

LEG Immobilien SE
Speech by the CEO
Lars von Lackum
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- Check against delivery -

Shareholders,
Customers,
Employees at our LEG,
Ladies and gentlemen,

Quality living at fair prices in Germany – made in North Rhine-Westphalia.

Our guiding principle defines our business model and the standards we set for ourselves.

It stands for

- a comfortable home for people with low to average incomes.
- efficient service - to support technical and business needs.
- a clearly defined focus: on Germany, with a historical basis in the state of North-Rhine Westphalia.

This is our strategy.

This is the foundation of our business.

This is the yardstick for our customers' expectations.

We are not perfect, yet. But each and every one of our 1,700 employees is working hard on it. Every day, we do our best to become even better. Over the past three

years, while I've been responsible for LEG, we have already come a long way in many areas. But we have not yet arrived at our destination.

After all, housing is more than just a product. Housing means shelter, security, and above all, it means home. We act responsibly and think commercially. Those two things go together. At LEG, we prove that every day.

Beyond our day-to-day business, we develop solutions:

- for housing for refugees – in close cooperation with cities and local authorities.
- for rebuilding the flood-damaged regions near the Erft and Ahr rivers.
- for modernising the housing stock in Germany, in a scalable, efficient, and climate-friendly manner.
- to protect the interests of our tenants in the political and social spheres.

That's what makes us who we are.

Second largest rental housing company

In 2021, we opened up a remarkable new chapter in the company's history. We are now the second largest rental housing company in Germany. Last year, we added another 22,000 residential units, providing around 270 locations in Germany with good living at fair prices.

But that's not all: In terms of size, we are number 2. However, when it comes to a clear focus, a balanced risk profile, and a strong sense of empathy, we are number 1.

As you can see, we go about our business with lots of energy and a healthy dose of optimism, but also with humility.

Russia's inconceivable, terrible war against Ukraine is breaking our hearts. The devastating floods during the summer of 2021 are also far from forgotten. And the coronavirus pandemic is not over yet.

This crisis mode is financially manageable, but the emotional strain is tremendously exhausting. I would therefore like to take this opportunity to thank our employees from the bottom of my heart. They really give it all in these difficult times.

To the employees at LEG I would like to say: You deliver on our value proposition to our customers, day after day.

That is quite an achievement. Every single day, I'm impressed by your commitment – to the company, to our customers, and to quality living at fair prices in Germany.

FY 2021

2021 was a record year in many respects. LEG is growing. The bottom line is a significant win across the board.

- FFO I, the key performance indicator for our sector, rose by over 10 percent to around 423 million euros.
- NTA (Net Tangible Asset Value) increased by more than 19 percent to 146.10 euros per share. This is LEG's highest year-over-year increase in value since we went public.
- We improved our occupancy rate significantly to 97.7 percent, thanks to our best rental performance to date.
- The average rent increased by 3.2 percent (I-f-I). This means that the net cold rent for an average LEG apartment remains below 400 euros per month.
- And last but not least, our portfolio has grown by 15 percent, now amounting to more than 166,000 units. The largest portfolio acquisition in LEG's history, the purchase of more than 15,000 residential units from the Adler Group, made a substantial contribution to this growth.

As you can see, LEG is successful, crisis-resilient, reliable, responsible, and dynamic, even in these difficult times.

Outlook 2022

With a very good first quarter in 2022, we have seamlessly built on our excellent performance last year, and of course we have a lot planned for the current year, too.

- In terms of rental growth, we are once again confident of reaching three percent. At the same time, we will continue to take individual solvency into account in the light of the drastic increase in energy prices.
- Depending on further developments in the housing sector, and the financial and geopolitical situation, we are aiming for an FFO I within a range of 475 to 490 million euros this year.
- In recent years, we have set ourselves the annual goal of purchasing around 7,000 units. With the acquisition of almost 22,000 units last year, we have in fact already achieved our goal for this year, as well as for next year. For this reason, we will carefully examine how we approach the current option of acquiring a further 63 percent of BCP against the background of the situation on the capital markets. Exercising this option would give us a share of around 98 percent of BCP. Since the company's real estate portfolio consists of more than 12,000 units, we would significantly exceed our acquisition goal yet again. But one thing is clear – and I would like to say here to our shareholders – rest assured that you will always be able to rely on LEG. We will only exercise this option if the results of our due diligence are positive and the transaction is consistent with our conservative balance sheet structure.

