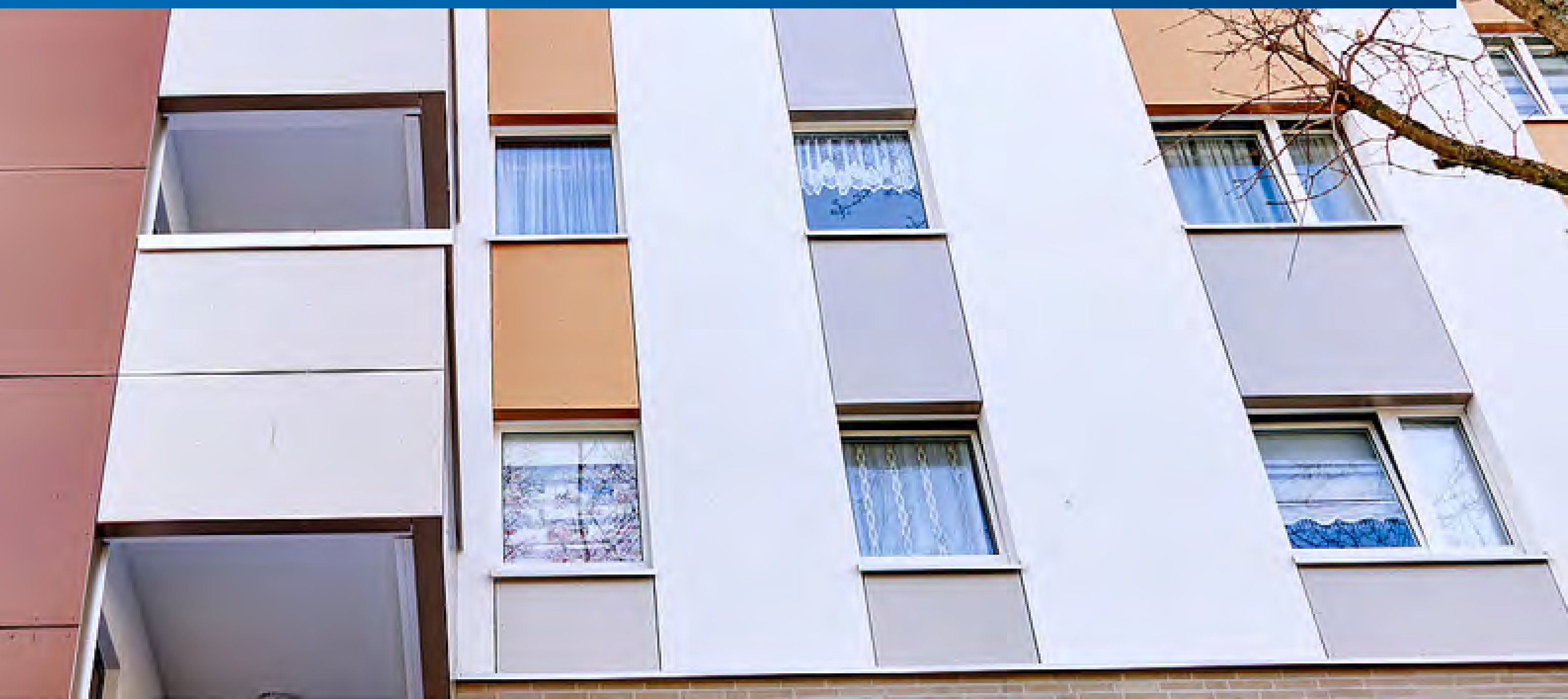
leg-se.com

On Track

2023

Annual Report

Table of contents



BRIEF PORTRAIT

With around 166,500 rental properties, approximately 500,000 tenants and 2,003 employees (as at 31 December 2023), Dusseldorf-based LEG is one of Germany's leading listed housing companies. The company is listed on the MDAX and generated rental and lease income of EUR 1,241 million in the 2023 financial year. As the biggest landlord in North Rhine-Westphalia, Germany's most populous state, in addition to being active in other states in Germany, it serves the growing demand for housing for low- and medium-income earners. The company focuses on the “affordable living” segment.

A consistently value-driven business model with a focus on economic feasibility, efficiency, resilience and customers combines the interests of tenants, shareholders and society. Customer satisfaction is especially important to LEG. It is therefore constantly striving to further improve the quality of its service by focusing on its target group, neighbourhood management and personal service. LEG also fulfils its social responsibility via its two foundations, the “LEG NRW Tenant Foundation” and the “Your Home Helps” foundation.

Targeted and sustainable investments ensure the quality of LEG’s property portfolio and meet growing customer needs. The company places particular emphasis on measures to protect the climate and making its portfolio more energy-efficient.

Key figures

Financial Key Figures		2023	2022	+/– %/bp
Net cold rent	€ million	834.3	799.1	4.4
Net operating income (recurring)	€ million	683.8	660.4[1]	3.5
EBITDA	€ million	–1,847.3	942.4	–296.0
EBITDA (adjusted)	€ million	672.8	638.1[1]	5.4
EBT	€ million	–1,982.3	508.0	–490.2
Net profit or loss for the period	€ million	–1,564.8	237.4	–759.1
FFO I	€ million	453.9	482.0	–5.8
FFO II	€ million	453.7	483.7	–6.2
AFFO	€ million	181.2	108.8	66.5
AFFO per share	€	2.44	1.48	64.9
Dividend per share	€	2.45	–	–

Balance Sheet Key Figures		31.12.2023	31.12.2022	+/– %/bp
Investment property	€ million	18,101.8	20,204.4	–10.4
Cash and cash equivalents	€ million	277.5	362.2	–23.4
Equity	€ million	7,488.2	9,083.9	–17.6
Total financing liabilities	€ million	9,375.8	9,460.8	–0.9
Current financing liabilities	€ million	445.7	252.4	76.6
LTV	%	48.4	43.9	450
Equity ratio	%	38.8	42.5	–370
EPRA NTA, diluted	€ million	9,379.9	11,377.2	–17.6
EPRA NTA per share, diluted	€	126.57	153.52	–17.6

Other Key Figures		31.12.2023	31.12.2022	+/– %/bp
Number residential units		166,546	167,040	–0.3
In-place rent	€/sqm	6.59	6.33	4.1
In-place rent (l-f-l)	€/sqm	6.58	6.33	4.0
EPRA vacancy rate	%	2.9	2.9	0
EPRA vacancy rate (l-f-l)	%	2.4	2.7	–30
Employees		2,003	2,040	–1.8

bp = basis points
[1] Previous year adapted

181.2 € million

LEG's liquidity-oriented strategy is paying off: The company was able to increase its AFFO by 66.5% to 181.2 million in 2023. AFFO reflects the free cash flow.

6.58 €

The average rent per square metre in 2023 was EUR 6.58 like-for-like (l-f-l). This is an increase of 4.0%, which was also due to the regular cost rent adjustment for LEG's current, approximately 32,000 rent-restricted apartments.

2,003

LEG is a reliable employer even in difficult times: With a total of 2,003 LEG colleagues, the number of employees remained largely stable.

2.4 %

LEG's vacancy rate fell by 30 basis points to 2.4% like-for-like (l-f-l). The LEG portfolio is therefore structurally fully leased.

2023: A year of start-ups and innovation

Digitalisation and decarbonisation have long been familiar concepts for LEG. However, we really got the ball rolling in the 2023 financial year with our smart innovations for the green and digital transformation of the housing industry. We see our actions as an opportunity to make progress on our own path to climate neutrality while also developing new business models and partnerships beyond portfolio management that offer genuine value.

Q1/23

Efficient climate protection: One challenge – three solutions

After making an excellent start in 2022 with RENOWATE, our joint venture for serial refurbishments, the first quarter saw us expand our repertoire of climate protection solutions for a wide range of applications. This includes the optimised use of existing heating systems thanks to smart control solutions and energy efficiency incentives for tenants, the low-cost replacement of heating systems with minimum disruption to tenants, and continued efforts to scale our activities in the area of comprehensive serial refurbishment. We presented an overview of our measures to the public for the first time in March 2023.

termios exhibits AI-controlled thermostat solution at trade fair

The business developer mantro GmbH, the Sauerland-based family company Oventrop GmbH & Co. KG and LEG are three partners who share a commitment to optimising the digital control of hydronic heating systems. Their first joint solution – the smart, AI-controlled thermostat termios Pro – automatically regulates the hydraulic balance of the heating system while continually optimising the system. At the ISH in Frankfurt in March, the world's leading trade fair for water, heating and air conditioning, the thermostat attracts a great deal of attention. It enables energy savings of up to 30 % at a cost of just a few hundred euros per apartment. www.termios.de

Heat pump campaign with Mitsubishi Electric

In March 2023, LEG enters into a strategic partnership with the Ratingen-based company Mitsubishi Electric on the use of innovative air-to-air heat pumps with the aim of actively promoting the energy and heat transition in the housing industry in cases where it is necessary to completely replace existing heating systems. After an initial phase, the goal is to install several thousand heat pumps a year in LEG's existing buildings from 2027 onwards. In contrast to the more familiar air-to-water heat pumps, air-to-air heat pumps have the advantage that they can also be installed in buildings that are not yet insulated. They are particularly efficient because they allow self-contained gas heating systems to be replaced without time-consuming pipework renovation. The cost to the building owner is halved, while the rent including heating for tenants is unaffected assuming their heating patterns remain unchanged. At a press event in Duisburg, North Rhine-Westphalia State Construction Minister Ina Scharrenbach is introduced to the solution and talks to tenants on the pilot scheme, who have only positive things to say about the heating performance and the ease of installation.

Q2/23

RENOWATE celebrates first anniversary and continues refurbishment work

Our joint venture with Rhomberg Bau for the serial refurbishment of buildings celebrates its first anniversary. Having successfully completed the first two pilot projects at Zeppelinstrasse in Moenchengladbach-Lürrip in late 2022, achieving primary energy savings of around 95 % at 47 apartments in eight buildings, RENOWATE begins work on the Vossenbäumchen/Frankenfeld neighbourhood project in early April. In the first phase of construction, 21 of more than 120 apartments across the entire neighbourhood will be upgraded in terms of energy efficiency in just a short space of time. www.renowate.earth

Future iQ – applied research with the Fraunhofer institutes

LEG initiates the Future iQ research cluster for integral neighbourhood solutions together with the Fraunhofer institutes UMSICHT and FIT. The project centres around testing and implementing innovative energy supply concepts in two different LEG neighbourhoods. The aim is for the solutions to be realised quickly so that they can be rolled out across the entire housing industry. The project is supported by the German Federal Ministry for Economic Affairs and Climate Action.

A victory for climate protection: Serial refurbishment wins numerous awards

RENOWATE wins no fewer than three awards in July: the renowned DW Future Prize of the Property Industry, a Gold Award, and a special mention at one of the most important German award ceremonies for brands, the German Brand Award (GBA).

Youtilly revolutionises the market

Our subsidiary Youtilly is the first Germany-wide tender platform for property maintenance. It focuses on services in the property sector and provides a digital solution for awarding and managing contracts. In June, we introduced another additional function that gives our tenants an overview of the services performed at their building. At the same time, they can actively rate the property maintenance in order to facilitate improvements. The commissioned service providers also benefit from direct feedback on their services.
www.youtilly.de

youtilly

Q3/23

Federal Minister visits the LEG living lab

In July, the German Federal Minister for Economic Affairs and Climate Action, Dr Robert Habeck, visits Moenchengladbach-Hardt. Working with partners from the construction industry and in cooperation with the German Energy Agency (dena), this is where LEG has set up a real-life laboratory to test and continually optimise the process of comprehensive serial refurbishment. Habeck is accompanied by North Rhine-Westphalia State Minister for Economics Mona Neubaur and Mayor Felix Heinrichs.

dekarbo – joint venture with Soeffing Kälte Klima GmbH

In September, the joint venture dekarbo is founded by LEG and the Dusseldorf-based company Soeffing Kälte Klima GmbH. dekarbo combines housing industry know-how and trade expertise in air conditioning and heating technology. It fits air-to-air heat pumps in LEG apartments and provides support throughout their entire life cycle. It also supplies this solution to the market. Installation takes just a few days per home. www.dekarbo.earth

Q4/23

Sustainable success: SBTi validates LEG's near-term climate targets

In November, the independent Science Based Target Initiative (SBTi) gives us the good news that it has confirmed our near-term emission reduction targets as science-based and in line with the 1.5 degrees Celsius target set out in the Paris Agreement.

On the ZIA Innovation Radar leaderboard

In October, no fewer than four of our innovations feature in the ZIA Innovation Radar, the leading source of innovations from throughout the entire German property sector. The leaderboard for 2023 includes our air-to-air heat pump initiative, RENOWATE and termios in the "CO_2 reduction in existing properties" category and Youtilly in the "Digitalisation" category. www.zia-innovationsradar.de

Smart thermostat certified for hydraulic balance

In November, termios Pro is certified by the renowned HLK Stuttgart institute, making it officially suited for hydraulic balance. The installation of the AI-controlled smart thermostat allows building owners to achieve relevant energy savings.

DGNB gold certification for F99

Our headquarter in Dusseldorf's Airport City, also called F99, receives the DGNB gold certificate in December. DGNB building certification is viewed as a seal of quality for sustainable construction in Germany. www.dgnb.de/de/zertifizierung

You can find out more about our partnerships, projects and products on our Innovation landing page at
https://www.leg-wohnen.de/en/corporation/leg-group/innovationen.

2

TO THE SHAREHOLDERS

Letter from the Management Board

Dear Shareholders,
Dear Readers,

With this letter, we have a lot of good news to share with you: Amid the major crises of the past year, our company has proven to be resilient once again.

On the one hand, we owe this resilience to our stable business model. The German residential market is characterised by a demand-supply imbalance that has been growing for years. This applies in particular for the affordable housing segment which is precisely the market in which we operate with our around 167,000 apartments. 80 percent of our residential portfolio is located in North Rhine-Westphalia but we also own affordable housing in similarly structured regions from Flensburg to Mannheim. We do not operate in Eastern Germany or Berlin. With an occupancy rate of 97.6 percent, our properties were again structurally fully let in 2023.

On the other hand, we have done a lot of things right. In November 2022, we became the first company in the sector to set up an extensive package of measures mainly intended to create liquidity for internal financing. We have therefore systematically adapted to a landscape of higher inflation and thus higher refinancing costs. We have held on to our money – and this meant we also asked a lot from you, our shareholders, by suspending our dividend last year. This makes us even more grateful for your loyalty and patience. Your forego and our focus on creating liquidity have paid off:

- We achieved, and in some cases even surpassed, our financial and operational targets for 2023.
- Thanks to our excellent access to the capital market, we have already refinanced all our maturities between now and the middle of 2025 on attractive terms – even in the current environment.
- We have also made a great deal of progress in our sustainability efforts. As the first company in the German residential market our decarbonisation targets have been validated by the Science Based Targets Initiative.
- And we are delivering on our dividend as well: The Management Board and Supervisory Board will be proposing a dividend of EUR 2.45 per share at the Annual General Meeting in May.

Our liquidity-focused strategy is a success

LEG has emerged from 2023, a year of crisis in the housing industry, stronger than before. The end of the interest rate hikes by the central banks and rising demand for residential housing as a product also appear to be good catalysts for a revival of the transaction market over the course of 2024. Nevertheless, the challenges to the housing industry are still substantial and we continue to be cautious and conservative. We will therefore stick to our current path in the new 2024 financial year as well. This means adhering to four strategic principles:

- the ongoing **optimisation of the operating business** by reducing portfolio investments and leveraging rent potential,
- the **run-off** of the small, but capital-intensive non-core business of **project development,**
- the implementation of our **sales programme,**
- the expansion of **innovation leadership for efficient decarbonisation solutions in the housing industry.**

To effectively implement our revised business strategy, we have also updated the company's steering metrics since the start of the 2023 financial year, establishing **AFFO as the key performance indicator.** AFFO focuses much more on liquidity than FFO I, which is widely used in the sector but is strongly accounting oriented. As we see it, this sends the wrong signal in times when disciplined spending is what counts most. By contrast, AFFO is not dependent on the amount of capitalization of investments made in the portfolio, making it a much better reflection of the free cash flow generated and available.

Breakdown of our financial and strategic progress

Our AFFO amounted to EUR 181.2 million in the 2023 financial year – a year-on-year increase of 66.5 percent. We therefore **comfortably achieved** our earnings forecast for 2023, which we had already raised to EUR 165 to EUR 180 million last summer and specified at the upper end of this range with the publication of our figures for the first nine months in November.

With like-for-like rental growth of 4.0 percent and a reduction in portfolio investments of 14 percent, the **optimisation of operating business** made a crucial contribution to this improvement in earnings.

“Our liquidity-focussed strategy is paying off: We have met and, in some cases, even exceeded our ambitious financial targets.”

Lars von Lackum (CEO)

“Thanks to our excellent access to the capital market, we have already refinanced all our maturities between now and the middle of 2025.”

Dr Kathrin Köhling (CFO)

“The solutions offered by our start-ups for the digitalisation and decarbonisation of the housing industry are developing rapidly.”

Dr Volker Wiegel (COO)

Based on an average rent per square metre of currently EUR 6.58 (l-f-l) or around EUR 420 for an apartment of a standard size of around 63 square metres, we offer a functional product at a fair price that is affordable for all sections of the population. With investments of EUR 35.01 per square metre, we remain well below the level of the high-spending years at the start of the decade, but well above the average expenditure since the IPO. We are therefore continuing to keep our properties in good condition. Our tenants reward this with high customer loyalty by renting out from us for 11.6 years on average. We are also particularly pleased by our stable figures for customer satisfaction, even though we were often the bearer of bad news due to the sharp rise in operating costs, over which we have little or no influence.

For the current 2024 financial year, we anticipate slightly lower growth in rents of between 3.2 and 3.4 percent as, unlike in 2023, our subsidised portfolio is not due for a scheduled rent adjustment this year. And that makes a big difference to us: With around 32,000 subsidised units – nearly 20 percent of our portfolio – we are one of the biggest providers of social housing in Germany. We are keeping our foot on the brake for investment with a forecast investment of around EUR 32.00 per square metre. When it comes to the energy-efficiency improvement of existing properties, we want to take advantage of the broader options available for government subsidies, also to relieve our tenants.

We are progressing **faster than expected with the run-off of our project development** business – which also contributed to the positive development in AFFO for the 2023 financial year. We are currently working to complete three already initiated projects. After finalization, we will stop all project development activities for the time being.

By contrast, in 2023 we moved much more slowly than hoped on our third strategic objective, the **implementation of our sales programme** – but for good reasons: the low transaction activity on the residential market on the one hand and our strict price discipline on the other. As a result of our measures to preserve liquidity, we refused to sell our properties below book value. The sale of minority interests in sub-portfolios, which would limit your share in LEG in the long term, was also not an option. Despite these limiting factors and the reluctance to buy on the residential property market, we were able to conclude sales for more than 1,300 apartments and several commercial units for around EUR 80 million in total at book value on average. Our sales programme, which we are still marketing, comprises more than 5,000 units altogether.

High interest rates and the wait-and-see attitude of many investors have put pressure on the valuation of properties in 2023. The value of LEG's property assets, which we typically have appraised by external experts twice per year, declined by 11.9 percent in the 2023 financial year. Living space is now valued at EUR 1,619 per square metre on average. As a result, EPRA NTA per share declined to EUR 126.57 as of 31 December 2023. By contrast, our shares were trading at EUR 79.32 at the end of the year. The gross yield on our property portfolio was 4.8 percent. We anticipate that the valuation level will stabilise in the course of 2024.

We come now to the fourth and final point on our strategic agenda – our positioning as the **innovation leader for affordable decarbonisation solutions for the entire housing industry.** You are already familiar with our three-step approach to efficient emissions reductions in the building sector from our last letter to shareholders. We have made rapid progress since then with our partners:

- One particularly good opportunity for climate protection in the building sector is hydraulic balancing and the optimised control of existing heating systems. To this end, with our partners mantro and Oventrop, we are developing the innovative, AI-based, and certified thermostat system **termios Pro.** The cost point is just a few hundred euros per home for a carbon reduction of up to 30 percent. The first models of the thermostat have been in testing since the start of the year.

- Our air-to-air heat pump campaign comes into play when the heating system must be replaced. In apartments with gas floor heating or less well insulated buildings in particular, the use of air-to-air heat pumps is considerably more cost effective, faster, more tenant-friendly and more sustainable than other technologies. As was reported last year, our procurement partner for this project is Mitsubishi Electric from Ratingen nearby Dusseldorf. To install the equipment quickly and continue to perform maintenance as well, we founded **dekarbo GmbH** together with the Dusseldorf family company Soeffing in September 2023.

- Our "oldest" green joint venture **Renowate GmbH** was founded around two years ago with the Austrian construction company Rhomberg. It is specialised in the digital and serial energy-efficiency improvement of buildings. RENOWATE has completed the serial refurbishment of around 110 LEG apartments by the end of 2023 and is currently working on eight LEG buildings with 120 residential units in total. In addition, RENOWATE has convinced four well-known external customers from the housing industry to try its solution for the project planning of serial refurbishment. The company launched its partner programme in January 2024, enabling other construction companies to join the future market for serial refurbishment quickly and with little outlay.

As you can see, LEG's own start-ups are developing rapidly.

Financial stability more important than ever

In other areas, however, we have stayed conservative, and that's a good thing. This is particularly true for our **high financial stability.** This is and will remain our hallmark. We have already said that we no longer have any significant liabilities maturing before the middle of 2025. This was achieved by arranging refinancing for a total volume of around EUR 1 billion in the 2023 financial year. As of 31 December 2023, our average financing costs were 1.58 percent with an average term of 6.2 years. At 38.8 percent, the company also has a high equity ratio compared to many other industries. LEG's statement of financial position is resilient, as investment property accounts for 94.2 percent of the total volume of the balance sheet and LEG does not recognise any goodwill in its financial statements.

There was a change in the Management Board in April 2023. As an established team, we almost forgot to mention: Dr Kathrin Köhling is now heading the Finance department, which also comprises Accounting & Taxes, Controlling, Risk Management and Portfolio Management. She replaces Susanne Schröter-Crossan, who has returned to London for family reasons and so chose to leave LEG.

Dividend policy and outlook

Following the suspension of the dividend for the 2022 financial year, the Management Board and the Supervisory Board will propose a dividend of EUR 2.45 per share at the Annual General Meeting on 23 May 2024 as mentioned above. This is equivalent to a distribution of 100 % of AFFO and thus in line with the dividend policy resolved in November 2022. However, we have refrained from distributing a portion of the net sales proceeds as AFFO per share were initially expected to amount to EUR 1.50 only for the 2023 financial year. We hereby take into account the multiple increase in AFFO from an initial forecast of 110 to 125 million euros to over 181 million euros. The net sales proceeds of 55 million euros will be retained to strengthen the balance sheet. Subject to the decision of the Annual General Meeting on 23 May 2024, we would like to offer you the dividend in cash and in shares. We would also like to retain our dividend policy for the new 2024 financial year. AFFO, our liquidity-oriented performance indicator, will therefore again be highly relevant to you as our shareholders.

Given the consistently high demand for affordable housing and the continuation of our successful, cash-focussed business strategy, we expect AFFO in a range of between EUR 180 and EUR 200 million, not including potential acquisitions or disposals. Mid-point of this guidance is an increase of approximately 5 percent in relation to the 2023 AFFO.

Higher for longer is the new normal: We are ready!

The stabilisation of interest rates and the foreseeable opening up of the transaction markets are good news for the industry and for LEG. Surplus demand is here to stay as well: Respected research institutions are now assuming a deficit in supply of 800,000 homes per year, while the number of new buildings will likely continue to fall. At the same time, higher interest rates – with the headline "higher for longer" – are seen as the "new normal" in the property sector. Reflecting this, we have raised our medium-term target for the loan to value (LTV) ratio to 45 percent. We will keep a watchful eye on our statement of financial position and on the ongoing capital-preserving development of our business activities as well. This report will show you that we have adapted to the new normal better than a lot of our competitors. We have once again demonstrated that we can flexibly respond to new circumstances – today and in the future.

Our resilience and our operational and financial success even in difficult times are no coincidence, but rather the result of strong teamwork: The LEG team has supported the liquidity-focused strategic adjustment from the start and has implemented it systematically and with conviction. We would like to thank everyone who works at LEG for their keen personal commitment and hard work in the past year.

We thank our customers for their loyalty.

We would also like to thank all of LEG's stakeholders for their interest in our company.

And we thank you, our shareholders, for your trust.

LARS VON LACKUM
CEO

DR KATHRIN KÖHLING
CFO

DR VOLKER WIEGEL
COO

Equity Story

Leading position on a market characterised by scarcity

The German residential property market is characterised by an imbalance between supply and demand that has been growing for years. This is true of the affordable housing segment in particular. Here, demand is rising especially as a result of high immigration into the Federal Republic of Germany. At the same time, there is clearly too little additional housing being created in this price segment. This is due to high construction costs – in particular as a result of rising energy efficiency requirements for new buildings – as well as time-consuming and complex building permit procedures.

The scarcity of supply is being drastically exacerbated as a result of high interest rates, which are causing construction costs to rise significantly once again and making rentals at affordable prices economically unviable for developers. The number of new apartments completed is expected to fall up to 150,000 in 2025, while the German government is aiming for a target of 400,000 apartments per year and the shortfall, according to industry estimates, is likely to be closer to around 700,000. Even though the German rental market is strictly regulated, this will lead to more dynamic rent growth in the coming years.

LEG is ideally positioned on this tense market. With around 167,000 residential units, the company is the second-largest landlord in Germany and the biggest in its most populous federal state, North Rhine-Westphalia, where around 80% of its properties are located. Its average rent is EUR 6.59 per square metre, significantly less than the average asking rent of EUR 8.33 in LEG's core market NRW. A contributing factor here is the approximately 32,000 rent-restricted apartments, for which the rent is significantly lower again. The full occupancy rate of the portfolio underscores its appeal.

Focus on internal funding

LEG was the first company in the sector to set up an extensive package of measures mainly intended to generate liquidity for the internal financing of all cash outflows. LEG has therefore systematically adapted to a landscape of higher interest rates and thus higher refinancing costs. It has implemented a new performance indicator in AFFO. AFFO focuses considerably more on liquidity generation than FFO I, which is more established within the sector. Besides cash operating earnings, AFFO also takes all capital expenditure into account. At LEG, this essentially entails value-enhancing investment such as modernisation work and energy-efficiency improvement in its residential property portfolio. AFFO therefore also makes it much easier to compare the economic strength of the company with that of its peers.

This liquidity-based approach ensures the financing of the largest cost block from operating activities, namely investment in the portfolio. This will amount to EUR 32 per square meter or around EUR 350 million in total in 2024. New construction business is characterised by high complexity, an elevated risk profile and high investment requirements. Furthermore, it is economically unviable in light of rising interest rates. LEG therefore decided to discontinue this business area, which accounted for only a small share of the Group's activities, after the completion of the projects still in progress. The project pipeline now has a volume of just EUR 80 million and will be completed in 2025. The accounting risks and the remaining investment requirements are thus very low. LEG is not exposed to price risks for construction costs thanks to contractual agreements.

The AFFO will also form the basis – in the event of a positive decision – for the dividend payment. As a result, distributions to shareholders cannot result in an increase in debt levels. At the same time, management based on AFFO allows the flexibility to increase investment if lower costs of capital would justify the use of additional borrowed capital.

Business model generates stable income even in times of crisis

LEG's business model is characterised by extreme stability, which ultimately enables it to generate operating earnings that can be easily forecasted and that are at least stable even in times of economic difficulty. The last two major economic crises (the financial crisis and the COVID pandemic) demonstrated the resilience of rental business in the affordable housing segment in Germany. LEG's attractive positioning as a provider of affordable housing in conjunction with Germany's close-knit social system are significant contributing factors in this context.

The stability of LEG's business model is also owed to its clarity, which is reflected in its market positioning. The property portfolio concentrates on the west, southwest and northwest of Germany. The "affordable housing" product and the supplementary services are tailored to a clearly defined customer group. This allows the implementation of uniform processes and thus efficiency gains.

LEG's balance sheet has clear structures and is solid in spite of a significant depreciation of property portfolios in 2023. There is no goodwill and there are no complications resulting from new construction activities, currency effects or innovative ownership structures in property portfolios for corporate financing. This lean, focused positioning enables LEG to respond quickly and flexibly to external changes, as was necessitated by the sharp rise in interest rates, for instance.

Especially in periods when property values temporarily diminish, which has a negative impact on its balance sheet, LEG benefits from its always sound expansion policy and its well diversified, long-term financing. LEG has excellent access to financing banks and the capital market. In the past year, it was able to leverage this access to ensure the early refinancing of financing due to mature in 2023 and 2024. LEG is thus financed until the middle of 2025. The average interest rate on financial liabilities is still an attractive 1.58 % as at 31 December 2023 and the average maturity is 6.2 years. If interest on financing remains at the current level for a prolonged period, regular rent increases would compensate for the resulting rise in interest costs and thus continue to generate stable cash flows.

LEG does not rely on property disposals to finance the Group. LEG benefits from broad and diversified access to the financial market. LEG's balanced maturity profile allows it to implement refinancing well – as regards the type (secured vs. unsecured) and volume (in absolute terms and relative to the company/market) of financing. Significant progress in debt reduction can be achieved as a result of disposals. However, LEG takes an extremely disciplined approach and is focused on selling properties at their carrying amounts.

Rent growth supported by structural conditions

While the German residential market is strictly regulated in terms of the rent increases that can be implemented, it is characterised by constant growth. The recent high inflation, combined with the shortage of supply, will lead to more dynamic rent growth in the medium term compared to years past. Furthermore, LEG specifically has additional growth potential resulting from its approximately 32,000 apartments still subject to rent control. The rent for these apartments can be increased again in 2026. Parts of the in-place rent will be increased in line with the trend in consumer prices. In addition, rent control will end for around 16,000 apartments in 2028, indicating significant potential for rent increases of around 50 %. This potential will not be leveraged all at once on account of rent regulations, but will contribute to overall rent growth for many years to come. Furthermore, the ongoing modernisation of properties and the investment necessary for the decarbonisation of the portfolio can be passed on to tenants in the form of higher rent, and thus contribute to growth.

Leading the way in sustainability and innovation

The property sector is a major source of carbon emissions. This sector thus has a special role to play in achieving climate targets. LEG has accepted this social responsibility by pledging to achieve climate neutrality by 2045 and by setting out a clear decarbonisation roadmap. LEG is in a good starting position: Around 30 % of its portfolio is already connected to municipal district heating grids whose heating energy is due to become carbon-neutral in conjunction with heat planning. LEG's portfolio also includes a power plant that supplies green energy but that is not yet included in LEG's carbon balancing group. In theory, the power plant could provide around a third of LEG's portfolio with green energy.

Despite its good starting position, the green transformation will entail not inconsiderable financial investment for LEG and for society. However, LEG is aiming to gradually increase the carbon saving per invested euro. This is to be achieved by the use of innovations in particular. LEG is positioned as a solution provider in order to decarbonise its own portfolio more efficiently on the one hand while also tapping business potential on the market on the other.

Technologies and methods already successfully developed, which have been implemented in cooperation with partners, include serial refurbishment (RENOWATE), air-to-air heat pumps as an alternative to fossil heating systems and significantly more expensive air-to-water heat pumps (dekarbo) and a smart thermostat for hydraulic heat balancing in multi-storey buildings (termios). These solutions are aimed at achieving the greatest possible benefit for avoiding carbon emissions from the financial resources available.

LEG has received top ratings from leading ESG ratings and initiatives such as MSCI (AAA), Sustainalytics (negligible risk), CDP (B), and ISS (C) for its ecological corporate strategy as well as its social and corporate governance aspects. In November 2023, LEG became the first German residential property company to have its climate goals for 2030 positively validated by the renowned Science Based Targets initiative (SBTi).

LEG shares

Central banks' interest rate policy in response to high inflation rates was the dominant issue on the stock markets in 2023 – just as had been the case in the second half of 2022. From July 2022, the ECB implemented ten interest rate hikes, six of which in 2023 alone, bringing rates from 0.0 % to 4.5 %. This sparked fundamental concern about refinancing costs on the otherwise structurally strong German residential property market and caused property values to fall as a result. This continued to weigh heavily on property stocks in the first half of the year in particular. A significant drop in the rate of inflation and the prospect of interest rate cuts in 2024 then spurred LEG's shares in the final quarter. As a result, they rose by 30 % over the course of the year, thereby outperforming the EPRA Germany benchmark index (up 28 %).

The rise in energy prices as a result of Russia's invasion of Ukraine on 24 February 2022, in breach of international law, also led to second-round effects in the form of further increases in wage, material and food prices in 2023. Inflation persisted at a high level at the start of 2023 as a result. While inflation diminished as the year progressed, it nonetheless remained above the ECB's target corridor of 2 %. Within this cycle, inflation in Germany peaked at 8.8 % in November 2022 and remained mired above 7 % in the first quarter as well. In response to inflation hitting its highest level in decades, the ECB and other central banks around the world launched a cycle of rapid interest rate hikes. Starting in July 2022, the ECB raised interest rates ten times by September 2023, bringing them from 0.0 % to 4.5 %. The Fed began as early as spring 2022, raising interest in eleven steps to between 5.25 % and 5.50 %. These measures showed success from September 2023 in particular. The rate of inflation in Germany was just 3.7 % in December. The return on ten-year German government bonds fell from a high of around 3.0 % in October to around 2.0 % at the end of December. Hopes that central banks would cut interest rates in 2024 thus rose significantly, delivering significant price gains on the stock markets in the final quarter, for property shares in particular.

Following a weak performance in 2022 (down 12 %) that saw it end the year at 13,924 points, the DAX rose by 20 % to 16,752 points by the end of 2023. It therefore ended 2023 close to its all-time high of 16,794 points from 11 December 2023. The MSCI World improved by 18 %, the German sector index for property stocks (EPRA Germany) by 28 % (2022: – 54 %).

LEG share price outperforms EPRA Germany benchmark index

The sharp rise in interest rates and the associated higher refinancing costs, as well as the subsequent decline in property values, added up to poor conditions for property shares for much of 2023. Starting from their closing price in 2022 of EUR 60.86 (down approximately 50 %), LEG's shares fell further to below EUR 50 at times (low of EUR 47.65 on 28 March). A good final quarter, spurred by signals from the central bank that the cycle of interest rate hikes has come to an end, enabled them to climb to EUR 79.32 by the end of 2023. LEG's shares ultimately ended 2023 up by 30 % on the stock market.

LEG's shares thus outperformed the EPRA Germany benchmark index by 2 percentage points. They were aided in this by the strong operating performance, the early switch to liquidity generation, including the decision not to pay a dividend for 2022, and successful refinancing activities.

Intensive contact with capital market

The capital market was very interested in engaging in a dialogue with LEG once again in 2023. There were many issues in the property sector that interested the capital markets especially. As LEG believes in satisfying the demand for information with its transparent and forward-looking communication policy even in difficult times, it held roadshows or took part in investor conferences on 39 days. These were mostly direct, in-person events but were sometimes virtual formats as well. Furthermore, it conducted a number of talks with investors outside these events. There was also a corporate governance roadshow on two days, with the Chairman of the Supervisory Board Mr Michael Zimmer and the Deputy Chairman of the Supervisory Board Dr Claus Nolting participating.

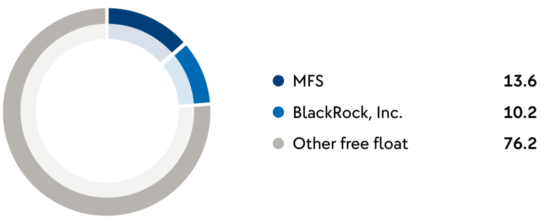
While LEG had held its Annual General Meeting virtually in 2021 and 2022 on account of the pandemic situation, the Management Board and Supervisory Board opted to hold it in person again in 2023. A personal dialogue with all stakeholders is a matter of great importance to LEG.

Share performance indicators

Ticker symbol	LEG
German Securities Code Number (WKN)	LEG111
ISIN	DE000LEG1110
Number of shares (31 December 2023)	74,109,276
Initial listing	1 February 2013
Market segment	Prime Standard
Indices	MDAX , FTSE EPRA/NAREIT, GPR Indizes, Stoxx® Europe 600, S&P Europe 350, GPR 250 Index, DAX 50 ESG, MSCI World, MSCI Europe Real Estate
Closing price (31 December 2023)	EUR 79.32
Market capitalisation (31 December 2023)	EUR 5,878 million
Free float (31 December 2023)	100 %
Weighting in the MDAX (31 December 2023)	4.04 %
Weighting in the EPRA Europe (31 December 2023)	2.90 %
Average single-day trading volume (2023)	282,580
Highest price (28 December 2023)	EUR 79.68
Lowest price (28 March 2023)	EUR 47.65

On the sell-side, 20 analysts from renowned research companies are currently tracking LEG's shares, two more than at the end of 2022. A current overview of analysts' recommendations and price targets can be found at https://ir.leg-se.com/en/investor-relations/share. Analysts' average price target was EUR 85.00 on 19 February 2023, with predominantly positive investment recommendations.

Shareholder structure (in %)

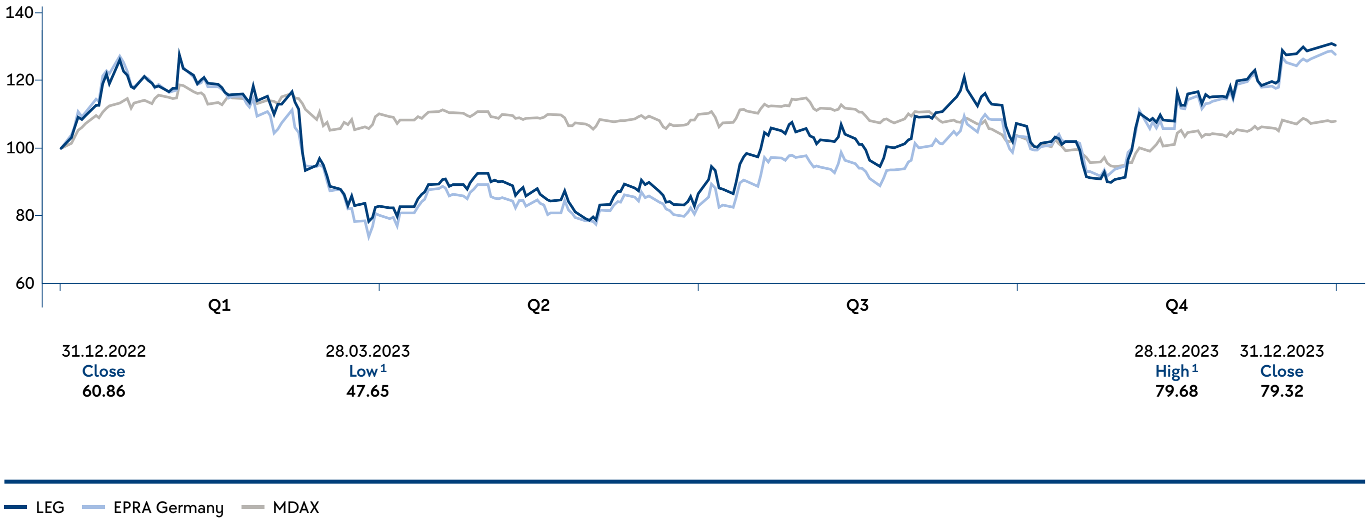


According to voting right notifications, there were two shareholders, MFS and BlackRock, that had exceeded reporting thresholds as at the end of 2023 – in this case the 10 % threshold. Geographically, around 30 % of all LEG investors are located in North America, around 25 % in the UK, around 10 % in Germany plus around 30 % in the rest of Europe.

Liquidity-based management – the right response to a changing landscape

In November 2022, LEG became the first company in the sector to set up an extensive package of measures mainly intended to generate liquidity for the internal financing of all cash outflows. The motto "Cash is King" was announced as a result of the significant changes emerging in the market environment. The goal was and is to cushion the negative impact of higher interest rates and to generate liquidity to cover all investments and the dividend and thus not to be dependent on the borrowing of additional debt. This strategy was systematically implemented in the financial year. Investment in the portfolio was reduced, the dividend was suspended and no new construction projects were launched. This resulted in a strong improvement in the key performance indicator AFFO, which rose significantly from EUR 108.8 million to EUR 181.2 million in 2023. This strategy will be systematically continued in the 2024 financial year.

Share price development (Share price 2023 indexed to 100)



1 Based on Xetra closing prices

The transaction market for properties was characterised by strong restraint on the part of buyers, for larger portfolios in particular, but also by high price sensitivity for smaller portfolios in 2023. However, regarding the implementation of the sales programme for up to 5,000 residential units, LEG is taking an extremely disciplined approach and is focused on selling properties at their book values. These values were achieved on average by selling these assets in a number of small sales transactions. LEG succeeded in this for around 1,300 apartments and commercial properties with a transaction volume of EUR 80 million. LEG therefore sold around 1 % – in units – of its residential property portfolio in 2023. This strategy will also be systematically continued.

Refinancing success with volume of EUR 1.0 billion

Though 2023 was a challenging year for the refinancing of liabilities, LEG successfully secured its financing requirements as far as 2025 at an early stage. This focused on secured financing, i.e. covered bank loans, as this was available at more attractive conditions, i.e. lower interest, than financing with unsecured bonds.

LEG secured a financing volume of around EUR 1.0 billion in the second half of 2023. Secured financing accounted for EUR 800 million of this while top-ups on two pre-existing bonds amounted to EUR 200 million. LEG is therefore already fully refinanced until the middle of 2025. One of these bond top-ups occurred after LEG's rating downgrade by Moody's in November 2023. This transaction demonstrated that the downgrade has had no negative impact on access to the capital market. The average interest costs within cash increased only slightly from 1.26 % to 1.58 % in 2023.

EPRA key figures

With more than 290 members, including LEG Immobilien SE, EPRA (European Public Real Estate Association) represents the listed real estate industry in Europe. EPRA strives to establish best practices to provide high-quality information to investors.

Financial key figures

Transparent and fair reporting form the basis for LEG's communications with the capital market. In light of this, LEG also actively supports the initiative of the sector association of EPRA to harmonise key financial figures. The table below provides an overview of the key figures in accordance with EPRA's Best Practice Recommendations. Further information can be found in the management report of this annual report. For a definition of the key figures please see the > glossary of this annual report.

Sustainability

For sustainability reporting according to EPRA sBPR please see our website.

EPRA key figures

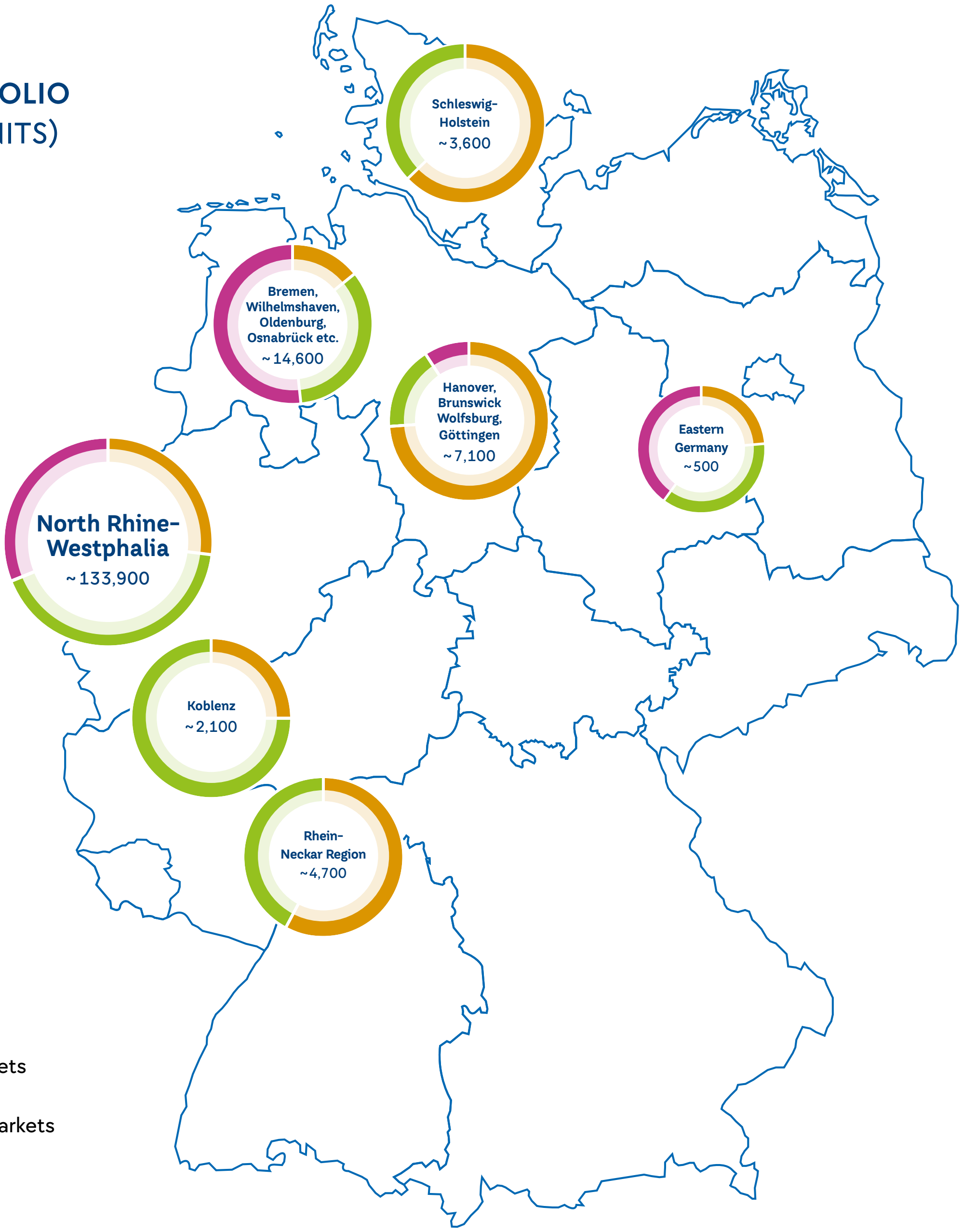
		2023	2022	Details
EPRA Net Initial Yield	%	3.8	3.3[1]	See page 49
EPRA "topped-up" Net Initial Yield	%	3.8	3.3[1]	See page 49
EPRA Cost Ratio incl. direct vacancy costs	%	28.8	24.7[1]	See page 48
EPRA Cost Ratio excl. direct vacancy costs	%	27.0	23.0[1]	See page 48
EPRA Cost Ratio, adjusted by maintenance incl. direct vacancy costs	%	16.8	17.6[1]	See page 48
EPRA Cost Ratio, adjusted by maintenance excl. direct vacancy costs	%	15.0	15.8[1]	See page 48
EPRA Vacancy (like-for-like)	%	2.4	2.7	See page 46
EPRA Earnings per share	€	5.63	5.66[1]	See page 190
EPRA Capex	€ million	434.2	689.4	See page 47
EPRA NRV	€ million	11,152.5	13,338.3	See page 54
EPRA NRV per share	€	150.49	179.98	See page 54
EPRA NTA	€ million	9,379.9	11,377.2	See page 54
EPRA NTA per share	€	126.57	153.52	See page 54
EPRA NDV	€ million	8,079.0	9,654.3	See page 54
EPRA NDV per share	€	109.01	130.27	See page 54
EPRA LTV (group)	%	50.3	45.3	See page 55

[1] Value of comparative period adjusted.

Portfolio

● **LEG locations by market segment**

TOTAL PORTFOLIO
(~ 166,500 UNITS)



- High-growth markets
- Stable markets
- Higher-yielding markets

At the end of 2023, LEG managed a portfolio consisting of 166,546 residential units in the affordable housing segment, 1,550 commercial units and 46,621 parking spaces. 80 % of the residential units are located in the home market of North Rhine-Westphalia and 13 % in Lower Saxony. LEG also holds further properties in Bremen, Schleswig-Holstein, Hesse, Rhineland-Palatinate, Baden-Württemberg and eastern Germany. In total, the properties are spread across around 240 locations. The structure of the portfolio thus remained largely unchanged in 2023. The market value of the portfolio is around 18 billion euros. The in-place rent is EUR 6.59 per square metre and the average flat size is 63 square metres. Accordingly, the average monthly rent per flat is around EUR 420.

LEG's systematic scoring divides the portfolio into three overarching clusters: high-growth, stable, and higher yielding markets. The scoring is based on external market studies and comparisons of demographic and economic factors, enriched by real estate parameters such as rents and vacancy rates.

High-growth markets are characterised by demographically and economically strong locations with above-average rental growth expectations and low vacancy rates. Stable markets are more heterogeneous than high-growth markets in terms of their demographic and socio-economic development, and their residential attractiveness is solid to high on average. Higher yielding markets are generally subject to a greater risk of declines in demand but offer opportunities for attractive returns with efficient management.

Operating Performance

The actual in-place rent as at 31 December 2023 was EUR 6.59 per square metre in the residential portfolio, which corresponds to an increase of 4.1 % compared to the actual in-place rent of EUR 6.33 per square metre as at the previous year's reporting date. On a like-for-like basis, the in-place rent was EUR 6.58 after EUR 6.33 per square metre at the end of the previous year. This corresponds to an increase of 4.0 %. Rent table adjustments contributed 1.7 %, modernisations and new lettings 1.5 % and the adjustment of the cost rent in the rent restricted portfolio 0.8 %.

In the free-financed portfolio, which accounts for 81 % of the total portfolio, the in-place rent rose on a like-for-like basis by 3.6 % to EUR 6.90 per square metre (previous year: EUR 6.66 per square metre). All three market segments contributed to this increase: in the high-growth and in the stable markets, the rent level rose by 3.9 % each to EUR 7.92 and EUR 6.64 per square metre respectively (like-for-like). In the higher yielding markets, the in-place rent increased by 2.8 % to EUR 6.23 per square metre (like-for-like).

In the year under review, the in-place rent for the rent-restricted portfolio recorded a relatively significant increase of 5.7 % from EUR 5.07 to EUR 5.36 per square metre (like-for-like) as at 31 December 2023. This increase is due to an adjustment of the cost rents in accordance with the Second Calculation Ordinance (II. BV), which is possible every three years. Some components of the rent calculation are linked to the general cost trend.

As at 31 December 2023, the EPRA vacancy rate was 2.9 %, while the like-for-like vacancy rate was only 2.4 %. The latter thus fell by a further 30 basis points. The difference between the two vacancy rates is primarily due to buildings completed towards the end of the year that are still in the letting process. With an occupancy rate of 98.5 % (like-for-like), the properties in the high-growth markets were almost fully let at the end of 2023 (previous year: 98.0 %). In the stable markets, the occupancy rate reached 97.7 % after 97.5 % in the previous year (like-for-like), while an occupancy rate of 96.0 % (like-for-like) was achieved in the higher yielding markets (previous year: 96.2 %). The annualised fluctuation rate increased slightly from 8.7 % to 8.8 % (like-for-like). It therefore remains at a low level.

Value Development

> Table "Market segments" shows the distribution of assets by market segment. The rental yield of the residential portfolio based on annualised actual rents is 4.8 %. This corresponds to a rent multiple of 21.0. The valuation of the residential portfolio corresponds to an initial net yield as defined by EPRA (Net Initial Yield) of 3.8 %.

Investing Activity

The investment volume of LEG peaked in 2021 and has been reduced in the last two years due to changes in exogenous factors (Ukraine crisis, disrupted supply chains, sharp rise in construction prices and refinancing costs). Total investments in the portfolio, adjusted for new construction activities on company-owned land, public safety measures in connection with acquisitions and own work capitalised, amounted to EUR 379.9 million in the 2023 financial year. This corresponds to a decrease of EUR 59.4 million or 13.5 % compared to the previous year. The proportion of value-enhancing and therefore capitalised investments was around 59.3 % (previous year: 75.2 %). The average investment per square metre of living and usable space was EUR 5.60 lower than in the previous year and amounted to EUR 35.01 in 2023. Despite the lower investment volume, LEG is consistently pursuing its climate targets and remains on the communicated path to reducing CO_2 emissions.

In 2023, the focus of investment in construction projects was on Moenchengladbach, Bonn, Goettingen, Essen and Dortmund. Investments totalling around EUR 63 million were made at these five locations alone. Extensive structural improvements were made as part of energy efficiency measures, including those carried out by our joint venture RENOWATE, which are expected to lead to savings of around 2,700 tonnes of CO_2.

In addition to these investment measures, LEG has increasingly worked towards changing user behaviour in the past two years and initiated various measures, such as information letters with corresponding recommendations for action for tenants, regular consumption notifications, etc. These measures have resulted in CO_2 savings of around 6,011 tonnes of CO_2.

In the future, LEG will continue its investment activities in a balanced, targeted and value-enhancing manner with regard to its financial capabilities on the one hand and the energy requirements in relation to climate targets on the other, also in the interests of its customers. Innovative approaches such as the serial refurbishment of housing stock, the increased use of air-to-air heat pumps and the development of smart thermostats for hydraulic balancing will help to ensure that capital resources are used efficiently. And not only for LEG tenants, but also as a service for interested external housing and property companies via the relevant subsidiaries.

Portfolio segments – top 5 locations

	31.12.2023					Change on a like-for-like basis	
	Number of LEG apartments	Share of LEG-portfolio in %	Living space in sqm	In-place rent €/sqm	EPRA vacancy rate in %	In-place rent in % like-for-like	Vacancy rate (basis points) like-for-like
High-growth markets	49,928	30.0	3,285,267	7.42	1.6	4.2	–50
District of Mettmann	8,500	5.1	590,506	7.75	1.3	3.4	50
Dusseldorf	6,203	3.7	402,677	8.82	1.6	3.9	20
Muenster	6,154	3.7	410,486	7.35	0.6	4.1	0
Cologne	4,388	2.6	296,367	8.05	2.3	3.6	–140
Aachen	2,430	1.5	164,255	5.78	1.9	4.5	10
Other locations	22,253	13.4	1,420,976	6.95	2.0	4.9	–110
Stable markets	66,713	40.1	4,265,918	6.34	3.2	4.2	–20
Dortmund	13,793	8.3	901,943	6.03	2.3	3.9	50
District of Unna	6,982	4.2	435,355	5.70	1.9	3.9	20
Moenchengladbach	6,432	3.9	407,545	6.74	1.3	4.3	0
Essen	3,658	2.2	235,093	6.48	5.0	3.7	40
Bielefeld	3,232	1.9	201,196	7.12	1.3	2.5	20
Other locations	32,616	19.6	2,084,787	6.45	4.1	4.7	–80
Higher yielding markets	49,905	30.0	3,013,088	6.01	4.2	3.2	20
District of Recklinghausen	8,995	5.4	545,989	5.80	2.7	3.3	30
Gelsenkirchen	7,217	4.3	412,203	6.16	6.1	3.4	–60
Wilhelmshaven	6,770	4.1	391,782	5.88	10.0	2.4	130
Duisburg	6,418	3.9	387,762	6.51	2.5	2.7	20
Hamm	4,827	2.9	289,070	5.99	1.8	3.4	–20
Other locations	15,678	9.4	986,282	5.93	3.2	3.4	–10
Total	166,546	100.0	10,564,274	6.59	2.9	4.0	–30

	31.12.2022				
High-growth markets	49,733	29.8	3,273,142	7.10	2.2
District of Mettmann	8,506	5.1	590,850	7.49	0.9
Dusseldorf	5,867	3.5	383,796	8.46	1.5
Muenster	6,157	3.7	410,518	7.06	0.6
Cologne	4,284	2.6	290,514	7.77	3.7
Aachen	2,430	1.5	164,255	5.53	1.8
Other locations	22,489	13.5	1,433,209	6.63	3.2
Stable markets	66,840	40.0	4,260,496	6.08	2.7
Dortmund	13,860	8.3	905,367	5.80	1.9
District of Unna	6,916	4.1	430,282	5.49	1.7
Moenchengladbach	6,433	3.9	407,619	6.47	1.3
Essen	3,558	2.1	228,768	6.17	3.1
Bielefeld	3,233	1.9	201,070	6.95	1.2
Other locations	32,840	19.7	2,087,390	6.16	3.6
Higher yielding markets	50,467	30.2	3,047,926	5.82	4.1
District of Recklinghausen	9,027	5.4	549,049	5.61	2.4
Gelsenkirchen	7,250	4.3	414,682	5.96	6.8
Wilhelmshaven	6,854	4.1	397,118	5.75	8.7
Duisburg	6,424	3.8	388,188	6.34	2.2
Hamm	4,836	2.9	289,581	5.79	1.9
Other locations	16,076	9.6	1,009,308	5.72	3.4
Total	167,040	100.0	10,581,565	6.33	2.9

Performance of the LEG portfolio

		High-growth markets		Stable markets		Higher yielding markets		Total	
		31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Subsidised residential units									
Units		11,419	11,459	13,636	14,609	7,065	7,221	**32,120**	33,289
Area	sqm	781,348	784,010	922,563	987,556	463,014	475,788	**2,166,924**	2,247,355
In-place rent	€/sqm	5.77	5.42	5.26	4.97	4.87	4.60	**5.36**	5.05
EPRA vacancy rate	%	0.8	0.9	1.5	1.4	1.9	1.6	**1.3**	1.2
Free-financed residential units									
Units		38,509	38,274	53,077	52,231	42,840	43,246	**134,426**	133,751
Area	sqm	2,503,920	2,489,132	3,343,356	3,272,940	2,550,074	2,572,138	**8,397,350**	8,334,210
In-place rent	€/sqm	7.93	7.64	6.65	6.42	6.22	6.06	**6.91**	6.68
EPRA vacancy rate	%	1.8	2.5	3.5	3.0	4.5	4.5	**3.1**	3.2
Total residential units									
Units		49,928	49,733	66,713	66,840	49,905	50,467	**166,546**	167,040
Area	sqm	3,285,267	3,273,142	4,265,918	4,260,496	3,013,088	3,047,926	**10,564,274**	10,581,565
In-place rent	€/sqm	7.42	7.10	6.34	6.08	6.01	5.82	**6.59**	6.33
EPRA vacancy rate	%	1.6	2.2	3.2	2.7	4.2	4.1	**2.9**	2.9
Total commercial									
Units								**1,550**	1,611
Area	sqm							**284,824**	276,127
Total parking									
Units								**46,621**	46,636
Total other									
Units								**3,216**	2,920

Market segments

31.12.2023	Residential units	Residential assets in € million[1]	Share residential assets in %	Value/sqm in €	In-place rent multiplier	Commercial/ other assets in € million[2]	Total assets in € million
High-growth markets	**49,928**	**7,265**	**42**	**2,207**	**25.2 x**	**327**	**7,592**
District of Mettmann	8,500	1,410	8	2,391	26.1 x	33	1,443
Dusseldorf	6,203	1,160	7	2,854	27.4 x	119	1,279
Muenster	6,154	1,033	6	2,505	28.7 x	55	1,088
Cologne	4,388	785	5	2,634	27.9 x	28	813
Aachen	2,430	262	2	1,583	23.3 x	6	268
Other locations	22,253	2,615	15	1,842	22.5 x	86	2,701
Stable markets	**66,713**	**6,457**	**38**	**1,509**	**20.3 x**	**257**	**6,714**
Dortmund	13,793	1,475	9	1,628	23.0 x	53	1,528
District of Unna	6,982	519	3	1,199	17.8 x	22	541
Moenchengladbach	6,432	674	4	1,649	20.5 x	15	689
Essen	3,658	373	2	1,575	21.1 x	10	383
Bielefeld	3,232	359	2	1,777	21.1 x	11	370
Other locations	32,616	3,057	18	1,461	19.5 x	145	3,202
Higher yielding markets	**49,905**	**3,377**	**20**	**1,129**	**16.3 x**	**91**	**3,467**
District of Recklinghausen	8,995	592	3	1,128	16.4 x	17	609
Gelsenkirchen	7,217	434	3	1,049	15.0 x	11	444
Wilhelmshaven	6,770	397	2	1,011	15.9 x	7	404
Duisburg	6,418	524	3	1,354	17.7 x	28	552
Hamm	4,827	343	2	1,191	16.8 x	5	348
Other locations	15,678	1,088	6	1,103	16.0 x	22	1,109
Total portfolio	**166,546**	**17,098**	**100**	**1,619**	**21.0 x**	**674**	**17,773**
Leasehold and land values							254
Balance sheet property valuation assets (IAS 40)							**18,026**
Prepayments for property held as an investment property and construction costs							0
Assets under construction (IAS 40)							76
Inventories (IAS 2)							0
Owner-occupied property (IAS 16)							84
Assets held for sale (IFRS 5)							78
Balance sheet total							**18,264**

[1] Excluding 471 residential units in commercial buildings; including 741 commercial units as well as several other units in mixed residential assets.
[2] Excluding 741 commercial units in mixed residential assets; including 471 residential units in commercial buildings, commercial, parking, other assets.

Report of the Supervisory Board

Dear Shareholders,

The 2023 financial year was an extraordinary year in which the world faced untold geopolitical and economic challenges.

LEG: A resilient business model on a challenging market
LEG's environment in the 2023 financial year was and continues to be defined by a number of challenges:

- elevated geopolitical risk;
- increased price pressure due to inflation;
- rising interest rates resulting in a lower valuation of the property portfolio;
- diminished level of transactions for residential properties;
- consistently high energy prices;
- ongoing supply bottlenecks for various materials combined with a skills shortage;
- ever-mounting, sometimes erratic regulations for building, renovation and heating combined with excessive rent regulation.

MICHAEL ZIMMER
Chairman of the Supervisory Board

LEG therefore operated in a significantly riskier and more volatile environment in the 2023 financial year than in previous years. At the same time, demand for our product – affordable housing – continues to grow as the population rises and the new construction volume declines. The company is benefiting from this development and from its innovative approach to more digitalisation and efficient climate protection in the building sector.

Despite the challenging landscape, LEG Immobilien SE again enjoyed successful performance in the 2023 financial year. The revised business strategy from November 2022 and the switch from accounting-based FFO I to cash-oriented AFFO management made a significant contribution to this.

LEG's original guidance from November 2022 for AFFO in 2023 of between EUR 110 and EUR 125 million was revised to between EUR 125 and EUR 140 million in March 2023 and again to between EUR 165 and EUR 180 million in June 2023. In November 2023, LEG then narrowed down its earnings forecast for AFFO to the upper end of its most recently communicated range. These significant adjustments resulted from non-recurring effects from the forward sale of the green energy generated by LEG itself, the acceleration of the run-off of the construction business resolved in November 2022 and the momentum in terms of rent development.

The company raised its earnings forecast for 2023 several times and achieved AFFO of EUR 181.2 million in 2023. We are correspondingly confident for 2024. LEG's outstanding operational performance and the ongoing rise in demand for affordable housing promise a dependable, long-term business model. The "affordable housing" business model is more viable than ever before. The ongoing optimisation of its core business remains a central task for LEG. In these challenging times, LEG remains synonymous with strict cost discipline, a strong sense of responsibility and sustainable dependability.

Maintaining financial stability
In the current challenging market phase, LEG is benefiting from its good access to all capital market participants. LEG is very well positioned in terms of its financing. All the liabilities maturing in the 2023 financial year, the bond of EUR 500 million due in January 2024 and all other covered financing arrangements were already fully refinanced in autumn 2023. Relevant loans are not due to mature until the middle of 2025 onwards. In total, financing of around EUR 1 billion was arranged at an average annual interest rate of 3.89 % and an average term of eight years. At approximately 90 %, the focus was on secured financing.

This shows that LEG is able to arrange refinancing largely independently of the bond market, even in the current market situation. In particular, the company has a solid investment grade rating with a stable outlook.

However, LEG's loan to value ratio has risen considerably owing to the significant devaluation of the property portfolio as a result of the dramatic rise in interest rates. It was 48.4 % at the end of the year and thus above the medium-term target of 45 %.

Rising AFFO anticipated

LEG's maxim is unchanged: Increase income, reduce costs, drive innovation and achieve the company's climate protection goals through efficient action! A strict focus on cash is still the top priority when it comes to administrative expenses and capital expenditure.

For the 2024 financial year, we are forecasting AFFO of between EUR 180 million and EUR 200 million. Taking the average of the forecast range (EUR 190.0 million), this represents an increase of 5 % on 2023's AFFO of EUR 181.2 million.

Investment in the portfolio and innovation

Given the focus on cash, investment in the portfolio of EUR 32 per square metre is planned for the 2024 financial year. This is less than in the previous year and well below the level of the high-spending years at the start of the decade, but also much higher than in prior years. The Management Board and Supervisory Board agree that an investment volume of EUR 32 per square metre is enough to both uphold capital discipline and preserve property values. When it comes to investing in energy-efficiency improvements in particular, LEG wants to take advantage of the broader options available for government subsidies.

The company applies especially high standards of effectiveness and efficiency when developing and implementing innovative sustainability initiatives, which it achieves by establishing start-ups as joint ventures and engaging in partnerships with established specialists. This allows us to be bold in new areas while planning and investing conservatively at the same time. Our innovative products and services do more than just let us decarbonise our own portfolio as efficiently as possible: we are also already successfully marketing them to other housing companies.

Climate protection is in our DNA

Climate protection is a fixed element of LEG's DNA. For Management Board remuneration, the Supervisory Board has therefore included specific sustainability targets for 2024 to 2027 in both the STI for 2024 and the LTI for 2024 to 2027.

The criteria-based adjustment factor is a component of the STI. The Supervisory Board has defined the following criterion for the 2024 financial year:

"A balanced positioning for LEG in the trade-off between the yield expectations of the capital market on the one hand and the demands of sustainable corporate governance on the other, with challenging carbon targets for the portfolio and the objective of continuing to offer tenants a good place to live at a fair price."

The company and the Supervisory Board are constantly working to fulfil the return requirements of the capital market, the requirements of sustainable corporate governance and the interests of the tenants in equal measure.

Management Board target attainment in 2023

The Management Board achieved 174 % of its planned STI targets for 2023. Detailed information on the achievement of targets can be found in the remuneration report on > page 78 ff.

Furthermore, the Management Board reiterated its commitment to LEG by responding to investor feedback on the financial criterion of AFFO per share in its short-term incentive. It is forgoing the share of the STI amount for 2023 that relates to interest savings due to the non-payment of the dividend in 2023 and the suspension of new construction activities.

Composition of the Supervisory Board

The composition of the Supervisory Board has not changed since the Annual General Meeting on 19 May 2022.

Dr Jochen Scharpe will be stepping down from the Supervisory Board from the end of the forthcoming Annual General Meeting on 26 May 2024. As an auditor and thanks to his experience and expertise in financial reporting and accounting, Dr Scharpe is a long-standing member of the Risk and Audit Committee. To ensure adequate succession with corresponding expertise in the fields of accounting, control and risk management systems, auditing and sustainability reporting, the Nomination Committee of the Supervisory Board has initiated a structured selection process with a respected HR consultant.

Share price performance in 2023

Starting from their closing price in 2022 of EUR 60.86, LEG's shares fell further to below EUR 50 at times (low of EUR 47.65 on 28 March 2023). A good final quarter, spurred by signals from central banks that the cycle of interest rate hikes has come to an end, enabled them to climb to EUR 79.32 by the end of 2023. LEG's shares ultimately ended 2023 up 30 % on the stock market. In addition to signals from central banks, they were also aided by sound operating performance, the early switch to liquidity generation, including the decision not to pay a dividend for 2022, and successful refinancing activities. LEG's shares outperformed the EPRA Germany benchmark index by 2 percentage points in 2023. The company's better share price performance compared to its peers shows that it has made the right choice by revising its strategy and refocusing on AFFO.

Investor meetings with the Chairman of the Supervisory Board
To an appropriate extent, the Chairman of the Supervisory Board holds talks with investors on matters specific to the Supervisory Board and, in consultation with the Management Board, matters not specific to the Supervisory Board. In 2023, the Chairman of the Supervisory Board again took part in corporate governance roadshows and held related talks with investors. All the key aspects affecting LEG's business model on account of the current market situation were explained to analysts and investors. Their feedback was generally constructive and appreciative. The capital market values LEG's transparent and realistic analysis of the impact of the changing conditions on the housing industry. Analyst reports positively highlight LEG's consistently conservative business activities, its early response to changes in the market environment and its systematic focus on liquidity management. The Chairman of the Supervisory Board subsequently reported to the other members of the Supervisory Board on these talks.

Intensive cooperation between the Management Board and the Supervisory Board
The Management Board and the Supervisory Board are still facing a complex landscape and are not resting on their laurels with the "affordable housing" business model that has been validated by the market. In a number of meetings and strategy sessions, the Management Board and the Supervisory Board continuously addressed the challenges currently facing the residential property sector and LEG. As it already successfully did in 2022, the Supervisory Board again discussed the strategic classification of the overall situation with geopolitical experts and economists from international investment banks in order to derive suitable courses of action for LEG in 2023.

The Management Board ensured the necessary high level of transparency regarding all major strategic developments for the Supervisory Board at all times and also actively sought the involvement of the Supervisory Board. As in previous years, the Supervisory Board was involved in the strategy development process. The significance of the particularly trusting cooperation between the Supervisory Board and the Management Board should be highlighted here in view of the major challenges that have arisen.

The Supervisory Board was assured of the legality, expediency and compliance of the work of the Management Board at all times. LEG stands for a responsible, strong and forward-looking company that is extremely well positioned even in a difficult market landscape.

Work of the committees
The demands placed on the Supervisory Board are becoming increasingly complex and extensive. The additional work by the committees is therefore becoming more and more important. The skills and expertise possessed by the Supervisory Board are bundled in the committees for specific areas. This enables the Supervisory Board to master the necessary requirements. In particular, the formation of committees allows it to be a valued sparring partner for the Management Board. The dedication of and suggestions from the committees are highly significant. For example, workshops on special issues are initiated with committee and LEG representatives. The Supervisory Board also established a Remuneration Committee in November 2023. The Supervisory Board is regularly informed about the work of the committees in its meetings.

Efficiency in executive bodies, self-assessment
As scheduled, the work of the Supervisory Board underwent an external efficiency analysis (self-assessment) in the 2023 financial year. The external consultant, MB Board Advisory, presented the results of the Supervisory Board's self-assessment at the meeting of the Supervisory Board in November 2023. The main finding of the analysis was that the working relationship within the Supervisory Board and between the Management Board and the Supervisory Board is characterised by a high level of trust. The recommendations identified, such as the implementation of a Remuneration Committee, have already been implemented or their implementation is underway. The next self-assessment is scheduled for the 2025 financial year.

Efficient committee work is based on intensive preparation for meetings of the Supervisory Board and its committees. The Management Board reports on key issues at these meetings. The meetings are planned so as to always allow sufficient time for detailed discussion. The Management Board fulfilled its reporting duties in a timely manner and with an appropriate level of detail at all times.

