW	114	Discounted cash flows	3.7	–2.8	2.6	–1.7
Commercial assets[2]	172	Discounted cash flows	2.1	–2.0	1.9	–1.7
Parking + other assets	99	Discounted cash flows	4.5	–4.1	1.8	–1.6
Leasehold + land values	27	Earnings/ reference value method	–	–	–	–
TOTAL IAS 40/IFRS 5	**5,973**	**Discounted cash flows**	**4.0**	**–3.6**	**2.3**	**–2.1**

[1] Excluding 286 residential units in commercial buildings; including 265 commercial and other units in mixed residential assets.
[2] Excluding 265 commercial units in mixed residential assets; including 286 residential units in commercial buildings.
[3] In exceptional cases liquidation value approach.

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 instalments for long-term rental agreements for commercial property that were in place as at 31 December 2015:

T76 – Amount based on minimum lease instalments for long-term rental agreements (commercial properties)

€ million	*Remaining term up to 1 year*	*Remaining term >1 to 5 years*	*Remaining term >5 years*	**Total**
31.12.2015	13.1	22.0	16.4	51.5
31.12.2014	14.0	29.1	24.2	67.3

Land with third-party heritable building rights under finance leases had a net carrying amount of EUR 3.3 million as at the end of the reporting period (2014: EUR 3.4 million).

Investment property is used almost exclusively as securities for financial liabilities. See also E.13.

2. Property, plant and equipment

The development of property, plant and equipment is shown in the consolidated statement of changes in assets (Annex I).

Assets under finance leases had the following net carrying amounts as at the end of the reporting period:

T77 – Assets under finance leases

€ million	**31.12.2015**	*31.12.2014*
Heat-generating plants	12.1	12.5
Measuring instruments	7.1	7.8
Heritable building rights	3.3	3.4
Power lines	0.8	0.9
Hardware	0.0	0.1
TOTAL	**23.3**	**24.7**

The year-on-year decline in the net carrying amounts resulted primarily from depreciation in the financial year.

3. Intangible assets

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

4. Investments in associates

The following tables provide a summary of the financial information for associates accounted for using the equity method:

T78 – Companies accounted for using the equity method

€ million	**31.12.2015**	*31.12.2014*
Investments in associates	8.8	8.9
Net income from associates	0.0	0.3

T79 – Companies accounted for using the equity method

€ million	**31.12.2015**	*31.12.2014*
Assets[1]	55.8	56.6
Liabilities[1]	32.7	34.1
Group share of net assets	8.8	8.9
	2015	*2014*
Revenue[1]	7.3	7.3
Gain/Loss[1]	0.7	0.7
Group share of net profit	0.3	0.3

[1] Equivalent to 100% share.

Losses at associates are recognised 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.

Unrecognised pro rata losses developed as follows:

T80 – Unrecognised pro rata losses

€ million	**2015**	*2014*
For period	–	0.0
Cumulative	–	0.2

The carrying amounts developed as follows in the financial year:

T81 – Carrying amount reconciliation

€ million	**2015**	*2014*
01.01.	**8.9**	**9.2**
Share of profit	0.0	0.3
Transfer	0.0	0.0
Disposals	–0.1	–0.6
31.12.	**8.8**	**8.9**

5. Other financial assets

Other financial assets are composed as follows:

T82 – Other financial assets

€ million	**31.12.2015**	*31.12.2014*
Investments in affiliates not included in consolidation	146.1	0.1
Investments in equity investments and associates	1.2	1.2
Other financial assets	1.5	1.1
TOTAL	**148.8**	**2.4**

Details of other financial assets can be found in section 1.3.

6. Receivables and other assets

Receivables and other assets are composed as follows:

T83 – Receivables and other assets

€ million	**31.12.2015**	*31.12.2014*
Trade receivables, gross	30.5	25.1
Impairment losses	–12.5	–10.5
TOTAL	**18.0**	**14.6**
Thereof attributable to rental and leasing	5.4	6.3
Thereof attributable to property disposals	3.8	3.5
Thereof attributable to other receivables	8.9	4.8
Thereof with a remaining term up to 1 year	16.2	12.3
Thereof with a remaining term of between 1–5 years	1.8	2.2
€ million	**31.12.2015**	*31.12.2014*
Receivables from uninvoiced operating costs	4.9	5.7
Loans	0.1	0.1
Other financial assets	3.6	4.3
Other miscellaneous assets	6.6	4.9
TOTAL	**15.2**	**15.0**
Thereof with a remaining term up to 1 year	14.3	14.8
Thereof with a remaining term of between 1–5 years	0.9	0.3
TOTAL RECEIVABLES AND OTHER ASSETS	**33.2**	**29.6**

Details of related parties can be found in section 1.7.

7. Real estate inventory and other inventory

Real estate inventory and other inventories are composed as follows:

T84 – Real estate and other inventories

€ million	**31.12.2015**	*31.12.2014*
Undeveloped land	1.4	1.4
Land under development	2.2	2.8
Other inventories	1.5	2.0
TOTAL	**5.1**	**6.2**

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

T85 – Additional information

€ million	**31.12.2015**	*31.12.2014*
Amount of inventories recognised as an expense in the reporting period	1.4	7.0
Amount of inventories with tenancy of more than 1 year	3.7	4.1

The decrease in inventories essentially results from the winding up of the Development division.

8. Cash and cash equivalents

T86 – Cash and cash equivalents

€ million	**31.12.2015**	*31.12.2014*
Bank balances	252.7	129.8
Cash on hand	0.1	0.1
CASH AND CASH EQUIVALENTS	**252.8**	**129.9**
Restricted disposal balances – notary trust accounts –	7.4	8.4

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. Cash and cash equivalents include balances with a fixed purpose. These are reported as balances with restricted access.

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 at the end of the reporting period, the disposal of the property within twelve months of the decision is considered to be highly likely and active marketing activities have been initiated.

T87 – Assets held for sale

€ million	**2015**	*2014*
CARRYING AMOUNT AS OF 01.01.	**58.4**	**16.4**
Reclassified from investment properties	55.7	52.6
Reclassified to investment properties	–0.4	0.0
Disposal due to sale of land and buildings	–107.1	–37.2
Disposal due to sale of companies	0.0	–0.2
Addition due to acquisitions	–	24.5
Other additions	0.1	2.3
CARRYING AMOUNT AS OF 31.12.	**6.7**	**58.4**

Investment property was sold again in the reporting period for the purposes of selective portfolio streamlining.

The item "Disposals due to the sale of land and buildings" includes developed and undeveloped properties and residential and commercial buildings. The increase resulted primarily from a major portfolio streamlining programme, under which sale agreements were concluded for properties at a carrying amount of EUR 35.6 million up to 30 September 2015. The transactions were closed in the final quarter of 2015.

In addition, a commercial property with a carrying amount of EUR 8.0 million was sold in the reporting period.

The other disposals related to further block and individual sales.

The additions due to the purchase of companies reported in the previous year included land and buildings from the acquisition of the former Vitus companies from Vonovia SE.

See also section F.2.

10. Equity

The change in equity components is shown in the statement of changes in equity.

a) Share capital

The Annual General Meeting of 24 June 2015 revised Article 8.10 (Supervisory Board), revoked the authorised capital previously in place and created new Authorised Capital 2015. It also amended the Contingent Capital 2013/2014 resolved by the Annual General Meetings on 17 January 2013 and 25 June 2014 and revised Article 4.1 and Article 4.2 of the Articles of Association accordingly.

The Management Board has been authorised, with the approval of the Supervisory Board, to increase the share capital of the company on one or more occasions by up to a total of EUR 28,531,722.00 by issuing up to 28,531,722 new registered shares against cash or non-cash contributions by 23 June 2020. The share capital is contingently increased by up to EUR 28,531,722.00 through the issue of up to 28,531,722 new no-par value registered shares (Contingent Capital 2013/2015).

On 24 June 2015, with the approval of the Supervisory Board, the Managing Board of LEG Immo resolved to partially utilise the existing authorised capital and to increase the share capital of the company, with shareholders' pre-emption rights disapplied, by nominally EUR 1,196,344 thousand by issuing 1,196,344 new registered shares in the company, which will be entitled to dividends for the 2015 financial year. This was entered in the commercial register on 24 June 2015. After partial utilisation, Authorised Capital 2014 amounts to EUR 21,185,378.00.

On 12 November 2015, with the approval of the Supervisory Board, the Managing Board of LEG Immo resolved to partially utilise the existing authorised capital and to increase the share capital of the company, with shareholders' pre-emption rights disapplied, by nominally EUR 4,510,000 thousand by issuing 4,510,000 new registered shares in the company, which will be entitled to dividends for the 2015 financial year. This was entered in the commercial register on 13 November 2015. After partial utilisation, Authorised Capital 2015 amounts to EUR 24,021,722.00.

The transaction costs of the two capital increases amounted to EUR 4.5 million and were deducted directly from the capital reserves.

The notifications in accordance with section 160(1) no. 8 AktG can be found in Annex III.

b) Capital reserves

An amount of EUR 170.0 million was withdrawn from capital reserves and added to net retained profits.

The gross proceeds from the capital increases amount to EUR 380,303,009.76 (1,196,344 shares at EUR 61.54 per share = EUR 73,623,009.76 and 4,510,000.00 shares at EUR 68 per share = EUR 306,680,000.00). This gives rise to an increase in capital reserves of EUR 370.1 million (EUR 5,706,344 is share capital).

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 pension provisions.

In the 2015 financial year, there was a distribution to the shareholders of the company for 2014 in the form of a dividend of EUR 111.8 million.

d) Non-controlling interests

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

T88 – Non-controlling interest in other comprehensive income

€ million	**31.12.2015**	*31.12.2014*
Actuarial gains and losses from the measurement of pension obligations	0.0	–0.2
Fair value adjustment of interest rate derivatives in hedges	0.0	–0.3
NON-CONTROLLING INTEREST IN OTHER COMPREHENSIVE INCOME	**0.0**	**–0.5**

11. Provisions for pensions

Expenses for defined contribution plans amounted to EUR 3.8 million in the year under review (2014: EUR 3.5 million). These essentially comprise contributions to the statutory pension scheme.

In connection with defined benefit plans, the LEG Group uses statistical and actuarial calculations by actuaries to ensure that future developments are taken into account in the calculation of expenses and obligations. Among other things, these calculations are based on assumptions regarding the discount rate and future wage and salary developments.

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

T89 – Calculation of pension provisions

in %	**31.12.2015**	*31.12.2014*
Discounting rate	2.20	1.80
Salary trend	2.75	2.75
Pension trend	2.00	2.00

A change in the individual parameters, with the other assumptions remaining unchanged, would have affected the present value of the obligation as follows as at 31 December 2015 (present value of obligation as at 31 December 2015: EUR 149.8 million):

T90 – Sensitivity of pension provisions 2015

€ million		
Discounting rate (increase and decrease around 0.5% pts.)	139.3	161.4
Salary trend (increase and decrease around 0.5% pts.)	151.3	148.1
Mortality (increase and decrease around 10%)	144.1	156.0
Pension trend (increase and decrease around 0.25% pts.)	153.9	145.7

A change in the individual parameters, with the other assumptions remaining unchanged, would have affected the present value of the obligation as follows as at 31 December 2014 (present value of obligation as at 31 December 2014: EUR 164.6 million):

T91 – Sensitivity of pension provisions 2014

€ million		
Discounting rate (increase and decrease around 0.5% pts.)	152.7	177.8
Salary trend (increase and decrease around 0.5% pts.)	166.5	162.6
Mortality (increase and decrease around 10%)	158.5	171.3
Pension trend (increase and decrease around 0.25% pts.)	169.2	160.0

Increases or reductions in the discount rate, the salary trend, the pension trend and mortality do not affect the calculation of the defined benefit obligation (DBO) with the same absolute amount.

If several assumptions are changed at the same time, the total amount is not necessarily the same as the total of the individual effects resulting from the changes in assumptions. It should also be noted that the sensitivities reflect a change in the DBO only for the specific respective degree of the change in assumptions (e.g. 0.5%). If the assumptions change to a different extent this will not necessarily have a straight-line impact on the DBO.

The following table shows the development of pension obligations. In the absence of plan assets, the present value of the obligation in both years is the same as both the recognised provision and the plan deficit.

T92 – Development of pension obligations

€ million	**2015**	*2014*
PRESENT VALUE OF OBLIGATIONS AS OF 01.01.	**164.6**	**118.4**
Service cost	2.1	1.5
Interest expenses	2.9	4.0
Addition due to acquisitions	–	15.9
Disposals	–0.9	–
Payments	–6.8	–6.6
Remeasurement	–12.1	31.4
Thereof losses (gains) from changes in experience	–3.2	0.4
Thereof losses (gains) arising from changes in financial assumptions	–8.9	31.0
Thereof losses (gains) arising from changes in demographic assumptions	–	–
PRESENT VALUE OF OBLIGATIONS AS OF 31.12.	**149.8**	**164.6**

EUR 43.7 million of the present value of the obligation relates to current employees covered by the plan (2014: EUR 53.1 million), EUR 11.8 million to employees who have left the company and whose rights are not yet vested (2014: EUR 11.5 million) and EUR 94.3 million to pensioners (2014: EUR 100.0 million).

A pension payment of EUR 7.0 million (2014: EUR 7.0 million) is expected for 2016. The duration of the defined benefit obligation is 14 years (2014: 14 years).