Shares and dividend

At 4.07 euros per share, the dividend we are offering you has once again increased. This is 7.7 percent more than in the previous year. We are convinced that our shareholders should benefit from the freedom to choose how they receive dividends, in shares or in cash. Based on the closing price at the end of the year, the dividend yield amounts to 3.3 percent.

In the future, our employees should also be able to participate directly in the performance of the company. To this end, we launched the first two tranches of our employee share program this spring - in aggregate for 2021 and 2022. The program turns employees into joint entrepreneurs. As a result, it undoubtedly plays a part in strengthening identification with LEG.

But to be honest with you, I am just as dissatisfied as you are with the performance of the LEG shares this year. However, this weak trend has little to do with the operational and financial performance of our company. It does not reflect our well-balanced financial result or our low risk profile. Unfortunately, it also does not reflect the positive feedback from our major long-term shareholders, which we regularly receive at roadshows.

In contrast, the stock markets are currently affected by the impact of serious geopolitical uncertainties. In our sector, there are also concerns about further increases in inflation and a consequent turnaround in interest rates.

Fundamentally, though, the situation is completely different for our company.

First, our advantage is our clearly defined structure. As LEG, we have always focused on one product and one country of operation: affordable housing in Germany.

Second, our interest costs are currently at their lowest level since our IPO. The average interest rate was at 1.16 percent on 31 March 2022. The liabilities have an average remaining term of 7.3 years. In addition, LEG has no major refinancing obligations until 2024. It is therefore solely up to us whether, how, why and when we will be active in the capital market in the coming months.

Third, we have started a sales programme for up to 5,000 units. This increases the efficiency of our portfolio management and opens up further financial leeway. There is an enormous amount of interest in the market for this stock.

Fourth, we do not regard project development, which is capital-intensive and highly inflation-prone, as a significant business activity. We will therefore withdraw our new-build ambitions. In 2023, we plan to create 500 new apartments. However, we will no longer be aiming for our original goal of building of 1,000 apartments per year as of 2026. This gives us some room for manoeuvre on the balance sheet and at the same time it shows how quickly and flexibly we react to changes in the market environment.

In addition, we are shifting our focus more and more in favour of prefabrication and are meticulously ensuring that construction costs remain reasonable. After all, the finished product should be affordable for our customers and profitable for us. Rest assured that projects which do not meet these requirements will be excluded.

Fifth, we have always been very strong on cost discipline. Even in the “years of plenty” we never forgot that each euro can only be spent only once. And that’s just as well. After all, a large organisation cannot simply switch cost control on and off.

Sixth, German residential properties, especially those in metropolitan areas, are steadily gaining in value – and according to independent industry experts, will continue to do so. Particularly in the affordable housing segment, there is already a structurally persistent state of excess demand. That is exactly where our core business lies. According to our estimates, this will continue over the coming years as a result of immigration, which will be necessary in Germany.

In addition, the production costs for new-builds as a substitute for existing apartments are increasing day by day.

Compared to current construction costs of around 4,000 euros per square metre, which is only a rough estimate and excludes the cost of the land, the average value of the LEG residential portfolio as of 31 March 2022 is conservative at 1,713 euros per square metre.

We therefore expect our portfolio to further increase in value in H1 2022.

We are convinced that if we continue to implement our strategy so consistently, our results will eventually be reflected in higher share prices.

Strategic progress in 2021

On this note, I would now like to inform you of our strategic progress in 2021 and the first five months of 2022, starting with the first pillar of our strategy, the **optimisation of our core business**.

I have already mentioned our record rental performance. But it's worth taking a second look. After all, the vacancy rate of only 2.3 percent (l-f-l) is structurally equivalent to full renting. We are also particularly pleased with our performance in higher-return markets, which traditionally have higher vacancy rates. Here, we were able to reduce the vacancy rate by an average of 50 basis points compared to the previous year, bringing it to 3.5 percent. This is precisely where LEG has special expertise that we can now put to use in our newly acquired markets.