The Supervisory Board also regularly meets without the Management Board, especially when dealing with personnel matters concerning the Management Board. Accordingly, the Supervisory Board, the Executive Committee, the Remuneration Committee and the Risk and Audit Committee met and adopted resolutions on individual agenda items at their meetings without the Management Board in attendance in the reporting year.

In addition to the Supervisory Board and the Management Board, the participation of in-house experts, such as the Head of Accounting & Taxes or the General Counsel, is standard practice. In its discussions, the Supervisory Board gains a deeper understanding of the specialist issues presented by the company's management. The Supervisory Board also invited external experts and consultants to attend committee meetings as necessary. Examples of this include the mandatory participation of the auditor in the meeting to adopt the annual financial statements and the participation of the property assessor CBRE. The Supervisory Board is also advised by a separately engaged law firm where necessary.

High degree of expertise on the Supervisory Board
The Supervisory Board updated its skills profile in 2022. In particular, the reasons for this included the new 2022 version of the German Corporate Governance Code and the expectations of the capital market regarding the development and implementation of ESG criteria by listed companies.

The qualification matrix below shows that the Supervisory Board has a professional composition. Each member of the Supervisory Board not only has the necessary knowledge and abilities to perform their duties properly, but also possesses special skills that they place at the company's disposal when performing their work with the utmost motivation and dedication.

Moreover, LEG offers the members of its Supervisory Board training and continued professional development options in addition to assisting them in taking advantage of these opportunities. This was the case in 2023 as well.

Competence profile

	Competencies						
	Group management	Housing industry	Property transactions	Bank and capital market financing	Finance, accounting and audit	Management and regulation	Sustainability
Michael Zimmer (Chairman)	●●	●●	●●	●	●	●	●
Dr Claus Nolting (Deputy Chairman)	●●	●	●●	●●	●●	●●	●
Dr Jochen Scharpe	●●	●●	●●	●	●●	●	●
Martin Wiesmann	●	●	●●	●●	●	●	●●
Dr Sylvia Eichelberg	●●	●	●	●	●	●●	●●
Dr Katrin Suder	●●	●	●	●	●	●●	●●

● = General knowledge ●● = Expert knowledge

Source: LEG

Work and meetings of the Supervisory Board as a whole in 2023

In 2023, the Supervisory Board focused on the analysis of the volatile market environment and its repercussions for LEG as well as the rising sustainability requirements. It addressed the future financing of the company, property values and the balancing act between optimising operating activities and its responsibility to the interests of all stakeholders. The Supervisory Board made its decisions taking all these factors into consideration.

The Supervisory Board held four ordinary Supervisory Board meetings in the 2023 financial year. One of these meetings was held in person and three were held as virtual meetings.

Furthermore, 15 resolutions were passed in writing with the consent of all members of the Supervisory Board. The matters to which these pertained had been covered in detail at Supervisory Board meetings beforehand, but the Board had not been ready to make a decision at the time of the meeting. For example, these included the approval of the special sales programme for 2023, the retroactive revision of the Management Board contracts in line with the remuneration system approved by the 2023 Annual General Meeting as at 1 January 2023, resolutions on Group financing matters and the amendment of the Rules of Procedure for the Supervisory Board to establish the Remuneration Committee.

Attendance at committee meetings

	Supervisory Board	Presidium	Risk and Audit Committee	Remuneration Committee[1]	ESG Committee
Michael Zimmer (Chairman)	2/4	3/3	–	1/1	–
Dr Claus Nolting (Deputy Chairman)	4/4	3/3	4/4	1/1	–
Dr Jochen Scharpe	3/4	–	3/4	–	–
Martin Wiesmann	4/4	3/3	4/4	1/1	4/4
Dr Sylvia Eichelberg	4/4	–	–	–	3/4
Dr Katrin Suder	4/4	–	–	–	4/4

[1] Remuneration Committee since 21th November 2023

Source: LEG

The first ordinary Supervisory Board meeting of the year was held on **8 March 2023.** At this meeting, following a detailed examination, the Supervisory Board approved the consolidated financial statements and the annual financial statements of LEG Immobilien SE for the 2022 financial year prepared by the Management Board. It examined the management reports for the company and the Group, as well as the non-financial report, and prepared the 2022 remuneration report together with the Management Board. It also resolved to engage Deloitte GmbH Wirtschaftsprüfungsgesellschaft (Deloitte) as the auditor of the consolidated and annual financial statements for the 2023 financial year and of other financial reporting documents. The Supervisory Board acknowledged Deloitte's independence report in this context. Furthermore, it dealt with the preparations for the Annual General Meeting, approved the agenda prepared by the Management Board and resolved its own proposals. Other key issues included the discussion of a possible revision of the guidance and the preparations for the self-assessment of the Supervisory Board.

The Supervisory Board prepared for its strategy meeting at its meeting on **8 May 2023.** For this purpose, it received reports on investor feedback from roadshows and analyst and investor conferences as well as analyses of the portfolio, peers and financing. In addition, the Supervisory Board discussed the 2023 Annual General Meeting, Management Board remuneration – specifically the vertical and horizontal remuneration comparison – as well as modernisation and maintenance in conjunction with the carbon reduction path.

At its meeting on **17 August 2023,** the Supervisory Board discussed the Q2 2023 report as well as the Supervisory Board's report on Q2 2023. It also looked at the financing situation and approved the continuation of the treasury policy. In addition, it addressed the air-to-air heat pump project, the F99/F101 letting situation and the planning for the 2024 Annual General Meeting.

At its final ordinary meeting on **7 November 2023,** the Supervisory Board mainly discussed strategy and the business planning for 2024 to 2028 and issued the annual declaration of compliance with the German Corporate Governance Code together with the Management Board. It examined the valuation of equity investments and approved the recommendation by the Risk and Audit Committee to spin off LEG Wohnungsbau Rheinland GmbH to form LEG Grundstücksverwaltung GmbH. Furthermore, it discussed the waiver of elements of the 2023 STI offered by the members of the Management Board and set the targets for the variable remuneration (STI and LTI) of the members of the Management Board for the 2024 financial year. It also addressed the compliance management system and the implementation of data protection in the LEG Group. In addition, the Supervisory Board discussed the results of the self-assessment of the work of the Supervisory Board and resolved measures derived from its results.

Furthermore, the Supervisory Board addressed LEG's concepts for carbon reduction at its meetings. Other key issues included the structuring of financing activities and property values in the current market environment. The Supervisory Board also discusses growth options for LEG on an ongoing basis.

Strategy meetings of the Supervisory Board

The Supervisory Board intensively discussed the company's strategy at two meetings in the 2023 financial year. These took place immediately before the meetings of the Supervisory Board on 8 May 2023 (virtual meeting) and 7 November 2023 (meeting held in person). Following on from the previous year, the discussions focused on the effects of the changes in the geopolitical and macroeconomic situation on LEG and the measures planned or implemented by the Management Board.

Meetings of the committees of the Supervisory Board

Executive Committee

The Executive Committee met three times in virtual ordinary meetings in the 2023 financial year. Details of members' attendance are shown in the table on > page 26 of this report. The Executive Committee made one decision in writing.

Where necessary, the Executive Committee voted on matters outside meetings in conference calls. In this context, the meeting of the Executive Committee in the fourth quarter of 2023 proved unnecessary.

As part of its work, the Executive Committee made preparations for the discussions and resolutions by the Supervisory Board. In particular, the Executive Committee dealt with Management Board matters, such as secondary employment by members of the Management Board, and prepared recommendations for the Supervisory Board on remuneration issues, including in particular the attainment of targets by members of the Management Board in 2022.

Furthermore, the Executive Committee discussed a scenario analysis for LEG Immobilien SE applying various market assumptions, such as interest rate developments and the valuation of equity investments or properties. As in previous years, the discussion of developments on the capital market relevant to LEG and hence also growth opportunities, including in consultation with external advisors, is a fixed item on the agenda for meetings of the Executive Committee.

Key issues dealt with by the Executive Committee in the 2023 financial year included the establishment of the Remuneration Committee and the implementation of additional recommendations from the self-assessment of the Supervisory Board.

Nomination Committee

The Nomination Committee is tasked with identifying suitable candidates for the Supervisory Board's proposals to the Annual General Meeting. It was not necessary for the Nomination Committee to meet in the 2023 financial year.

Risk and Audit Committee

The Risk and Audit Committee held four ordinary meetings in the 2023 financial year. All its meetings were held virtually. Details of members' attendance are shown in the table on > page 26 of this report.

The Risk and Audit Committee discussed the following issues at its four regular meetings:

One key area was the discussion of the annual financial statements as at 31 December 2022 and the management report for the 2022 financial year, plus the discussion of the consolidated financial statements as at 31 December 2022 and the Group management report for the 2022 financial year. Other key areas were the analysis and discussion of business planning for 2024 to 2028, the quarterly reports, the internal key figures, the financing strategy and the 2022 non-financial report. In addition, the Committee discussed the 2022 remuneration report and the recommendation to the Supervisory Board on the preparation of the 2022 remuneration report. Furthermore, in its meetings, the Risk and Audit Committee essentially discussed treasury policy, the development of minimum liquidity and financing updates, the continuation of the 2023 sales programme, audit planning for 2023, the report of the Management Board in accordance with section 107(3) of the Aktiengesetz (AktG – German Stock Corporation Act), the effects of the current capital market situation on LEG, the valuation of the portfolio and equity investments, in particular the equity investment in Adler/BCP, LEG's internal control system and its ongoing development, the risk reports and the risk inventory of the LEG Group and the waiver of elements of STI 2023 offered by members of the Management Board. The Risk and Audit Committee also received regular reports from Internal Audit and the Compliance Officer. Furthermore, following its November meeting, the Risk and Audit Committee held an intensive discussion with the representatives from Deloitte concerning the forthcoming audit of the annual financial statements.

In three resolutions passed in writing in 2023, the Risk and Audit Committee adopted resolutions recommending the Supervisory Board's approval for the 2023 sales programme, on the early repayment of the bond of EUR 500 million maturing in January 2024, on the early repayment of the Nord/LB financing as at the end of September 2023, on the issuance of a bond or private placement in September/October 2023 with a volume of up to EUR 150 million, an approval to prolong and increase a loan of LEG Wohnen GmbH and on the simultaneous repayment and removal of encumbrance for another financing portfolio. Similarly, the Risk and Audit Committee resolved to engage Deloitte for the limited assurance audit in accordance with ISAE 3000 (Revised) of the non-financial reporting of LEG Immobilien SE for the period from 1 January to 31 December 2023 and to engage Deloitte to consult on the implementation of the reporting requirements in accordance with Directive (EU) 2022/2464 (CSRD) for the 2023 financial year.

ESG Committee

The ESG Committee improves awareness of ESG issues in the Supervisory Board. It deals not only with sustainability aspects of the environment in general and climate protection in particular, but also with social aspects and governance issues ranging from data protection to cybersecurity. The ESG Committee shares its findings with the Supervisory Board.

The ESG Committee held four ordinary meetings in the 2023 financial year. All these meetings were held virtually. Details of members' attendance are shown in the table on > page 26 of this report.

The ESG Committee mainly dealt with the following issues in its meetings:

- For the "environment" aspect, the ESG Committee talked, beside overall activities to reduce CO_2 emissions, about the Management Board's innovative project ideas. It advocated continuing the projects presented and heard reports on the market response to the projects.
- For the "social" aspect, the ESG Committee intensively discussed LEG's customer satisfaction survey. It held a workshop with LEG employees on "Social sustainability in the housing industry" and intensively discussed its results.
- For the "governance" aspect, the ESG Committee received reports on internal auditing and compliance at LEG.
- The ESG Committee also discussed the auditor's report on the 2022 sustainability report and the significantly tougher requirements for sustainability reporting from 2024.
- The ESG Committee considered the ESG activities of peer companies.
- Furthermore, the ESG Committee intensively discussed IT and IT security in particular.

During a site visit, the ESG Committee gained an impression of energy-efficient refurbishment measures in existing buildings and the implementation of innovative projects to reduce CO_2 emissions.

Remuneration Committee

The Remuneration Committee that was established on 21 November 2023 met once online. It acknowledged the results of the review commissioned by the Supervisory Board of the suitability of Management Board and Supervisory Board remuneration and discussed the recommendations to revise Management Board and Supervisory Board remuneration made in the report by the remuneration consultant, MB Advisory Board GmbH.

The Supervisory Board concurred with the recommendations of the Remuneration Committee and resolved to propose the revision of Supervisory Board remuneration at the Annual General Meeting. The revision of Management Board remuneration exclusively concerns the amount of remuneration in conjunction with the remuneration system already approved by the 2023 Annual General Meeting. The proposal to revise Supervisory Board remuneration concerns the remuneration for committee work; the proposal to this effect will be tabled by the Supervisory Board and the Management Board at the forthcoming Annual General Meeting.

Corporate governance

In November 2023, 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, together with the Management Board, issued an updated declaration. The updated declaration is permanently accessible on the company's website at https://www.leg-wohnen.de/fileadmin/dateien/02_Unternehmen/Corporate_Governance/06.1_Anlage_Entsprechenserklaerung_2023_en.pdf.

In accordance with section 161 AktG, the Management Board and Supervisory Board of LEG Immobilien SE declare that the company has, without exception, complied with the recommendations of the Government Commission on the German Corporate Governance Code as amended on 28 April 2022, published by the German Federal Ministry of Justice in the official section of the Federal Gazette on 27 June 2022, since issuing its last declaration of compliance in accordance with section 161 AktG in November 2022. Further details on the implementation of the Code can be found in the combined corporate governance declaration.

At its meeting in November 2023, the Supervisory Board was informed about both the ongoing development of the existing compliance management system and the status of compliance with the EU General Data Protection Regulation and the ongoing optimisation of the company's data protection management system.

Furthermore, in January 2022, the Supervisory Board resolved quotas for the share of women on the Management Board and the Supervisory Board of 33.3 % by 31 December 2024. This target has already been achieved by both the Management Board and the Supervisory Board as at 31 December 2023.

Audit of the 2023 annual and consolidated financial statements

The Management Board prepared the annual (separate) financial statements and management report for the 2023 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. Deloitte was appointed as the auditor of the annual and consolidated financial statements for the 2023 financial year. Deloitte audited the annual financial statements, including the management report, and the consolidated financial statements, including the Group management report, for the 2023 financial year and issued an unqualified audit opinion for each.

A review of the risk management and monitoring system is included in the audit. 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 the risk management and monitoring system to be 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 2023 financial year in good time. The Supervisory Board examined the annual financial statements, taking into account the auditor's report and the report of the Risk and Audit Committee Chairman 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.

The 2023 remuneration report was examined by the auditor in accordance with section 162(3) AktG to determine whether it contains the disclosures required by law in accordance with section 162(1) and (2) AktG. Above and beyond the statutory requirements, the auditor also examined the content of the remuneration report. In Deloitte's opinion, the 2022 remuneration report contains the disclosures required by section 162(1) and (2) AktG in all material respects.

At the meeting of the Risk and Audit Committee on 1 March 2024 and at the meeting of the Supervisory Board on 3 March 2024, representatives for the auditor explained the results of the audit as a whole and the individual key audit matters. There were no objections. The auditors found no facts during their audit that contradict the declaration of compliance.

At the committee meetings that discussed the separate and consolidated financial statements, the Risk and Audit Committee and the Supervisory Board of LEG Immobilien SE heard reports from representatives for the auditor on its independence and acknowledged the corresponding independence report. The auditors made it clear 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 therefore approved the results of the auditor's audit.

The Supervisory Board approved the (separate) financial statements and management report for 2023 and the consolidated financial statements and Group management report for 2023 in accordance with the proposal of the Risk Audit Committee on 3 March 2024. The annual financial statements for 2023 were therefore adopted and the consolidated financial statements for 2023 were approved.

Proposal for the appropriation of profits for the 2023 financial year

The Supervisory Board intensively discussed the proposal submitted by the Executive Board to the Annual General Meeting regarding the appropriation of profits for 2023 and agrees with this proposal.

Sustainability

For the 2023 financial year, the Management Board and the Supervisory Board have chosen to integrate the non-financial declaration into the management report rather than releasing it as a separate report. As in the previous year, the Supervisory Board engaged Deloitte to perform an external limited assurance review of the content of the non-financial declaration. In addition, the Supervisory Board has entrusted the Risk and Audit Committee to monitor, prepare and perform a preliminary audit of the non-financial declaration.

Corporate social responsibility (CSR) is highly important to LEG and its executive bodies. A governance structure has been established within LEG to enshrine the fundamental concept of sustainability in its day-to-day business. Overall responsibility for CSR activities lies with the Management Board as a whole. They are managed by the LEG Sustainability Committee, which is chaired by the CEO. In addition to the Risk and Audit Committee, the ESG Committee established by the Supervisory Board in 2022 heard the auditor's report on the results of the audit of the sustainability reporting. In particular, sustainability reporting is also monitored for the Supervisory Board by Mr Martin Wiesmann, who is a member of both the Risk and Audit Committee and the ESG Committee.

Management Board

There was a change in the Management Board team in the 2023 financial year. For personal reasons, Susanne Schröter-Crossan chose not to renew her contract as Chief Financial Officer and left LEG at the end of March 2023. Her successor in the role of Chief Financial Officer is Dr Kathrin Köhling, who has held the position since 1 April 2023. The new Management Board team, consisting of Lars von Lackum, Chief Executive Officer, Dr Kathrin Köhling, Chief Financial Officer, and Dr Volker Wiegel, Chief Operations Officer, systematically and successfully continued to refine LEG's strategic realignment, which the company adopted in the previous year in view of the current market situation.

LEG has proved itself once again even in the difficult market situation. The AFFO achieved for 2023 was within the revised target ranges. The effectiveness of the LEG Group's business model, based on a switch to cash-oriented management, is reflected in the figures. The Management Board has demonstrably mastered the ambitious challenge of maintaining the balance between capital efficiency and appropriate capital-preserving investment for the good of all stakeholders of LEG, such as its employees and tenants, its investors and its business partners.

In the consistently trying 2023 market environment, the Management Board again showed the necessary prudence and foresight in a manner that is profitable for LEG. The Supervisory Board welcomes this forward-looking and level-headed approach on the part of the Management Board. The Supervisory Board supports the Management Board in continuing the established management of LEG unchanged. The Supervisory Board greatly values and appreciates the work of the Management Board.

In the opinion of the Supervisory Board, the new Management Board makes a good team on both a professional and a personal level. The Supervisory Board therefore firmly believes that LEG is excellently prepared for future challenges with this Management Board team.

The Supervisory Board wishes the Management Board a lot of strength and every success for the challenging 2024 financial year. The Supervisory Board supports the Management Board in its tasks, which require strategic skill and a high degree of management expertise. The Management Board team once again proved that it has these qualities in 2023.

The Supervisory Board would like to thank you, our shareholders, for your trust and for standing by LEG Immobilien SE even in these difficult times.

LEG's success is driven by its employees, who stand behind the Management Board and the company especially in these challenging times. This has been clearly evident in recent years. LEG can rely on the dedication of its people and their solidarity and commitment to the LEG family. The company's outstanding performance is built on exemplary team spirit, a high level of dedication and great loyalty on the part of its employees.

The Management Board and all the employees who performed so impressively in the 2023 financial year deserve our recognition and thanks. We look forward with confidence to the new year and are certain that, by working together, we will successfully overcome the challenges that lie ahead in this uncertain market environment.

Dusseldorf, 3 March 2024

On behalf of the Supervisory Board of LEG Immobilien SE

MICHAEL ZIMMER
Chairman of the Supervisory Board

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 in its corporate governance. LEG's compliance management system (CMS) is designed with this in mind. In particular, it includes the following elements:

Declaration of fundamental values

LEG's declaration of fundamental values describes the company's objective and strategy, as well as the values that form the basis for LEG's work with customers, employees, investors, business partners and society.

Code of Conduct

LEG's Code of Conduct describes its declaration of fundamental values in more detail and translates the values set out here for everyday business into regulations for the conduct of our employees. For instance, it contains regulations for areas such as ethics, compliance, corruption prevention, conflicts of interest, data protection and the protection of human rights and the environment. It applies to everyone who works for LEG. Details on these standards of conduct can be found in the Group Policy on Human Rights and Environment (which includes the declaration on respect for human rights and the environment) and in other internal Group rules and guidelines, which are published on the intranet.

Group Policy on Human Rights and Environment (including the declaration on respect for human rights and the environment)

LEG is committed to respecting human rights for all employees and all those affected by its business activities. It is aware of its responsibility to society and its human rights and environmental due diligence obligations. Violations of human rights and of national and international environmental protection provisions are not tolerated. LEG designs its commercial operations accordingly and expects the same from its business partners.

Other Group-wide guidelines

In particular, other Group-wide guidelines include guidelines aimed at preventing corruption and conflicts of interest. These serve to promote integrity among employees and avoid corruption and conflicts of interest. The guidelines explain the terms integrity and conflict of interest, as well as explaining and defining prohibitions in connection with bribery and corruption. The objective of the guidelines is to make employees aware of the development and risks of situations that are susceptible to corruption in all areas of LEG and to clarify the applicable compliance requirements. They therefore help to prevent corruption. It is the responsibility of every employee and manager to comply with these guidelines. This is a zero-tolerance issue. Other guidelines concern issues such as employees and diversity, whistleblowing, the environment and water.

Business Partner Code

LEG's Business Partner Code is a binding component of its agreements with business partners. It sets out principles of cooperation to guarantee integrity and reliability as well as economically and ethically sound standards of conduct. Moreover, the Business Partner Code attaches particular importance to compliance with human rights and environmental due diligence obligations.

Based on these fundamental provisions, the CMS bundles measures intended to ensure compliance with legal provisions and internal guidelines. CMS measures include frequent and ad hoc training for employees. All new LEG employees are trained in the area of compliance, with a particular focus on data protection. All employees also complete annual online training sessions in these and other areas on LEG's learning platform, the Academy. Moreover, the LEG CMS features an electronic whistleblowing system that employees and third parties can use to report potential compliance violations within LEG's area of responsibility around the clock, while remaining anonymous if they so choose. All information is carefully investigated and corresponding measures are taken if violations are detected.

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 CMS.

LEG has appointed a Compliance Officer to head up the CMS. The Compliance Officer assists executives in ensuring compliance. He is also in charge of employee compliance training and advice. At regular meetings, the heads of Internal Audit, Law and Human Resources discuss the design of the compliance management system. Constant benchmarking against other CMS and independent assessment by external experts also serve to ensure the continuous development and improvement of the CMS. In 2019, LEG's CMS was certified by the Institute for Corporate Governance in the German Real Estate Industry. Following a successful repeat audit, the certificate was awarded again in 2021 and is now valid until September 2024.

Compliance is assigned to the Legal and Compliance department, whose head reports directly to the CEO of LEG.

The Risk and Audit Committee of the Supervisory Board discusses the issue 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.

3

GROUP MANAGEMENT REPORT

Basic information on the group

LEG Group structure

LEG Immobilien SE

COMPANIES WITH EMPLOYEES

e.g.:

- LEG Management GmbH
- LEG Wohnen NRW GmbH
- LEG Bauen GmbH

ASSET HOLDING COMPANIES

e.g.:

- LEG NRW GmbH
- LEG Wohnen GmbH
- Ravensberger Heimstätten-gesellschaft mbH
- LEG Wohnungsbau Rheinland GmbH
- Ruhr-Lippe Wohnungs-gesellschaft mbH
- Gladbau Baubetreuungs- und Verwaltungsgesellschaft mbH
- LEG Niedersachsen GmbH
- LEG Rhein-Neckar GmbH

SERVICE COMPANIES

- WohnServicePlus GmbH
- EnergieServicePlus GmbH
- TSP-TechnikServicePlus GmbH
- LWS Plus GmbH
- LEG Nord FM GmbH
- LEG Nord Service GmbH

OTHER COMPANIES

- LCS Consulting und Service GmbH
- Biomasse Heizkraftwerk Siegerland GmbH & Co. KG
- Youtilly GmbH
- Renowate GmbH (Joint Venture)
- dekarbo GmbH (Joint Venture)

Group structure and legal form

LEG Immobilien SE is the parent company of the LEG Group (hereinafter referred to as "LEG"), which is shown in the diagram. The company assumed the legal form of an SE (Societas Europaea) on 11 March 2021.

Business activities and strategy

With a portfolio of 166,546 rental units at approximately 240 locations, LEG is the second-largest property company in Germany as well as the market leader in Germany's most populous state, North Rhine-Westphalia (NRW). LEG's core business is the management of its own residential portfolio.

LEG's strategic focus is on the affordable housing asset class, which is characterised by demand that continually outstrips supply. LEG expects this excess demand to continue to grow in the future. While demand is increasing as a result of immigration to Germany and private households looking for more affordable housing, the supply situation is characterised by a sharp decline in new construction.

Due in particular to higher interest rates, rising construction costs and uncertainty over energy requirements and subsidies, in 2023 the German government once again failed to meet its target for new construction, which involves the creation of 400,000 new homes per year.

In this environment, LEG's portfolio takes on particular importance. With an average apartment size of 63 square metres and an average monthly rent of EUR 6.59 per square metre, LEG's housing is aimed at broad swathes of the population. As at 31 December 2023, free-financed residential units accounted for 81 % of the portfolio and rent-restricted units for 19 %.

The LEG portfolio's regional focus is on NRW, where 80 % of its residential units are located. LEG also operates as a landlord in the federal states of Lower Saxony, Bremen, Schleswig-Holstein, Hesse, Rhineland-Palatinate and Baden-Württemberg.

LEG's strategy aims to make the business model fit for the future in light of the external conditions and to represent the interests of all key stakeholders. The strategy is built on three pillars:

- Optimising core business
- Expanding the value chain
- Consolidating and optimising the management platform

A liquidity-focused finance strategy and the ESG (environmental, social, governance) framework form the foundation of the strategy.

The individual components of the company strategy are described in more detail below:

Optimising core business

To optimise its core business, LEG focuses on leveraging rental growth potential, increasing customer satisfaction, digitalising processes and increasing efficiency.

LEG believes there is also potential for rent increases in the future. In the free-financed portfolio, rents can be increased in line with statutory regulations by adjusting to local reference rents (mainly rent table), when letting properties to new tenants or in connection with modernisation measures. In the rent-restricted portfolio, cost rents can be adjusted every three years, determined primarily by the development of the consumer price index. By 2028, rent control is set to expire for around 20,000 residential units in the current rent-restricted portfolio. This creates further potential to increase rents, as the in-place rents of these properties are far below the market level of free-financed properties in some cases.

Since December 2020, LEG has conducted point of contact surveys after handling customer concerns to measure tenants' satisfaction with the process and quality of service. The results are included in the CSI index (customer satisfaction index), which has been used to measure customer satisfaction since the 2022 financial year. The direct contact is also fostered by a Customer Advisory Council, which is actively involved in the decision-making process on neighbourhood development and services improvement.

Customers are supported by the central customer service and eight regional branches. Customers have access to various contact and information channels in line with their needs and as suitable for the occasion. In addition to using digital channels such as the tenant portal, tenant app, chat services and online damage notifications, they can also get in touch in person, for example by calling the service hotline, using the emergency repair service or tenant office hours at selected locations. If they wish, prospective tenants can view apartments virtually or arrange a rental entirely digitally, from the initial inquiry right up to concluding the agreement.

The residential rental business is characterised by a large number of customer relationships. In order to run this business efficiently in the interests of all stakeholders, LEG is also digitalising processes in addition to its digital offerings for tenants and new customers. For example, LEG uses robotics solutions across the company to handle customer enquiries and record incoming payments. Robotics applications are also used to automate invoice processing, contract management and data analysis.

Expanding the value chain

LEG's service activities combine the company's management expertise with internal or external technical expertise. LEG has continuously expanded this business area with Wohnservice Plus GmbH's multimedia business, the provision of energy technology and services for numerous LEG properties by EnergieServicePlus GmbH, small repairs management and insurance claim processing by TSP – TechnikServicePlus GmbH (51 % share held by LEG) and LWS Plus GmbH, a project management company for the renovation of vacant apartments.

In the last two years, additional business models have been developed that are also offered as solution concepts for third parties while simultaneously helping LEG to achieve its ambitious climate targets.

In January 2022, LEG founded Renowate GmbH together with the Austrian Rhomberg Bau Group. The objective of the joint venture is to develop serial, digital solutions to decarbonise existing homes. RENOWATE also markets its services to other property managers in the DACH region.

In September 2023, LEG and Soeffing Kälte Klima GmbH founded the company dekarbo. Dekarbo offers a comprehensive solution comprising air-to-air heat pump installation including hot water and subsequent system support over the entire life cycle for each apartment.

In 2023, termios was also established as a joint project between LEG, Oventrop and mantro. The technology company combines expertise from the housing industry, heating control and hydraulics as well as digitalisation and technology. Termios is an AI-based thermostat that performs permanent and optimised hydraulic balancing.

In addition, the Youtilly platform, an industry solution for digital and tenant-focused contract management in the areas of gardening, outdoor maintenance and winter services, has already been in place since 2021.

Consolidating and optimising the management platform

LEG aims for a business model with low complexity and thus higher efficiency. The company focuses on the west and northwest of Germany and the affordable housing asset class.

In response to changing macroeconomic conditions, characterised in particular by an unprecedented rise in interest rates, LEG made strategic adjustments in the 2022 financial year. These include a programme to sell up to 5,000 residential units primarily located in higher-yielding markets. These residential units were selected both for their marketability and for portfolio optimisation. LEG also suspended acquisitions entirely from October 2022 onwards, resulting into a declining number of residential units in the portfolio for the first time since the IPO. If conditions improve, however, it has the flexibility to resume its growth mode. New construction business, the volume of which accounts for only a small share of LEG's business activities, will be suspended after the three ongoing project developments in Essen, Cologne and Bonn are completed.

Liquidity-focused finance strategy

In November 2022, LEG announced that, in view of the volatile market environment, it would now focus primarily on effects on the Group's liquidity when steering its business. This shifted the focus onto AFFO as a key performance indicator from the 2023 financial year onwards.

In line with its long-term business model and in order to ensure a defensive risk profile, LEG believes it has a secure and balanced financing structure. The refinancing of around EUR 1 billion in the reporting year demonstrates the company's unrestricted access to borrowed capital and a wide range of financing instruments. At the end of the 2023 financial year, unsecured capital market instruments accounted for 55 % of the debt volume, with secured bank loans making up 38 %.

ESG framework

Environmental, social and corporate responsibility are at the heart of the LEG strategy.

In terms of the environment, LEG supports the carbon-neutral transformation of the residential sector, which it aims to achieve for its residential portfolio by 2045. In view of the investment required to achieve this, LEG is aiming to gradually increase the carbon saving per invested euro. This is to be achieved by the use of innovations in particular. LEG is positioned as a solution provider in order to decarbonise its own portfolio more efficiently on the one hand – including in the interests of its tenants – while also tapping business potential on the market on the other. LEG has identified various decarbonisation measures and will select suitable approaches with a view to the available government subsidies, amongst others. The Group is also committed to the energy transition in Germany and attempts to have a positive impact on its tenants' consumption patterns. In the reporting year, CO_2 emissions (market based) were reduced by 3.7 % year-on-year to 27.3 kg CO_2 equivalents per square metre.

LEG considers itself a socially responsible landlord that takes account both of its customers' financial situation and their general satisfaction. The LEG NRW Tenant Foundation and the "Your Home Helps" foundation also provide support within the company's social concept. LEG provides a home to a wide range of people and also promotes diversity within its workforce. It supports talented employees and encourages networks, including with its mentoring programme for female, gender-diverse and, since 2023, male colleagues. LEG Management GmbH has been a signatory on the Diversity Charter since 2019. Overall employee satisfaction is measured using the Great Place to Work organisation's Trust Index. As well as tenants and employees, municipalities are also a major stakeholder for LEG.

Consideration for the interests of all stakeholders, including shareholders, transparency and responsibility when making business decisions and appropriate risk management are core elements of corporate governance and the basis for LEG's actions. The Group has a certified Compliance Management System, which bundles measures intended to ensure compliance with legal provisions and internal guidelines. The measures include digital compliance training, which 99 % of all employees of LEG Group companies completed in the 2023 financial year.

The key objectives of the ESG Agenda are part of the remuneration structure for the Management Board and the management level below the Management Board, with ESG targets accounting for 20 % of the performance criteria for the short-term (STI) and long-term (LTI) variable remuneration component for Management Board members.

Group management system

LEG's Group management system reflects the company strategy, which aims to optimise the core business, expand the value chain and further consolidate and optimise the management platform on the basis of a liquidity-focused finance strategy and the ESG framework.

The basis for the Group management system is a management concept focused on key figures, with the planning process serving as a key instrument. The key figures are calculated taking into account current business developments as part of a forecast, which is carried out multiple times a year, and multi-year planning covering a five-year period. There is also 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 forecasts for the development of the liquidity situation are prepared on a weekly basis and allow potential financial risks to be identified at an early stage and any countermeasures to be taken where necessary.

The Management Board and executives are informed about the key figures and current business performance on a monthly basis in the form of standardised reporting. The Supervisory Board is informed of these on a quarterly basis. There is regular benchmarking of the key figures against the corresponding figures for competitors. In addition, executives have access to up-to-date online reports by way of a self-service system. The foundation for this reporting system is the IT-based Group data warehouse, which is connected to the Group-wide SAP system, operating sub-systems and to the planning system. This means that deviations from forecasts can be identified and action taken.

The overall system of key performance indicators is structured by functional areas (Operations, Special companies, Management/Administration) to ensure a targeted control of individual areas. There is a target definition and achievement system within the functional areas which includes both financial and non-financial key figures. Corresponding responsibilities for all key figures are defined within the organisation. The target system relates to the focus of the individual levels of hierarchy.

Debt service plays an important role in Group management on account of its importance for the liquidity and earnings situation. The Corporate Finance & Treasury division, which is responsible for liquidity controlling, determines the LEG Group's liquidity requirements taking into account the development of the Group and of the markets and establishes suitable measures to meet this demand. Based on current forecast figures and risk and opportunity reports, liquidity scenarios are included in reporting and interpreted.

Key performance indicators

Key performance figures are divided into financial and non-financial key figures.

Key performance figures

Financial key performance indicators	• AFFO • Adjusted EBITDA margin • LTV
Financial key figures	• Net cold rent • EPRA NTA
Non-financial key figures – operating	• Rental growth per sqm (like-for-like) (in %) • Vacancy rate (in %) • Investments per sqm
Non-financial key figures – ESG	These key figures correspond to the ESG targets for • Environmental • Social • Governance which are set by the Supervisory Board before the start of the financial year and are included in the overall target achievement of the Executive Board and managers. The specific targets for the 2023 financial year are listed in the section Non-financial key figures – ESG.

Most important financial performance indicators

The most important financial performance indicators for Group management are AFFO, the adjusted EBITDA margin and LTV.

In November 2022 LEG announced that, in view of the volatile market environment, it would focus primarily on effects on the Group's liquidity when managing its business in the future. As part of this realignment, the liquidity-oriented AFFO has replaced the accounting-driven FFO I as a most important financial performance indicator since the 2023 financial year. In particular, the AFFO is independent of the capitalisation ratio and therefore better reflects the generated free cash flow.

The EBITDA margin – a key indicator of the company's profitability – and the LTV – which indicates net gearing and is therefore important for a capital-intensive company such as LEG – have been classified as most important financial performance indicators since the 2022 financial year.

Most important financial performance indicators

AFFO	Based on FFO I (after non-controlling interests), AFFO takes recurring capex measures (capex (recurring)) into account. Recurring capex measures are defined as capitalised costs from modernisation and maintenance measures as well as new construction activities on own land. When determining costs from modernisation and maintenance measures, consolidation effects due to internally procured services resulting from the elimination of intercompany profits are eliminated. For the calculation, > see net assets, financial position and results of operations, AFFO table and maintenance and modernisation table
Adjusted EBITDA margin	The adjusted EBITDA margin (adjusted EBITDA in relation to net cold rent) provides information on a company's profitability and makes it possible to compare companies internationally, primarily by adjusting for tax and financing conditions. In the case of the EBITDA margin, EBITDA is adjusted for net result from the remeasurement of investment property, net income from disposals, project costs of a non-recurring nature and other extraordinary expenses and income unrelated to the accounting period. Cash-optimised Group management also necessitates the separation of operating cash generation from capital expenditure. Since the 2023 financial year, maintenance expenses for purchased services, subsidies recognised in profit or loss, and own work capitalised previously included in "Other" have therefore no longer been reported in recurring net operating income, and are instead recognised as an EBITDA adjustment. For the calculation of adjusted EBITDA, > see net assets, financial position and results of operations, AFFO table
LTV	LTV (loan to value, net gearing in relation to property assets) provides information on gearing and is therefore an important key figure for LEG as a capital-intensive property company. LTV is equivalent to the ratio of financial liabilities less cash and cash equivalents and IFRS 16 lease liabilities to the sum of investment properties, assets held for sale, prepayments for investment properties, and participations in other real estate companies. For the calculation, > see net assets, financial position and results of operations, LTV table

Financial key figures

Other financial key figures that are particularly relevant for the property industry are net cold rent and EPRA NTA.

Financial key figures

Net cold rent	Net cold rent is the essential, solely controllable component of LEG's income. It represents rental income from the units rented out. It refers to cold rent and does not include any ancillary costs.
EPRA NTA	EPRA NTA is a relevant key figure in the property sector for measuring net asset value from the shareholders' perspective assuming long-term continuation of the business with acquisition and disposal of assets. The key figure is calculated on the basis of the equity attributable to controlling shareholders and eliminates the effects of the fair value measurement of derivative financial instruments and deferred taxes attributable to non-current investment property, derivatives or subsidised housing loans. Intangible assets are not included in the calculation.

Non-financial key figures – operating

Non-financial key figures for Group management can be split into operating and ESG figures. The operating key figures are:

Non-financial key figures – operating

Rental growth per sqm (like-for-like)	Like-for-like rental growth per sqm is an indicator of the quality of operating management and shows the increase in net cold rent per sqm at the reporting date on a like-for-like basis.
Vacancy rate	The vacancy rate is an indicator of operating management and shows the number of vacant units in comparison to the total portfolio at the reporting date.
Total investment per sqm (adjusted)	The total investment in euro for measures recognised as an expense (maintenance) or eligible for capitalisation (modernisation) is compared to the total living and usable space. Consolidation effects, investment for new construction activities on own land, own work capitalised and subsidies are eliminated when calculating total investment per sqm.

Non-financial key figures – ESG

In the 2021 financial year, LEG published its sustainability strategy, including a decarbonisation pathway, which will serve as a guideline for its ongoing ESG evolution (environmental, social and governance). Environmental, social and governance criteria are defined for the ESG targets and are put into practice with specific targets. The targets are assigned quantitative or qualitative criteria so that a comparison of target and actual performance can be carried out at the end of the financial year to measure target attainment. The specific ESG targets are set each year by the Supervisory Board before the start of the financial year. Alongside the financial performance criteria, they are taken into account when determining the overall performance of the Management Board and senior management.

The ESG key figures for the 2023 financial year are derived from the ESG targets:

Non-financial key figures – ESG

Environmental	4,000 tonnes CO_2 reduction from modernisation projects and customer behaviour change
Social	Timely resolution of tenant inquiries regarding outstanding receivables (100 % = 13 calendar days)
Governance	85 % of Nord FM, TechnikServicePlus, biomass plant and 99 % of all other staff holding LEG group companies have completed digital compliance training

With regard to the ESG targets, reference is also made to the Remuneration Report 2023.

Economic report

General economic conditions

Economic development in Germany was dominated by the effects of global crises in 2023. In addition to the humanitarian crisis and damage in the region, the attack on Israel by the terrorist organisation Hamas unsettled the financial markets and led to uncertainty with regard to investment, including among German companies. Following an extremely sharp rise in 2022 as a result of Russia's invasion of Ukraine, in breach of international law, energy prices remained at a high level in 2023, putting strain on industrial production. The increase in prices for goods and services also generally slowed the economy in all sectors. At the same time, financing conditions deteriorated after the ECB raised its key rate by 200 basis points to 4.5 % in six steps in total over the course of 2023.

According to calculations by the German Federal Statistical Office, real gross domestic product (GDP) in Germany contracted by 0.3 % overall in 2023 as compared to the previous year. Real consumer spending by private households (not including private organisations), which had still been a key growth driver in the previous year, declined by 1.1 % on account of the rise in consumer prices. Government spending decreased for the first time in almost 20 years, marking a drop of 1.7 % as against 2022 due to the discontinuation of COVID relief measures. Foreign demand was in decline as well, causing exports to fall by 1.8 %.

The biggest decrease in investment was in the construction industry at 2.1 %. High materials and financing costs as well as staff shortages were particularly noticeable in the building construction sector. According to the ifo Institute, the indicator for the business climate in housing construction fell to – 56.8 points in December 2023, representing an all-time low since records began in 1991. More than half of the housing construction companies surveyed (56.9 %) did not have enough orders. The number of orders cancelled continued to rise over the course of 2023, causing the associated ifo indicator to reach 22.1 % in December – significantly higher than the long-term average of 3.5 %. In addition, several major developers were forced to file for insolvency. There was a significant decrease in the number of building permits as well. According to the Federal Statistical Office, the number of homes in new and existing buildings approved from January to November 2023 was 25.9 % lower than in the same period of the previous year.

For the current year of 2024, Bundesbank forecasts that the German economy will expand again gradually. Stimulus for this is expected to come from private consumer spending in particular, as real income is set to increase thanks to a stable labour market, higher wages and falling inflation. Exports should also increase as foreign sales markets grow again. However, investment is still set to decline initially and moderate stimulus is not expected again until 2026. In general, there are also still risks as a result of geopolitical conflict.

In the euro area, as in Germany, economic development was curbed by restrained consumer spending due to inflation and by weak exports. In its autumn forecast, the European Commission therefore only anticipates a slight increase in GDP of 0.6 % in 2023. For 2024, the European Commission is forecasting an increase in real GDP of 1.2 % in the euro area, bolstered by a growing willingness to spend on the basis of higher income, as well as increased investment and a rise in exports.

In addition to the general economic situation and the situation on financial markets, the performance of the labour market and income trends represent additional key conditions for LEG's business model.

The weak economy also impacted the labour market in 2023. The German Federal Employment Agency reported that the annual average unemployment rate reached 5.7 % and was thus up by 40 basis points year-on-year. In North Rhine-Westphalia, Germany's most populous state and LEG's biggest location, the unemployment rate likewise rose by 40 basis points year-on-year to 7.2 %. At the same time, the number of people in employment in Germany as a whole reached a new record high of 45.9 million on average in 2023. This was achieved thanks to both higher labour market participation by the domestic population and also the immigration of foreign workers.

Wages and salaries rose further in 2023. According to Bundesbank, collective wages increased by an average of 4.0 %. Gross wages and salaries per employee rose by 5.9 %. Collective wages are expected to increase by 5.0 % in 2024 and gross wages and salaries per employee by 5.3 %.

The global wars and crises influenced price developments at all levels of the economy. According to the Federal Statistical Office, the Consumer Price Index (CPI) thus remained at a high level with an increase of 5.9 % on average in 2023, though this was lower than the previous year's record high. Food become significantly more expensive with an average price increase of 12.4 %. Prices for household energy (electricity, gas and fuels) rose by 14.0 % year-on-year, although the development varied depending on the type of product. There were also non-recurring effects due to government assistance. In-place rent, another component of housing costs, rose at a lower rate of 2.1 % on average over the year.

According to calculations by the Federal Statistical Office, private households' disposable income rose by a nominal 5.9 % and was thus in step with inflation. The savings rate increased slightly by 10 basis points to 11.3 %, putting it above the average level before the COVID pandemic (10.9 % on average between 2017 and 2019).

Overall, the change in general economic conditions only had a limited impact on LEG's business model. In response to the volatile market environment, cost increases and interest rate hikes, LEG had already decided in November 2022 to primarily focus on effects on the Group's liquidity and capital structure in managing its business.

At the same time, LEG expects the existing excess demand for affordable housing to increase further. While the supply of housing is becoming increasingly scarce due to a lack of new construction, demand is growing in part as a result of continuing immigration into Germany.

The Federal Statistical Office estimates net immigration into Germany at 680,000 to 710,000 people in 2023. Deutsche Bundesbank is forecasting net immigration of 400,000 people in 2024 and 300,000 per year in the medium term.

The German government's target of building 400,000 new homes per year has not been met so far and is unlikely to be achieved in the coming year as well. The Federal Association of German Housing and Real Estate Companies (GdW) expects only 242,000 new homes to be completed in 2023 and just 214,000 in 2024. LEG's portfolio takes on particular importance given the increased shortage of affordable housing that this entails.

Residential market

Demographic change

80% of the residential units in LEG's portfolio were in North Rhine-Westphalia (NRW) as at the end of 2023. The socio-demographic development and other conditions for the housing market in this state are therefore particularly significant.

According to the state statistical office IT.NRW, NRW's population grew by around 215,000 to 18.1 million people as at the end of 2022. This increase across all districts and municipalities is attributable to high levels of immigration from abroad, and particularly refugees from Ukraine. In total, approximately 283,400 more people moved to NRW than left the state, with this positive net immigration offsetting the birth deficit. IT.NRW anticipates a slight decrease in the population to 17.6 million by 2050. However, the population decline due to the birth deficit will continue to be mitigated by immigration.

Internal migration within NRW is also highly relevant to the housing market. The areas around major cities are benefiting in particular from the growing digitalisation of the job market and the trend towards working from home.

Suburbanisation – with higher housing costs in major cities spurring residents to move to cheaper surrounding areas – is a trend that is likely to continue in the long term. However, migration losses from major cities to the surrounding districts will not necessarily lead to a decline in their population. For example, the cities along the Rhine have seen significant population growth over the past ten years, but the neighbouring communities have also grown at a similar rate.

The development in the number of households is a relevant key figure for LEG's business model. In the long term up until 2050, IT. NRW anticipates a roughly stable total number of households of 8.9 million along with a structural shift towards one and two-person households.

Increased demand for rental apartments can be observed overall. Partly as a result of higher financing costs, many households can no longer afford to buy their own property. The combination of population growth and the shortage of new housing is increasing demand pressure, resulting in a very strained situation in the lower to middle price segment in particular. For people with physical handicaps, families with several children, low-income households, single parents and elderly people, opportunities on the housing market are becoming scarce. This trend will be exacerbated as the number of rent-restricted apartments falls in the years ahead while construction declines.

Construction

Housing construction activity in Germany and NRW was influenced by various economic and political factors in 2023, which taken together led to a decline in building permits and in the number of new homes completed in particular. According to the Federal Statistical Office, the number of homes in new and existing buildings approved from January to November 2023 was 238,500 and thus 25.9% lower than in the same period of the previous year. The government's target of 400,000 completed homes per year is therefore far from being achieved.

To assess the effects on supply on the housing market, the ratio of buildings actually completed to building permits issued must be analysed. In NRW, the construction backlog increased for the eighth time in a row to a new record level of around 138,000 homes in 2022. This indicates a significant delay in completed construction projects. No construction completion data for calendar year 2023 were available when preparing this report. However, the significant increase in insolvencies in the German construction and property industry will also have led to a decline in completed construction projects in 2023. In the state capital Dusseldorf alone, ten construction projects were halted due to insolvency.

Rent-restricted housing portfolio

According to data gathered by NRW.BANK, the number of rent-restricted apartments in NRW was around 434,000 as at the end of 2022. This represents a further decrease in the ratio to 8.6% of all apartments in NRW (previous year: 8.9%). In major cities in particular, the share of rent-restricted apartments is low. In Dusseldorf, for example, this was just 5%. In 142 municipalities in NRW in total, more than 50% of rent-restricted apartments were in the "subsequent grace period", meaning that their rent control will expire in the coming years. No data for calendar year 2023 were available when preparing this report. As things currently stand, not including the construction of new rent-restricted housing, the rent controls on roughly half of all rent-restricted apartments in NRW will have expired by 2035. As a result, the situation for low-income households is likely to become more difficult moving ahead.

Development of rent

Asking rents in Germany continued to rise in 2023. According to Value AG, median rents in existing properties grew by 4.6 % between the first and the fourth quarters of 2023. This development reflects a continuing upward trend in housing costs, primarily driven by the shortage of housing and rising construction costs.

In NRW, asking rents rose by as much as 5.2 % (to a median level of EUR 8.33 per square metre), underscoring the dynamism of the housing market in this state.

While there were still significant differences within NRW in the level of asking rents in growth regions and higher-yielding markets in 2023, a growth trend was observed in all districts.

Asking rents in markets with a generally low rent level, such as Gelsenkirchen (up 4.5 % at EUR 6.55 per square metre) and the Höxter district (up 3.7 % at EUR 6.10 per square metre) showed similar growth to those in the major cities of Cologne (up 3.9 % at EUR 13.21 per square metre) and Dusseldorf (up 3.7 % at EUR 12.11 per square metre).

The trend toward suburbanisation was also reflected in the development of rents. For example, there was strong growth in asking rents in the districts of Mettmann (up 5.7 % at EUR 9.64 per square metre) and Steinfurt (up 6.3 % at EUR 8.13 per square metre). Asking rents at LEG's largest location in Dortmund averaged EUR 8.56 per square metre in 2023 (up 3.2 %).

Median rents in new buildings rose by 6.7 % nationwide between the first and the fourth quarters of 2023. In NRW, the median asking rent in new buildings was EUR 11.97 per square metre (up 4.7 %). Peak rents (95th percentile) were already more than EUR 20.00 per square metre, for example in locations such as Cologne (EUR 22.66), Dusseldorf (EUR 22.00) and Meerbusch (EUR 20.15).

Median asking rents in other states relevant to the LEG portfolio rose by 2.7 % in Lower Saxony, by 3.8 % in Rhineland-Palatinate, by 2.5 % in Baden-Württemberg, by 3.6 % in Schleswig-Holstein and by 3.4 % in Bremen in 2023. Similar growth rates were also seen in larger individual locations outside NRW with a significant LEG portfolio, such as Flensburg (up 3.9 %), Kiel (up 3.1 %), Wilhelmshaven (up 4.5 %) and the Hanover region (up 2.9 %).

Development of purchase prices

When analysing purchase offers in 2023, distinctions must be made between regions and time periods. This reveals that the negative price development in offers for owner-occupied apartments started to level off over the quarters of the reporting year. Though asking prices nationwide were down 6.1 % year-on-year in the fourth quarter of 2023, the price decrease compared to the third quarter of 2023 was only 1.0 %.

Regional differences can be observed as well. For example, the decline in prices for owner-occupied apartments in NRW between the first and the fourth quarters of 2023 was just 0.8 %. Product differentiation also plays a significant role. The year-on-year decrease in prices for apartment buildings in the fourth quarter of 2023 was 6.0 % across both Germany and NRW.

The biggest decrease in asking prices for owner-occupied apartments in NRW was observed in the Höxter district with a decline of 14.1 % (to EUR 1,461 per square metre). At the same time, however, some districts posted increases in asking prices over 2023 as a whole. For example, the median asking price in Muenster rose by 4.1 % (to EUR 4,138 per square metre).

Asking prices for apartment buildings decreased in most districts of NRW in 2023. For example, prices were down by 7.6 % (at EUR 2,193 per square metre) in the Mettmann district, 8.1 % (at EUR 1,752 per square metre) in Dortmund and 9.7 % (at EUR 1,450 per square metre) in the Recklinghausen district.

The median asking price for newly built owner-occupied apartments in NRW was EUR 4,500 per square metre. Looking at the regional distribution, the price differences range from a median of EUR 7,522 per square metre in Dusseldorf to EUR 3,480 per square metre in the Märkischer Kreis district.

Vacancy development

According to the CBRE empirica vacancy index published in December 2023, the active vacancy rate was 2.5 % as at the end of 2022. This is the biggest decrease in active vacancies since the was first published more than 20 years ago. None of Germany's 400 districts reported an increase in active vacancies.

In NRW, the vacancy rate fell by 20 basis points to 2.7 %. As in previous years, the cities of Muenster (0.2 %), Bonn (0.6 %) and Cologne (0.9 %) posted the lowest rates. In Muenster in particular, the strained situation was reflected by just 200 available apartments. Locations with generally higher vacancies also experienced ongoing decreases. For example, the vacancy rate in the Hochsauerlandkreis district fell from 9.5 % in the previous year to 8.9 %.

Falling vacancy rates can be expected in the years ahead as well. Though easing immigration and internal migration impacted the demand situation less than in the previous years, the decline in completed construction projects will continue to squeeze the housing market in the coming years.

Transaction market

The general economic development in 2023 led to a correction on the residential property market, in particular as a result of the recession, rising interest rates and persistent inflation, which also affected construction costs and energy prices. According to BNP Paribas Real Estate (BNP), expectations of further price decreases and uncertainty regarding the potential stricter regulation of the German housing market were additional reasons – alongside the macroeconomic uncertainty – for the subdued interest and restraint on the part of buyers.

According to BNP, the volume of transactions for residential properties (of 30 residential units or more) was therefore just EUR 5.2 billion in 2023. This represents a year-on-year decrease of around 60 % (EUR 13.1 billion in 2022) and is also the lowest investment volume since 2010.

The level of transactions with a volume in excess of EUR 100 million was particularly low. These high-volume transactions amounted to just EUR 2.0 billion in total, far below both the average level for the past ten years of EUR 12.0 billion and the already low level of the previous year (2022: EUR 5.2 billion). Furthermore, transactions in excess of EUR 100 million only accounted for around 39 % of total revenue as against the ten-year average of around 57 %.

In response to the changing circumstances, the market instead increasingly made investments in the range of up to EUR 25 million per transaction. The share of revenue in this segment rose from 14.8 % in 2022 to 25.8 % in 2023 (ten-year average: 14 %).

Interest rate developments and increased energy efficiency requirements remained the dominant trends in the market environment in 2023. The rise in interest rates resulted in higher financing costs, particularly in the first half of the reporting year. Investors acted more cautiously as there were still risks and uncertainty in the regulatory and political environment.

Regarding price development, the consultants BNP and Colliers expect yields to stabilise despite continued high interest rates. Buyers' and sellers' price expectations are likely to have moved closer over the course of 2023. This has resulted in a new market price and yield level.

German investors still dominated the domestic residential property market in 2023 with a share of around 68 %. However, their share has decreased by 8 percentage points over the past ten years. The increase in investment from the United States is clearly noticeable, as is the growing share of investments by family offices. Whereas US investors had a share of 6 % on average over the past ten years, they accounted for around 24 % in the reporting year. There is a similar trend for family offices, with an investment volume of around 19 % compared to an average of 4 % over the past ten years. As the third-largest investor group, family offices invested approximately EUR 1 billion in 2023.

According to market research by Jones Lang Lasalle, a transaction volume of around EUR 480 million was achieved for 3,200 residential units in the federal state of North Rhine-Westphalia in 2023. North Rhine-Westphalia's share of the overall German transaction volume was therefore around 9 % and below the previous year's level (2022: 13 %).

BNP and Colliers anticipate a considerably higher transaction volume for German residential properties in the current financial year of 2024. This is primarily expected in the context of continued strong interest in residential properties and the greater attractiveness of the residential segment as a result of the corrected price level combined with persistently strong demand from tenants for existing housing.

Given the prevailing market dynamics with high demand and an ever-smaller new construction pipeline, LEG believes that there will likely be potential to increase rents, which could drive up rental yields in the medium term.

Employees

The number of employees as of 31 December 2023 decreased by 1.8 % to 2,003 compared to the previous year's reporting date. Further key figures on employee development and structure are shown in the table.

Employees of the LEG Group as of 31 December

	2023	2022
Total	2,003	2,040
male in %	65.7	65.2
female in %	34.3	34.8
Full-time[1]	1,752	1,750
Part-time[1]	251	290
FTE (excluding Management Board members and trainees)	1,799	1,792
Fluctuation rate in %[1]	10.5	13.5
employee-side	6.2	6.3
employer-side	4.3	7.2
Average age in years[1]	42.9	42.4

[1] Financial year 2022 excl. TechnikServicePlus

Current business activities

Despite a market environment that was still dominated by global crises, inflation and higher interest rates, LEG was able to continue its positive business performance in the 2023 financial year. AFFO, the most significant financial performance indicator, climbed EUR 72.4 million as against the same period of the previous year to EUR 181.2 million. LEG had last communicated an AFFO target at the upper end of the range of EUR 165 million to EUR 180 million in November 2023. The AFFO generated for the 2023 financial year was thus slightly above expectations at EUR 181.2 million.

In particular, the key drivers were the rise in existing rents, continued strong demand for affordable housing with a correspondingly high occupancy rate and lower investment. In addition, there was a positive non-recurring effect from the forward sale of green power. This was countered by higher operating expenses and a rise in average financing costs by 32 basis points to 1.58 % as at the end of the reporting period.

LEG's portfolio forms the basis for its business activities. As at 31 December 2023, it consisted of 166,546 residential units, 1,550 commercial units and 46,621 garages and parking spaces. The table shows the key portfolio data and KPIs as compared to the previous year.

The number of residential units in LEG's portfolio was down slightly by 0.3 % or 494 units year-on-year, marking the first decrease since LEG went public in 2013. This development reflects the strategic adjustments made by LEG in response to the changing macro environment, which include a sales programme for up to 5,000 residential units in total, a full halt to acquisition activities since October 2022 and the suspension of new construction after the current project developments have been completed. Additions to the portfolio in the 2023 financial year resulted in particular from new buildings, for instance in Bremen, Essen and Dusseldorf. This was offset by disposals of 1,316 residential units in total.

The average rent for the residential portfolio on a like-for-like basis was up by 4.0 % year-on-year at EUR 6.58 per square metre on 31 December 2023. The increase in the free-financed portfolio amounted to 3.6 %. On a like-for-like basis, the average rent for rent-restricted apartments, which accounted for 19 % of the portfolio as a whole as at the end of the reporting period, rose by 5.7 % or EUR 0.29 to EUR 5.36 per square metre due to the scheduled cost rent adjustment.

The collection rate was on par with the high level of the past five years at 99.4 %.

Development of the real estate portfolio

Key figure	Usage	31.12.2023	31.12.2022	Change	in %
Number residential units	Residential	166,546	167,040	−494	−0.3
	Commercial	1,550	1,611	−61	−3.8
	Total residential and commercial	**168,096**	**168,651**	**−555**	**−0.3**
	Parking	46,621	46,636	−15	0.0
	Total	**214,717**	**215,287**	**−570**	**−0.3**
Lettable area in sqm	Residential	10,564,274	10,581,565	−17,291	−0.2
	Commercial	284,824	276,127	8,697	3.1
	Total residential and commercial	**10,849,097**	**10,857,692**	**−8,595**	**−0.1**
In-place rent in €/sqm	Residential	6.59	6.33	0.26	4.1
	Residential (l-f-l)	6.58	6.33	0.25	4.0
	Commercial	8.86	8.29	0.57	6.9
	Total residential and commercial	**6.64**	**6.37**	**0.27**	**4.3**
Number of vacancies	Residential	4,769	4,913	−144	−2.9
	Commercial	247	261	−14	−5.4
	Total residential and commercial	**5,016**	**5,174**	**−158**	**−3.1**
EPRA vacancy in %	Residential	2.9	2.9	0 bps	
	Residential (l-f-l)	2.4	2.7	−30 bps	
	Commercial	13.6	9.1	450 bps	
	Total residential and commercial	**2.9**	**3.1**	**−20 bps**	

On a like-for-like basis, the EPRA vacancy rate fell by another 30 basis points to 2.4 % as at the end of 2023. LEG's portfolio is thus practically fully occupied, with vacancies resulting solely from the fluctuation-related re-letting period required to prepare an apartment for the next tenant.

In the 2023 financial year, total investment by LEG (adjusted for consolidation effects, investment for new construction activities on own land, own work capitalised and subsidies) amounted to EUR 379.8 million. Average investment per square metre decreased by EUR 5.60 year-on-year to EUR 35.01 in line with planning. When allocating investments, LEG pays attention both to cash-optimised management and to increasing portfolio quality and energy efficiency.

Various measures were implemented in the reporting year for the continuous improvement of operating business. Operational and administrative processes have been documented in detail over the past few years and are analysed and refined on an ongoing basis as part of a continuous improvement process. In this context, it is particularly important to LEG to further optimise its communication channels (tenant app, telephone system, etc.) in order to maintain an open and efficient dialogue with its tenants.

Financing

Financing portfolio

LEG implemented a number of financing measures over the course of the 2023 financial year.

On the capital market, LEG increased two of its outstanding bonds by a nominal amount of EUR 100 million each. These were firstly the 2021/2031 sustainable bond, which now has an outstanding nominal volume of EUR 700 million, and secondly the 2022/2029 bond, now with an outstanding nominal volume of EUR 600 million. The bond with a nominal volume of EUR 500 million maturing in January 2024 was repaid early in October 2023.

In addition, long-term secured bank loans for EUR 546 million in total were entered into in the 2023 financial year. At the same time, loan liabilities of EUR 295 million in total were repaid. Loan agreements of EUR 280 million were also entered into in 2023 to prolong or replace maturities in 2024.

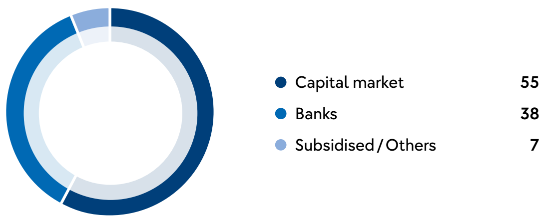
In addition, LEG prolonged its syndicated working capital line of EUR 600 million until October 2026 ahead of schedule in the reporting year. Two additional bilateral working capital lines of EUR 75 million each were entered into as well. As such, LEG now has EUR 750 million in total in working capital lines at its disposal. These had not been utilised as at the reporting date.

LEG's average interest rate was 1.58 % on 31 December 2023 after 1.26 % at the end of the previous year. The average term of liabilities fell slightly from 6.5 to 6.2 years.

Financing structure

As at the end of the reporting period, 55 % of LEG's total financing liabilities relate to capital market financing (bonds and convertible bonds), 38 % to bank loans, and 7 % to subsidised loans and other liabilities. The loan liabilities to banks are essentially distributed among 14 banks, mainly in the mortgage and state bank (Landesbank) sector. In line with LEG's financing strategy, the share of each bank in total liabilities is capped at 20 % to avoid an excessive dependence on any one financing partner. LEG's largest creditor currently accounts for 8 % of total liabilities and 19 % of the bank loan portfolio.

Financing sources (in %)



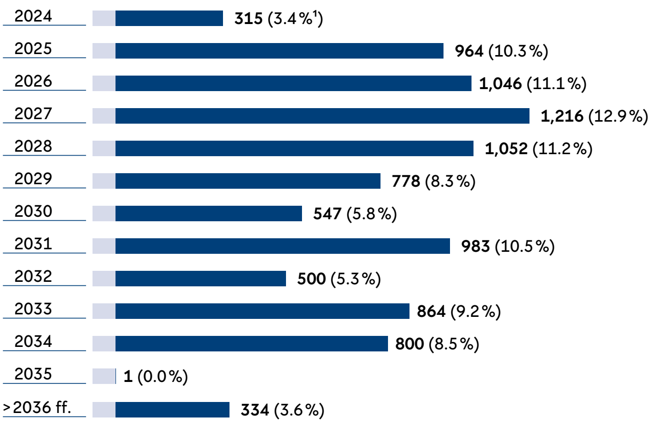
Maturity profile

In line with its long-term business model and in order to ensure a defensive risk profile, LEG believes it has a balanced, long-term financing structure. Financing is arranged with bank partners on the basis of medium- and long-term agreements with terms of up to twelve years. Taking into account the long-term subsidised loans (average maturity 21.8 years), the financing portfolio as a whole has a maturity of 6.2 years. The goal in managing contract terms is that not more than 25 % of total liabilities fall due within one year.

LEG had only minimal liabilities at the end of 2023 that were due within one year, as the liabilities for the 2024 financial year were already covered by refinancing agreements. In addition, LEG started to address initial portions of the secured liabilities due in the 2025 financial year.

Bank loans are primarily secured by the real collateral of the properties and other collateral usually provided for property portfolio financing. Capital market instruments and financing with other lenders constitute unsecured financing.

Maturity profile
(credit volume in € million, share of total debt in %)

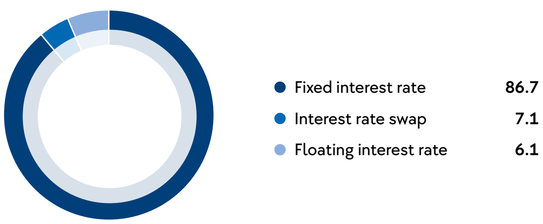


[1] Loan agreements of EUR 280 million were entered into in 2023 to prolong or replace maturities in 2024.

Interest rate hedging

The financing agreements, befitting the long-term strategic outlook of the company, are around 94% hedged by fixed-rate agreements or interest rate swaps. Derivative interest hedging instruments are linked to the respective hedged loan (micro hedge).

Interest hedging instruments (in %)



Covenants

LEG's financing agreements usually contain regulations on compliance with defined financial covenants that the respective borrower must comply with throughout the term of the financing agreements.

The secured financing agreements contain customary market covenants.

The following key covenants apply to unsecured financing instruments at the level of LEG Immobilien SE:

Covenants

Consolidated Net Financial Indebtedness to Total Assets	max. 60%
Secured Financial Indebtedness to Total Assets	max. 45%
Unencumbered Assets to Unsecured Financial Indebtedness	min. 125%
Consolidated Adjusted EBITDA to Net Cash Interest	min. 180%

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 relating to both secured and unsecured financing. The regulations on financial ratios agreed with the financing partners were complied with in the 2023 financial year. Breaches are also not anticipated moving ahead.

Corporate ratings

LEG had been assigned a "Baa1" long-term issuer rating in 2015, which was then continuously confirmed by Moody's in the following years. In the 2022 financial year, the outlook was revised from stable to negative due to changes in the market and interest rate environment. In October 2023, Moody's changed its long-term issuer rating from Baa1 (negative) to Baa2 (stable). The rating continues to reflect a strong market position, leading portfolio management and the long-term financing strategy of LEG.

Since 2017, LEG has also had a P-2 short-term issuer rating, which attests to the company having a high level of creditworthiness for issuing current debt securities on the basis of its liquidity, the credit facilities available and its balanced maturity profile.

Dividend

For the 2023 financial year, the Management Board and the Supervisory Board of LEG Immobilien SE will propose a dividend payout of 100% of AFFO in the amount of EUR 181.2 million to the Annual General Meeting on 23 May 2024.

This translates into a dividend per share of EUR 2.45, based on a number of 74,109,276 shares entitled to dividends.

The complete net proceeds from disposals in the financial year 2023 shall remain in the company in order to strengthen its capital base.

Depending on company-specific developments and the situation on the capital market, LEG intends to propose to the Annual General Meeting for financial year 2023 that shareholders be able to choose between a dividend in cash or in shares.

Analysis of net assets, financial position and results of operations

Please see the > glossary in the annual report for a definition of individual key figures and terms.

Results of operations

Aggregated income statement
The condensed income statement is as follows:

Condensed income statement

€ million	unaudited Q4 2023	unaudited Q4 2022	01.01. – 31.12.2023	01.01. – 31.12.2022
Net operating income	131.4	13.1	581.6	413.5
Net income from the disposal of investment properties	–0.5	–0.3	–1.7	–1.5
Net income from the remeasurement of investment properties	–927.8	–785.9	–2,422.8	382.4
Net income from the disposal of real estate inventory	–0.3	–0.1	–0.5	–0.2
Net income from other services	13.6	5.7	36.3	16.4
Administrative and other expenses	–13.2	–97.9	–57.7	–182.6
Other income	0.1	0.0	0.3	0.1
Operating earnings	**–796.7**	**–865.4**	**–1,864.5**	**628.1**
Interest income	7.0	2.5	16.4	2.5
Interest expenses	–46.1	–39.7	–165.0	–143.0
Net income from investment securities and other equity investments	82.8	–45.1	39.5	–101.4
Net income from associates	–0.1	0.3	–0.1	0.3
Net income from the fair value measurement of derivatives	–8.8	–27.4	–8.6	121.5
Net finance earnings	**34.8**	**–109.4**	**–117.8**	**–120.1**
Earnings before income taxes	**–761.9**	**–974.8**	**–1,982.3**	**508.0**
Income taxes	166.9	24.6	417.5	–270.6
Net profit or loss for the period	**–595.0**	**–950.2**	**–1,564.8**	**237.4**

Net operating income rose by 40.7 % in the reporting period. This development is essentially a result of the increase in net cold rents and the reduction in depreciation and amortisation expenses due to goodwill impairment of EUR 181.4 million in the same period of the previous year.

Adjusted EBITDA increased by 5.4 % from EUR 638.1 million to EUR 672.8 million. The adjusted EBITDA margin was 80.6 % in the reporting period (previous year: 79.9 %).

Net income from the remeasurement of investment property amounted to EUR –2,422.8 million in the reporting year (previous year: EUR 382.4 million).

Net income from other services mainly increased as a result of the improvement in sales of electricity produced by LEG in the amount of EUR 20.7 million.

The decline in administrative and other expenses is essentially as a result of goodwill impairment of EUR 112.4 million in the same period of the previous year.

In the reporting period, net income from the fair value measurement of derivatives primarily resulted from changes in the fair value of embedded derivatives from the convertible bond of EUR –7.4 million (previous year: EUR 123.0 million).

The income reported under taxes on income relates almost entirely to the reversal of deferred taxes.

Net operating income

Net operating income broke down as follows in 2023:

Net operating income

€ million	unaudited Q4 2023	unaudited Q4 2022	01.01. – 31.12.2023	01.01. – 31.12.2022
Net cold rent	210.8	202.5	834.3	799.1
Profit from operating expenses	–5.0	–7.2	–21.8	–12.4
Maintenance for externally procured services	–35.6	–6.2	–99.3	–57.1
Personnel expenses (rental and lease)	–29.6	–27.7	–109.0	–107.5
Allowances on rent receivables	–2.4	–12.8	–16.4	–25.2
Depreciation and amortisation expenses	–1.8	–129.4	–13.5	–196.9
Others	–4.9	–6.2	7.3	13.5
Net operating income	**131.5**	**13.0**	**581.6**	**413.5**
Net operating income margin (in %)	**62.4**	**6.4**	**69.7**	**51.7**
Non-recurring special effects – rental and lease	4.8	1.6	7.6	10.6
Depreciation and amortisation expenses	1.8	129.4	13.5	196.9
Maintenance for externally procured services	35.6	6.2	99.3	57.1[1]
Subsidies recognised in profit or loss	–2.2	–	–2.2	–[1]
Own work capitalised	–4.6	–1.5	–16.0	–17.7[1]
Net operating income (recurring)	**166.9**	**148.7**	**683.8**	**660.4[1]**
Net operating income margin (recurring) (in %)	**79.2**	**73.4**	**82.0**	**82.6[1]**

[1] Value of comparative period adjusted.