12. *Other provisions*

Other provisions are composed as follows:

T93 – Other provisions

€ million	**31.12.2015**	*31.12.2014*
Provisions for partial retirement	1.4	1.8
STAFF PROVISIONS	**1.4**	**1.8**
Construction book provisions	4.3	4.7
Provisions for other risks	20.2	17.9
Provisions for litigation risks	2.2	4.4
Provisions for lease properties	0.7	1.9
Provision for costs of annual financial statements	1.2	1.0
Archiving provision	0.5	0.4
OTHER PROVISIONS	**29.1**	**30.3**

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

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

The other provisions essentially relate to obligations from a former residential property development project with 47 detached houses.

The cash outflows from provisions are expected to amount to EUR 19.2 million within one year (previous year: EUR 17.6 million) and EUR 12.7 million after one year (previous year: EUR 16.2 million).

13. *Financing liabilities*

Financing liabilities are composed as follows:

T94 – Financing liabilities

€ million	**31.12.2015**	*31.12.2014*
Financing liabilities from real estate financing	3,215.0	2,932.4
Financing liabilities from lease financing	26.6	27.9
FINANCING LIABILITIES	**3,241.6**	**2,960.3**

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

Financing liabilities from real estate financing include the placement of the convertible bond with a nominal value of EUR 300.0 million. The convertible bond was classified as a financing liability on account of the issuer's contractual cash settlement option and recognised in accordance with IAS 39. There are several embedded and separable derivatives that are treated as a single compound derivative in accordance with IAS 39.AG29 and carried at fair value. The underlying debt instrument is recognised at amortised cost.

Extensive refinancing was performed in the 2015 financial year. The disbursement in connection with the refinancing and acquisition financing served to increase financing liabilities by EUR 1.3 billion. This was offset by the derecognition of the previous loans, which reduced total financing liabilities by EUR 1.0 billion. In addition to the loans utilised, financial liabilities were also increased by loans amortisation. There was a counter effect from scheduled and unscheduled repayments.

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 EUR 460.5 million in the 2015 financial year (2014: EUR 406.7 million).

In addition to security in the form of land charges, potential receivables from buildings insurance have been pledged to the creditors of the respective land charges. By contrast, the security provided in the form of pledged rent receivables is increased by the corresponding receivables for incidental costs. For certain loan agreements there are also additional surety bonds and the joint and several liabilities of additional LEG companies to the bank.

a) Financing 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 financing liabilities.

The remaining terms of financing liabilities from real estate financing are composed as follows: Table *T95*

The change in maturities compared with 31 December 2014 is due in particular to the refinancing in the second quarter, which led to a significant increase in non-current financing liabilities.

b) Financing liabilities from lease financing

Financing liabilities from lease financing are composed as follows: Table *T96*

Future minimum lease payments are derived as follows as at 31 December 2015: Table *T97*

The reconciliation as at 31 December 2014 is as follows: Table *T98*

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

T95 – Maturity of financing liabilities from real estate financing

€ million	*Remaining term < 1 year*	*Remaining term > 1 and 5 years*	*Remaining term > 5 years*	**Total**
31.12.2015	491.3	638.7	2,085.0	3,215.0
31.12.2014	409.6	1,528.7	994.1	2,932.4

T96 – Maturity of financing liabilities from lease financing

€ million	*Remaining term < 1 year*	*Remaining term > 1 and 5 years*	*Remaining term > 5 years*	**Total**
31.12.2015	4.7	12.4	9.5	26.6
31.12.2014	4.4	11.6	11.9	27.9

T97 – Future minimum lease payments as at 31 December 2015

€ million	*Remaining term < 1 year*	*Remaining term > 1 and 5 years*	*Remaining term > 5 years*	**Total 31.12.2015**
Minimum lease payments	5.0	16.2	24.9	46.1
Financing costs	0.3	3.8	15.4	19.5
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	**4.7**	**12.4**	**9.5**	**26.6**

T98 – Future minimum lease payments as at 31 December 2014

€ million	*Remaining term < 1 year*	*Remaining term > 1 and 5 years*	*Remaining term > 5 years*	**Total 31.12.2014**
Minimum lease payments	4.9	15.9	28.0	48.8
Financing costs	0.5	4.3	16.1	20.9
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	**4.4**	**11.6**	**11.9**	**27.9**

14. Other liabilities

Other liabilities are composed as follows:

T99 – Other liabilities

€ million	31.12.2015	31.12.2014
Interest derivatives	211.1	181.7
Advance payments received	23.4	57.0
Liabilities from shareholder loans	0.2	0.0
Trade payables	46.4	42.2
Rental and lease liabilities	13.9	11.8
Liabilities from other taxes	1.4	3.7
Liabilities to employees	7.9	6.4
Social security liabilities	0.3	0.5
Operating cost liabilities	0.5	0.3
Interest benefit recognised as a liability	6.3	6.8
Other miscellaneous liabilities	48.4	10.8 [1]
OTHER LIABILITIES	**359.8**	**321.2**
Thereof with a remaining term up to 1 year	253.3	206.6 [1]
Thereof with a remaining term of between 1 – 5 years	11.9	12.4
Thereof with a remaining term of more than 5 years	94.7	102.2

[1] Adjustment arising from final purchase price allocation

The increase in interest rate derivatives is attributable to the general decline in interest rates compared to 31 December 2014. In addition, the separable embedded derivatives for the convertible bond with a fair value of EUR 153.3 million resulted in a further increase in interest rate derivatives.

15. Tax liabilities

Current and non-current tax liabilities in the amount of EUR 23.6 million (2014: EUR 33.1 million) essentially consist of the present value of the settlement of the “EK 02” taxable equity of several Group companies in the amount of EUR 17.8 million (2014: EUR 25.9 million). Under the 2008 German Annual Tax Act, the previous distribution-based regulation on the treatment of “EK 02” equity was repealed and flat-rate instalment payments were introduced in its place. The resulting tax amount is to be paid in equal annual instalments 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 between the IFRS and tax carrying amounts and tax loss carryforwards. They are broken down as follows:

T100 – Deferred tax assets and liabilities

€ million	31.12.2015 Deferred tax assets	31.12.2015 Deferred tax liabilities	31.12.2014 Deferred tax assets	31.12.2014 Deferred tax liabilities
Non-current assets				
Investment properties	1.6	467.2	0.7	376.0
Other miscellaneous non-current assets	3.7	7.3	5.7	8.2
Current assets	**5.9**	**1.9**	**11.2**	**2.7**
Non-current liabilities				
Pension provisions	20.7	–	25.8	–
Other provisions	3.3	–	3.5	0.1
Other non-current liabilities	20.6	62.8	31.9	58.1
Current liabilities				
Other provisions	1.5	15.0	0.8	14.6
Other current liabilities	28.6	0.4	27.4	14.8
TOTAL DEFERRED TAXES FROM TEMPORARY DIFFERENCES	**85.9**	**554.6**	**107.0**	**474.5**
Deferred taxes on loss carryforwards	78.6	–	71.9	–
TOTAL DEFERRED TAXES	**164.5**	**554.6**	**178.9**	**474.5**
Netting	150.3	150.3	166.2	166.2
CARRYING AMOUNT	**14.2**	**404.3**	**12.7**	**308.3**

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

T101 – Deferred tax assets from tax loss

€ million	**31.12.2015**	*31.12.2014*
Corporation tax	42.9	40.1
Trade tax	35.7	31.8
TOTAL	**78.6**	**71.9**

Deferred tax assets from unused tax losses are recognised in the same amount as deferred tax liabilities from temporary differences. Deferred tax assets from unused tax losses in excess of this amount are only recognised to the extent that it is probable that the company will generate taxable income. No deferred tax assets were recognised on tax loss and interest carryforwards of EUR 348.3 million at the reporting date. In general the tax loss carryforwards are vesting.

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

Non-deductible interest expenses in the current financial year are carried forward to subsequent periods. Deferred tax assets can only be recognised for interest carried forward to the extent that it is probable that the interest expenses can be utilised in subsequent financial years. Owing to the effective conclusion of profit transfer agreements between the subsidiaries that hold the property portfolios and the Group company LEG NRW GmbH in 2012 and the resulting fiscal entity for corporation and trade tax purposes, the interest barrier does not apply to the (extended) fiscal entity, as was the case in the previous year.

In the 2015 financial year, the remeasurement of primary and derivative financial instruments decreased equity by EUR 10.3 million (2014: increase in equity of EUR 11.2 million), while actuarial gains and losses decreased equity by EUR 3.6 million (2014: increase in equity of EUR 9.6 million). As at the end of the reporting period, deferred taxes recognised directly in equity amounted to EUR 24.5 million (2014: EUR 38.4 million).

No deferred tax liabilities were recognised on temporary differences in connection with shares in subsidiaries, associates and joint ventures that are not expected to reverse in the foreseeable future in accordance with IAS 12.39 of EUR 16.7 million (2014: EUR 15.9 million).

F. Notes to the consolidated statement of comprehensive income

1. Net rental and lease income

T102 – Net rental and lease income

€ million	**2015**	*2014*
Net cold rent	436.1	390.1
Net income from operating costs	1.2	1.3
Maintenance expenses	–54.4	–45.7
Staff costs	–37.4	–33.2
Impairment losses on rent receivables	–6.0	–5.4
Depreciation	–4.6	–4.2
Others	–14.4	–18.0
NET RENTAL AND LEASE INCOME	**320.5**	**284.9**
NET OPERATING INCOME MARGIN (IN %)	**73.5**	**73.0**
Non-recurring project costs – rental and lease	2.3	1.4
Depreciation	4.6	4.2
ADJUSTED NET RENTAL AND LEASE INCOME	**327.4**	**290.5**
ADJUSTED NET OPERATING INCOME – MARGIN (IN %)	**75.1**	**74.5**

In the past financial year, the LEG Group increased its net rental and lease income by EUR 35.6 million compared to the previous year. The main drivers in this development were the EUR 46.0 million rise in net cold rent and, offsetting this, the EUR 8.7 million higher maintenance expenses.

Rent increases and the acquisitions of property portfolios contributed to a rise in net cold rent of 11.8% from EUR 390.1 million in the previous year to EUR 436.1 million in the period under review.

As a result of the acquisitions, volume-dependent management costs rose at a lower rate than net cold rent overall. Adjusted for one-time project costs, the NOI margin was increased year on year from 74.5% to 75.1% despite higher maintenance expenses.

The EPRA vacancy rate, which is a ratio of rent lost due to vacancy to potential rent in the event of full occupancy, was reduced from 2.7% to 2.5% on a like-for-like basis as at 31 December 2015.

The LEG Group invested selectively in its assets in the reporting period. Investing activities in the period under review focused on measures aimed at facilitating the new letting of vacant apartments. With growth of EUR 15.3 million, they contributed to the EUR 25.1 million increase in total investment to EUR 114.2 million.

Newly acquired portfolios accounted for EUR 10.7 million of total investment.

2. Net income from the disposal of investment properties

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

T 103 – Net income from the disposal of investment properties

€ million	**2015**	*2014*
Income from the disposal of investment properties	112.3	37.6
Carrying amount of investment properties disposed of	–107.0	–37.2
INCOME/LOSS FROM THE DISPOSAL OF INVESTMENT PROPERTIES	**5.3**	**0.4**
Staff costs	–0.7	–0.8
Other operating expenses	–0.4	–1.3
Purchased services	–0.6	–
COST OF SALE IN CONNECTION WITH INVESTMENT PROPERTIES SOLD	**–1.7**	**–2.1**
NET INCOME FROM THE DISPOSAL OF INVESTMENT PROPERTIES	**3.6**	**–1.7**

In connection with the acquisition of the Vitus Group with effect from 1 November 2014, the exchange of properties at the respective peripheral locations was agreed with the seller, Vonovia SE (formerly: Deutsche Annington Immobilien SE). As a result, the LEG Group sold properties with a carrying amount of EUR 24.5 million with effect from 1 January 2015. At the same time, it acquired properties in the amount of EUR 16.1 million at the same date.

Additional investment properties were sold in the reporting period for the purposes of selective portfolio streamlining. Block sales resulted in a book gain of EUR 2.9 million (sales receipts EUR 57.8 million, carrying amount disposals EUR 54.9 million), while individual sales contributed a book gain of EUR 0.5 million (sales receipts EUR 11.7 million, carrying amount disposals EUR 11.2 million) to net income from the disposal of investment properties.

In addition, commercial properties were sold at over the carrying amount in the reporting period (sales receipts EUR 15.4 million, carrying amount disposals EUR 14.1 million).

As part of a portfolio streamlining programme, sale agreements were concluded for properties at a carrying amount of EUR 35.6 million up to 30 September 2015 (recognised in the statement of financial position as assets held for sale). The transactions were closed in the final quarter of 2015. The sales commissions of approximately EUR 0.7 million were already incurred on contract conclusion as at 30 September.

3. Net income from remeasurement of investment properties

Net income from the remeasurement of investment property amounted to EUR 285.5 million in 2015 (2014: EUR 143.0 million). Based on the portfolio as at the end of the reporting period, this corresponds to an increase in value of around 4.8%. The increase in in-place rent and the development in the discount rate had a positive impact on net remeasurement income in the current financial year. This was countered by slightly higher maintenance and management cost rates.

The average value of residential investment property (including IFRS 5 properties) was EUR 873/sqm as at 31 December 2015 (31 December 2014: EUR 827/sqm) including acquisitions and EUR 876/sqm not including acquisitions. Thus, a year-on-year increase of 5.9% in the value in euro per square metre (including investments in the portfolio but not including acquisitions) was generated in the 2015 financial year.