It is the transformation of our corporate culture that drives these impressive figures. We have given more responsibility to our local units over the past three years. We have established a more customer-centred focus for all of our actions. One example is our heating renewal programme. Sitting around in the cold annoys, and there's no denying it. Heating systems must function reliably - not just in 98 percent of all residential areas. They must function in 100 percent of all residential areas. This is the target we are working towards.

External growth and continuous portfolio optimisation are another pillar of our strategy. In 2021, we acquired 21,742 residential units in a highly competitive market environment – more than ever before in one year. This amounts to a 15 percent growth in our portfolio. Our largest single acquisition was the portfolio we acquired from the Adler Group, consisting of around 15,400 apartments with a strong regional focus in Northern Germany. The majority of the properties are at locations where we were already represented.

This is an important milestone for us. Around one fifth of LEG's apartments are now outside our home market of North Rhine-Westphalia. For the first time, a significant

number of apartments are located in higher-return markets such as Wilhelmshaven, which we want to develop successfully in the coming years, just as we have already succeeded in doing in cities in NRW such as Iserlohn, Duisburg or Hamm,

In view of our significant growth last year, this year our focus will be on evaluating how to proceed with the BCP option as well as on portfolio optimisation through sales.

We continued to **expand our offerings across the value chain.**

On the one hand, the scope of our value-added offerings continues to grow, according to the number of apartments we manage. For example, we can now offer nearly half a million tenants services including minor repairs, energy services, cable television or internet.

As early as 2021 – that means, without taking the large acquisitions into account – our value-added services generated an FFO I contribution of 39 million euros.

On the other hand, our product range is also growing continuously. The acquisition of our in-house project developer for the renovation of empty apartments, LWS Plus, has proven to be a particularly successful investment. It has been complementing our value-added services for over a year and a half. And it is very convincing, not only in terms of profitability, but also in terms of quality and adherence to deadlines.

Our three strategic pillars are based on a twofold foundation of **financial stability** and **sustainability.**

Our company has excellent access to the capital market thanks to a low risk profile and a strong balance sheet. In recent months, we have financed our external growth and other business purposes through several corporate bonds on very favourable terms. Most recently, in January of this year, we successfully closed our largest bond issue to date with a nominal value totalling 1.5 billion euros, which settled the bridge financing of the Adler acquisition after just a few days. Like all

other bonds from 2021, these issuances were oversubscribed several times. Financial stability is therefore a valuable asset for us, and it will always be one of our trademarks.

For years, LEG has also been committed to high standards with regard to ESG criteria, i.e. environment, social issues and good corporate governance. Last year, we presented our sustainability and decarbonisation strategy at this meeting. In recent months, we have been breathing life into our strategy.

With regard to the environment, climate protection is our top priority. Our carbon reduction path is consistent with the Federal Government's goal of achieving climate neutrality by 2045. The goal timeline is divided into short-term, medium-term and long-term targets.

As you have already heard from our Chairman of the Supervisory Board and in our short video, we need three levers to reach our goal.

- First, energy-efficient modernisation of our portfolios
- Second, a shift to green energy for heating
- And third, a change in tenant behaviour.

We have made progress in all three areas in recent months.

The first lever, energy-efficient modernisation, is completely in our own hands. For 2021, we had planned to retrofit at least 3 percent of our portfolio. We achieved 3.5 percent. This is more than twice as much as the German average.

For the current year, we want to save 4,000 tons of carbon dioxide through our energy-efficient modernisation measures alone. In total, we plan to invest around 110 million euros per year in the energy efficiency of our portfolios. Of course, such an investment must be worthwhile, which is why we introduced a rent increase for modernisation purposes of around one euro per square meter last year to facilitate a better product. At the same time, modernisation helps reduce our tenants' annual heating demand. This is becoming increasingly important considering the impact of rising energy prices.