Net operating income rose by EUR 168.1 million year-on-year in the reporting period. This development is essentially a result of the increase in net cold rents of EUR 35.2 million and the reduction in depreciation and amortisation expenses due to goodwill impairment of EUR 181.4 million in the same period of the previous year. Like-for-like rent per square metre rose by 4.0 % year on year. This was offset in particular by the increase of EUR 42.2 million in maintenance expenses for externally procured services and the reduction of EUR 9.4 million in the result from operating costs.

The reorganisation of corporate management and the associated cash-optimised management necessitates a separation of operating cash generation from expenses for investments. Therefore, in calculating AFFO, maintenance expenses for purchased services, subsidies recognised in profit or loss and own work capitalised previously included in “Other” are no longer reported in adjusted net operating income, and are instead recognised as an EBITDA adjustment. Net operating income (adjusted) for the same period of the previous year has been adjusted by EUR 39.4 million from EUR 621.0 million to EUR 660.4 million as a result of this reclassification. If there had been no reclassification in the reporting year, net operating income (adjusted) would have amounted to EUR 602.6 million.

The adjusted net operating income (NOI) margin declined from 82.6 % in the previous year to 82.0 %.

The EPRA vacancy rate, which describes rental income lost due to vacancies in relation to potential rental income at full occupancy on the basis of market rents at the end of the reporting period, declined by 30 bps year-on-year to 2.4 % on a like-for-like basis.

EPRA vacancy rate

€ million	2023	2022
Rental value of vacant space – like-for-like	23.3	24.0
Rental value of vacant space – total	28.1	26.4
Rental value of the whole portfolio – like-for-like	967.3	900.3
Rental value of the whole portfolio – total	979.4	911.4
EPRA vacancy rate – like-for-like (in %)	**2.4**	**2.7**
EPRA vacancy rate – total (in %)	**2.9**	**2.9**

The presentation of EPRA capex breaks down the capitalisation of investments and reconciles them to the payments for investments in investment property. Value-adding capital expenditure, consisting of development (new construction on own land in the amount of EUR 16.6 million) and modernisation work in investment property (EUR 247.9 million), declined to EUR 264.5 million in the reporting period. As acquisitions also decreased to EUR 169.7 million, EPRA capex amounts to EUR 434.2 million in the reporting period (previous year: EUR 689.4 million).

EPRA capex

€ million	2023	2022
Acquisitions	169.7	324.4
Development	16.6	23.3
Investments in investment properties	247.9	341.7
thereof incremental lettable space	1.6	5.0
thereof no incremental lettable space	246.3	336.7
EPRA Capex	**434.2**	**689.4**
Utilisation of (comparative period: addition to) provision for capex	5.8	–20.8
Addition to (comparative period: utilisation of) provisions for incidental purchase price costs of investment properties	–52.9	79.6
Payments for investments in investment properties	**387.1**	**748.2**

Maintenance expenses of EUR 156.8 million and value-adding capital expenditure in investment property and property, plant and equipment of EUR 283.3 million resulted in total investment of EUR 440.1 million in the reporting period (previous year: EUR 497.2 million). In addition to the maintenance expenses of EUR 99.3 million (previous year: EUR 57.1 million) for externally purchased services recognised in the statement of comprehensive income, maintenance expenses also include the intragroup maintenance expenses of EUR 57.5 million (previous year: EUR 54.2 million). Investment in investment property, value-adding capital expenditure (capex) and capex (recurring) include expansion investments in the form of new construction activities on own land but not purchased project developments. Consolidation effects, investment for new construction activities on own land, own work capitalised and subsidies recognised in profit or loss of EUR 60.3 million (previous year: EUR 58.0 million) in total were eliminated from total investment to calculate total investment per square metre. Adjusted total investment amounts to EUR 379.8 million and average total investment was EUR 35.01 (previous year: EUR 40.61) per square metre in the reporting year. The adjusted capitalisation ratio declined to 59.3 % in the reporting period (previous year: 75.2 %) as the company has used AFFO instead of FFO I as its key performance indicator since 1 January 2023.

Maintenance and modernisation

€ million	unaudited Q4 2023	unaudited Q4 2022	01.01. – 31.12.2023	01.01. – 31.12.2022
Maintenance for externally procured services	–35.6	–6.2	–99.3	–57.1
Maintenance expenses provided internally	–16.6	–20.3	–57.5	–54.2
Maintenance expenses	**–52.2**	**–26.5**	**–156.8**	**–111.3**
Adjustments consolidation	0.7	–0.4	2.1	2.6
Maintenance expenses (adjusted)	**–51.5**	**–26.9**	**–154.7**	**–108.7**
Investments in investment properties	–96.2	–110.0	–275.1	–377.7
Investments in property, plant and equipment	–5.8	–6.3	–8.2	–8.2
Capital expenditure	**–102.0**	**–116.3**	**–283.3**	**–385.9**
Adjustments consolidation	5.0	2.8	10.6	12.7
Capex (recurring)	**–97.0**	**–113.5**	**–272.7**	**–373.2**
Adjustments (new construction on own land, own work capitalised, subsidies recognised in profit or loss)	11.1	12.5	47.6	42.7
Capital expenditure (adjusted)	**–85.9**	**–101.0**	**–225.1**	**–330.5**
Total investment	**–154.2**	**–142.8**	**–440.1**	**–497.2**
Adjustments (consolidation effects, new construction on own land, own work capitalised, subsidies recognised in profit or loss)	16.8	14.9	60.3	58.0
Total investment (adjusted)	**–137.4**	**–127.9**	**–379.8**	**–439.2**
Area of investment properties in million sqm	10.86	10.85	10.85	10.82
Adjusted average investment per sqm (€)	**12.65**	**11.79**	**35.01**	**40.61**
thereof maintenance expenses per sqm (€)	4.74	2.48	14.26	10.05
thereof capital expenditure per sqm (€)	7.91	9.31	20.75	30.56

The EPRA cost ratio, as an indicator for operating efficiency, is the ratio of operating and administrative expenses to gross rental income. By definition, non-recurring items are not adjusted for. Adjustments are made for leasehold and direct vacancy costs. For reasons of transparency and comparability, a further adjustment has been made for maintenance expenses in the financial year as the amount of a property company's maintenance expenses are largely dependent on the accounting standard applied and the specific maintenance strategy.

EPRA cost ratio

€ million	2023	2022
EBIT	**−1,864.5**	**628.1**
Depreciation and amortisation	17.2	314.3
EBITDA	**−1,847.3**	**942.4**
Net income from the remeasurement of investment properties	2,422.8	−382.4
Non-recurring special effects	14.0	37.0
Net income from the disposal of investment properties	1.7	1.5
Net income from the disposal of real estate inventory	0.5	0.2
Maintenance for externally procured services	99.3	57.1[1]
Subsidies recognised in profit or loss	−2.2	–[1]
Own work capitalised	−16.0	−17.7[1]
EBITDA (adjusted)	**672.8**	**638.1**[1]
Rental income	−834.3	−799.1
Subsidies recognised in profit or loss	2.2	–[1]
Own work capitalised	16.0	17.7[1]
Management costs (sign reversal)	**143.3**	**143.3**
Maintenance expenses	99.3	57.1
Leasehold land interests	−3.4	−3.7
EPRA costs (including direct vacancy costs)	**239.2**	**196.7**
Direct vacancy costs	−15.2	−13.6
EPRA costs (excluding direct vacancy costs)	**224.0**	**183.1**
Rental income	834.3	799.1
Leasehold land interests	−3.4	−3.7
Gross rental income	**830.9**	**795.4**
EPRA cost ratio (including direct vacancy costs)	**28.8%**	**24.7%**
EPRA cost ratio (excluding direct vacancy costs)	**27.0%**	**23.0%**
Adjustment for maintenance	99.3	57.1
Adjusted EPRA costs (including direct vacancy costs)	139.9	139.6
Adjusted EPRA costs (excluding direct vacancy costs)	124.7	126.0
Adjusted EPRA cost ratio (including direct vacancy costs)	**16.8%**	**17.6%**
Adjusted EPRA cost ratio (excluding direct vacancy costs)	**15.0%**	**15.8%**

[1] Value of comparative period adjusted.

EBITDA is adjusted for non-recurring items to ensure comparability with previous periods. Adjustments are made for all items that are not attributable to operations in the period and that have a not insignificant effect on EBITDA, such as project costs for business model and process optimisation, personnel matters, acquisition and integration costs, capital market financing and M&A activities as well as other atypical matters that distort the long-term profit or loss for the period. These are composed as follows:

Non-recurring special effects

€ million	01.01. – 31.12.2023	01.01. – 31.12.2022
Project costs for business model and process optimisation	4.3	5.2
Personnel-related matters	6.3	4.2
Acquisition and integration costs	−1.1	20.5
Capital market financing and M&A activities	1.3	2.1
Others special effects	3.2	5.0
Non-recurring special effects	**14.0**	**37.0**

The decline in acquisition and integration costs as against the previous year relates to LEG's positioning as a net seller of properties.

Net income from the disposal of investment property
Net income from the disposal of investment property was composed as follows in 2023:

Net income from the disposal of investment properties

€ million	unaudited Q4 2023	unaudited Q4 2022	01.01. – 31.12.2023	01.01. – 31.12.2022
Income from the disposal of investment properties	28.3	12.1	80.3	51.0
Carrying amount of the disposal of investment properties	–28.3	–12.1	–80.6	–51.3
Costs of sales of investment properties sold	–0.4	–0.3	–1.4	–1.2
Net income from the disposal of investment properties	–0.4	–0.3	–1.7	–1.5
Valuation gains induced by disposals (included in net income from the remeasurement of investment properties)	–	–	–	–
Adjusted net income from disposals	–0.4	–0.3	–1.7	–1.5

Income from disposals amounts to EUR 80.3 million (previous year: EUR 51.0 million) and essentially relates to three major block sales for which the contracts were signed in the 2022 financial year, though title did not transfer until the 2023 financial year.

Furthermore, a contract was signed for a major block sale in the 2023 financial year and title was transferred on 1 December 2023.

Net income from the remeasurement of investment property
Net income from the remeasurement of investment property amounted to EUR –2,422.8 million in the reporting year (previous year: EUR 382.4 million). Based on the property portfolio at the beginning of the financial year (EUR 20,204.4 million) and taking acquisitions into account (measured at EUR 143.3 million), this corresponds to a decline of 11.9 % (previous year: increase of 2.0 %). The decline amounts to 7.4 % in the first half of 2023 and 4.9 % in the second half of 2023.

The average value of residential investment property was EUR 1,619 per square metre as at 31 December 2023 (previous year: EUR 1,789 per square metre) including IFRS 5 properties and acquisitions and EUR 1,617 per square metre (previous year: EUR 1,788 per square metre) not including acquisitions.

In response to the developments in inflation, key central banks have raised their prime interest rates significantly. Following the delay typical for the property markets, the corresponding effects on the cost of capital resulted in higher discount rates in calculating the value of investment property. The average discount rate for the property portfolio was 4.7 % as at 31 December 2023 (31 December 2022: 3.7 %).

EPRA net initial yield
The EPRA net initial yield is calculated on the basis of the annualised net cash rental income for the financial year divided by the gross market value of the property portfolio. For the first time in the reporting year, this was calculated on the basis of the gross market value of the property portfolio as a whole (previously just residential properties) less assets under construction, leasehold and undeveloped land. The topped-up net initial yield is determined by adjusting the annualised net cash rental income for the costs of rental incentives granted.

EPRA net initial yield

€ million	31.12.2023	31.12.2022
Market value of the property portfolio (net)	**17,850.5**	**19,630.7**[1]
Estimated incidental costs of acquisition	1,719.9	1,889.9[1]
Market value of the property portfolio (gross)	**19,570.4**	**21,520.6**[1]
Annualised gross cash rental income of the financial year	862.7	789.6[1]
Annualised property expenses	–120.1	–74.0[1]
Annualised net cash rental income of the financial year	**742.6**	**715.6**[1]
Adjustments for rental incentives	5.5	5.2
Topped-up annualised net cash rental income of the financial year	**748.1**	**720.8**[1]
EPRA net initial yield in %	3.8	3.3[1]
EPRA topped-up net initial yield in %	3.8	3.3[1]

[1] Value of comparative period adjusted.

Net income from the disposal of inventory properties

Net income from the disposal of inventory properties amounts to EUR −0.5 million for the past financial year. The remaining inventory properties held as at 31 December 2023 amount to EUR 0.1 million and relate to land under development.

Net income from other services

Other services

€ million	unaudited Q4 2023	unaudited Q4 2022	01.01. – 31.12.2023	01.01. – 31.12.2022
Income from other services	16.8	10.1	48.6	28.4
Expenses in connection with other services	−3.2	−4.4	−12.3	−12.0
Net income from other services	**13.6**	**5.7**	**36.3**	**16.4**

Other services include the generation of electricity and heat, IT services for third parties and management services for third-party properties.

Net income from other services mainly increased as a result of the improvement in sales of electricity produced by LEG in the amount of EUR 20.7 million.

Administrative and other expenses

Administrative and other expenses are composed as follows:

Administrative and other expenses

€ million	unaudited Q4 2023	unaudited Q4 2022	01.01. – 31.12.2023	01.01. – 31.12.2022
Other operating expenses	0.6	−17.2	−16.5	−35.7
Personnel expenses (administration)	−12.1	−7.6	−35.2	−28.4
Purchased services	−0.8	−0.1	−2.7	−1.9
Depreciation and amortisation expenses	−0.9	−73.0	−3.3	−116.6
Administrative and other expenses	**−13.2**	**−97.9**	**−57.7**	**−182.6**
Depreciation and amortisation expenses	0.9	73.0	3.3	116.6
Non-recurring special effects (administration)	−2.9	14.8	6.5	26.4
Administrative and other expenses (adjusted)	**−15.2**	**−10.1**	**−47.9**	**−39.6**

The year-on-year decline in other operating expenses essentially results from incidental costs incurred in conjunction with the acquisition of the Adler companies in the previous year.

Personnel expenses essentially increased as a result of the EUR 5.6 million higher addition to the provision for the long-term incentive programme compared to the previous year. Adjusted for non-recurring special items, the effect amounts to EUR 3.7 million.

The decline in depreciation and amortisation expenses mainly relates to the goodwill impairment of EUR 112.4 million relating to this item in the previous year.

Adjusted administrative expenses rose by EUR 8.3 million or 21.0 % as against the previous year.

Net finance earnings

Net finance earnings

€ million	unaudited Q4 2023	unaudited Q4 2022	01.01. – 31.12.2023	01.01. – 31.12.2022
Interest income	7.0	2.5	16.4	2.5
Interest expenses	–46.1	–39.7	–165.0	–143.0
Net interest income	**–39.1**	**–37.2**	**–148.6**	**–140.5**
Net income from other financial assets and other investments	82.8	–45.1	39.5	–101.4
Net income from associates	–0.1	0.3	–0.1	0.3
Net income from the fair value measurement of derivatives	–8.8	–27.4	–8.6	121.5
Net finance earnings	**34.8**	**–109.4**	**–117.8**	**–120.1**

Interest expenses increased by EUR –22.0 million year-on-year to EUR –165.0 million. The increase in interest expenses essentially results from higher interest rates.

The improvement in net income from other investment securities and other equity investments of EUR 132.3 million relates to the fair value measurement of other equity investments and investment income of EUR 6.9 million. The measurement of the equity investment in Brack Capital Properties N.V. of EUR –99.7 million had an opposite effect.

In the reporting period, net income from the fair value measurement of derivatives primarily resulted from changes in the fair value of embedded derivatives from the convertible bond of EUR –7.4 million (previous year: EUR 123.0 million).

The average interest rate rose to 1.58 % as at 31 December 2023 (31 December 2022: 1.26 %) based on a shorter average term of 6.2 years (31 December 2022: 6.5 years).

Income taxes

Income taxes

€ million	unaudited Q4 2023	unaudited Q4 2022	01.01. – 31.12.2023	01.01. – 31.12.2022
Current tax expenses	2.0	2.9	–6.2	1.3
Deferred tax expenses	164.9	21.7	423.7	–271.9
Income taxes	**166.9**	**24.6**	**417.5**	**–270.6**

The effective Group tax rate is 21.1 % (previous year: 53.3 %) as at 31 December 2023. The decline in the Group's tax rate as against the previous year is essentially a result of the non-recurring effect of goodwill impairment in the previous year not taken into account for tax purposes and the lower Group net profit as a result.

The effective Group tax rate was impacted by the application of the extended trade tax reduction.

The income taxes are mainly due to lower deferred tax liabilities on investment property resulting from the portfolio remeasurement compared to the previous year.

The expense for current income taxes amounts to EUR 6.2 million for the 2023 financial year. There had been income of EUR 1.3 million in the previous year. The increase as against the previous year is essentially a result of a non-recurring effect at a Group subsidiary. As in the previous year, the offsetting of tax loss carryforwards resulted in lower taxation.

Reconciliation to AFFO
In conjunction with the reorganisation of the company's management, AFFO (capex-adjusted FFO I) has been defined as LEG's primary key financial performance indicator for Group management.

LEG distinguishes between FFO I (not including net income from the disposal of investment property), FFO II (including net income from the disposal of investment property) and AFFO (FFO I adjusted for capex). Please refer to the segment reporting for further disclosures.

FFO I is calculated as EBITDA (adjusted) taking cash interest expenses and income and cash taxes into account. Maintenance expenses for purchased services, subsidies recognised in profit or loss and own work capitalised previously included in "Other" are no longer reported in adjusted net operating income, and are instead be recognised as an EBITDA adjustment. The cash-optimised management requires a separation of operating cash generation from capital expenditure.

Based on FFO I (after non-controlling interests), AFFO takes recurring capex measures (capex (recurring)) into account. Recurring capex measures are defined as capitalised costs from modernisation and maintenance measures as well as new construction activities on own land. When determining costs from modernisation and maintenance measures, consolidation effects due to internally procured services resulting from the elimination of intercompany profits are eliminated (see the > table "Maintenance and modernisation" for more details).

AFFO, FFO I and FFO II are calculated as follows:

Calculation of FFO I, FFO II and AFFO

€ million	unaudited Q4 2023	unaudited Q4 2022	01.01. – 31.12.2023	01.01. – 31.12.2022
Net cold rent	210.8	202.5	834.3	799.1
Profit from operating expenses	–5.0	–7.2	–21.8	–12.4
Personnel expenses (rental and lease)	–29.6	–27.7	–109.0	–107.5
Allowances on rent receivables	–2.4	–12.8	–16.4	–25.2
Other	–11.7	–7.7	–10.9	–4.2
Non-recurring special effects (rental and lease)	4.8	1.6	7.6	10.6
Net operating income (adjusted)	**166.9**	**148.7**	**683.8**	**660.4**
Net income from other services (adjusted)	**13.7**	**5.9**	**36.8**	**17.3**
Personnel expenses (administration)	–12.1	–7.6	–35.1	–28.4
Non-personnel operating costs	–0.2	–17.2	–19.3	–37.6
Non-recurring special effects (administration)	–2.9	14.8	6.5	26.4
Administrative expenses (adjusted)	**–15.2**	**–10.0**	**–47.9**	**–39.6**
Other income (adjusted)	0.1	0.0	0.1	0.0
EBITDA (adjusted)	**165.5**	**144.6**	**672.8**	**638.1**
Cash interest expenses and income FFO I	–36.4	–30.8	–131.3	–113.2
Cash income taxes FFO I	–0.1	–1.7	–4.7	–1.7
Maintenance for externally procured services	–35.6	–6.2	–99.3	–57.1
Subsidies recognised in profit or loss	2.2	–	2.2	–
Own work capitalised	4.6	1.5	16.0	17.7
FFO I (before adjustment of non-controlling interests)	**100.2**	**107.4**	**455.7**	**483.8**
Adjustment of non-controlling interests	1.1	0.3	–1.8	–1.8
FFO I (after adjustment of non-controlling interests)	**101.3**	**107.7**	**453.9**	**482.0**
Net income from the disposal of investment properties (adjusted)	2.4	–0.1	2.8	0.8
Cash income taxes FFO II	0.6	2.9	–3.0	0.9
FFO II (incl. disposal of investment properties)	**104.3**	**110.5**	**453.7**	**483.7**
Capex (recurring)	–97.0	–113.5	–272.7	–373.2
AFFO (Capex-adjusted FFO I)	**4.3**	**–5.8**	**181.2**	**108.8**

At EUR 181.2 million in the reporting period, AFFO was EUR 72.4 million higher than in the previous year (EUR 108.8 million). The increase essentially results from a decline in capex with a higher EBITDA margin (ratio of adjusted EBITDA to net cold rent) of 80.6 % (previous year: 79.9 %).

Net assets

Condensed statement of financial position

The condensed statement of financial position is as follows:

Condensed statement of financial position

€ million	31.12.2023	31.12.2022
Investment properties	18,101.8	20,204.4
Prepayments for investment properties	–	60.8
Other non-current assets	559.0	518.2
Non-current assets	18,660.8	20,783.4
Receivables and other assets	287.4	179.5
Cash and cash equivalents	277.5	362.2
Current assets	564.9	541.7
Assets held for sale	77.9	35.6
Total assets	**19,303.6**	**21,360.7**
Equity	7,488.2	9,083.9
Non-current financing liabilities	8,930.1	9,208.4
Other non-current liabilities	2,110.2	2,491.1
Non-current liabilities	11,040.3	11,699.5
Current financing liabilities	445.7	252.4
Other current liabilities	329.4	324.9
Current liabilities	775.1	577.3
Total equity and liabilities	**19,303.6**	**21,360.7**

Investment property decreased by EUR 2,102.6 million as against the previous year, essentially as a result of the remeasurement result (EUR – 2,422.8 million) and reclassifications to assets held for sale (EUR – 121.1 million). This was offset by acquisitions (EUR + 169.5 million) and value-adding modernisation (EUR + 264.5 million). The share of total assets was 93.8 % as at the end of the reporting period.

The change in other equity investments is shown in other non-current assets. There was a net increase here of EUR 32.6 million. Deferred tax assets are also reported here (EUR + 26.6 million).

The development in receivables and other assets was largely defined by the rise in rent receivables (EUR +8.0 million), receivables from insurance claims (EUR + 5.1 million) and short-term cash investments (EUR + 88.0 million).

The development in equity after 31 December 2022 was essentially defined by the total comprehensive income of EUR – 1,593.3 million.

Financial liabilities essentially increased as a result of the borrowing of new loans of EUR 546.4 million and the issuance of corporate bonds of EUR 152.9 million. The reporting of maturity structures has changed as at 31 December 2023 as a result of the repayment of corporate bonds in the amount of EUR 500.0 million and repayments of current loans in the amount of EUR 294.6 million.

Deferred tax liabilities (reported under other non-current liabilities) fell by EUR – 404.4 million to EUR 1,915.3 million, in particular as a result from the remeasurement of investment property.

EPRA net tangible assets (EPRA NTA)
Key metrics relevant to the property industry and to LEG are EPRA NRV, NTA and NDV. LEG has defined EPRA NTA as its primary key figure. Another relevant key financial indicator is EPRA NTA per share.

EPRA Net Tangible Asset

	31.12.2023			31.12.2022		
€ million	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NRV	EPRA NTA	EPRA NDV
Equity attributable to shareholders of the parent company	**7,463.2**	**7,463.2**	**7,463.2**	**9,058.6**	**9,058.6**	**9,058.6**
Hybrid instruments	28.5	28.5	28.5	31.0	31.0	31.0
Diluted NAV at fair value	**7,491.7**	**7,491.7**	**7,491.7**	**9,089.6**	**9,089.6**	**9,089.6**
Deferred tax in relation to fair value gains of IP and deferred tax on subsidised loans and financial derivatives	1,943.4	1,935.2	–	2,371.9	2,371.9	–
Fair value of financial instruments	−42.0	−42.0	–	−78.5	−78.5	–
Intangibles as per the IFRS balance sheet	–	−5.0	–	–	−5.8	–
Fair value of fixed interest rate debt	–	–	744.0	–	–	1,208.3
Deferred taxes of fixed interest rate debt	–	–	−156.7	–	–	−643.6
Estimated ancillary acquisition costs (real estate transfer tax)[1]	1,759.4	–	–	1,955.3	–	–
NAV	**11,152.5**	**9,379.9**	**8,079.0**	**13,338.3**	**11,377.2**	**9,654.3**
Fully diluted number of shares	**74,109,276**	**74,109,276**	**74,109,276**	**74,109,276**	**74,109,276**	**74,109,276**
NAV per share	**150.49**	**126.57**	**109.01**	**179.98**	**153.52**	**130.27**

[1] Taking the ancillary acquisition costs into account would result into an EPRA NTA of EUR 11,127.5 million or EUR 150.15 per share (comparative period: EUR 13,332.4 million or EUR 179.90 per share).

LEG reports EPRA NTA of EUR 9,379.9 million or EUR 126.57 per share as at 31 December 2023. Deferred taxes on investment property are adjusted for the amount attributable to LEG's planned property disposals. Incidental purchase costs are not taken into account. The key figures are presented exclusively on a diluted basis.

Loan to value (LTV) ratio
Net debt in relation to property assets rose as a result of the devaluation of the property portfolio while debt financing declined slightly.

The loan to value ratio (LTV) is therefore 48.4 % (previous year: 43.9 %).

Loan to value ratio

€ million	31.12.2023	31.12.2022
Financing liabilities	9,375.8	9,460.8
Without lease liabilities IFRS 16 (not leasehold)	15.9	22.0
Less cash and cash equivalents	405.5	402.2
Net financing liabilities	**8,954.4**	**9,036.6**
Investment properties	18,101.8	20,204.4
Assets held for sale	77.9	35.6
Prepayments for investment properties	–	60.8
Participation in other residential companies	340.1	306.7
Real estate assets	**18,519.8**	**20,607.5**
Loan to value ratio (LTV) in %	**48.4**	**43.9**

EPRA LTV

By contrast to LTV, hybrid debt instruments with equity components such as mandatory convertible bonds are treated as financial liabilities until the date of conversion. Financial liabilities are taken into account at their nominal amount, and cash and cash equivalents are defined in accordance with IFRS. Furthermore, net debt and net assets of joint ventures and significant associates are included while significant non-controlling interests are eliminated. Kommunale Haus und Wohnen GmbH and Beckumer Wohnungsgesellschaft mbH are included as material associates. Furthermore, Brack Capital Properties N.V. is taken into account for reasons of transparency, although it is not an associated company from LEG's perspective.

EPRA LTV as at 31 December 2023

€ million	Group LTV	Associated companies	Non-controlling interests	Total
Borrowings from Financial Institutions	4,027.3	144.9	–38.0	4,134.2
Hybrid financial instruments	950.0	–	–	950.0
Bonds	4,480.0	37.9	–	4,517.9
Net payables	–	37.8	–	37.8
Owner-occupied property (debt)	57.8	–	–	57.8
Excluding cash and cash equivalents	277.5	22.3	–5.9	293.9
Net financing liabilities	**9,237.6**	**198.3**	**–32.1**	**9,403.8**
Owner-occupied property	82.8	–	–0.2	82.6
Investments properties	18,026.2	435.3	–156.3	18,305.2
Properties held for sale	77.9	17.9	–2.9	92.9
Properties under development	75.5	2.2	0.0	77.7
Intangibles	5.0	0.0	0.0	5.0
Net receivables	103.5	–	1.3	104.8
Real estate assets	**18,370.9**	**455.4**	**–158.1**	**18,668.2**
EPRA LTV	**50.3**	**–**	**–**	**50.4**

EPRA LTV as at 31 December 2022

€ million	Group LTV	Associated companies	Non-controlling interests	Total
Borrowings from Financial Institutions	3,780.0	134.0	–36.8	3,877.2
Hybrid financial instruments	950.0	–	–	950.0
Bonds	4,780.0	87.4	–	4,867.4
Net payables	14.3	114.6	–6.4	122.5
Owner-occupied property (debt)	57.8	–	–	57.8
Excluding cash and cash equivalents	362.2	62.4	–6.1	418.5
Net financing liabilities	**9,219.9**	**273.7**	**–37.1**	**9,456.5**
Owner-occupied property	86.4	–	–0.4	86.0
Investments properties	19,880.8	367.5	–174.5	20,073.8
Properties held for sale	35.6	139.8	0.0	175.4
Properties under development	323.6	89.4	–0.1	412.9
Intangibles	5.8	0.0	0.0	5.8
Real estate assets	**20,332.2**	**596.8**	**–175.0**	**20,754.0**
EPRA LTV	**45.3**	**–**	**–**	**45.6**

Financial position

Financing structure

The Group generated a net profit for the period of EUR –1,564.8 million (previous year: EUR 237.4 million). Equity amounts to EUR 7,488.2 million (previous year: EUR 9,083.9 million). This corresponds to an equity ratio of 38.8 % (previous year: 42.5 %).

A cash dividend was not distributed from cumulative other reserves in the reporting year.

For further information, please refer to “Financing” in the “Economic report”.

Statement of cash flows

LEG’s condensed statement of cash flows for 2023 is as follows:

Statement of cash flows

€ million	01.01. – 31.12.2023	01.01. – 31.12.2022
Cash flow from operating activities	447.9	389.0
Cash flow from investing activities	–421.5	–1,058.8
Cash flow from financing activities	–111.1	356.4
Change in cash and cash equivalents	**–84.7**	**–313.4**

Cash and cash equivalents declined by EUR –84.7 million year-on-year from EUR 362.2 million to EUR 277.5 million.

Higher proceeds from net cold rent had a positive effect on the development of cash flow from operating activities and offset the rise in interest payments. The cash flow from operating activities has thus increased by EUR 58.9 million year-on-year to EUR 447.9 million overall.

Acquisitions and modernisation work on the existing property portfolio resulted in payments of EUR 387.1 million that are reported under cash flow from investing activities. There are also cash payments of EUR 15.5 million for investments in intangible assets and property, plant and equipment, of EUR 15.9 million for the acquisition of shares in consolidated companies and of EUR 87.7 million for cash funds invested on a short-term basis. This is offset by proceeds from property disposals of EUR 84.7 million.

The utilisation of new loans in the amount of EUR 546.4 million, repayments of EUR 294.6 million, the repayment of corporate bonds of EUR 500.0 million and the issuance of corporate bonds of EUR 152.9 million all contributed to the cash flow from financing activities. The dividend payment amounted to EUR 183.3 million in the previous year; there was no dividend payment in 2023.

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

Risks, opportunities and forecast report

Risk and opportunity report

Governance, risk & compliance

Standard process for integrated management of corporate risks
LEG regularly reviews opportunities to promote the development and growth of the Group. Risks may also have to be taken in order to take advantage of opportunities. It is therefore essential that all key risks are recognised, assessed and professionally managed. To guarantee the responsible handling of risk, LEG has implemented a Group-wide structure for the identification, assessment, and monitoring of risks. Central components of this are the risk management system (RMS), the internal control system (ICS), the compliance management system (CMS) and internal audit.

Accounting process
LEG has a clear and transparent organisational, control and management structure. The duties within the accounting process are clearly defined and explicit roles are assigned. Self-control, the multiple control principle, the separation of functions and analytical audit procedures are central elements in the accounting process. This is supported by standard software where the IT authorisations reflect the authorities defined in the guidelines, thereby ensuring controlling within the system. There is integrated central accounting and controlling for the key Group companies. The uniform Group-wide accounting, account assignment and measurement criteria are regularly examined and updated.

Internal control system (ICS)
As an integral part of corporate governance, the ICS helps to reduce risks relating to (financial) reporting, operating activities and compliance through process-integrated measures (e.g. internal controls and organisational safeguards) and process-independent measures (e.g. control self-assessments and third-party assessments). The ICS makes it possible to improve and safeguard the company's success and serves to protect the company's assets and avoid or identify fraudulent behaviour.

In previous years, LEG established an ICS in line with the relevant legal provisions and industry standards that comprises principles, procedures and measures aimed at ensuring proper accounting and procedures. The existing ICS was further refined in conjunction with a Group-wide project. This took into account the content of the Finanzmarktintegritätsstärkungsgesetz (FISG – German Financial Market Integrity Act) that became effective on 1 July 2021. The underlying methodology was developed and implemented in coordination with an audit company. The ICS is monitored in conjunction with regular self-assessments by LEG's ICS management. The associated reporting is acknowledged by LEG's Risk and Audit Committee.

LEG's internal control system is closely based on COSO's Internal Control – Integrated Framework and comprises the components "control environment", "risk assessment", "control activities", "information and communication" and "monitoring activities". Its objectives are:

- Fulfilment of and compliance with the legal provisions and guidelines applicable to LEG
- Targeted monitoring of business processes
- Ensuring the effectiveness and economic viability of business activity (in particular the protection of assets, including the prevention and identification of asset losses)
- Ensuring the regularity, completeness and reliability of internal and external accounting

Regarding the accounting process, the aim and purpose of the ICS is to ensure the application of statutory requirements and the correct and complete recording of all transactions. Regarding business processes, which are divided into strategic, operational and support processes, LEG's ICS ensures that all relevant recurring transactions are recorded and presented accurately, completely and in accordance with statutory requirements in addition to being verified and monitored on an ongoing basis. The ICS thus has a preventative and detective function and aims to ensure that company processes go as intended.

LEG processes that are defined as material as part of a quantitative and qualitative risk assessment are centrally recorded in process management software and documented in detail. Based on these process descriptions, material risks were identified and corresponding controls put into place. The risk control matrix derived from this is the binding basis for regular reporting to the Management Board and the Risk and Audit Committee of the Supervisory Board. LEG's Management Board has delegated responsibility for implementing and conducting internal controls and defining and implementing corresponding measures to resolve any control vulnerabilities to those in charge of processes and controls. Controlling manages the methodological and functional refinement and the assessment of effectiveness. Internal Audit also assists with the assessment of effectiveness in conjunction with its regular audits. Process management ensures that the processes and the ICS controls in place are up to date.

A suitable, effective ICS is necessary to ensure that all material business processes function properly. This requires the regular assessment of the design and effectiveness of the company's principles, processes and procedures. LEG assesses their design and effectiveness using control self-assessments (CSA). The CSA is conducted each year on the basis of a standardised methodology and based on two successive modules:

- Test of design
- Test of effectiveness

The aim of the test of design is to assess whether the control descriptions are up to date and sufficiently precise and thus appropriate to reduce the underlying control risk. The test of effectiveness is conducted in accordance with rolling, risk-based CSA review planning, a new version of which is approved each year. The aim of the test of effectiveness is to assess whether the control activities are actually implemented in the period under review as described in the control description. This target/actual comparison is carried out for material control activities on the basis of spot checks of the entire population. In the event of deviations, corresponding measures are taken to resolve the control vulnerabilities. The CSA is supplemented by quality assurance by Controlling and rolling partial reviews by Internal Audit. The Management Board regularly reports the results of the tests of design and effectiveness to the Risk and Audit Committee of the Supervisory Board. The Risk and Audit Committee reviews the functionality of the internal control system on this basis.

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 in its corporate governance. LEG's compliance management system (CMS) is designed with this in mind. In particular, it includes the following elements:

Declaration of fundamental values

LEG's declaration of fundamental values describes the company's objective and strategy, as well as the values that form the basis for LEG's work with customers, employees, investors, business partners and society.

Code of Conduct

LEG's Code of Conduct describes its declaration of fundamental values in more detail and translates the values set out here for everyday business into regulations for the conduct of our employees. For instance, it contains regulations for areas such as ethics, compliance, corruption prevention, conflicts of interest, data protection and the protection of human rights and the environment. It applies to everyone who works for LEG. Details on these standards of conduct can be found in the Group Policy on Human Rights and Environment (which includes the declaration on respect for human rights and the environment) and in other internal Group rules and guidelines, which are published on the intranet.

Group Policy on Human Rights and Environment (including the declaration on respect for human rights and the environment)

LEG is committed to respecting human rights for all employees and all those affected by its business activities. It is aware of its responsibility to society and its human rights and environmental due diligence obligations. Violations of human rights and of national and international environmental protection provisions are not tolerated. LEG designs its commercial operations accordingly and expects the same from its business partners.

Other Group-wide guidelines

In particular, other Group-wide guidelines include guidelines aimed at preventing corruption and conflicts of interest. These serve to promote integrity among employees and avoid corruption and conflicts of interest. The guidelines explain the terms integrity and conflict of interest, as well as explaining and defining prohibitions in connection with bribery and corruption. The objective of the guidelines is to make employees aware of the development and risks of situations that are susceptible to corruption in all areas of LEG and to clarify the applicable compliance requirements. They therefore help to prevent corruption. It is the responsibility of every employee and manager to comply with these guidelines. This is a zero-tolerance issue. Other guidelines concern issues such as employees and diversity, whistleblowing, the environment and water.

Business Partner Code

LEG's Business Partner Code is a binding component of its agreements with business partners. It sets out principles of cooperation to guarantee integrity and reliability as well as economically and ethically sound standards of conduct. Moreover, the Business Partner Code attaches particular importance to compliance with human rights and environmental due diligence obligations.

Based on these fundamental provisions, the CMS bundles measures intended to ensure compliance with legal provisions and internal guidelines. CMS measures include frequent and ad hoc training for employees. All new LEG employees are trained in the area of compliance, with a particular focus on data protection. All employees also complete annual online training sessions in these and other areas on LEG's learning platform, the Academy. Moreover, the LEG CMS features an electronic whistleblowing system that employees and third parties can use to report potential compliance violations within LEG's area of responsibility around the clock, while remaining anonymous if they so choose. All information is carefully investigated and corresponding measures are taken if violations are detected.

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 CMS.

LEG has appointed a Compliance Officer to head up the CMS. The Compliance Officer assists executives in ensuring compliance. He is also in charge of employee compliance training and advice. At regular meetings, the heads of Internal Audit, Law and Human Resources discuss the design of the compliance management system. Constant benchmarking against other CMS and independent assessment by external experts also serve to ensure the continuous development and improvement of the CMS. In 2019, LEG's CMS was certified by the Institute for Corporate Governance in the German Real Estate Industry. Following a successful repeat audit, the certificate was awarded again in 2021 and is now valid until September 2024.

Compliance is assigned to the Legal and Compliance department, whose head reports directly to the CEO of LEG.

The Risk and Audit Committee of the Supervisory Board discusses the issue 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.

Risk management

LEG has a Group-wide risk management system (RMS). A key component of this is LEG's Group-wide risk early warning system in accordance with standard IDW 340 (new version). This system is supported by the Risk2Chance (R2C) IT tool.

The coordination and monitoring of the overall system, the organisation of processes, the methodological approach and responsibility for the IT tool used fall within the purview of Controlling. This organisational structure and the ongoing coordination with those responsible for planning, reporting, accounting, project management and internal audit allow uniform, transparent, systematic and continuous procedures. As such, the conditions have been created to identify, analyse, assess, control, document, communicate and track the development of risks.

LEG's risk early warning system was examined by an audit company 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 risk management system in place is subject to a constant process of refinement and optimisation to adapt it to new internal and external developments. For example, a project on the new EU Supply Chain Act (relevant to LEG from 1 January 2024) was launched in the financial year. This project also assesses the implications for risk management. In addition, a project to improve the way of classifying the impact of climate change on LEG was initiated. The objectives include generating an even more in-depth risk assessment for the TCFD risks (Task Force on Climate-related Financial Disclosures) introduced by LEG in 2021 in accordance with the EU's Corporate Sustainability Reporting Directive (CSRD), which will be binding from 2024.

At an operating level, the results of the quarterly risk inventories are reported to the decision-making and supervisory committees. The Management Board and those responsible for 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 net loss of EUR 0.2 million or more (in the basis scenario) must be reported to the Management Board immediately.

General risk mitigation measures are applied. In addition to the provisions based on IFRS regulations, these include building insurance in particular (e. g. burst pipes, extreme weather, natural events). In addition to these risks specific to buildings, various compliance and cyber issues are insured.

The risk inventory reports derived from the risk inventory also include a trend radar for the early detection of potential strategic risks and opportunities. All reporting is based on risk inventories. In turn, the uniform, systematic and continuous risk inventory procedure is based on the following assessment methods.

Assessment methodology for internal risk reporting

Using the uniform risk catalogue system – broken down by categories and subcategories – risks are identified and assessed by the risk owners in a decentralised bottom-up analysis. The risk catalogue comprises both strategic and operational risks. To help substantiate and prioritise them, risks at LEG are assessed according to their impact on net liquidity and their probability of occurrence. The benchmark for classifying the potential impact is the effect on liquidity and the income statement compared to current business planning. The individual risk assessment is therefore always based on the corresponding change in liquidity and the income statement in the five-year business plan approved by the Management Board and the Supervisory Board.

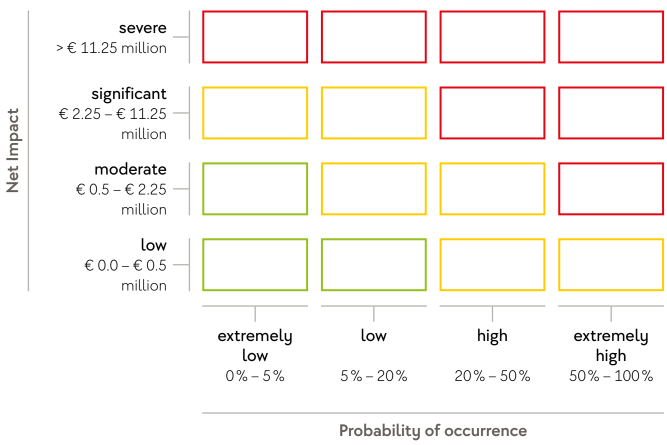
LEG uses an internal risk assessment matrix consisting of four categories for the liquidity and earnings impact of individual risk notifications (Y-axis). A risk assessment model with four groups has also been established for probability of occurrence (X-axis).

The individual classes for the forward-looking liquidity impact assessment are as follows:
- Low: Net impact EUR 0.0 million < x < EUR 0.5 million
- Moderate: Net impact EUR 0.5 million ≤ x < EUR 2.25 million
- Significant: Net impact EUR 2.25 million ≤ x < EUR 11.25 million
- Severe: Net impact EUR 11.25 million ≤ x

The classes for probability of occurrence are:
- Extremely low: 0 % < x < 5 %
- Low: 5 % ≤ x < 20 %
- High: 20 % ≤ x < 50 %
- Extremely high: 50 % ≤ x < 100 %

This model produces an assessment matrix that classifies risk notifications and assigns a colour (red, yellow, green) to indicate priority.

Risk matrix



Presentation of risks and opportunities in the Group management report

The following sections describe how risks and opportunities can arise for LEG in the context of the macroeconomic conditions. It also contains a general assessment of the property market. All the main risk categories are then described together with the subcategories that contain significant individual risks. Finally, the individual risks referred to above are presented below the subcategories. An individual risk is defined as significant if it has a net liquidity impact in excess of EUR 2.25 million in the baseline scenario, either currently or within one of the next two financial years (2024 and 2025). The probability of occurrence is disregarded in order to maintain an awareness of risks which have a low probability but a significant or severe impact. In summary, as at the time of reporting, the Management Board does not anticipate any risks to the continued existence of LEG as a whole for the entire five-year planning horizon/risk identification period (2024 to 2028) and the completed financial year 2023. Internal capital adequacy would be assured even if all known risks were to occur simultaneously.

LEG's material opportunities are listed and discussed after the risk reporting. They are based on the trend radar (which forms part of the quarterly risk inventory report). In particular, the issues of digitalisation/robotic process automation and climate neutrality (including energy-efficient modernisation, expansion and use of green energy) are seen as opportunities in the medium and long term.

Risk reporting

Macroeconomic conditions

The following section provides a compact presentation of the current macroeconomic conditions in line with recent geopolitical developments. LEG has no influence over this landscape, and the potential effects on LEG's business model could be of either a negative or a positive nature.

The most significant event in 2023 was the ongoing war in Ukraine, as a result of which the sanctions against the Russian Federation have been further tightened. As previously, this is resulting in high price levels, especially for food and energy, which is impacting consumer purchasing power. For LEG, this means a greater risk of default on payment, although the loss of purchasing power could increase demand for affordable housing.

Despite an upward baseline effect due to energy prices, the ECB has stated that inflation is declining. Furthermore, tougher financing conditions due to the interest rate hikes to date are impacting economic demand. The ECB believes it necessary to retain its currently restrictive interest level (base rate 4.5 %) for long enough to achieve its medium-term inflation target of 2.0 %. Short-term interest rate cuts therefore seem unlikely, or at least would only be anticipated if there were a significant change in inflation data. Accordingly, companies are still operating in an environment of high refinancing costs. High returns on fixed-income securities tend to have an adverse effect on other asset classes such as equities or property.

LEG's short-term refinancing requirements are moderate and its maturing liabilities in this context are already covered until the middle of 2025. In the event that interest rates remain high for a sustained period, there is the risk that LEG's interest expenses will gradually and significantly increase. Furthermore, high interest rates entail the risk of further devaluation within the property portfolio.

The terror attack by Hamas on Israel has caused the Middle East conflict to escalate significantly. The war in Gaza and attacks by Houthi rebels and other pro-Iranian groups on trade routes in the Red Sea and on US soldiers stationed there make it difficult to conclusively assess whether or to what extent the conflict could spread or grow from a local to a regional conflict. A rising flow of refugees and higher oil prices are possible consequences. Costs of materials have already begun rising in response to the impact on trade routes.

There are further geopolitical risks on account of the economic rivalry between the US and China, which is also being fuelled by the conflict surrounding Taiwan's independence. Furthermore, there are potential hotbeds on the Korean peninsula, in South America (Venezuela/Guyana) and in West Africa (Niger, Burkina Faso, Mali, Guinea). In addition, there will be a number of elections in 2024 (including in the US, India and Europe) whose outcome could have a significant influence on global political affairs. A conclusive assessment of the possible impact on LEG is not yet possible at this time.

The economic situation in Germany is currently mainly defined by shortages of skilled labour and affordable housing. The latter challenge is being further exacerbated by high financing costs and regulatory requirements. The government's target of building 400,000 new homes per year will therefore not be achieved in the foreseeable future. The Federal Association of German Housing and Real Estate Companies (GdW) estimates that just 242,000 new homes will be built in 2023 and 214,000 in 2024. According to the Federal Statistical Office, German GDP declined by 0.3 % in 2023. GDP is currently forecast to rise by 1.3 % in 2024. This is worse than in previous forecasts on account of a slowdown in the construction sector and less dynamic growth in exports.

The modest economic prospects, and in particular the decline in purchasing power due to inflation, could entail the risk of defaults on payment for LEG. At the same time, the slowdown in new construction is reducing supply on the housing market, thereby making rent increases more viable.

In terms of demographic trends, Germany is experiencing an increasing ageing of its working population and associated growth in the proportion of pensioners in the population. This is resulting in structural demand for new workers. The escalating skills shortage entails the risk of rising staff costs and will be difficult to manage without a significant inflow of workers.

Population growth as a result of immigration means the opportunity for increased demand for the affordable housing offered by LEG. Conversely, negative demographic trends could reduce demand in the long term.

The German Climate Change Act and the requirements of the EU Taxonomy are driving structural change in almost all areas, in particular in the energy sector, industry, transport and the property industry. Moving forward, high levels of investment will be required to make the economic model carbon-neutral while also being competitive. For LEG, this results in the risk of high investment costs without the ability to increase rents to an appropriate degree due to potential statutory requirements. However, it also entails the opportunity of benefiting from state subsidies that could support a significant share of this investment. In addition, stricter regulations, for instance in the field of energy efficiency, could improve LEG's market opportunities for innovation (RENOWATE, termios, dekarbo).

Assessment of the property market

The property market is subject to a long-term cycle. Until last year, there had been an enduring growth phase fuelled by low rates of interest and inflation. In response to the acceleration in inflation from 2021 onwards, central banks began reversing their low interest policies from 2022. One consequence of this has been diminishing price momentum on the property markets. Price declines are now being observed on the back of low transaction volumes. As there is a delay (sometimes lasting several months) between a sale being notarised, the transfer of rights and obligations and the publication of the transaction data in official market reports, close market proximity is necessary to assess market developments at this time.

As an investment, property must compete with other asset classes. In particular, the significant rise in returns on the bond market is making property investments less attractive. For more and more households, buying a home of their own has become unaffordable due to the consistently high price level coupled with the sharp rise in financing costs. This is resulting in increased demand for rented accommodation.

Housing demand is also heavily influenced by regional population and household trends. The higher cost of living and the improved technical viability of working from home are prompting relocations from generally expensive city locations to the suburbs and more rural areas.

As at 3 March 2023, the German Federal Ministry of Labour and Social Affairs published an updated draft of the "Regulation to Amend the Ordinance on Hazardous Substances and Other Work Safety Ordinances". According to this draft document, all buildings on which construction began before 31 October 1993 are to be generally suspected of containing asbestos. Construction on a majority of LEG's property portfolio began before this date, hence extensive exploration and subsequent renovation work would have to be carried out at a future time. This would entail corresponding direct costs as well as indirect costs due to the extended vacancy periods of the apartments to be inspected or renovated, for instance. The draft is expected to enter further parliamentary procedure in its present form, hence amendments could still be made. There are currently delays in the parliamentary legislative procedure, partly on account of the need for further coordination on content. The originally planned implementation date as at 1 January 2024 is therefore no longer realistic and implementation is now expected at a later date in 2024 at the earliest.

A resolution is pending on the amendment of the Energy Performance of Buildings Directive (EPBD). An initial draft of the EPBD by the European Commission from December 2021 stipulated that the 15 % of a Member State's building stock with the lowest energy efficiency would be subject to mandatory renovation by 2030. The original approach has since been scrapped in conjunction with the trilogue procedure. In place of mandatory renovation standards for certain energy efficiency classes, there is now expected to be a national energy-saving pathway for the housing stock by 2050. The pathway for savings in average primary energy consumption is still the subject of ongoing discussion at EU level.

Much of LEG's property portfolio is located in Germany's most populous state, North Rhine-Westphalia. It has further extensive holdings in Lower Saxony, Schleswig-Holstein and Bremen. The portfolio comprises high-demand A and B cities (such as Cologne, Muenster and Bremen) and also more rural areas where supply tends to exceed demand (such as Wilhelmshaven). The portfolio's focus is on affordable housing. This broad diversification enables LEG to benefit from the current market environment and to compensate for falling income as prices and demand decline in certain areas by focusing on other areas.

Investment decisions are made on the basis of forecasts for the future market development of the respective location and general property market development. In particular, the technical requirements of the respective property, its management requirements and the carbon reduction targets are also taken into account.

LEG calculates the value of its properties twice per year. Key externally calculated parameters used in the assessment are the discount rate, standard market rents, macro and micro situation assessments, standard market levels of structural vacancies and official indicative land values. Transactions actually performed on the market are also applied as a benchmark. To address the delay between a transaction and the time that its data become known, LEG engages in continuous marketing monitoring and a regular dialogue with key market players. Other parameters that are taken into account in valuation and for which there are no calculated data must be estimated. This mainly relates to assumptions about future inflation, assumptions to assess the technical condition of properties, and the weighting of the various valuation parameters. In particular, forward-looking parameters and assessments are by their nature subject to a higher risk of incorrect assessments, even though the underlying data are gathered with the utmost care. Such deviations can have either a positive or a negative effect on the calculated property values.

LEG's cost of capital has risen sharply in the recent past due to high inflation and the growth in interest rates. In conjunction with the annual calculation of the carrying amounts of investments in accordance with IDW RS HFA 10, this can require write-downs at individual companies within the Group.

Risk categorization

At LEG, all identified individual risks are assigned to a main risk category and a subcategory. The main categories and subcategories are represented by the headings below.

In the following section, individual risks that have a potential net liquidity impact in excess of EUR 2.25 million (regardless of their probability of occurrence) within 2024 and 2025 are considered relevant for the purposes of the management report. Provisions have been recognised as at 31 December 2023 for the relevant individual risks identified.

Main category A: General business risks

The main category of general business risks covers risks in connection with the business organisation, corporate management and communication, as well as other risks arising from company operations that cannot be explicitly assigned to one of the other main categories. In this category, the risk situation is virtually unchanged in terms of the number and assessment of risks.

Communication and image

External or internal events can cause a loss of image at LEG, regardless of whether LEG is directly responsible or not. Such events have a wide range of potential causes and can comprise ESG or climate aspects in addition to conventional image risks. Ever-higher expectations and requirements on the part of lawmakers, investors and society mean that mere compliance with statutory conditions is no guarantee of a positive corporate image. Accordingly, LEG's external perception does not necessarily reflect its actual engagement. LEG counters this risk through active press relations work and external certification (including for ESG aspects) and by complying with the EU Taxonomy standards. Nonetheless, a loss of image cannot be completely ruled out.

Corporate management

The term "corporate management" refers to risks arising from planning and reporting systems. LEG's forecasts or its economic and business plans could contain inaccuracies. These can be due to inaccurate content, professional misjudgement, misunderstandings or even technical errors. In addition, both the aggregate analysis of small-scale issues and the challenge of predicting parameters relevant to planning over a longer horizon naturally result in inaccuracies. As such, there is a risk that the planned results or the communicated ranges of fluctuation will be missed. LEG strives to minimise this risk through regular plausibility checks, deviation analysis and feedback discussions.

Main category B: Compliance risks
Compliance risks result from LEG employees not obeying statutory requirements or internal guidelines intended to avert damage. In this category, the risk situation is unchanged in terms of the number and assessment of risks. In particular, compliance and/or antitrust breaches can occur wherever there are business, contractual or even personal relationships between employees of LEG and outside persons. For instance, irregular lease benefits could occur in letting business. Similarly, particularly on markets characterised by housing shortages, unfair practices can arise in the attempt to get an apartment. These risks are countered by organisational measures. Examples of these are the use of standardised lease agreements, the stipulation of target rents and advising prospective tenants that there is no commission on LEG apartments.

Services rendered by third parties entail the risk that orders or invoices are not consistent with market standards. This can apply to any kind of service or consulting, such as maintenance, agency or financing services. In order to prevent fraud, standardised agreements containing anti-corruption clauses have been prepared. In addition, there is a Code of Conduct that is binding for all LEG employees and a Business Partner Code that all contractual partners are expected to obey. A clear separation of functions between procurement and invoicing has also been introduced as a further organisational measure. In addition, IT-based measures are being introduced to ensure compliance with the statutory regulations of the Lieferkettensorgfaltspflichtengesetz (German Supply Chain Due Diligence Act), which will apply at LEG from 2024.

Others
Antitrust violations are assigned to the “Others” subcategory and can result from collusive practices with competitors or service providers. It can prove challenging to produce exonerating evidence. If they were to occur, such risks could cause economic damage given the significant penalties and the loss of image associated with an antitrust fine. This is countered by extensive training measures to raise employee awareness.

Main category C: Property risks
This main category comprises the risks arising from LEG’s core business. Accordingly, issues concern the acquisition and disposal of properties, leasing and letting, modernisation and maintenance or portfolio management and valuation. In this category, the risk situation has improved significantly in terms of the number and assessment of risks.

Acquisition
The “Acquisition” subcategory contains risks that can arise from acquisitions of property portfolios. No major acquisitions are planned at present on account of current developments in the economy at large and the industry specifically.

Acquisitions are subject to a structured process. Internal and external experts are involved in reviews, ensuring high-quality assessments of the quality of properties. Furthermore, this approach makes it possible to develop portfolio optimisation measures and their (rent) development. The reviews also ensure that the required human resources and financing options are identified. In addition to the risk of incorrect assessments in conjunction with the acquisition, there is a risk that relevant information will not come to light until after the acquisition has been completed. The risk is that this information will negatively affect economic assumptions and thereby the valuation or profitability of properties. As far as possible, these risks are safeguarded against on the basis of guarantees or declarations by sellers in purchase agreements with guarantors of sufficiently high credit standing or for which money is deposited in notarial accounts in individual cases. However, these guarantees are subject to minimum thresholds and a maximum amount of total damage. If the seller either is unwilling to provide the guarantee or has a poor credit rating that prevents it from doing so, relevant matters undergo an additional audit in order to identify any risks. Conversely, there is also the possibility 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. In individual cases, there can be disputes (in or out of court) over whether or in what amount brokers are entitled to commission from property transactions. A risk can thus arise depending on the underlying transaction volume or the outcome of the dispute (defence against the claim, settlement or payment of the commission).

Property management
The “Property management” subcategory relates to risks in connection with rentals and leasing. This mainly comprises investments in properties, disagreements over rent increases, potential lost rent, public safety, and insurance in a property context.

LEG invests in its property portfolios extensively on an ongoing basis. This extends from small repairs and the refurbishment of vacant apartments through to large-scale modernisation projects. With all these measures, there is the risk that the proposed budget will be exceeded. Technical risks can arise as a result of the quality, construction or age of the buildings under management. These risks can be more common for certain years of construction or types of buildings. The result of this is higher maintenance expenses to ensure that the buildings can still be used. For portfolios acquired in previous years in particular, there is an elevated risk that structural defects will only become apparent over time, despite careful technical due diligence in the acquisition process in consultation with internal and external experts. If contractual relationships with service providers are taken on in conjunction with acquisitions, the conditions agreed may be worse than for contracts that the company negotiates itself. Even existing maintenance contracts can see their price/performance ratio deteriorate over time compared to standard market conditions. The obligation to obey building regulations, in particular with regard to safety and fire protection, can entail increased staff and maintenance costs. To minimise the risks involved in technical management, LEG continues to focus its efforts on pooling and standardising services, optimising processes and integrated service management.

Main category D: Finance

The "Finance" main category comprises the risks closely associated with the areas of LEG's cash flow, refinancing and financial covenants. Risks in connection with assets other than property are assigned to this category as well. In this category, the risk situation has improved significantly due to the elimination of a material risk event.

The bad debt sub-category reflects the risk that LEG's contractual partners with a debit balance do not fulfil their payment obligations. These are essentially payments for rents and ancillary costs. To minimise this risk, appropriate countermeasures are initiated through standardised credit checks for rentals and the identification of problematic tenancies as part of active receivables management. In individual cases, there is still a risk of rental defaults.

As a result of the energy crisis and the associated general inflationary trends, there has been a significant increase in ancillary costs for the tenants of LEG. As the agreed advance payments for ancillary costs are in many cases insufficient to cover the actual costs incurred, high additional claims may arise in the context of operating cost statements. This results in the risk of increasing value adjustments or write-offs of receivables. LEG counters this situation by actively communicating with tenants with the aim of adjusting advance payments during the year.

Prolongation

The "Prolongation" subcategory describes risks in conjunction with refinancing. Access to the capital market and the amount of refinancing costs are dependent on the company's credit rating. Any changes to this rating could have implications for refinancing. In this context, there is the risk that refinancing will not be possible at the anticipated terms or at all, thereby necessitating the repayment of financing. Furthermore, this subcategory includes the risk of not being able to obtain the planned funding to the necessary extent. This risk is currently limited at LEG thanks to the long-term financing structure and the distribution of maturities over a period of several years. The risk is minimised by regularly reviewing existing financing and maturities, and by the early negotiation of refinancing. Alternative forms of internal and external financing are also considered on an ongoing basis. At this time, LEG's maturing liabilities are covered until the middle of 2025.

Stability of bank partners

The stability of existing partners in the banking sector is of key significance to LEG in the context of a stronger concentration on individual creditors (restructuring of financing, investments). Both the consistency of business policy and the economic strength of financing partners are key elements in this context. A deterioration in the economic situation of an individual bank or the banking market as a whole could lead to the risk of a change in business policy. A possible consequence of this would be the deterioration of (refinancing) conditions.

In particular, this also applies to contractual relationships under which LEG has claims to performance (e. g. derivative interest hedges). For instance, higher costs could be incurred to cover the loss of a financing partner. The internal guidelines for new interest rate hedges therefore include corresponding minimum requirements regarding the counterparty's credit rating. LEG also strives to reduce this risk with the diversification of its banking partners and the regular monitoring of the banks concerned.

Main category E: Accounting

Risks can arise from a failure to comply with statutory regulations, which could lead to errors in the annual, consolidated or quarterly financial statements. Secondly, violations of other regulatory requirements, such as the German Corporate Governance Code, or disclosure obligations, could result in a qualified audit opinion or record of denial, reputational damage or negative repercussions for the share price. An internal control system for the accounting process is in place to counteract this risk. The "Accounting" main category has no individual risks that exceed the materiality threshold. The risk situation in this category remains unchanged in terms of the number and assessment of risks.

Main category F: Tax risks

Tax risks essentially result from tax assessment issues due to unexpected statutory changes or case law within a period defined for planning purposes. In this category, the risk situation is burdened by a new material risk event.

Taxes/duties

The "Taxes/duties" subcategory focuses on trade tax, real estate transfer tax, property tax, corporation tax and VAT.

Tax risks from external audits can achieve a relevant magnitude if they occur. The current external audits for 2009 to 2012 and 2013 to 2016 have largely been completed. Audit orders for 2017 to 2019 have already been issued.

Before acquiring shares in property companies, LEG transferred properties to these companies. A higher assessment base for real estate transfer tax could apply to the entire transaction.

LEG applies the extended property curtailment in accordance with section 9 of the Gewerbesteuergesetz (GewStG – German Trade Tax Act), which substantially reduces its trade tax liability. A requirement for applying this provision is that income is exclusively generated from the use and management of property for the assessment periods prior to 2020. This entails a risk that this regulation is not applicable to individual LEG property companies.

In conjunction with the amendment of trade tax, calls were made to abolish or restrict apportionment. Under the current political and social conditions, the possibility that such an amendment to apportionment could be made in conjunction with the billing of operating costs cannot be completely ruled out.

The amendments to the Grunderwerbsteuergesetz (German Real Estate Transfer Tax Act) that became effective in 2021, in particular the addition of a new notional change in ownership of stock corporations, could result in real estate transfer tax being incurred on existing structures for listed property companies as well.

LEG supplies energy to some of its tenants through its subsidiary EnergieServicePlus GmbH. There is the risk that rental operations and energy supply could be seen as economically separate, with the result that the supply of energy could be subject to VAT as a separate principal item.

In accordance with section 2(2) of the Umsatzsteuergesetz (UStG – German VAT Act), internal transactions between the members of a fiscal entity in Germany are not subject to VAT as the subsidiary in a fiscal entity is regarded as a dependent part of the parent company's overall business. Owing to the current legal uncertainty at European level, there is the risk that subsidiaries in a fiscal entity could by subject to VAT moving ahead.

Main category G: Human Resources (HR)

The "HR" main category involves risks in connection with LEG's personnel. In this category, the risk situation has improved moderately in terms of the number and assessment of risks. HR management faces major strategic challenges in irreversible megatrends such as demographic and technological change and the changing values of younger generations. LEG mainly addresses these challenges with targeted HR development and with measures and activities geared to the needs of current and future staff that contribute to LEG's employer branding and employee satisfaction. In connection with this, LEG has entered into a works agreement on more flexible working hours and remote working.

Development of FTEs and HR budget

The "Development of FTEs and HR budget" subcategory comprises risks resulting from changes in employee capacity and remuneration. In the current inflationary landscape, there is a business risk that the results of collective bargaining will be higher than planned by the company.

Main category H: Legal risks

The "Legal risks" main category is for all risks arising from data protection aspects, changes in the law, liability and insurance issues, contracts and legal disputes. In this category, the risk situation is virtually unchanged in terms of the number and assessment of risks.

Data protection

The "Data protection" subcategory concerns risks arising from breaches of statutory data protection provisions. High fines based on corporate revenue can be imposed in connection with breaches of data protection law. LEG counters this risk by taking various measures to reduce the probability of occurrence and impact of the risk, for instance by implementing a holistic data protection concept as well as outsourcing IT processes to an external data centre.

Liability/insurance risks

The "Liability/insurance risks" subcategory includes risks in connection with statutory insider trading regulations (Market Abuse Regulation) that must be complied with by all of LEG's employees and members of its executive bodies. Violations mean the personal liability of those concerned and a loss of reputation by LEG. In case of doubt, there is also the risk of significant fines for LEG. A risk relevant to LEG could result from this. Information on LEG is regularly analysed for its significance to LEG and, if the legal requirements are met, categorised as inside information – sometimes even just as a precaution. If information really constitutes inside information, it is only communicated among a select group of participants and the participants are expressly advised that the information is confidential. Furthermore, there are statutory lists of insiders and the persons on it, as well as those likely to come into contact with inside information, receive special instructions as soon as such inside information arises. 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. Technical measures have been set up to guarantee the technical publication of ad hoc disclosures at all times. Lastly, LEG is protected against any claims under securities trading law with basic insurance.

In a specific property context, there are also still risks of liability in the event of mining damage to individual buildings. According to expert opinion, there is only a residual risk of the occurrence of such damage in the specific case. LEG could also be liable for third-party claims in this context.

Main category I: Information and communication technology

The main category of "Information and communication technology" relates to risks arising from IT processes within LEG. In this category, the risk situation is unchanged in terms of the number and assessment of risks. IT applications and systems are essential to providing seamless support for LEG business processes. In-house solutions are thus secured by redundant components. If IT services are outsourced, their availability is ensured through service level agreements with the service provider. Given the rising threat posed by cyber criminals, LEG has also introduced a number of other measures (e. g. compromise assessment) in addition to its established IT security measures (e. g. penetration tests). This significantly reduces the risk of cyber attacks or access by unauthorised persons, though it cannot rule them out entirely.

System security/technology

In particular, the "System security/technology" subcategory encompasses risks relating to the failure of hardware or software. The impact of a business interruption due to IT can be minimised through the use of an emergency data centre.

Main category J: Project business

The "Project business" main category is for issues arising from the implementation of construction projects or the operation of subsidiaries. LEG has halted its project business in view of the currently unattractive ratio of construction costs to future rental income. Projects that have already been initiated will be completed as planned. In this category, the risk situation is virtually unchanged in terms of the number and assessment of risks.

Subcategory: Commercial project business

LEG performs project business in line with economic aspects. Changes in economic circumstances can make a project unattractive. Halting a project may result in the breach of official conditions. Weighing up the economic considerations, it may make more sense to accept the fines, penalties or costs involved in cancelling a project rather than continuing it.

Subcategory: Technical project business

LEG is the majority shareholder in a biomass heating power plant. The complex technology could cause unplanned downtime, thereby leading to risks. These risks include lost revenue or unplanned costs of repairs. Audits are carried out on a regular basis in order to prevent these risks.

Main category K: Sustainability

Sustainability risks relate to the potentially negative impact of LEG's business model on the environment and society. This is manifested in damage to third parties that could, at best, affect LEG indirectly through liability obligations. In this category, the risk situation is virtually unchanged in terms of the number and assessment of risks.

None of the subcategories in the "Sustainability" main category have individual risks that exceed the quantitative materiality threshold in the period under review. Rather, sustainability risks are assessed on a qualitative basis as a component of non-financial reporting.

Main category L: TCFD

To mitigate future physical and transitional climate-related risks, LEG began integrating risks into the risk management system in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in 2021. The recommendations of the international TCFD provide a structured approach for assessing and disclosing climate change and its potential impact on finances, operations and strategy. The Group's TCFD risk assessment comprises all risks posed by climate change (physical risks). It also includes the risks resulting from the transition to a green economy (transitional risks). The risk potential is recorded in quantitative terms. TCFD risks are also reported to the Management Board and the Risk and Audit Committee of the Supervisory Board in conjunction with quarterly risk reporting. The integration of the corresponding risk measures is being continuously expanded. In this category, the risk situation is virtually unchanged in terms of the number and assessment of risks.

Regarding climate change, LEG assumes that climate change and changing weather conditions will lead to physical risks in the long term. In order to better assess potential risks to its existing buildings as a result of climate change, LEG has performed a comprehensive analysis of the risk situation concerning individual buildings using well-known software. The information gained from this enables LEG to take corresponding measures to reduce the risks. Acute risks such as extreme weather are typically covered by building insurance. In this case, the risk involves rising insurance premiums, deductibles and limits on compensation, or the possibility that individual risks can no longer be insured. LEG continuously monitors the development of physical and transitory risks. Furthermore, technological risks can arise due to disruptive/new technological developments, such as replacing oil and gas heating with green or climate-neutral solutions. Similarly, there are risks due to changing market prices for products and services as well as the reduced availability of materials.

Report on opportunities

In addition to the opportunities discussed in the risk section, other significant opportunities for LEG are listed below. These are a key driver of further earnings performance in the medium to long term (over the five-year planning horizon).

As at 31 December 2023, the property portfolio comprised 166,546 residential units, 1,550 commercial units and 46,621 garages and parking spaces. This makes LEG one of the leading listed property managers of residential housing in Germany. Its regional focus remains on North Rhine-Westphalia. LEG also operates in the federal states of Lower Saxony, Bremen, Schleswig-Holstein, Hesse, Rhineland-Palatinate and Baden-Württemberg. The consistently value-driven business model combines the interests of shareholders and tenants. LEG's strategy aims to make the business model fit for the future in light of the external conditions and to represent the interests of all key stakeholders. The strategy is built on three pillars: optimising core business, extending the value chain and the consolidation and optimisation of the management platform. Demand for affordable housing is continuing to rise, while the supply is declining significantly.

In the past, LEG placed far greater focus on leveraging economies of scale through selective external growth. In response to the changing macro environment, LEG made strategic adjustments in the 2022 financial year and halted all acquisition activities from October 2022. If conditions improve, however, it has the flexibility to resume its growth mode. The main reasons for postponing transaction business are:

- Greater focus on internal financing due to far higher interest rates
- Increased uncertainty regarding further property valuation, which also considerably reduces transaction business on account of uncertainty concerning future interest rates
- Decline in the share price and, in turn, a substantial increase in the cost of equity

Despite increasing shortages of affordable housing, exacerbated by the decline in new construction and high levels of immigration, both national and international investors are extremely reluctant to invest on account of uncertainty on the financial markets. However, given the substantial amount of capital raised for investment in European real estate, the halt in investment is expected to be only temporary and interest in German residential properties as an asset class should remain high.

LEG is excellently positioned and is experiencing continuous rental growth above the market average. This reflects the quality of the property portfolio, considerable management expertise and resilience to economic fluctuations. The main growth drivers in free-financed housing are regular rent index adjustments, adjustments in line with market rents, for instance for new rentals, and value-adding investments. In the rent-restricted portfolio, the cost of rent is adjusted at regular intervals according to the legal requirements and restrictions. Rent control for a large proportion of rent-controlled properties will end in 2028, which means potential for further rent increases in the medium term. Increasing the occupancy rate on a like-for-like basis is an additional opportunity.