4. Net income from the disposal of real estate inventory

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

T104 – Net income from the disposal of inventory properties

€ million	**2015**	*2014*
Income from real estate inventory disposed of	1.0	5.7
Carrying amount of real estate inventory disposed of	–0.7	–5.0
GROSS PROFIT FROM THE DISPOSAL OF REAL ESTATE INVENTORY	**0.3**	**0.7**
€ million	**2015**	*2014*
Other operating expenses	–0.3	–1.6
Staff costs	–1.4	–1.7
Purchased services and other	0.2	–0.5
COST OF SALES OF REAL ESTATE INVENTORY DISPOSED OF	**–1.5**	**–3.8**
NET INCOME FROM THE DISPOSAL OF REAL ESTATE INVENTORY	**–1.2**	**–3.1**

The sale of the remaining properties of the former Development division continued in 2015. The remaining real estate inventory held as at 31 December 2015 amounted to EUR 3.6 million, EUR 2.2 million of which related to properties under development.

As a result of further staff savings, the costs of sales in connection with the disposal of inventory properties was EUR 0.3 million lower than in the previous year. In addition, the release of a provision for a completed development project at EUR 1.2 million and lower additions to the provision for performance obligations for disposed properties had a positive impact of EUR 0.7 million on the costs of sales.

5. Net income from other services

Net income from other services is composed as follows:

T105 – Net income from other services

€ million	**2015**	*2014*
INCOME FROM OTHER SERVICES	**8.9**	**9.3**
Purchased services	–2.8	–3.3
Other operating expenses	–2.2	–3.0
Staff costs	–0.8	–0.9
Depreciation, amortisation and write-downs	–2.2	–2.4
EXPENSES IN CONNECTION WITH OTHER SERVICES	**–8.0**	**–9.6**
NET INCOME FROM OTHER SERVICES	**0.9**	**–0.3**

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

Following the Vitus acquisition, administrative services for housing portfolios of Vonovia SE were rendered for the period from 1 November to

31 December of the previous year. These services were discontinued from 1 January 2015 and contributed to net income in the previous year with earnings and expenses of EUR 0.4 million each.

The expenses for generating electricity and heat were negatively affected in the previous year by an addition to a provision of EUR 1.0 million. Furthermore, the operating earnings from electricity and heat generation were increased slightly in the past financial year.

6. Administrative and other expenses

Administrative and other expenses are composed as follows:

T106 – Administrative and other expenses

€ million	**2015**	*2014*
Other operating expenses	–32.3	–16.9
Staff costs	–22.7	–21.6
Purchased services	–1.0	–0.9
Depreciation, amortisation and write-downs	–2.1	–2.2
ADMINISTRATIVE AND OTHER EXPENSES	**–58.1**	**–41.6**

The other operating expenses contained in the table above are composed as follows:

T107 – Other operating expenses

€ million	**2015**	*2014*
Legal and consulting costs	–20.9	–9.5
Rent and other costs of business premises	–4.4	–4.6
Annual financial statement, accounting and audit costs	–1.8	–1.9
Expenses for postage, telecommunications, IT	–0.5	–0.4
Temporary staff	–0.2	–0.1
Vehicles	–0.4	–0.4
Travel expenses	–0.4	–0.4
Advertising expenses	–0.1	–0.1
Other expenses	–3.6	0.5
Reimbursement of IPO costs by shareholders	–	–
OTHER OPERATING EXPENSES	**–32.3**	**–16.9**

Administrative and other expenses were strongly defined by non-recurring effects overall.

Higher project costs (up EUR 13.8 million), caused by transaction costs for the acquisition of a portfolio with 3,539 residential units (EUR 6.9 million), and legal and consulting costs relating to Deutsche Wohnen AG's now negotiated takeover bid (EUR 3.7 million) primarily resulted in an increase in other operating expenses compared to the previous year. Expenses for the long-term incentive programme (LTIP) with former shareholders were EUR 1.0 million lower in the reporting period.

Due to volume effects resulting from the consolidation of new companies, current administrative expenses temporarily increased as expected to EUR 36.7 million (previous year: EUR 33.1 million).

Despite further portfolio growth of more than 20,000 units compared to 31 December 2015, current administrative expenses are expected to decline in the 2016 financial year due to the successful implementation of the efficiency programme.

7. Interest income

Interest income is composed as follows:

T108 – Interest income

€ million	**2015**	*2014*
Interest income from bank balances	0.2	0.9
Interest income from finance leases	0.3	0.0
Other interest income	0.1	0.3
INTEREST INCOME	**0.6**	**1.2**

8. Interest expenses

Interest expenses are composed as follows:

T109 – Interest expenses

€million	**2015**	*2014*
Interest expenses from real estate financing	–66.6	–69.7
Interest expense from loan amortisation	–38.6	–24.6
Prepayment penalty	–8.3	0.0
Interest expense from interest derivatives for real estate financing	–21.5	–26.3
Interest expense from change in pension provisions	–2.9	–4.0
Interest expense from interest on other assets and liabilities	–1.6	–2.3
Interest expenses from lease financing	–1.4	–1.5
Other interest expenses	–40.6	–0.1
INTEREST EXPENSES	**–181.5**	**–128.5**

The increase in interest expenses from loan amortisation and prepayment penalties were due in particular to the effects of the loans that were replaced as part of the planned refinancing in the 2015 financial year. The increase in other interest expense was due to the reversal of the amounts for interest rate derivatives reported in OCI for hedge accounting amounting to EUR 39.5 million, which were released in connection with the refinancing.

Interest expenses from loan amortisation include the measurement of the convertible bond at amortised cost in the amount of EUR 6.4 million.

In addition, the refinancing at more favourable interest terms and lower general interest rates compared to 2014 also led to a reduction in interest expenses from real estate financing. The refinancing also reduced interest expenses from interest rate derivatives. This was offset by the effects of the lower interest rates on interest rate derivatives.

9. Net income from the fair value measurement of derivatives

The gains and losses on the remeasurement of stand-alone derivatives and the ineffective portion of interest hedging instruments are reported in net income from the fair value measurement of derivatives.

The net income from the fair value measurement of derivatives in the past financial year was EUR –75.8 million (previous year: EUR –42.3 million).

The net income from the fair value measurement of derivatives in the reporting period primarily results from changes in the fair value of derivatives from the convertible bond of EUR –74.0 million (previous year: EUR –33.7 million).

In the 2015 financial year, there were ineffective hedges to report of EUR –0.5 million (previous year: EUR 0 million).

10. Income taxes

Income tax expense and income is broken down by origin as follows:

T110 – Income taxes

€million	**2015**	*2014*
Current income taxes	–1.6	–6.8
Deferred taxes	–80.4	–57.1[1]
INCOME TAXES	**–82.0**	**–63.9**
Tax reimbursement for prior years	0,9	0,2

[1] Adjustment arising from final purchase price allocation of Vitus transaction

Based on the consolidated net profit before income taxes and the expected income tax expense, the reconciliation to current income taxes is as follows:

T111 – Reconciliation to current income tax expenses

€ million	**2015**	*2014*
IFRS earnings before income taxes	299.7	219.5
Group tax rate in %	31.2	31.2
FORECAST INCOME TAXES	**–93.5**	**–68.5**
Tax reduction due to tax-free income and off-balance sheet deductions	21.1	17.6
Additional taxes due to non-deductible expenses and off-balance sheet additions	–2.2	–2.5
Tax effect due to deferred tax assets on tax loss carryforwards and not recognised deferred tax assets due to lack of recoverability	–16.7	–15.2
Tax expenses relating to prior periods	5.9	8.8
Tax effect of LTIP from former shareholders	–0.1	–0.4
Others	3.5	–2.5
INCOME TAXES AS PER STATEMENT OF COMPREHENSIVE INCOME	**–82.0**	**–62.7**
Effective tax rate in %, adjusted	27.4	28.6
Adjustment arising from final PPA of Vitus transaction	–	–1.2
INCOME TAXES AS PER STATEMENT OF COMPREHENSIVE INCOME, ADJUSTED	**–82.0**	**–63.9**
Effective tax rate in %, adjusted	27.4	29.1

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%), the solidarity surcharge (5.5% of corporate income tax) and trade tax (15.4%) based on a basic rate of 3.5% and an average assessment rate of 440% (city of Dusseldorf).

11. 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.

T112 – Earnings per share (basic)

	2015	*2014*
Net profit or loss attributable to shareholders in € million	217.8	154.6 [1]
Average numbers of shares outstanding	58,286,212	53,885,944
EARNINGS PER SHARE (BASIC) IN €	**3.74**	**2.87** [1]

[1] Adjustment arising from final purchase price allocation of Vitus transaction

As at 31 December 2015, LEG AG had potential ordinary shares from a convertible bond, which authorise the bearer to convert it into up to 5.1 million shares.

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

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

The diluted earnings per share are equal to the basic earnings per share.

G. Notes to the consolidated statement of cash flows

1. Composition of cash and cash equivalents

The cash and cash equivalents shown in the statement of cash flows correspond to the cash and cash equivalents reported in the statement of financial position, i. e. cash on hand and bank balances, less the trust assets reported in the statement of financial position.

2. Other notes to the statement of cash flows

In the 2015 financial year, a residual purchase price of EUR 5.6 million was settled for the seven former Vitus companies, after these were acquired in the previous year for EUR 455.4 million less the cash and cash equivalents assumed of EUR 6.9 million. LEG Immo made advanced payments of EUR 146.0 million in the financial year for the acquisition of SW Westfalen Invest GmbH, which has been part of the Group since 1 January 2016. In 2014, the remaining shares in Rote Rose were acquired for EUR 6.0 million. In addition, LEG Immo acquired additional shares in Biomasse by way of an equity transaction for a total of EUR 3.7 million in 2015.

Further payments of EUR 4.2 million relate to repayments to the minority shareholder of a subsidiary. In addition, LEG Immo received EUR 5.4 million from RWE for the sale of shares in ESP and capital contributions.

The cash outflow for the repayment of bank loans also included prepayment penalties and payments for the reversal of hedges incurred due to early loan repayments.

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 between the Residential and Other segments.

The Residential segment comprises all residential and commercial property holdings and owner-occupied properties. The Residential 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 Residential 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 disposal 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.

FFO and LTV are the main performance indicators used by management.

Intragroup transactions between the segments are conducted at arm's length conditions.

Group segment reporting for the period from 1 January to 31 December 2015

T113 – Segment reporting 2015

€ million	*Residential*	*Other*	*Reconciliation*	*Group*
P&L position				
Rental and lease income	643.3	3.9	–2.6	644.6
Cost of sales of rental and letting	–324.5	–1.8	2.2	–324.1
NET RENTAL AND LEASE INCOME	**318.8**	**2.1**	**–0.4**	**320.5**
Net income from the disposal of IAS 40 property	3.7	–0.2	0.1	3.6
Net income from the measurement of IAS 40 property	287.1	–1.6	–	285.5
Net income from the disposal of real estate inventory	1.0	–2.2	0.0	–1.2
Net income from other services	0.4	33.4	–32.9	0.9
Administrative and other expenses	–45.9	–45.4	33.2	–58.1
Other income	0.7	0.2	–	0.9
SEGMENT EARNINGS	**565.8**	**–13.7**	**0.0**	**552.1**
Statement of financial position item				
Segment assets (IAS 40)	**6,350.5**	**48.0**	**–**	**6,398.5**
Key figures				
Rentable area in sqm[1]	6,975,345	3,627		6,978,972
Monthly target rents as of end of reporting period	36.3	0.0		36.3
EPRA vacancy rate in %	2.6	0.0		2.6

[1] excl. commercial areas

Group segment reporting for the period from 1 January to 31 December 2014

T114 – Segment reporting 2014

€ million	*Residential*	*Other*	*Reconciliation*	*Group*
P&L position				
Rental and lease income	573.8	5.2	–2.2	576.8
Cost of sales of rental and letting	–291.1	–2.5	1.7	–291.9
NET RENTAL AND LEASE INCOME	**282.7**	**2.7**	**–0.5**	**284.9**
Net income from the disposal of IAS 40 property	–1.2	–0.5	–	–1.7
Net income from the measurement of IAS 40 property	144.0	–1.0	–	143.0
Net income from the disposal of real estate inventory	0.2	–3.3	–	–3.1
Net income from other services	0.5	27.8	–28.6	–0.3
Administrative and other expenses	–37.8	–33.0	29.2	–41.6
Other income	0.3	0.3	–0.1	0.5
SEGMENT EARNINGS	**388.7**	**–7.0**	**0.0**	**381.7**
Statement of financial position item				
Segment assets (IAS 40)	**5,864.9**	**49.4**	**–**	**5,914.3**
Key figures				
Rentable area in sqm[1]	6,851,050	3,627		6,854,677
Monthly target rents as of end of reporting period	34.8	0.0		34.8
EPRA vacancy rate in %	2.8	3.3		2.8

[1] excl. commercial areas

I. Other disclosures

1. Overview of cost types

The following cost types are contained in the various functions:

T115 – Cost types

€ million	**2015**	*2014*
Purchased services	266.4	239.0
Staff costs	62.9	58.2
Depreciation, amortisation and write-downs	9.0	8.5
Other operating expenses	60.9	44.8

Other operating expenses contain income from the reversal of write-downs and provisions, among other things.

2. Capital management

The aim of the Group's capital management is to ensure the continued existence of the company while generating income for its shareholders, in addition to providing all of the other stakeholders of the LEG Group with the benefits to which they are entitled. Overall, the aim is to increase the value of the Group as a whole.

This end-to-end capital management strategy has not changed since the previous year.

As is typical for the industry, the LEG Group monitors capital on the basis of loan-to-value (LTV). LTV describes the ratio of net debt to the fair value of investment property. Net debt is calculated by deducting cash and cash equivalents from financial liabilities.