But it's also about opportunities and new business models. So at the beginning of 2022, we founded RENOWATE, a joint venture between LEG and Rhomberg Bau from Austria. The aim of the partnership is to develop serial solutions for the decarbonisation of existing residential buildings. We want to lower the costs in relation to procedures used in the past, and optimise the essential process of contracting specialists who are in high demand. This means that modernisation at LEG is experiencing a real boost. It's a win-win for tenants, landlords and the entire housing industry. As early as the end of 2023, the joint venture partners plan to offer their expertise to other owners within the DACH region.

While energy-efficient modernisation is up to us, the energy transition in the heating sector is not something we can manage alone. But whenever we have an opportunity, we do make use of it.

For instance, we use district heating wherever possible. This is climate neutral, and also reduces capital expenditure. For example, in Herne, we heat around 300 LEG apartments with mine gas from the former "Friedrich der Grosse" coal mine, which is climate-friendly heating and a local source for the municipal utilities. Across the entire LEG portfolio, about one third of all apartments get their heating from district energy systems.

Elsewhere, we are testing our own concepts for green local heating networks, the use of green hydrogen, photovoltaics or combined heat and power units. Regardless of this, without a successful energy transition throughout Germany, there will not be a climate-neutral real estate sector. It also accounts for the majority of the carbon reductions required in our sector.

Although the contribution of our tenants is only small in comparison, it increases when the buildings are more energy efficient. To reap the energy-saving benefits of modernisation measures, it is absolutely essential that tenants rethink their heating and ventilation habits.

In a pilot project, we tested how a competition for the most environmentally friendly behaviour affects energy consumption in residential areas. And we found that it doesn't take as much effort as you might think. Posters and notices reminding people to save energy already have a significant positive effect. So we have started putting up more notices to encourage our tenants to use heating more efficiently – and we have already seen the first signs of success.

We are deeply concerned about the sharp rise in energy and commodity prices. And we are especially concerned about the costs of heat and electricity for our customers. Climate protection is essential. But so are social and economic aspects. Here, in dialogue with policy makers, we are seeking common solutions for equitable, ecological burden-sharing. Accordingly, we welcome the government's decision on an energy relief package. However, we are critical of the package for being a one-off, because the burden forecast for next year will clearly exceed this year's.

Support for refugees from Ukraine

Among LEG's many social projects, today I would like to give special mention to our support for refugees from Ukraine.

We were deeply shocked by the Russian invasion of Ukraine. It marks the turn of an era. Most of us have not experienced war in Europe during our lifetime. And I don't think any of us expected to have to experience this. So our urgent priority was to get help measures up and running as soon as possible. Based on our experience with refugees in 2015 and the following years, we are coordinating with local authorities at our locations to proceed on an as-needed basis.

Since 27 February, we have been writing to all local authorities with a large stock of LEG apartments. We informed them that we have set up a coordination centre to help them provide accommodation for refugees. At the same time, the LEG foundation "Your Home Helps" set up an emergency aid fund to the initial amount of 500,000 euros, which will finance basic furnishing for the apartments.

Currently, more than 300 apartments at around 40 locations are occupied by Ukrainian families or have been reserved for Ukrainian refugees. Many LEG employees also meet privately on weekends to paint walls, shop for groceries or quickly make up the beds for a Ukrainian family. Donation boxes filled with kitchen utensils, toiletries and toys have been stacking up to the ceilings of some of our offices. Children of LEG employees even donated their teddy bears.

If our hearts were not so heavy, they would be full of joy about such kindness.

This down-to-earth, hands-on approach of our LEG teams is what makes our company so special.

The “G” in the sustainable ESG criteria stands for “good corporate governance” and this must not be neglected. Diversity in the management and supervisory boards of a company is an important aspect here. With the election of Sylvia Eichelberg and Katrin Suder to the Supervisory Board of LEG Immobilien SE, you can directly participate today to increase the quota of women on the Supervisory Board to one-third after this year’s Annual General Meeting.

Political topics

The housing industry is always a political business – as we witnessed during the 2021 election campaign for the German Bundestag. We also saw this in the recent state parliament election campaigns in Schleswig-Holstein and North Rhine-Westphalia.