The challenges that the German Climate Change Act poses for the German housing industry also present considerable opportunities for LEG. In 2021, LEG published its path to carbon neutrality by 2045 – as per the German Climate Change Act – and identified three drivers for achieving this: (1) energetic refurbishment; (2) expanding and using green energy; and (3) contributions through tenant responsibility. To implement these drivers, LEG has entered into various strategic partnerships aimed at developing innovative solutions and hence positioning itself as an external solution provider for sustainable business models. Furthermore, LEG already has a network of contractors and thus the capacity and expertise to make these projects a reality. This will be a major factor in helping the company to stand out to property owners. For LEG, not only does this present opportunities to improve its own portfolio, but moving forward it will also open up business opportunities as not all property owners will be able to make their properties carbon neutral. This approach is confirmed by the positive performance of the joint venture RENOWATE, founded by LEG and the Austrian construction company Rhomberg in early 2022 for serial renovation work on existing buildings. The company has already worked on more than 200 residential units in LEG's portfolio. Furthermore, RENOWATE has already gained three external customers in Germany and is now expanding into Austria and Switzerland as well. Termios was created in 2023 as a joint project between LEG, Oventrop and mantro to permanently optimise the use of existing heating systems with AI-controlled thermostats through adaptive hydraulic balancing. Up to 30 % of energy can be saved with a low capital investment per apartment. The first models of the thermostat have been tested since the current 2024 financial year. The joint venture dekarbo, which was formed with the air conditioning company Soeffing, specialises in the quick, low-cost installation of air-to-air heat pumps. This constitutes a key lever for the green transformation of heating systems in LEG properties.

LEG also expects to benefit from opportunities from digitalisation. Efficient and professional property management will mean moderate incidental costs for tenants and so will increasingly become a criterion that boosts satisfaction and helps the company to stand out from the crowd for current and prospective tenants. LEG believes that it is well positioned in this respect with its range of digital services such as digital leases or the use of RPA (robotics process automation) solutions and its digital start-up Youtilly, which was founded in 2021. Further efficiency gains can be achieved by implementing AI in suitable processes.

Summary of the opportunity situation

The opportunities listed offer possibilities for LEG beyond the underlying forecast period. In particular, the issues of digitalisation/robotic process automation and climate neutrality (including energy-efficient modernisation, expansion and use of green energy) are seen as opportunities in the medium and long term. In addition, strategic partnerships for the development of innovations allow LEG to position itself as an external provider for sustainable business models. If opportunities arise in addition to the developments forecast, or if they occur more quickly than expected, this could have a positive impact on LEG's net assets, financial position and results of operations.

Overall, the opportunity situation of LEG has not changed significantly compared to the previous year.

Forecast report

LEG was able to achieve the targets that it set for the 2023 financial year. The following section compares the key performance indicators achieved against the forecast from the previous year.

In November 2022, LEG had initially defined an AFFO target for the 2023 financial year of between EUR 110.0 million and EUR 125.0 million. In an ad hoc disclosure on 8 March 2023, LEG announced that the forecast for AFFO had been raised to between EUR 125.0 million and EUR 140.0 million. The main reasons for this were the decrease in new construction activities and the decision not to pay a dividend, which led to reduced interest expenses and thus an improvement in AFFO. On 29 June 2023, LEG also announced that the forecast for AFFO had been further raised to between EUR 165.0 million and EUR 180.0 million. This improvement was essentially driven by two roughly equal non-recurring effects: lower taxation of excess profits from LEG's own electricity generation as compared to planning and another AFFO-relevant cancellation of planned new construction activities. Based on the business performance in the first nine months, LEG specified in November 2023 that it now anticipated AFFO at the upper end of the range of EUR 165.0 million to EUR 180.0 million. The AFFO of EUR 181.2 million generated for the 2023 financial year was slightly above this expected range.

LEG had initially forecast a target of around 78 % for the adjusted EBITDA margin. In line with the AFFO forecast, this was then increased to around 80 % in the ad hoc disclosure on 29 June 2023. The adjusted EBITDA margin was 80.6 % in the reporting year and thus in line with the communicated forecast.

LTV (loan to value) is also dependent on external factors that are beyond LEG's control, such as the development of interest rates and the transaction market, which in turn affect the valuation of properties. Assuming stable valuation and not including the effects of disposals, LEG anticipated LTV of around 43 % at the end of 2023, though it was unable to rule out the possibility of this level being exceeded due to external factors. Due to the depreciation of the property portfolio as at the end of the first and the second half of 2023, LTV was 48.4 % on the balance sheet date. LEG had originally set a medium-term LTV target of not more than 43 %. This target was changed to not more than 45 % in November 2023.

LEG had forecast like-for-like rental growth per square metre of between 3.3 % and 3.7 %. On 29 June 2023, LEG announced that it now anticipated increased rental growth of between 3.8 % and 4.0 %, as it is operations were benefiting from the demand situation on the rental market. Actual rental growth per square metre was 4.0 % (like-for-like) as at 31 December 2023, putting it at the upper end of this range.

LEG had planned average total investment (adjusted) of around EUR 35 per square metre for maintenance and modernisation work in the 2023 financial year. Actual investment amounted to EUR 35.01 per square metre in the reporting period and was thus in line with the expected level. Consolidation effects, investment for new construction activities on own land, own work capitalised and subsidies recognised in profit or loss are eliminated when calculating the average investment per square metre (adjusted).

LEG had also communicated its ESG targets for 2023 in its reporting as at 30 September 2022 (Q3 2022). These are a component of remuneration for the Management Board and senior management, and were met as follows:

ESG targets FY 2023

	Target	Target attainment
Environmental	4,000 tonnes CO_2 reduction from modernisation projects and customer behaviour change	200 % 8,728 tonnes CO_2 reduction
Social	Timely resolution of tenant inquiries regarding outstanding receivables	130 % 11.5 days
Governance	85 % of Nord FM, TechnikService-Plus, biomass plant and 99 % of all other staff holding LEG group companies have completed digital compliance training	191.1 % 1,794 employees trained

For information on the ESG targets, please also refer to the 2023 remuneration report.

Outlook 2024

How LEG's business model develops moving forward is primarily dependent on supply and demand on the housing market, the general economic situation and its impact on household income, political developments and regulations, the development of inflation and interest rates.

LEG assumes that demand will continue to outstrip supply, particularly in LEG's affordable segment. For the German housing market as a whole, the government's target of building 400,000 new homes per year will not be achieved in the next few years. The Federal Association of German Housing and Real Estate Companies (GdW) estimates that 214,000 new homes will be built in 2024. At the same time, Bundesbank anticipates net immigration of roughly 400,000 people in 2024 and 300,000 per year in the medium term.

For the current year of 2024, Bundesbank forecasts that the German economy will expand again gradually. Stimulus for this is expected to come from private consumer spending in particular, as real income is set to increase thanks to a stable labour market, higher wages and falling inflation. This is based on the assumption that collective wages will increase by 5.0 % and gross wages and salaries per employee by 5.3 %.

Various government measures should also help, such as tax relief under the Inflation Compensation Act and the housing subsidies reform that has been in place since January 2023.

At its first rate-setting meeting of 2024, the European Central Bank kept its key interest rate unchanged. However, based on the higher interest rate level as a result of past interest rate hikes and the refinancing agreed, LEG assumes that the average interest rate as at 31 December 2024 will be higher than the previous year's figure. The liabilities for the 2024 financial year were already covered by refinancing agreements. In addition, LEG started to address initial portions of the secured liabilities due in the 2025 financial year.

The economic viability of the energy-efficiency improvement of existing buildings is affected by legal and regulatory frameworks. Since 1 January 2024, the amended Gebäudeenergiegesetz (GEG – German Building Energy Act) has included binding regulations on switching to renewable energy when installing new heating systems. At the same time, a new subsidy programme was launched in conjunction with Federal Funding for Efficient Buildings. One relevant aspect of this for LEG is the basic subsidy of 30 % and potentially an additional subsidy of another 5 % (efficiency bonus) when replacing heating systems. For other energy-efficiency improvements, a basic subsidy of 15 % is available, and potentially another 5 % if an individual improvement plan is in place. For systemic energy-efficiency improvements such as those carried out by the joint venture RENOWATE (LEG's share: 50 %), a subsidy rate of up to 45 % can be achieved. This consists of a percentage dependent on the efficiency level achieved by the building (e. g. EH 55, EH 40) plus serial improvement, worst-performing building and Efficiency House EE bonuses. The eligible expenses are capped under all subsidy programmes.

LEG's business model still faces fundamental conditions such as the fact that demand continues to easily outstrip supply in the affordable segment and rents are consequently continuing to rise that, from LEG's perspective, are positive for the company's future development. LEG responded to negative general conditions, in particular cost inflation, interest rate hikes and even stricter rent regulations, by redirecting its business in the 2022 financial year.

Based on this and subject to further developments in inflation, interest rates and rent regulations, LEG issued the following guidance for the 2024 financial year in November 2023, which is confirmed as part of the preparation of the consolidated financial statements and Group management report for the 2023 financial year.

The following development is forecast for the key financial performance indicators:

AFFO

LEG expects AFFO to amount to between EUR 180 million and EUR 200 million for the 2024 financial year.

Adjusted EBITDA margin

LEG forecasts its adjusted EBITDA margin for the 2024 financial year at around 77 %.

LTV

The LTV is largely determined by the valuation of the property portfolio, which in turn depends on the development of interest rates and the transaction market. These external factors cannot be influenced or predicted by LEG. Provided that both the property valuation and portfolio as well as the financing structure remain stable in 2024, a stable LTV can also be assumed.

A medium-term target of not more than 45 % has been set for LTV.

The derivation of the key figures AFFO, adjusted EBITDA and LTV is shown in the analysis of the net assets, financial position and results of operations.

The following development is forecast for other relevant key figures:

Like-for-like rental growth

LEG is forecasting like-for-like rental growth of between 3.2 % and 3.4 % for the 2024 financial year.

Total investment (adjusted)

LEG invests in its portfolio to safeguard its quality, boost its value and improve its energy efficiency. An average of approximately EUR 32.00 per square metre is to be invested in maintenance and modernisation work in the 2024 financial year.

ESG targets

In its reporting as at 30 September 2023 (Q3 2023), LEG also set out its ESG targets, which are a component of remuneration for the Management Board and senior management. The following ESG targets were set for the 2024 financial year:

- Environmental: Reduction of 4,000 tonnes CO_2 through modernisation projects and changes in customer behaviour
- Social: Use of 100 LEG employee hours to design, organise and implement intercultural projects by 31 December 2024
- Governance: 85 % of TSP employees and 99 % of all other employees of LEG Group companies to have completed IT security training by 31 December 2024

Remuneration report

This 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 prepared annually and is based on the provisions under the German Stock Corporation Act (AktG) in accordance with section 162 AktG as amended by the Act Implementing the Second Shareholders' Rights Directive (ARUG II) and the recommendations of the German Corporate Governance Code (GCGC) as amended 28 April 2022.

The Annual General Meeting of LEG Immobilien SE on 17 May 2023 approved the remuneration report for the 2022 financial year with 85.66 % of the valid votes cast. The Management Board and Supervisory Board had noted comments by investors on the 2021 remuneration report and taken these into account in the 2022 remuneration report. For example, this related to the detailed information on target attainment for variable remuneration and the description of the targets for variable remuneration defined for the 2023 financial year.

The Management Board and Supervisory Board of LEG are committed to the principle of transparency. The 2023 remuneration report therefore includes basic information on the key financial performance indicators and their ranges in the short-term incentive (STI), as well as further explanations regarding target attainment and information on the amounts of remuneration for the Management Board members as compared to other companies in the sector.

The Management Board remuneration system for the 2023 financial year generally corresponds to the resolution adopted by the Annual General Meeting for the 2022 financial year. Adjustments proposed to the AGM by the Supervisory Board in this context reflect the fact that in November 2022 the Management Board and Supervisory Board had resolved for the 2023 financial year to focus the business strategy more clearly on capital efficiency and future viability. Accordingly, the Supervisory Board has updated the remuneration system for the 2023 financial year with regard to the financial performance criteria for the STI, aligning these more closely with cash flow:

- Performance criterion AFFO per share instead of FFO I per share: In conjunction with the reorganisation of the company's management, AFFO (capex-adjusted FFO I) has been defined as LEG's primary key financial performance indicator for Group management. Starting from FFO I (after non-controlling interests), AFFO takes recurring capex into account. Recurring capex comprises capitalised costs of modernisation and maintenance work as well as new construction activities managed by LEG. When calculating the costs of modernisation and maintenance work, consolidation effects relating to own work that result from the elimination of intercompany results are eliminated.
- Performance criterion adjusted EBITDA margin instead of net operating income: The reorganisation of corporate management and the associated cash-optimised management necessitates a separation of operating cash generation from capital expenditure. Therefore, in calculating AFFO, maintenance expenses for purchased services, subsidies recognised in profit or loss and the own work capitalised previously included in "Other" are no longer reported in net operating income (recurring), and are instead recognised as an EBITDA adjustment.

The remuneration system updated from 1 January 2023 in terms of the short-term variable remuneration components was submitted to the Annual General Meeting of LEG Immobilien SE for approval on 17 May 2023. The Annual General Meeting approved the remuneration system with 76.44 % of the valid votes cast. This remuneration system applies retroactively from 1 January 2023 onwards to all members of the Management Board appointed at the time of the Annual General Meeting of LEG Immobilien SE on 17 May 2023 from the time that the revised Management Board contracts are signed.

In connection with the change to the governance of LEG Immobilien SE, the Supervisory Board believed it was appropriate given current market conditions to change the financial performance criteria that make up 80 % of the STI from the 2023 financial year onward and use AFFO per share (40 %) and the adjusted EBITDA margin (40 %) as new financial performance criteria.

The investors welcome the approach of gearing the business strategy to cash flow. Given the fact that the FFO I previously also used at LEG and the way it works as a performance indicator are widespread and well-established on the capital market, the Management Board of LEG engaged in intensive dialogue with investors regarding the changes associated with the new business strategy. The result was that AFFO is now accepted on the capital market as a relevant, targeted performance indicator that is much closer to cash flow, especially since this key figure is already established among international investors. Issues for discussion arose primarily in relation to the appropriate implementation of this realignment in the remuneration system in the case of the financial performance criterion AFFO per share in the STI.

In the investors' view, parts of the AFFO could be influenced directly by the Management Board in the 2023 financial year. The elements of AFFO cited as subject to influence were essentially interest saved as a result of suspending the dividend, the suspension of the new construction programme, the reduction of investment per square metre and the excess profits of the biomass CHP plant. Among other things, investors' criticism was based on the ad hoc disclosure of 29 June 2023, which stated that the AFFO range for 2023 published in November 2022 had been revised from between EUR 125 and EUR 140 million to between EUR 165 and EUR 180 million. However, the targets set for variable Management Board remuneration for the 2023 financial year were based on the original AFFO range of between EUR 125 and EUR 140 million.

To take account of the investors' feedback, all Management Board members in office in the 2023 financial year declared that they would forgo the share of the STI amount for 2023 that was attributable within the financial performance criterion AFFO per share to the interest savings due to the non-payment of the dividend in the 2023 financial year, the suspension of new construction activities and investment falling below the forecast of EUR 35 per square metre. By contrast, the Management Board members did not forgo the share of the STI amount for 2023 that was attributable within the financial performance criterion AFFO per share to the excess profit of the biomass combined heat and power station. In the unanimous opinion of the Management Board and the Supervisory Board, the forward sale of electricity in October 2022 is to be considered an active management decision based on a correct assessment of the market.

Given the importance of the remuneration system for the management of the company, the Supervisory Board also set up a Remuneration Committee in November 2023 that deals with Management Board remuneration and the Management Board remuneration system in general. The Remuneration Committee started its work immediately. The Remuneration Committee is always chaired by an independent member of the Supervisory Board.

Overview of 2023 remuneration system:

FIXED REMUNERATION COMPONENT	BASIC REMUNERATION		• Fixed contractually agreed remuneration payable in twelve equal instalments
	FRINGE BENEFITS		• Essentially company car for business and private use, for business trips the services of a driver can be used, various insurance elements
	PENSION ENTITLEMENT		• Receipt of a fixed amount, specified in the respective employment contract, into a reinsured support fund
VARIABLE REMUNERATION COMPONENT	SHORT-TERM VARIABLE REMUNERATION COMPONENT (STI)	Plan type	• Tantieme
		Restriction/cap	• 200% of the target amount
		Performance criteria	• 40%: adjusted EBITDA margin • 40%: AFFO I per share • 20%: ESG-targets • Criteria-based adjustment factor (0,8–1,2) to assess the individual and collective performance of the Management Board as well as extraordinary developments
		Payout	• After the end of the respective financial year
	LONG-TERM VARIABLE REMUNERATION COMPONENT (LTI)	Plan type	• Performance cash plan
		Restricition/cap	• 250% of the target amount
		Performance criteria	• 80%: Relevant Total Shareholder Return in comparison to the relevant index (EPRA NAREIT Germany) • 20%: ESG-targets
		Term of a performance period	• Four years
		Payout	• After the four-year performance period • Purchase obligation of LEG shares in the amount of 25% of the payout
MALUS/CLAWBACK			• Partial or complete reduction or reclaim of variable remuneration possible
SHARE RETENTION OBLIGATION			• Obligation to purchase LEG shares equivalent to a gross basic salary within four years • Obligation to hold the acquired shares for the duration of the Management Board activity
MAXIMUM REMUNERATION			• Chairman of the Board: EUR 4,800,000 • Full members of the Board: EUR 3,100,000

Management Board members in the 2023 financial year

The members of the Management Board in the 2023 financial year were:

- Lars von Lackum, CEO
- Dr Kathrin Köhling, CFO, since 1 April 2023
- Dr Volker Wiegel, COO
- Susanne Schröter-Crossan, CFO, until 31 March 2023

Secondary employment of Management Board members

The performance of secondary employment by members of the Management Board, in particular holding mandates in supervisory boards and similar executive bodies of companies outside the LEG Group, requires the prior approval of the Executive Committee. At the request of LEG Immobilien SE, members of the Management Board also perform duties or hold executive positions at affiliated companies of LEG Immobilien SE. This also applies to the performance of functions at associations and similar organisations where LEG Immobilien SE has an interest. Performing these duties does not constitute an additional employment contract for the Management Board members. The number of mandates at companies and comparable entities in which LEG Immobilien SE directly or indirectly holds less than 51 % of the respective capital or, if higher, the voting rights, is limited to four. This limitation does not include mandates at housing industry associations, the LEG NRW Tenant Foundation or the "Your Home Helps" foundation. For the event that the member of the Management Board is entitled to remuneration from affiliated companies, the corresponding remuneration will not be transferred to that member, and instead will be allocated directly to LEG NRW GmbH, a subsidiary of LEG Immobilien SE; in line with Recommendation G.15 GCGC, it will effectively count towards the remuneration received by members of the Management Board of LEG Immobilien SE.

If members of the Management Board receive separate remuneration for secondary employment outside the LEG Group, in line with Recommendation G.16 GCGC, the Supervisory Board will decide on a case-by-case basis whether that member is permitted to receive this remuneration or whether this remuneration will count against their entitlement to remuneration from LEG Immobilien SE. The only non-Group Supervisory Board mandate currently held is that of Dr Kathrin Köhling on the Supervisory Board of Deutsche Beteiligungs AG. The Supervisory Board has decided not to take the remuneration Dr Kathrin Köhling receives for this activity into account for her remuneration as a Management Board member of LEG Immobilien SE. The Supervisory Board believes it is in LEG Immobilien SE's interests for the members of its Management Board to receive stimulus from individual, non-Group Supervisory Board mandates that they can also apply to their Management Board work.

Management Board remuneration system in the 2023 financial year ("updated remuneration system")

AFFO as a cash-based performance indicator

The updated remuneration system supports the three fundamental core activities of LEG Immobilien SE:

- Optimising core business,
- Expanding the value chain,
- Enhancing the portfolio.

The remuneration of the members of the Management Board is intended to further consolidate these fundamental elements of LEG's business model.

Accordingly, the remuneration system reflects the material key financial performance indicators for Group management. In addition to internal key figures, the primary focus of the long-term variable remuneration component is on external, capital market figures as well as LEG Immobilien SE's short-term and long-term objectives.

LEG Immobilien SE's strategic decisions affect not only the company's business interests but also the interests of various stakeholders. LEG Immobilien SE is aware of this responsibility and has developed a sustainability strategy that is an integral part of the company strategy and affects essential action areas relating to environment, social and governance. In doing so, LEG Immobilien SE aims to manage and shape sustainability efficiently and reliably. LEG Immobilien SE sees sustainable action and business practices as a corporate obligation and it fulfils this commitment to its stakeholders. Sustainability aspects are therefore taken into consideration in Management Board remuneration, both in the STI (short-term variable remuneration component) and in the LTI (long-term variable remuneration component), with a weighting of 20 % in each case.

The successful 2023 financial year has shown that LEG's business model, in conjunction with cash-based management, is the right path for steering LEG through the recent challenges. In LEG's view, AFFO per share is the appropriate financial performance criterion in the current interest rate environment and the associated cash management is the right control mechanism for managing LEG successfully as a property company in the current geopolitically and economically uncertain environment.

Summary

In summary, alongside the suggestions from investors that have been taken into account, the following points were also incorporated into the design of the updated remuneration system:

- Supporting the company's strategy
- Focus on long-term and sustainable financial development at LEG Immobilien SE
- Ecological improvement in line with climate protection goals, optimising customer and employee focus and continuously adapting governance to the highest standards (ESG)
- Performance-based Management Board remuneration while simultaneously ensuring ambitious targets (pay for performance)
- Harmonising the interests of the Management Board and shareholders
- Taking into account the interests of other LEG Immobilien SE stakeholders and aligning the remuneration of the Management Board accordingly
- Consideration of market practice

Refinement of the updated remuneration system

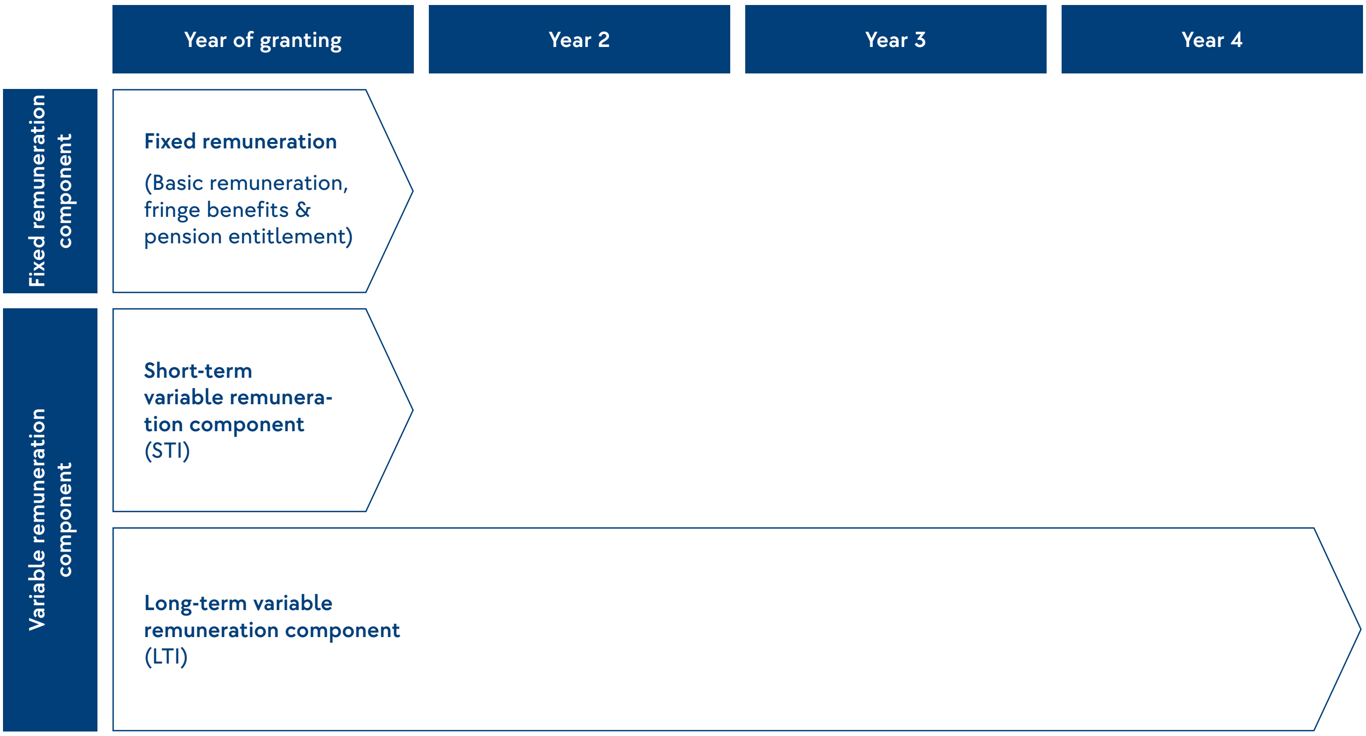
The updated remuneration system comprises fixed and variable components that together form the total remuneration of a member of the Management Board. Regarding this total remuneration, the Supervisory Board has set an individual, contractually agreed maximum amount for each Management Board member (maximum remuneration as defined in section 87a(1) sentence 2 no. 1 AktG).

The fixed remuneration component comprises basic remuneration, additional benefits and expenses for the occupational pension.

The variable remuneration component contains a short-term incentive (STI) and a long-term incentive (LTI).

Overview of the individual regular components of the remuneration system over time:

Remuneration system over time



The following overview shows the respective contractually agreed annual targets for the individual remuneration components, assuming 100 % target attainment:

Remuneration components

	Lars von Lackum CEO	Dr Kathrin Köhling[1] CFO		Dr Volker Wiegel COO	Susanne Schröter-Crossan[2] formerly CFO	
€ thousand		year	pro rata temporis		year	pro rata temporis
Fixed remuneration	950	375	281	550	550	275
One-year variable remuneration (STI)	600	250	188	375	375	188
Multi-year variable remuneration (LTI)	1,000	425	319	650	650	325
Target remuneration	**2,550**	**1,050**	**788**	**1,575**	**1,575**	**788**

[1] Start of Management Board contract as at 1 April 2023.
[2] End of Management Board contract as at 30 June 2023.

Susanne Schröter-Crossan left the Management Board as at 31 March 2023 and is entitled to her remuneration pro rata temporis until the end of her Management Board contract as at 30 June 2023. Dr Kathrin Köhling is entitled to remuneration for the 2023 financial year from the start of her Management Board contract as at 1 April 2023, which will be calculated pro rata temporis for the 2023 STI and the 2023 LTI.

Suitability of the updated remuneration system and the amount of remuneration

The target remuneration comprises the basic remuneration, the short-term variable remuneration component (STI) and the long-term variable remuneration component (LTI), each based on 100 % target attainment. The target remuneration was adjusted effective from the 2022 financial year. The Supervisory Board was advised by an independent remuneration consultant (hkp///group) in determining the remuneration for the 2022 financial year. In addition to the peer comparison, the independent remuneration consultant (hkp///group) also considered LEG Immobilien SE's situation and its earnings performance in recent years as well as the tasks and performance of the members of the Management Board when revising the 2022 remuneration system.

The Supervisory Board once again had the appropriateness of the remuneration checked by the external consultant MB Board Advisory in the 2023 financial year. In accordance with Recommendation G.3 GCGC, the Supervisory Board used suitable peer groups of other companies to assess whether the target remuneration for members of the Management Board is in line with usual levels.

As LEG Immobilien SE is listed in the MDAX, the first peer group consisted of the companies in this index. The MDAX is a suitable peer group in terms of market capitalisation in particular.

LEG Immobilien SE was also compared against selected property companies to achieve an industry comparison. Basic remuneration as well as short-term and long-term variable remuneration components were considered in the market comparisons.

The positioning in the peer groups is based on the equally weighted key figures of revenue, number of employees and market capitalisation. The target remuneration of the CEO and the regular members of the Management Board is still within the normal market range in both comparison markets after the adjustment of the remuneration amounts as at 1 January 2024.

The total direct remuneration of the CEO and the COO of LEG Immobilien SE is within the normal market range, while that of the CFO is below it. The long-term variable remuneration components of the COO and the CFO are within the market range, though that of the COO is above the median and that of the CFO is close to the lower quartile. The higher share of the long-term variable remuneration component compared to the short-term variable remuneration component is in line with the standards of stock corporation law regarding a predominantly long-term assessment base for variable remuneration components and the corresponding recommendation of the German Corporate Governance Code. The remuneration structure for the Management Board members at LEG Immobilien SE is in line with standard market levels in the MDAX.

Fixed remuneration components of the updated remuneration system: Basic remuneration

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

Additional benefits

The members of the Management Board receive contractually agreed benefits in addition to their basic remuneration:

- 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 regulation also applies to employee-financed pension commitments for which LEG Immobilien SE is the contractual partner. These pension commitments are capped at an annual payment of EUR 20 thousand for Lars von Lackum and EUR 15 thousand for the other members of the Management Board.

- Furthermore, LEG Immobilien SE provides the members of its Management Board with an appropriate company car for work and private use. All costs for the upkeep and use of the company car are paid by LEG Immobilien SE. In addition, members of the Management Board can use the services of a driver for official journeys. The benefits granted to the members of the Management Board through the provision of a company car are capped at EUR 80 thousand per member of the Management Board for the monetary value arising from private use. The income tax on these benefits is paid by the respective member of the Management Board. Members of the Management Board are also reimbursed for travel expenses and other expenses.
- In addition, LEG Immobilien SE has taken out accident insurance for the members of the Management Board which also covers accidents outside work. The pay-out to the insured party or his heirs amounts to not more than EUR 500 thousand in the event of death and EUR 1,000 thousand in the event of invalidity.
- D&O insurance has also been taken out for the members of the Management Board. The D&O insurance policies each include a statutory deductible of 10% of the loss, limited to 1.5 times the fixed annual remuneration per calendar year.

Payments and commitments to Management Board members whose work ended in the 2023 financial year

Susanne Schröter-Crossan left the Management Board of LEG Immobilien SE by mutual agreement for personal reasons as at 31 March 2023. The company and Susanne Schröter-Crossan have agreed for her contract as a member of the Management Board to continue until its regular expiry as at 30 June 2023. Her entitlements under the 2023 STI and the ongoing 2020, 2021, 2022 LTIs, and the 2023 LTI pro rata temporis, will be calculated on this basis. The obligation to purchase shares under the 2022 and 2023 LTIs does not apply.

Specifically, it was agreed among other things that Susanne Schröter-Crossan would receive her basic remuneration in a gross amount of EUR 45,833.33 per month, payable at the end of each month, until the end date in accordance with the provisions of the 2022 employment contract. For the 2023 financial year, the STI was granted only for the period up until the end date in line with the 2022 STI plan and was accordingly reduced to the pro rata target amount of EUR 187.5 thousand. For the 2020 financial year, the LTI was granted under the previously applicable conditions of the 2020 Management Board contract. The tranche of the performance period 3 due to be paid out in the 2023 financial year will still be settled and paid out in accordance with the 2020 Management Board contract. The LTI for the 2020 financial year was granted in accordance with the 2020 Management Board contract, taking account of that fact that Schröter-Crossan joined the Management Board during the year as at 1 July 2020, and was accordingly reduced to the pro rata target amount for the tranche for the performance period 3 of EUR 74,166.66. For the 2021 and 2022 financial years, the respective LTI will be granted in accordance with the previously applicable terms of her 2021 and 2022 contracts in line with the respective long-term incentive plan. The relevant targets still apply. The remuneration will not be paid early. For the 2023 financial year, the LTI will be granted in accordance with the previously applicable terms of the 2022 Management Board contract in line with the 2022 LTI plan. The LTI for the 2023 financial year will be granted only for the period up until the end date in line with the 2022 LTI plan and reduced to EUR 325,000.00 thousand in line with the LTI target amount. The obligation to purchase shares under the 2022 LTI plan does not apply.

Under her 2022 contract, Susanne Schröter-Crossan was entitled to additional benefits (company pension plan, pension and health insurance contributions, accident insurance, company car, etc.). The additional benefits were granted pro rata temporis for the 2023 financial year until the end of her contract in accordance with the contractual regulation.

Pension entitlement

Each calendar year, LEG Immobilien SE grants members of the Management Board a fixed employer-financed occupational pension commitment, the amount of which is set out in the Management Board agreement. This amount is paid into a reinsured occupational pension scheme. It is reduced pro rata temporis if the member leaves or joins the company during the year. In addition, the pension benefits allowance for the member of the Management Board provided as part of their additional benefits can also be paid into the occupational pension scheme instead of this allowance.

Occupational pensions granted to members of the Management Board in the 2023 financial year are shown in the table below.

Occupational pension scheme granted

	Company pension benefits via a provident fund with annually paid fixed contribution			Company pension benefits via a provident fund or professional pension scheme		
in €	Amount p. a.	Monetary compensation amount	Monetary compensation year	Amount p. a.	Monetary compensation amount	Monetary compensation year
Lars von Lackum	100,000	2,325,000	2042	8,147	187,851	2042
Dr Kathrin Köhling	35,000	928,731	2050	6,110[1]	[3]	[3]
Dr Volker Wiegel	50,000	1,141,667	2043	8,147[2]	[3]	[3]

[1] The company pension benefits for Dr Kathrin Köhling is provided by the Deutsche Rentenversicherung.
[2] The company pension benefits for Dr Volker Wiegel is provided by the pension scheme for lawyers.
[3] A monthly payout starts with the day of retirement. A lump-sum settlement is not envisaged.

In accordance with the provision in her Management Board contract, Susanne Schröter-Crossan received contributions to a company pension via a provident fund in the amount of EUR 166,246.52 in the 2023 financial year.

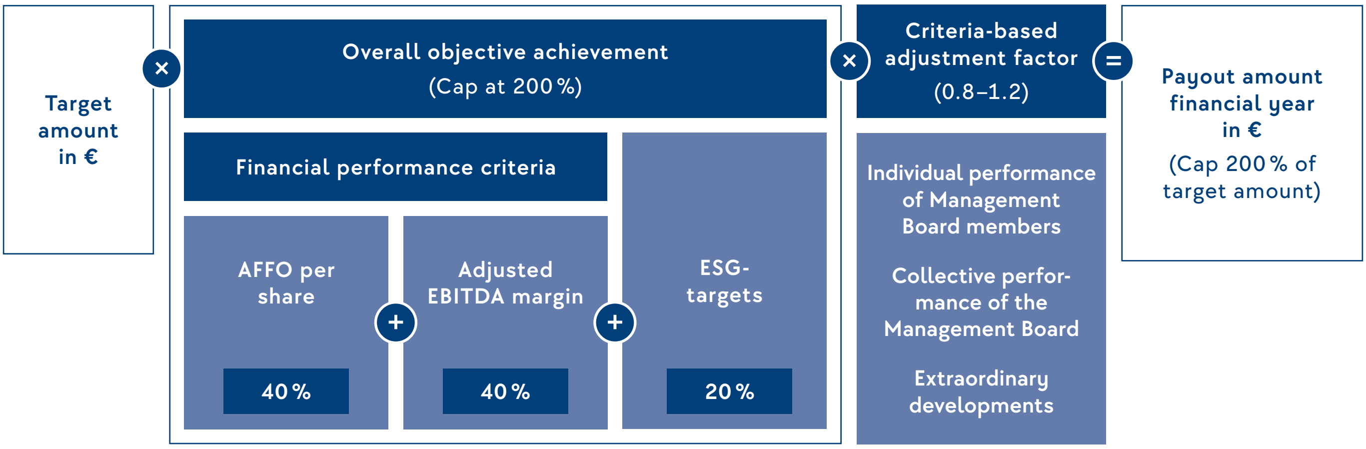
Variable remuneration component with a short-term incentive function (STI)

The purpose of the STI is to ensure profitable, organic growth and the achievement of annual operating targets. The STI consists of an annual payment measured on the basis of the following financial and non-financial performance targets:

- AFFO per share,
- Adjusted EBITDA margin,
- Non-financial environmental, social and governance targets (ESG targets).

The financial performance criteria are each weighted at 40 %. The ESG targets derived from the separate non-financial statement are weighted at a total of 20 %, with the three ESG sub-targets equally weighted. The STI also has a criteria-based adjustment factor with a range of 0.8 to 1.2. Target attainment for the performance targets is capped at 200 %.

Short-term variable remuneration scheme



Financial performance criteria for the STI

The targets set by the Supervisory Board for AFFO per share and the adjusted EBITDA margin are based on the annual business plan, which the Supervisory Board has approved for the respective financial year. The business plan reflects the external guidance for the 2023 financial year and was communicated to the capital market on 9 November 2022. The financial performance criteria are each weighted at 40 %.

On 23 February 2023, the Supervisory Board defined the following targets for the financial performance criteria for the 2023 financial year:

STI 2023 – Financial performance indicators

Financial performance indicators	target	ranges
AFFO per share	1.50 €	0 % minimum attainment: 1.20 € 100 % target attainment: 1.50 € 200 % maximum attainment: ≥ 1.80 €
Adjusted EBITDA margin	77.7 %	0 % minimum attainment: 62.16 % 100 % target attainment: 77.70 % 200 % maximum attainment: ≥ 93.24 %

When calculating the STI amounts to be paid for the financial performance criteria, the actual value achieved for each sub-target is compared against the target derived from the approved business plan. Target attainment is first calculated by taking the percentage deviation between the actual value and the target using the contractually agreed weighting. The STI tranche is then calculated based on target attainment.

If the target is met, target attainment is 100 %. If the target is exceeded by 20 %, the maximum value of 200 % target attainment is achieved. If the target is fallen short of by 20 %, target attainment is 0 %. Target attainment between the defined target values (0 %; 100 %; 200 %) is calculated by linear interpolation.

The targets set by the Supervisory Board are based on the business plan adopted before the start of the financial year. The targets set are to be assessed in accordance with the regulations defined in the Management Board agreements in terms of the effects of acquisitions and disposals not taken into account in the business plan and of changes in consolidated companies, and are to be adjusted where necessary. Adjustments during the year based on forecasts generally are not taken into account. In view of this, no adjustments of the targets for the financial performance criteria AFFO per share and adjusted EBITDA margin that were set by the Supervisory Board based on the 2023 business plan that were required in the 2023 financial year.

Financial performance criterion – STI / AFFO per share

	Target 2023 according to business plan	Target value 2023
AFFO per share	1.50 €	2.44 €

The financial performance criterion of AFFO per share is therefore 200 % satisfied.

STI payments 2023 / AFFO per share unadjusted
Overall, this would result in the following payout amounts:

STI payments 2023 / AFFO per share

in €	Lars von Lackum CEO	Dr Kathrin Köhling[1] CFO	Dr Volker Wiegel COO
STI 2023	480,000.00	150,000.00	300,000.00

[1] Entitlement for the period from 1 April 2023

To take account of investors' feedback, all Management Board members in office in the 2023 financial year declared – as described above – that they would forgo the share of the resulting amount to be paid out for the 2023 STI that was attributable with regard to the financial performance criterion AFFO per share to the interest savings due to the non-payment of the dividend in the 2023 financial year, the suspension of new construction activities and investment falling below the forecast of EUR 35 per square metre. Investment of EUR 35 per square metre was achieved. The relevant factors for calculating the amount of the STI that the Management Board members then chose to forgo are therefore the effects totalling EUR 39.7 million from the interest savings due to the non-payment of the dividend in the 2023 financial year and from the suspension of new construction activities. Not including the amount of EUR 39.7 million resulting from these effects, the following notionally adjusted figure would actually have been achieved for the financial performance criterion AFFO per share:

Financial performance criterion – STI / Notionally adjusted AFFO per share

	Notionally adjusted target according to business plan 2023	Actual value 2023
AFFO per share	2.07 €	2.44 €

Not including the effects attributable to the interest savings due to the non-payment of the dividend in the 2023 financial year and the suspension of new construction activities, AFFO per share would only have been 190 % achieved rather than 200 %. Compared to the amounts to be paid out for the 2023 STI, the 10 percentage points lower target attainment for the financial performance criterion AFFO per share in this case would reduce the amount to be paid out for the 2023 STI by EUR 24,043 for Lars von Lackum, by EUR 7,514 for Dr Kathrin Köhling and by EUR 15,027 for Dr Volker Wiegel. As set out above, the members of the Management Board have waived this amount otherwise payable under the 2023 STI. This results in the actual payment amounts under the 2023 STI for the members of the Management Board shown below:

STI payments 2023 / AFFO per share after waiver

in €	Lars von Lackum CEO	Dr Kathrin Köhling[1] CFO	Dr Volker Wiegel COO
STI 2023	455,957.00	142,486.50	284,973.00

[1] Entitlement for the period from 1 April 2023

Financial performance criterion – STI / Adjusted EBITDA margin

	Target 2023 according to business plan	Actual target value	Target achievement on the basis of contractually agreed weighting	STI partial amount
Adjusted EBITDA margin	77.7 %	80.6 %	159 %	63 %

This financial performance criterion has thus been achieved at a level of 159 %.

STI payments 2023 / Adjusted EBITDA margin

in €	Lars von Lackum CEO	Dr Kathrin Köhling[1] CFO	Dr Volker Wiegel COO
STI 2023 / Adjusted EBITDA margin	380,640.00	118,950.00	237,900.00

[1] Entitlement for the period from 1 April 2023

ESG targets in STI:

ESG targets are based on LEG Immobilien SE's separate non-financial statement and on strategic considerations and future projects. Environmental, social and governance criteria are defined for the ESG targets and operationalised with specific targets. The targets are assigned quantitative or qualitative criteria so that a comparison of target and actual performance can be carried out at the end of the financial year to measure target attainment. The specific ESG targets and the minimum and maximum values are determined annually by the Supervisory Board in consultation with the members of the Management Board before the start of the financial year.

The Supervisory Board set the following ESG targets for the 2023 financial year:

ESG targets STI 2023

Environmental	Social	Governance
Target: 4,000 tonnes CO_2 reduction from modernisation projects and customer behaviour change	**Target:** Timely resolution of tenant inquiries regarding outstanding receivables	**Target 1:** 85 % of active employees at LEG Nord FM, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and TSP – TechnikServicePlus GmbH have completed compliance training **Target 2:** 99% of active employees at the other LEG Group companies (section 15 of the German Stock Corporation Act) have completed compliance training
Targets: 0 % minimum value: 3,600 tonnes CO_2 100 % target attainment: 4,000 tonnes CO_2 200 % maximum value: 4,400 tonnes CO_2	**Targets:** 0 % = 18 calendar days 100 % = 13 calendar days 200 % = 8 calendar days	**Targets:** 0 % minimum value: 80 % (target 1), 94 % (target 2) 100 % target attainment: 85 % (target 1), 99 % (target 2) 200 % maximum value: 100 % (target 1), 100 % (target 2)

Environmental target for 2023 STI:
The target is to reduce carbon dioxide (CO_2) by 4,000 tonnes in the 2023 financial year. This includes the refurbishment measures to improve energy efficiency that were completed in the 2023 financial year and classified as modernisation measures in accordance with section 555b no. 1 to 3 of the German Civil Code (BGB) based on the portfolio included in the annual report as at 31 December 2022. The reduction is evidenced on the basis of energy savings calculations and the resulting reduction in CO_2 emissions for final energy consumption. All the CO_2 emission reductions in the 2023 financial year that demonstrably result from measures to change user behaviour are also included in determining target attainment. This can also be evidenced by studies or reports by acknowledged experts that have been specifically prepared for individual measures taken in the 2023 financial year or through the use of a well-known, scientifically quantified and verified method of influencing user behaviour in the context of space heating that has been published in a peer review journal.

The CO_2 savings must be achieved on a climate-adjusted basis, i. e. for an average year to be expected in the long term for Germany according to the German Meteorological Service.

In the 2023 financial year, a total of 6,011 metric tonnes of CO_2 were cut as a result of changes in customer behaviour brought about by heating posters. A study conducted as part of the Newton project in 2022 determined that such posters bring about changes in customer behaviour. Through its reporting systems and its quality management, LEG ensured both that an effective measure for changing user behaviour was taken and also that the system used for calculating the reduction in CO_2 final energy emissions resulting from the energy savings calculations was reliable. In addition, CO_2 emissions were reduced by a further 2,717 tonnes as a result of modernisation work. CO_2 consumption was therefore reduced by 8,728 tonnes in total.

Social target for 2023 STI:
The target is to not exceed a period of 13 calendar days when resolving tenant inquiries in connection with outstanding receivables (based on the average gross processing time for 2022). This is based on the average time between the receipt and the closure of the respective ticket. This was 12.9 calendar days in 2022. However, a significant increase in volume was expected for the 2023 financial year due to the substantial rise in back payments of utility bills, accompanied by longer processing times by public authorities, which would have to be managed with the same number of FTEs. Nevertheless, processing times had to remain unchanged. “Closing a ticket” can mean, for example:

- consulting on housing benefits
- payment in instalments
- initiation of dunning procedures
- initiation of eviction procedures
- other special cases

Proof of target attainment is provided by corresponding system-based reporting. The reporting showed an average processing time of 11.5 days in the 2023 financial year.

Governance target for 2023 STI:
The goal is to increase the compliance training completion rate compared to the previous year. LEG’s employee body is divided between LEG Management, LEG Wohnen NRW, EnergieServicePlus, LCS Consulting und Service, LEG Bauen, LEG Consult, LWS Plus and Youtilly on the one hand and LEG employees at TSP on the other. The distinction between the two groups is firstly due to the fact that it was not possible to introduce the Group training tool in some companies of the Group at the same time as the rest of the Group. Secondly, comprehensive training in areas where employees rarely come into the office (e. g. workmen, greenkeepers) is more difficult than in the rest of the Group. The employee definition is intended to

guarantee that only active employees (i. e. not those in the passive phase of partial retirement, those on long-term sick leave, those on parental or other leave) and those who have had ample opportunity to complete the training given their time at LEG (at least three months) are included.

Proof of target attainment was delivered by the training tool that has now been launched throughout the Group. The participation rate within the defined group 1 of LEG staff was 98.6 %, while for group 2 it was 99.9 %.

The ESG targets are weighted at 20 % overall. All sub-targets (environmental, social and governance) are weighted equally.

Target attainment ESG STI 2023

	Actual attainment	Attaintment in %	ESG-target partial amount (weighted in %)
Enviromental	8,728 t CO_2 savings	200	66.7
Social	11.5 days	130	43.3
Governance	target 1: 98.6 % participation rate target 2: 99.9 % participation rate	target 1: 190.9 target 2: 192.0 Ø 191.2	63.7
Total			173.7

Target attainment for the non-financial targets was 173.7 % in the 2023 financial year.

STI payments 2023 – ESG targets

in €	Lars von Lackum CEO	Dr Kathrin Köhling[1] CFO	Dr Volker Wiegel COO
STI 2023 – ESG targets	208,495.00	65,154.80	130,309.00

[1] Entitlement for the period from 1 April 2023

Overall target attainment for 2023 STI:
The overall STI target attainment is calculated based on weighted attainment of sub-targets. The Management Board's target attainment score for the 2023 STI is 174 %.

STI payments 2023 (without criteria-based adjustement factor)

in €	Lars von Lackum CEO	Dr Kathrin Köhling[1] CFO	Dr Volker Wiegel COO
STI 2023/AFFO per share	455,957.00	142,486.00	284,973.00
STI 2023/adjusted EBITDA margin	380,640.00	118,950.00	237,900.00
STI 2023/ESG	208,495.00	65,155.00	130,309.00
STI 2023 Total	1,045,092.00	326,591.00	653,182.00

[1] Entitlement for the period from 1 April 2023

2023 STI overall target attainment of Susanne Schröter-Crossan
For the 2023 financial year, the STI for Susanne Schröter-Crossan was granted only for the period up until the end date of her Management Board contract as at 30 June 2023 in line with the 2022 STI plan. She has an STI entitlement of EUR 224,177.50 for the 2023 financial year.

Criteria-based adjustment factor for 2023 STI:
Besides the financial performance criteria and the ESG targets, the STI regulations also stipulate a criteria-based adjustment factor with a range of 0.8 to 1.2. The criteria applied in assessing the adjustment factor must be defined prior to the start of the financial year in question. In December 2022, the Supervisory Board determined the following criterion for the criteria-based adjustment factor for the 2023 financial year:

- Successful management of LEG in a market characterised by the Ukraine war, the challenges of the climate crisis and an uncertain financial environment with high interest rates and high inflation.

In addition, in line with Recommendation G.11 sentence 1 GCGC the Supervisory Board also retained the right to take extraordinary developments into account in the criteria-based adjustment factor.

Based on a recommendation by the Remuneration Committee, the Supervisory Board resolved to set a criteria-based adjustment factor of 1.0 in view of the successful management of LEG in a market characterised by the Ukraine war, the challenges of the climate crisis and an uncertain financial environment with high interest rates and high inflation. The criteria-based adjustment factor was applied in determining the management board remuneration.

STI payments 2023 (including criteria-based adjustment factor)

in €	Lars von Lackum CEO	Dr Kathrin Köhling[1] CFO	Dr Volker Wiegel COO
STI 2023 excluding criteria-based adjustment factor	1,045,092.00	326,591.00	653,152.00
STI 2023 including criteria-based adjustment factor of 1.0	1,045,092.00	326,591.00	653,152.00

[1] Entitlement for the period from 1 April 2023

The amounts paid under the STI are capped at EUR 1,200 thousand for Lars von Lackum, EUR 375 thousand for Dr Kathrin Köhling (pro rata temporis) and EUR 750 thousand for Dr Volker Wiegel.

In accordance with the regulations of the termination agreement with Susanne Schröter-Crossan from March 2023, the payment amount under her 2023 STI is capped at EUR 375 thousand.

The STI to be paid according to the above calculation shall be settled and paid out to the respective Management Board member no later than 30 days after the approval of the LEG Immobilien SE's consolidated financial statements for the 2023 financial year.

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

In addition to an STI, the members of the Management Board are entitled to an LTI based on the company's long-term and sustainable development. This LTI is awarded for each financial year and is distributed over a four-year performance period.

There are currently three different LTI programmes in place for members of the Management Board that are based on different regulations: the LTI programme in place until the 2020 financial year, the LTI programme for the 2021 financial year and the LTI programme from the 2022 financial year onwards.

Management Board members still have LTI entitlements under the relevant Management Board agreements prior to the 2021 financial year, under the LTI plan conditions of which payments may still be made in the 2024 financial year for the tranche of the 2020 LTI whose performance period 3 ended in the 2023 financial year. Remuneration granted in the 2023 financial year solely includes payments from the 2020 LTI valid until the 2020 financial year.

The following section provides an overview of the LTI plan conditions in place since the 2022 financial year. The LTI for the 2022 financial year is a refinement of the 2021 LTI. These LTI tranches do not lead to remuneration being granted until after the end of the four-year performance period. Target attainment for the 2020 LTI to be presented as remuneration granted in the 2023 financial year is reported after the presentation of the current LTI programme.

LTI plan conditions from 2022 (2022 LTI / 2023 LTI)

For the first time from the 2022 financial year, members of the Management Board receive an LTI in the form of a virtual performance share plan for a four-year performance period.

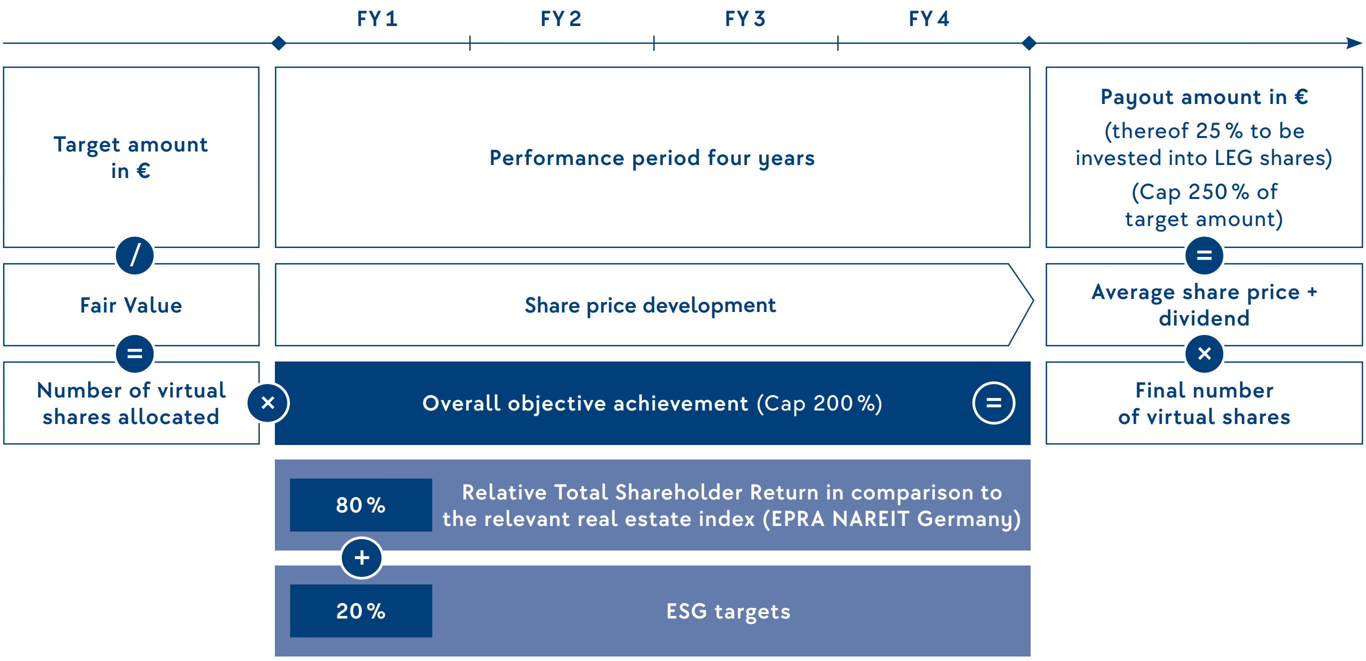
The 2022 LTI and the 2023 LTI are calculated on the basis of the following financial and non-financial performance targets:

- Development of relative total shareholder return compared to the relevant property index (EPRA Germany) (80 %)
- Non-financial environmental, social and governance targets (ESG targets) (20 %)

The total amount of the LTI awarded for a financial year, calculated after the end of the respective performance period, is limited to a maximum of 250 % of the target amount (2.5 times the value of the individual target amount). The member of the Management Board is required to invest 25 % of the payment from the LTI in shares issued by the company and to hold them for the duration of their tenure on the Management Board. A cap of 200 % is set for the total target attainment.

The financial performance criterion used in the 2022 LTI is relative total shareholder return (TSR) compared to a relevant property index, with a weighting of 80 %. The Supervisory Board has chosen to use the EPRA Germany Index as the benchmark index. The EPRA Germany Index comprises LEG Immobilien SE's key national listed competitors and is thus a relevant peer group.

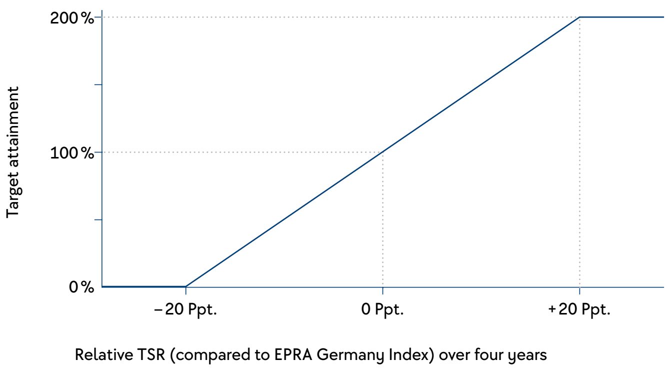
LTI



TSR describes changes in LEG Immobilien SE's share price for the performance periods, including notionally reinvested gross dividends per share. Relative TSR describes the percentage point difference between the change in the price of LEG Immobilien SE's shares, including notionally reinvested gross dividends, and the change in the EPRA Germany Index over the performance period.

Target attainment for relative TSR is 100 % if LEG Immobilien SE's relative TSR is 0 percentage points, i. e. if LEG Immobilien SE's share price performance including reinvested gross dividends is the same as the performance of the EPRA Germany Index. If relative TSR is 20 percentage points or more below TSR in the benchmark index, target attainment is 0 %. Target attainment is 200 % if relative TSR is 20 percentage points or more above the benchmark index's TSR. Relative TSR higher than this does not further increase target attainment. Target attainment between the defined values is interpolated on a straight-line basis.

Target attainment curve relative TSR



In the same way as for the STI, specific ESG targets are also set for the respective LTI tranche. Different ESG targets are used than for the STI in order to avoid duplicate incentives. The specific ESG targets for the tranche in question are set by the Supervisory Board before the start of the performance period. These targets are precisely defined and it is ensured that they can be clearly measured.

The following equally-weighted ESG targets approved by the Supervisory Board on 3 November 2022 apply to the 2023 LTI performance period from 2023 to 2026:

Equally-weighted ESG targets LTI 2023 (performance period 2023 – 2026)

Environment	Social
Target: Permanent reduction in relative CO_2 emission saving costs in EUR/ton of 10 % due to permanent structural changes to LEG residential buildings.	Target: "Trust Index" measurement for the LEG Group of at least 70 % in the "Great Place to Work" employee survey conducted in 2026.
Targets: 0 % minimum value: – 6 % 100 % target attainment: – 10 % 200 % maximum value: – 14 %	Targets: 0 % minimum value: 60 % 100 % target attainment: 70 % 200 % maximum value: 80 %

LTI plan conditions for the LTI granted in the 2021 financial year (2021 LTI)

The 2021 LTI is a performance cash plan. The 2021 LTI is calculated on the basis of the following financial and non-financial performance targets:

- Development of absolute total shareholder return (TSR) (40 %)
- Development of LEG Immobilien SE's share price compared to the relevant EPRA Germany Index (40 %)
- Non-financial environmental, social and governance targets (ESG targets) (20 %)

The amount paid for the 2021 LTI is capped at 200 % of the target amount.

The financial performance indicators used for the 2021 LTI are the development of absolute TSR and LEG Immobilien SE's share price performance compared to that of the EPRA Germany Index. These performance indicators are therefore geared towards adding value for shareholders and create incentives to generate shareholder value.

Absolute TSR essentially describes changes in LEG Immobilien SE's share price for the performance period, including dividends per share paid in this period.

Target attainment is 100 % if absolute TSR for the LEG Immobilien SE share is within 0 percentage points of the target determined for the tranche in question. If absolute TSR is 10 percentage points or more below target, target attainment is 0 %. Target attainment is 200 % if absolute TSR is 10 percentage points above target. TSR higher than this does not increase target attainment any further. Target attainment between the defined values is interpolated on a straight-line basis.

To determine target attainment for the "relative share price performance" target, the share price performance of LEG Immobilien SE's shares in percent in the respective performance period is compared against the percentage change in the EPRA Germany Index. The EPRA Germany Index comprises LEG Immobilien SE's key national listed competitors and is thus a suitable peer group.

Environmental, social and governance criteria were defined for the ESG targets and operationalised with specific targets. The specific targets and minimum and maximum values were set each year by the Supervisory Board before the start of the financial year. The Supervisory Board had to set different ESG targets than for the STI. The Supervisory Board assessed target attainment using suitable quantitative/qualitative surveys to measure the performance of the ESG targets in question. Target attainment for ESG targets is also capped at 200 %.

The 2021 LTI will be paid after the end of the four-year performance period in the 2025 financial year. Target attainment and remuneration granted under the 2021 to 2024 performance share plan is reported in detail in the 2024 remuneration report.

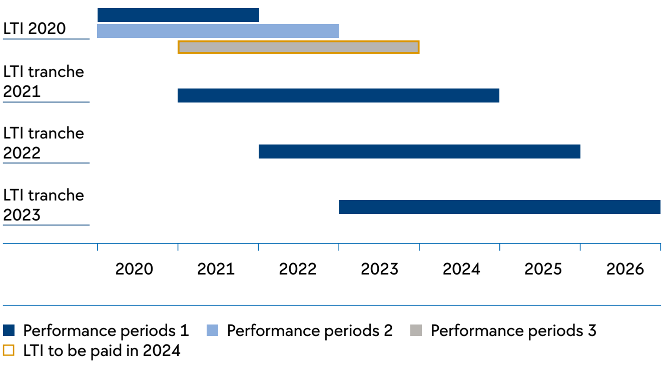
LTI plan conditions for the LTIs granted in the 2020 financial year (2020 LTI)

The 2020 LTI programme in place until 31 December 2020 was distributed over four years and awarded for each financial year.

The 2020 LTI for a financial year was distributed over the following three performance periods in three equal tranches:

- Performance period 1: From the (proportionate) financial year in which the LTI is awarded (relevant financial year) up until the end of the first financial year following the relevant financial year
- Performance period 2: From the relevant financial year up until the end of the second financial year following the relevant financial year
- Performance period 3: From the financial year following the relevant financial year up until the end of the third financial year following the relevant financial year

Performance periods LTI



The key performance targets for the 2020 LTI / performance period 3 tranche are the following:

- Average development of total shareholder return
- Development of the LEG Immobilien SE share price compared to the development of the relevant index, EPRA Germany

The following targets apply under the 2020 LTI programme:

Target values for the LTI programme 2020

	Target attainment		
in %	80	100	120 (maximum)
Total Shareholder Return Ø p. a.	5.6	7.0	8.4
Performance against EPRA Germany index	90	100	110

The amount to be paid out for the tranche of the 2020 LTI / performance period 3 must not exceed one-third of the target amount for the 2020 LTI, even if the calculated target attainment level in relation to the two performance targets comes to more than 100 % in total in the performance period.

LTI granted in the 2023 financial year

2020 LTI / performance period 3:

For the 2020 LTI/performance period 3 tranche granted in the 2023 financial year, the following values were achieved with regard to the performance target total shareholder return:

Target attainment Total Shareholder Return

in %	2021	2022	2023
Total Shareholder Return p. a.	5.63	−46.31	19.34
Total Shareholder Return performance period 3 Ø p. a.			−7.11

Target attainment for the total shareholder return sub-target is 0 %.

The performance against the EPRA Germany index in the relevant period under review from 2021 to 2023 was as follows:

Target attainment EPRA

in %	
Performance against EPRA Germany-Index	107.18

Target attainment for the “Development of LEG Immobilien SE’s share price compared to the EPRA Germany Index” sub-target is 114.36 %.

Target attainment is determined for each performance target independently of the other sub-targets. Where mathematically possible, offsetting is used within a tranche so that the shortfall in one performance target can be offset by overachievement in another performance target.

Overall, target attainment for the 2020 LTI / performance period 3 tranche is 57.18 %.

Payments tranche 2020 / performance period 3

	Lars von Lackum CEO	Susanne Schröter-Crossan formerly CFO	Dr Volker Wiegel COO
LTI 2020 tranche 3	85.579,6 €	42.408,51 €	65.757,0 €

Development of the provision

For the current LTI programmes 2020 to 2024, the necessary provisions were recognised/reversed on the basis of actuarial reports and reported under staff costs in the amount of EUR 6.2 million. Utilisation of the provisions relates to the LTI programmes 2019, tranche 3 and 2020, tranche 2 that were paid out in the 2023 financial year. The provision for long-term incentive plans amounted to around EUR 7.4 million as at 31 December 2023 (31 December 2022: around EUR 1.6 million).

in €	Provision 31.12.2022	Provision increase as at 31.12.2023	Use of provisions as at 31.12.2023	Provision 31.12.2023
Lars von Lackum	666,187.80	2,719,390.98	179,600.40	3,202,978.38
Dr Kathrin Köhling	0.00	548,276.78	0.00	548,276.78
Dr Volker Wiegel	497,318.09	1,777,377.46	138,000.00	2,136,691.55
Susanne Schröter-Crossan	438,759.92	1,161,566.36	74,166.00	1,526,160.28
Total	**1,599,265.81**	**6,206,611.58**	**391,766.40**	**7,414,106.99**

Malus and clawback provisions for variable remuneration

The Supervisory Board can withhold (malus) or recover (clawback) variable remuneration components in the following circumstances. If a member of the Management Board seriously breaches legal obligations, contractual obligations or internal company codes of conduct (compliance violation) as a result of gross negligence, the Supervisory Board is entitled to reduce, in full or in part, and thus to withhold variable remuneration that has not yet been paid at its discretion. In addition, at its discretion the Supervisory Board can recover, in part or in full, the gross amount of variable remuneration that has already been paid.

The Supervisory Board can also recover variable remuneration that has already been paid, in part or in full, if it emerges after this remuneration has been paid that the consolidated financial statements audited by the auditor and approved by the Supervisory Board and that were used to calculate the payment amount were incorrect and if the corrected consolidated financial statements would have resulted in lower payable variable remuneration or none at all. This is not dependent on the members of the Management Board being responsible for this.

Remuneration cannot be recovered on the basis of clawback provisions if payment was made more than two years prior. This does not affect statutory repayment options, such as asserting damages, which continue to apply.

There was no malus or clawback in the 2023 financial year.

Share ownership obligation (obligation according to Share Ownership Guidelines = SOG)

Regardless of the share purchase obligation under the LTI regulations, since 1 January 2021 all members of the Management Board have been required, within a four-year establishment phase, to acquire LEG Immobilien SE shares equal to their gross annual basic remuneration and hold these shares for the entire duration of their Management Board agreements. The SOG target is 100% of the gross annual basic remuneration. During the establishment phase, all members of the Management Board are obliged to acquire LEG Immobilien SE shares equal to 25% of their gross annual basic remuneration in each of the four establishment years. The number of LEG Immobilien SE shares to be acquired in the establishment year is calculated by dividing gross annual salary at the start of the establishment year by the figure – rounded to whole shares in accordance with commercial practice – that is determined by calculating the arithmetic average of the LEG Immobilien SE share's closing price in XETRA trading on the Frankfurt Stock Exchange for the last 30 trading days prior to the first day of the establishment year in question. Shares already held by a member of the Management Board are taken into account.

The members of the Management Board achieved the SOG target for the 2021, 2022 and 2023 financial years. For Dr Kathrin Köhling, the share purchase and holding obligation started at the beginning of her Management Board contract on 1 April 2023, while for Susanne Schröter-Crossan the share purchase and holding obligation ended as at the end date of her Management Board contract on 30 June 2023. The obligation to purchase shares under the 2022 and 2023 LTIs does not apply to Susanne Schröter-Crossan.

An excess of 548 shares purchased in the 2022 financial year counts towards Dr Volker Wiegel's fulfilment of his obligation to hold shares for the 2023 establishment year.

The table below shows the number of LEG Immobilien SE shares held by members of the Management Board to comply with the share ownership guidelines at the respective relevant date.

Attainment of the Share Ownership Guidelines

		Mandatory				Proven		
	Proven number of shares 31.12.2022	Percentage basic remuneration	Amount in € thousand	25 % of basic remuneration in € thousand	Mandatory amount of shares to be acquired in 2023 according to SOG[1]	Amount in € thousand	Proven shares acquired in 2023	Actual number of shares 31.12.2023
Lars von Lackum	8,103	100	950	238	3,834	210	3,897	12,000
Dr Volker Wiegel	2,906	100	550	138	2,220	102	1,675	4,581

		Mandatory				Proven		
	Proven number of shares 01.04.2023	Percentage basic remuneration	Amount in € thousand	25 % of basic remuneration in € thousand	Mandatory amount of shares to be acquired until 31.03.204 according to SOG[1]	Amount in € thousand	Number of shares acquired in 2023	Actual number of shares 31.12.2023
Dr Kathrin Köhling[2]	2,125	100	375	94	1,514	9	185	2,310

[1] Based on the average Xetra-closing share price of the last 30 trading days in the financial year 2022 of € 61.95.
[2] Start of Management Board contract as at 1 April 2023.

Total remuneration of the Management Board

The remuneration granted to the Management Board for the 2023 and 2022 financial years in accordance with section 162(1) sentence 1 AktG is shown in the table below. The following table shows the remuneration components for the work performed by members of the Management Board in the reporting year or for which the assessment period ended in the reporting year ("remuneration granted"); members of the Management Board are not entitled to remuneration that is legally due but that has not yet been paid ("remuneration payable").

Remuneration and benefits earned

	Lars von Lackum, CEO				Dr Kathrin Köhling[1], CFO			
	2023		2022		2023		2022	
	€ thousand	in %	€ thousand	in %	€ thousand	in %	€ thousand	in %
Fixed remuneration	950	45	950	50	281	44	–	–
Additional benefits	27	1	30	2	24	4	–	–
Total fixed remuneration components	**977**	**46**	**980**	**52**	**305**	**48**	**–**	**–**
Total One-year variable remuneration (STI)	1,045	50	557	28	327	52	–	–
One-year variable remuneration (STI) (STI 2022)	–	–	557	28	–	–	–	–
One-year variable remuneration (STI) (STI 2023)	1,045	50	–	–	327	52	–	–
Total multi-year variable remuneration (LTI)	86	4	180	10	–	–	–	–
LTI 2019 Tranche 3 (2020 to 2022)	–	–	90	5	–	–	–	–
LTI 2020 Tranche 2 (2020 to 2022)	–	–	90	5	–	–	–	–
LTI 2020 Tranche 3 (2020 to 2022)	86	4	–	–	–	–	–	–
Transaction bonus (Deferral 2020)	–	–	194	10	–	–	–	–
Total variable remuneration components	**1,131**	**54**	**930**	**48**	**327**	**52**	**–**	**–**
Total remuneration granted and owed within the meaning of section 162 (1) sentence 1 AktG	**2,108**	**100**	**1,910**	**100**	**632**	**100**	**–**	**–**
Pension costs	108	–	108	–	41		–	–
Total remuneration	**2,216**	**–**	**2,018**	**–**	**673**	**–**	**–**	**–**

[1] Start of Management Board contract as at 1 April 2023.