As in the previous year, the Group's goal in the financial year was to maintain an appropriate level of gearing in order to ensure continued access to debt financing at economically appropriate costs. Gearing as at 31 December 2015 and 31 December 2014 was calculated as follows:

T116 – Net gearing (LTV)

€ million	**31.12.2015**	*31.12.2014*
Financing liabilities	3,241.6	2,960.3
Cash and cash equivalents	252.8	129.9
NET DEBT	**2,988.8**	**2,830.4**
Investment properties	6,398.5	5,914.3
Assets held for sale	6.7	58.4
Prepayments for investment properties	203.1	16.8
Prepayments for business combinations	146.1	0.1
TOTAL	**6,754.4**	**5,989.6**
NET GEARING (LTV) IN %	**44.2**	**47.3**

The assets held for sale shown in the above table relate solely to investment property.

The Group is subject to external capital requirements that were not breached in either the year under review or the previous year. The aims of capital management were achieved in the year under review.

Details of restricted funds can be found in section D.10.

3. Financial instruments

a) Other disclosures on financial instruments

The table below shows the financial assets and liabilities broken down by measurement category and class. Receivables and liabilities from finance leases and derivatives used as hedging instruments are included even though they are not assigned to an IAS 39 measurement category. Non-financial assets and non-financial assets are also included for the purposes of reconciliation even though they are not covered by IFRS 7:

T117 – Classes of financial instruments for financial assets and liabilities 2015

		Measurement (IAS 39)		Measurement	
€ million	*Carrying amounts as per statement of financial positions 31.12.2015*	*Amortised cost*	*Fair value through profit or loss*	*IAS 17*	*Fair value 31.12.2015*
Assets					
Other financial assets	**148.8**				**148.8**
LaR	0.1	0.1	0.0		0.1
AfS	148.7	148.7			148.7
Receivables and other assets	**33.2**				**33.2**
LaR	27.6	27.6			27.6
Other non-financial assets	5.6				5.6
Cash and cash equivalents	**252.8**				**252.8**
LaR	252.8	252.8			252.8
TOTAL	**434.8**	**429.2**	**0.0**		**434.8**
Of which IAS 39 measurement categories					
LaR	280.5	280.5			280.5
AfS	148.7	148.7			148.7
Equity and liabilities					
Financial liabilities	**–3,241.6**				**–3,570.0**
FLAC	–3,215.0	–3,215.0			–3,542.7
Liabilities from lease financing	–26.6			–26.6	–27.3
Other liabilities	**–359.8**				**–359.8**
FLAC	–31.3	–31.3			–31.3
Derivatives HFT	–168.8		–168.8		–168.8
Hedge accounting derivatives	–42.3				–42.3
Other non-financial liabilities	–117.4				–117.4
TOTAL	**–3,601.4**	**–3,246.3**	**–168.8**	**–26.6**	**–3,929.8**
Of which IAS 39 measurement categories					
FLAC	–3,246.3	–			–3,574.0
Derivatives HFT	–168.8		0.0		–168.8

LaR = Loans and Receivables
HFT = Held for Trading
AfS = Available for Sale
FLAC = Financial Liabilities at Cost
FAHFT = Financial Assets Held for Trading
FLHFT = Financial Liabilities Held for Trading

T118 – Classes of financial instruments for financial assets and liabilities 2014

		Measurement (IAS 39)		Measurement	
€ million	*Carrying amounts as per statement of financial positions 31.12.2014*	*Amortised cost*	*Fair value through profit or loss*	*IAS 17*	*Fair value 31.12.2014*
Assets					
Other financial assets	**2.4**				**2.4**
LaR	0.1	0.1	0.0		0.1
AfS	2.3	2.3			2.3
Receivables and other assets	**29.6**				**29.6**
LaR	25.2	25.2			25.2
Other non-financial assets	4.4				4.4
Cash and cash equivalents	**129.9**				**129.9**
LaR	129.9	129.9			129.9
TOTAL	**161.9**	**157.5**	**0.0**		**161.9**
Of which IAS 39 measurement categories					
LaR	155.2	155.2			155.2
AfS	2.3	2.3			2.3
Equity and liabilities					
Financial liabilities	**–2,960.3**				**–3,335.3**
FLAC	–2,932.4	–2,932.4			–3,306.9
Liabilities from lease financing	–27.9			–27.9	–28.4
Other liabilities	**–320.7**				**–320.7**
FLAC	–37.8	–37.8			–37.8
Derivatives HFT	–93.3		–93.3		–93.3
Hedge accounting derivatives	–88.4				–88.4
Other non-financial liabilities	–101.2				–101.2
TOTAL	**–3,281.0**	**–2,970.2**	**–93.3**	**–27.9**	**–3,656.0**
Of which IAS 39 measurement categories					
FLAC	–2,970.2	–2,970.2			–3,344.7
Derivatives HFT	–93.3		–93.3		–93.3

LaR = Loans and Receivables
HFT = Held for Trading
AfS = Available for Sale
FLAC = Financial Liabilities at Cost
FAHFT = Financial Assets Held for Trading
FLHFT = Financial Liabilities Held for Trading

It was not possible to reliably measure the fair value of investments carried at amortised 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, hence 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. The fair value of loan liabilities is calculated as the present value of the future cash flows, taking into account the applicable risk-free interest rates and the LEG-specific risk premium as at the end of the reporting period.

Net income for each measurement category is broken down as follows:

T119 – Net income

€ million	**2015**	*2014*
LaR	–4.1	–5.0
AfS	1.9	1.8
FAHFT	–	–
FLHFT	–78.2	–44.8
FLAC	–113.6	–94.3
TOTAL	**–194.0**	**–142.3**

Net income contains remeasurement effects in addition to interest income and expenses during the financial year.

b) Risk management

Principles of risk management:

The LEG Group is exposed to default risk, liquidity risk and market risk as a result of its use of financial instruments. In order to take these risks into account, the LEG Group has an effective risk management system supported by the clear functional organisation of the risk controlling process.

The effectiveness of the risk management system is reviewed and assessed regularly on a company-wide basis by the Internal Audit and Compliance unit. Where adjustments are necessary or areas for improvement are identified, the Internal Audit and Compliance unit advises on, examines and monitors these activities.

The framework for the Group's financial policy is determined by the Management Board and monitored by the Supervisory Board. The implementation of financial policy is the responsibility of the Finance and Properties and Controlling and Risk Management units, while ongoing risk management is handled by Controlling and Risk Management. The use of derivative financial instruments is governed by a corresponding Treasury policy adopted by Management Board and acknowledged by the Supervisory Board. Derivative financial instruments can only be used to hedge existing underlyings, future cash flows and planned transactions whose occurrence is reasonably certain. Derivative financial instruments are only concluded to hedge against interest rate risks.

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 tenant base.

There are gross receivables from rental and leasing activities of EUR 17.4 million. Allowances of EUR 11.9 million were recognised, hence net rent receivables of EUR 5.5 million were reported as at 31 December 2015. Collateral for receivables (primarily rent deposits) of EUR 9.6 million is taken into account in the offsetting of outstanding receivables if the legal conditions are met in the individual case.

Offsetting is only possible if the receivable being offset:

— is undisputed or
— has been ruled legally binding or
— is manifestly substantiated

Offsetting by the lessor against receivables that are manifestly disputed or not covered by the lease (such as receivables from operating expenses) is not permitted. In addition, the restrictions of section 9(5) sentence 1 of the Wohnungsbindungsgesetz (WoBindG – German Controlled Tenancy Act) must also be noted in particular.

Allowances on rent receivables were essentially recognised using general allowances without taking collateral into account.

With regard to cash and cash equivalents and derivatives, the LEG Group only enters into corresponding 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 recognised financial assets less any write-downs represent the highest default risk. The carrying amount of financial assets represents the maximum default risk. The default risk for interest rate derivatives is limited to the amount of the positive fair values of derivatives.

The table below shows the financial assets determined to be impaired as at the end of the reporting period: Table *T 120/121*

Furthermore, the table below shows the maturity structure of the financial assets past due but not impaired as at the end of the reporting period. Table *T 122/123*

Regarding the receivables neither past due nor impaired, there were no indications as at the end of the reporting period that the debtors will fail to meet their payment obligations.

The LEG Group also recognises standardized allowances in addition to specific allowances, using various rates depending on the extent to which the respective receivables are past due. Table *T 124/125*

T 120 – Impaired financial assets 2015

€ million; classes of financial instruments 31.12.2015	*Carrying amount before impairment*	*Impairment*	*Residual carrying amount*
Loans	1.6	–1.3	0.3
Other financial assets	159.5	–2.2	157.3
Trade receivables	30.5	–12.5	18.0
Cash and cash equivalents	252.8	–	252.8
TOTAL	**444.4**	**–16.0**	**428.4**

T 121 – Impaired financial assets 2014

€ million; classes of financial instruments 31.12.2014	*Carrying amount before impairment*	*Impairment*	*Residual carrying amount*
Loans	1.6	–1.3	0.3
Other financial assets	13.9	–1.6	12.3
Trade receivables	25.1	–10.5	14.6
Cash and cash equivalents	129.9	–	129.9
TOTAL	**170.5**	**–13.4**	**157.1**

T 122 – Not impaired financial assets 2015

	Carrying amount	*Of which past due as of end of reporting period but not impaired*		
€million; classes of financial instruments 31.12.2015		*< 90 days*	*90 – 180 days*	*> 180 days*
Loans	0.3	–	–	0.3
Trade receivables	2.9	2.5	0.1	0.3
Other financial assets	0.7	0.4	0.1	0.2
TOTAL	**3.9**	**2.9**	**0.2**	**0.8**

T 123 – Not impaired financial assets 2014

	Carrying amount	*Of which past due as of end of reporting period but not impaired*		
€million; classes of financial instruments 31.12.2014		*< 90 days*	*90 – 180 days*	*> 180 days*
Trade receivables	3.7	3.4	0.1	0.2
Other financial assets	0.4	0.1	0.1	0.2
TOTAL	**4.1**	**3.5**	**0.2**	**0.4**

T 124 – Impairment losses 2015

€ million	*As of 01.01.2015*	*Change remeasurement*	*Addition*	*Utilisation*	*Changes in consolidated companies*	*As of 31.12.2015*
Loans and receivables	1.3	–	–	–	–	1.3
Trade receivables	10.5	–0.7	10.0	–7.5	–	12.3
Other financial assets	1.6	–	1.7	–2.4	–	0.9
TOTAL	**13.4**	**–0.7**	**11.7**	**–9.9**	**–**	**14.5**

T 125 – Impairment losses 2014

€ million	*As of 01.01.2014*	*Change remeasurement*	*Addition*	*Utilisation*	*Changes in consolidated companies*	*As of 31.12.2014*
Loans and receivables	1.3	–	–	–	–	1.3
Trade receivables	7.9	–	9.1	–7.3	0.8	10.5
Other financial assets	2.2	–	1.7	–2.4	0.1	1.6
TOTAL	**11.4**	**–**	**10.8**	**–9.7**	**0.9**	**13.4**

c) Liquidity risks

The LEG Group defines liquidity risk as the risk that the Group will be unable to meet its own payment obligations at a contractually agreed date.

To ensure that this is not the case, the LEG Group's liquidity requirements are monitored and planned on an ongoing basis by the 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 EUR 27.9 million (previous year: EUR 12.5 million).

The following table shows the contractually agreed (undiscounted) interest and principal payments for the LEG Group's primary financial liabilities and its derivative financial instruments with negative fair value. The maturities are based on the contractually agreed fixed interest periods for the respective financial liabilities.

The rise in non-current financing liabilities from loans liabilities is due in particular to refinancing carried out in 2015.

The embedded derivatives give rise to only indirect cash outflows over the term of the convertible bond. The cash outflows are included in the remaining terms of financing liabilities from loan liabilities and are reported there.

T 126 – Type of liabilities on 31.12.2015

	Carrying amount	*Remaining terms*		
€ million		*<1 year*	*1–5 years*	*>5 years*
Financing liabilities from loan payable	3,215.0	551.0	739.9	2,809.1
Financing liabilities from lease financing	26.6	4.7	12.4	9.5
Interest rate derivatives	57.9	17.3	43.6	–1.8
Embedded derivatives	153.2	–	–	–
Liabilities to employees	7.9	7.7	–	0.2
Liabilities from operating costs	0.5	0.5	–	–
Rent and lease liabilities	13.9	13.9	–	–
Trade payables	46.4	43.7	2.7	0.0
Others	43.3	4.5	–	38.8
TOTAL	**3,411.7**	**643.5**	**798.6**	**2,855.8**

Together with the acquisition financing and refinancing, this led to an increase and shift in the remaining terms of financing liabilities from loan liabilities.

T127 – Type of liabilities on 31.12.2014

	Carrying amount	*Remaining terms*		
€ million		*< 1 year*	*1 – 5 years*	*> 5 years*
Financing liabilities from loan payable	2,932.4	490.9	1,672.8	1,613.5
Financing liabilities from lease financing	27.9	4.4	11.6	11.9
Interest rate derivatives	102.5	27.2	69.8	7.1
Embedded derivatives	79.3	–	–	–
Liabilities to employees	6.4	6.1	0.0	0.3
Liabilities from operating costs	0.3	0.3	–	–
Rent and lease liabilities	11.8	11.8	–	–
Trade payables	42.2	39.8	2.4	0.0
Others	5.9	3.6	1.3	1.0
TOTAL	**3,129.4**	**584.1**	**1,757.9**	**1,633.8**

All instruments for which payments were contractually agreed as at the end of the reporting period are included. Forecast figures for future new liabilities are not included. The variable interest payments for financial instruments are calculated using the most recent interest rates prior to the end of the reporting period. Financial liabilities that are repayable at any time are always allocated to the earliest repayment date.