But all politics are currently overshadowed by the war in Ukraine. Difficult decisions need to be taken, but the least we can do as a business in the housing sector is to contribute with humanitarian support.

What we are familiar with, however, is the management and modernisation of existing buildings as well as the construction of new buildings. When the new federal government came into office, there was a sense of optimism among the housing sector. At last, we had our own ministry for housing again! At last, there was room for new approaches to renovation and construction! The enthusiasm has

also persisted to the extent that cooperation with the Federal Ministry for Housing, Urban Development and Building is truly outstanding. This also applies in particular to Federal Minister Geywitz, whom we were able to get to know and appreciate as a pragmatic, solution-oriented department manager. On the other hand, however, there has unfortunately been some disappointment as well. In our area of expertise some weaknesses of the new federal government have become apparent. The worst of these is that everyone works for their own department and only sees their own goals.

The Federal Ministry for Economic Affairs has abruptly scrapped the KfW subsidies twice and is making construction even more expensive due to ever increasing requirements. I am not the only one wondering how the Federal Minister for Building will be able to achieve the completely justified target of 400,000 new apartments per year under this premise? Little has changed regarding the proposal for the so-called "Mieterstrommodelle" which should ensure that tenants can use PV electricity from their own roofs, and which continue to be held back by considerable bureaucratic hurdles. The impression we get from various ministries is, "sector coupling is not our problem." If you ask me, it won't work. Climate neutrality in the building sector and the Federal Government's new construction targets both depend on well-coordinated, all-round co-operation between all experts involved.

But it's always easy to criticise.

So our resolution is to be more involved than ever in the debate on housing policy at the federal level.

We have stepped up our involvement in the two most important associations in our industry, the GdW and the ZIA. We are also in direct contact with the relevant ministries – especially the Ministry for Housing, Urban Development and Building. We regularly engage in dialogues on housing policy with the property experts of various political groups.

Above all, we would like to provide the necessary stimulus to make the modernisation allocation less bureaucratic – it is currently both highly complex and highly disputed. Our credo is that we need a simple, across-the-board regulation that everyone can understand.

The distribution of the carbon tax burden between tenants and landlords also threatens to turn into a bureaucratic nightmare. Instead of a supposedly accurate consumption-based multi-stage model, we advocate simple, equal cost sharing.

We have always been in close dialogue with the NRW state government.

In line with our governance guidelines, we participated in discussions during the election campaign, specifically in talks organised by the Association of the Housing Industry Rhineland-Westphalia. We got to know the top candidates for each of the parties, and found them very open for dialogue and solution-oriented. We are therefore confident that we will also be able to work well with a new state government.

In addition, we are in continuous dialogue with all local authorities at our key locations. We have also established regular exchanges with the local authorities in our newly acquired regions.

Michael Zimmer has already given you a comprehensive summary of our agenda today.

He drew your attention to the new elections to the Supervisory Board and informed you about the candidates' areas of expertise. So I won't repeat that. However, I would like to repeat my thanks to Stefan Jütte and Johannes Ludewig, who are retiring from the Supervisory Board. With their astute, critical and far-sighted comments and suggestions, they have made a special contribution to the success of our LEG. I wish them all the best from the bottom of my heart.

The outstanding evolution of LEG in recent years would be unthinkable without the Supervisory Board's constructive criticism and excellent cooperation. Our

Supervisory Board members see themselves as part of the LEG team, while never forgetting to maintain a necessary distance.

LEG is characterised by four success factors.

- Our focus on affordable housing in Germany – and thus our concentration on the exact segment of the housing market where there is a structural, permanent excess of demand.
- Our financial discipline and low risk profile.
- Our great agility and creativity, which allow us to react quickly to changes in the markets and thus advance our company with low capital expenditure and selected partnerships.
- And, of course, the LEG team. Hands-on, down-to-earth, pragmatic – this is how we approach things at LEG.

This is how we win your trust.

Above all, I would also like to thank you, our shareholders, for your loyalty and your patience.

It is now our great pleasure to answer your questions.