Remuneration and benefits earned

	Dr Volker Wiegel, COO				Susanne Schröter-Crossan[2], CFO			
	2023		2022		2023		2022	
	€ thousand	in %	€ thousand	in %	€ thousand	in %	€ thousand	in %
Fixed remuneration	550	42	550	45	275	50	550	52
Additional benefits	39	3	41	3	8	1	27	3
Total fixed remuneration components	**589**	**45**	**591**	**48**	**283**	**51**	**577**	**55**
Total One-year variable remuneration (STI)	653	50	348	29	224	41	348	32
One-year variable remuneration (STI) (STI 2022)	–	–	348	29	–	–	–	0
One-year variable remuneration (STI) (STI 2023)	653	50	–	–	224	41	348	32
Total multi-year variable remuneration (LTI)	66	5	138	12	42	8	74	7
LTI 2019 Tranche 3 (2020 to 2022)	–	–	69	6	–	–	–	0
LTI 2020 Tranche 2 (2020 to 2022)	–	–	69	6	–	–	74	7
LTI 2020 Tranche 3 (2020 to 2022)	66	5	–	–	42	8	–	–
Transaction bonus (Deferral 2020)	–	–	134	11	–	–	67	6
Total variable remuneration components	**719**	**55**	**620**	**52**	**266**	**49**	**489**	**45**
Total remuneration granted and owed within the meaning of section 162 (1) sentence 1 AktG	**1,308**	**100**	**1,211**	**100**	**549**	**100**	**1,066**	**100**
Pension costs	58	–	58	–	29	–	58	–
Total remuneration	**1,366**	**–**	**1,269**	**–**	**578**	**–**	**1,124**	**–**

[2] End of Management Board contract as at 30 June 2023.

Fixed remuneration components, the short-term variable remuneration component (2023 STI) and the long-term variable remuneration component (tranche of the 2020 LTI/performance period 3) are considered “remuneration granted” regardless of when they are actually paid out, as the relevant work had been performed by the end of the reporting period on 31 December 2023.

In addition to the amount of remuneration, the relative share of all fixed and variable remuneration components in total remuneration must also be disclosed in accordance with section 162(1) sentence 2 no. 1 AktG. The relative share relates to the remuneration components granted in the 2023 and 2022 financial years in accordance with section 162(1) sentence 1 AktG. The relative share values stated in the Management Board remuneration system refer solely to target remuneration. The relative shares actually achieved may therefore differ significantly from the relative shares given in the Management Board remuneration system, which are based on the target values. To ensure transparent reporting, the pension costs for the occupational pension must also be disclosed even if these are not classified as remuneration granted in the reporting year.

Members of the Management Board were not granted or owed any benefits by third parties in accordance with section 162(2) no. 1 AktG.

Maximum Management Board remuneration in the 2023 financial year

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, variable remuneration components, an occupational pension and benefits – is EUR 4,800 thousand for Lars von Lackum, EUR 3,100 thousand for Dr Kathrin Köhling, EUR 3,100 thousand for Susanne Schröter-Crossan and EUR 3,100 thousand for Dr Volker Wiegel. If the maximum remuneration for a financial year is exceeded, the amount paid for the LTI tranches for the corresponding financial year will be reduced. Compliance with maximum remuneration for the 2023 financial year will be reported on after all remuneration components are granted for this financial year. The maximum remuneration for the Management Board members was checked against the Management Board remuneration in the MDAX, the DAX 50 ESG and the peer group and was within the normal market range compared to the MDAX, the DAX 50 ESG and the peer group with the exception of the maximum remuneration for Dr Kathrin Köhling, which was below the normal market range and was raised as at 1 January 2024 (see “Outlook for 2024 – action areas from the review of appropriateness of remuneration amounts”).

Remuneration of former members of the Management Board

With the exception of Susanne Schröter-Crossan, there were no remuneration obligations to former members of the Management Board in accordance with section 162(1) AktG in the 2023 financial year. As already set out, Susanne Schröter-Crossan still has entitlements under the 2023 STI and the ongoing 2020 to 2023 LTIs.

Early termination benefits

If a member of the LEG Immobilien SE Management Board is dismissed, their contract can be terminated by either party with notice of six months to the end of a month. The notice period is extended if a longer notice period is stipulated in accordance with section 622(2) BGB. This does not affect termination options in accordance with section 626 BGB.

Severance pay

Contracts do not entitle members of the Management Board to severance pay in the event of early termination, though they do provide the option for the Supervisory Board to agree such payment.

In the event of the early termination of the activity of a member of the Management Board, the payments made to the respective member must not exceed the value of two years' remuneration (severance cap) or the value of the remuneration payable for the remaining term of this contract. The settlement cap is based on the total remuneration for the past financial year and, where applicable, the anticipated total remuneration for the current financial year.

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

Change of control

In the event of a change of control at the company, the members of the Management Board have the right to resign as a member of the Management Board for cause, and to terminate their Management Board contract, within a period of three months from the date of the change of control, observing a notice period of a further three months to the end of a month (special right of termination).

The severance regulations that apply in the event of the special right of termination being exercised stipulate that payments in connection with the cessation of work as a member of the Management Board due to a change of control amount to two years' remuneration, albeit capped at the value of the remuneration for the remaining term of the member's contract.

Death benefits

If a member of the Management Board dies during the term of their contract, the remuneration including STI and LTI until the end of their contract will be settled as a result of the member's death and paid to the member's heirs in accordance with the provisions of their contract. Furthermore, the member's widow/widower and any children under 25, as joint beneficiaries, will be entitled to the full payment of the remuneration for the remainder of the month in which the member dies and the subsequent three months. However, this is limited to the scheduled termination of the contract if the member had not died.

Remuneration of members of the Supervisory Board

Remuneration system for the Supervisory Board

In accordance with Article 9.1 of LEG Immobilien SE's Articles of Association, the Supervisory Board has six members who are elected by the Annual General Meeting.

In accordance with the Articles of Association, all remuneration for Supervisory Board work is payable after the end of the financial year. Members of the Supervisory Board who are only on the Supervisory Board or a committee of the Supervisory Board for part of the financial year receive corresponding remuneration pro rata temporis for this financial year.

The Annual General Meeting on 19 May 2022 approved a new remuneration system for the members of the Supervisory Board with 97.34 % of the valid votes cast. This remuneration system is as follows:

Compensation scheme for the Supervisory Board

Basic compensation	Each supervisory board member receives annual compensation of EUR 90 thousand.[1]
Differentiation	The CSB receives 2.5 times the fixed remuneration of an OMSB and the DCSB 1.25 times the fixed remuneration of an OMSB.
Committee compensation	The members of a Supervisory Board committee receive an additional annual fixed remuneration of EUR 25 thousand; the committee chairman receives double this amount. No remuneration is paid for membership and chairmanship of the Nomination Committee. For the 2023 financial year, the members of the Remuneration Committee have each individually waived their entitlement to remuneration resulting from their committee membership.
Attendance fee	No attendance fees are paid.

[1] CSB = Chairman of the Supervisory board; DCSB = Deputy Chairman of the Supervisory board; OMSB = Ordinary member of the Supervisory board

The function-based difference in the remuneration of the Chairman compared to that of the Deputy Chairman and the ordinary members of the Supervisory Board reflects the greater responsibility and variety of duties and, in turn, the greater time commitment of the Chairman of the Supervisory Board. This is consistent with Principle 25 and Recommendation G.17 GCGC. The distinction at LEG Immobilien SE is customary on the market. Companies in the MDAX and the DAX 50 ESG were used as peers to review the remuneration of the Supervisory Board.

As supervisory board remuneration on the market has been subject to significant momentum in recent years, the Supervisory Board of LEG Immobilien SE once again had MB Board Advisory perform a review in the 2023 financial year to see how the remuneration fits in with the market in light of the current developments. Supervisory Board remuneration should firstly be appropriate to the responsibilities of the members of the Supervisory Board and to the company's situation. Secondly, the amount and system of remuneration should be contemporary and in line with the market. In the external comparison, the MDAX was the benchmark, as for Management Board remuneration. Remuneration at selected property companies was also compared in detail. The comparison showed that the Supervisory Board remuneration is positioned at the upper end of the market.

In the 2023 reporting year, also at the suggestion of investors, the Supervisory Board set up a Remuneration Committee to reflect the importance of appropriate remuneration of members of the Management Board and the Supervisory Board. The Supervisory Board of LEG Immobilien SE has thus established five committees, four of which are remunerated equally. The members of the Remuneration Committee formed at the end of November 2023 chose to forgo the remuneration incurred for their work on the Remuneration Committee for the 2023 financial year.

At the recommendation of the Remuneration Committee, the Supervisory Board intends to recommend to the Annual General Meeting in May 2024 that the committee remuneration be raised to the 75th percentile of the market (MDAX) from the current level of EUR 25,000 to EUR 30,000 for committee members (committee chairperson: EUR 60,000) in order to take account of the increasingly important and intensive preparatory work of the committees and to be consistent with the Supervisory Board's targeted positioning on remuneration policy in terms of committee remuneration, too.

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

LEG Immobilien SE has also arranged D&O insurance for the members of the Supervisory Board with an appropriate insured amount and excluding a deductible.

Breakdown of Supervisory Board remuneration

The members of the Supervisory Board were granted the following remuneration for the 2023 and 2022 financial year in accordance with section 162(1) sentence 1 AktG:

Breakdown of Supervisory Board remuneration

	2023							
	Fixed remuneration		Committee compensation		Attendance Fee[1]		Total	Change
Name of member	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %
Michael Zimmer (Chairman)	225.0	81.82	50.0	18.18	–	–	275.0	7.5
Stefan Jütte[2]	–	–	–	–	–	–	–	–
Dr Johannes Ludewig[2]	–	–	–	–	–	–	–	–
Dr Jochen Scharpe	90.0	78.3	25.0	21.7	–	–	115.0	4.5
Dr Claus Nolting (Deputy Chairman)	112.5	60.0	75.0	40.0	–	–	187.5	15.5
Martin Wiesmann	90.0	54.5	75.0	45.5	–	–	165.0	17.2
Dr Sylvia Eichelberg	90.0	78.3	25.0	21.7	–	–	115.0	14.7
Dr Katrin Suder	90.0	64.3	50.0	35.7	–	–	140.0	62.8
Total	**697.5**	**69.9**	**546.0**	**54.7**	**–**	**–**	**997.5**	**6.6**

Breakdown of Supervisory Board remuneration

	2022						
	Fixed remuneration		Committee compensation		Attendance Fee[1]		Total
Name of member	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand
Michael Zimmer (Chairman)	207.6	81.2	46.2	18.1	2.0	0.8	255.8
Stefan Jütte[2]	34.80	78.2	7.7	17.3	2.0	4.5	44.5
Dr Johannes Ludewig[2]	27.80	78.3	7.7	21.7	0.0	0.0	35.5
Dr Jochen Scharpe	83.0	75.4	23.1	21.0	4.0	3.6	110.1
Dr Claus Nolting (Deputy Chairman)	96.9	59.7	61.5	37.9	4.0	2.5	162.4
Martin Wiesmann	83.0	58.9	53.8	38.2	4.0	2.8	140.8
Dr Sylvia Eichelberg	83.0	82.8	15.3	15.3	2.0	2.0	100.3
Dr Katrin Suder	55.3	64.3	30.7	35.7	0.0	0.0	86.0
Total	**671.4**	**71.8**	**246.0**	**26.3**	**18.0**	**1.9**	**935.4**

[1] The attendance fee was abolished by resolution of the Annual General Meeting on 19 May 2022; calculated pro rata in 2022
[2] Until 19 May 2022

The members of the Supervisory Board are under no obligation to buy or hold shares in LEG Immobilien SE.

Outlook for 2024: Management Board remuneration system in the 2024 financial year

As in the previous year, LEG finds itself operating in a risky environment that directly influences its day-to-day business. This is attributable to the significantly increased geopolitical risks compared to the period before 2022; the increased price pressure due to inflation, particularly with regard to material and energy costs; rising interest rates and volatile capital market; write-downs in the property portfolio; high volatility in energy prices; supply bottlenecks and shortages of materials and skilled labour; and a sub-stantial increase in regulation on energy-efficient housing and rent policy. Against this backdrop, the Management Board and the Supervisory Board agree that its business strategy and cash-based management introduced in the previous year using the key figures of AFFO per share and the adjusted EBITDA margin have proved correct in the 2023 financial year and will be continued unchanged in the 2024 financial year as well.

Accordingly, the business plan approved for 2024, the guidance for 2024 and the targets for the 2024 Management Board remuneration are also based on this business strategy and system of management.

Management Board remuneration for the 2024 financial year is based on the remuneration system adopted in the 2022 financial year and updated in the 2023 financial year. The Annual General Meeting of LEG Immobilien SE on 17 May 2023 approved the correspondingly revised Management Board remuneration system presented to it. As described above, LEG Immobilien SE no longer reports the key figure FFO I due to the continuation of its business strategy from the 2023 financial year in line with guidance, and instead reports AFFO. Starting from FFO I (after non-controlling interests), AFFO takes recurring capex into account. Recurring capex comprises capitalised costs of modernisation and maintenance work as well as new construction activities managed by LEG. When calculating the costs of modernisation and maintenance work, consolidation effects relating to own work that result from the elimination of intercompany results are eliminated.

Only the financial performance targets (STI plan conditions) were adjusted in the remuneration system. In contrast to the financial performance criteria defined up until then, AFFO per share (40 %) and the adjusted EBITDA margin (40 %) as new financial performance criteria. The two financial performance criteria together account for 80 % of the STI.

The Management Board and the Supervisory Board are aware that the AFFO target for 2024 is challenging. The company will have to compensate for the positive non-recurring special item from the forward sale of green power production at LEG's biomass combined heat and power station in the 2023 financial year and for the rise in interest expenses. It must also be ensured that investment in the existing portfolio reaches a level of EUR 32 per square metre. In this context, the Supervisory Board set the financial performance criteria for the STI at its meeting on 7 November 2023. The Supervisory Board considers the targets to be ambitious, as the increased AFFO target will be achieved only if the Management Board both more than compensates for the positive non-recurring item from green power production in the 2023 financial year and also copes with higher financing costs and general cost increases.

In accordance with the Management Board contracts, the Supervisory Board must set the targets for variable Management Board remuneration for the following year before the end of the following year. The corresponding resolution will be adopted by the Supervisory Board after the business plan has been approved for the coming year as the corresponding sub-targets are based on the business plan. For example, this applies to the financial performance criteria for the STI, AFFO per share and the adjusted EBITDA margin. The targets set for variable Management Board remuneration for the following year will be published with the Q3 figures for the current year. Adjustments to forecasts made during the year are not taken into account in calculating target attainment.

At the start of the 2024 financial year, the members of the Management Board were:

- Lars von Lackum, CEO
- Dr Kathrin Köhling, CFO
- Dr Volker Wiegel, COO

Action areas from assessing the suitability of the amount of remuneration

The Supervisory Board had the suitability of Management Board remuneration tested by the external consultant MB Board Advisory in the 2023 financial year. Taking account of the growing challenges for the Management Board in the current market environment and the increased cost of living, the external consultant recommended raising the target remuneration of the Management Board members and bringing the remuneration for Dr Kathrin Köhling further in line with the remuneration level appropriate for a CFO's area of responsibility at an MDAX-listed company with effect from 1 January 2024.

When Dr Kathrin Köhling joined the Management Board as CFO as at 1 April 2023, lower remuneration than that of a COO and that of her predecessor was initially agreed with her. The Supervisory Board made this decision in view of the fact that she was an internal candidate and that this was a first-time appointment. A temporary positioning slightly below the market range is standard practice for an internal candidate on a first-time appointment. The amount of remuneration is now gradually to be raised to a level appropriate for a CFO's area of responsibility at an MDAX-listed company.

At the recommendation of the Remuneration Committee, the Supervisory Board of LEG Immobilien SE resolved on 22 December 2023 to raise the target total remuneration for Dr Kathrin Köhling to EUR 1,356 thousand as at 1 January 2024. This is within the market range and equal to half the difference to the current remuneration of the COO. Specifically, her fixed salary will be increased from EUR 375 thousand to EUR 480 thousand, the STI from EUR 250 thousand to EUR 356 thousand and the LTI from EUR 425 thousand to EUR 520 thousand. The contribution to her company pension will be increased to around EUR 50 thousand. This will then correspond to target total remuneration (including additional benefits and the contribution to the company pension) of EUR 1,433 thousand. After further successfully proving herself, or at the latest when she is reappointed, Dr Kathrin Köhling's remuneration is to be raised to the level of the COO's remuneration. In the case of full target attainment (STI 200 %/LTI 250 %), Dr Kathrin Köhling can reach maximum possible remuneration in a gross amount of EUR 2,492,000.00.

According to the Management Board contracts, the salaries of members of the Management Board is reviewed every two years taking into account the economic situation of the company, the performance of the respective member of the Management Board and the development in the cost of living. The last adjustment was implemented as at January 2022. The Supervisory Board also reviewed the remuneration of the CEO and the COO in this context:

The additional benefits are in line with normal market practice, while the contributions to the company pension are above average in comparison to the market. The Remuneration Committee has therefore proposed to the Supervisory Board to increase the pension contribution. Taking account of the growing challenges for the Management Board in the current market environment and the increased cost of living, the Supervisory Board has resolved at the recommendation of the Remuneration Committee to adjust the remuneration and the contribution to the company pension in line with the relative share of this contribution of around 11 % of the basic remuneration. The specific design of the remuneration adjustment for the Management Board provides for an increase in the basic remuneration instead of an increase in the contribution to the company pension (CFO only) as well as an increase in the target for the short-term remuneration component (STI) for all three Management Board members.

Specifically, the fixed salary of the CEO has been increased from EUR 950 thousand to EUR 1,045 thousand and the target amount of the STI has been increased from EUR 600 thousand to EUR 705 thousand starting from the 2024 financial year. This will then be equivalent to an increase of 7.4 % to target remuneration of EUR 2,888 thousand. Starting from the 2024 financial year, the fixed salary of the COO will be increased from EUR 550 thousand to EUR 605 thousand and the target amount of the STI will be increased from EUR 375 thousand to EUR 444 thousand. This will then be equivalent to an increase of 7.4 % to target remuneration of EUR 1,798 thousand.

The following overview summarises the adjustments resolved by the Supervisory Board:

- **Lars von Lackum**

in €	01.01. – 31.12.2023	as at 01.01.2024	Change (%)	Share (%)
Fixed remuneration	**950,000**	**1,045,000**	**10.0**	**36.2**
+ Target remuneration STI	600,000	705,000	17.5	24.4
= Target cash remuneration	**1,550,000**	**1,750,000**	**12.9**	
+ Target remuneration LTI	1,000,000	1,000,000	0.0	34.6
= Target direct remuneration	**2,550,000**	**2,750,000**	**12.9**	
+ Company pension scheme	108,000	108,000	0.0	3.7
+ Additional benefits	30,000	30,000	0.0	1.0
= Target remuneration total	**2,688,000**	**2,888,000**	**7.4**	

- **Dr Kathrin Köhling**

in €	01.01. – 31.12.2023	as at 01.01.2024	Change (%)	Share (%)
Fixed remuneration	**375,000**	**480,000**	**28.0**	**33.5**
+ Target remuneration STI	250,000	356,000	42.4	24.8
= Target cash remuneration	**625,000**	**836,000**	**33.8**	
+ Target remuneration LTI	425,000	520,000	22.4	36.2
= Target direct remuneration	**1,050,000**	**1,356,000**	**56.1**	
+ Company pension scheme	35,660	50,000	40.2	3.5
+ Additional benefits	27,000	27,000	0.0	1.9
= Target remuneration total	**1,112,660**	**1,433,000**	**28.8**	

- **Dr Volker Wiegel**

in €	01.01. – 31.12.2023	as at 01.01.2024	Change (%)	Share (%)
Fixed remuneration	**550,000**	**605,000**	**10.0**	**33.6**
+ Target remuneration STI	375,000	444,000	18.4	24.7
= Target cash remuneration	**925,000**	**1,049,000**	**13.4**	
+ Target remuneration LTI	650,000	650,000	0.0	36.2
= Target direct remuneration	**1,575,000**	**1,699,000**	**13.4**	
+ Company pension scheme	58,000	58,000	0.0	3.0
+ Additional benefits	41,000	41,000	0.0	2.3
= Target remuneration total	**1,674,000**	**1,798,000**	**7.4**	

The 2024 STI targets and the 2024 LTI targets were resolved by the Supervisory Board at its meeting on 7 November 2023.

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

The 2024 STI consists of an annual payment measured on the basis of the following financial and non-financial performance targets:

- AFFO per share,
- Adjusted EBITDA margin,
- Non-financial environmental, social and governance targets (ESG targets).

The two financial performance criteria each account for 40 % of the STI target, while the ESG targets account for 20 %, with each ESG sub-target equally weighted. The STI also has a criteria-based adjustment factor with a range of 0.8 to 1.2 for assessing the individual and collective performance of the Management Board. The Supervisory Board defined the criterion for assessing Management Board performance prior to the end of the 2023 financial year.

Target attainment for the performance targets is capped at 200 %.

The targets set by the Supervisory Board for AFFO per share and the adjusted EBITDA margin are based on the business plan, which the Supervisory Board has approved for the respective financial year. The two financial performance criteria are each weighted at 40 %.

The Supervisory Board has defined the following targets for the financial performance criteria for the 2024 financial year:

STI 2023 – Financial performance indicators

Financial performance indicators	target	ranges
AFFO per share	2.57 €	0 % minimum value: 2.06 € 100 % target attainment: 2.57 € 200 % maximum value: ≥ 3.08 €
Adjusted EBITDA margin	76.5 %	0 % minimum value: 71.5 % 100 % target attainment: 76.5 % 200 % maximum value: ≥ 81.5 %

When calculating the STI amounts to be paid for the financial performance criteria, the actual value achieved for each sub-target is compared against the target defined by the Supervisory Board. Target attainment is first calculated by taking the percentage deviation between the actual value and the target using the contractually agreed weighting. The STI tranche is then calculated based on target attainment.

If the “AFFO per share” target is met, target attainment is 100 %. If the target value is exceeded by 20 %, the maximum value of 200 % target attainment is reached. If the target is fallen short of by 20 %, target attainment is 0 %. Target attainment between the defined target values (0 %; 100 %; 200 %) is calculated by linear interpolation.

If the adjusted EBITDA margin target value is reached, the target attainment level is 100 %. If the target value is exceeded by 5 percentage points, the maximum value of 200 % target attainment is reached. If the target is fallen short of by 5 percentage points, target attainment is 0 %. Target attainment between the defined target values (0 %; 100 %; 200 %) is calculated by linear interpolation.

Non-financial targets for the 2024 STI

The ESG targets are derived from LEG Immobilien SE’s sustainability report as well as strategic considerations and future projects. Environmental, social and governance criteria are defined for the ESG targets and operationalised with specific targets. The targets are assigned quantitative or qualitative criteria so that a comparison of target and actual performance can be carried out at the end of the financial year to measure target attainment. The specific ESG targets and the minimum, target and maximum values are determined annually by the Supervisory Board in consultation with the members of the Management Board before the start of the financial year. The ESG targets are weighted at 20 % overall. All sub-targets (environmental, social and governance) are weighted equally.

The Supervisory Board set the following ESG targets for the 2024 financial year:

ESG targets STI 2024

Environmental	Social	Governance
Target: Reduction of 4,000 tonnes CO_2 through modernisation projects and changes in customer behaviour	**Target:** Use of 100 LEG employee hours to design, organise and implement intercultural projects by 31 December 2024	**Target 1:** 99 % of LEG employees[1] at LEG Management, LEG Wohnen NRW, EnergieServicePlus, LCS Consulting und Service, LEG Bauen, LEG Consult, LWS Plus and Youtilly have completed the “IT Security” training course by 31 December 2024. **Target 2:** 85 % of TSP employees[1] have completed the “IT Security” training by 31 December 2024
Target value: 0 % minimum value: 3,600 tonnes CO_2 100 % target attainment: 4,000 tonnes CO_2 200 % maximum value: 4,400 tonnes CO_2	**Target value:** 0 % = 50 employee hours 100 % = 100 employee hours 200 % = 150 employee hours	**Target value:** 0 % minimum value: 80 % (target 1), 94 % (target 2) 100 % target attainment: 85 % (target 1); 99 % (target 2) 200 % maximum value: 100 % (target 1), 100 % (target 2)

[1] Active employees are defined as those (from employee group 1) who are in active employment in the LEG Immobilien Group on 1 January 2024 or who join the Group by 30 September 2024. The calculation does not include casual workers, interns or working students (employee group 40 – 41, 60 – 66), employees in the passive stage of partial retirement (employee group 4), dormant employees (employment status 1) or those on a long-term absence (e. g. long-term illness).

Definition of the environmental target for the 2024 STI:
The environmental target for the ESG sub-target, for target attainment of 100 %, is a reduction of 4,000 tonnes of carbon dioxide (CO_2) emissions in 2024. This includes refurbishment measures to improve energy efficiency that were completed in the 2024 financial year and classified as modernisation measures in accordance with section 555b no. 1 to 3 of the German Civil Code (BGB) based on the portfolio included in the annual report as at 31 December 2023. The reduction is evidenced on the basis of energy savings calculations and the resulting reduction in CO_2 emissions for final energy consumption. Secondly, all the CO_2 emissions reductions in 2024 that demonstrably result from measures to change user behaviour are also taken into account. This can also be evidenced by a study or report by acknowledged experts that have been specifically prepared for individual measures taken in 2023 or through the use of an accepted, scientifically quantified and verified method of influencing user behaviour in the context of space heating that has been published in a peer-reviewed journal.

These CO_2 savings must be achieved on a climate-adjusted basis, i. e. for an average year to be expected in the long term for Germany according to the German Meteorological Service.

Definition of the social target for the 2024 STI:
The "social" target will be considered to be achieved if a total of 100 LEG employee hours have been used to design, organise and implement intercultural projects by 31 December 2024. Such projects may include intercultural training, tenant parties and social activities.

Definition of the governance target for the 2024 STI:
The rate of successfully completed IT security training forms the basis for the governance target. This can be verified at employee level.

Criteria-based adjustment factor for the 2024 STI:
The provisions for the 2024 STI stipulate a criteria-based adjustment factor with a range of 0.8 to 1.2. The criteria applied in assessing the criteria-based adjustment factor must be defined prior to the start of the financial year in question. The Supervisory Board has defined the following performance criterion for the 2024 financial year:

- A balanced positioning for LEG in the trade-off between the yield expectations of the capital market on the one hand and the demands of sustainable corporate governance on the other, with challenging CO_2 targets for the portfolio and the objective of continuing to offer tenants a good place to live at a fair price.

2024 to 2027 LTI
The LTI plan conditions applicable since the 2022 financial year still apply to the 2024 financial year as well.

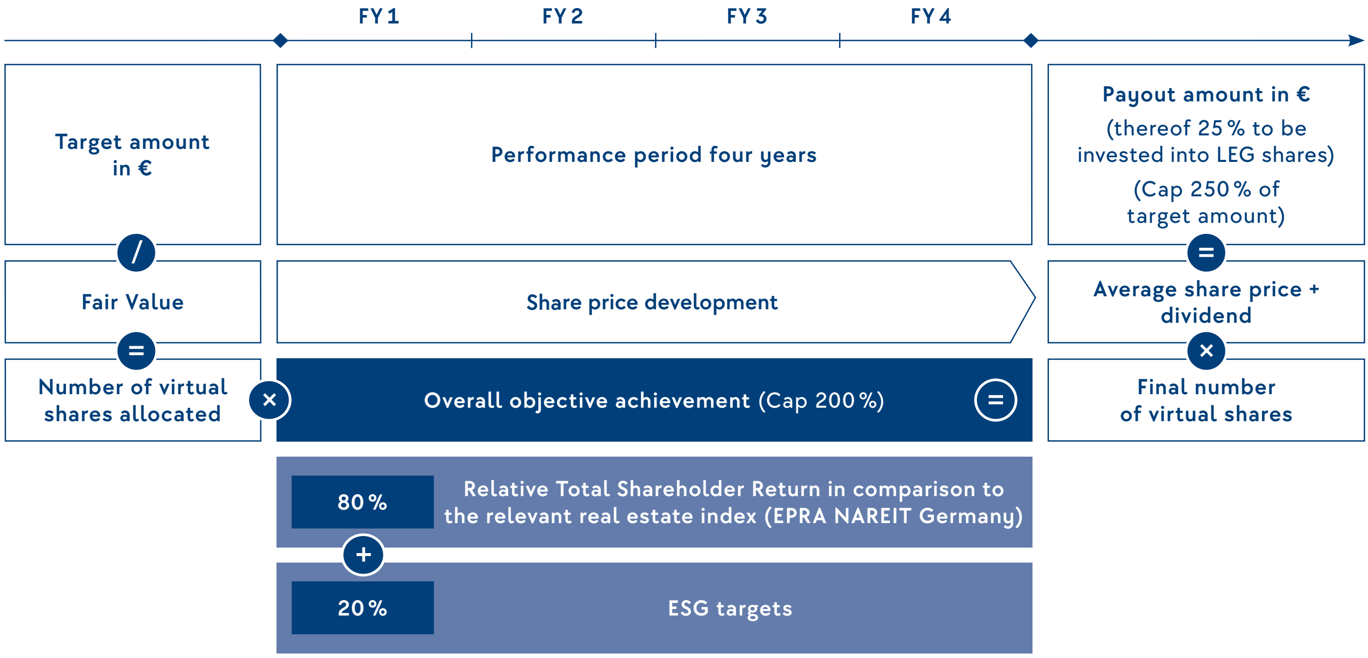
Members of the Management Board will receive an LTI in the form of a virtual performance share plan for a four-year performance period for the 2024 financial year.

The 2024 LTI is calculated on the basis of the following financial and non-financial performance targets:

- Development of relative total shareholder return compared to the relevant property index (EPRA Germany) (80 %)
- Non-financial environmental, social and governance targets (ESG targets) (20 %)

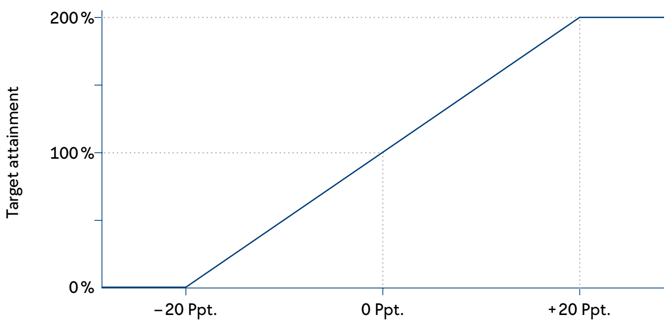
The financial performance criterion used in the 2024 LTI is relative TSR compared to a relevant property index, with a weighting of 80 %. The Supervisory Board has chosen to use the EPRA Germany Index as the benchmark index. The EPRA Germany Index comprises LEG Immobilien SE's key national listed competitors and is thus a relevant peer group.

LTI



TSR describes changes in LEG Immobilien SE's share price for the performance periods, including notionally reinvested gross dividends per share. Relative TSR describes the percentage point difference between the change in the price of LEG Immobilien SE's shares, including notionally reinvested gross dividends, and the change in the EPRA Germany Index over the performance period.

Target attainment curve relative TSR



Relative TSR (compared to EPRA Germany Index) over four years

Target attainment for relative TSR is 100 % if LEG Immobilien SE's relative TSR is 0 percentage points, i. e. if LEG Immobilien SE's share price performance including reinvested gross dividends is the same as the performance of the EPRA Germany Index. If relative TSR is 20 percentage points or more below TSR in the benchmark index, target attainment is 0 %. Target attainment is 200 % if relative TSR is 20 percentage points or more above the benchmark index's TSR. Relative TSR higher than this does not further increase target attainment. Target attainment between the defined values is interpolated on a straight-line basis.

Target value LTI 2024 – 2027

	Target attainment (in %) until 2027		
	0	100	200
Relative total shareholder return p. a.	≤ – 20 %	0 %	≥ 20 %

As for the STI, specific ESG targets are set for the respective LTI tranche. Different ESG targets are used than for the STI in order to avoid duplicate incentives. The specific ESG targets for the tranche in question are set by the Supervisory Board before the start of the performance period. These targets are precisely defined to ensure that they can be clearly measured.

The following equally-weighted ESG targets apply to the performance period from 2024 to 2027:

ESG-Ziele 2024

Environmental	Social
Target: Installation and commissioning of 2,000 air-to-air heat pumps in 2027 in LEG's portfolio and in third-party portfolios	**Target:** Acceleration of the processing time of total LEG tenant complaints by 10 % by 31 December 2027 based on the averaged processing time of resolved complaint tickets from March 2024 and September 2024
Targets: 0 % minimum value: 1,500 LL-WPs 100 % target attainment: 2,000 LL-WPs 200 % maximum value: 2,500 LL-WPs	**Targets:** 0 % = 5 % acceleration 100 % = 10 % acceleration 200 % = 15 % acceleration

Definition of the environmental target for the 2024 LTI
The environment target for the 2024 LTI will be achieved if a total of 2,000 air-to-air heat pumps have been installed and commissioned in LEG's own portfolio and in third-party portfolios by 31 December 2027 to replace conventional heating systems powered with fossil fuels.

Definition of the social target for the 2024 LTI
The social target for the 2024 LTI is to reduce the time taken to process and resolve complaints by LEG tenants. New processes for handling complaints using the ticket tool were introduced for certain topics areas (tradespeople, mould, neighbours) in the 2023 financial year already and are to be rolled out to additional topic areas such as operating costs in the first quarter of 2024. Given this dynamic development of the complaints processes, a benchmark must be found as a baseline for calculating target attainment. The benchmark will be the average time to process complaint tickets between March 2024 and September 2024. The target is to reduce the figure calculated in this way by 10 % compared to the result of the repeat benchmarking in the period from March 2027 to September 2027. The processing time is defined as the time between a complaint being submitted by a tenant, and thus the creation of a ticket, and when the ticket is conclusively resolved, feedback is sent to the tenant and the ticket is thus closed. The objective of this is to improve tenant satisfaction with LEG's complaints system by accelerating its processing times.

Possible total amount of the 2024 LTI
The total payment amount of the 2024 LTI awarded for a financial year calculated after the end of the respective performance period is capped at EUR 2,500 thousand for Lars von Lackum, EUR 1,300 thousand for Dr Kathrin Köhling and EUR 1,625 thousand for Dr Volker Wiegel.

If a 2024 LTI is to be paid, this must be settled for the last year of the tranche's performance period and paid to the respective Management Board member no later than 30 days after the approval of LEG Immobilien SE's consolidated financial statements. Management Board members are obliged to invest 25 % of the payment from the LTI in shares issued by LEG Immobilien SE and to hold these for the duration of their Management Board position.

Comparative presentation of the development of earnings and the annual change in remuneration in accordance with section 162(1) sentence 2 no. 2 AktG

Section 162(1) sentence 2 no. 2 AktG requires the disclosure of the development in LEG Immobilien SE's earnings, the annual change in remuneration for members of the Management Board and the Supervisory Board and the annual change in average employee remuneration on the basis of full-time equivalents over the past five financial years (vertical comparison). LEG Immobilien SE applies the transitional relief under section 26j(2) sentence 2 of the Einführungsgesetz zum Aktiengesetz (EGAktG – Introductory Act to the German Stock Corporation Act) and will gradually establish the vertical comparison for all three comparative figures in the first five years.

The development in earnings is shown using the Group's key performance indicators AFFO, AFFO per share, FFO I, FFO I per share and total comprehensive income. Net income for the year is also disclosed in accordance with section 275(3) no. 16 HGB.

Average employee remuneration comprises staff costs for wages and salaries, employer social security contributions, additional benefits and short-term variable remuneration components at all LEG Group companies. The average number of employees is calculated on the basis of section 267(5) HGB.

Comparative presentation of the development of earnings and the annual change in remuneration

	2023	2022	Change in %	2021	Change in %	2020	Change in %
Income trend							
Group AFFO in € million	181.2	108.8	66.5	92.2	18.0	92.8	–0.6
Group AFFO per share in €	2.44	1.48	64.9	1.27	16.5	1.32	–3.8
Net result LEG Immobilien SE (Seperate Financial Statement) (in € m)	18.3	–307.6	–105.9	–33.4	821.0	–17.6	89.6
Group net result LEG Immobilien SE (in € m)	–1,593.3	315.6	–604.8	1,750.1	–82.0	1,360.3	28.7
Average remuneration per employee (in € thousand)	**77**	**72**	**6.9**	**72**	**–1.0**	**71**	**2.2**
Management Board remuneration in € thousand							
Lars von Lackum	2,108	1,910	10.4	1,874	1.9	1,346	39.2
Dr Kathrin Köhling[1]	632	–	–	–	–	–	–
Dr Volker Wiegel	1,308	1,211	8.0	1,259	–3.8	966	30.3
Susanne Schröter-Crossan[2]	549	1,066	–48.5	1,116	–4.5	491	127.2
Supervisory Board remuneration in € thousand							
Mr Michael Zimmer	275	256	7.5	224	14.2	226	–0.9
Mr Dr Jochen Scharpe	115	110	4.5	96	14.7	104	–7.7
Mr Dr Claus Nolting	188	162	15.5	116	40.2	74	56.5
Mr Martin Wiesmann	165	141	17.2	96	46.2	17	473.1
Mrs Dr Sylvia Eichelberg	115	100	14.7	47	114.3	–	–
Mrs Dr Katrin Suder	140	86	62.8	–	–	–	–

[1] Start of Management Board contract as at 1 April 2023.
[2] End of Management Board contract as at 30 June 2023.

Combined corporate governance declaration in accordance with sections 289f and 315d HGB

In this combined corporate governance declaration in accordance with section 289f and 315d HGB, LEG reports on the principles of corporate governance and corporate governance at the Group. This declaration includes (i) the declaration of compliance in accordance with section 161(1) of the German Stock Corporation Act (AktG), (ii) information on LEG's remuneration system, (iii) relevant information on corporate governance practices exceeding legal requirements, (iv) a description of the working methods of the Management Board and the Supervisory Board plus the composition and working methods of their committees, (v) targets for the participation of men and women in managerial positions and (vi) a description of the diversity concept for the Supervisory Board and Management Board.

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

The Management Board and Supervisory Board of LEG Immobilien SE issued the following declaration in November 2023 in accordance with section 161 of the German Stock Corporation Act (AktG):

"The Management Board and Supervisory Board of LEG Immobilien SE (the "Company") declare in accordance with section 161 AktG that the Company has complied without exception with the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated 28 April 2022 (the "Code") published by the Federal Ministry of Justice in the official section of the Federal Gazette on 27 June 2022 since the last Declaration of Conformity pursuant to Section 161 AktG was issued in November 2022.

The Management Board and Supervisory Board of LEG Immobilien SE also declare that the Company currently complies with the recommendations of the Code without exception and will continue to do so in the future.

Dusseldorf, November 2023

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

Remuneration system

The Management Board and Supervisory Board remuneration systems comply with the recommendations of the German Corporate Governance Code. In line with the regulations of the German Stock Corporation Act, they are submitted to the Annual General Meeting for resolution in the event of any material changes and at least every four years.

The Supervisory Board made changes to the system for Management Board remuneration with effect from the 2023 financial year to anchor the new cash-focussed steering of the company in the remuneration system. It observed all recommendations and suggestions of the German Corporate Governance Code. The new remuneration system was approved by the Annual General Meeting on 17 May 2023.

The Management Board and Supervisory Board have produced a joint remuneration report in accordance with section 162 (2) AktG. This remuneration report provides detailed information on the design of the remuneration system at LEG and the amount and structure of Management Board and Supervisory Board remuneration. It will be submitted to the 2023 Annual General Meeting for approval in accordance with section 120 a (4) AktG.

The remuneration report and the auditor's report in accordance with section 162 AktG and the remuneration system in place in accordance with section 87a (1) and (2) AktG are available at the company's website.

Relevant disclosures on Corporate Governance Practices exceeding legal requirements

Compliance and value management

LEG is geared towards sustainable, successful portfolio management. The foundation for sustainable management is lawful, responsible and honest conduct. LEG's objective and strategy, as well as its values that are essential for working with customers, employees, investors, business partners and society, are set out in LEG's declaration of fundamental values. These values include integrity and fairness, commitment and professionalism, confidentiality, transparency, and sustainability.

With its declaration of principles on respect for human rights and the environment, LEG is committed to strengthening human and environmental rights in its relationships with its business partners in the supply chain, its customers and its employees and to preventing, minimising and remedying violations of these rights.

The LEG's Code of Conduct describes the guiding principle and the declaration of fundamental values in more detail and puts the values set out here into practice for everyday business by way of standards of conduct for employees and executives. Details on these standards of conduct can be found in internal Group rules and guidelines. These guidelines are published on the company's website. Accordingly, LEG also translates these values for business relationships with its suppliers and service providers into concrete standards of behaviour in a Business Partner Code.

Executives and employees are made aware of these issues and advised on them in regular training sessions and through advisory services. All new employees receive comprehensive compliance and, in particular, data protection training in four annual sessions. Refresher training is provided for all employees once a year using an electronic training programme. An electronic whistle-blower system gives employees and third parties the opportunity to anonymously report compliance violations in LEG's area of responsibility around the clock.

Details on LEG's compliance management system can be found in the > Risks, opportunities and forecast report.

Responsibility and sustainability

LEG aims to act sustainably and responsibly. An understanding of sustainability and a sustainability strategy are outlined in its sustainability model. As part of a materiality analysis with all relevant stakeholders, LEG identified five central areas of sustainability: business, tenants, employees, the environment and society. These cover the three dimensions of sustainability – environmental, social and governance (ESG).

In 2023, LEG made considerable progress on its sustainability and decarbonisation strategy, especially on green innovations and on tenant behaviour campaigns. Hence, in addition to the further development of RENOWATE, the joint venture dekarbo and the company termios were founded to pursue the goal of being climate neutral by 2045. At the same time, the requirements for social aspects and good corporate governance were further developed. Each year, LEG sets specific short-term and long-term targets for all three ESG dimensions that contribute to the implementation of the sustainability strategy and that are tracked and reviewed on an ongoing basis. These sustainability targets have been part of both variable Management Board and management remuneration since the 2021 financial year.

The sustainability committee acts as a body for strategic decisions and to pool activities, comprising heads of central areas and operations managers. ESG governance was stepped up by establishing a dedicated ESG department under the Management Board Chairman's responsibility, where ESG issues are pooled, monitored and improved. LEG's Supervisory Board formed a separate ESG Committee in 2022, further reinforcing the importance of the issue in LEG's supervisory and advisory body.

LEG's non-financial Group declaration provides annual reporting on sustainability management and on targets, measures, activities and progress in this area. The non-financial Group declaration is part of the Management Report since financial year 2023.

Other corporate governance disclosures

Suggestions of the German Corporate Governance Code

LEG goes beyond simply complying with all recommendations of the Code. It also complies with the suggestions of the Code, which can be deviated from without disclosure in the Declaration of Compliance, with the following exception:

In accordance with suggestion A 8, 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.

Adequacy and effectiveness of the internal control system

There were no indications in the 2023 financial year that the internal control system as a whole may be inadequate or ineffective.[1]

Institute for Corporate Governance in the German Real Estate Industry

LEG is a member of the Corporate Governance Institute of the German Real Estate Industry Association (ICG). The ICG has a "Corporate Governance Code of the German Real Estate Industry" (as at October 2020, "ICGK"), which supplements the German Corporate Governance Code with industry-specific recommendations and is intended to bring about greater transparency, an improved reputation and stronger competitiveness of the property sector. The Supervisory Board and the Management Board of LEG Immobilien SE are committed to the key goals and principles of the ICG.

The ICG developed a certification system for compliance management systems at property companies. LEG had its compliance management system certified using this system in 2019. This certificate was confirmed in September 2021 as part of a second certification. It is valid for three years.

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

LEG Immobilien SE has the legal form of a European Company (Societas Europaea, SE). As an SE based in Germany, the company is subject to European and German SE regulations as well as German stock corporation law. LEG Immobilien SE 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.

Management Board

As per section 6.1 of the Articles of Association, the Management Board of LEG Immobilien SE comprises at least two members. As at 31 December 2023, there were three people on the Management Board. The Management Board manages the company 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 18 July 2022. Among other things, these stipulate that certain transactions of particular significance or that involve an exceptionally high economic risk require the prior approval of the Supervisory Board or one of its committees. They also state that transactions between the company or

[1] Statement not inherent in management report

one of its Group companies on the one hand and a member of the Management Board and a related party on the other hand must meet the standards that are customary for transactions with outside third parties.

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 Management Board ensures that laws and internal company guidelines and regulations are observed and works to ensure that these are complied with by Group companies. To achieve this, it has established a comprehensive compliance management system designed for the company's risk situation. It is also responsible for the establishment of an appropriate and effective internal control system (ICS) and a risk management system, which also cover sustainability-related aspects.

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.

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 on 21 November 2023. The Supervisory Board regularly reviews the efficiency of its work and the work of its committees, most recently in the 2023 reporting year. The review was performed in the form of a self-evaluation based on interviews with Professor Michael Bursee of MB Board Advisory GmbH and by using an anonymous questionnaire that is drawn up externally.

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, 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 on issues of strategy, planning, business performance, the risk situation, risk management and compliance at the company. He 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. He 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 five committees in the 2023 financial year: the Executive Committee, the Nomination Committee, the Remuneration Committee, the Risk and Audit Committee and the ESG Committee. Further committees can be formed if required.

Executive Committee of the Supervisory Board

The Executive Committee discusses key issues and prepares discussions and resolutions of the Supervisory Board unless the Supervisory Board has assigned this to another committee. 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, the appointment and dismissal of the Chairman of the Management Board;
- The conclusion, amendment and termination of employment agreements with members of the Management Board.

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;
- Delayed disclosure of inside information in accordance with Article 17 (4) of the Regulation (EU) no. 596/2014 of 16 April 2014 (market abuse regulation), where the Supervisory Board is responsible for the subject of the insider information;
- 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 for measures by the Management Board in accordance with the Articles of Association of the company or the Rules of Procedure for the Management Board if the matter cannot be delayed and a resolution by the Supervisory Board cannot be passed in a timely manner.
- 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.

The members of the Executive Committee are Mr Michael Zimmer, Dr Claus Nolting, and Mr Martin Wiesmann. As the Chairman of the Supervisory Board, Mr Michael Zimmer is also the Chairman of the Executive Committee. Dr Jochen Scharpe has been elected deputy member (in the case of absence).

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, Dr Claus Nolting and Martin Wiesmann). As per the Articles of Association, the Chairman of the Supervisory Board is also the Chairman of the Nomination Committee.

Remuneration Committee

On 21 November 2023, the Supervisory Board created a Remuneration Committee. The Remuneration Committee meets when required and prepares the resolutions of the Supervisory Board on the following matters:

- Remuneration system of the Management Board and determining the total remuneration of the individual members of the Management Board;
- Remuneration system of the Supervisory Board.

The members of the Remuneration Committee are Mr Martin Wiesmann, Mr Michael Zimmer, and Dr Claus Nolting. Mr Martin Wiesmann is the Chairman of the Remuneration Committee and is independent of the company and the Management Board within the meaning of the German Corporate Governance Code.

Risk and Audit Committee

The work of the Risk and Audit Committee focuses on the following issues:

- Accounting audits, primarily of the consolidated financial statements and of the group management report (including CSR reporting);
- Monitoring the accounting process;
- Effectiveness of the internal control system (ICS) and the internal audit system;
- Audit of the financial statements – in particular the independence of the auditor, the quality 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 and the fee agreement;
- Compliance and risk management.

The Risk and Audit Committee also deals with the non-financial Group declaration to be prepared in accordance with section 289b HGB. It prepares the resolutions by the Supervisory Board on the annual financial statements and the consolidated financial statements 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 Risk and Audit Committee takes appropriate measures to determine and monitor the independence of the auditor. Thus, the Risk and Audit Committee released a white list of a limited number of non-audit services that can be provided by the auditor. If the auditor is commissioned to perform further tasks, the Risk and Audit Committee must approve the task. In addition, on the Risk and Audit Committee's behalf, the company has established a process to ensure that no prohibited non-audit services are contracted to the current auditor or potential future auditors. The work of the Risk and Audit Committee is based on particular Rules of Procedure that were most recently amended on 24 August 2021.

The Risk and Audit Committee has three members who are appointed by the Supervisory Board by a majority of votes cast. The members as of 31 December 2023 were Dr Claus Nolting (Chairman), Dr Jochen Scharpe and Mr Martin Wiesmann. Dr Katrin Suder has been elected deputy member (in the case of absence).

Dr Claus Nolting, the Chairman of the Risk and Audit Committee, is independent and has special expertise and experience in the application of accounting policies and internal control procedures, as well as in financial statement auditing. Dr Nolting gained his special expertise during his many years working as a senior executive in the banking sector, where he was responsible for areas including accounting and financial statement auditing. In addition, he served for several years as Chairman of the Risk and Audit Committee of a German bank and as a member and later Chairman of the Risk and Audit Committee, where he was involved in accounting and financial statement auditing as well as sustainability reporting and auditing.

Dr Jochen Scharpe developed his expertise in the fields of accounting and auditing during his many years as a commercial director, where his responsibilities included accounting. He also played an active role in numerous annual financial statement audits during his many years spent working for a leading German audit and consulting firm. Since 2004, he has also been a member and, in some cases, chair of the audit committees at several listed companies. As part of this role, he has supported audits of annual financial statements by various audit firms and has also been responsible for sustainability reporting and audits of these reports.

As a member of the executive management team at a major international bank, Mr Martin Wiesmann was responsible for annual financial statement audits for many years and so also has special expertise and experience in this area.

ESG Committee

The ESG Committee is responsible for all sustainability-related issues, in particular environmental, social and corporate governance ("ESG") topics. The ESG Committee's main responsibilities are:

- Advising and monitoring the Management Board when incorporating sustainability targets in the company strategy and planning and implementing these, as well as regarding other sustainability measures;
- At the request of the Risk and Audit Committee, providing support for sustainability-related statements as part of its preliminary audit of the separate non-financial declaration of LEG Immobilien SE and the separate non-financial Group declaration, as well as with its consideration of whether the internal control system and

risk management system adequately and effectively cover sustainability objectives and include the processes and systems for recording and processing sustainability data;
- Preparing the discussions and resolutions of the Supervisory Board and, if requested, supporting the Executive Committee and Nomination Committee with sustainability issues.

The members of the ESG Committee are Dr Katrin Suder (Chairwoman), Dr Sylvia Eichelberg and Mr Martin Wiesmann. Mr Michael Zimmer has been elected deputy member.

Composition of the Boards

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, to report on the achievement of this goal, or give reasons in the event of non-achievement of this goal.

Supervisory Board

In a resolution dated 24 January 2022, the Supervisory Board agreed that women should make up 33.3 % of the Supervisory Board (two women in a six-person Supervisory Board) and set 31 December 2024 as the deadline for achieving this target. As at 31 December 2023, women accounted for 33.3 % of the Supervisory Board.

Management Board

In a resolution dated 24 January 2022, the Supervisory Board set the share of women on the Management Board at 33.3 % and gave 31 December 2024 as the deadline for achieving this goal. As at 31 December 2023, women accounted for 33.3 % of the Management Board.

Management levels below Management Board

LEG Immobilien SE itself has no employees and so no targets can be set for LEG Immobilien SE employees. However, the Management Board voluntarily set Group-wide targets for the appointment of women to management positions and, in a resolution dated 25 January 2022, set a target of 30 % for the first and second management levels below the Management Board which it must achieve by 31 December 2025.

Supervisory Board and Management Board composition (Diversity Concept)

Diversity Concept of the Supervisory Board

The Supervisory Board has stated targets for its composition and drawn up a competence profile. The targets and the competence profile include the following diversity targets as well as a diversity concept:

- With the overall composition of the Supervisory Board, the competence profile set should be met. On the basis of their knowledge, skills and professional experience, the members of the Supervisory Board should be able to perform the duties of a Supervisory Board member of a listed property company with a focus on residential properties. The Supervisory Board has stated that Group management, the housing industry, property transactions, bank and capital market financing, finances, accounting and auditing, management and regulation and sustainability are special areas of competence which should be met by the Supervisory Board as a whole.
- The members of the Supervisory Board should satisfy the requirements of the German Corporate Governance Code.
- At least five members of the Supervisory Board, including the Chairman of the Supervisory Board, the Chairman of the Risk and Audit Committee, the Chairman of the Executive Committee and the Chairman of the Remuneration Committee, must be independent as defined by the German Corporate Governance Code.
- In the interests of complementary cooperation, the members of the Supervisory Board should have sufficient diversity regarding different professional backgrounds, specialist knowledge and experience when selecting candidates.
- At least one third of the Supervisory Board must be female and one third male.
- Only candidates younger than 75 at the time of the election should be proposed for the Supervisory Board.
- The term of office of a Supervisory Board member should usually not last longer than 15 years.

Implementation status: attainment of targets set, the competence profile and the diversity concept

In its decision on candidates, the Supervisory Board takes into account not only the statutory requirements and the provisions of the Articles of Association, but in particular the above targets and the competence profile. The same applies to the Nomination Committee, which supports the Supervisory Board by providing assistance in its search for suitable candidates. The Supervisory Board most recently took account of the goals, including the competence profile, in the selection process conducted with the involvement of an external personnel consultancy in connection with the succession of Dr Jochen Scharpe's Supervisory Board mandate.

With the current composition of the Supervisory Board all goals have been achieved and the current composition of the Supervisory Board is balanced. The Supervisory Board members have the professional and personal qualifications considered necessary. Diversity is adequately taken into account on the Supervisory Board, one third of which are women. The Supervisory Board believes that it has a sufficient number of independent members. At present, all members of the Supervisory Board are independent as defined by recommendation C.6 of the GCGC. The regulation on the age limit (75 years at the time of the election) is also taken into account.

Composition of the Supervisory Board

	Age	Member since[1]	Appointed until (AGM)	Independence	Members of committees: Executive committee[2]	Risk and audit committee	ESG committee	Remuneration committee
Michael Zimmer (Chairman)	60	2021 (2013)	2025	X	O			X
Dr Claus Nolting (Deputy Chairman)	72	2021 (2016)	2025	X	X	O		X
Dr Sylvia Eichelberg	44	2021	2025	X			X	
Dr Jochen Scharpe	64	2021 (2013)	2025	X		X		
Dr Katrin Suder	52	2022	2025	X			O	
Martin Wiesmann	58	2021 (2020)	2025	X	X	X	X	O

X = member/fulfilled; O = Chairman / Chairwoman
[1] In the Supervisory Board of LEG Immobilien SE (in brackets: in the Supervisory Board of LEG Immobilien AG)
[2] The composition of the Nomination Committee corresponds to the Executive Committee.

The current Supervisory Board composition also meets the competence profile.

Competence profile

	Competencies: Group management	Housing industry	Property transactions	Bank and capital market financing	Finance, accounting and audit	Management and regulation	Sustainability
Michael Zimmer (Chairman)	●●	●●	●●	●	●	●	●
Dr Claus Nolting (Deputy Chairman)	●●	●	●●	●●	●●	●●	●
Dr Sylvia Eichelberg	●●	●	●	●	●	●●	●●
Dr Jochen Scharpe	●●	●●	●●	●	●●	●	●
Dr Katrin Suder	●●	●	●	●	●	●●	●●
Martin Wiesmann	●	●	●●	●●	●	●	●●

● = General knowledge ●● = Expert knowledge

To allow for an evaluation of their skills and a comparison with the goals, the CVs of the Supervisory Board members are published on the company's website.

Management Board diversity concept and succession planning for the Management Board

There are the following targets for the composition of the Management Board:

- Each member of the Management Board must have not only his own fundamental qualification, but also must be suitable for the company in its current situation and in view of future tasks.
- As a rule, members of the Executive Board should be appointed with effect until they reach the age of 65 at the latest.
- The members of the Management Board should supplement each other in respect to competence and knowledge. Here the Management Board should be composed in a way that the Board as a whole not only has entrepreneurial and managerial competence but also knowledge of property management and extensive expertise concerning regional housing markets.
- Moreover, the composition of the Management Board should allow it to have financial markets expertise as well as social competence, e. g. in the area of social management.
- The Supervisory Board defined a goal for the share of women on the Management Board of 33.3 %.

Together with the Management Board, the Supervisory Board ensures long-term succession planning. The Supervisory Board and its Executive Committee ensure that the composition of the Management Board takes place taking due account of the targets set. In addition, account is taken of the relevant legislation and the recommendations of the German Corporate Governance Code. The Management Board as it stands at presents meets all targets.

The CVs of the Management Board members are published on the company's website so that these can be compared against the diversity concept.

Takeover disclosures in accordance with section 315a HGB

Composition of issued capital

74,109,276 ordinary shares without par value are 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.

The Authorised Capital amounts to EUR 19,400,617.00. The Contingent Capital amounts to EUR 35,689,918.00.

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 2023, Massachusetts Financial Services Company (Boston, Massachusetts, USA) held 13.6 % (including attributions) of the share capital of the company, and hence also of the voting rights.

As of 31 December 2023, BlackRock, Inc. (New York, USA) held 10.2 % (including attributions) of the share capital of the company, and hence also of the voting rights.

LEG publishes voting rights announcements in accordance with Article 40, Section 1 of the WpHG (German Securities Trading Act).

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 Executive Board are appointed and dismissed in accordance with the provisions of section 84 of the German Stock Corporation Act. There are no significant supplementary or deviating provisions in the Articles of Association or Rules of Procedure.

Amendments to the Articles of Association are made in accordance with the provisions of the German Stock Corporation Act. There are no significant, supplementary or deviating provisions in the Articles of Association or Rules of Procedure.

Authority of the Management Board to issue 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 19,400,617.00 by issuing up to 19,400,617 new shares until 18 August 2025 (Authorised Capital 2020).

The share capital is contingently increased by up to EUR 35,689,918.00 through the issue of up to 35,689,918 new shares (Contingent Capital 2013/2017/2018/2020). The contingent capital increase is subject to the proviso that the conditions for the conversion rights issued in 2017 or 2020 or in future are exercised and serviced by way of the corresponding utilisation of contingent capital.

By way of resolution dated 29 July 2020, the Management Board issued a voluntary commitment declaring that it would not raise the share capital from Contingent Capital 2013/2017/2018/2020 and from Authorised Capital 2020 by more than 50 % in total of the share capital in place as at the time of the resolution (EUR 71,379,836.00), i. e. not by more than a total of EUR 35,689,918.00.

The Management Board also declared that the sum of shares issued on the basis of Contingent Capital 2013/2017/2018/2020 and Authorised Capital 2020 with shareholders' pre-emption rights disapplied – taking into account other shares that are sold / issued after 19 August 2020 with pre-emption rights disapplied or that are to be issued on the basis of bonds after 19 August 2020 with pre-emption rights disapplied – will not exceed 10 % of the share capital at the time it becomes effective or at the time of utilising the Contingent Capital 2013/2017/2018/2020 or Approved Capital 2020. Shares that are to be issued on the basis of convertible bonds issued by the company in September 2017 or June 2020 are not included in this.

This voluntary commitment is published on the company's website at https://ir.leg-se.com/fileadmin/user_upload/Investor_Relations/Hauptversammlung/HV_2020/en/No_06_and_07_Voluntary_Commitment_Contingent_and_Authorized_Capital.pdf and can be accessed for the duration of the term of Contingent Capital 2013/2017/2018/2020 and Authorised Capital 2020.

Authorisation on the acquisition and utilisation of treasury shares

On 19 May 2022, the Annual General Meeting 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 at 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 according to sections 71d and 71e AktG, cannot account for more than 10 % of the share capital at any time. The authorisation applies until 18 May 2027 and can be exercised in full or in part on one or more occasions. At the discretion of the Management Board, the shares must be acquired in accordance with the principle of equal treatment (section 53a AktG) on the stock exchange or by means of a public invitation to all shareholders to submit offers to sell, in which case the principle of equal treatment of shareholders must also be upheld (section 53a AktG), unless the disapplication of the right to tender is permitted, or by granting tender rights.

If the shares are purchased on the stock exchange, the purchase price (excluding incidental costs) may not exceed or fall below the price determined on the trading day by the opening auction in Xetra trading on the Frankfurt Stock Exchange by more than 5 %.

If the acquisition is made on the basis of a public purchase offer to all shareholders or on the basis of a public invitation to the shareholders of the Company to submit offers for sale, the purchase price paid to the shareholders (excluding incidental costs) may not exceed or fall short of the arithmetic mean of the share prices on the Frankfurt Stock Exchange on the last three trading days prior to the final decision of the Management Board on the offer or, in the case of an acquisition by other means, prior to the acquisition by more than 10 %.

If the shares are acquired by granting tender rights, the consideration paid per share by the company (not including incidental costs of acquisition) must not be 10 % higher or less than the average share price on the stock exchange in Frankfurt / Main on the last three stock exchange trading days before the date offers of sale are accepted or the date that tender rights are granted.

The authorisation can be exercised for any purpose allowed by law. 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 properties, property portfolios and receivables from the company, and (vi) to fulfil option or conversion rights/obligations, whereby this authorisation is limited to a pro rata amount of the share capital of LEG of not more than 10 % of the share capital at the time of the resolution of the Annual General Meeting regarding this authorisation or – if this value is lower – 10 % of the share capital at the time of the disposal of the shares. Shareholders' pre-emption rights can be disapplied in certain cases, including for fractional amounts.

The statutory provisions also apply.

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

LEG issued a convertible bond with a volume of EUR 400 million in August 2017 and a convertible bond with a volume of EUR 550 million in June 2020. 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 bonds; this is defined in greater detail in the terms and conditions of the convertible bonds.

In November 2019, LEG also issued two corporate bonds with a total nominal amount of EUR 300 million and EUR 500 million respectively under the existing debt issuance programme.

In March 2021, June 2021 and November 2021, LEG also issued three additional corporate bonds with total nominal amounts of EUR 500 million, EUR 600 million and EUR 500 million respectively under the existing debt issuance programme. In October 2022, the bond issued in March 2021 was increased through a tap by EUR 100 million to EUR 600 million. In July 2023, the bond issued in June 2021 was increased through a tap by EUR 100 million to EUR 700 million.

In January 2022, LEG also issued three corporate bonds, each with a total nominal amount of EUR 500 million, under the existing debt issuance programme. In November 2023, the bond that matures in 2029 was increased through a tap by EUR 100 million to EUR 600 million.

The creditors of these corporate bonds have the right to demand the redemption of their bonds if a change of control occurs and the credit rating deteriorates within 90 days of the change of control.

A change of control in accordance with the conditions of the financial instruments described above is considered to have taken place if a person or persons acting in concert hold 30 % or more of the shares in LEG 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

The contracts of employment of the Management Board members contain provisions with respect to the event of a change of control. In case of an early Management Board contract termination in the event of a change of control, members of the Management Board receive payments. This agreement complies with recommendation G 13 of the German Corporate Governance Code by limiting the compensation in accordance with the suggested compensation cap. In accordance with the recommendation G 14 of the German Corporate Governance Code, no agreements have been made for compensation in the event of early termination of the employment agreement by the member of the Management Board following a change of control.

Non-financial report in accordance with section 315b HGB

EU Taxonomy

In accordance with the EU Taxonomy (Regulation (EU) 2020/852), companies subject to reporting obligations in conjunction with the Non-Financial Reporting Directive (NFRD)[1] must also include Taxonomy disclosures in their non-financial reporting. As a listed company with more than 500 employees, LEG Immobilien SE is also subject to these reporting requirements. The EU Taxonomy is the first "green" classification system for defining whether or not an economic activity is environmentally sustainable. The main objective of the EU Taxonomy is to help achieve the goals of the Paris Agreement through improved transparency on the capital market. The comparability of sustainability data across different industries is an essential part of this. The companies concerned must therefore disclose the shares of their revenue, capital expenditure (Capex) and operating expenditure (Opex) that relate to environmentally sustainable economic activities. The EU Taxonomy has defined the six following environmental objectives:

I. Climate change mitigation
II. Climate change adaptation
III. Sustainable use and protection of water and marine resources
IV. Transition to a circular economy
V. Pollution prevention and control
VI. Protection and restoration of biodiversity and ecosystems

For 2023, the reporting is to be expanded to cover environmental objectives III to VI as well as environmental objectives I and II. The EU Taxonomy has defined economic activities that are potentially environmentally sustainable and consistent with all its environmental objectives.

Taxonomy eligibility

In the context of Taxonomy eligibility, the revenue, Capex and Opex of all economic activities for which the EU has issued technical screening criteria must be reported. It is not yet necessary to indicate whether the economic activity satisfies the technical screening criteria stipulated in the Delegated Acts (cf. Delegated Regulation supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council, Annex 1 & 2).

For the housing industry, for example, this includes all revenue from the rental and letting of residential buildings, regardless of whether the building in question is a low-energy house or is in the lowest energy efficiency class (H). To begin with, what matters is that these activities essentially have a direct link to EU environmental objective I ("Climate change mitigation").

Identification of Taxonomy-eligible economic activities

For the 2021 financial year[2], LEG conducted a review of its Taxonomy-eligible economic activities for the first time, i.e. it identified those activities of the company for which the EU Taxonomy has defined technical screening criteria. The results of the analysis show that selected economic activities in section 7 "Construction and real estate activities", which relate to our core business, as well as section 4 "Energy" and section 9 "Professional, scientific and technical activities" are considered Taxonomy-eligible. Regarding section 4, besides its obvious energy-related economic activities, such as photovoltaic electricity generation on the roofs of properties, LEG also operates its own biomass cogeneration plant. In the following section, we report on the economic activities in numerical order.

In the 2022 and 2023 financial years, LEG validated these results and determined their Taxonomy alignment. The company did this using the technical screening criteria published by the European Commission and currently applicable, including the "do no significant harm" (DNSH) and "minimum safeguards" criteria (MS) as well as relevant FAQ documents published by the European Commission. Furthermore, various current best practices of listed German companies were taken into account. The exact procedure is described under "Identification of Taxonomy-aligned economic activities".

Mainly on account of the entry into new business areas, the Taxonomy-eligible economic activities were reassessed, resulting in no changes here compared to last year. The consideration of environmental objectives III to VI for the first time in 2023 resulted in no additions. Essentially, all revenue, Capex and Opex from economic activities for which there are technical screening criteria are Taxonomy-eligible. In the 2023 financial year, the inclusion of the technical screening criteria again primarily related to economy activity 7.7 "Acquisition and ownership of buildings" in Annex I and II, with which almost all of LEG's consolidated revenue is generated from rental and leasing, though it also had implications for the disclosures for other economic activities.

The results of this year's analysis and central changes are as follows.

[1] In accordance with the CSR Directive Implementation Act in Germany.
[2] LEG's reporting period is from 1 January to 31 December.

Results of the qualitative analysis of Taxonomy eligibility
LEG has identified three Taxonomy-eligible economic activities in Annex I with which the company generates revenue. These include (i) 4.1 "Electricity generation using solar photovoltaic technology", (ii) 4.20 "Cogeneration of heat/cool and power from bioenergy" in the "Energy" sector and (iii) 7.7 "Acquisition and ownership of buildings" in the "Construction and real estate activities" sector.

In addition to the revenue from these three economic activities, relevant Capex was identified in the following economic activities: (i) 4.1 "Electricity generation using solar photovoltaic technology", (ii) 4.16 "Installation and operation of electric heat pumps" and (iii) 7.7 "Acquisition and ownership of buildings". This also included investments that could lead to future revenue.

On Opex: For the purposes of the EU Taxonomy, the denominator used to determine the share of Opex includes direct costs relating to research and development, short-term lease, maintenance and minor repairs, as well as all other direct expenditures relating to day-to-day servicing. The numerator equates to the part of the operating expenditure included in the denominator that relates to Taxonomy-eligible economic activities. Taxonomy-eligible Opex was assigned to the following economic activities: (i) 4.1 "Electricity generation using solar photovoltaic technology", (ii) 4.20 "Cogeneration of heat/cool and power from bioenergy", (iii) 7.7 "Acquisition and ownership of buildings" and (iv) 9.1 "Close to market research, development and innovation".

Further Taxonomy-eligible economic activities arising from environmental objectives III to VI newly added in 2023 – in particular 3.1 Construction of new buildings – are reported on in 7.7 Acquisition and ownership of buildings, in order to avoid dual reporting.

The identification of Taxonomy-eligible economic activities is followed by the analysis of Taxonomy alignment, as a result of which Taxonomy-eligible revenue, Capex and Opex could be found to be non-Taxonomy-aligned.

Taxonomy alignment

LEG is required to report on the Taxonomy alignment of relevant economic activities in addition to their Taxonomy eligibility. Revenue, Capex and Opex are deemed Taxonomy-aligned if they satisfy the technical screening criteria defined by the EU. Based on these criteria, it must be indicated whether an economic activity is Taxonomy-aligned for achieving the above-mentioned environmental objectives I to VI for the 2023 reporting year. Given its business operations, only environmental objective I ("Climate change mitigation") is relevant to LEG. It also has to be ensured that these economic activities do no significant harm (DNSH) to any of the other environmental objectives and that they satisfy certain minimum social safeguards.

Identification of Taxonomy-aligned economic activities
To determine Taxonomy alignment, LEG has analysed the above economic activities according to the technical screening criteria. As stated above, these include criteria from the "Construction and real estate activities" sector in section 7 as well as economic activities from the "Energy" sector in section 4 and from the "Professional, scientific and technical activities" sector in section 9.

A structured approach was used to analyse the Taxonomy alignment of revenue, Capex and Opex as follows: Capex and Opex that contribute to Taxonomy-aligned buildings follow the revenue-generating activity 7.7 "Acquisition and ownership of buildings" and are generally considered Taxonomy-aligned. They do not require a review of the technical screening criteria (Delegated Regulation 2021/2178; cat. a)).

The majority of the Taxonomy-eligible Capex and Opex relates to activity 7.7. According to the European Commission, the date for assessing Taxonomy alignment is the date of the construction permit. Revenue, Capex and Opex from or in buildings for which a construction permit was issued before 31 December 2020 must satisfy the technical screening criteria for economic activity 7.7 – all those buildings for which a construction permit was issued after 31 December 2020 must satisfy the criteria for economic activity 7.1 "Construction of new buildings" in order to qualify as Taxonomy-aligned.

All KPIs are calculated and published using the principles applied in preparing the consolidated financial statements. As LEG Immobilien SE prepares its financial statements in accordance with IFRS, "environmentally sustainable" revenue, Capex and Opex are therefore also calculated in accordance with IFRS, whereby Opex only comprises maintenance and repairs in conjunction with the Taxonomy Regulation. This also applies to our subsidiaries whose single-entity financial statements are incorporated into LEG's consolidated financial statements.

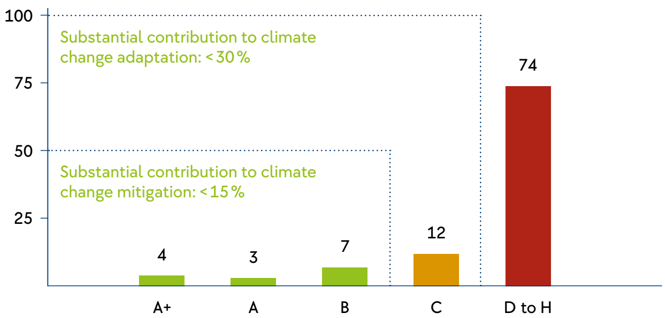
Substantial contribution
In order to determine Taxonomy alignment, on the basis of the above technical screening criteria, LEG analyses the extent to which the economic activity makes a contribution to the environmental objective "climate change mitigation". The technical screening criteria have to be applied to all material economic activities, though at LEG this primarily relates to economic activity 7.7 "Acquisition and ownership of buildings", as rental and lease revenue accounts for almost all of LEG's consolidated revenue. A majority of LEG's business model therefore falls within the scope of the Taxonomy.