Some of the LEG Group's loan agreements contain financial covenants. In the event of a failure to comply with the agreed covenants, the LEG Group generally has the opportunity to resolve the situation; however, certain cases of non-compliance can result in the bank having the right to terminate the loan agreement with immediate effect. In addition, some agreements provide the bank with the possibility of increasing interest and principal payments or demanding further security for compliance with the covenants in the event of noncompliance. 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 on an ongoing basis. There were no violations of the agreed covenants in the 2015 financial year.

d) Market risk

The LEG Group is subject to significant interest rate risks on account of its business activities. Interest rate risk results, in particular, from floating-rate liabilities to banks. In order to limit interest rate risk, the LEG Group generally enters into fixed-income loans or floating-rate loans, sometimes in connection with interest payer swaps. Around 94% of financial liabilities to banks are hedged in this way.

Derivative financial instruments are used solely to hedge interest rates at the LEG Group. The Treasury policy prohibits the use of derivatives for speculative purposes.

The Group had the following derivative financial instruments as at 31 December 2015:

T128 – Derivatives 2015

€ million on 31.12.2015	*Fair value*	*thereof < 1 year*
Derivatives – HFT – Assets	–	–
thereof from interest rate swaps	–	–
Derivatives – HFT – Liabilities	–168.8	–
thereof from interest rate swaps	–15.6	–
thereof embedded derivatives	–153.2	–
Hedged derivatives	–42.3	–

The Group had the following derivative financial instruments as at 31 December 2014:

T129 – Derivatives 2014

€ million on 31.12.2014	*Fair value*	*thereof <1 year*
Derivatives – HFT – Assets	–	–
thereof from interest rate swaps	–	–
Derivatives – HFT – Liabilities	–93.3	0.0
thereof from interest rate swaps	–14.0	0.0
thereof embedded derivatives	–79.3	–
Hedged derivatives	–88.4	–1.3

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 2016 and 2026 and will be recognised in profit or loss at the same time.

The following table shows the amount recognised directly in other comprehensive income in the period under review. This corresponds to the effective portion of the change in fair value:

T130 – Equity implication

€ million	**2015**	*2014*
OPERATING BALANCE AS OF 01.01.	**–87.0**	**–45.2**
Recognised in equity in reporting period	–15.9	–64.9
Reserved from equity to statement of comprehensive income	57.5	23.1
CLOSING BALANCE AS OF 31.12.	**–45.4**	**–87.0**

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 as at the end of the reporting period.

The effects on the LEG Group's equity and statement of comprehensive income are observed using a +/–50 bp parallel shift in the euro yield curve are analysed in the sensitivity analysis. The cash flow effects from the shift in the yield curve relate solely to interest expense and income for the next reporting period.

Based on the financial instruments held or issued by the LEG Group as at the end of the reporting period, a hypothetical change in the applicable interest rates for the respective instruments as quantified using sensitivity analysis would have had the following effects (before taxes) as at the end of the reporting period:

T131 – Financial instruments 2015

	Equity effect		*Comprehensive income effect*	
€ million on 31.12.2015	*+50 bp*	*–50 bp*	*+50 bp*	*–50 bp*
Net position of all interest-sensitive financial instruments				
Financing liabilities	–	–	–2.5	2.5
Interest rate derivatives	26.9	–24.3	3.7	–3.5
Embedded derivatives	–	–	–7.5	7.8

bp = basis points

Embedded derivatives are subject to both interest rate risk and share price risk. Had the market price for the full instrument been 5% higher (lower) at the end of the reporting period as a result of a change in the price of LEG Immobilien AG shares, with the other parameters for the company remaining unchanged, the fair value of the embedded derivatives would have been EUR 16.8 million higher (lower).

T132 – Financial instruments 2014

	Equity effect		*Comprehensive income effect*	
€ million on 31.12.2014	*+50 bp*	*–50 bp*	*+50 bp*	*–50 bp*
Net position of all interest-sensitive financial instruments				
Financing liabilities	–	–	–2.0	2.0
Interest rate derivatives	26.4	–24.3	4.7	–4.6
Embedded derivatives	–	–	–8.8	9.1

bp = basis points

e) Offsetting financial assets and financial liabilities

The following financial assets are subject to offsetting:

T133 – Financial assets

				Related amounts, which are not netted in the balance sheet		
€ million	*Gross amount of the admitted financial assets*	*Gross amount of the admitted financial liabilities, which have been netted in the balance sheet*	*Net amount of the admitted financial assets, which are considered in the balance sheet*	*Financial instruments*	*Received cash deposits*	*Net amount*
31.12.2015						
Inventories in progress	195.5	–190.6	4.9	–	–	4.9
Cash and cash equivalents	252.8	–	252.8	–9.8	–	243.0
TOTAL	**448.3**	**–190.6**	**257.7**	**–9.8**	**–**	**247.9**
31.12.2014						
Inventories in progress	183.9	–177.4	6.5	–	–	6.5
Cash and cash equivalents	129.9	–	129.9	–1.6	–	128.3
TOTAL	**313.8**	**–177.4**	**136.4**	**–1.6**	**–**	**134.8**

The following financial liabilities are subject to offsetting:

T134 – Financing liabilities

				Related amounts, which are not netted in the balance sheet		
€ million	*Gross amount of the admitted financial liabilities*	*Gross amount of the admitted financial assets, which have been netted in the balance sheet*	*Net amount of the admitted financial liabilities, which are considered in the balance sheet*	*Financial instruments*	*Rendered cash deposits*	*Net amount*
31.12.2015						
Advanced payments received	–213.5	190.6	–22.9	–	–	–22.9
Financing liabilities from real estate financing	–3,215.0	–	–3,215.0	9.8	–	–3,205.2
TOTAL	**–3,428.5**	**190.6**	**–3,237.9**	**9.8**	**–**	**–3,228.1**
31.12.2014						
Advanced payments received	–183.2	177.4	–5.8	–	–	–5.8
Financing liabilities from real estate financing	–2,932.4	–	–2,932.4	1.6	–	–2,930.8
TOTAL	**–3,115.6**	**177.4**	**–2,938.2**	**1.6**	**–**	**–2,936.6**

The contractually agreed terms and conditions of banks for liens give rise to a claim to offset loan utilisation against the credit balances of the individual companies.

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:

T135 – Average number of employees

	Average number of employees 2015	Employee capacity (FTE) 2015	*Average number of employees 2014*	*Employee capacity (FTE) 2014*
Residential	686	581	744	615
Others	246	230	247	228
TOTAL	**932**	**811**	**991**	**843**

5. Total auditor's fees

The total fees paid to the auditor of the consolidated financial statements are composed as follows:

T136 – Total auditor's fees

€ million	**2015**	*2014*
Audits of financial statements	1.0	1.4
Other audit services	0.5	0.5
TOTAL FEE	**1.5**	**1.9**

6. IFRS 2 programmes

a) Long-term incentive plan with former shareholders

As a result of the IPO of LEG Immo, claims arose as at 31 December 2015 from agreements between former shareholders and the Management Board. The costs of these agreements do not reduce liquidity at LEG Immo. Similarly, the regulations of IFRS 2 result in the different recognition of expenses at LEG Immo, in terms of both timing and amount.

In line with the regulations of IFRS 2, EUR 0.2 million of this was recognised as an expense at LEG Immo as at 31 December 2015 (2014: EUR 0.4 million).

b) LTI Management Board agreements

The agreements for members of the Management Board also provide for a long-term incentive programme to be offered for each financial year. The programme is designed for a four-year period and divided into three performance periods (until the end of the first, second and third financial year following the relevant financial year). The amount of LTI remuneration is dependent on the achievement of certain performance targets. The performance targets in question are total shareholder return and the development of LEG's share price compared to the relevant EPRA Germany Index.

By way of resolution of the Supervisory Board on 24 March 2015 and individual Management Board agreements dated 14/15 April 2015, new Management Board agreements were concluded as at 1 July 2015. The new agreements provide for higher target LTIs. The replacement of the old agreements by the new agreements is accounted for as a modification of existing agreements in accordance with IFRS 2.28 f. This requires that the old commitment is accounted for as before, and any incremental fair value arising from the new commitment is also recognised as an expense from the modification date. The incremental fair value is defined as the difference between the fair value of the original programme and the fair value of the new programme, each calculated as at the date of modification.

T137 – Calculated fair value of LTIP-Promise

€ million	*Fair value old contracts*	*Fair value new contracts*	*Incremental Fair value*
Thomas Hegel	227	261	34
Eckhard Schultz	212	244	32
Holger Hentschel	151	170	19
TOTAL	**590**	**675**	**85**

The programme is treated as cash-settled share-based payment in accordance with IFRS 2. On the basis of an assessment of the Management Board on the attainment of performance hurdles 2013–2015, staff costs of EUR 0.8 million (2014: EUR 0.5 million) were recognised as at 31 December 2015. A target level of 76% was achieved for LTI 2015 (LTI 2014: 93%; LTI 2013: 99%). Details on Management Board agreements can also be found in the remuneration report.

7. Related-party disclosures

Related parties are defined as companies and persons that have the ability to control the LEG Group or exercise significant influence over its financial and business policy. The existing control relationships were taken into account when determining the significant influence that related parties can exercise over the LEG Group's financial and business policy.

Related persons

The related persons of LEG Immo include the Management Board and the Supervisory Board of LEG Immobilien AG. The Management Board of LEG Immobilien AG and the Management Team at LEG NRW GmbH consist of the same persons.

Related companies

LEG Immo's related companies include all the subsidiaries and associates of the LEG Group and certain entities not included in consolidated financial statements.

The following table shows the receivables from and liabilities to related companies as at the end of the reporting period and expenses and income involving related companies for the financial year:

T138 – Receivables from and liabilities to related companies

€ million	**31.12.2015**	*31.12.2014*
Statement of financial positions		
Receivables from equity investments	0.0	0.4
Receivables from non-consolidated companies	0.0	0.2
Receivables from associates	0.0	0.0
Liabilities to shareholders	0.2	1.0
Liabilities to equity investments	–	–
Liabilities to non-consolidated companies	0.1	0.1
Liabilities to associates	–	0.0

T139 – Income from and expenses for related companies

€ million	**2015**	*2014*
Statement of comprehensive income		
Income from associates	0.0	0.3
Income from equity investments	1.9	1.6
Expenses for shareholders	–	–

a) Related company disclosures

Related companies controlled by LEG Immo or which it significantly influences are included in the consolidated financial statements. Intragroup transactions under existing service and management agreements between the companies are eliminated as part of consolidation.

There was no significant exchange of goods and services with the other unconsolidated subsidiaries or associates.

b) Related person disclosures

Total remuneration of the Management Board is shown in the table below:

T140 – Compensation package of the Management Board

€ thousand	**2015**	*2014*
Fixed remuneration	1,174	1,060
Ancillary benefits	79	76
Total fixed benefits	1,253	1,136
Short-Term-Incentive-Programme (STI)	764	690
Long-Term-Incentive-Programme (LTI)	502	398
Total variable benefits	1,266	1,088
TOTAL	**2,519**	**2,224**

The additional benefits for members of the Management Board amounted to EUR 79 thousand in the past financial year (previous year: EUR 76 thousand).

The basis for calculating the STI is the achievement of the respective consolidated IFRS business plan. The STI consists of an annual payment measured on the basis of the following four targets: net cold rent, net rental and lease income, adjusted EBITDA and funds from operations I per share. The first three targets each account for 20% and the final target for 40% of the STI. The target STI cannot be exceeded overall. For 2015 (2014) an amount of EUR 0.3 million (EUR 0.3 million) was recognised in staff costs for Mr Thomas Hegel, of EUR 0.3 million

(EUR 0.2 million) for Mr Eckhard Schultz and EUR 0.2 million (EUR 0.2 million) for Mr Holger Hentschel.

In addition, expenses of EUR 0.2 million were recognised from the long-term incentive plans with former shareholders in the reporting year (2014: EUR 0.4 million). Please see section I.6.

No loans or advances were granted or extended to the members of the Management Board in the 2015 financial year.

The total remuneration of members of the Supervisory Board of LEG Immobilien AG amounted to EUR 0.5 million in 2015 (2014: EUR 0.5 million).

No loans or advances were granted or extended to the members of the Supervisory Board in the 2015 financial year.

Recognised expenses for the remuneration of members of the Management Board and Supervisory Board in accordance with IAS 24.17 can be summarised as follows:

T 141 – Benefits to the Management and Supervisory Board

€ thousand	**2015**	*2014*
Current payable benefits	2,356	2,330
Benefits after termination of the employment	0	0
Other long-term payable benefits	31	27
Benefits in cause of the termination of employment	0	0
Share-based payment	746	1,576
TOTAL	**3,133**	**3,933**

Further information can be found in the remuneration report, which forms part of the management report.

8. Contingent liabilities

The LEG Group has the following contingent liabilities:

T 142 – Contingent liabilities

€ million	**31.12.2015**	*31.12.2014*
Land charges	3,171.5	2,902.9
Letters of comfort		
Amount of maximum utilisation (maximum guarantee)	0.5	0.5

The warranty agreements relate solely to letters of comfort for Group companies not included in consolidation. Appropriate provisions have been recognised for the rent guarantees issued in conjunction with disposals.

9. Other financial commitments

The Group's other financial commitments are composed as follows:

T 143 – Other financial commitments

€ million	**31.12.2015**	*31.12.2014*
Future payments under operating leases	76.9	73.4
Purchase obligations	4.3	3.4

Future payments under operating leases result, in particular, from obligations for land with third-party heritable building rights in the amount of EUR 61.5 million (2014: EUR 59.4 million) and rental obligations in the amount of EUR 12.3 million (2014: EUR 12.3 million).