The technical screening criterion relevant to economic activity 7.7 "Acquisition and ownership of buildings" states that only the revenue generated with buildings in Energy Performance Certificate (EPC) class A (+) or buildings within the top 15 % of the regional or national building stock as per PEB2 can be reported.

The room for interpretation stems from the reporting requirement in relation to the "national or regional building stock" without further reference to a database that could be used for this purpose. Also, the Delegated Acts do not provide any further definition of "regional" or differentiate between residential property types (e. g. between detached houses and apartment buildings). The definition thresholds for the individual EPC classes also differ considerably throughout Europe and therefore cannot be compared, which minimises the information value of the Taxonomy disclosures in a pan-European context. As the basis for calculating the top 15 % of the regional building stock for the current reporting of Taxonomy alignment, we therefore used the study by the German Ministry for Economic Affairs and Energy[1] (BMWi) for 2021.

The BMWi analysis indicates that buildings up to EPC class B satisfy the material screening criteria as they are among most efficient 14 % of the housing stock in Germany. The corresponding share of especially energy-efficient EPC C buildings with a final energy demand of around 77 kWh per square metre per year was used as a reference for one percent of the top 15 %. Based on the current values for our portfolio as a whole, there is an average primary energy factor of 1.18 and therefore a threshold for primary energy demand of 90.8 kWh per square metre per year.

Frequency distribution of EPC classes of German residential buildings (in %)



Source: Sven Bienert/Irebs, German Ministry for Economic Affairs and Energy (BMWi), 2021

Do no significant harm
Compliance with the DNSH criteria for environmental objective I and the other five environmental objectives in the 2023 reporting year was assessed on the basis of the specific Taxonomy requirements for the respective economic activities.

In order to counteract the significant harm in relation to **environmental objective II ("Climate change adaptation"),** all identified economic activities must undergo a climate risk and vulnerability assessment according to the Taxonomy. This was performed at the level of LEG as a whole and the result was taken into account in the reporting of Taxonomy alignment > see tables Taxonomy alignment.

No further DNSH criteria apply to economic activity 7.7 "Acquisition and ownership of buildings".

As the percentage share of the KPIs for other Taxonomy-eligible and Taxonomy-aligned economic activities is in the per thousand range for the 2023 reporting year, a more detailed description of the DNSH criteria associated with these activities and any compliance by LEG has been dispensed with, and this is also indicated in the table below and the associated footnotes. For economic activity 4.20 "Cogeneration of heat/cool and power from bioenergy", it must be pointed out that the associated revenue and Opex account for more than 1 % of the reportable KPIs.

To prevent activity 4.20 from causing significant harm to **environmental objective III ("Sustainable use and protection of water and marine resources"),** risks to water quality and in connection with water shortages must be calculated and surveyed. This necessitates disclosures on the water consumption of the equipment installed. A risk analysis is also required for **environmental objective VI ("Protection and restoration of biodiversity and ecosystems").** The priority here is the conservation and protection of environmental resources. In Germany, the conservation and protection of environmental resources is ensured by regulatory standards without which a facility will not be granted an operating permit. In addition, the facility has been declared sustainable by means of a SURE certificate. As for the fuel used, the environmental objective is taken into account by the fact that only certified scrap wood is burned in our biomass cogeneration plant.

For compliance with the DNSH criterion for **environmental objective V ("Pollution prevention and control"),** various statutory parameters and targets concerning emissions, air quality and digestate must be adhered to for activity 4.20. An environmental impact assessment is required to determine noise, dust and pollutant emissions, though in Germany this is a requirement for an operating permit under the German Pollution Protection Act and therefore can be taken as given.

[1] Since 2022: German Federal Ministry for Economic Affairs and Climate Action.

Compliance with minimum safeguards
Another criterion for the Taxonomy alignment of individual economic activities is ensuring that companies comply with the minimum social safeguards. These include due diligence within the company and in outsourced value chains by implementing suitable processes. Besides the issues of bribery and corruption, taxation and fair competition, human rights are essentially also addressed.

LEG uses a Group-wide approach to ensure that the MS criteria are fulfilled, which is also reflected in the corresponding reporting and further external documentation, such as the Code of Conduct and the Anti-Corruption Policy.

Results of the qualitative analysis of Taxonomy alignment
The following section presents and explains the material findings of the alignment analysis. Taxonomy-eligible and Taxonomy-aligned economic activities must be analysed with regard to the development of revenue and of Capex and Opex for the 2023 reporting year.

LEG reports an aggregate percentage value pro rata for the Taxonomy-eligible and Taxonomy-aligned share of economic activities in revenue, Capex and Opex. Only Taxonomy-eligible and Taxonomy-aligned revenue, Capex and Opex relevant to environmental objective I "climate change mitigation" are shown. The Taxonomy-eligible and Taxonomy-aligned revenue, Capex and Opex for environmental objective II "climate change adaptation" are a subset of the values under environmental objective I "climate change mitigation". This prevents revenue, Capex and Opex from being counted more than once in the numerator for multiple economic activities in calculating the KPIs.

In total, the share of consolidated revenue generated by letting buildings with a primary energy use of less than 90.8 kWh/m²/a was around 11.1 %.

If possible, the KPIs were allocated directly to the respective economic activities. If this was not possible, an allocation mechanism was used instead.

For the minor part of the LEG portfolio for which EPC certificates were not necessary/available (799 out of 25,446 buildings), it is assumed that the consumption and usage data break down in line with the rest of the portfolio.

A Capex plan has to be prepared for Capex and Opex that lead to an increase in Taxonomy-aligned economic activities or contribute to a transfer from Taxonomy-eligible to Taxonomy-aligned economic activities. As there is no Capex plan as referred to by the EU Taxonomy, this is not taken into account.

Reporting of the quantitative results of the EU Taxonomy analysis
> see tables Taxonomy alignment.

Excursus: Establishment and financing of joint ventures as solution providers for decarbonisation of our building stock
To comply with the German and European climate regulations and meet our own decarbonisation targets, the company pursues a three-step approach in founding its joint ventures.

Faster decarbonisation of our existing buildings is a key factor in achieving the climate objectives in the building sector. LEG has made it its mission to promote "serial energy-efficiency improvement" throughout the DACH region. With this in mind, at the end of 2021/start of 2022, the company founded a joint venture, Renowate GmbH, with the Rhomberg Group fromAustria. In addition, LEG is focused on cost-effective replacement of heating systems, especially gas central heating systems, with air-to-air heat pumps: To this end, in March 2023, the company entered into a partnership with Mitsubishi Electric as a major supplier of the systems. In September 2023, in conjunction with the Dusseldorf-based family company Soeffing, LEG founded the joint venture dekarbo, which installs the devices and provides digital maintenance across the entire life cycle as a one-stop solution. The service is to be used in LEG's own properties and offered to third parties. With the joint venture termios, LEG is optimising the use of existing heating systems by using AI-controlled thermostats and creating a scalable solution for the legally required hydraulic balancing in the property industry.

However, reporting in conjunction with the EU Taxonomy is not possible at this point, as RENOWATE, dekarbo and termios are not included in LEG's consolidated group. In theory, this could change with full consolidation. Instead, only the expenses for the implementation of energy-efficiency improvements in LEG properties by RENOWATE have been and will be included in the Taxonomy reporting in the coming years. For the young joint ventures dekarbo and termios, expenses will be included in the Taxonomy reporting for the installation of air-to-air heat pumps and the installation of AI-controlled thermostats in the LEG portfolio respectively. The associated Taxonomy-aligned Capex will then be reported by the respective contractor of the joint ventures. LEG's efforts to promote climate change mitigation throughout the property sector are therefore not included in its EU Taxonomy reporting.

Environmentally sustainable turnover related to taxonomy-aliged economic activities – disclosure for the 2023 financial year

Economic activities	Code	Absolute turnover (€ thousand)	Proportion of turnover (in %)	Minimum social standards	Proportion of Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2)	Category (enabling activities)	Category (transition activities)
A. Taxonomy-eligible activities							
A.1 Environmentally sustainable activities (Taxonomy-aligned)							
Electricity generation using solar photovoltaic technology	CCM 4.1	124.68	0.0	Y			
Cogeneration of heat/cool and power from bioenergy	CCM 4.20	43,455.44	3.3	Y			
Acquisition and ownership of buildings	CCM 7.7/ CCA 7.7	145,554.99	11.0	Y			
Turnover of environmentally sustainable activities (Taxonomy-aligned)		189,135.12	14.3				
of which enabling						E	
of which transitional							T
A.2 Taxonomy-eligible, but not environmentally sustainable activities (non-Taxonomy-aligned activities)							
Electricity generation using solar photovoltaic technology	CCM 4.1	0.00	0.0				
Cogeneration of heat/cool and power from bioenergy	CCM 4.20	0.00	0.0				
Acquisition and ownership of buildings	CCM 7.7/ CCA 7.7	1,114,448.72	84.4				
Turnover of Taxonomy-eligible, but not environmentally sustainable activities (non-Taxonomy-aligned activities)		1,114,448.72	84.4				
A. Total (A.1 + A.2)		1,303,583.83	98.8				
B. Non-Taxonomy-eligible activities							
Turnover of non-Taxonomy-eligible activities (B)		16,079.11	1.2				
Total (A. + B.)		1,319,662.95	100.0				

		Substantial Contribution Criteria					
Economic activities	Code	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems
A. Taxonomy-eligible activities							
A.1 Environmentally sustainable activities (Taxonomy-aligned)							
Electricity generation using solar photovoltaic technology	CCM 4.1	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Cogeneration of heat/cool and power from bioenergy	CCM 4.20	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Acquisition and ownership of buildings	CCM 7.7/ CCA 7.7	Y	N/EL	N/EL	N/EL	N/EL	N/EL
of which enabling		0	0	0	0	0	0
of which transitional		0					
A.2 Taxonomy-eligible, but not environmentally sustainable activities (non-Taxonomy-aligned activities)							
Electricity generation using solar photovoltaic technology	CCM 4.1	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Cogeneration of heat/cool and power from bioenergy	CCM 4.20	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Acquisition and ownership of buildings	CCM 7.7/ CCA 7.7	EL	N/EL	N/EL	N/EL	N/EL	N/EL

		"Do no significant harm" (DNSH) criteria					
Economic activities	Code	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems
A. Taxonomy-eligible activities							
A.1 Environmentally sustainable activities (Taxonomy-aligned)							
Electricity generation using solar photovoltaic technology	CCM 4.1	–	Y	–	Y	–	–
Cogeneration of heat/cool and power from bioenergy	CCM 4.20	–	Y	Y	–	Y	Y
Acquisition and ownership of buildings	CCM 7.7/ CCA 7.7	–	Y	–	–	–	–

Environmentally sustainable Capex related to taxonomy-aliged economic activities – disclosure for the 2023 financial year

Economic activities	Code	Absolute Capex (€ thousand)	Proportion of Capex (in %)	Minimum social standards	Proportion of Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2)	Category (enabling activities)	Category (transition activities)
A. Taxonomy-eligible activities							
A.1 Environmentally sustainable activities (Taxonomy-aligned)							
Electricity generation using solar photovoltaic technology	CCM 4.1	2,860.80	0.6	Y			
Installation and operation of electric heat pumps	CCM 4.16	154.80	0.0	Y			
Acquisition and ownership of buildings	CCM 7.7/ CCA 7.7	205,689.64	45.6	Y			
Capex of environmentally sustainable activities (Taxonomy-aligned)		208,705.24	46.2				
of which enabling						E	
of which transitional							T
A.2 Taxonomy-eligible, but not environmentally sustainable activities (non-Taxonomy-aligned activities)							
Electricity generation using solar photovoltaic technology	CCM 4.1	0.00	0.0				
Installation and operation of electric heat pumps	CCM 4.16	0.00	0.0				
Acquisition and ownership of buildings	CCM 7.7/ CCA 7.7	235,641.94	52.2				
Capex of Taxonomy-eligible, but not environmentally sustainable activities (non-Taxonomy-aligned activities)		235,641.94	52.2				
A. Total (A.1 + A.2)		444,347.17	98.4				
B. Non-Taxonomy-eligible activities							
Capex of non-Taxonomy-eligible activities (B)		7,049.35	1.6				
Total (A. + B.)		451,396.53	100.0				

		Substantial Contribution Criteria					
Economic activities	Code	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems
A. Taxonomy-eligible activities							
A.1 Environmentally sustainable activities (Taxonomy-aligned)							
Electricity generation using solar photovoltaic technology	CCM 4.1	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Installation and operation of electric heat pumps	CCM 4.16	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Acquisition and ownership of buildings	CCM 7.7/ CCA 7.7	Y	N/EL	N/EL	N/EL	N/EL	N/EL
of which enabling		0	0	0	0	0	0
of which transitional		0					
A.2 Taxonomy-eligible, but not environmentally sustainable activities (non-Taxonomy-aligned activities)							
Electricity generation using solar photovoltaic technology	CCM 4.1	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation and operation of electric heat pumps	CCM 4.16	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Acquisition and ownership of buildings	CCM 7.7/ CCA 7.7	EL	N/EL	N/EL	N/EL	N/EL	N/EL

		"Do no significant harm" (DNSH) criteria					
Economic activities	Code	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems
A. Taxonomy-eligible activities							
A.1 Environmentally sustainable activities (Taxonomy-aligned)							
Electricity generation using solar photovoltaic technology	CCM 4.1	–	Y	–	Y	–	–
Installation and operation of electric heat pumps	CCM 4.16	–	Y	Y	Y	Y	Y
Acquisition and ownership of buildings	CCM 7.7/ CCA 7.7	–	Y	–	–	–	–

Environmentally sustainable Opex related to taxonomy-aliged economic activities – disclosure for the 2023 financial year

Economic activities	Code	Absolute Opex (€ thousand)	Proportion of Opex (in %)	Minimum social standards	Proportion of Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2)	Category (enabling activities)	Category (transition activities)
A. Taxonomy-eligible activities							
A.1 Environmentally sustainable activities (Taxonomy-aligned)							
Electricity generation using solar photovoltaic technology	CCM 4.1	34.57	0.0	Y			
Cogeneration of heat/cool and power from bioenergy	CCM 4.20	2,253.57	2.0	Y			
Acquisition and ownership of buildings	CCM 7.7/ CCA 7.7	8,841.86	7.7	Y			
Close to market research, development and innovation	CCM 9.1	2,133.67	1.9	Y			
Opex of environmentally sustainable activities (Taxonomy-aligned)		13,263.67	11.5				
of which enabling						E	
of which transitional							T
A.2 Taxonomy-eligible, but not environmentally sustainable activities (non-Taxonomy-aligned activities)							
Electricity generation using solar photovoltaic technology	CCM 4.1	0.00	0.0				
Cogeneration of heat/cool and power from bioenergy	CCM 4.20	0.00	0.0				
Acquisition and ownership of buildings	CCM 7.7/ CCA 7.7	99,341.69	86.4				
Close to market research, development and innovation	CCM 9.1	0.00	0.0				
Opex of Taxonomy-eligible, but not environmentally sustainable activities (non-Taxonomy-aligned activities)		99,341.69	86.4				
A. Total (A.1 + A.2)		112,605.37	97.9				
B. Non-Taxonomy-eligible activities							
Opex of non-Taxonomy-eligible activities (B)		2,399.20	2.1				
Total (A. + B.)		115,004.57	100.0				

Economic activities	Code	Substantial Contribution Criteria: Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems
A. Taxonomy-eligible activities							
A.1 Environmentally sustainable activities (Taxonomy-aligned)							
Electricity generation using solar photovoltaic technology	CCM 4.1	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Cogeneration of heat/cool and power from bioenergy	CCM 4.20	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Acquisition and ownership of buildings	CCM 7.7/ CCA 7.7	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Close to market research, development and innovation	CCM 9.1	Y	N/EL	N/EL	N/EL	N/EL	N/EL
of which enabling		2	0	0	0	0	0
of which transitional		0					
A.2 Taxonomy-eligible, but not environmentally sustainable activities (non-Taxonomy-aligned activities)							
Electricity generation using solar photovoltaic technology	CCM 4.1	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Cogeneration of heat/cool and power from bioenergy	CCM 4.20	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Acquisition and ownership of buildings	CCM 7.7/ CCA 7.7	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Close to market research, development and innovation	CCM 9.1	EL	N/EL	N/EL	N/EL	N/EL	N/EL

Economic activities	Code	"Do no significant harm" (DNSH) criteria: Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems
A. Taxonomy-eligible activities							
A.1 Environmentally sustainable activities (Taxonomy-aligned)							
Electricity generation using solar photovoltaic technology	CCM 4.1	–	Y	–	Y	–	–
Cogeneration of heat/cool and power from bioenergy	CCM 4.20	–	Y	Y	Y	Y	–
Acquisition and ownership of buildings	CCM 7.7/ CCA 7.7	–	Y	–	–	–	–
Close to market research, development and innovation	CCM 9.1	–	Y	–	–	–	–

Notes on content of report and framework

LEG Immobilien SE is publishing a non-financial declaration in accordance with section 315b HGB for the 2023 financial year. It comprises key non-financial aspects that have a significant impact on the HGB aspects of environmental, social and employee concerns, combating corruption and bribery and human rights issues and that are relevant to LEG Immobilien SE's financial position and financial performance for the 2023 financial year.

The non-financial declaration provides information on key non-financial performance indicators, individual targets figures and the concepts, initiatives and objectives underpinning these. The measures introduced in 2022 to save energy and costs must also be taken into account when assessing the non-financial key figures, especially as compared to the previous year. The standard of the Global Reporting Initiative (GRI) served as the general framework for the structure of the materiality analysis and the description of concepts. Further information can be found in > section GRI key figures. This is not the subject of the company audit.

LEG regularly reviews and optimises the processes for collecting non-financial key figures, i. e. ESG data. ESG key figures are given equal importance to financial key figures the reporting. LEG has been using a partially automated data collection system to collect and archive all relevant non-financial key figures since 2021. The data owners enter their data into the database, which is then reviewed by the ESG department or Controlling to ensure consistency and to automatically guarantee two-person integrity. In preparation for reporting under CSRD starting in 2024, the previous database – the ESG cube – is currently being moved to a new and more comprehensive data warehouse system. In this transition phase, data owners, the ESG department and Controlling coordinate the preparation of this report using standard programmes.

Preparation for the CSRD also includes integrating the non-financial declaration as a separate section of the Group management report for the first time. With the exception of the disclosures marked as "not audited", it was subject to a voluntary limited assurance audit by the audit firm Deloitte. The recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) expand the reporting standards listed. They are published online at the same time as the annual report. References to disclosures not included in the Group management report or the consolidated financial statements constitute additional information and are not part of the non-financial declaration. EPRA key performance figures for sustainability and SASB reporting will be published online in May 2024.

Business model
With around 166,500 rental properties (previous year: 167,000), approximately 500,000 tenants (previous year: 500,000) and 2,003 employees (as at 31 December 2023; previous year: 2,040), Dusseldorf-based LEG is one of Germany's leading listed housing companies. The company is listed on the MDAX and generated rental and lease income of around EUR 1,241 million in the 2023 financial year (2022: EUR 1,149 million).

As the biggest landlord in Germany's most populous federal state, North Rhine-Westphalia, as well as operating in other states in Germany, LEG helps meet rising demand for affordable housing. A consistently value-driven business model with a focus on resilience and customers combines the interests of shareholders and tenants.

Further information on LEG's business model can be found in the chapter > business activities and strategy.

Below, we report on key issues for the LEG Group. The non-financial declaration is structured in line with the aspects determined in conjunction with the materiality analysis.

Material topics
The LEG Group conducted a materiality analysis in 2020 to identify material non-financial topics in accordance with the Handelsgesetzbuch (HGB – German Commercial Code) and taking into account the requirements of the GRI standards. For the 2020 materiality analysis, non-financial topics that may be relevant to the LEG Group were initially identified on the basis of a field analysis, which took capital market requirements and various industry and reporting standards into account.

These topics were then assessed regarding the LEG Group's potential impact on the matters, their business relevance and with regard to the associated expectations of internal and external stakeholders. Tenants, employees and executives at the LEG Group, as well as external experts, were involved in the assessment, contributing points of view from civil society, academia, the capital market and politics.

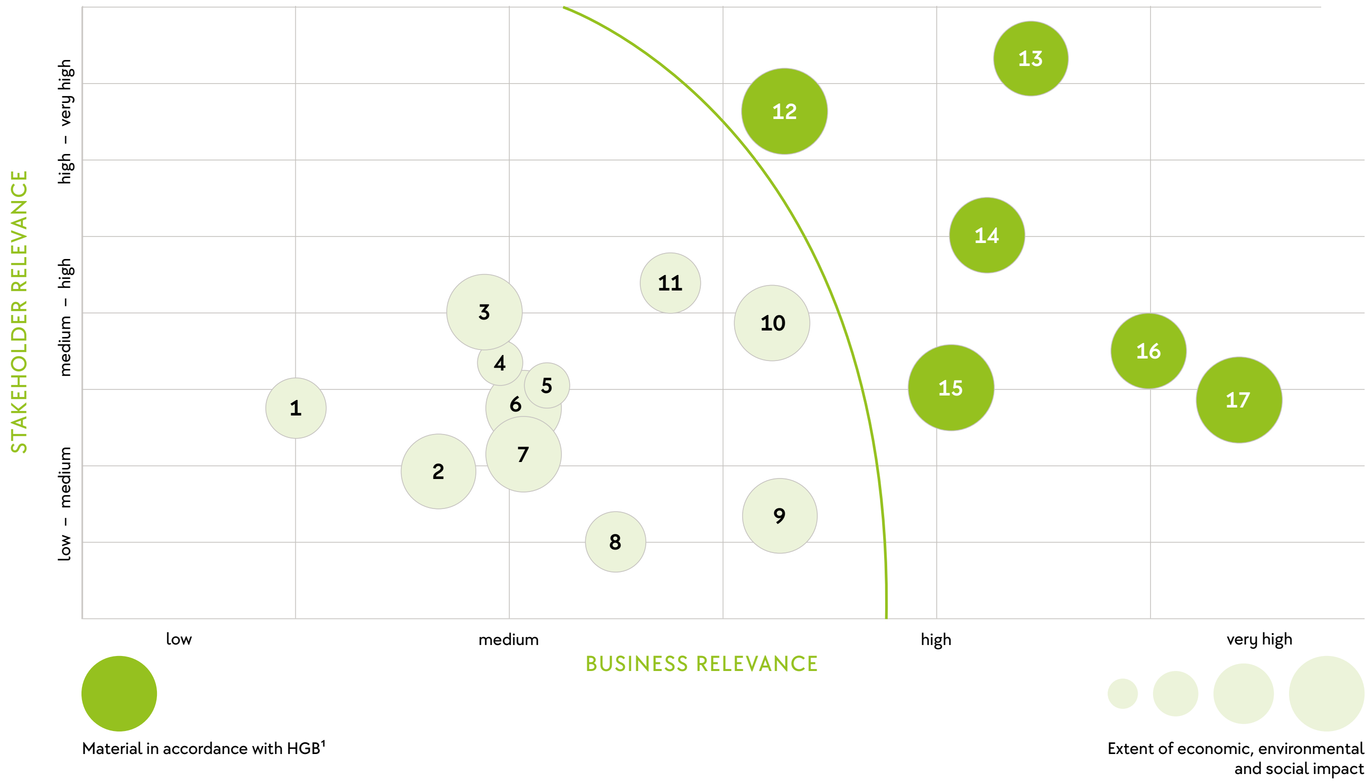
The results were consolidated and translated into a materiality matrix. The following report sets out our position on the six topics that were identified as high or very high regarding their business relevant to the LEG Group and the company's potential impact:

1. Sustainable growth and resilience
2. Customer satisfaction and participation
3. Corporate culture and values
4. Reduction of energy use and emissions
5. Fair and affordable rent
6. Neighbourhood development

We have not identified any other material topics within the meaning of HGB. We did not add or remove any issues in the 2023 reporting year. Our analysis determined that the aspects of the law “respect for human rights” and “combating corruption and bribery” are not material for the LEG Group in the strict sense of the law and so these are not discussed in detail here. Nevertheless, these are key issues for the industry, which is why they are briefly addressed under “Sustainable growth and resilience”. The LEG sustainability strategy considers “respect for human rights” as well. We also signed the United Nations Global Compact in 2021 and support the ten principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption. We have regularly published our progress reports on the UN Global Compact website since May 2022. We have been a member of the UN Global Compact Netzwerk Deutschland e. V. since August 2023.

This non-financial declaration is structured in line with the five action areas set out in our sustainability strategy, to which we have assigned the material topics detailed above. These five action areas are “business”, “tenants”, “employees”, “the environment” and “society”. They form the structural basis of our sustainability strategy and the targets identified by way of this.

Materiality analysis



1 Human rights standards in the supply chain
2 Social commitment
3 Land use and nature conservation
4 Health protection and occupational safety
5 Training and professional development
6 Diversity and equality of opportunity
7 Local social dialogue
8 Transparent financing and liquidity strategy
9 Good governance and compliance
10 Sustainable construction materials and environmental management
11 Work-life-balance and family friendly policies
12 Fair and affordable rent
13 Customer satisfaction and participation
14 Reduction of energy use and emissions
15 Neighbourhood development
16 Corporate culture and values
17 Sustainable growth and resilience

[1] Materiality threshold (very) high business relevance and (very) high impact

List of key areas

HGB aspects	Key areas	Issue
Environmental issues	Key area: environment	Reduction of energy use and emissions
Employee concerns	Key area: employees	Corporate culture and values
Social concerns	Key area: tenants, key area: society	Customer satisfaction and participation, fair and affordable rent, neighbourhood development
Respect for human rights	Not material for LEG according to 2020 materiality analysis, but nonetheless included in the LEG sustainability strategy	Not material for LEG according to 2020 materiality analysis, but nonetheless included in the LEG sustainability strategy
Tackling corruption and bribery	Key area: business	Sustainable growth and resilience

Risk assessment
Under HGB, non-financial risks associated with the company's business operations and that would very likely have a severe negative impact on the aspects stated if they occurred are to be reported along with concepts and efforts.

As part of our comprehensive risk management, we also assess potential risks in our action areas. Since 2020, sustainability risks (non-TCFD) have been entered in the risk inventory report without a monetary valuation as the impact of LEG's actions on external third parties, the environment and its surroundings cannot be straightforwardly quantified in monetary terms. The relevant aspects and risks in accordance with section 289c(2) HGB cover the areas of "respect for human rights", "employee and social issues", "environmental issues" and "combating corruption and bribery", together with relevant subareas. Since the 2021 reporting year, the TCFD risks have also been integrated into the risk inventory report together with a monetary valuation, as the risks that climate change poses to LEG can be estimated and could affect LEG's financial result. The management of climate-related risks includes both risks resulting from climate change, i. e. physical risks, and risks resulting from the transition to a climate-friendly economy, i. e. transitional risks. The existing Audit Committee of the Supervisory Board became the Risk and Audit Committee of the Supervisory Board in the 2021 reporting year to further highlight the ever-increasing significance of risk management. At the end of 2022/start of 2023, LEG introduced a climate risk tool that can be used to identify physical risks in particular.

In the opinion of the LEG Group's management, there are no non-financial risks that meet materiality criteria under section 289c(3) no. 3 and 4 HGB after taking risk mitigation measures into account.

Further information on risk management is included in the > Risk, opportunities and forecast report.

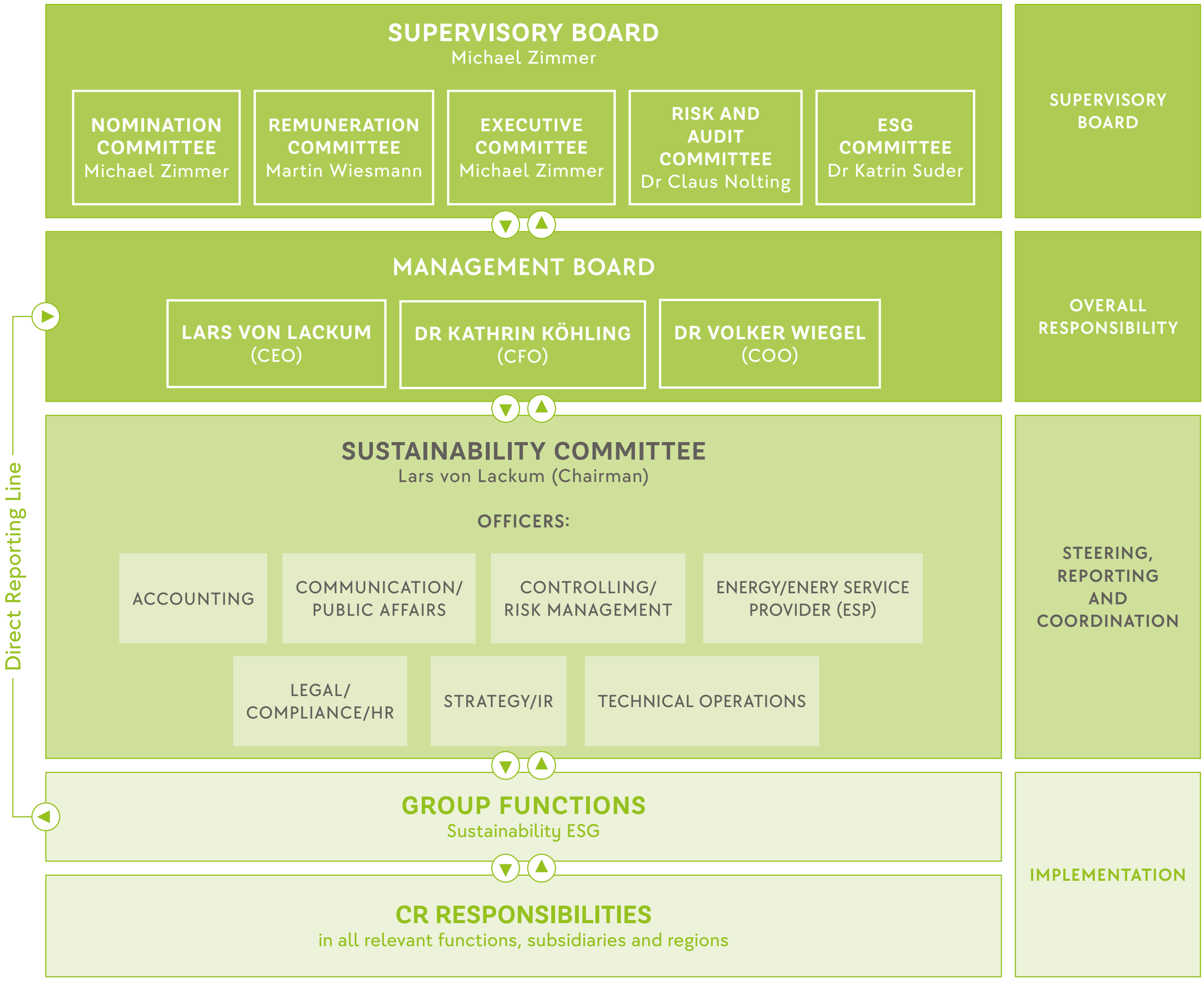
Key area: business

Sustainable growth and resilience
LEG defines successful sustainable business as taking environmental and social criteria, as well as aspects of good corporate governance, into consideration in the company's long-term business strategy, while remaining flexible in responding to changes in the general environment and challenges. LEG's Management Board and Supervisory Board are committed to corporate governance that is based on sustainability.

This is also reflected in corresponding organisational structures, processes and documentation. LEG has been steadily working on implementing its sustainability strategy, sustainability roadmap and ESG targets since 2018. The sustainability strategy has undergone constant refinement since this time. One key milestone here was the publication of the full LEG ESG strategy in June 2021. To enshrine sustainability in the remuneration system for the Management Board and the second management level, LEG has set specific short-term and long-term sustainability targets (STIs and LTIs) since the 2021 reporting year, which can all be measured and verified. These targets cover all three aspects of sustainability (environmental, social and governance) and must be achieved individually. The ESG targets for 2024 were communicated when the business figures were published for the third quarter of 2023. Further information can be found in the > remuneration report.

In recent years it has become increasingly vital to have an overview of strategy, identify risks and opportunities and make optimal use of capital in terms of sustainability aspects. In line with this development, the LEG Immobilien SE Supervisory Board established an ESG Committee in the middle of 2022. The three-person body is headed by Dr Katrin Suder. The ESG Committee met four times in the 2023 reporting year. The Remuneration Committee of the LEG Immobilien SE Supervisory Board was also established in the 2023 financial year. This was the result primarily of the Supervisory Board's self-assessment, which identified the need to clearly regulate the responsibility of the committees for Management Board remuneration and, if necessary, to establish the Remuneration Committee. The implementation of a remuneration committee was also the explicit wish of the shareholders.

Our ESG governance structure



The Supervisory Board's existing Audit Committee had already become the Risk and Audit Committee in the 2021 reporting year in order to further highlight the ever-increasing significance of risk management and discuss in detail key changes in the assessment of relevant individual risks. The Management Board reports to this committee on the LEG Group's risk assessment each quarter and discusses the current risk situation. This explicitly includes sustainability risks and climate-related physical and transitional risks as part of the Task Force on Climate-related Financial Disclosures (TCFD). In turn, the Risk and Audit Committee reports on this to the Supervisory Board as a whole.

The three-member LEG Management Board still bears management responsibility for sustainability. The primary decision maker for sustainability issues on the Management Board is CEO Lars von Lackum. The Sustainable Finance Committee was also established in 2021 to manage sustainable financing. The Chairwoman is the CFO, Dr Kathrin Köhling. The Sustainable Finance Committee prepared the "Sustainable Finance Framework", which LEG issued for sustainable financing. This framework sets out investment in the areas of affordable housing/social housing, certified environmentally friendly buildings, high standards for energy-efficiency improvement of existing buildings, community engagement, the use of renewable energy and low-emission transport options, and helped LEG to issue its first sustainable bond in 2021. The bond was extended in the reporting year.

Since July 2022, the new ESG department has been the central interface between the departments and is responsible for strategic decisions and bundles sustainability activities. This also includes reviewing our sustainability model each quarter, determining sustainability targets and following up on their implementation. The head of department reports directly to the CEO. The department convenes the Sustainability Committee once per quarter and liaises across the departments with all other ESG stakeholders and operations managers.

Other Corporate Responsibility officers (data owners) from the various areas of LEG are involved as well. They provide relevant data and put specific issues into practice.

Relevant non-financial key figures are collected in line with recognised reporting standards to review our sustainability strategy and targets. The above Corporate Responsibility managers in the areas are in charge of this. They also ensure that necessary operational measures are taken to achieve the sustainability targets.

The capital market has recognised the progress we have made in implementing our sustainability strategy as well. We are frequently rated by international ratings agencies specialised in assessing efforts relating to environmental, social and responsible corporate governance. These assessment periods vary – the most recent ratings are given below: For example, the ESG risk rating agency Sustainalytics reassessed our previously low ESG risk profile at the end of 2022 and, with an improved score of 6.7, again placed us in the lowest risk category of "negligible". As a result, the short-term governance target of the Management Board and second management level for the 2022 financial year of remaining in the "negligible" risk category in the Sustainalytics rating was achieved. LEG was again rated "B" ("management level") on a scale from A to D- in the 2023 CDP rating, which essentially assesses environmental issues. In addition, LEG was also awarded Prime status in the ISS sustainability rating for the first time in the 2022 financial year. ISS Prime Status is awarded to companies that meet ISS ESG's sustainability requirements (Prime threshold) for a specific industry in the ISS ESG corporate ratings. The progress made and milestones achieved in ESG in the 2021 financial year also play a role here. MSCI upgraded our ESG rating in December 2022 from AA to AAA ("Leader" category), giving us the highest score in this rating.

In our 2020 GRI materiality analysis, our stakeholders determined that the aspects "Respect for human rights" and "Combating corruption and bribery" are not material for the LEG Group. Nonetheless, we attach great importance to these key aspects:

The LEG Group maintains a compliance management system (CMS) that bundles measures aimed at compliance with legal provisions and internal regulations and guidelines, in particular in the areas of anti-corruption, competition, taxation, housing, data protection, diversity and the capital market. Responsibility for the CMS lies with the Management Board, which determines the compliance goals. The compliance targets are reviewed on a regular and ad hoc basis and the Management Board receives reports on the extent to which they have been achieved. The 2023 governance target that 85 % of employees from the subsidiaries Nord FM (facility management), TSP (minor repairs) and the Siegerland biomass cogeneration plant and 99 % of all other employees of LEG Group companies have completed digital compliance training was met.

The LEG CMS was certified by the Corporate Governance Institute of the German Real Estate Industry Association in 2019. The certification was confirmed after another audit in the 2021 reporting year and is valid until 2024.

LEG is committed to respecting human rights as defined by the United Nations (UN Guiding Principles on Business and Human Rights) and signed the United Nations Global Compact in 2021. The principles of this compact and internationally recognised agreements such as the United Nations Universal Declaration of Human Rights and the eight fundamental Conventions of the International Labour Organization (ILO) are the cornerstones of our corporate culture and everything we do.

We conduct our business activities on the basis of these principles and expect our business partners to do the same. The values and standards established in these international agreements are reflected in our internal company documents, including the LEG declaration of fundamental values, the Code of Conduct and the Business Partner Code.

LEG has also taken additional steps to satisfy the requirements of the German Supply Chain Due Diligence Act, which became effective at LEG in January 2024. For example, a human rights officer was appointed, a new policy statement published and the risk analysis for own business operations and the supply chain was expanded by using a software tool.

LEG has a keen interest in learning of compliance breaches to avert damage for the company. To this end, it established a secure whistleblowing portal for reporting compliance breaches that allows employees, customers and third parties to report potential white-collar crimes and conduct harmful to the company round the clock. Whistleblowers can remain anonymous if they wish. This whistleblower system was expanded into a complaints portal to satisfy the requirements of the German Supply Chain Due Diligence Act and to prevent risks and breaches of environmental law and human rights due diligence obligations in own business operations and in the supply chain.

Confirmed compliance breaches are penalised regardless of the position of the person's position at the company, for example with consequences under labour law or criminal charges.

Key area: tenants

Customer satisfaction and participation

Customer satisfaction and participation are key performance indicators for LEG's economic performance. Both require active, open communication with our tenants and taking customer requests into account in portfolio management and other services.

One of LEG's main goals is to have satisfied tenants in stable neighbourhoods where they can live well, safely and at fair rental conditions. High customer satisfaction reduces costs by ensuring lower tenant turnover, guarantees income and improves the company's reputation. LEG's objective is thus to ensure sustained customer satisfaction. We aim to achieve this by offering fair value for money, continually optimising LEG services and consistently focusing on our tenants' needs.

All LEG functions are responsible for ensuring high customer satisfaction, in particular those with direct customer contact such as employees at our central customer service and the eight branches. The Management Board and management also play a vital role in direct customer contact and are actively committed to increasing customer satisfaction. As an indicator of customer satisfaction, LEG regularly carries out customer satisfaction surveys using a recognised institution. The four aspects of service, product, image and price/performance ratio are assessed in order to calculate the Customer Satisfaction Index (CSI). Our goal is to increase the CSI to 70% in the period from 2022 to 2025. The figure at the time the report was completed was 60%. We started in 2020 with a CSI of around 54%. Many of our measures are already showing signs of success. In particular, satisfaction with customer service in terms of service times and availability by phone has increased. In the 2023 reporting year, in view of the energy crisis, LEG also set itself the short-term target of resolving tenant inquiries in connection with outstanding receivables within 13 days on average. This target was met across all relevant areas with an average of 11.5 days in 2023. Both targets, increasing CSI and the resolution speed for tenant inquiries in connection with outstanding receivables, are relevant to remuneration (see remuneration report).

In 2022, the customer satisfaction survey was conducted every quarter (instead of annually as before) with around 5,000 tenants each time. We switched to a half-yearly survey in the 2023 reporting year. 10,000 tenants per half-year are surveyed here. We made this switch because of our increased focus on the point of contact survey, which was extended to all relevant areas during the 2023 reporting year and now serves as the main tool in operational quality control.

Through direct point of contact surveys in the central customer service, LEG has been measuring the effectiveness of all customer satisfaction enhancement measures since 2020, and in the Rental Management, Receivables Management and Operating Costs departments since the end of 2021. Our customers are asked about their opinion of our processes and service quality after handling of customer concerns. To build up the quantity of feedback from our customers, we extended the point of contact surveys to our eight branches in May 2023. In addition, central customer service quality management was enhanced in the reporting year. The focus here was on developing an employee-related structure in which feedback-based measures, training and continuous coaching are carried out. Another key element was stepping up the application of processes by employees.

The content of the customer satisfaction survey and the point of contact survey is coordinated. Since the 2023 reporting year, the focus has been on the point of contact surveys. The results of both surveys are discussed with the managers from the relevant units in a quarterly deep-dive call. Drawing on the results of both surveys, the manager develops customer satisfaction measures and assesses their implementation. On this basis, we have introduced open tenant consultation sessions at selected locations for our customers. In addition, joint initiatives to improve cleanliness in the neighbourhoods have been carried out.

The CEO of LEG meets with tenants and residents face-to-face at "customer talks/CEO on tour" events, e.g. to introduce new projects and listen to customer concerns, and/or to engage with representatives from towns, cities and municipalities. Two of these events were held in the reporting year. The format clearly shows that LEG, with the CEO, has a clear top-management responsibility for this type of community relations.

One established institution for regular, face-to-face customer contact is the Customer Advisory Council, which meets once per quarter. It brings together dedicated tenant representatives from all branches and helps them play an active role in neighbourhood development decision processes and in developing and improving services. Key issues are discussed with the company COO and joint solutions are developed. The Customer Advisory Council met four times in a hybrid format in the 2023 reporting year. Information on heating and energy saving accounted for a large share of discussions in 2023.

Our tenants can contact us regarding their issues in a number of ways, namely by telephone, e-mail, letter, in person or digitally via the tenants portal or the tenants app. At selected locations, branches and departments such as Operating Costs and Construction Project Management offered consultation sessions on a range of topics with no appointment needed in the reporting year. Issues and complaints are processed on a standardised basis using a ticket system and passed on to the person responsible. Smaller necessary repairs are usually carried out by the subsidiary TechnikServicePlus GmbH (TSP). The company can be contacted 24/7 in emergencies.

As well as providing a quick solution to their concerns, the health and safety of our customers in their homes is central to their satisfaction. LEG puts systematic and comprehensive safety precautions in place to guarantee this as best possible. These are provided by the company's own employees as part of inspections and checks on buildings and facilities, as well as by service providers. Craftsmen are promptly hired if any shortcomings or accident risks are identified. After completion, the repair work is checked and documented.

The Management Board delegates responsibility for risk prevention to the regional branch. Twice a year, the Property Management department carries out spot checks in line with the dual control principle to ensure work is of a high quality and complete.

Thanks to its systematic safety precautions process, in the 2023 financial year LEG ensured that 99.7 % (2022: 99.1 %) of its own buildings were thoroughly tested for potential hazards and defects in common areas were identified at an early stage so that they could be promptly remedied. Safety precautions checks for the remaining buildings will be completed at the start of 2024.

We also implemented additional measures to increase customer satisfaction in the current reporting year, for example in customer correspondence and communication. For example, we made changes to our tenant manual and published information on energy saving. Letters to tenants and notices are continually updated and digital communication improved on an ongoing basis. Additional features are offered in the tenants portal, and we regard this as ongoing improvement of digital communication. We also optimised our processes for the call-back service at the central customer service and further expanded contactless letting.

The start-up Youtilly GmbH, a subsidiary of LEG, provides the first digital platform in the housing industry for transparency when awarding contracts in the areas of gardening and landscaping, building cleaning and winter maintenance for the property sector as a whole. Youtilly unites the interests of home-owners, service providers and tenants, as the platform enables tenants to rate services directly, actively help design their living environment and gain a better understanding of their utilities costs thanks to the transparent digital format. The commissioned service providers also benefit from the direct feedback on their services. At the same time, owners and servicers receive a new basis for quality control in their own portfolio. In recognition of this, Youtilly GmbH won Gold at the German Innovation Award 2023 in the "Excellence in B2B" category, and the Young Gun Award at the Federal Association of German Housing and Real Estate Companies' WohnZukunftsTag 2023. In addition, Youtilly was included in the innovation radar of the German Property Federation (ZIA).

Tenant turnover and average length of occupancy are key performance indicators for tenant satisfaction. Tenant turnover improved to 9.3 %, below the comparable figure from 2022. The average length of occupancy (in years) remained largely constant against the previous year.

Tenant turnover and average length of occupancy

	2023	2022
Tenant turnover (as %)	9.3	9.5
Average length of occupancy (in years)	11.6	11.5

Fair and affordable rent

By providing affordable and diverse housing including in urban areas, LEG plays a role in addressing pressing social challenges such as demographic change and migration.

Our focus on affordable housing and our units helps meet rising demand by the rapidly growing number of smaller households that are characteristic of our market. We want to offer all tenants long-term home prospects. At the end of 2023, our portfolio contained around 166,500 rental properties (end of 2022: 167,000) with an average size of 63 square metres (previous year: 63 square metres) and around 1,550 commercial units (previous year: 1,600).

We provide homes to average earners and to those eligible for social housing at affordable prices and create a home worth living in for people. At the end of the reporting year, around 19 % of our properties were social housing (2022: 20 %), with an average rent of EUR 5.36 (previous year: EUR 5.05) per square metre.

Upgrading existing properties is a key driver of rent costs. LEG takes a careful approach to modernisation work. Measures that reduce energy consumption and emissions create a better and more environmentally friendly living environment for tenants. However, the modernisation work must also be economically viable for the tenants, i. e. reducing their utilities costs as much as possible and still ensuring affordable housing. Bringing environmental protection into line with economic viability for tenants opens up a whole array of opportunities. It increases the sustainability and value of the housing portfolio, makes the rental property more attractive and improves both customer satisfaction and tenancy duration.

Digital and serial processes are increasingly important here. With this in mind, at the end of 2021/start of 2022, LEG founded a joint venture, RENOWATE, with the Austrian construction company Rhomberg, focusing on serial refurbishment. In serial refurbishment, CO_2 emissions are lower and the tenants reduce their heating costs. In addition, digitalisation of construction processes reduces the need for highly in-demand skilled workers. Renovations take far less time and there is much less of an impact on residents and the neighbourhood during the construction phase compared to conventional modernisation work. This is a win-win situation for everyone involved, from tenants to landlords, residents and society. Consequently, serial refurbishment not only makes a vital contribution to protecting the climate, it also has social benefits, as it makes rent and bills affordable in the long term. RENOWATE successfully completed its first projects at the end of 2022 and delivered further projects in the reporting year, while constantly optimising the holistic, scalable and efficient process to decarbonise existing properties (see also key area: environment).

If tenants demonstrate that they can no longer afford the higher rent after modernisation work, LEG's hardship provisions come into effect. As a general rule, the company then offers a more affordable apartment. LEG aims to retain its loyal customers, prevent the gentrification of stable neighbourhoods that have developed over time and, in turn, offer customers not just a house but a reliable home.

LEG's core business is portfolio management. However, in 2023, LEG still invested around EUR 137 million in new construction and completed seven projects with a total of 552 residential units. Just under 21% of these are publicly subsidised homes that benefit tenants on lower incomes. In addition, three further projects with a remaining total investment volume in 2024/2025 of around EUR 78 million and a total of 396 residential units are currently under construction, with completion scheduled for 2025. Unfortunately, it is not possible to build affordable housing under the current market and subsidy conditions, and so LEG will be discontinuing its small new construction business once the projects described above are complete.

Working together to overcome the energy crisis

To minimise the financial strain on our tenants as much as possible, we have instigated many measures to cope with the energy crisis. For example, the Management Board sent out a letter to all tenants discussing how to reduce energy consumption, how tenants can prepare for higher costs and what specific assistance LEG offers, from the option to pay in instalments to help with applying for housing benefit. Detailed information for our tenants and interested members of the general public can also be found online. Social managers at the "Your Home Helps" foundation also advise on financial strain caused by the energy crisis and give information on suitable assistance so that tenants can still afford their homes.

Key area: employees

Corporate culture and values

LEG's corporate culture is based on the values of integrity, fairness, commitment and professionalism, confidentiality, transparency and sustainability that characterise our collaboration.

We aim to further consolidate this culture that puts team development at its heart. Through our occupational health management, we offer our employees a wide range of benefits that are constantly being optimised. We also offer a wide range of employment contracts and flexible working time models. LEG has had an employee share programme since 2022 as well. We particularly value the trusting and constructive partnership between employee representatives and the employer.

The Human Resources department provides a framework for responsible, values-driven human resources work, translating social megatrends such as demographic and technological change, digitalisation and the challenges of modern society into measures and concepts that serve our company's performance aspirations.

The objectives are to attract suitable talented candidates to LEG, optimise training, professional development and succession processes, strengthen employee loyalty and reduce turnover. Training programmes are open to all employees. In coordination with managers, training can be selected and requested directly through the internal digital LEG Akademie or at annual employee appraisals between managers and employees. Our overarching goal is to continuously enhance the company's image and appeal as an employer. LEG is committed to diverse teams, supports talented employees and encourages networks, including with its mentoring programme for female, gender-diverse and, since 2023, male colleagues. 16 traineeships were again offered in the 2023 reporting period in view of the skills shortage. Every two years, LEG also runs two three-and-a-half year dual study programmes in "Business management with a focus on tax consulting, accounting and controlling", which incorporate practical training. After completing the dual study programme, the "Finance" student was taken on in "Accounting & Taxes" in 2023. In a study by the business magazine Capital, LEG was also named "Germany's best training company in 2023".

LEG's Human Resources department manages and is responsible for all central and non-central personnel-related processes and tasks. It comprises the areas of HR Management, Staff Recruitment, Staff Development, Staff Controlling and the person in charge of training.

The Management Board is closely involved in discussions and approves the related concepts and programmes. Detailed HR key figures are also regularly reported to the Management Board.

The Human Resources department helps implement the LEG strategy through its HR strategy, which was updated in the middle of 2023, by focusing on the core elements of worker participation, employer branding, recruiting and the company's social objectives. Worker participation is key to our company. The HR department thus actively encourages collaboration with all management bodies, for example by implementing a key issues paper agreed with the participation of employees and by engaging in an open dialogue through regular trusting communication at fixed dates. To tackle the shortage of skilled and executive personnel, recruit suitable talented employees to LEG and strengthen the employer brand in the long term, recruiting activities are being expanded and adapted to meet current labour market trends and the needs of LEG and potential applicants. The LEG careers page was redesigned in 2023.

In the 2023 reporting year, LEG launched the new "Employees recruit employees" programme, whereby employees can recruit qualified, ambitious team players to fill vacancies. By recommending suitable candidates, employees can have a say in new additions to their team. If the recommended candidate is hired and successfully passes their probation, the employee who recommended them receives a bonus.

We offer our employees flexible and remote working solutions, as well as hybrid (learning) methods, online training and other digital content. Health management measures in the 2023 reporting year included sending out invitations to take part in company runs, self-defence training for customer-facing employees, encouraging bicycle leasing, implementing various preventative measures and providing fruit boxes in the winter.

In order to maintain an open and transparent corporate culture, the Management Board as a whole held an employee call with the entire workforce each quarter in 2023. Instead of being carried out entirely online through webcasts and audio casts, this moved to a hybrid format at the end of 2023, known as the employee talk. At the events, the Management Board regularly reports on the company's position and then holds an open Q&A round where employees can ask questions. Participants were invited to vote on certain issues online. Between November 2022 and February 2023, the Management Board held various in-person meetings to explain changes in the business strategy designed to ensure maximum capital efficiency.

LEG ensures systematic and comprehensive occupational health and safety. To prevent workplace accidents and employee absences due to illness, health and safety measures are systematically integrated into the organisation. Information on workplace health and safety is available to all employees on the LEG intranet. The LEG occupational health and safety coordinator organises workplace health and safety throughout LEG and reports directly to the LEG Management Board. Occupational health and safety measures in 2023 included invitations for flu vaccinations and eye tests.

Overall, it is clear that we enjoy high employee satisfaction rates, as regularly measured by the "Great Place to Work" (GPtW) survey. The last survey was held in 2022. The key figure, known as the Trust Index – an average of all core aspects of employee satisfaction measured by GPtW – was 73 % (2020: 66 %), 11 percentage points higher than the average for the GPtW model (62 %). The international research and consultancy institution thus named LEG an "attractive employer". Employee satisfaction is a vital factor in lasting company success, and so it is an integral part of LEG's sustainability targets relevant to remuneration for the Management Board and the second management level (see remuneration report). The next GPtW employee survey is scheduled for 2024. GPtW also named LEG one of Germany's best employers in March 2023. LEG came in third place in the "Best employer in NRW" award for companies with more than 1,000 employees and 15th in the top 100 for companies with between 501 and 2,000 employees.

Employee turnover was around 11.2 % in the 2023 reporting year (2022: 13.5 %). At around 10.4 %, the hiring rate in 2023 was roughly the same as turnover for this year (2022 hiring rate: 15.3 %).

Employee turnover

in %	2023	2022	2021	2020
Employee turnover	11.2	13.5	6.2	7.5

We have reported the number of applications for each advertised vacancy increase since the start of 2021 as an indicator of our appeal as an employer to new employees. There were around 11 applicants per position in 2023 (2022: around 15). Despite the ever-increasing labour shortage in Germany, our goal is to stabilise this figure.

Respect for employee diversity is a factor in LEG's success. To further underscore these guiding principles of diversity management, an in-person and online information rally was organised at LEG headquarters in Dusseldorf to mark Diversity Day on 23 May 2023. Employees had the opportunity to discuss a wide range of diversity issues and report on their own experiences, for example as mentors for issues such as generational diversity, religion and social background. LEG also ran a female empowerment programme in 2023 with the aim of making participants more aware of their own strengths.

Key area: environment

Reduction of energy use and emissions

Reducing buildings' direct and indirect energy consumption and the greenhouse gases that they emit has become a key issue in the housing industry. This is essentially being driven by German, as well as European, climate regulations.

The German federal government's climate package enshrined environmental targets and carbon pricing in law. For the building sector, this means reducing greenhouse gas emissions in Germany to 67 million tonnes by 2030 (2020: 118 million tonnes). LEG supports the federal government's target of making the building stock in Germany virtually carbon neutral by 2045. To this end, for example, it is modernising its portfolio in terms of energy efficiency and developing innovations and technologies to reduce carbon as efficiently as possible.

We began preparing a climate strategy in the 2020 reporting year and produced a carbon footprint report for 2019 consisting of 80% current data and 20% extrapolated data, thus representing LEG's overall portfolio. The figures for 2020 were extrapolated based on this data, adjusted to account for portfolio changes in the reporting year. We took the same approach in the reporting years from 2021 to 2023. We always work with reliable underlying data and can accurately measure the (annual) effects of our measures > see GRI table.

In November 2023, the Science Based Target Initiative (SBTi) officially confirmed LEG's near-term emission reduction targets as science-based and in line with the 1.5 degrees Celsius target set out in the Paris Agreement. In accordance with its decarbonisation roadmap, LEG set the goal of reducing its Scope 1 and Scope 2 emissions by around 46% by 2030 compared to 2019 levels. Scope 3 emissions in the upstream and downstream value chain are also to be reduced by around 28% of 2019 levels by 2030.

We have a team of experts so that we can better assess and manage the environmental risks and opportunities for LEG. This team is responsible for monitoring carbon, working out ways to reduce our carbon emissions and conducting research in carbon reduction. A separate ESG Supervisory Board committee and an ESG department that reports directly to the CEO were established in the 2022 reporting year, further underscoring the high value the company places on sustainability.

To mitigate potential future climate-related physical and transitional risks, LEG has integrated risks into the risk management system in line with the TCFD recommendations since 2021. At the end of 2022/start of 2023, LEG launched a climate risk tool that identifies locations where long-term physical climate risks could occur. This allows LEG to create long-term climate forecasts specifically for its own property portfolio. In addition, we continuously evaluate whether the risks recorded are complete > see Risks, opportunities and forecast report.

LEG has also set short-term and long-term environmental sustainability targets that can be individually measured and are part of the remuneration system for the Management Board and senior management > see remuneration report.

Long-term targets are to reduce relative CO_2e emission saving costs – in EUR/ton of carbon – by 10% by 2026 through permanent structural changes to residential buildings. LEG had set a target for the 2023 reporting year of reducing carbon emissions by 4,000 tonnes through own modernisation projects and changes to customer behaviour. It achieved this target. Changes in customer behaviour were a significant contributing factor here.

Influencing user behaviour, known as nudging, can help reduce carbon emissions – and the same is true for the amount of heat used by rental households. A pilot project conducted by the ESG department at the start of the 2021/22 winter period created individual use cases. This found that putting up posters and sending letters with heating consumption comparisons are the most cost-efficient ways of reducing energy usage. Posters reduced energy consumption by around 5% and letters including peer comparisons by 8%. These measures have now been rolled out and are used within LEG on a large scale. The pilot project was supported by the Hasso Plattner Institute and the University of St. Gallen. The related study was accepted for scientific publication at the annual conference of the "Academy of Management", the international professional association for management and organisation scholars, and selected as one of the "Best Papers". Since the end of 2022, LEG has written to its tenants once a month during the winter period detailing their individual heating and warm water consumption. The letters include figures for the previous month and previous year, comparisons with other tenants and areas where usage could be reduced. The letter was further improved in the 2023 reporting year. Over the year, specific additional energy saving tips were added that differ from month to month. Once residents turned off their heating for the summer, the posters were taken down and the letters stopped. We are making further improvements in winter 2023/24 and carrying out new studies to verify effectiveness.

Moving forwards, we will also make increased use of serial modernisation procedures through our joint venture RENOWATE, which we founded at the end of 2021/start of 2022 with the Austrian construction company Rhomberg, to make modernisation work quicker, fairer, more resident-friendly and, in the long term, cheaper > see key area: tenants. Serial refurbishment plays a key role in protecting the climate, in addition to many other benefits, and so the German government provides special subsidies. We reduced carbon emissions by around 94% in 2022 in a pilot project in Moenchengladbach-Luerrip, Zeppelinstrasse, thanks to energy-efficiency improvement in eight buildings with 47 apartments. RENOWATE was awarded the DW Future Prize of the Property Industry under the slogan "Intelligently shaping the heating transition in existing buildings" for this in the 2023 reporting year. RENOWATE began or completed further serial modernisation work in Moenchengladbach and Soest, as well as with three other external housing companies, in 2023.

In conventional energy-efficiency improvement in neighbourhoods in Wolfsburg, Goettingen, Dortmund, Dusseldorf, Essen, Muenster, Koblenz and Moers – around 680 residential units in total – we achieved average calculated energy savings of around 38 % to 53 % through comprehensive insulation, replacement of windows and roof renewals. At the end of 2023 we also received DGNB gold certification for our new, sustainable F99 LEG headquarters in Dusseldorf, which we moved into in spring 2022. This is issued by the German Sustainable Building Council.

We use green district heating where possible. Around 30 % of all LEG homes are currently connected to the district heating network. Green district heating supplies 3 % of our apartments. We are also running pilot projects to test concepts for green local heating networks, the use of solar power and combined heat and power systems.

Furthermore, LEG has the Siegerland biomass power plant, which helps further reduce carbon emissions as the plant already produces 100 % green energy. Around 105,000 MWh of carbon-neutral electricity has been produced over the year. This could be used, for example, to make around 45,000 LEG residential units carbon neutral each year. The heat generated is also fed into the local district heating grid, which supplies carbon-neutral district heating to Siegerland airport and most of the surrounding commercial area. The green energy produced is not available to LEG apartments at this time. The current EU ETS I regulatory framework does not include this offsetting option, but from 2027 the legal framework will be expanded with the introduction of EU ETS II, allowing the BMHKW to be used.

For LEG tenants, we have created an energy page on our website with a video explaining how tenants can help save energy and what we, as the landlord, are doing to minimise increases in utilities costs as a result of higher energy prices. Tenants can also receive support, for example if they have questions about applying for housing benefit or agreeing instalment payments if they are worried about their energy costs.

LEG initiated several strategic partnerships in the 2023 reporting year to actively promote the heating and energy transition in the housing sector and to reduce carbon emissions. Through these innovative projects, we develop practical and scalable solutions to help us and others to comply with regulatory requirements.

In March 2023, LEG founded the joint venture termios together with the family business Oventrop and the business developer mantro. The joint venture develops green heating and sustainability solutions for residential properties. The termios Pro solution automatically regulates the hydraulic balancing of the heating system for each individual radiator. This also lowers heating costs thanks to smart and demand-based temperature control. termios reduces energy consumption significantly overall, with hydraulic balancing resulting in savings of up to 15 %. Unlike the manual method, no dimensions have to be calculated in advance and the radiator valve does not need to be pre-set. Once installed on the radiator, the digital thermostats automatically regulate hydraulic balancing after a short learning period. The three partners have combined their many years of expertise and core strengths and are working together on innovative ideas and products for the sector as a whole. The joint venture's ultimate goal is to translate the sustainability targets into pragmatic, cost-efficient solutions.

To replace existing, fossil fuel-based heating systems with efficient air-to-air heat pumps, LEG entered into a strategic cooperation agreement with Mitsubishi Electric Europe B. V., based in Ratingen, in March 2023. The aim is to install air-to-air heat pumps in existing properties that were previously fitted with decentralised gas heaters. In the target picture, the air-to-air heat pumps should be operated with green electricity to avoid 100 % of CO_2 emissions. In doing so, LEG wants to be an industry pioneer, accelerating the decarbonisation of its housing portfolio while at the same time ensuring that this is affordable for its tenants.

In September 2023, LEG founded the company dekarbo together with Soeffing Kälte Klima GmbH, Dusseldorf. The joint venture combines housing industry know-how and trade expertise in air conditioning and heating technology. Dekarbo offers a comprehensive solution comprising air-to-air heat pump installation including a hot water solution and subsequent system support over the entire life cycle for each apartment. It uses environmentally friendly appliances from Mitsubishi Electric and can be used for heating in the winter and air conditioning in the summer. Installation takes just a few days per home. LEG has already tested the technology in several pilot projects and had positive experiences with the solution, which were also confirmed in tenant surveys. The joint venture will optimise the process for retrofitting hundreds of LEG apartments, make it scalable through the use of digital solutions and provide this solution to the broader market.

Together with the Fraunhofer institutes UMSICHT and FIT, at the start of 2023 we launched the Future iQ research and development cluster project (integral neighbourhood solutions), which is supported by the German Federal Ministry for Economic Affairs and Climate Action. The project centres around implementing and testing innovative energy supply concepts in practice in two archetypal neighbourhoods in Gelsenkirchen and Cologne, whose building and ownership structure allows for rapid, broad implementation and offers considerable potential for expanding the concept to the housing industry as a whole. The first four-year project phase will lay the foundations for accelerating and preparing innovative solutions. This involves developing and testing ways to equitably reduce carbon emissions in existing neighbourhoods of apartment buildings. Tenants in both neighbourhoods are kept up to date with the project's progress. Construction work is scheduled to begin in Cologne in 2024 and in Gelsenkirchen in 2025.

In addition, LEG is a founding member of “Initiative Wohnen.2050”, a cooperative association set up by housing companies to support a carbon-neutral future. LEG also supports studies, advises and comments on various publications by a range of institutes on climate protection and maintains dialogue with politicians at federal and state level to actively contribute its expertise to the discussion and develop viable solutions.

LEG’s core business is portfolio management, and achieving the German climate protection targets will depend on this portfolio as well. Nevertheless, we are also committed to protecting the climate in our more modest new construction business, which is being phased out moving forwards. All three ongoing projects will satisfy the Efficiency House 55 standard in accordance with the German Federal Funding for Efficient Buildings (BEG), which requires primary energy requirements to be 45 % lower than those of a benchmark building under the Gebäudeenergiegesetz (GEG – German Building Energy Saving Act). Our new builds are fitted with an environmentally friendly source of heating, good insulation, energy saving windows and the option to install green roofing.

In 2023, LEG thus helped to gradually increase the availability of affordable and environmentally friendly housing right where it is needed, without losing sight of economic viability for tenants. However, given the massive rise in construction costs and interest rates combined with poorer subsidy conditions, new construction at affordable rents is no longer feasible. After weighing up climate aspects and the social and economic environment, the company therefore made the decision in November 2022 to suspend its project development business after completing projects that are already underway.

Further KPIs for the environment action area > see GRI table.

Key area: society

Neighbourhood development

In addition to the condition of one’s own four walls, people’s living environment is vital to their quality of life. As a responsible landlord, LEG is thus committed to systematically maintaining and constantly improving an environment worth living in for our tenants. As well as creating stable neighbourhoods, one of LEG’s objectives is to help solve social challenges in the long term. This includes providing affordable housing with 19.3 % price-controlled apartments and an actual rent below the median asking rent in North Rhine-Westphalia, taking into account changing living conditions. Satisfied residents and full occupancy in almost all of our properties, with a vacancy rate of 2.4 % in 2023, are proof of stable and attractive neighbourhoods. At the same time, in the long-term LEG relies on strategic management combined with targeted, moderate investments in modern living standards and in safety, order, cleanliness and environmental responsibility. LEG also aims to strengthen its reputation as a reliable property company and partner to local communities.

We attach great value to individual neighbourhood management and development approaches that address the specific challenges faced by the particular residential areas, develop properties’ potential and boost management efficiency. This requires a broad range of measures that strengthen social cohesion, improve quality of life and housing and create infrastructure for the future, including sensitive occupancy management and providing housing to people who would otherwise struggle to find affordable housing on the free housing market. For example, people who have experienced being refugees, have lost their home, vulnerable social groups and single parents often face considerable challenges in finding suitable permanent housing. To help provide these people with a home, LEG has a policy commitment to consult with various municipalities, associations and initiatives.

LEG maintains a close dialogue with local, regional and federal governments. It has always had close ties with local municipalities, thanks in part to being a former state holding.

Given how relevant the “residential” product is to society, ongoing consultation with local councils is extremely important. Maintaining a close dialogue is particularly important to us when it comes to involving cities and communities in the early stage of projects, modernisation work and climate measures or providing strategic support for urban development work. Neighbourhood initiatives and meeting places, listening to complaints and working with municipal service companies are also part of discussions with local authorities, as well as with representatives at other levels. LEG’s branches arrange a continuous dialogue with the administrative bodies of towns, cities and communities. In addition, in 2020 it launched a systematic dialogue programme with municipal representatives headed by LEG's COO, Dr Volker Wiegel. Numerous corresponding meetings were held again in 2023. In 2023, LEG also further intensified its involvement in industry associations and direct exchanges at the local, state and federal political level through various legal initiatives, such as the Gebäudeenergiegesetz (GEG – German Building Energy Saving Act). To present its innovative solutions for achieving climate targets, LEG and its partner companies organised the first Parliamentary Evening in Berlin in September 2023. Discussions focused on affordable climate protection in the building sector.

Furthermore, by establishing the "Your Home Helps" Foundation at the end of 2019, with endowment assets of EUR 21 million, LEG created a basis to make an even stronger commitment to social responsibility and to step up its efforts to create more stable neighbourhoods worth living in and a good environment for people who live in LEG apartments or in the neighbourhood.

The foundation supports the expansion of existing social projects, while also helping launch new projects needed in the neighbourhoods together with charitable and municipal network partners. For example, LEG opened the "Quartierstreff am Brunnen" meeting place in Bocholt-Friedhofsviertel in the reporting year. At the new centre of the Friedhofsviertel neighbourhood, the project "Leben im Alter e. V." (L-i-A) offers care and housing advice and runs creative and exercise classes and cultural events for the local community. With the financial support of the foundation, a similar free two-year programme (06/23 to 05/25) was also set up for tenants in the Eppmannssiedlung residential area in Gelsenkirchen-Hassel for senior citizens in particular.

To consolidate its approach of helping where it is really needed, the foundation has built up its own team of social managers in addition to the points of contact. The team of eight social managers has been complete since October 2023. It works to systematically pinpoint problem areas, identify emergency situations that tenants face and help to guide them to local support networks. Social spaces are analysed and the development of networks and their maintenance are focused on. This sustainable, structural support offers prospects to neighbourhood residents and those in need of help. Top priorities include help for children living in challenging circumstances, educational support, day-to-day living assistance for seniors, support services for families, and support with illnesses or addiction and acute challenges such as those posed by the energy crisis.

Neighbourhood and intercultural exchange are also promoted by holding joint events, and so tenant parties are an integral part of LEG's neighbourhood management. Tenant parties are organised professionally using a neighbourhood database – LEG has a formal system for identifying local communities of interest in the neighbourhoods. As in the previous year, the focus in the reporting year was on holiday activities for families, such as the interactive circus. Once again, neighbourhoods at all LEG branches benefited from the event measures.

The long-standing "LEG NRW Tenant Foundation" is also involved. In the financial year, it set up 32 (previous year: 39) charitable and 96 non-profit projects (previous year: 100), providing around EUR 142,000 (previous year: EUR 182,200) in funding for social cohesion in our neighbourhoods and the welfare of our tenants.

Not audited by Deloitte

GRI key figures

In order to manage the topics identified as highly material, we gauge our sustainability performance on the basis of specific key performance indicators. These – and also the key performance indicators from the non-financial report – are shown in the following tables. Unless indicated otherwise, the key performance indicators relate to the financial year in question and the entire LEG Group (i.e. all consolidated companies as per the consolidated annual financial statements). The figures shown here are typically rounded to one decimal place, which can cause minor deviations in totals.