Future payment obligations under non-cancellable operating leases are broken down as follows:

T 144 – Minimum lease payments

€ million	*Remaining term < 1 year*	*Remaining term > 1 and 5 years*	*Remaining term > 5 years*	**Total**
31.12.2015	5.2	12.9	58.4	76.5
31.12.2014	4.2	12.0	57.2	73.4

The cost of minimum lease payments was EUR 3.2 million in the 2015 financial year (2014: EUR 3.2 million).

10. Management Board

LEG Immobilien AG is represented by the Management Board, which consists of the following members:

MR THOMAS HEGEL,
CEO of LEG Immobilien AG,
Erftstadt

MR ECKHARD SCHULTZ,
CFO of LEG Immobilien AG,
Neuss

MR HOLGER HENTSCHEL,
COO of LEG Immobilien AG,
Erkrath

Registered office of the company:
Hans-Böckler-Straße 38
40476 Dusseldorf
Germany
Commercial register: HRB 69386

11. Supervisory Board

The Supervisory Board of LEG Immobilien AG consists of six members.

The following members were elected by the shareholders' meeting:

MR NATHAN JAMES BROWN,
CFO, Perry Capital UK LLP, London,
United Kingdom – until 24 June 2015

MS NATALIE C. HAYDAY,
freelance capital market and investor relations consultant, Frankfurt – from 24 June 2015

MR STEFAN JÜTTE,
Deputy Chairman, businessman, Bonn

DR JOHANNES LUDEWIG,
business consultant, Berlin

DR JOCHEN SCHARPE,
managing partner, AMCI GmbH, Munich

MR JÜRGEN SCHULTE-LAGGENBECK,
CFO Majid Al Futtaim, Dubai –
until 31 December 2015

MR MICHAEL ZIMMER
–Chairman–; businessman, Pulheim

12. Events after the reporting period

Portfolio acquisition 1

On 30 November 2015, LEG Immo signed a purchase agreement with Sahle Wohnen GmbH & Co. KG to acquire 94.9% of shares in SW Westfalen Invest GmbH and three other asset purchase agreements, consisting of a property portfolio of 3,539 residential units. The portfolio is distributed over various (12) locations in NRW, while its most important local markets are Detmold (1,151 units), Bielefeld (950 units), Lippstadt (315 units). The current net cold rent is around EUR 14.2 million per year, rent per square metre EUR 5.19 and the vacancy rate is 3.6%. 23 employees (FTEs) were taken on in the context of the transaction. Following antitrust approval, the transaction was closed on 1 January 2016.

As at 1 January 2016, the acquisition of these companies is treated as a business combination as defined by IFRS 3 as significant business processes had been acquired.

The provisional consideration for the business combination breaks down as follows:

T145 – Provisional consideration

€ million	
Net purchase price	201.6
Contingent reimbursement of the purchase price	0.0
TOTAL CONSIDERATION	201.6

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

T146 – Provisional purchase price allocation

€ million	*01.01.2016*
Investment properties	205.0
Cash and cash equivalents	–
Other assets	–
Assets held for sale	–
TOTAL ASSETS	**205.0**
Financing liabilities	–11.0
Other financing liabilities	–8.2
Pension provisions	–
Deferred tax liabilities	–22.0
Other liabilities	–
TOTAL LIABILITIES	**–41.2**
Net assets at fair value	163.8
Non-controlling interests	5.7
Net assets at fair value without non-controlling interests	158.1
CONSIDERATION	**201.6**
GOODWILL	**43.5**

The purchase price was calculated on the basis of the statements of financial position as at 1 January 2016. Acquisition related costs of the business combination amount to EUR 6.3 million and essentially include real estate transfer tax and brokerage commission. Non-controlling interests in SW Westfalen Invest GmbH amount to 5.1% and are measured at the proportionate share of the recognised net assets acquired.

The purchase price allocation is provisional with respect to the following items

— total consideration
— contingent liabilities
— operating costs
— deferred taxes

Portfolio acquisition 2

The acquisition of a property portfolio of around 2,037 residential units was notarised on 11 August 2015. The portfolio generates annual net cold rent of around EUR 7.7 million. The average in-place rent is around EUR 5.04 per square metre and the initial vacancy rate is around 6.7%. The transaction was closed on 1 January 2016.

Portfolio acquisition 3

The acquisition of a property portfolio of around 1,291 residential units was notarised on 16 December 2015. The portfolio generates annual net cold rent of initially around EUR 4.63 million. The average in-place rent is around EUR 5.16 per square metre and the initial vacancy rate is around 17.3%. For 999 residential units, the transaction closed as at 1 January 2016. For the remaining 292 residential units, the transaction will close as at 1 July 2016.

Prepayments totalling EUR 349.1 million were made for the acquisitions of portfolios 1, 2 und 3. Thereof EUR 203.1 million (portfolio acquisition 1: EUR 55.1 million, portfolio acquisition 2: EUR 95.4 million, portfolio acquisition 3: EUR 52.0 million, others EUR 0.6 million) were recognized as prepayments for investment properties; EUR 146.0 million for portfolio acquisition 1 were reported under other financial assets.

Portfolio acquisition 4

On 22 December 2015, LEG Immo concluded a purchase agreement with Vonovia SE regarding the acquisition of 13,570 residen tial units. The purchase price is around EUR 600 million, equating to an initial rental yield of 8.0%. The portfolio is spread over various locations in and on the border of North Rhine-Westphalia. The initial annual net cold rent is EUR 48 million, rent per square metre EUR 4.86, and the vacancy rate is 5.3%. 43 employees will be taken on in the wake of the transaction. The transaction is expected to be closed as at 1 April 2016.

Loans of EUR 130.0 million were refinanced after the end of the reporting period.

There were no other transactions of material importance to the Group after the end of the financial year.

13. Declaration of compliance in accordance with section 161 AktG

The Management Board and the Supervisory Board comply with the recommendations of the German Corporate Governance Code as presented in the management report. The declaration of compliance has been made permanently available to shareholders on the company's website at http://www.leg-wohnen.de/fileadmin/user_upload/Assets/PDFs/Unternehmen/Investor_Relations/Corporate_Governance/Entsprechenserklaerung_161-AktG-Nov 2015.pdf

Dusseldorf, 8 March 2016

LEG Immobilien AG

The Management Board

THOMAS HEGEL

ECKHARD SCHULTZ

HOLGER HENTSCHEL

J. List of shareholdings

The following table shows an overview of the basis of consolidation of the LEG Group:

T 147 – Consolidated companies

		Share of capital %	*Equity* € thousand*	*Result* € thousand*
LEG Immobilien AG, Duesseldorf		Parent company		
Rote Rose GmbH & Co. KG, Duesseldorf	1)	100.00	109,462	–3
LEG NRW GmbH, Duesseldorf	2)	99.98	1,066,108	611
LEG Wohnen GmbH, Duesseldorf	2)	100.00	559,031	0
LEG Wohnungsbau Rheinland GmbH, Duesseldorf	2)	100.00	112,639	0**
Solis GmbH, Duesseldorf	1)	94.90	103,833	1**
Jupp Grundstücksgesellschaft mbH, Duesseldorf	2)	100.00	17,466	1**
Rheinweg Grundstücksgesellschaft mbH, Duesseldorf	2)	100.00	86,392	1
LEG Rheinland Köln GmbH, Duesseldorf	2)	100.00	33,969	0
Noah Asset 4 GmbH, Duesseldorf	2)	94.90	273	198
LEG Wohnen Bocholt GmbH, Duesseldorf	2)	100.00	25	0
LEG Bauen und Wohnen GmbH, Cologne	2)	100.00	2,165	0
LCS Consulting und Service GmbH, Duesseldorf	1)	100.00	2,556	0
LEG Consult GmbH, Duesseldorf	3)	100.00	302	0
GWN Gemeinnützige Wohnungsgesellschaft Nordwestdeutschland GmbH, Muenster	2)	94.86	74,582	0
GeWo Gesellschaft für Wohnungs- und Städtebau mbH, Castrop-Rauxel	2)	94.00	22,542	0
Hiltrup Grundbesitzverwertungsgesellschaft mbH, Muenster	2)	100.00	77	0
LEG Rheinrefugium Köln GmbH, Cologne	2)	94.00	34	0
Calor Caree GmbH, Duesseldorf	2)	94.00	25	0
LEG Beteiligungsverwaltungsgesellschaft mbH, Duesseldorf	1)	100.00	13,745	0
LEG Grundbesitzerwerb 1 GmbH & Co. KG, Duesseldorf	1)	100.00	–206	–173
LEG Grundbesitzerwerb 2 GmbH & Co. KG, Duesseldorf	1)	100.00	2	–10
LEG Grundbesitzerwerb 3 GmbH & Co. KG, Duesseldorf	1)	100.00	16	–1
LEG Grundstücksverwaltung GmbH, Duesseldorf	2)	100.00	25,863	0
LEG Management GmbH, Duesseldorf	1)	100.00	1,124	0
LEG Wohnen NRW GmbH, Duesseldorf	1)	100.00	345	0
LEG Solution GmbH, Duesseldorf	3)	100.00	66,718	0
LEG Wohnviertel Dyk GmbH, Duesseldorf	2)	100.00	23	–2
LEG Standort- und Projektentwicklung Köln GmbH, Cologne	2)	100.00	13,753	0
Biomasse Heizkraftwerk Siegerland GmbH & Co. KG, Cologne	5)	94.86	–3,612	–1,066
LEG Grundstücksentwicklung Muensterland GmbH, Duesseldorf	2)	100.00	–57	0
Grundstücksentwicklungsgesellschaft Ennigerloh Süd-Ost mbH, Cologne	2)	94.90	–7,233	–171
Ravensberger Heimstättengesellschaft mbH, Bielefeld	2)	100.00	89,970	0
Gemeinnützige Bau- und Siedlungsgesellschaft Höxter-Paderborn GmbH, Höxter	2)	100.00	11,909	0
Ruhr-Lippe Wohnungsgesellschaft mbH, Dortmund	2)	100.00	318,566	0
Ruhr-Lippe Immobilien-Dienstleistungsgesellschaft mbH, Dortmund	2)	100.00	7,452	0
Wohnungsgesellschaft Muensterland mbH, Muenster	2)	100.00	164,978	0
Muensterland Immobilien-Dienstleistungsgesellschaft mbH, Muenster	2)	100.00	114	0
LEG Erste Grundstücksverwaltungs GmbH, Duesseldorf	2)	100.00	25	0
LEG Zweite Grundstücksverwaltungs GmbH, Duesseldorf	2)	100.00	25	0
LEG Dritte Grundstücksverwaltungs GmbH, Duesseldorf	2)	100.00	25	0
LEG Vierte Grundstücksverwaltungs GmbH, Duesseldorf	2)	100.00	25	0
LEG Fünfte Grundstücksverwaltungs GmbH, Duesseldorf	2)	100.00	25	0
LEG Sechste Grundstücksverwaltungs GmbH, Duesseldorf	2)	100.00	25	0

T 147 – Consolidated companies

		Share of capital %	*Equity* € thousand*	*Result* € thousand*
LEG Siebte Grundstücksverwaltungs GmbH, Duesseldorf	2)	100.00	25	0
Erste WohnServicePlus GmbH, Duesseldorf	4)	100.00	25	0
WohnServicePlus GmbH, Duesseldorf	4)	100.00	25	0
EnergieServicePlus GmbH, Duesseldorf	4)	51.00	704	4
Grundstücksgesellschaft DuHa mbH, Duesseldorf	2)	94.90	4,038	0
Gladbau Baubetreuungs- und Verwaltungsgesellschaft mbH, Duesseldorf	2)	94.90	23,813	4,137**
AWM Grundstücksgesellschaft mbH, Duesseldorf	2)	100.00	2,318	0
Vitus Service GmbH, Duesseldorf	1)	100.00	29	0
BRE/GEWG GmbH, Duesseldorf	1)	100.00	24,169	3,028**
Gemeinnützige Eisenbahn Wohnungsbaugesellschaft mbH, Duesseldorf	1)	94.90	6,496	29,032**

* Unless indicated otherwise, these figures show the equity and result as taken from the, not yet adopted, separate HGB financial statements as at 31 December 2015.
A zero result is shown in the event of there being a profit transfer agreement in place.
** Result after profit transfer.

Activities of subsidiaries:
1) Performance of services and management of equity investments within the LEG Group
2) Property management and location development
3) Performance of services for third parties
4) Performance of housing industry services
5) Electricity and heat generation

T 148 – Non-consolidated companies

		Share of capital %	*Equity* € thousand*	*Result* € thousand*
Entwicklungsgesellschaft Rhein-Pfalz GmbH, Mainz	2)	100.00	25	0
Entwicklungsgesellschaft Rhein-Pfalz GmbH & Co. KG, Mainz	4)	100.00	1,487	–74
Biomasse Heizkraftwerk Siegerland Verwaltungs GmbH, Cologne	2)	100.00	32	0
LEG Krefeld-Bockum Verwaltungs GmbH, Dusseldorf	3)	100.00	101	–2
Grundstücksentwicklungsgesellschaft Essen-Kettwig-Ruhrufer GmbH, Essen	3)	100.00	0	0

* These figures are the HGB single-entity equity and result as at 31 December 2014.

Activities of the companies not included in consolidation:

1) Property management
2) General partner in a limited liability company
3) Shell company
4) Performance of services for third parties

T 149 – Associates accounted for using the equity method

	Share of capital %	*Equity* € thousand*	*Result* € thousand*
Area of Sports GmbH & Co. KG, Moenchengladbach	50.00	90	–8
Kommunale Haus und Wohnen GmbH, Rheda-Wiedenbrueck	40.62	19,434	655
Beckumer Wohnungsgesellschaft mbH, Beckum	33.37	3,547	31

* For Beckumer Wohnungsgesellschaft mbH these figures are the HGB single-entity equity and result as at 31 December 2015, for the other companies, these figures are the HGB single-entity equity and result as at 31 December 2014.