Key area: business

Key performance indicator(s)	Unit	2021	2022	2023	GRI standards
Scale of the organisation					
Total number of employees[1]	Number	1,770	2,040	2,003	102–07
Total number of operations (NL)	Number	7	8	8	
Net sales[2]	€ million	522	413.5	581.6	
Total capitalisation broken down in terms of debt and equity[3]	%	43	43.9	48.4	
Quantity of products or services provided[4]	Number	166,189	167,040.0	166,546.0	
Direct economic value generated and distributed					
Direct economic value generated: revenues[5]	€ million	684	799.1	834.3	201–01
Economic value distributed[6]	€ million	253	510.8	406.0	
CRE sector supplement: payments to government[7]	€ million	4	10.5	3.0	
Economic value retained[8]	€ million	431	288.3	428.3	
Confirmed incidents of corruption and actions taken					
Total number and nature of confirmed incidents of corruption[9]	Number	1	0	0	205–03
Total number of confirmed incidents in which employees were dismissed or disciplined for corruption[10]	Number	1	0	0	
Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to viola-tions related to corruption[11]	Number	0	0	0	
Public legal cases regarding corruption brought against the organisation or its employees during the reporting period and the outcomes of such cases	Number	–	–	–	

[1] Average number of employees.
[2] Equates to the revenue from renting and leasing.
[3] The figures equate to the loan to value ratio, i.e. net debt in relation to the real estate assets.
[4] Equates to the number of residential units within the LEG portfolio.
[5] Equates to the net rent (excl. utilities and services costs) from renting and leasing.
[6] Equates to the expenses from renting and leasing.
[7] Equates to net income tax payments in accordance with the statement of cash flows.
[8] Equates to the difference between net rent (excl. utilities and service costs) and expenses.
[9] Relates to all confirmed cases of corruption, bribery and the granting or receiving of advantages.
[10] The number of confirmed cases of corruption, bribery and the granting or receiving of advantages on the basis of which employees were terminated or warned.
[11] The number of confirmed cases of corruption, bribery and the granting or receiving of advantages on the basis of which contracts with business partners were terminated or not renewed is disclosed.

Key area: business

Key performance indicator(s)	Unit	2021	2022	2023	GRI standards
Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices					
Total number of legal actions pending or completed during the reporting period regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation in which the organisation has been identified as a participant[1]	Number	0	0	0	206–01
Important events of concluded legal actions, including all decisions and judgements[2]	Number	–	–	–	
Non-compliance with environmental laws and regulations					
Total monetary value of significant fines[3]	€	0	0	0	307–01
Total number of non-monetary sanctions[4]	Number	0	0	0	
Cases brought through dispute resolution mechanisms[5]	Number	0	0	0	

[1] Number of pending and concluded legal actions and cases is disclosed.
[2] There were no legal proceedings on the basis of violations of competition law.
[3] Fines of EUR 100,000 or more are considered significant.
[4] Repressive, i. e. punitive, measures for past misconduct not consisting of a monetary sanction are reported.
[5] Dispute resolution mechanisms are reported, i. e. judicial proceedings and out-of-court dispute resolution based on mediation or conciliation.

Key area: tenants

Key performance indicator(s)	Unit	2021	2022	2023	GRI standards
Assessment of the health and safety impacts of product and service categories					
Percentage of significant product and service categories for which health and safety impacts are assessed for improvement[1]	%	99.8	99.1	99.7	416–01
Substantiated complaints concerning breaches of customer privacy and losses of customer data					
Complaints received from outside parties[2] and substantiated by the organization	Number	10	0	0	418–01
Complaints from regulatory bodies	Number	3	1	1	
Total number of identified leaks, thefts, or losses of customer data[3]	Number	1	2	5	

[1] Percentage of LEG portfolio buildings for which safety checks were performed in the year under review is reported.
[2] "Outside parties" refers to any external party.
[3] Reported is the number of reportable breaches of personal data in line with Article 33 EU General Data Protection Regulation.

Key area: employees

Key performance indicator(s)	Unit	2021	2022	2023	GRI standards
Information on employees and other workers					
Total number of employees by employment contract (permanent and temporary) and gender[1]					102–08
Total number of employees	Number	1,770	2,040	2,003	
Of which women	Number	625	711	687	
Of which men	Number	1,145	1,329	1,316	
Of which temporary	Number	139	172	127	
Of which women	Number	68	79	36	
Of which men	Number	71	93	91	
Total number of employees by employment type (full-time and part-time) and gender[2]					
Full-time	Number	1,018	1,750	1,752	
Of which women	Number	403	497	498	
Of which men	Number	615	1,253	1,254	
Part-time	Number	252	290	251	
Of which women	Number	172	215	189	
Of which men	Number	80	75	65	
Collective agreements					
Percentage of employees covered by LEG collective agreements[3]	%	64.2	63.4	60.4	102–41
New employee hires and employee turnover					
Total number and rate of new employee hires during the reporting period by age group, gender and region					401–01
Total[4]	Number	175	311	212	
Rate[4]	%	14.0	15.3	10.4	
Of which women[5]	%	42.9	31.6	28.8	
Of which men[5]	%	57.1	68.4	71.2	
Under 30 years old[5]	%	35.7	34.7	30.7	
30–50 years old[5]	%	50.0	47.1	53.8	
Over 50 years old[5]	%	14.3	18.2	15.6	
Total number and rate of employee turnover during the reporting period by age group gender and region					
Total[6]	Number	79	263	227	
Rate[6]	%	6.2	13.5	11.2	
Of which women[5]	%	40.3	32.9	30.5	
Of which men[5]	%	59.7	67.1	69.5	
Under 30 years old[5]	%	16.1	19.6	19.1	
30–50 years old[5]	%	48.4	40.8	52.3	
Over 50 years old[5]	%	32.3	39.6	28.6	

[1] The figures do not include employees in the passive stage of partial retirement, employees on parental leave at the reporting date, employees with no further claim to insurance benefits and trainees. The temporary employment figures do not include trainees.
[2] The figures do not include employees in the passive stage of partial retirement, employees on parental leave at the reporting date, employees with no further claim to insurance benefits and trainees.
[3] LEG employees covered by the LEG collective agreements. Managerial employees and employees not covered by collective agreements are not included in LEG collective agreements. Employees with no further claim to insurance benefits, trainees and students are not included in the calculation.
[4] Not including trainees, casual workers or students.
[5] Not including trainees, casual workers, students or employees of LWS Plus GmbH.
[6] Not including the departure of trainees, casual workers or students.

Key area: employees

Key performance indicator(s)	Unit	2021	2022	2023	GRI standards
Work-related injuries					
Number of employees					403–09
Deaths resulting from work-related injuries					
Number[1]	Number	0	0	0	
Rate[1]	%	0	0	0	
Work-related injuries with severe consequences (excluding deaths)					
Number[1]	Number	0	0	1	
Rate[1]	%	0	0	0.1	
Documented work-related injuries					
Number[2]	Number	27	28	61	
Rate[3]	%	3.6	3.0	5.8	
Hours worked[4]	Number	1,522,337	1,870,927	2,454,611	
Staff who are not employees but whose work and/or working place is controlled by the organisation[1]	Number	–	–	–	
Work-related illnesses					
Absence rate[5]	%	4.5	6.9	6.8	403–10
Average hours of training per year per employee[6]					
Number of employees who participated in a seminar or other training measure during the reporting period	Number	888	1,449	1,538	404–01
Cumulative number of seminar days in the reporting period	Number	2,133	2,715	3,048	
Percentage of employees receiving regular performance and career development reviews					
Percentage of total employees who received a regular performance and career development review in the reporting period	%	83.1	86.8	83.0	404–03
Women[7]	%	35.0	44.5	43.7	
Men[7]	%	65.0	55.5	56.3	

[1] No surveys are carried out in this respect.
[2] According to first aid log entries (not including TSP, Biomasse Heizkraftwerk Siegerland or RENOWATE).
[3] Based on 200,000 hours (excluding TSP, Biomasse Heizkraftwerk Siegerland and RENOWATE).
[4] As at 6 January 2023 (not including TSP, Biomasse Heizkraftwerk Siegerland or RENOWATE).
[5] An absence rate for LEG is determined. This excludes TechnikServicePlus GmbH and LWS Plus GmbH as they are not settled using the SAP system. Casual workers, trainees and students are not included in the calculation. Days absent is divided by total possible days.
[6] The employees of TechnikServicePlus GmbH and Biomasse Heizkraftwerk Siegerland GmbH & Co. KG are not included. A breakdown by gender and type of employee is not possible at this time.
[7] The employees of TechnikServicePlus GmbH, EnergieServicePlus, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH as well as apprentices, casual workers, students, employees with no further claim to insurance benefits, trainees, employees on parental leave and in the passive stage of partial retirement are not included.

Key area: employees

Key performance indicator(s)	Unit	2021	2022	2023	GRI standards
Diversity of governance bodies and employees					
Percentage breakdown of people in governance bodies by:					405–01
Gender[1]					
Women	%	14.3	33.3	33.3	
Men	%	85.7	66.7	66.7	
Age[1]					
under 30 years old	%	0.0	0.0	0.0	
30–50 years old	%	14.3	16.7	16.7	
over 50 years old	%	85.7	83.3	83.3	
Percentage of employees per employee category by:					
LEG (total)[2]					
Gender					
Women	%	45.0	34.9	34.4	
Men	%	55.0	65.2	65.7	
Age					
under 30 years old	%	14.0	18.4	16.7	
30–50 years old	%	48.0	48.6	49.8	
over 50 years old	%	38.0	33.0	33.5	
LEG Wohnen[2]					
Gender					
Women	%	44.0	43.4	44.1	
Men	%	56.0	56.7	55.9	
Age					
under 30 years old	%	15.0	15.9	14.0	
30–50 years old	%	47.0	48.2	50.2	
over 50 years old	%	38.0	35.8	35.8	
LEG management[2]					
Gender					
Women	%	58.0	57.6	55.6	
Men	%	42.0	42.4	44.4	
Age					
under 30 years old	%	8.0	32.1	27.0	
30–50 years old	%	51.0	38.6	39.1	
over 50 years old	%	41.0	29.4	33.9	
Special companies[2]					
Gender					
Women	%	30.0	16.7	16.4	
Men	%	70.0	83.3	83.6	
Age					
under 30 years old	%	12.0	17.0	16.7	
30–50 years old	%	53.0	52.3	52.3	
over 50 years old	%	35.0	30.8	31.0	

[1] The figures relate to the seven members of the Supervisory Board.
[2] The figures do not include employees in the passive stage of partial retirement, employees on parental leave at the reporting date (31 December), employees with no further claim to insurance benefits and trainees.

Key area: environment

Key performance indicator(s)	Unit	2021	2022	2023	2021 lfl	2022 lfl	GRI standards
Energy consumption within the organisation (administrative offices)							
Fuel consumption from non-renewable sources[1]							302–01
Diesel	MWh	614	1,935	1,912			
Heating oil	MWh	1,044	1,044	2,116			
Regular petrol	MWh	0	0	0			
Premium petrol	MWh	711	887	1,069			
Fuel consumption from renewable sources[2]	MWh	478,275	448,489	496,763			
Electricity consumption[3]	MWh	382	1,153	639			
Heating energy consumption[3]	MWh	2,265	4,341	5,619			
Heating sold[4]	MWh	1,982	2,198	2,141			
Electricity sold[5]	MWh	100,650	86,853	91,106			
Energy consumption outside the organisation (housing portfolio)							
Total electricity consumption (communal areas)	MWh	25,282	26,315	–	25.068	25.052	302–02
Total heating energy consumption (rental units)[6]		1,554,682	1,473,851	1,432,984			
of which natural gas	MWh	1,038,037	997,655	964,678			
of which heating oil	MWh	55,235	33,935	32,952			
of which district heating	MWh	409,816	406,808	400,539			
of which other energy sources	MWh	51,594	35,453	34,815			
Energy consumption outside the organisation (housing portfolio)							
Building energy intensity[7]	kWh/m² a	147	140	136			302–03
Type and number of sustainability certification							
Percentage of residential buildings by energy efficiency certificates[8]							302–05
Energy efficiency level A+	%	0.4	0.3	0.4			
Energy efficiency level A	%	0.3	0.3	0.5			
Energy efficiency level B	%	2.6	2.5	3.8			
Energy efficiency level C	%	10.6	10.2	12.5			
Energy efficiency level D	%	25.8	25.1	29.1			
Energy efficiency level E	%	20.3	19.9	21.0			
Energy efficiency level F	%	17.7	17.5	17.2			
Energy efficiency level G	%	11.3	13.8	10.2			
Energy efficiency level H	%	11.2	10.5	5.4			

[1] The figures relate to LEG's vehicle fleet and company cars with the exception of TechnikServicePlus GmbH and the heating oil consumption of Biomasse Heizkraftwerk Siegerland. Energy consumption was calculated on the basis of the respective fuel consumption levels. Not included: Business trips taken by LEG employees in their own vehicles. Vehicle charging outside the internal charging infrastructure. Regular petrol is no longer used.
[2] As the proportion of total diesel/premium-grade fuel attributable to biodiesel/bioethanol cannot be determined, this is not reported separately here. Therefore, only the waste wood consumption of Biomasse Heizkraftwerk Siegerland is disclosed here.
[3] All administrative buildings are reported from the 2020 calendar year onwards. Information was provided from 13 locations, both internally and externally rented properties for 2023. Only consumption at headquarters in Dusseldorf was reported in previous years.
[4] This figure relates exclusively to the district heating supplied by Biomasse Heizkraftwerk Siegerland.
[5] This figure relates exclusively to the electricity fed into the public grid by Biomasse Heizkraftwerk Siegerland. In 2019, the co-generation plant was not in operation for almost three months due to a major overhaul of the turbines. As a result, electricity fed into the public grid in 2019 was considerably lower.
[6] The extrapolated figure for the 2022 reporting year is based on the reported consumption data for 2021. All the portfolio properties of the consolidated portfolio companies as at 31 December 2023 were included.
[7] Includes the heating energy consumption from the projection for all portfolio properties of the consolidated portfolio companies as at 31 December 2023 based on the lettable space.
[8] Included are buildings with sustainability certificates and residential building energy clustering in line with the classification specifications of the legislator. Regarding sustainability certificates, reference is made to the energy efficiency certificates required pursuant to Germany's Energy Conservation Ordinance (EnEV) and the classification information applicable in this respect. All energy efficiency certificates for LEG's let property portfolio are included. Properties for which no energy efficiency certificate is required pursuant to EnEV (e. g. properties under heritage protection) and which are therefore not available, are not included. As in the previous year, non-residential buildings and properties sold are not included. The changes compared with the previous year relate to acquisitions and energy efficiency upgrades to portfolio properties.

Key area: environment

Key performance indicator(s)	Unit	2021	2022	2023	2021 lfl	2022 lfl	GRI standards
Water withdrawal by source (housing portfolio)							
Total volume of water withdrawn[1]	m^3	5,511,321	5,456,644	–	5,436,647	5,270,386	303–03
Building water intensity	m^3/m^2	1	1	–	1	1	
Total direct greenhouse gas (GHG) emissions (Scope 1)							
Administrative offices							305–01
Gross direct (Scope 1) GHG emissions[2]	tCO_2e	820	1,698	2,271			
Biogenic CO_2 emissions[3]	tCO_2e	12,913	12,109	13,413			
Housing portfolio							
Biogenic CO_2 emissions[4]	tCO_2e	0	0	–			
Gross direct (Scope 1) GHG emissions[5]	tCO_2e	236,859	215,660	208,660			
Energy indirect (Scope 2) GHG emissions							
Administrative offices							305–02
Gross location-based energy indirect (Scope 2) GHG emissions	tCO_2e	509	704	577			
Housing portfolio							
Gross location-based energy indirect (Scope 2) GHG emissions for communal areas (electricity only)[6]	tCO_2e	1,877	3,776	–	1,830	3,498	
Gross location-based energy indirect (Scope 2) GHG emissions for rental units (heating energy only)[7]	tCO_2e	115,414	118,212	116,329			
Gross market-based energy indirect GHG emissions for rental units (heating energy only)[8]	tCO_2e	62,505	65,564	63,603			

[1] Only water withdrawals (fresh water consumption) by the municipal water supply or other public or private waterworks are reported, as other sources are not relevant. Water consumption is based on fully consolidated rental properties (commercial, residential) as at 31 December 2022 and 31 December 2021, for which the cold water and/or hot water items were allocated to tenants or recorded separately from waste water as part of integrated billing depending on consumption. In 2022, this applied to 77,881 residential and commercial properties and thus around 46 % of the portfolio (2021: 75,623 residential and commercial properties or 45 % of the portfolio). Consumption from settlements during the year are not taken into account. In addition, the figures do not include the water consumption of business units consisting of mixed-use tenant-privatised rental properties and rental properties under external management. The like-for-like analysis includes 77,881 rental properties. Consumption for 2023 can only be determined after the editorial deadline for this Sustainability Report in the course of 2024.

[2] Figures relate exclusively to the aforementioned energy consumption volumes. Only CO_2 emissions were considered in the calculation of GHG emissions. In general, publicly accessible sources were used for the conversion factors; as a rule, the publications of or information from the Germany Federal Environment Agency were used (in particular: BMU: in particular –"CO_2-Emission Factors for Fossil Fuels" (15 April 2016); BMU: "Determining Specific Greenhouse Emission Factors for District Heat"; BMU: "Development of the Specific Carbon Dioxide Emissions of the German Electricity Mix between 1990 and 2017"). The CO_2 emission figures for fleet vehicles and company cars were supplied directly by the billing company. Business trips taken for LEG by LEG employees in their own vehicles are not included. The increase compared to previous years is essentially on account of the substantially higher heating oil consumption at Biomasse Heizkraftwerk Siegerland. The prior-year figures were corrected for an arithmetical error.

[3] Includes the CO_2 emissions equivalent for electricity generation and district heating less the indirect CO_2 emissions caused by the combustion of heating oil for at Biomasse Heizkraftwerk Siegerland.

[4] Due to the selective use of renewable energies, there are no significant CO_2 equivalents for biogenic CO_2 emissions.

[5] Figures relate exclusively to the aforementioned energy consumption volumes. In general, publicly accessible sources were used for the conversion factors; as a rule, the publications of the German Federal Office of Economics and Export Control were used, especially the information leaflet on CO_2 factors (11/2021).

[6] Figures relate exclusively to the aforementioned energy consumption volumes. In general, publicly accessible sources were used for the conversion factors; as a rule, the publications of or information from the Germany Federal Environment Agency were used (in particular: BMU: in particular – "CO_2-Emission Factors for Fossil Fuels" (excerpt, 15 April 2016); BMU: "Determining Specific Greenhouse Emission Factors for District Heat"; BMU: "Development of the Specific Carbon Dioxide Emissions of the German Electricity Mix between 1990 and 2017"). The conversion factors between electricity emissions and electricity consumption were calculated on the basis of samples of electricity bills from utility companies and the emissions for specific rates/utility companies indicated here in the individual financial years. The reduction in CO_2 emissions for electricity is essentially due to the lower CO_2 emissions caused by electricity generation by the main utility company.

[7] Figures relate exclusively to the aforementioned energy consumption volumes. In general, publicly accessible sources were used for the conversion factors; as a rule, the publications of the German Federal Office of Economics and Export Control were used, especially the information leaflet on CO_2 factors (11/2021).

[8] Figures relate exclusively to the aforementioned energy consumption volumes. In general, publicly accessible sources were used for the conversion factors; as a rule, the publications of the German Federal Office of Economics and Export Control were used, especially the information leaflet on CO_2 factors (11/2021). Utility-specific, certified figures were used for the district heating emission factors where available.

Key area: environment

Key performance indicator(s)	Unit	2021	2022	2023	2021 lfl	2022 lfl	GRI standards
Energy indirect (Scope 3) GHG emissions							
Gross energy indirect (Scope 3) GHG emissions for rental units	tCO_2e	–	228,546	213,048			305–03
Waste by type and disposal method							
Administrative offices							306–03
Total weight of hazardous waste[1]	t	–	–	–			
Total weight of non-hazardous waste[2]	t	1,629	1,982	2,225			
Housing portfolio							
Total weight of hazardous waste[3]	t	–	–	–			
Total weight of non-hazardous waste	t	29,809	30,901	31,593			
Residual waste	t	18,106	18,398	18,812			
Recyclable materials (lightweight packaging, Green Dot materials)	t	1,912	1,965	2,045			
Paper, card, cardboard packaging	t	8,657	9,215	9,398			
Biodegradable waste	t	1,135	1,323	1,338			
Total weight of hazardous and non-hazardous waste[4]	t	–	–	–			

[1] No hazardous waste is generated in the administrative offices.
[2] All administrative buildings are reported from the 2020 calendar year onwards. Information was provided from 13 locations, both internally and externally rented properties for 2023. Only consumption at headquarters in Dusseldorf was reported in previous years.
[3] Hazardous waste is generated in the course of renovating and modernising buildings and apartments. However, the exact volume is not recorded, as LEG has such little economic, legal, organisational or any other influence over the waste-generating activities of its contractor that LEG does not qualify as the waste generator within the meaning of waste legislation.
[4] N. a. as there are no data for hazardous waste.

Key area: society

Key performance indicator(s)	Unit	2021	2022	2023	GRI standards
Operations with local community engagement, impact assessments, and development programs					
Branches that implemented neighbourhood measures in the reporting period	%	100	100	100	413–01
Neighbourhood measures implemented	Number	50	91	59	
Percentage of cooperations with local communities	%	–	11	29	
Percentage of cooperation measures[1]	%	–	41	7	

[1] All measures include the city as a partner.

Dusseldorf, 3 March 2024

LEG Immobilien SE, Dusseldorf
The Management Board

LARS VON LACKUM DR KATHRIN KÖHLING DR VOLKER WIEGEL

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Wirtschaftsprüfungsgesellschaft

Limited Assurance Report of the Independent Practitioner Regarding the Consolidated Non-financial Statement

To LEG Immobilien SE, Düsseldorf/Germany

Our Engagement

We have performed a limited assurance engagement on the consolidated non-financial statement of LEG Immobilien SE, Düsseldorf/Germany ("the Company"), for the financial year from 1 January to 31 December 2023 (hereafter referred to as "non-financial report").

Our assurance engagement does not cover the external sources of documentation and disclosures marked as unaudited stated in the non-financial report.

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the non-financial report in accordance with Section 315c in conjunction with Sections 289c to 289e German Commercial Code (HGB) and Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereafter referred to as "EU Taxonomy Regulation") and the Delegated Acts adopted thereon, as well as with the executive directors' interpretation of the wording and terminology contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereon, as is presented in section "EU taxonomy" of the non-financial report.

These responsibilities of the executive directors of the Company include the selection and application of appropriate methods regarding the non-financial report and the use of assumptions and estimates for individual non-financial disclosures of the Group which are reasonable under the given circumstances. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of a non-financial report that is free from material misstatement, whether due to fraud (fraudulent non-financial reporting) or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have laid down their own interpretation of the EU Taxonomy Regulation and of the Delegated Acts adopted thereon in section "EU taxonomy" of the non-financial report. They are responsible for the justifiability of this interpretation. The legal conformity of the interpretation is subject to uncertainties due to the immanent risk that undefined legal terms may be interpreted differently.

The preciseness and completeness of the environmental data in the non-financial reporting is subject to inherent restrictions resulting from the manner in which the data was collected and calculated as well as from assumptions made.

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Responsibilities of the Independent Practitioner

Our responsibility is to express a conclusion on the non-financial reporting based on our work performed within our limited assurance engagement.

Our firm applies the *IDW Quality Assurance Standard: Requirements for Quality Management in Audit Practices* (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW). We adhered to the professional rules of conduct according to the "Professional Charter for German Public Auditors and German Sworn Auditors" (BS WP/vBP) including the requirements on independence.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", issued by the IAASB. This Standard requires that we plan and perform the assurance engagement so that we can conclude with limited assurance whether matters have come to our attention to cause us to believe that the non-financial report of the Company, with the exception of the external sources of documentation or expert opinions stated therein, has not been prepared, in all material respects, in accordance with Section 315c in conjunction with Sections 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereon, as well as with the executive directors' interpretation presented in section "EU taxonomy" of the non-financial report.

The procedures performed in a limited assurance engagement are less in extent than for a reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The choice of assurance work is subject to the practitioner's professional judgement.

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Within the scope of our limited assurance engagement, which we performed in November 2023 and March 2024, we performed, among others, the following procedures and other work:

- Gaining an understanding of the structure of the Group's sustainability organisation and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation process regarding the process of preparation, regarding the system of internal control relating to this process, as well as regarding the disclosures contained in the non-financial report
- Identification of probable risks of material misstatements in the non-financial reporting
- Analytical evaluation of selected disclosures in the non-financial reporting
- Cross validation of selected disclosures and the corresponding data in the consolidated and annual financial statements as well as in the group management report as well as in the management report
- Assessment of the presentation of the non-financial reporting
- Assessment of the process to identify taxonomy-aligned economic activities and the corresponding disclosures in the non-financial report

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. The legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties due to the immanent risk that undefined legal terms may be interpreted differently.

Practitioner's conclusion

Based on the work performed and the evidence obtained, nothing has come to our attention that causes us to believe that the separate consolidated non-financial report of the Company for the financial year from 1 January to 31 December 2023 does not comply, in all material respects, with Sections 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereon, as well as with the executive directors' interpretation presented in section "EU taxonomy" of the non-financial report.

We do not express a conclusion on the external sources of documentation and disclosures marked as unaudited stated in the non-financial report.

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Restriction of Use

We issue this report as stipulated in the engagement letter agreed with the Company. We are liable solely to the Company and our liability is governed by the engagement letter agreed with the Company as well as the "General Engagement Terms for Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms)" (IDW-AAB) in the version dated 1 January 2017. We draw attention to the fact that the assurance engagement was performed for the purposes of the Company and the report is solely designed for informing the Company about the findings of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned purpose. Accordingly, this report is not intended to be used by third parties as a basis for any (asset) decision. We are solely responsible toward the Company. However, we do not accept or assume liability to third parties. Our conclusion is not modified in this respect.

Düsseldorf/Germany, 3 March 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:
Rolf Künemann
Wirtschaftsprüfer
(German Public Auditor)

Signed:
Sebastian Dingel

CONSOLIDATED FINANCIAL STATEMENTS

4

LEG IMMOBILIEN SE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS € million	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	31.12.2023	31.12.2022
Non-current assets		**18,660.8**	**20,783.4**
Investment property	E.1	18,101.8	20,204.4
Prepayments for investment property		–	60.8
Property, plant and equipment	E.2	139.8	147.6
Intangible assets and goodwill	E.3	5.0	5.8
Investments in associates		13.9	12.8
Other financial assets	E.4	355.4	337.9
Receivables and other assets	E.5	5.2	0.9
Deferred tax assets	E.13	39.7	13.2
Current assets		**564.9**	**541.7**
Inventory properties and other inventories		4.8	5.0
Receivables and other assets	E.5	272.8	163.8
Income tax receivables	E.13	9.8	10.7
Cash and cash equivalents	E.6	277.5	362.2
Assets held for sale	**E.7**	**77.9**	**35.6**
Total assets		**19,303.6**	**21,360.7**

EQUITY AND LIABILITIES € million	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	31.12.2023	31.12.2022
Equity	E.8	**7,488.2**	**9,083.9**
Share capital		74.1	74.1
Capital reserves		1,255.3	1,751.1
Cumulative other reserves		6,133.8	7,233.4
Equity attributable to shareholders of the parent company		7,463.2	9,058.6
Non-controlling interests		25.0	25.3
Non-current liabilities		**11,040.3**	**11,699.5**
Pension provisions	E.9	101.9	100.4
Other provisions	E.10	3.4	3.8
Financial liabilities	E.11	8,930.1	9,208.4
Other liabilities	E.12	89.6	67.2
Deferred tax liabilities	E.13	1,915.3	2,319.7
Current liabilities		**775.1**	**577.3**
Pension provisions	E.9	6.7	6.8
Other provisions	E.10	30.4	33.4
Provisions for taxes		0.0	0.2
Financial liabilities	E.11	445.7	252.4
Other liabilities	E.12	284.3	278.3
Tax liabilities		8.0	6.2
Total equity and liabilities		**19,303.6**	**21,360.7**

LEG IMMOBILIEN SE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ million	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	01.01.-31.12.2023	01.01.-31.12.2022
Net operating income	F.2	**581.6**	**413.5**
Rental and lease income		1,240.9	1,149.4
Cost of sales in connection with rental and lease income		-659.3	-735.9
Net income from the disposal of investment property	F.3	**-1.7**	**-1.5**
Income from the disposal of investment property		80.3	51.0
Carrying amount of the disposal of investment property		-80.6	-51.3
Costs of sales in connection with the disposal of investment property		-1.4	-1.2
Net income from the remeasurement of investment property	F.4	**-2,422.8**	**382.4**
Net income from the disposal of inventory properties		**-0.5**	**-0.2**
Income from the disposal of inventory property		–	0.1
Carrying amount of inventory properties sold		–	-0.1
Costs of sales in connection with the disposal of inventory property		-0.5	-0.2
Net income from other services	F.5	**36.3**	**16.4**
Income from other services		48.6	28.4
Cost of sales for other services		-12.3	-12.0
Administrative and other expenses	F.6	**-57.7**	**-182.6**
Other income		**0.3**	**0.1**
Operating earnings		**-1,864.5**	**628.1**
Interest income		16.4	2.5
Interest expenses	F.7	-165.0	-143.0
Net income from other investment securities and other equity investments	F.8	39.5	-101.4
Net income from associates		-0.1	0.3
Net income from the fair value measurement of derivatives	F.9	-8.6	121.5
Earnings before income taxes		**-1,982.3**	**508.0**
Income taxes	F.10	417.5	-270.6
Net profit or loss for the period		**-1,564.8**	**237.4**
Change in amounts recognised directly in equity		**-28.5**	**78.2**
Thereof recycling			
Fair value adjustment of interest derivatives in hedges		**-26.1**	**51.5**
Change in unrealised gains/losses		-32.1	62.8
Income taxes on amounts recognised directly in equity		6.0	-11.3
Thereof non-recycling			
Remeasurement of defined benefit plans		**-2.4**	**26.7**
Change in unrealised gains/losses		-3.6	38.3
Income taxes on amounts recognised directly in equity		1.2	-11.6
Total comprehensive income		**-1,593.3**	**315.6**
Net profit loss for the period attributable to:			
Non-controlling interests		3.9	3.4
Parent shareholders		-1,568.7	234.0
Total comprehensive income attributable to:			
Non-controlling interests		3.9	3.4
Parent shareholders		-1,597.2	312.2
Earnings per share (basic) in €	F.11	**-21.17**	**3.18**
Earnings per share (diluted) in €	F.11	**-21.17**	**1.45**

LEG IMMOBILIEN SE
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

€ million				Cumulative other reserves				
	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	Non-controlling interests	Consoli-dated equity
As at 01.01.2022	**72.8**	**1,639.2**	**7,274.9**	**-43.1**	**-15.9**	**8,927.9**	**25.0**	**8,952.9**
Net profit or loss for the period	–	–	234.0	–	–	234.0	3.4	237.4
Other comprehensive income	–	–	–	26.7	51.5	78.2	0.0	78.2
Total comprehensive income	**–**	**–**	**234.0**	**26.7**	**51.5**	**312.2**	**3.4**	**315.6**
Change in consolidated companies	–	–	–	–	–	–	–	–
Capital increase	1.3	111.9	–	–	–	113.2	–	113.2
Others	–	–	1.8	–	–	1.8	–	1.8
Withdrawals from reserves	–	–	–	–	–	–	-2.5	-2.5
Changes from put options	–	–	–	–	–	–	–	–
Distributions	–	–	-296.5	–	–	-296.5	-0.6	-297.1
As at 31.12.2022	**74.1**	**1,751.1**	**7,214.2**	**-16.4**	**35.6**	**9,058.6**	**25.3**	**9,083.9**
As at 01.01.2023	**74.1**	**1,751.1**	**7,214.2**	**-16.4**	**35.6**	**9,058.6**	**25.3**	**9,083.9**
Net profit or loss for the period	–	–	-1,568.7	–	–	-1,568.7	3.9	-1,564.8
Other comprehensive income	–	–	–	-2.4	-26.1	-28.5	0.0	-28.5
Total comprehensive income	**–**	**–**	**-1,568.7**	**-2.4**	**-26.1**	**-1,597.2**	**3.9**	**-1,593.3**
Change in consolidated companies	–	–	–	–	–	–	–	–
Capital increase	–	–	–	–	–	–	–	–
Others	–	–	497.6	–	–	497.6	–	497.6
Withdrawals from reserves	–	-495.8	–	–	–	-495.8	-3.4	-499.2
Changes from put options	–	–	–	–	–	–	–	–
Distributions	–	–	–	–	–	–	-0.8	-0.8
As at 31.12.2023	**74.1**	**1,255.3**	**6,143.1**	**-18.8**	**9.5**	**7,463.2**	**25.0**	**7,488.2**

See section E.8 in the notes.

LEG IMMOBILIEN SE
CONSOLIDATED STATEMENT OF CASH FLOWS

€ million	01.01.-31.12.2023	01.01.-31.12.2022
Operating earnings	**-1,864.5**	**628.1**
Depreciation on property, plant and equipment and amortisation on intangible assets	17.2	314.4
(Gains)/Losses on the remeasurement of investment property	2,422.8	-382.4
(Gains)/Losses on the disposal of assets held for sale and investment property	0.3	0.3
(Gains)/Losses from disposal of intangible assets and property, plant and equipment	2.5	0.1
(Decrease)/Increase in pension provisions and other non-current provisions	-2.7	-7.0
Other non-cash income and expenses	16.6	29.2
(Decrease)/Increase in receivables, inventories and other assets	-37.4	-68.1
Decrease/(Increase) in liabilities (not including financing liabilities) and provisions	20.5	-7.3
Interest paid	-140.8	-114.0
Interest received	9.5	0.7
Received income from investments	6.9	5.5
Income taxes received	4.0	3.7
Income taxes paid	-7.0	-14.2
Net cash from/(used in) operating activities	**447.9**	**389.0**
Cash flow from investing activities		
Cash payments for investments in investment property	-387.1	-748.2
Proceeds from disposals of non-current assets held for sale and investment property	84.7	39.8
Cash payments for investments in intangible assets and property, plant and equipment	-15.5	-77.9
Cash payments for investments in financial assets and other assets	–	-293.3
Cash payments for acquisition of shares in consolidates companies	-15.9	-9.2
(Cash payment for)/proceeds from cash investments in securities	-87.7	30.0
Net cash from/(used in) investing activities	**-421.5**	**-1,058.8**
Cash flow from financing activities		
Borrowing of bank loans	546.4	511.0
Repayment of bank loans	-294.6	-1,438.6
Repayment of lease liabilities	-8.3	-10.7
Issuance of convertible/corporate bonds	152.9	1,482.4
Repayment of convertible/corporate bonds	-500.0	–
Distribution to minorities	-2.5	-2.4
Distribution to shareholders	–	-183.3
Other payments	-5.0	-2.0
Other proceeds	–	–
Net cash from/(used in) financing activities	**-111.1**	**356.4**
Change in cash and cash equivalents	**-84.7**	**-313.4**
Cash and cash equivalents at beginning of period	362.2	675.6
Cash and cash equivalents at end of period	**277.5**	**362.2**
Composition of cash and cash equivalents		
Cash on hand, bank balances	277.5	362.2
Cash and cash equivalents at end of period	**277.5**	**362.2**

See section G. in the notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - GENERAL INFORMATION

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

1. Basic information on the Group

LEG Immobilien SE, Dusseldorf, its subsidiaries and second-tier subsidiaries, in particular LEG NRW GmbH, Dusseldorf, and the subsidiaries of the latter company, collectively referred to as “LEG”) are among the largest residential companies in Germany. On 31 December 2023, LEG held a portfolio of 168,096 residential and commercial units (31 December 2022: 168,651), or 167,326 residential and commercial units not including IFRS 5 properties (31 December 2022: 168,074).

LEG has three core activities as an integrated property company: optimising its core business, expanding its value chain and consolidating its management platform.

These consolidated financial statements were approved for publication by LEG Immobilien SE’s Management Board on 3 March 2024.

Consolidated financial statements

The consolidated financial statements of LEG Immobilien SE as at 31 December 2023 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 315e(1) 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 were 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 at fair value and derivative financial instruments, which are carried at their fair value as at the end of the reporting period.

Its consolidated financial statements and Group management report have been published in the commercial register.

The preparation of consolidated financial statements in accordance with IFRS requires estimates and judgements on the part of 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 Immobilien SE constitute exempting consolidated financial statements within the meaning of section 291 HGB for LEG Holding GmbH, LEG NRW GmbH, Ruhr-Lippe Wohnungsgesellschaft mbH, LEG Grundstücksverwaltung GmbH, LEG Wohnen NRW GmbH, Gladbau Baubetreuungs- und Verwaltungsgesellschaft mbH, GeWo Gesellschaft für Wohnungs- und Städtebau mbH, Ravensberger Heimstättengesellschaft mbH, LEG Beteiligungsverwaltungsgesellschaft mbH and for Wohnungsgesellschaft Münsterland GmbH. These companies are not required to prepare subgroup financial statements as they are included in the consolidated financial statements of LEG Immobilien SE, 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.

The exemptions under section 264(3) HGB have been exercised for LEG Wohnen NRW GmbH, LEG Rheinland Köln GmbH, LEG Wohnungsbau Rheinland GmbH, LEG Management GmbH, Ravensberger Heimstättengesellschaft mbH, WohnServicePlus GmbH, Wohnungsgesellschaft Münsterland GmbH, Ruhr-Lippe Wohnungsgesellschaft mbH, Gladbau Baubetreuungs- und Verwaltungs-Gesellschaft mbH, LEG Siebte Grundstücksverwaltungs GmbH, EnergieServicePlus GmbH, TSP-TechnikServicePlus GmbH, SW Westfalen Invest GmbH, LEG Achte Grundstücksverwaltungs GmbH, LEG Fünfte Grundstücksverwaltungs GmbH, LEG Neunte Grundstücksverwaltungs GmbH, GeWo Gesellschaft für Wohnungs- und Städtebau mbH, Grundstücksgesellschaft DuHa mbH, LWS Plus GmbH, LEG Niedersachsen GmbH, Rheinweg Grundstücksgesellschaft mbH, LEG Jade GmbH, LEG Niedersachsen Süd GmbH, LEG West VIII. GmbH, Gemeinnützige Eisenbahn-Wohnungsbau-Gesellschaft mbH, Gemeinnützige Wohnungsgesellschaft Nordwestdeutschland GmbH, LEG Erste Grundstücksverwaltungs GmbH, LEG Dritte Grundstücksverwaltungs GmbH, LEG Rhein Neckar GmbH and Rheinweg Zweite Grundstücksgesellschaft mbH. The exemption under section 264b HGB has been exercised for Biomasse Heizkraftwerk Siegerland GmbH & Co. KG.

B. New Accounting Standards

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

The IASB has published the following IFRS and IFRIC that are not yet effective and that will be relevant to LEG:

	Content	Effective for reporting periods from
Amendments to standards		
IAS 7/IFRS 7	"Disclosure: Supplier Finance Arrangements"	01.01.2024*
IAS 1	"Classification of Liabilities as Current or Non-current" "Non-current Liabilities with Covenants"	01.01.2024
IFRS 16	"Lease Liability in a Sale and Leaseback"	01.01.2024

*(not yet endorsed)

LEG Immobilien SE does not adopt new standards early. The amendments to the standards are not expected to have any significant impact on the accounting of LEG Immobilien SE.

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

	Content	Effective for reporting periods from
Amendments to standards		
IAS 8	“Definition of Accounting Estimates”	01.01.2023
IAS 1	“Disclosure of Accounting Policies”	01.01.2023
IAS 12	“Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	01.01.2023
IFRS 17	“Insurance Contracts”	01.01.2023
IAS 12	“International Tax Reform – Pillar Two Model Rules"	01.01.2023

Only the IFRS and interpretations that affect LEG Immobilien SE’s consolidated financial statements are explained in more detail below. Initial application of these standards has no material impact on financial position or financial performance.

C. Consolidated Group and Consolidation Methods

1. Consolidation methods

a) Subsidiaries

LEG Immobilien SE’s consolidated financial statements contain all the material subsidiaries that LEG Immobilien SE controls within the meaning of IFRS 10 and and insofar as these are not of minor significance for the consolidated financial statements..

Subsidiaries are included in consolidation from the date at which LEG Immobilien SE first obtains control. Subsidiaries are deconsolidated when LEG Immobilien SE 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 Immobilien SE’s financial statements.

Capital is consolidated in accordance with the purchase method, whereby the cost at the time of acquisition is offset against the pro rata share of equity. Non-controlling interests represent the share of earnings and net assets not attributable to the shareholders of LEG Immobilien SE. Non-controlling interests are reported separately in the consolidated statement of comprehensive income and the consolidated statement of financial position. They are reported directly in equity in the consolidated statement of financial position, separately from the equity attributable to owners of the parent company.

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

b) Investments accounted for using the equity method

Associates
Associates are equity interests whose financial and operating policies can be significantly influenced by LEG Immobilien SE. Associates are accounted for using the equity method. Owing to their immateriality for the financial position and financial performance 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 as an approximation of fair value and reported in other non-current financial assets.

Joint ventures
A joint venture is a company based on a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method.

A list of LEG Immobilien SE's shareholdings can be found in section J.

2. Changes in the Group

a) Subsidiaries

Changes in the companies included in LEG Immobilien SE's consolidated financial statements were as follows:

NUMBER OF GROUP SUBSIDIARIES	2023	2022
As at 01.01.	**89**	**88**
Additions	1	1
Disposals	0	0
As at 31.12.	**90**	**89**

LEG Bauen Zweite GmbH was founded on 25 August 2023 and included in consolidation for the first time as at 1 October 2023.

b) Investments accounted for using the equity method

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

NUMBER OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	2023	2022
As at 01.01.	**3**	**2**
Additions/disposals	1	1
As at 31.12.	**4**	**3**

dekarbo GmbH was included in the consolidated financial statements as a joint venture accounted for using the equity method as at 1 October 2023.

3. IFRS 12 disclosures

a) Disclosures on subsidiaries included in consolidation

An overview of the subsidiaries in which LEG Immobilien SE holds investments as at 31 December 2023 (IFRS 12.10 et seq.) can be found in section J.

The direct and indirect capital shares held by LEG Immobilien SE in the subsidiaries are also equal to its shares of 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 consolidated group.

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.

TSP-TechnikServicePlus GmbH is the only subsidiary with significant non-controlling interests as at 31 December 2023.

EUR 1.8 million (previous year: EUR 1.8 million) of net profit for the period relates to the significant non-controlling interests of TSP-TechnikServicePlus GmbH in 2023. The carrying amount in the Group recognised for the non-controlling interests in TSP-TechnikServicePlus GmbH as at 31 December 2023 was EUR 0 million on account of the obligation to pay a guaranteed dividend.

STATEMENT OF FINANCIAL POSITION	TSP-TechnikServicePlus GmbH	
€ million	2023	2022
Non-current:		
Assets	3.5	4.0
Liabilities	-2.8	-3.1
Non-current net assets	0.7	0.9
Current:		
Assets	27.9	23.7
Liabilities	-25.3	-20.8
Current net assets	2.6	2.9

STATEMENT OF COMPREHENSIVE INCOME	TSP-TechnikServicePlus GmbH	
€ million	2023	2022
Revenue/other operating income	87.0	78.5
Earnings before income taxes	7.4	3.1
Income taxes	0.1	0.8
Net profit from continued operations	7.3	2.3
Net profit	7.3	2.3
Total comprehensive income	**7.3**	**2.3**
thereof attributable to non-controlling interests	1.8	1.8
Dividends paid to non-controlling interests	1.8	1.8

STATEMENT OF CASH FLOWS	TSP-TechnikServicePlus GmbH	
€ million	2023	2022
Net cash from/used in:		
Operating activities	5.2	6.5
Investing activities	-0.2	-0.2
Financing activities	-1.9	-2.3
Change in cash and cash equivalents	3.1	4.0

c) Disclosures on at equity consolidated companies

Disclosures on material companies consolidated at equity

Kommunale Haus und Wohnen GmbH, Beckumer Wohnungsgesellschaft mbH and Renowate GmbH are classified as associates.

dekarbo GmbH is classified as a joint venture.

The at equity consolidated companies affect LEG Immobilien SE’s statement of financial position and its statement of comprehensive income as follows:

EFFECT OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD		
€ million	2023	2022
Carrying amount	13.9	12.8
Total comprehensive income (gain/loss)	-0.1	0.3

The disclosures on the at equity consolidated companies classified as material are listed below.

MATERIAL COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

	Share of capital in %	Equity € million	Result € million
Kommunale Haus und Wohnen GmbH, Rheda-Wiedenbrück	40.62	24.1	1.0
Beckumer Wohnungsgesellschaft mbH, Beckum	33.37	4.2	0.2
Renowate GmbH, Lindau	50.00	2.9	-1.1
dekarbo GmbH, Dusseldorf	50.00	0.0	0.0*

* The company was included at equity as at 1 October 2023.

Kommunale Haus und Wohnen GmbH and Beckumer Wohnungsgesellschaft mbH perform property management activities. Renowate GmbH performs serial refurbishment activities. dekarbo GmbH develops and distributes solutions for the heating, cooling and air conditioning of residential buildings.

The relationships with the at equity consolidated companies 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 summary financial information for the material at equity consolidated companies of the Group is shown below. The financial information shown below is consistent with the amounts in the financial statements of the associates and joint venture companies, respectively.

STATEMENT OF FINANCIAL POSITION	Kommunale Haus und Wohnen GmbH	Beckumer Wohnungsgesellschaft mbH	Renowate GmbH	dekarbo GmbH	Total
€ million	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023
Non-current assets	68.4	11.1	0.4	–	79.9
Current assets	2.6	0.4	3.4	–	6.4
Cash and cash equivalents	0.8	1.0	2.5	–	4.3
Other assets	–	–	–	–	–
Non-current borrowed capital	36.1	7.4	–	–	43.5
Current borrowed capital	11.6	0.9	3.4	–	15.9
Financial liabilities	–	–	–	–	–
Non-financial liabilities	–	–	–	–	–
Net assets	**24.1**	**4.2**	**2.9**	**–**	**31.2**

STATEMENT OF FINANCIAL POSITION	Kommunale Haus und Wohnen GmbH	Beckumer Wohnungsgesellschaft mbH	Renowate GmbH	dekarbo GmbH	Total
€ million	31.12.2022	31.12.2022	31.12.2022	31.12.2022	31.12.2022
Non-current assets	60.0	9.8	–	–	69.8
Current assets	2.4	0.4	–	–	2.8
Cash and cash equivalents	1.5	0.8	–	–	2.3
Other assets	–	–	–	–	–
Non-current borrowed capital	34.3	6.2	–	–	40.5
Current borrowed capital	6.5	0.7	–	–	7.2
Financial liabilities	–	–	–	–	–
Non-financial liabilities	–	–	–	–	–
Net assets	**23.1**	**4.1**	**–**	**–**	**27.2**

STATEMENT OF COMPREHENSIVE INCOME € million	Kommunale Haus und Wohnen GmbH 31.12.2023	Beckumer Wohnungsgesellschaft mbH 31.12.2023	Renowate GmbH 31.12.2023	dekarbo GmbH 31.12.2023	Total 31.12.2023
Revenue	7.6	1.4	0.0	–	9.0
Depreciation and amortisation expenses	1.7	0.3	0.0	–	2.0
Interest income	–	–	–	–	–
Interest expenses	0.3	0.1	–	–	0.4
Income taxes	0.1	–	–	–	0.1
Net profit from continued operations	1.0	0.1	-1.1	–	–
Net profit after taxes from discontinued operations	–	–	–	–	–
Other comprehensive income	–	–	–	–	–
Total comprehensive income	**1.0**	**0.1**	**-1.1**	**–**	**–**

STATEMENT OF COMPREHENSIVE INCOME € million	Kommunale Haus und Wohnen GmbH 31.12.2022	Beckumer Wohnungsgesellschaft mbH 31.12.2022	Renowate GmbH 31.12.2022	dekarbo GmbH 31.12.2022	Total 31.12.2022
Revenue	6.8	1.3	0.0	–	8.1
Depreciation and amortisation expenses	1.4	0.2	–	–	1.6
Interest income	–	–	–	–	–
Interest expenses	0.3	0.1	–	–	0.4
Income taxes	–	–	–	–	–
Net profit from continued operations	0.6	0.2	0.0	–	0.8
Net profit after taxes from discontinued operations	–	–	–	–	–
Other comprehensive income	–	–	–	–	–
Total comprehensive income	**0.6**	**0.2**	**0.0**	**–**	**0.8**

Statement of reconciliation from summary financial information to the carrying amount of the equity investments:

RECONCILIATION € million	Kommunale Haus und Wohnen GmbH 31.12.2023	Beckumer Wohnungsgesellschaft mbH 31.12.2023	Renowate GmbH 31.12.2023	dekarbo GmbH 31.12.2023	Total 31.12.2023
Net assets of associates as at 01.01.	**23.1**	**4.1**	**0.0**	**0.0**	**27.2**
Net profit/loss	1.0	0.1	-1.1	0.0	–
Addition to reserves	–	–	4.0	–	4.0
Dividend	–	–	–	–	–
Net assets of associates as at 31.12.	**24.1**	**4.2**	**2.9**	**–**	**31.2**
Group share	40.62 %	33.37 %	50.00 %	50.00 %	–
Share in net assets of the associate	9.8	1.4	1.4	–	12.6
Other adjustments	**–**	**–**	**1.1**	**0.2**	**1.3**
Carrying amount of the investment	**9.8**	**1.4**	**2.5**	**0.2**	**13.9**

RECONCILIATION

€ million	Kommunale Haus und Wohnen GmbH 31.12.2022	Beckumer Wohnungsgesellschaft mbH 31.12.2022	Renowate GmbH 31.12.2022	dekarbo GmbH 31.12.2022	Total 31.12.2022
Net assets of associates as at 01.01.	**22.6**	**3.9**	**0.0**	**0.0**	**26.5**
Net profit/loss	0.6	0.2	0.0	0.0	0.8
Addition to reserves	-0.1	–	–	–	-0.1
Dividend	–	–	–	–	–
Net assets of associates as at 31.12.	**23.1**	**4.1**	**–**	**–**	**27.2**
Group share	40.62 %	33.37 %	50.00 %	50.00 %	–
Share in net assets of the associate	9.4	1.4	–	–	10.8
Other adjustments	–	–	–	–	–
Carrying amount of the investment	**9.4**	**1.4**	**2.0**	**0.0**	**12.8**

The annual financial statements of the companies as at 31 December 2023 are not yet available and therefore the figures as at 31 December 2022 have also been used for 2023.

dekarbo GmbH was included in the consolidated financial statements as a joint venture accounted for using the equity method as at 1 October 2023. LEG held 50 % of the shares in dekarbo GmbH as at the end of the financial year. The carrying amount of the equity investment is EUR 0.2 million.

d) Disclosures on other companies

Furthermore, LEG holds an interest of 35.66 % (previous year: 35.66 %) in Brack Capital Properties N. V., Amsterdam, the Netherlands. Owing to the shareholder structure, LEG does not have a significant influence on the financial and operating policies of Brack Capital Properties N.V. Brack Capital Properties N.V. is therefore not included as an associate in the consolidated financial statements of LEG Immobilien SE.

D. Accounting Policies

1. Investment property

Investment property consists of LEG'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.

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 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.18. 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 for which the economic transfer has not yet taken place are shown under prepayments for investment property.

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. Energy modernisation measures are carried out if the measure is economically viable or serves to preserve the substance of the property. 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. In addition to the fair values calculated internally by LEG, the property portfolio was valued by an independent, third-party expert as at 30 June 2023 and 31 December 2023. LEG uses third-party valuation to validate its own calculations and as a second opinion for the general confirmation of the value of the portfolio as a whole.

The properties are reviewed individually by LEG at the level of individual building entrances in terms of their location, structural and energy 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 parties in an orderly transaction (IAS 40.5 in conjunction with IFRS 13.15).

The fair values of investment property 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 measured based on an indirect comparison of indicative land values.

A detailed planning period of ten years is used in DCF measurement. After the end of the tenth year, a sales value is applied that is calculated by capitalising the forecast annual net profit achievable in the long term, taking into account the finite remaining useful life of the property in the capitalisation rate. Based on the assumption of a finite remaining useful life, the land value discounted to the end of the remaining useful life and then discounted to the valuation date less demolition costs is added to the property value. The contractually agreed rental income for the respective property and other specific value parameters are applied at the beginning of the detailed planning period.

The average monthly net cold 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 of buildings predominantly used for residential purposes was EUR 6.59 per square metre as at the end of the reporting period (previous year: EUR 6.25 per square metre per month). These properties can also contain commercial units in some cases. The future development of annual rent is projected on the basis of individual assumptions for the planning period. A distinction is made between rental income from existing tenancies and new lettings due to forecast fluctuation. Market rent rises annually at an individually determined rate in the detailed planning period. For new lettings, rent in the amount of the assumed market rent is applied. The market rent increases applied range from 0.96 % to 1.94 % (previous year: 0.75 % to 1.94 %) based on specific market and property assessments. 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 and usable space used for measurement is adjusted to a stabilised vacancy rate in line with market conditions, which also take location into account and the individual characteristics of the property where appropriate over a period of four years.

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 towards the market rent is assumed for the subsequent year, taking the statutory requirements into account. For the remaining subsidised properties, a discount on the capitalisation rate is recognised depending on the remaining duration of rent control.

For maintenance and management costs of properties predominantly used for residential purposes, approaches were selected that are based on the *II. Berechnungsverordnung* (Second German Computation Ordinance, version in effect from 1 January 2023). The assumed reactive and periodic maintenance costs are derived on the basis of the technical assessment of the property and the year of construction, while standard amounts per residential unit and per parking space are used for administrative costs. Furthermore, the costs for carbon emission allowances are taken into account in cost assumptions on the basis of a price path, the distribution ratio between tenants and landlords and taking buildings' energy performance classes as per their energy efficiency certificates into account.

For residential buildings with a commercial component or other type of use, administrative costs for the non-residential component are calculated at 1 % (previous year: 1 %) of gross commercial income.

Management costs under the Second German Computation Ordinance have been adjusted in relation to the change in the consumer price index every three years since 2005. For continuity, between the adjustment dates, the management model applies a standard annual increase in management costs distributed over three years, which is based on the expected development of the Second German Computation Ordinance.

In addition, the development of maintenance and management costs was dynamic in the period under review. Given the current market situation, the expected cost increase has been determined differently for each annual tranche and broken down by cost types. The change in the consumer price index is used for general cost increases. The basis for this is still the long-term inflation target (2 %) of the European Central Bank (ECB). Short-term inflation forecasts reflect the current elevated level.

In view of the current market dynamics, trends in construction prices have been separated out on account of the cost increase expected according to the Federal Statistical Office. The rise in administrative costs is still forecast on the basis of the core rate of the development of the consumer price index.

Around 1.29 % (previous year: 1.26 %) of the units in the portfolio are classified as commercial properties. These properties can contain residential units in some cases, but they are characterised by their predominantly commercial character. Owing to the differing rent terms and market conditions compared to 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 predominantly commercial properties is EUR 8.64 per square metre (previous year: EUR 7.76 per square metre).

Cash flows are discounted using standard market discount rates with matching maturities of 4.7 % on average (previous year: 3.7 %) and standard market capitalisation rates of 5.7 % (previous year: 5.2 %); this takes into account the management cost ratio of the specific property and reflects the individual risk/opportunity profile of the property. The remaining useful lives of properties are taken into account in the capitalisation rates.

In addition to the general interest rate situation, location criteria, an appropriate interest rate is determined taking into account the property type, property condition (including energy-relevant features such as the presence of thermal insulation), age, potential rental growth, the forecast for the location and potential government subsidies in particular.

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 degree of property specification, 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.18.

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

according to the asset class relevant to accounting. 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 as at 31 December 2023 and the material unobservable inputs used:

INFORMATION ON MATERIAL UNOBSERVABLE INPUTS ON WHICH MEASUREMENT IS BASED (LEVEL 3)

31.12.2023			Measurement parameters								
			Market rent residential/commercial €/sqm/month			Maintenance cost residential/commercial €/sqm			Administrative cost residential/ commercial €/unit		
	Gross asset value of investment property € million	Valuation technique[2]	min	avg	max	min	avg	max	min	avg	max
Residential assets											
High-growth markets	7,302	DCF	3.87	9.29	15.70	9.28	12.91	18.01	201	344	522
Stable markets	6,563	DCF	1.91	7.85	14.79	8.48	12.89	17.70	210	342	522
Higher-yielding markets	3,377	DCF	0.51	6.68	16.62	8.22	13.18	18.27	194	346	522
Commercial assets	240	DCF	1.00	7.91	27.00	4.00	6.89	13.21	1	335	11,308
Leasehold	213	DCF	0.00	0.00	0.00	0.00	0.00	0.00	0	0	0
Garages, parking spaces and other units	378	DCF	0.00	0.00	0.00	38.72	82.14	100.88	44	44	45
Land values	28	Earnings/reference value method	0.00	0.00	0.00	0.00	0.00	0.00	0	4	10
Total portfolio (IAS 40) [1]	18,102	DCF	0.51	7.79	27.00	4.00	19.86	100.88	0	314	11,308

1 Furthermore, there are assets held for sale (IFRS 5) of EUR 77.9 million at Level 2 of the fair value hierarchy as at 31 December 2023.

2 Property portfolio as at 30 September 2023 as at measurement date 31 December 2023.

INFORMATION ON MATERIAL UNOBSERVABLE INPUTS ON WHICH MEASUREMENT IS BASED (LEVEL 3)	Measurement parameters											
31.12.2023	Stabilised vacancy rate in %			Discount rate in %			Capitalisation rate in %			Forecast rent development in %		
	min	avg	max	min	avg	max	min	avg	max	min	avg	max
Residential assets												
High-growth markets	1.0	1.8	6.0	3.1	4.7	8.7	2.3	4.9	11.7	1.3	1.6	1.9
Stable markets	1.5	2.7	9.0	3.3	4.8	9.9	1.8	5.5	12.2	1.1	1.4	1.9
Higher-yielding markets	1.5	4.5	9.0	3.5	4.6	8.0	2.9	5.9	13.0	1.0	1.3	1.6
Commercial assets	1.0	2.4	8.5	3.0	6.8	11.5	3.2	7.4	11.7	1.0	1.5	1.9
Leasehold	0.0	0.0	0.0	3.3	4.6	9.9	0.0	0.0	0.0	0.0	0.0	0.0
Garages, parking spaces and other units	0.0	0.0	0.0	4.2	4.7	6.1	3.0	7.5	12.7	1.0	1.4	1.9
Land values	0.0	0.0	0.0	4.1	4.6	5.0	3.8	9.2	12.2	1.0	1.2	1.5
Total portfolio (IAS 40) [1]	1.0	3.1	9.0	3.0	4.7	11.5	1.8	5.7	13.0	1.0	1.4	1.9

1 Furthermore, there are assets held for sale (IFRS 5) of EUR 77.9 million at Level 2 of the fair value hierarchy as at 31 December 2023.

The table below shows the measurement method used to determine the fair value of investment property as at 31 December 2022:

INFORMATION ON MATERIAL UNOBSERVABLE INPUTS ON WHICH MEASUREMENT IS BASED (LEVEL 3)			Measurement parameters								
31.12.2022			Market rent residential/commercial €/sqm/month			Maintenance cost residential/commercial €/sqm			Administrative cost residential/ commercial €/unit		
	Gross asset value of investment property € million	Valuation technique²	min	avg	max	min	avg	max	min	avg	max
Residential assets											
High-growth markets	8,203	DCF	3.85	8.83	14.53	8.96	13.01	18.41	201	344	522
Stable markets	7,000	DCF	1.92	7.52	13.84	9.18	13.04	17.92	210	342	522
Higher-yielding markets	3,740	DCF	0.03	6.42	9.62	8.22	13.24	18.27	196	346	522
Commercial assets	250	DCF	0.09	7.47	27.00	4.01	7.09	13.21	1	294	5,481
Leasehold	252	DCF	0.00	0.00	0.00	0.00	0.00	0.00	0	0	0
Garages, parking spaces and other units	403	DCF	0.00	0.00	0.00	38.72	82.24	100.88	44	44	45
Land values	33	Earnings/reference value method	0.00	0.00	0.00	0.00	0.00	0.00	0	4	11
Total portfolio (IAS 40) ¹	19,881	DCF	0.03	7.45	27.00	4.01	19.93	100.88	0	314	5,481

1 Furthermore, there are assets held for sale (IFRS 5) of EUR 35.6 million at Level 2 of the fair value hierarchy as at 31 December 2022.

2 Property portfolio as at 30 September 2022 as at measurement date 31 December 2022.

INFORMATION ON MATERIAL UNOBSERVABLE INPUTS ON WHICH MEASUREMENT IS BASED (LEVEL 3)	Measurement parameters											
31.12.2022	Stabilised vacancy rate in %			Discount rate in %			Capitalisation rate in %			Forecast rent development in %		
	min	avg	max	min	avg	max	min	avg	max	min	avg	max
Residential assets												
High-growth markets	1.0	1.7	6.0	2.3	3.7	7.0	1.8	4.4	11.2	1.1	1.6	1.9
Stable markets	1.5	2.8	9.0	2.3	3.7	7.5	1.3	5.0	11.6	0.9	1.3	1.9
Higher-yielding markets	1.5	4.4	12.5	2.2	3.5	7.0	2.5	5.4	11.9	0.8	1.1	1.8
Commercial assets	1.0	2.5	8.5	2.5	6.4	9.5	2.8	7.0	10.9	0.8	1.4	1.8
Leasehold	0.0	0.0	0.0	2.5	3.5	7.0	0.0	0.0	0.0	0.0	0.0	0.0
Garages, parking spaces and other units	0.0	0.0	0.0	2.3	3.7	5.5	2.0	6.6	12.2	0.8	1.3	1.9
Land values	0.0	0.0	0.0	2.6	3.7	4.9	2.5	10.3	11.7	0.8	1.3	1.7
Total portfolio (IAS 40) [1]	1.0	3.1	12.5	2.2	3.7	9.5	1.3	5.2	12.2	0.8	1.3	1.9

1 Furthermore, there are assets held for sale (IFRS 5) of EUR 35.6 million at Level 2 of the fair value hierarchy as at 31 December 2022.

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.

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

USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT in years	2023	2022
Owner-occupied residential properties	80	80
Owner-occupied commercial properties	60	50
Technical equipment and machinery/other office and operating equipment	3 to 23	3 to 23

Low-value assets with a net value of up to EUR 250.00 recognised as an expense immediately in the year of their acquisition. Assets with a net value of between EUR 250.01 and EUR 800.00 are written off in full in the year of their acquisition. Deviations from the economic life of the respective assets are considered immaterial.

3. Intangible assets

Purchased intangible assets are capitalised at cost. Such intangible 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 impairment tests performed in the previous year resulted in an impairment requirement of EUR 293.8 million, which resulted in a full write-off of all the goodwill allocated to the CGUs. Impairment in the previous year was recognised in the consolidated statement of comprehensive income at EUR 181.4 million under the costs of sales in connection with rental and lease income and at EUR 112.4 million under impairment in administrative and other expenses.

4. Impairment of assets

Intangible assets and property, plant and equipment are tested for impairment in accordance with IAS 36 if there is an indication that an asset may be impaired. Impairment testing is 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.

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

LEG recognises financial assets as at the trade date.

LEG holds equity investments without control or significant influence and other equity investments that are classified as fair value through profit and loss in accordance with IFRS 9. They are measured at fair value on acquisition. Gains and losses on subsequent measurement at fair value are recognised in profit and loss. Please refer to section D.18 for information on the calculation of fair value.

Subsidiaries and associates that are not consolidated or accounted for at equity as they are not material to the financial position and financial performance of the Group are recognised at fair value as at the end of the reporting period, or at cost if this cannot be reliably determined. Shares in unconsolidated subsidiaries or associates are not quoted on the stock market. The fair value of these shares cannot be reliably determined owing to the lack of an active market. There is currently no intention to sell these shares in the near future.

6. Accounting for leases as the lessee

In accordance with IFRS 16, a right-of-use asset and a lease liability are recognised at present value from the date at which the leased asset is available to LEG for use. The lease instalment is divided into a repayment portion and a financing portion. The finance costs are recognised in profit or loss over the term of the leases.

The right-of-use assets are depreciated on a straight-line basis over the shorter of the term of the lease and the useful life of the asset. As LEG subsequently measures its investment property at fair value in accordance with IAS 40, the subsequent measurement of right-of-use assets for heritable building rights is also at fair value.

LEG's lease liabilities can include the present value of fixed lease payments less lease incentives to be received as well as variable lease payments linked to an index. Lease payments are discounted at the interest rate implicit in the lease, if this can be readily determined. Otherwise the incremental borrowing rate is used for discounting. This is calculated using a risk-free interest rate with terms of between one and 30 years and a risk premium matched to the specific maturity. This calculation of the incremental borrowing rate is also applied in subsequent measurement.

Right-of-use assets are measured at cost, which can consist of the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date less any lease incentives received. They are subsequently measured at amortised cost with the exception of heritable building rights, which are measured at fair value in accordance with IAS 40.

The practical expedients for short-term leases of less than twelve months are not used. The practical expedients are used for low-value lease assets, such as mobile phones. The payments are expensed in the income statement on a straight-line basis. Moreover, LEG has exercised the option not to separate the lease and the non-lease components. This essentially applies to leases for cars.

Some of LEG's property leases contain extension and termination options. These contractual conditions grant the Group the utmost operational flexibility with regard to its contract portfolio. The term of a lease is determined taking into account all facts and circumstances that create an economic incentive to exercise an extension or not to exercise an option. A contract term is only adjusted if the option is reasonably certain (not) to be exercised.

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 IFRS 16, these agreements are classified as operating leases as the significant risks and rewards remain with LEG. 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. Receivables and other assets

On initial recognition, receivables and other assets are carried at fair value plus transaction costs. Subsequent measurement is at amortised cost.

LEG uses the expected credit loss model for trade receivables, which mainly comprise rent receivables due and not yet due, as well as for operating and heating costs not yet invoiced, which are included in other financial assets, rent receivables and receivables from operating costs not yet invoiced. The simplified approach in accordance with IFRS 9 is selected and the expected credit losses over the term are taken into account.

9. Receivables and liabilities from operating costs not yet invoiced

At LEG, allocable operating costs not yet invoiced as at the end of the reporting period are reported under other receivables, less the amount of advances received from tenants for operating costs. Allocable costs eligible for capitalisation and advances received from tenants are reported net. A financial liability is reported if liabilities exceed assets.

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 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.

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. Pension provisions

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 2018G 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. The effect of high inflation was taken into account in measurement. 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 reporting year 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 earnings in the individual functions.

13. Other provisions

Other provisions are recognised if LEG has a present legal or constructive obligation as a result of past events that is uncertain with regard to settlement 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, the original liability is treated as if it had been repaid in full in accordance with IFRS 9. A new liability is subsequently recognised at fair value.

15. Derivative financial instruments

LEG 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 IFRS 9. Derivatives accounted for as hedging instruments are used to hedge uncertain future cash flows. LEG is exposed to future cash flow risks as a result of floating-rate financial liabilities in particular.

The effectiveness of the hedging relationships is determined using prospective assessments at the inception of the hedge and as at the end of the reporting period. It is checked whether the contractual terms of the hedged item match those of the hedging instrument and thus whether there is an economic relationship.

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 cumulative other reserves in equity. Hedge ineffectiveness can arise from embedded floors in loan agreements that are not matched in the associated swap and from the consideration of credit risk in the context of derivative measurement.

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, 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 inputs for the measurement 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 inputs). Please refer to section D.18.

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 companies are the writers of several put options on the basis of which non-controlling shareholders can tender their interests in companies controlled by LEG Immobilien SE to the respective LEG company.

As financial liabilities, put options are recognised at fair value. The liability is recognised against the equity attributable to the writer if material risks and rewards of the interest remain with the non-controlling shareholders. There is no additional reporting of the put options as independent derivatives in this case. They are subsequently measured at amortised cost using the effective interest method.

18. Calculation of fair value

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:

FAIR VALUE HIERARCHY

	Level 1	Level 2	Level 3
Investment property			X
Financial liabilities		X	
Other liabilities (particularly derivatives)		X	
Shareholdings without control or significant influence	X		
Equity investments in corporations and partnerships without control or significant influence			X

There were no transfers between the levels of the fair value hierarchy.

Equity investments without control or significant influence are assigned to Level 1 of the fair value hierarchy if traded on an active market.

The fair value of other equity investments is calculated using accepted valuation methodologies as there are no quoted prices on an active market for these equity investments. The fair value calculated using valuation models is allocated to Level 3 of the IFRS 13 measurement hierarchy. They are allocated to Level 3 on account of the use of inputs not observed on a market in the measurement model.

19. Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to LEG and the amount of the revenue can be measured reliably. The following recognition criteria must also be met in order for revenue to be recognised.

a) Rental and lease income

LEG generates income from the rental and lease of properties. Rental income falls within the scope of IFRS 16 Leases and does not constitute a customer contract as referred to by IFRS 15.

Rental and lease income from 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. When incentives are provided to tenants, the cost of the 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 services have been provided. For allocable operating costs, there are isolated cases in which LEG qualifies as an agent under IFRS 15. The operating costs of cold water supply, draining and street cleaning, for which LEG operates predomently as agent, are reported on a net basis. The other operating costs are reported on a gross basis. Please refer to section F.1.

Revenue from operating costs is calculated on the basis of the costs incurred and corresponds to the contractually agreed transaction price. Advance payments for operating costs are due by the third day of the current month. Revenue is recognised over time (the given month). In the subsequent year, advance payments made for operating costs are offset against the amounts actually incurred. Excess advance payments received are reported under rental and lease liabilities. If the advance payments received are lower than the operating costs actually incurred, this is reported under receivables from rental and leasing activities.

The operating costs of property tax and insurance are recognised as a component of rent and lease income from lease agreements in the statement of comprehensive income in rental and lease income on a straight-line basis over the term of the respective leases.

b) Income from the disposal of property

LEG generates income from the disposal of property. Income from the disposal of property is recognised when power over the property is transferred to the buyer.

By contrast, income is not recognised if LEG assumes yield guarantees, grants a right of return to the buyer or enters into other material obligations with respect to the buyer that prevent a transfer of control to the buyer.

The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred. While deferred payment terms can be agreed in rare circumstances, the deferral never exceeds 12 months. The transaction price is therefore not adjusted for the effects of a significant financing component.

c) Income from other services

Income from other services covers income from services and third-party management as well as income from the generation of electricity and heat.

Income from other services is recognised as income for a period of time given that the customer directly receives and consumes the benefits provided by the service. The transaction price and its due date are based on the agreed contractual conditions.

d) Interest and similar income

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

20. Government grants

LEG receives government grants in the form of loans at below-market interest rates, repayment subsidies and investment grants.

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 existing loans were measured at market value and subsequently carried at amortised cost.

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 under other liabilities (see section E.12). It is reversed on a straight-line basis over the remaining term of the corresponding loan, which is measured at amortised cost in subsequent periods.