T 150 – Associates not accounted for using the equity method

	Share of capital %	*Equity* € thousand*	*Result* € thousand*
Projektverwaltungsgesellschaft Mönchengladbach – Area of Sports GmbH, Moenchengladbach	50.00	24	–1
Grundstücksgesellschaft Sendenhorst mbH, Sendenhorst	49.00	408	777

* These figures are the HGB single-entity equity and result as at 31 December 2014.

CONSOLIDATED STATEMENT OF CHANGES IN ASSETS/ANNEX I

T151 – Consolidated statement of changes in assets 2015

	Costs									
€ million	*As of 01.01.2015*	*Adjustment due to finalisation PPA Vitus*	*As of 01.01.2015**	*Additions from consolidated companies*	*Additions*	*Disposals*	*Additions from investment properties*	*Disposal to investment properties*	*Disposal to assets held for sale*	
Property, plant and equipment	**111.2**	**–**	**111.2**	**–**	**5.0**	**–3.5**	**0.3**	**–3.6**	**–**	
Land, land rights and buildings	26.2	–	26.2	–	0.1	–	0.3	–0.1	–	
Technical equipment and machinery	36.0	–	36.0	–	1.8	–0.2	–	–	–	
Other equipment, operating and office equipment	9.6	–	9.6	–	0.6	–1.7	–	–	–	
Finance leases	39.4	–	39.4	–	2.5	–1.6	–	–3.5	–	
Intangible assets	**74.6**	**–0.7**	**73.9**	**–**	**0.6**	**–0.1**	**–**	**–**	**–**	
Other intangible assets	13.0	–	13.0	–	0.6	–0.1	–	–	–	
Goodwill	61.6	–0.7	60.9	–	–	–	–	–	–	
TOTAL	**185.8**	**–0.7**	**185.1**	**–**	**5.6**	**–3.6**	**0.3**	**–3.6**	**–**	

* Adjustment arising from final purchase price allocation of Vitus transaction

T152 – Consolidated statement of changes in assets 2014

	Costs									
€ million	*As of 01.01.2014*	*Adjustment due to finalisation PPA Vitus*	*As of 01.01.2014*	*Additions from consolidated companies*	*Additions*	*Disposals*	*Additions from investment properties*	*Disposal to investment properties*	*Disposal to assets held for sale*	
Property, plant and equipment	**106.7**	**–**	**106.7**	**4.3**	**6.6**	**–2.5**	**1.3**	**–2.6**	**–2.6**	
Land, land rights and buildings	28.2	–	28.2	1.4	0.5	–	1.3	–2.6	–2.6	
Technical equipment and machinery	35.9	–	35.9	0.1	0.3	–0.3	–	–	–	
Other equipment, operating and office equipment	9.2	–	9.2	0.8	0.3	–0.7	–	–	–	
Finance leases	33.4	–	33.4	2.0	5.5	–1.5	–	–	–	
Intangible assets	**12.6**	**–**	**12.6**	**61.8**	**0.5**	**–0.4**	**–**	**–**	**–**	
Other intangible assets	12.6	–	12.6	0.3	0.5	–0.4	–	–	–	
Goodwill	–	–	–	61.5	–	–	–	–	–	
TOTAL	**119.3**	**–**	**119.3**	**66.1**	**7.1**	**–2.9**	**1.3**	**–2.6**	**–2.6**	

		Cumulative depreciation, amortisation and write-downs / fair values						*Carrying amounts*	
	As of 31.12.2015	*As of 01.01.2015*	*Additions from consolidated companies*	*Additions*	*Disposals*	*Disposal to investment properties*	**As of 31.12.2015**	**As of 31.12.2015**	*As of 31.12.2014*
	109.4	**–46.6**	**–**	**–7.2**	**3.3**	**0.2**	**–50.3**	**59.1**	**64.6**
	26.5	–3.4	–	–0.5	–	–	–3.9	22.6	22.8
	37.6	–20.2	–	–2.4	0.2	–	–22.4	15.2	15.8
	8.5	–8.2	–	–0.5	1.6	–	–7.1	1.4	1.4
	36.8	–14.8	–	–3.8	1.5	0.2	–16.9	19.9	24.6
	74.5	**–9.8**	**–**	**–1.7**	**0.1**	**–**	**–11.4**	**63.0**	**64.8**
	13.5	–9.8	–	–1.7	0.1	–	–11.4	2.1	3.2
	61.0	–	–	–	–	–	–	60.9	61.6
	183.9	**–56.4**	**–**	**–8.9**	**3.4**	**0.2**	**–61.7**	**122.1**	**129.4**

		Cumulative depreciation, amortisation and write-downs / fair values						*Carrying amounts*	
	As of 31.12.2014	*As of 01.01.2014*	*Additions from consolidated companies*	*Additions*	*Disposals*	*Disposal to investment properties*	**As of 31.12.2014**	**As of 31.12.2014**	*As of 31.12.2013*
	111.2	**–40.0**	**–2.0**	**–6.9**	**2.3**	**–**	**–46.6**	**64.6**	**66.7**
	26.2	–2.5	–0.3	–0.6	–	–	–3.4	22.8	25.7
	36.0	–18.0	–	–2.4	0.2	–	–20.2	15.8	17.9
	9.6	–7.8	–0.6	–0.5	0.7	–	–8.2	1.4	1.4
	39.4	–11.7	–1.1	–3.4	1.4	–	–14.8	24.6	21.7
	74.6	**–8.3**	**–0.3**	**–1.6**	**0.4**	**–**	**–9.8**	**64.8**	**4.3**
	13.0	–8.3	–0.3	–1.6	0.4	–	–9.8	3.2	4.3
	61.6	–	–	–	–	–	–	61.6	–
	185.8	**–48.3**	**–2.3**	**–8.5**	**2.7**	**–**	**–56.4**	**129.4**	**71.0**

CONSOLIDATED STATEMENT OF CHANGES IN PROVISIONS/ANNEX II

T153 – Consolidated statement of changes in provisions 2015

€ million	*As of 01.01.2015*	*Changes in consolidated companies*	*Utilisation*	*Release*	*Reclassification*	
Staff provisions						
Staff provisions	1.8	–	–0.9	–	–	
Other provisions	**30.3**	**–**	**–6.8**	**–3.3**	**–**	
Provisions of lease properties	1.9	–	–1.1	–0.1	–	
Construction book provisions	4.7	–	–1.0	–0.7	–0.1	
Litigations risks	4.4	–	–0.7	–2.0	0.1	
Other provisions	19.3	–	–4.0	–0.5	–	
TOTAL	**32.1**	**–**	**–7.7**	**–3.3**	**–**	

T154 – Consolidated statement of changes in provisions 2014

€ million	*As of 01.01.2014*	*Changes in consolidated companies*	*Utilisation*	*Release*	*Reclassification*	
Staff provisions						
Staff provisions	1.7	–	–0.7	–0.1	–	
Other provisions	**28.9**	**0.1**	**–4.7**	**–2.5**	**–0.2**	
Provisions of lease properties	2.0	–	–0.3	–	–	
Construction book provisions	5.4	–	–1.4	–0.7	–	
Litigations risks	3.9	–	–0.3	–0.4	–	
Other provisions	17.6	0.1	–2.7	–1.4	–0.2	
TOTAL	**30.6**	**0.1**	**–5.4**	**–2.6**	**–0.2**	

					thereof	
	Addition	*Interest*	*Discounting*	**As of 31.12.2015**	*Non-current*	*Current*
	0.5	–	–	1.4	0.7	0.7
	8.7	**0.2**	**–**	**29.1**	**10.7**	**18.4**
	0.1	–	–	0.8	0.6	0.2
	1.4	–	–	4.3	0.8	3.5
	0.4	–	–	2.2	0.1	2.1
	6.8	0.2	–	21.8	9.2	12.6
	9.2	**0.2**	**–**	**30.5**	**11.4**	**19.1**

					thereof	
	Addition	*Interest*	*Discounting*	**As of 31.12.2014**	*Non-current*	*Current*
	0.9	–	–	1.8	0.9	0.9
	8.1	**0.6**	**–**	**30.3**	**13.7**	**16.6**
	0.1	0.1	–	1.9	1.2	0.7
	1.4	–	–	4.7	1.6	3.1
	1.2	–	–	4.4	1.6	2.8
	5.4	0.5	–	19.3	9.3	10.0
	9.0	**0.6**	**–**	**32.1**	**14.6**	**17.5**

OVERVIEW OF VOTING RIGHT NOTIFICATIONS/ ANNEX III

T155 – Overview of voting rights pursuant to Section 21 para. 1 WpHG

Person/ Company subject to notification	*City*	*Country*	*Date received*	*Reason for notification*	*Date threshold crossed or reached*	*Threshold crossed or reached in %*	*Total voting rights*
Ruffer LLP	London	United Kingdom	30.01.15	Falling below threshold	30.01.15	3	1,707,381
BlackRock, Inc.[2]	New York, NY	USA	10.03.15	Falling below threshold	06.03.15	10	5,622,560
BlackRock Financial Management, Inc.[2]	New York, NY	USA	10.03.15	Falling below threshold	06.03.15	10	5,622,560
BlackRock Luxembourg Holdco S.à r.l.[2]	Senningerberg	Luxembourg	10.04.15	Exceeding threshold	08.04.15	5	2,876,489
BlackRock Global Funds[2]	Luxembourg	Luxembourg	13.05.15	Exceeding threshold	11.05.15	5	3,119,791
BLACKROCK (Luxembourg) S.A.[2]	Senningerberg	Luxembourg	13.05.15	Exceeding threshold	11.05.15	5	3,119,791
BNP Paribas Investment Partners S.A.	Paris	France	27.05.15	Falling below threshold	22.05.15	3	1,673,765
BlackRock Holdco 2, Inc.[2]	Wilmington, DE	USA	03.06.15	Exceeding threshold	01.06.15	15	8,580,121
BlackRock Financial Management, Inc.[2]	Wilmington, DE	USA	03.06.15	Exceeding threshold	01.06.15	15	8,580,121
BlackRock Investment Management (UK) Limited[2]	London	England and Wales	23.06.15	Exceeding threshold	19.06.15	10	5,721,523
MFS International Value Fund	Boston, Massachusetts	USA	29.06.15	Falling below threshold	24.06.15	3	1,740,019
BlackRock International Holdings, Inc.[2]	Wilmington, DE	USA	08.10.15	Exceeding threshold	06.10.15	15	9,150,986
BR Jersey International Holdings L.P.[2]	St. Helier, Jersey	Jersey	08.10.15	Exceeding threshold	06.10.15	15	9,150,986
BlackRock Group Limited[2]	London	England and Wales	08.10.15	Exceeding threshold	06.10.15	15	9,097,254
Commerzbank Aktiengesellschaft	Frankfurt am Main	Germany	19.11.15	Falling below threshold	18.11.15	5, 3	500
BlackRock Fund Managers Limited[2]	London	England and Wales	20.11.15	Exceeding threshold	18.11.15	3	1,921,701
BlackRock Luxembourg Holdco S.à r.l.[2]	Luxembourg	Luxembourg	20.11.15	Exceeding threshold	18.11.15	10	6,479,885

[1] Number of shares: 57,063,444 until 23.06.2015, 58,259,788 until 12.11.2015 and 62,769,788 from 13.11.2015.
[2] The amount stated does not necessarily equal the sum of the detailed attributed holdings. This results from voting rights having multiple attributions within the BlackRock group structure.

T156 – Overview of voting rights pursuant to Section 25 WpHG

Person/ Company subject to notification	*City*	*Country*	*Date received*	*Reason for notification*	*Date threshold crossed or reached*	*Threshold crossed or reached in %*
BlackRock Global Funds	Luxembourg	Luxembourg	29.09.15	Falling below threshold	25.09.15	5
Commerzbank Aktiengesellschaft	Frankfurt am Main	Germany	19.11.15	Falling below threshold	18.11.15	5
BlackRock Holdco 2, Inc.	Wilmington, DE	USA	17.11.15	Falling below threshold	13.11.15	15, 10, 5
BlackRock Financial Management, Inc.	Wilmington, DE	USA	17.11.15	Falling below threshold	13.11.15	15, 10, 5

[1] Number of shares: 57,063,444 until 23.06.2015, 58,259,788 until 12.11.2015 and 62,769,788 from 13.11.2015.

		Attribution pursuant to Section 22 WpHG				
	Total voting rights in % [1]	*Attribution pursuant to para. 1 sent. 1*	*Amount of voting rights*	*Amount of voting rights in %*	*Name of shareholder(s) holding directly 3% voting rights or more which are attributed to the notifier*	*Name of controlled undertaking holding 3% or more*
	2.99	No. 6	1,707,381	2.99	–	–
	9.85	No. 1 No. 2, i.c.w. Section 22 para. 1 sent. 2 No. 6, i.c.w. Section 22 para. 1 sent. 2	1,494,103 7,745 4,234,544	2.62 0.01 7.42	–	–
	9.85	No. 1 No. 2, i.c.w. Section 22 para. 1 sent. 2 No. 6 No. 6, i.c.w. Section 22 para. 1 sent. 2	1,494,103 7,745 131,135 4,191,125	2.62 0.01 0.23 7.43	–	–
	5,04	No. 6, i.c.w. Section 22 para. 1 sent. 2	2,876,489	5.04	BlackRock Global Funds	–
	5.47	–	–	–	–	–
	5.47	No. 6	3,119,791	5.47	BlackRock Global Funds	–
	2.93	No. 1 No. 6, i.c.w. Section 22 para. 1 sent. 2	1,673,765 1,214,307	2.93 2.13	–	–
	15.04	No. 1 No. 6, i.c.w. Section 22 para. 1 sent. 2	1,716,621 7,009,789	3.01 12.28	BlackRock Global Funds	BlackRock Financial Management, Inc.
	15.04	No. 1 No. 6 No. 6, i.c.w. Section 22 para. 1 sent. 2	1,716,621 195,958 6,934,714	3.01 0.34 12.15	BlackRock Global Funds	–
	10.03	No. 1 No. 6 No. 6, i.c.w. Section 22 para. 1 sent. 2	642,949 5,078,574 1,493,296	1.13 8.90 2.62	BlackRock Global Funds	–
	2.99	–	–	–	–	–
	15.71	No. 1 No. 6, i.c.w. Section 22 para. 1 sent. 2	734,652 8,460,647	1,26 14,52	BlackRock Global Funds	–
	15.71	No. 1 No. 6, i.c.w. Section 22 para. 1 sent. 2	734,652 8,460,647	1,26 14,52	BlackRock Global Funds	–
	15.61	No. 1 No. 6, i.c.w. Section 22 para. 1 sent. 2	684,385 8,457,182	1.17 14.52	BlackRock Global Funds	–
	0.0008	No. 6	500	0.0008	–	–
	3.06	No. 6	1,921,701	3.06	BNY Mellon Trust & Depositary (UK) Limited	–
	10.32	No. 6, i.c.w. Section 22 para. 1 sent. 2	6,479,885	10.32	BlackRock Global Funds	–

				Detailed information on (financial/other) instruments	
	Voting rights subject to notification [1]	*Financial/other instruments purs. to Section 25 WpHG*	*Voting rights purs. to Section 21, 22 WpHG*	*Chain of controlled undertakings*	*Instrument, maturity, expiration date*
	0.00% (0 voting rights)	0.00% (0 voting rights)	7.93% (4,618,924 voting rights)	–	–
	0.00% (0 voting rights)	0.00% (0 voting rights)	0.0008% (500 voting rights)	–	Call option with physical settlement, expiration date 15.01.2016 expiration date 18.03.2016
	0.00% (0 voting rights)	0.00% (0 voting rights)	17.20% (10,793,732 voting rights)	–	–
	0.00% (0 voting rights)	0.00% (0 voting rights)	17.20% (10,793,732 voting rights)	–	–

T157 – Overview of voting rights pursuant to Section 25a WpHG

Person/Company subject to notification	*City*	*Country*	*Date received*	*Reason for notification*	*Date threshold crossed or reached*	*Threshold crossed or reached in %*	
BlackRock, Inc.	New York, NY	USA	17.03.15	Exceeding threshold	13.03.15	5	
BlackRock Financial Management, Inc.	New York, NY	USA	17.03.15	Exceeding threshold	13.03.15	5	
BlackRock Holdco 2, Inc.	Wilmington, DE	USA	10.06.15	Falling below threshold	08.06.15	15, 10, 5	
BlackRock Financial Management, Inc.	Wilmington, DE	USA	10.06.15	Falling below threshold	08.06.15	15, 10, 5	
UBS Group AG	Zurich	Switzerland	16.09.15	Falling below threshold	14.09.15	5	
UBS AG	Zurich	Switzerland	16.09.15	Falling below threshold	14.09.15	5	

[1] Number of shares: 57,063,444 until 23.06.2015, 58,259,788 until 12.11.2015 and 62,769,788 from 13.11.2015.

T158 – Overview of voting rights pursuant to Section 41 para. 4f WpHG

Person/ Company subject to notification	*City*	*Country*	*Date received*	*Reason for notification*	*Date threshold crossed or reached*	
Lansdowne Partners International Ltd.	George Town, Grand Cayman	Cayman Islands	07.12.15	Statement of holdings pursuant to section 41 para 4f WpHG	26.11.15	
BlackRock, Inc.	Wilmington, DE	USA	10.12.15	Statement of holdings pursuant to section 41 para 4f WpHG	26.11.15	
Lansdowne Developed Markets Fund Limited	George Town, Grand Cayman	Cayman Islands	11.12.15	Statement of holdings pursuant to section 41 para 4f WpHG	26.11.15	

	Instruments acc. to Sec. 25 para. 1 No. 2 WpHG					
Person/ Company subject to notification	*Type of instrument*	*Cash or physical settlement*	*Voting rights absolute*	*Voting rights in %*	*Name of shareholder(s) holding directly 3% voting rights or more which are attributed to the notifier*	
Lansdowne Partners International Ltd.	Contract for Difference	Cash	4,773,011	7.60%		
BlackRock, Inc.	Contract for Difference	Cash	1,203,239	1.92%	BlackRock Global Funds, BNY Mellon Trust & Depositary (UK) Limited	
Lansdowne Developed Markets Fund Limited	Contract for Difference	Cash	4,330,579	6.90%		

[1] Aktienanzahl: 57.063.444 bis zum 23.06.2015, 58.259.788 bis zum 12.11.2015 und 62.769.788 ab dem 13.11.2015.
* Absolut/in %

	Voting rights subject to notification [1]	Financial/other instruments purs. to Section 25a WpHG	Financial/other instruments purs. to Section 25 WpHG	Voting rights purs. to Section 21, 22 WpHG	Chain of controlled undertakings	Description of financial/ other instrument
	9.68% (5,524,011 voting rights)	0.0003% (152 voting rights), thereof held indirectly: 0.0003% (152 voting rights)	0.00% (0 voting rights)	9.68% (5,523,859 voting rights)	BlackRock Holdco 2, Inc.; BlackRock Financial Management, Inc.; BlackRock Holdco 4, LLC; BlackRock Holdco 6, LLC; BlackRock Delaware Holdings Inc.; BlackRock Institutional Trust Company, National Association	Contract for Difference
	9.68% (5,524,011 voting rights)	0.0003% (152 voting rights), thereof held indirectly: 0.0003% (152 voting rights)	0.00% (0 voting rights)	9.68% (5,523,859 voting rights)	BlackRock Holdco 4, LLC; BlackRock Holdco 6, LLC; BlackRock Delaware Holdings Inc.; BlackRock Institutional Trust Company, National Association	Contract for Difference
	0.00% (0 voting rights)	0.00% (0 voting rights)	0.00% (0 voting rights)	15.26% (8,706,824 voting rights)	–	–
	0.00% (0 voting rights)	0.00% (0 voting rights)	0.00% (0 voting rights)	15.26% (8,706,824 voting rights)	–	–
	4.91% (2,858,770 voting rights)	1.40% (813,348 voting rights), thereof held indirectly: 1.40% (813,348 voting rights)	1.71% (997,310 voting rights), thereof held indirectly: 1.71% (997,310 voting rights)	1.80% (1,048,112 voting rights)	UBS AG	Equity Swap
	4.91% (2,858,770 voting rights)	1.40% (813,348 voting rights), thereof held indirectly: 0.00% (0 voting rights)	1.71% (997,310 voting rights), thereof held indirectly: 1.70% (987,549 voting rights)	1.80% (1,048,112 voting rights)	–	Equity Swap

	Total positions [1]			Voting rights attached to shares (Sec.s 21, 22 WpHG) *			Instruments acc. to Sec. 25 para. 1 No. 1 WpHG
	Voting rights (total of 7.a.) in %	Voting rights through instruments (total of 7.b.1.+7.b.2.) in %	Total (7.a.+7.b.) in %	Direct (Sec. 21 WpHG)	Indirect (Sec. 22 WpHG)	Total	
	1.37	7.6	8.98	–	861,523/ 1.37%	861,523/ 1.37%	–
	18.64	1.92	20.56	0/0.00%	11,701,387/ 18.64%	11,701,387/ 18.64%	–
	0.43	6.9	7.33	–	269,978/ 0.43%	269,978/ 0.43%	–

	Name of controlled undertaking holding		
	Voting rights in %, if 3% or more	Instruments in %, if 5% or more	Total in %, if 5% or more
		Lansdowne Partners International Ltd, (7.60%), Lansdowne Partners (UK) LLP (7.60%)	Lansdowne Partners International Ltd, (8.98%), Lansdowne Partners (UK) LLP (8.98%)
	BLACKROCK (Luxembourg) S,A, (8.70%), BlackRock Fund Managers Limited (3.07%), BlackRock Investment Management (UK) Limited (13.05%)		BLACKROCK (Luxembourg) S,A, (8.76%), BlackRock Investment Management (UK) Limited (14.85%)
		Lansdowne Developed Markets Master Fund Limited (6.90%)	Lansdowne Developed Markets Master Fund Limited (7.33%)

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the LEG Immobilien AG, Düsseldorf, 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 31 December 2015. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and 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.

Dusseldorf, 8 March 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

THOMAS KIEPER	**PPA. MARTIN FLÜR**
Wirtschaftsprüfer	Wirtschaftsprüfer

RESPONSIBILITY STATEMENT

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

Dusseldorf, 8 March 2016

LEG Immobilien AG, Dusseldorf

The Management Board
THOMAS HEGEL
ECKHARD SCHULTZ
HOLGER HENTSCHEL

FURTHER INFORMATION

5

TABLES AND FIGURES

Table overview

CONSOLIDATED FINANCIAL STATEMENTS

Figure overview

TO THE SHAREHOLDERS

MANAGEMENT REPORT

GLOSSARY

EBIT	**E**arnings **b**efore **I**nterest and **T**ax Operating earnings Consolidated net income before net finance costs and taxes
EBITDA	**E**arnings **b**efore **I**nterest, **T**ax, **D**epreciation and **A**mortisation Consolidated net income before net finance costs and taxes, depreciation on property, plant and equipment and amortisation of intangible assets; depreciation and amortisation also include impairment losses and reversals thereof
adj. EBITDA	**Adjusted EBITDA** EBITDA adjusted for net income on the remeasurement of investment of investment properties, net income from the disposal of real estate inventory, net income from the disposal of investment properties, non-recurring project costs and other extraordinary and prior-period expenses and income
FFO I	**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 net income from the disposal of investment properties
AFFO	**A**djusted **FFO I** FFO I adjusted for investments for capitalised capex measures
EPRA	**E**uropean **P**ublic **R**eal Estate **A**ssociation
EPRA vacancy rate	**Vacancy rate** as defined by **EPRA** Expressed as a percentage being the estimated market rental value of vacant space divided by the estimated market rental value of the whole portfolio.
EPRA-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 which is controlled by the shareholders and eliminates the effects of the market measurement of derivative financial instruments and deferred taxes which correspond to investment properties, property held for disposal, derivatives or subsidised loans.
EPRA-NNNAV	Triple **N**et **A**sset **V**alue as defined by **EPRA** EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes.
EPRA-Net Initial Yield	**Net initial yield** as defined by **EPRA** Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.
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 the sum of investment properties, assets held for sale and prepayments for investment properties.
CAPEX	**Cap**ital **Ex**penditure Capitalised cost of modernisation and maintenance work
Project costs	Project costs include expenses for projects that are largely non-recurring with a complex structure whose goals are to be met within the budget and time provided

THE MANAGEMENT BOARD

The members of the Management Board are as follows:

THOMAS HEGEL
Chief Executive Officer (CEO)
Corporate Development, Acquisitions,
Corporate Communications,
Executive and Supervisory Board Office,
Central Services, Human Resources,
Legal, Internal Audit and Compliance, IT

ECKHARD SCHULTZ
Chief Financial Officer (CFO)
Finance and Treasury, Corporate Finance,
Controlling & Risk Management,
Accounting, Tax, Investor Relations,
Portfolio Management

HOLGER HENTSCHEL
Chief Operating Officer (COO)
Asset and Property Management, Procurement/Technology,
Rental and Operating Cost Management,
Receivables Management, Commercial Management,
District Management, Integration

FINANCIAL CALENDAR 2016

LEG FINANCIAL CALENDAR 2016

Publication of the 2015 Annual Report	**10 March**
Publication of the Interim Report as of 31 March 2016	**11 May**
Annual General Meeting, Dusseldorf	**19 May**
Publication of the Interim Report as of 30 June 2016	**10 August**
Publication of the Interim Report as of 30 September 2016	**9 November**

CONTACT & LEGAL NOTICE

PUBLISHER
LEG Immobilien AG
Hans-Böckler-Straße 38
40476 Dusseldorf, Germany
Tel. +49 (0) 2 11 45 68 - 0
Fax +49 (0) 2 11 45 68 - 261
info@leg-wohnen.de
www.leg.ag

CONTACT
Investor Relations
Burkhard Sawazki / Karin Widenmann /
Katharina Golke
Tel. +49 (0) 2 11 45 68-400
ir@leg.ag

VISUAL CONCEPT AND DESIGN
hw.design, Munich

PHOTOGRAPHY
Andreas Teichmann, Essen
(Management Board, Supervisory Board)
Heleen Berkemeyer, Dusseldorf
Max Hampel, Dusseldorf
Ansgar M. van Treeck, Dusseldorf
LEG-picture database

PRINTED BY
Media Cologne, Huerth

PRINT RUN
300 printed copies
The annual report is also available in German.
In case of doubt, the German version takes precedence.

Print CO2 compensated
Id-No. 1653342
www.bvdm-online.de

LEG Immobilien AG
Hans-Böckler-Straße 38
40476 Dusseldorf, Germany
Tel. +49 (0) 2 11 45 68 - 0
Fax +49 (0) 2 11 45 68 - 261
info@leg-wohnen.de
www.leg.ag