Government grants for assets in the form of repayment and investment subsidies (subsidies) are also reported in the statement of financial position as deferred income under other liabilities. The grants relate to investments in investment property carried at fair value. The reversal of the deferred income is recognised directly in profit or loss when all the primary conditions attaching to the grant are met. If there are primary conditions in the form of rent control, the deferred income is recognised in profit or loss pro rata over the duration of the condition.

21. Income taxes

The income tax expense represents the total of the current tax expense and the deferred tax expense.

LEG is 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.

The current tax expense is calculated on the basis of the taxable income for the financial 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 or that there are deferred tax liabilities. Deferred tax assets also include reductions in taxes resulting from the expected utilisation of existing tax loss or interest 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. In accordance with IAS 12, a company must recognise deferred taxes (outside basis differences) for taxable and deductible temporary differences between the consolidated IFRS net assets and the carrying amount in the tax accounts of interests in subsidiaries, associates and joint arrangements under certain conditions.

Deferred tax liabilities and deferred tax assets are calculated on the basis of the tax rates (and tax legislation) that are expected to apply at the time 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.

22. Judgements

Judgements must be made by management in the application of accounting policies. In particular, this applies to the following:

- 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.
- In the context of portfolio acquisitions, non-controlling interests are reported if material risks and rewards lie with the minority shareholder.
- LEG’s leases can include extension and termination options. The term of a lease is determined taking into account all facts and circumstances that create an economic incentive to exercise an extension or not to exercise an option. A contract term is only adjusted if the option is reasonably certain (not) to be exercised.
- LEG cannot exercise significant influence over the financial and operating policy decisions of Brack Capital Properties N.V. due to the shareholding structure (IAS 28.6). The shares of Brack Capital Properties N.V. are therefore measured at fair value according to the regulations of IFRS 9 for equity instruments. The quoted market price of Brack Capital Properties N.V. shares on the Tel Aviv Stock Exchange is classified as a Level 1 input for the fair value hierarchy (IFRS 13.77).

- There are master agreements between EnergieServicePlus GmbH and local energy suppliers for the supply of gas to residential properties as at the end of the reporting period. These contracts are classified as own-use exemption in accordance with IFRS 9 as at the end of the reporting period and are therefore treated as pending supply and sales agreements in accordance with IAS 37.

23. Use of estimates

The preparation of IFRS consolidated financial statements requires assumptions and estimates that materially affect 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, the remaining useful life and the discount and capitalisation rates. If market values cannot be derived directly 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. property market reports by expert committees, data from the service provider INWIS, etc.) and LEG's extensive knowledge of the respective regional submarkets. Owing to the sharp reduction in the number of comparable transactions, estimates may also be used to derive the discount and capitalisation rates to be applied.

- 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.

- Measurement of lease liabilities: Estimates of the risk premium are required in determining the incremental borrowing rate.

- 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 and interest 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.

- When accounting for business combinations, all identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date. There is estimation uncertainty regarding the determination of these fair values. Land and buildings are internally measured on the basis of independent valuations. Technical equipment and machinery are measured at estimated replacement cost. Intangible assets are identified and measured based on the nature of the intangible asset and the complexity of determining their fair values using appropriate valuation techniques.

- Estimates are used to calculate the fair value of the other equity investments. In particular, these relate to the underlying parameters for calculating property assets.

Further information on the assumptions and estimates made can be found in the notes on individual items. All assumptions and estimates are based on the 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 LEG operates.

While management believes that the assumptions and estimates used are appropriate, any unforeseen changes in these assumptions could affect the Group's financial position and financial performance.

24. Share-based payment

LEG has share-based remuneration plans for the members of the Management Board of LEG Immobilien SE. In accordance with IFRS 2, the long-term incentive programme is a cash-settled share-based remuneration programme. Provisions for these obligations were recognised in the amount of the anticipated expense. The fair value of the options is determined using recognised financial models.

In addition, LEG provides its managers with a share-based remuneration programme classified as a cash-settled share-based remuneration programme in accordance with IFRS 2. The provisions for these obligations are recognised in the amount of the anticipated expense, pro rata over the vesting period.

In addition, LEG has an employee share programme that is treated as a cash-settled share-based remuneration programme in accordance with IFRS 2. The expense was recognised in staff costs in the current financial year.

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 2023 and 2022 financial years:

INVESTMENT PROPERTY

€ million	Total	Residential assets High-growth markets	Residential assets Stable markets	Residential assets Higher-yielding markets	Commercial assets	Garages, parking spaces and other units	Leasehold	Land values
Carrying amount as at 01.01.2023	**20,204.4**	**8,254.1**	**7,135.6**	**3,739.8**	**385.4**	**403.7**	**252.3**	**33.5**
Acquisitions	169.7	91.4	61.6	0.0	4.2	6.5	5.4	0.5
Other additions	268.5	86.7	102.7	57.8	3.8	1.0	-	16.4
Reclassification to assets held for disposal	-121.1	-5.7	-23.7	-42.6	-41.1	-4.1	0.0	-3.9
Reclassification to property, plant and equipment	-10.0	-2.3	-1.1	-	-6.5	-0.1	-	-
Reclassification from property, plant and equipment	15.9	0.7	0.2	0.2	2.2	12.6	0.0	0.0
Fair value adjustment	-2,422.8	-1,143.3	-770.4	-376.3	-37.0	-45.2	-44.7	-5.8
Disposals	-2.8	-	-0.5	-2.3	-	-	-	-
Reclassification	-	16.9	50.0	0.0	-70.7	3.8	-	-
Carrying amount as at 31.12.2023	**18,101.8**	**7,298.5**	**6,554.4**	**3,376.6**	**240.3**	**378.2**	**213.0**	**40.7**

Gain or loss on remeasurement as at 31 December 2023 (EUR million)	**-2,422.8**
- of which relating to properties in the portfolio as at 31 December 2023:	-2,427.2
- of which relating to properties no longer in the portfolio as at 31 December 2023:	4.4

INVESTMENT PROPERTY

€ million	Total	Residential assets High-growth markets	Residential assets Stable markets	Residential assets Higher-yielding markets	Commercial assets	Garages, parking spaces and other units	Leasehold	Land values
Carrying amount as at 01.01.2022	**19,178.4**	**7,886.7**	**6,813.0**	**3,553.2**	**311.0**	**374.9**	**210.4**	**29.2**
Acquisitions	324.4	89.2	108.8	10.7	90.0	20.5	5.2	0.0
Other additions	368.7	106.9	166.7	90.4	4.8	1.7	-1.8	0.0
Reclassification to assets held for disposal	-49.5	-15.0	-14.3	-17.5	-0.2	-1.9	-0.2	-0.4
Reclassification to property, plant and equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassification from property, plant and equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fair value adjustment	382.4	186.3	61.4	103.0	-20.2	8.5	38.7	4.7
Reclassification	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amount as at 31.12.2022	**20,204.4**	**8,254.1**	**7,135.6**	**3,739.8**	**385.4**	**403.7**	**252.3**	**33.5**

Gain or loss on remeasurement as at 31 December 2022 (EUR million)	**382.4**
- of which relating to properties in the portfolio as at 31 December 2022:	380.1
- of which relating to properties no longer in the portfolio as at 31 December 2022:	2.3

The acquisition of a property portfolio of around 376 residential units was notarised on 14 September 2022. The portfolio generates annual net rent of around EUR 1.91 million. The average net rent is around EUR 8.33 per square metre and the initial vacancy rate is around 4.9 %. The transaction was closed on 1 January 2023. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

Other additions in the financial year predominantly relate to capitalised investment in existing properties.

Investment property broke down as follows in the 2023 and 2022 financial years:

COMPOSITION OF INVESTMENT PROPERTY

	31.12.2023		31.12.2022	
€ million	Investment property	Properties held for sale	Investment property	Properties held for disposal
Developed land	17,598.8	71.0	19,434.2	34.3
Undeveloped land	40.7	3.9	33.4	0.4
Other	462.3	3.0	736.8	0.9
Total	**18,101.8**	**77.9**	**20,204.4**	**35.6**

Purchase prices for properties were in decline in 2023 on account of the changing interest landscape. Urban markets with higher purchase price factors were more affected than more rural areas, where yields were already historically higher.

A sharp decline in new construction activity combined with immigration and smaller household sizes is resulting in excess demand for affordable housing, which is reflected in falling vacancy rates and rising rents.

The developments observable on the market are reflected in the calculation of fair values by way of measurement parameters and discount rates.

Sensitivities were as follows as at 31 December 2023:

SENSITIVITY ANALYSIS

31.12.2023	Gross asset value of investment property € million	Valuation technique[2]	Sensitivities in % Adminis-trative costs +10 %	Adminis-trative cost -10 %	Stabi-lised vacancy rate +1 percent-age point	Stabi-lised vacancy rate -1 percent-age point	Mainte-nance costs +10 %	Mainte-nance costs -10 %
Residential assets								
High-growth markets	7,302	DCF	-0.7	0.7	-1.6	1.6	-1.8	1.8
Stable markets	6,563	DCF	-1.0	1.0	-1.7	1.7	-2.3	2.3
Higher-yielding markets	3,377	DCF	-1.3	1.3	-1.9	1.9	-2.9	2.9
Commercial assets	240	DCF	-0.2	0.2	-1.2	1.2	-0.8	0.8
Leasehold	213	DCF	-	-	-	-	-	-
Garages, parking spaces and other units	378	DCF	-0.9	0.8	-0.8	0.8	-2.0	1.9
Land values	28	Earnings/reference value method	-	-	-	-	-	-
Total portfolio (IAS 40) [1]	18,102	DCF	-0.9	0.9	-1.7	1.7	-2.2	2.2

1 Furthermore, there are assets held for sale (IFRS 5) of EUR 77.9 million at Level 2 of the fair value hierarchy as at 31 December 2023.

2 Property portfolio as at 30 September 2023 as at measurement date 31 December 2023.

31.12.2023	Sensitivities in % Capitalisa-tion rate +0.25 %	Capitalisa-tion rate -0.25 %	Discount rate +0.25 %	Discount rate -0.25 %	Market rent +2 %	Market rent -2 %	Forecast rent devel-opment for residential properties +0.2 %	Forecast rent devel-opment for residential properties -0.2 %
Residential assets								
High-growth markets	-3.2	3.6	-5.3	5.7	0.9	-0.9	4.0	-3.6
Stable markets	-2.8	3.1	-4.6	5.0	1.7	-1.7	3.4	-3.1
Higher-yielding markets	-2.5	2.8	-4.4	4.7	1.8	-1.8	3.1	-2.9
Commercial assets	-1.7	1.8	-1.9	2.0	1.2	-1.2	1.2	-1.2
Leasehold	-	-	-4.0	4.2	-	-	-	-
Garages, parking spaces and other units	-1.2	1.3	-4.9	5.2	1.5	-1.6	2.1	-2.0
Land values	-	-	-0.1	0.1	-	-	-	-
Total portfolio (IAS 40) [1]	-2.8	3.2	-4.8	5.2	1.4	-1.4	3.5	-3.2

1 Furthermore, there are assets held for sale (IFRS 5) of EUR 77.9 million at Level 2 of the fair value hierarchy as at 31 December 2023.

Sensitivities were as follows as at 31 December 2022:

SENSITIVITY ANALYSIS

31.12.2022	Gross asset value of investment property € million	Valuation technique[2]	Sensitivities in % Adminis-trative costs +10 %	Adminis-trative costs -10 %	Stabi-lised vacancy rate +1 percent-age point	Stabi-lised vacancy rate -1 percent-age point	Mainte-nance costs +10 %	Mainte-nance costs -10 %
Residential assets								
High-growth markets	8,203	DCF	-0.8	0.8	-1.7	1.7	-2.1	2.1
Stable markets	7,000	DCF	-1.1	1.1	-1.8	1.9	-2.8	2.8
Higher-yielding markets	3,740	DCF	-1.4	1.5	-2.0	2.0	-3.4	3.4
Commercial assets	250	DCF	-0.4	0.4	-1.5	1.5	-1.3	1.3
Leasehold	252	DCF	-	-	-	-	-	-
Garages, parking spaces and other units	403	DCF	-1.2	1.1	-0.9	0.9	-2.5	2.4
Land values	33	Earnings/reference value method	-	-	-	-	-	-
Total portfolio (IAS 40) [1]	19,881	DCF	-1.0	1.1	-1.8	1.8	-2.6	2.6

1 Furthermore, there are assets held for sale (IFRS 5) of EUR 35.6 million at Level 2 of the fair value hierarchy as at 31 December 2022.

2 Property portfolio as at 30 September 2022 as at measurement date 31 December 2022.

31.12.2022	Sensitivities in % Capitalisa-tion rate +0.25 %	Capitalisa-tion rate -0.25 %	Discount rate +0.25 %	Discount rate -0.25 %	Market rent +2 %	Market rent -2 %	Forecast rent devel-opment for residential properties +0.2 %	Forecast rent devel-opment for residential properties -0.2 %
Residential assets								
High-growth markets	-3.8	4.4	-5.8	6.4	1.0	-1.0	4.5	-4.0
Stable markets	-3.3	3.8	-5.0	5.5	1.9	-1.8	3.8	-3.4
Higher-yielding markets	-2.9	3.3	-4.8	5.2	1.8	-1.7	3.4	-3.1
Commercial assets	-1.9	2.0	-2.2	2.3	1.1	-1.1	1.3	-1.2
Leasehold	-	-	-4.5	4.9	-	-	-	-
Garages, parking spaces and other units	-1.4	1.6	-5.4	5.8	1.7	-1.7	2.3	-2.2
Land values	-	-	0.0	0.0	-	-	-	-
Total portfolio (IAS 40) [1]	-3.4	3.8	-5.3	5.8	1.5	-1.4	3.9	-3.5

1 Furthermore, there are assets held for sale (IFRS 5) of EUR 35.6 million at Level 2 of the fair value hierarchy as at 31 December 2022.

Some investment property is let under the terms of commercial rental agreements and leases. These rental agreements and leases typically have a term of ten years when entered into 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 entered into by LEG can generally be terminated by the tenant with notice of three months to the end of the month. Accordingly, fixed cash flows in the amount of rent for three months 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 and leases for advertising space that were in place as at 31 December 2023:

AMOUNT BASED ON MINIMUM LEASE INSTALMENTS FOR LONG-TERM LEASES

€ million	Remaining term < 1 year	Remaining term > 1 to 2 years	Remaining term > 2 to 3 years	Remaining term > 3 to 4 years	Remaining term > 4 to 5 years	Remaining term > 5 years	Total
31.12.2023	25.9	16.9	14.1	10.3	8.5	53.8	**129.5**
31.12.2022	21.8	11.4	8.9	7.2	5.4	25.6	**80.3**

Investment property is used almost exclusively as collateral for financial liabilities – see also section E.11.

2. Property, plant and equipment

The development of property, plant and equipment is shown in the consolidated statement of changes in assets (Annex I).

Right-of-use assets from leases of EUR 15.3 million (31 December 2022: EUR 22.0 million) are reported under property, plant and equipment and intangible assets as at 31 December 2023. The right-of-use assets result from leased buildings, car leases, heat contracting, measurement and reporting technology, IT peripheral devices and software. Additions to right-of-use assets amounted to EUR 3.0 million in the reporting period.

RIGHT-OF-USE ASSETS, LEASES

€ million	31.12.2023	31.12.2022
Right-of-use assets, land and buildings	1.4	2.0
Right-of-use assets, technical equipment and machinery	9.0	14.0
Right-of-use assets, operating and office equipment	4.5	5.3
Property, plant and equipment	**14.9**	**21.3**
Right-of-use assets, software	0.4	0.7
Intangible assets	**0.4**	**0.7**
Right-of-use assets from leases	**15.3**	**22.0**

3. Intangible assets

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

4. Other financial assets

Other financial assets are composed as follows:

OTHER FINANCIAL ASSETS € million	31.12.2023	31.12.2022
Investments in affiliated unconsolidated entities	0.1	0.1
Other investments and investments in associates	328.8	296.1
Other financial assets	26.5	41.7
Total	**355.4**	**337.9**

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

5. Receivables and other assets

Receivables and other assets are composed as follows:

RECEIVABLES AND OTHER ASSETS € million	31.12.2023	31.12.2022
Trade receivables, gross	83.0	63.5
Impairment losses	-37.3	-28.4
Total	**45.7**	**35.1**
thereof attributable to rental and leasing	32.6	24.6
thereof attributable to the disposal of properties	1.0	0.8
thereof attributable to other receivables	12.1	9.7
thereof with a remaining term up to 1 year	45.7	35.1
thereof with a remaining term of between 1 and 5 years	–	–
€ million	31.12.2023	31.12.2022
Receivables from operating costs not yet invoiced	25.4	37.9
Loans	4.5	0.6
Other financial assets	169.3	74.9
Other non-financial assets	33.1	16.2
Total	**232.3**	**129.6**
thereof with a remaining term up to 1 year	227.1	128.7
thereof with a remaining term of between 1 and 5 years	5.2	0.9
Total receivables and other assets	**278.0**	**164.7**

Details of receivables from related parties and companies can be found in section I.7.

6. Cash and cash equivalents

CASH AND CASH EQUIVALENTS € million	31.12.2023	31.12.2022
Bank balances	277.5	362.2
Cash on hand	0.0	0.0
Cash and cash equivalents	**277.5**	**362.2**
Restricted balances	2.2	1.7

Bank balances earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on LEG's immediate cash requirements. Cash and cash equivalents include balances with an intended purpose. These are reported as restricted balances.

7. Assets held for sale

ASSETS HELD FOR SALE € million	2023	2022
Carrying amount as at 01.01.	**35.6**	**37.0**
Reclassification from investment property	121.1	49.5
Reclassification from property, plant and equipment	1.7	-
Disposal due to sale of land and buildings	-80.5	-51.3
Other additions	0.0	0.4
Carrying amount as at 31.12.	**77.9**	**35.6**

Investment property was sold again in the business year for the purposes of selective portfolio streamlining.

For information on reclassifications from investment property, please see section E.1.

The item "Disposals due to the sale of land and buildings" includes developed and undeveloped land and residential and commercial buildings. The reclassification from investment property essentially relates to individual sales and ten block sales. The disposals essentially relate to individual sales and four more significant block sales (see section E.1).

In conjunction with portfolio streamlining, 339 residential units in Bad Oldesloe and Siegen were sold for EUR 18.3 million in September 2022. The transaction was closed on 1 January 2023. 338 residential and commercial units were sold for EUR 13.7 million in Itzehoe in September 2023. The transaction was closed on 1 December 2023.

See also section F.3.

8. Equity

The change in equity components is shown in the statement of changes in equity.

a) Share capital

By way of resolution of the Annual General Meeting on 19 August 2020, the Management Board is 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 21,413,950 by issuing up to 21,413,950 new registered shares against cash or non-cash contributions by 18 August 2025 (Authorised Capital 2020).

The share capital is contingently increased by up to EUR 35,689,918 through the issue of up to 35,689,918 new no-par value bearer shares (Contingent Capital 2013/2017/2018/2020).

On the basis of the authorisation granted in the Articles of Association dated 11 May 2020/19 August 2020/8 March 2021, the share capital was increased by EUR 743,682 to EUR 72,839,625 in the 2021 financial year. By way of resolution of the Supervisory Board on 21 June 2021, Articles 3 and 4 of the Articles of Association (Amount and Distribution of Share Capital, Authorised Capital) were amended accordingly.

Share capital was increased by EUR 1,269,651 to EUR 74,109,276 on the basis of the authorisation in accordance with Article 4(1) of the Articles of Association. By way of resolution of the Supervisory Board on 14 June 2022, Articles 3 and 4 of the Articles of Association (Share Capital and Shares, Authorised Capital) were amended.

Authorised Capital 2020 thus amounts to EUR 19,400,617.

The average total number of shares as at 31 December 2023 is 74,109,276. The number of shares as at 31 December 2023 is likewise 74,109,276 (31 December 2022: 74,109,276).

b) 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 hedging derivatives and actuarial gains and losses from the remeasurement of pension obligations.

A dividend was not distributed to the company's shareholders in the 2023 financial year.

Other accumulated reserves increased as a result of the withdrawal from capital reserves of EUR 495.8 million. Cumulative other reserves include the counterpart to the annual guaranteed dividend of EUR 1.8 million to the non-controlling interest of TSP-TechnikServicePlus GmbH.

The non-controlling interest in other comprehensive income amounts to EUR 0.0 million.

NON-CONTROLLING INTEREST IN OTHER COMPREHENSIVE INCOME		
€ million	31.12.2023	31.12.2022
Actuarial gains and losses from the measurement of pension obligations	0.0	0.0
Fair value adjustment	0.0	0.0
Non-controlling interest in other comprehensive income	**0.0**	**0.0**

9. Pension provisions

Expenses for defined contribution plans amounted to EUR 7.3 million in the current year (31 December 2022: EUR 7.2 million). These essentially comprise contributions to the statutory pension scheme.

In connection with defined benefit plans, LEG uses 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 2022 and 2023 financial years:

CALCULATION OF PROVISIONS FOR PENSIONS in %	31.12.2023	31.12.2022
Discount rate	3.20	3.60
Salary trend	2.75	2.75
Pension trend	2.20	2.20

The present value of the obligation was EUR 108.6 million as at 31 December 2023. A change in the individual parameters, with the other assumptions remaining unchanged, would have affected the present value of the obligation as follows:

SENSITIVITY OF PENSION PROVISIONS 2023 € million	Increase	Decrease
Discount rate (increase and decrease by 0.5 % pts.)	102.6	115.2
Salary trend (increase and decrease by 0.5 % pts.)	109.2	108.1
Mortality (increase and decrease by 10 %)	104.7	113.0
Pension trend (increase and decrease by 0.25 % pts.)	110.7	105.7

The present value of the obligation was EUR 107.2 million as at 31 December 2022. A change in the individual parameters, with the other assumptions remaining unchanged, would have affected the present value of the obligation as follows:

SENSITIVITY OF PENSION PROVISIONS 2022 € million	Increase	Decrease
Discount rate (increase and decrease by 0.5 % pts.)	101.3	113.6
Salary trend (increase and decrease by 0.5 % pts.)	107.8	106.7
Mortality (increase and decrease by 10 %)	103.5	111.4
Pension trend (increase and decrease by 0.25 % pts.)	109.4	105.0

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 percentage points). 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.

DEVELOPMENT OF PENSION OBLIGATIONS € million	2023	2022
Present value of obligations as at 01.01.	**107.2**	**149.6**
Service cost	0.7	1.4
Interest expenses	3.7	1.2
Disposal due to sale	–	–
Payments	-6.6	-6.7
Remeasurement	3.6	-38.3
thereof losses (gains) from experience adjustments	-1.3	-1.0
thereof losses (gains) from changes in financial assumptions	4.9	-37.3
thereof losses (gains) from changes in demographic development	–	–
Present value of obligations as at 31.12.	**108.6**	**107.2**

EUR 25.3 million of the present value of the obligation relates to current employees covered by the plan (31 December 2022: EUR 24.3 million), EUR 6.9 million to employees who have left the company and whose rights are not yet vested (31 December 2022: EUR 7.0 million) and EUR 76.4 million to pensioners (31 December 2022: EUR 75.9 million).

A pension payment of EUR 6.7 million is expected for 2024 (31 December 2022: EUR 6.7 million). The duration of the defined benefit obligation is 11.4 years (31 December 2022: 11.3 years).

10. Other provisions

Other provisions break down as follows:

OTHER PROVISIONS € million	31.12.2023	31.12.2022
Provisions for bonuses	0.5	0.5
Provisions for partial retirement	1.8	2.2
Staff provisions	**2.3**	**2.7**
Construction book provisions	1.5	1.6
Provisions for other risks	26.7	29.7
Provisions for litigation risks	1.2	1.0
Provisions for leased properties	0.1	0.1
Provisions for year-end closing costs	1.3	1.3
Provisions for archiving	0.7	0.8
Miscellaneous other provisions	**31.5**	**34.5**

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

Construction book provisions contain amounts for outstanding measures and guarantees relating to project developments.

The provisions for other risks 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 30.4 million within one year (31 December 2022: EUR 33.4 million) and EUR 4.8 million after one year (31 December 2022: EUR 5.6 million).

11. Financial liabilities

Financial liabilities are composed as follows:

FINANCIAL LIABILITIES € million	31.12.2023	31.12.2022
Financial liabilities from real estate financing	9,264.9	9,347.9
Financial liabilities from lease financing	110.9	112.9
Financial liabilities	**9,375.8**	**9,460.8**

Financial liabilities from real estate financing serve the financing of investment property.

The consolidated financial statements of LEG Immobilien SE reported financial liabilities from real estate financing of EUR 9,264.9 million as at 31 December 2023.

Loans with an IFRS carrying amount of EUR 546.4 million were granted and two bonds with an IFRS carrying amount of EUR 155.2 million in total were issued in the 2023 financial year. This was offset by scheduled and unscheduled repayments of EUR 794.6 million and the amortisation of transaction costs.

Financial liabilities from real estate financing comprise the following capital market instruments as at the end of the reporting period:

Capital market instruments as at 31.12.2023 € million	IFRS carrying amount	Nominal value
Convertible bond 2020/2028	534.4	550.0
Convertible bond 2017/2025	396.9	400.0
Corporate bond 2023/2029	83.1	100.0
Corporate bond 2023/2031	72.1	100.0
Corporate bond 2022/2026	499.5	500.0
Corporate bond 2022/2029	499.4	500.0
Corporate bond 2022/2034	501.7	500.0
Corporate bond 2021/2032	493.1	500.0
Corporate bond 2021/2031	597.7	600.0
Corporate bond 2021/2033	598.5	600.0
Corporate bond 2019/2033	296.3	300.0
Corporate bond 2019/2027	497.4	500.0

The convertible bonds were classified and recognised in full as debt due to the issuer's contractual cash settlement option. There are several embedded and separable derivatives that are treated as a single compound derivative and carried at fair value. The underlying debt instrument is recognised at amortised cost.

The equity interests in individual companies and rent receivables serve as security for some loan agreements. The expected rent pledged as security amounted to EUR 578.3 million in the 2023 financial year (31 December 2022: EUR 554.5 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 LEG companies to the respective bank. Existing loan liabilities of EUR 3,792.3 million (31 December 2022: EUR 3,530.6 million) are secured by land charges.

The decline in financial liabilities from lease financing of EUR 2.0 million in the reporting year essentially reflects the reduction of lease liabilities for measurement and reporting technology as well as buildings. Leases already entered into that commence after the end of the reporting period will result in future possible cash outflows of EUR 1.1 million (31 December 2022: EUR 1.2 million).

a) Financial liabilities from real estate financing

The maturities shown in the consolidated financial statements are based on the contractually agreed maturities.

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

MATURITY OF FINANCIAL LIABILITIES FROM REAL ESTATE FINANCING

€ million	Remaining term ≤ 1 year	Remaining term between 1 and 5 year	Remaining term > 5 years	Total
31.12.2023	438.5	4,450.7	4,375.7	9,264.9
31.12.2022	244.0	4,380.0	4,723.9	9,347.9

The main drivers of the change in the maturity structure since 31 December 2022 have been the replacement of a bond and the refinancing of two loans, which reduced financial liabilities with short and medium remaining terms. The remaining term of a convertible bond and a registered bond as well as the reclassification of loans due to their maturity reduced financial liabilities with long maturities. This was offset by the issuance of two bonds as well as new loans, essentially with medium and long maturities.

b) Financial liabilities from lease financing

Financial liabilities from lease financing are composed as follows:

MATURITY OF FINANCIAL LIABILITIES FROM LEASE FINANCING

€ million	Remaining term ≤ 1 year	Remaining term between 1 and 5 year	Remaining term > 5 years	Total
31.12.2023	7.2	13.8	89.9	110.9
31.12.2022	8.3	17.6	87.0	112.9

12. Other liabilities

Other liabilities are composed as follows:

OTHER LIABILITIES € million	31.12.2023	31.12.2022
Derivative financial instruments	22.3	0.5
Advanced payments received	39.9	21.2
Trade payables	150.2	152.7
Rental and lease liabilities	25.2	23.9
Liabilities to employees	20.5	13.2
Liabilities from operating costs	-0.4	0.1
Interest benefit recognised as a liability	23.6	18.1
Other liabilities	92.6	115.7
Other liabilities	**373.9**	**345.5**
thereof with a remaining term up to 1 year	284.4	278.4
thereof with a remaining term of between 1 and 5 years	43.0	38.6
thereof with a remaining term of more than 5 years	46.6	28.5

The main drivers of the increase in other liabilities are derivative financial instruments. This includes embedded derivatives whose market value has increased as a result of the changing market environment. Furthermore, new interest rate derivatives with negative fair values are included in the financial year.

13. Deferred tax assets and liabilities

Deferred tax assets and liabilities result from temporary differences between the IFRS and tax carrying amounts, from tax loss carryforwards, interest carryforwards and from grant carryforwards and break down as follows:

DEFERRED TAX ASSETS AND LIABILITIES	31.12.2023		31.12.2022	
€ million	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Non-current assets				
Investment property	36.2	1,969.9	3.1	2,337.3
Other non-current assets	3.0	11.9	0.8	16.6
Current assets	3.4	4.3	2.1	6.7
Non-current liabilities				
Pension provisions	12.7	–	11.6	–
Other provisions	0.3	0.3	0.3	0.3
Other non-current liabilities	35.9	12.7	3.7	12.1
Current liabilities				
Other provisions	0.1	0.4	0.1	0.4
Other current liabilities	3.0	26.5	4.0	2.4
Total deferred taxes from temporary differences	**94.6**	**2,026.0**	**25.7**	**2,375.8**
Deferred taxes on loss carryforwards	55.9	–	43.6	–
Total deferred taxes	**150.5**	**2,026.0**	**69.3**	**2,375.8**
Netting	111.8	111.8	56.1	56.1
Carrying amount	**38.7**	**1,914.2**	**13.2**	**2,319.7**

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.

DEFERRED TAX ASSETS FROM TAX LOSS € million	31.12.2023	31.12.2022
Corporation tax	9.9	11.2
Trade tax	32.1	26.3
Total	**42.0**	**37.5**

Deferred tax assets on loss carryforwards 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 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 840.0 million as at the end of the reporting period (31 December 2022: EUR 906.0 million).

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 apply.

Deferred tax assets are only 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 formation of profit transfer agreements between the subsidiaries that hold the property portfolios and the Group company LEG NRW

GmbH and the resulting fiscal entity for corporation and trade tax purposes, the interest barrier does not apply to the (extended) fiscal entity of LEG NRW GmbH, as was the case in the previous year.

DEFERRED TAX ASSETS ON GRANT CARRYFORWARDS IN ACCORDANCE WITH SECTION 10B ESTG € million	31.12.2023	31.12.2022
Corporation tax	3.0	3.1
Trade tax	2.9	3.0
Total	**5.9**	**6.1**

A deferred tax asset of EUR 5.9 million (31 December 2022: EUR 6.1 million) was recognised on a grant carried forward in accordance with section 10b of the *Einkommensteuergesetz* (EStG – German Income Tax Act) in the past financial year. The grant carryforward is vested.

In the past financial year, the remeasurement of derivative financial instruments in hedges increased equity by EUR 6.0 million (31 December 2022: reduction of equity of EUR 11.3 million), while actuarial gains and losses increased equity by EUR 1.1 million (31 December 2022: reduction of equity of EUR 11.6 million). As at the end of the reporting period, deferred tax assets recognised directly in equity amounted to EUR 5.9 million (31 December 2022: deferred tax liabilities of EUR 1.2 million).

No deferred tax liabilities were recognised on temporary differences in connection with shares in subsidiaries and associates that are not expected to reverse in the foreseeable future in accordance with IAS 12.39 of EUR 118.1 million (31 December 2022: EUR 128.6 million).

F. Notes to the Consolidated Statement of Comprehensive Income

1. Revenue

LEG generates revenue from the transfer of goods and services both over time and at a point in time from the following areas:

REVENUE 2023 € million	Rental and lease income	Income from the disposal of investment property	Income from other services
Timing of revenue recognition			
At a point in time	–	80.3	48.6
Over time	1,240.9	–	–
Total	1,240.9	80.3	48.6

REVENUE 2022 € million	Rental and lease income	Income from the disposal of investment property	Income from other services
Timing of revenue recognition			
At a point in time	–	51.0	28.4
Over time	1,149.4	–	–
Total	1,149.4	51.0	28.4

The following overview summarises the assessment of whether a contract with a customer satisfied the definition of IFRS 15 and whether LEG qualifies as a principal (gross revenue) or an agent (net revenue) in sales:

ALLOCABLE OPERATING COSTS € million	Principal/agent relations as per IFRS 15	2023	2022
Operating costs – Land tax	-	32.1	32.4
Operating costs – Cold water supply	Agent/principal	45.1	46.1
Operating costs – Drainage	Agent/principal	29.9	35.6
Operating costs – Hot water supply	Principal	0.6	0.6
Operating costs – Lifts	Principal	4.3	4.0
Operating costs – Waste disposal	Principal	51.6	52.5
Operating costs – Pest control	Principal	1.3	1.2
Operating costs – Gardening	Principal	25.8	22.1
Operating costs – Chimney sweep	Principal	1.8	2.0
Operating costs – Caretaker	Principal	1.3	3.0
Operating costs – Property and liability insurance	-	78.6	61.4
Operating costs – Washing facilities	-	0.0	0.1
Operating costs – Smoke alarms	-	0.1	0.0
Operating costs – Heating costs/heat supply	Principal	52.2	68.5
Operating costs – Street cleaning/winter services	Agent/principal	11.0	7.8
Operating costs – Building cleaning	Principal	12.1	12.5
Operating costs – Lighting	Principal	2.0	3.7
Operating costs – Cable and TV multimedia	Principal	4.5	6.4

LEG generated allocable operating costs of EUR 78.0 million as an agent in the 2023 financial year (previous year: EUR 84.5 million).

Assets and liabilities from contracts with customers

ASSETS AND LIABILITIES FROM CONTRACTS WITH CUSTOMERS € million	2023	2022
Current contract assets from operating costs	25.4	37.9
Allowances on operating costs	6.5	10.1
Total contract assets	**31.9**	**48.0**
Current contract liabilities from operating costs	-24.6	-10.5
Total contract liabilities	**-24.6**	**-10.5**

2. Net operating income

Net operating income € million	2023	2022
Net cold rent	834.3	799.1
Profit from operating expenses	-21.8	-12.4
Maintenance for externally procured services	-99.3	-57.1
Personnel expenses (rental and lease)	-109.0	-107.5
Allowances on rent receivables	-16.4	-25.2
Depreciation and amortisation expenses	-13.5	-196.9
Others	7.3	13.5
Net operating income	**581.6**	**413.5**
Net operating income-margin (in %)	**69.7**	**51.7**
Non-recurring special items (rental and lease)	7.6	10.6
Depreciation and amortisation expenses	13.5	196.9
Maintenance for externally procured services	99.3	57.1*
Subsidies recognised in profit or loss	-2.2	–*
Own work capitalised	-16.0	-17.7*
Net operating income (recurring)	**683.8**	**660.4***
Net operating income-margin (recurring) (in %)	**82.0**	**82.6***

* Value of comparative period adjusted.

The reorganisation of corporate management and the associated cash-optimised management necessitates a separation of operating cash generation from capital expenditure. Therefore, in calculating AFFO, maintenance expenses for purchased services, subsidies recognised in profit or loss and the own work capitalised previously included in “Other” are no longer reported in net operating income (recurring), and are instead recognised as an EBITDA adjustment. Net operating income (recurring) for the same period of the previous year has been adjusted by EUR 39.4 million from EUR 621.0 million to EUR 660.4 million as a result of this reclassification. If there had been no reclassification in the reporting year, net operating income (recurring) would have amounted to EUR 602.6 million.

Net operating income rose by EUR 168.1 million year-on-year in the reporting period. This development is essentially as a result of the increase in net cold rent of EUR 35.2 million and the reduction in depreciation and amortisation due to goodwill impairment of EUR 181.4 million in the same period of the previous year. Like-for-like rent per square metre rose by 4.0 % year on year. This was offset in particular by the increase of EUR 42.2 million in maintenance expenses for externally purchased services and the reduction of EUR 9.4 million in the result from operating costs.

The adjusted net operating income (NOI) margin declined from 82.6 % in the previous year to 82.0 %.

Net operating income includes the following depreciation expenses for right-of-use assets from leases in the reporting period:

DEPRECIATION AND AMORTISATION EXPENSE ON LEASES		
€ million	2023	2022
Right-of-use assets, buildings	0.2	0.3
Right-of-use assets, technical equipment and machinery	3.6	4.4
Right-of-use assets, operating and office equipment	2.9	3.0
Depreciation and amortisation expense on leases	**6.7**	**7.7**

In the reporting period, net operating income also includes expenses for leases for low-value assets of EUR 0.6 million (previous year: EUR 0.3 million).

3. Net income from the disposal of investment properties

Net income from the disposal of investment properties breaks down as follows:

NET INCOME FROM THE DISPOSAL OF INVESTMENT PROPERTIES		
€ million	2023	2022
Income from the disposal of investment properties	80.3	51.0
Carrying amount of the disposal of investment properties	-80.6	-51.3
Costs of sales of investment properties sold	-1.4	-1.2
Net income from the disposal of investment properties	**-1.7**	**-1.5**
Valuation gains induced by disposals (included in net income from the remeasurement of investment properties)	–	–
Adjusted net income from disposals	**-1.7**	**-1.5**

Income from disposals amounts to EUR 80.3 million (previous year: EUR 51.0 million) and essentially relates to three major block sales for which the contracts were signed in the 2022 financial year, though title did not transfer until the 2023 financial year.

Furthermore, a contract was signed for a major block sale in the 2023 financial year and title was transferred on 1 December 2023.

See also section E.7.

4. Net income from the remeasurement of investment property

Net income from the remeasurement of investment property amounted to EUR -2,422.8 million in the reporting year (previous year: EUR 382.4 million). Based on the property portfolio at the beginning of the financial year (EUR 20,204.4 million) and taking acquisitions into account (measured at EUR 143.3 million), this corresponds to a reduction of 11.9 % (previous year: increase of 2.0 %). The decline amounts to 7.4 % in the first half of 2023 and 4.9 % in the second half of 2023.

The average value of residential investment property was EUR 1,619 per square metre as at 31 December 2023 (previous year: EUR 1,789 per square metre) including IFRS 5 properties and acquisitions and EUR 1,617 per square metre (previous year: EUR 1,788 per square metre) not including acquisitions.

In response to the developments in inflation, key central banks have raised their prime interest rates significantly. Following the delay typical for the property markets, the corresponding effects on the cost of capital resulted in higher discount rates in calculating the value of investment property. The average discount rate for the property portfolio is 4.7 % as at 31 December 2023 (31 December 2022: 3.7 %).

5. Net income from other services

Net income from other services is composed as follows:

NET INCOME FROM OTHER SERVICES € million	2023	2022
Income from other services	**48.6**	**28.4**
Purchased services	-7.4	-7.3
Other operating expenses	-3.2	-2.8
Personnel costs	-1.3	-1.1
Depreciation and amortisation	-0.4	-0.8
Cost of sales for other services	**-12.3**	**-12.0**
Net income from other services	**36.3**	**16.4**

Other services include the generation of electricity and heat, IT services for third parties and management services for third-party properties.

Operating earnings from electricity and heat generation improved as against the previous year as a result of the higher price level.

6. Administrative and other expenses

Administrative and other expenses are composed as follows:

ADMINISTRATIVE AND OTHER EXPENSES € million	2023	2022
Other operating expenses	-16.5	-35.7
Personnel expenses (administration)	-35.2	-28.4
Purchased services	-2.7	-1.9
Depreciation and amortisation	-3.3	-116.6
Administrative and other expenses	**-57.7**	**-182.6**

The other operating expenses contained in the table above are composed as follows:

OTHER OPERATING EXPENSES € million	2023	2022
Legal and consulting costs	-6.9	-20.2
Rental and other expenses for business premises	-2.3	-3.4
Annual financial statement, accounting and audit expenses	-2.3	-1.8
Postage, telecommunications and IT expenses	-0.4	-0.6
Temporary staff	-0.1	-0.1
Vehicles	-0.6	-0.7
Travel expenses	-1.3	-1.6
Advertising expenses	-0.3	-0.5
Other expenses	-2.3	-6.8
Others	0.0	0.0
Other operating expenses	**-16.5**	**-35.7**

The year-on-year decline in other operating expenses essentially results from the absence of the incidental costs incurred in conjunction with the acquisition of the Adler companies.

Personnel costs essentially increased as a result of the EUR 5.6 million higher addition to the provision for the long-term incentive programme compared to the previous year.

The previous year's decline in depreciation and amortisation relates predomently to the goodwill impairment of EUR 112.4 million relating to this item.

Administrative and other expenses include the following depreciation expenses for right-of-use assets from leases in the reporting period:

DEPRECIATION AND AMORTISATION EXPENSE ON LEASES € million	2023	2022
Right-of-use assets, buildings	0.4	1.0
Right-of-use assets, operating and office equipment	0.3	0.3
Right-of-use assets, software	0.3	0.3
Depreciation and amortisation expense on leases	**1.0**	**1.6**

Expenses for leases for low-value assets of EUR 0.1 million are included in the reporting period (previous year: EUR 0.1 million).

7. Net interest income

Net interest income breaks down as follows:

INTEREST INCOME € million	2023	2022
Interest income from bank balances	5.4	0.5
Income from loans	0.1	–
Interest income from discounting	3.0	1.9
Other interest income	7.9	0.1
Interest income	**16.4**	**2.5**

Interest income increased by EUR 13.8 million year-on-year to EUR 16.4 million. The increase in interest income is essentially due to higher interest rates for cash investments.

INTEREST EXPENSES € million	2023	2022
Interest expenses from real estate and bond financing	-135.7	-105.4
Interest expense from loan amortisation	-19.9	-22.2
Prepayment penalties	0.0	0.0
Interest expense from interest rate derivatives for real estate financing	-0.1	-4.7
Interest expense from changes in pension provisions	-3.7	-1.2
Interest expense from compounding of other assets and liabilities	-0.7	-2.7
Interest expenses from lease financing	-2.5	-2.5
Other interest expenses	-2.4	-4.3
Interest expenses	**-165.0**	**-143.0**

Interest expenses increased by EUR -22.0 million year-on-year to EUR -165.0 million. The increase in interest expenses essentially results from higher interest rates.

8. Net income from other investment secturities and other equity investments

The improvement in net income from other investment securities and other equity investments of EUR 132.3 million relates to the fair value change of other investments and investment income of EUR 6.9 million. An opposite effect had the fair value measurement of the investment in Brack Capital Properties N.V. of EUR -99.7 million.

9. Net income from the fair value measurement of derivatives

The gains and losses on the remeasurement of standalone 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 -8.6 million (previous year: EUR 121.5 million).

The net income from the fair value measurement of derivatives in the reporting period primarily results from changes in the fair value of the embedded derivative from the convertible bond of EUR -7.4 million (previous year: EUR 123.0 million).

10. Income taxes

Income tax expense and income are broken down by origin as follows:

INCOME TAXES € million	2023	2022
Current income taxes	-6.2	1.3
Deferred taxes	423.7	-271.9
Income taxes	**417.5**	**-270.6**

Based on the consolidated net profit before income taxes and the expected income taxes, the reconciliation to current income taxes is as follows:

INCOME TAXES € million	2023	2022
IFRS earnings before income taxes	-1,982.3	508.0
Group tax rate in %	31.6	31.6
Expected income taxes	**627.3**	**-160.8**
Reduction in taxes due to tax-free income and off-balance sheet deductions	-149.1	115.5
Additional taxes due to non-deductible expenses and off-balance sheet additions	-18.1	-16.2
Tax effect due to deferred tax assets on loss/interest carryforwards and non-recognition of deferred tax assets due to lack of recoverability	15.2	0.9
Tax effect from goodwill impairment	–	-93.0
Tax expenses relating to prior periods	1.5	-5.7
Tax decreases/increases due to changes in tax rate	-64.2	-112.8
Others	4.9	1.5
Income taxes as per statement of comprehensive income	**417.5**	**-270.6**
Effective tax rate in %	21.1	53.3

The tax rate applied in calculating the anticipated income tax takes into account the current and expected future tax rates for corporate income tax (15.0 %), the solidarity surcharge (5.5 % of corporate income tax) and trade tax (15.8 %) based on a basic rate of 3.5 % and a weighted average assessment rate of 452 % (city of Dusseldorf).

The reduction in taxes due to tax-free income and off-balance sheet deductions essentially results from the application of the extended trade tax reduction. Due to the reduced value of the property assets, a negative amount is recognised in this financial year. This option is exclusively reserved for companies that manage properties. When applying this regulation, the results of these companies are only subject to corporation tax and the solidarity surcharge.

The Group has applied the temporary exemption from the accounting requirements for deferred taxes in IAS 12 published by the IASB in May 2023. Accordingly, no deferred taxes are reported in relation to income taxes under the Pillar Two rules, and no related information has been disclosed.

The Bundesrat (Upper House of German Parliament) approved the act to implement the EU Directive on the minimum level of taxation on 15 December 2023. Under the German Act on Global Minimum Taxation (German Minimum Taxation Act), Germany adopted the Pillar Two rules into its national tax law effective 1 January 2024. This law requires businesses to pay top-up tax on profits taxed at a low rate upwards of a certain amount. This applies to enterprise groups whose revenue has reached a level of EUR 750.0 million in at least two of the four preceding financial years. However, a five-year exemption is intended for enterprise groups with minor international activities. This applies if the enterprise group has constituent entities in no more than six jurisdictions and the sum of the net book value of the tangible assets of all the constituent entities located in all jurisdictions other than the reference jurisdiction does not exceed EUR 50.0 million.

The LEG Group has consolidated revenue of more than EUR 750.0 million in 2023 and holds a 50 % stake in a joint venture company with a operating site in Austria. In 2023 a 100 % subsidiary has been founded. The LEG Group therefore falls within the scope of the German Minimum Taxation Act and must pay tax in accordance with section 1 of the German Minimum Taxation Act. However, as the LEG Group's international activities are minor, it will not incur minimum taxation in the first five years as the exemption under section 83 of the German Minimum Taxation Act currently applies.

The parent company is still investigating the impact of the legislation on the Pillar Two rules on the Group's future earnings capacity.

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 financial year.

EARNINGS PER SHARE – BASIC	31.12.2023	31.12.2022
Net profit or loss attributable to shareholders in € million	-1,568.7	234.0
Average numbers of shares outstanding	74,109,276	73,509,719
Earnings per share (basic) in €	**-21.17**	**3.18**

EARNINGS PER SHARE – DILUTED € million	31.12.2023	31.12.2022
Net profit or loss attributable to shareholders	-1,568.7	234.0
Convertible bond coupon after taxes	4.5	2.7
Income statement effect of measurement of derivatives after taxes	7.5	-122.9
Amortisation expenses of convertible bonds after taxes	4.8	2.8
Net profit or loss for the period for diluted earnings per share	-1,551.9	116.6
Average weighted number of shares outstanding	74,109,276	73,509,719
Number of potentially new shares in the event of convertible bonds being exercised	7,112,329	7,112,329
Number of shares for diluted earnings per share	81,221,605	80,622,048
Interim result in €	**-19.11**	**1.45**
Earnings per share (diluted) in €	**-21.17**	**1.45**

As at 31 December 2023, LEG Immobilien SE has convertible bonds outstanding that bearers can exchange for up to 7.1 million new ordinary shares.

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

EPRA earnings per share – Not an IFRS performance indicator

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

EPRA EARNINGS PER SHARE € million	01.01.- 31.12.2023	01.01.- 31.12.2022
Net profit or loss attributable to shareholders	-1,568.7	234.0
Net income from the remeasurement of investment property	2,422.8	-382.4
Net income from the measurement of other financial assets and other investments	-32.6	106.9*
Net income from the disposal of investment property and inventories and other income from the disposal of property including impairment losses	2.2	1.7
Tax expense/income from the disposal of investment property and inventory property	4.4	2.9
Goodwill impairment	–	293.8*
Net income from the fair value measurement of derivatives	8.6	-121.5
Acquisition costs for share deals and non-controlling joint venture interests	2.2	2.9
Deferred taxes on EPRA adjustments	-423.7	271.9
Refinancing expenses	0.0	0.0
Other non-cash interest expenses/income	-0.4	4.3*
Non-controlling interests in the above adjustments	2.5	1.7
EPRA earnings	417.3	416.2*
Weighted average number of shares outstanding	74,109,276	73,509,719
= EPRA earnings per share (basic) in €	5.63	5.66*
Potentially diluted shares	–	–
Interest coupon on convertible bonds after taxes	–	–
Amortisation expenses of convertible bonds after taxes	–	–
EPRA earnings (diluted)	417.3	416.2*
Number of shares for diluted EPRA earnings per share	74,109,276	73,509,719
= EPRA earnings per share (diluted) in €	5.63	5.66*

* Method of calculation amended

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.

2. Other notes to the statement of cash flows

LEG Immobilien SE received EUR 152.9 million in total from the issuance of corporate bonds while EUR 500.0 million in total was used to pay off corporate bonds. EUR 1.8 million of distributions to non-controlling interests relate to TSP-TechnikServicePlus GmbH and EUR 0.7 million to Biomasse Heizkraftwerk Siegerland GmbH & Co. KG.

The other payments of EUR 5.0 million relate to transfers to the capital reserves of Renowate GmbH (EUR 1.1 million) and dekarbo GmbH (EUR 0.2 million) and the extension of a loan (EUR 3.7 million).

LEG also paid a further EUR 293.3 million for the shares in Brack Capital Properties N.V. reported under financial assets in 2022.

The cash payments for the acquisition of companies in accordance with IFRS 3 are recognised as cash payments for consolidated companies, while payments related to acquisitions not in accordance with IFRS 3 are presented as cash payments for investment property.

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.

The interest payments are reported in the cash flow from operating activities, as are the subsidies of EUR 2.0 million received in the reporting year.

Total cash outflows for leases amounted to EUR 10.8 million in the reporting year (31 December 2022: EUR 13.1 million).

RECONCILIATION OF FINANCIAL LIABILITIES

			Non-cash changes				
€ million	01.01.2023	Cash flows	Acquisition	Changes in fair value	Amortisation under effective interest method	Others	31.12.2023
Financial liabilities	9,347.9	-95.3	–	–	19.9	-7.6	9,264.9
Lease liabilities	112.9	-8.3	6.3	–	–	–	110.9
Total	**9,460.8**	**-103.6**	**6.3**	**–**	**19.9**	**-7.6**	**9,375.8**

RECONCILIATION OF FINANCIAL LIABILITIES

			Non-cash changes				
€ million	01.01.2022	Cash flows	Acquisition	Changes in fair value	Amortisation under effective interest method	Others	31.12.2022
Financial liabilities	8,767.9	554.8	–	–	22.2	3.0	9,347.9
Lease liabilities	116.5	-10.7	7.1	–	–	–	112.9
Total	**8,884.4**	**544.1**	**7.1**	**–**	**22.2**	**3.0**	**9,460.8**

H. Notes on Group Segment Reporting

LEG has only operated in one segment since the 2016 financial year. It generates its revenue and holds its assets essentially in Germany. In the 2023 financial year, LEG did not generate more than 10 % of reported total revenue with any one customer.

In addition to the minimum disclosures required in IFRS 8, the key performance indicators of the company are explained and presented below. These correspond to the management and reporting system that LEG Immobilien SE uses for corporate management and offer a deeper insight into the economic performance of the company.

Internal reporting at LEG deviates from the IFRS accounting figures. LEG's internal reporting focuses in particular on the key performance indicators of AFFO I, the adjusted EBITDA margin and LTV, as well as the other key financial performance indicators figures for the housing industry of EPRA NTA and net cold rent. The alternative performance indicators presented below are not based on IFRS figures, with the exception of the comments on LTV.

1. Reconciliation to AFFO

In conjunction with the reorganisation of the company's management, AFFO (capex-adjusted FFO I) has been defined as LEG's primary key financial performance indicator for Group management.

LEG distinguishes between FFO I (not including net income from the disposal of investment property), FFO II (including net income from the disposal of investment property) and AFFO (FFO I adjusted for capex). Please refer to the segment reporting for further disclosures.

FFO I is calculated as EBITDA (adjusted) taking cash interest expenses and income and cash taxes into account. Maintenance expenses for purchased services, subsidies recognised in profit or loss and the own work capitalised previously included in "Other" are longer reported in adjusted net operating income moving ahead, and are instead be recognised as an EBITDA adjustment. The cash-optimised management requires a separation of operating cash generation from capital expenditure.

Based on FFO I (after non-controlling interests), AFFO takes recurring capex measures (capex (recurring)) into account. Recurring capex measures are defined as capitalised costs from modernisation and maintenance measures as well as new construction activities on own land. When determining costs from modernisation and maintenance measures, consolidation effects due to internally procured services resulting from the elimination of intercompany profits are eliminated (see the "Maintenance and modernisation" table below for more details).

AFFO, FFO I and FFO II are calculated as follows:

CALCULATION OF FFO I, FFO II UND AFFO € million	01.01.- 31.12.2023	01.01.- 31.12.2022
Net cold rent	834.3	799.1
Profit from operating expenses	-21.8	-12.4
Personnel expenses (rental and lease)	-109.0	-107.5
Allowances on rent receivables	-16.4	-25.2
Others	-10.9	-4.2
Non-recurring special items (rental and lease)	7.6	10.6
Net operating income (recurring)	**683.8**	**660.4**
Net income from other services (recurring)	**36.8**	**17.3**
Personnel expenses (administration)	-35.1	-28.4
Non-personnel operating costs	-19.3	-37.6
Non-recurring special items (administration)	6.5	26.4
Administrative expenses (recurring)	**-47.9**	**-39.6**
Other income	**0.1**	**0.0**
EBITDA (adjusted)	**672.8**	**638.1**
Cash interest expenses and income FFO I	-131.3	-113.2
Cash income taxes FFO I	-4.7	-1.7
Maintenance for externally procured services	-99.3	-57.1
Subsidies recognised in profit or loss	2.2	-
Own work capitalised	16.0	17.7
FFO I (before adjustment of non-controlling interests)	**455.7**	**483.8**
Adjustement of non-controlling interests	-1.8	-1.8
FFO I (after adjustment non-controlling interests)	**453.9**	**482.0**
Net income from the disposal of investment property (adjusted)	2.8	0.8
Cash income taxes FFO II	-3.0	0.9
FFO II (incl. disposal of investment properties)	**453.7**	**483.7**
Capex (recurring)	**-272.7**	**-373.2**
AFFO (capex-adjusted FFO I)	**181.2**	**108.8**

The direct calculation of FFO I is based on the cost of sales method.

EBITDA and AFFO are adjusted for non-recurring effects to ensure comparability with previous periods. Adjustments are made for all items that are not attributable to operations in the period and that have a not insignificant effect on EBITDA and AFFO, such as project costs for business model and process optimisation, personnel matters, acquisition and integration costs, capital market financing and M&A activities as well as other atypical matters. These are composed as follows:

SPECIAL ONE-OFF EFFECTS € million	01.01.- 31.12.2023	01.01.- 31.12.2022
Project costs to optimise the business model and processes	4.3	5.2
Personnel-related costs	6.3	4.2
Acquisition and integration costs	-1.1	20.5
Capital market financing and M&A activities	1.3	2.1
Other atypical matters	3.2	5.0
Non-recurring special items	**14.0**	**37.0**

The decline in acquisition and integration costs as against the previous year relates to LEG's positioning as a net seller of properties.

EBITDA adjusted for these special items is further adjusted for cash interest income and expenses, cash taxes and non-controlling interests in FFO I.

Cash interest expenses are composed as follows:

CASH INTEREST EXPENSES € million	01.01.- 31.12.2023	01.01.- 31.12.2022
Interest expense reported in income statement	165.0	143.0
Interest expense from loan amortisation	-19.9	-22.2
Interest expense from compounding of other assets and liabilities	-0.7	-2.7
Interest expense from changes in pension provisions	-3.7	-1.2
Other interest expenses	0.1	-3.0
Cash interest expenses (gross)	**140.8**	**113.9**
Cash interest income	**9.5**	0.7
Cash interest expenses (net)	**131.3**	**113.2**

2. Reconciliation to AFFO (indirect)

FFO I, FFO II and AFFO are calculated according to the indirect method as follows in the reporting period and the previous year:

CALCULATION OF FFO I, FFO II AND AFFO - INDIRECT METHOD € million	01.01.- 31.12.2023	01.01.- 31.12.2022
Net profit or loss for the period	-1,564.8	237.4
Interest income	-16.4	-2.5
Interest expenses	165.0	143.0
Net interest income	148.6	140.5
Other financial expenses	-30.8	-20.4
Income taxes	-417.5	270.6
EBIT	**-1,864.5**	**628.1**
Depreciation and amortisation expenses	17.2	314.3
EBITDA	**-1,847.3**	**942.4**
Net income from the remeasurement of investment property	2,422.8	-382.4
Non-recurring special items	14.0	37.0
Net income from the disposal of investment property	1.7	1.5
Net income from the disposal of inventory properties	0.5	0.2
Maintenance for externally procured services	99.3	57.1*
Subsidies recognised in profit or loss	-2.2	–*
Own work capitalised	-16.0	-17.7*
EBITDA (adjusted)	**672.8**	**638.1***
Cash interest expenses and income FFO I	-131.3	-113.2
Cash income taxes FFO I	-4.7	-1.7
Maintenance expenses for externally purchased services	-99.3	-57.1*
Subsidies recognised in profit or loss	2.2	–*
Own work capitalised	16.0	17.7*
FFO I (before adjustment of non-controlling interests)	**455.7**	**483.8**
Non-controlling interests	-1.8	-1.8
FFO I (after adjustment non-controlling interests)	**453.9**	**482.0**
Net income from the disposal of investment property (adjusted)	2.8	0.8
Cash income taxes FFO II	-3.0	0.9
FFO II (incl. disposal of investment properties)	**453.7**	**483.7**
Capex (recurring)	-272.7	-373.2
AFFO (capex-adjusted FFO I)	**181.2**	**108.8**

* Value of comparative period adjusted.

3. EPRA net tangible assets (EPRA NTA)

The key metrics relevant to the property industry and to LEG are EPRA NRV, NTA and NDV. LEG has defined EPRA NTA as its primary key figure. Another relevant key financial indicator is EPRA NTA per share.

LEG reports EPRA NTA of EUR 9,379.9 million or EUR 126.57 per share as at 31 December 2023. Deferred taxes on investment property are adjusted for the amount attributable to LEG's planned property disposals. Incidental purchase costs are not taken into account. The key figures are presented exclusively on a diluted basis.

EPRA NET TANGIBLE ASSETS	31.12.2023	31.12.2023	31.12.2023	31.12.2022	31.12.2022	31.12.2022
€ million	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NRV	EPRA NTA	EPRA NDV
Equity attributable to shareholders of the parent company	**7,463.2**	**7,463.2**	**7,463.2**	**9,058.6**	**9,058.6**	**9,058.6**
Hybrid instruments	28.5	28.5	28.5	31.0	31.0	31.0
Diluted NAV at fair value	**7,491.7**	**7,491.7**	**7,491.7**	**9,089.6**	**9,089.6**	**9,089.6**
Deferred tax in relation to fair value gains of IP and deferred tax on subsidised loans and financial derivatives	1,943.4	1,935.2	–	2,371.9	2,371.9	–
Fair value of financial instruments	-42.0	-42.0	–	-78.5	-78.5	–
Intangibles as per the IFRS balance sheet	–	-5.0	–	–	-5.8	–
Fair value of fixed interest rate debt	–	–	744.0	–	–	1,208.3
Deferred taxes of fixed interest rate debt	–	–	-156.7	–	–	-643.6
Estimated ancillary acquisition costs (real estate transfer tax)[1]	1,759.4	–	–	1,955.3	–	–
NAV	**11,152.5**	**9,379.9**	**8,079.0**	**13,338.3**	**11,377.2**	**9,654.3**
Fully diluted number of shares	**74,109,276**	**74,109,276**	**74,109,276**	**74,109,276**	**74,109,276**	**74,109,276**
NAV per share	**150.49**	**126.57**	**109.01**	**179.98**	**153.52**	**130.27**

[1] Taking incidental acquisition costs into account would result in an EPRA NTA of EUR 11,127.5 million or EUR 150.15 per share (previous year: EUR 13,332.4 or EUR 179.90 per share).

LEG's calculation of EPRA NTA is based on the Best Practice Recommendations of the European Public Real Estate Association (EPRA).

The effects on equity from the exercise of options, convertible bonds and other rights of EUR 28.5 million result from liabilities from purchase price obligations for share deals.

Deferred taxes resulting from the measurement of investment property, from the measurement of publicly subsidised loans and from the measurement of derivatives are adjusted for in the amount of their effect on equity. Deferred taxes relating to the planned sales programme are not included in the calculation of EPRA NTA. Deferred taxes in conjunction with the calculation of EPRA NTA amount to EUR 1,935.2 million in total as at 31 December 2023.

The effects of the fair value measurement of derivative financial instruments are also eliminated in the calculation of EPRA NTA. If these effects from the measurement of derivatives relate to the value of equity calculated under "Effects on equity from the exercise of options, convertible bonds and other rights", they are not taken into account in the "Effects of the fair value measurement of derivative financial instruments". These effects total EUR 42.0 million as at 31 December 2023.

All recognised intangible assets are also eliminated; these amounted to EUR 5.0 million in total as at 31 December 2023.

The estimated incidental purchase costs are calculated on the basis of the net market values of the property portfolio. Property transfer tax is taken into account appropriately for the property portfolios in the various federal states. Brokerage commission and notary fees are also taken into account in calculating the estimated incidental purchase costs.

4. Loan to value ratio (LTV)

Net debt in relation to property assets rose as a result of the devaluation of the property portfolio while debt financing declined slightly.

The loan to value ratio (LTV) is therefore 48.4 % (previous year: 43.9 %).

LOAN TO VALUE RATIO € million	31.12.2023	31.12.2022
Financial liabilities	9,375.8	9,460.8
Without lease liabilities IFRS 16 (not leasehold)	15.9	22.0
Less cash and cash equivalents	405.5	402.2
Net financial liabilities	**8,954.4**	**9,036.6**
Investment properties	18,101.8	20,204.4
Assets held for sale	77.9	35.6
Prepayments for investment properties	-	60.8
Participation in other residential companies	340.1	306.7
Real estate assets	**18,519.8**	**20,607.5**
Loan to value (LTV) ratio in %	**48.4**	**43.9**

5. Maintenance and modernisation

The maintenance expenses from the perspective of the companies that hold properties consist of maintenance expenses for externally purchased services and maintenance expenses purchased internally by the service companies of LEG. Value-adding capital expenditure includes investment in investment property and in property, plant and equipment. Investment in investment property, value-adding capital expenditure (capex) and capex (recurring) include expansion investments in the form of new construction activities by LEG but not purchased project developments. Consolidation effects, investment for new construction work by LEG, own work capitalised and subsidies recognised in profit or loss are eliminated from total investment when calculating total investment per square metre.

MAINTENANCE AND MODERNISATION € million	01.01. - 31.12.2023	01.01. - 31.12.2022
Maintenance expenses for externally purchased services	-99.3	-57.1
Maintenance expenses for services provided internally	-57.5	-54.2
Maintenance expenses	**-156.8**	**-111.3**
Adjustments consolidation effects	2.1	2.6
Maintenance expenses (adjusted)	**-154.7**	**-108.7**
Investment in investment property	-275.1	-377.7
Investment in property, plant and equipment	-8.2	-8.2
Capital expenditure	**-283.3**	**-385.9**
Adjustments consolidation effects	10.6	12.7
Capex (recurring)	**-272.7**	**-373.2**
Adjustments (new construction on own land, own work capitalised, subsidies recognised in profit or loss)	47.6	42.7
Capital expenditure (adjusted)	**-225.1**	**-330.5**
Total investment	**-440.1**	**-497.2**
Adjustments (consolidation effects, new construction on own land, own work capitalised, subsidies recognised in profit or loss)	60.3	58.0
Total investment (adjusted)	**-379.8**	**-439.2**
Area of investment property in million sqm	10.85	10.82
Average investment per sqm in (€) (adjusted)	**35.01**	**40.61**
thereof maintenance expenses per sqm (€)	14.26	10.05
thereof capital expenditure per sqm (€)	20.75	30.56

I. Other Disclosures

1. Overview of cost types

The following cost types are contained in the various functions:

COST TYPES € million	2023	2022
Cost of purchased services	494.7	384.4
Personnel costs	146.3	137.8
Depreciation and amortisation	17.2	314.4

Personnel costs of EUR 146.3 million are composed as follows:

PERSONNEL COSTS € million	2023	2022
Wages and salaries	121.7	114.7
Social security	24.7	22.7
Pensions	-0.1	0.4
Total personnel costs	**146.3**	**137.8**

2. Capital management

The aim of LEG's capital management is to ensure the continued existence of the company as a going concern while generating income for its shareholders, in addition to providing all other stakeholders of LEG with the benefits to which they are entitled. Overall, the aim is to increase LEG's value.

This end-to-end capital management strategy has not changed since the previous year.

As is typical for the industry, LEG 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, LEG's goal in the financial year was to maintain an appropriate level of gearing in order to ensure continued access to debt financing in the long term at economically appropriate costs. Please refer to section H for details of the calculation of LTV as at 31 December 2023 and 31 December 2022.

Details of restricted funds can be found in section E.6.

3. Financial instruments

a) Other disclosures on financial instruments

The following table shows the financial assets and liabilities broken down by measurement category and class. Liabilities from finance leases and hedging derivatives are included even though they are not assigned to an IFRS 9 measurement category. Non-financial assets and non-financial liabilities are also included for the purposes of reconciliation even though they are not covered by IFRS 7:

MEASUREMENT CATEGORIES AND CLASSES OF FINANCIAL ASSETS AND LIABILITIES IN 2023

€ million		Measurement (IFRS 9)		Measurement (IFRS 16)	
	Carrying amounts as per statement of financial position as at 31.12.2023	(Amortised) cost	Fair value through profit or loss		Fair value as at 31.12.2023
Assets					
Other financial assets	**355.5**				**355.5**
AC	0.9	0.9			0.9
FVtPL	328.9		328.9		328.9
Hedged derivatives	25.7				25.7
Receivables and other assets	**277.9**				–
AC	245.6	245.6			245.6
Other non-financial assets	32.3				–
Cash and cash equivalents	**277.5**				**277.5**
AC	277.5	277.5			277.5
Total	**910.9**	**524.0**	**328.9**		**633.0**
of which IFRS 9 measurement categories					
AC	524.0	524.0			524.0
FVtPL	328.9		328.9		–
Equity and liabilities					
Financial liabilities	**-9,375.8**				**-8,521.0**
FLAC	-9,264.9	-9,264.9			-8,521.0
Liabilities from lease financing	-110.9			-110.9	
Other liabilities	**-373.9**				**-176.6**
FLAC	-159.1	-159.1			-158.9
Derivatives HFT	-7.9		-7.9		-7.9
Hedged derivatives	-9.8				-9.8
Other non-financial liabilities	-197.1				–
Total	**-9,749.7**	**-9,424.0**	**-7.9**	**-110.9**	**-8,697.6**
of which IFRS 9 measurement categories					
FLAC	-9,424.0	-9,424.0			-8,679.9
Derivatives HFT	-7.9		-7.9		-7.9

AC = amortised cost

HFT = held for trading

FVtPL = fair value through profit and loss

FLAC = financial liabilities at cost

MEASUREMENT CATEGORIES AND CLASSES OF FINANCIAL ASSETS AND LIABILITIES IN 2022

€ million		Measurement (IFRS 9)		Measurement (IFRS 16)	
	Carrying amounts as per statement of financial position as at 31.12.2023	(Amortised) cost	Fair value through profit or loss		Fair value as at 31.12.2022
Assets					
Other financial assets	**337.9**				**337.9**
AC	7.1	7.1			7.1
FVtPL	290.2		290.2		290.2
Hedged derivatives	40.6				40.6
Receivables and other assets	**164.7**				**164.7**
AC	149.0	149.0			149.0
Other non-financial assets	15.7				15.7
Cash and cash equivalents	**362.2**				**362.2**
AC	362.2	362.2			362.2
Total	**864.8**	**518.3**	**290.2**		**864.8**
of which IFRS 9 measurement categories					
AC	518.3	518.3			518.3
FVtPL	290.2		290.2		290.2
Equity and liabilities					
Financial liabilities	**-9,460.8**				**-8,139.7**
FLAC	-9,347.9	-9,347.9			-8,139.7
Liabilities from lease financing	-112.9			-112.9	
Other liabilities	**-345.5**				**-345.5**
FLAC	-184.9	-184.9			-184.9
Derivatives HFT	-0.5		-0.5		-0.5
Hedged derivatives	–				–
Other non-financial liabilities	-160.1				-160.1
Total	**-9,806.3**	**-9,532.8**	**-0.5**	**-112.9**	**-8,485.2**
of which IFRS 9 measurement categories					
FLAC	-9,532.8	-9,532.8			-8,324.6
Derivatives HFT	-0.5		-0.5		-0.5

AC = amortised cost

FLAC = financial liabilities at cost

HFT = held for trading

FVtPL = fair value through profit and loss

The fair value of a shareholding amounts to EUR 168.3 million as at 31 December 2023 (previous year: EUR 268.0 million). The change as against the previous year amounts to EUR 99.7 million, EUR 99.7 million of which was recognised in profit or loss. This equity investment is allocated to Level 1 of the fair value hierarchy as there is an active market for the shares.

There are also other equity investments with a fair value of EUR 160.4 million (previous year: EUR 28.1 million). This results in a change of EUR 132.3 million as against the previous year (previous year: EUR 4.4 million), which was recognised in profit or loss.

The fair value of other equity investments is calculated using accepted valuation methodologies as there are no quoted prices on an active market for these equity investments. The fair value calculated using valuation models is allocated to Level 3 of the IFRS 13 measurement hierarchy. They are allocated to Level 3 on account of the use of inputs not observed on a market in the measurement model. In the previous year, the other investments were valued using the simplified income capitalisation approach.As at 31 December 2023, a distinction was made for the first time between the valuation method used for real estate companies and other companies. The other companies continue to be measured using the simplified income capitalisation approach. The main model parameter in the simplified income capitalisation approach is the capitalisation rate of 7.1 % (previous year: 3.9 %). The fair value of the portfolio companies is determined on the basis of the property values of the respective companies. The property values are determined on the basis of offer prices from a market database. The 25 % percentile of the offer prices was selected for the valuation.

The stress test of the relevant valuation parameters for the other companies is carried out by increasing or decreasing the capitalisation rate by 50 basis points and for the real estate companies by using the 10 % percentile or median of the offer prices. The stress test of these parameters results in a reduction in the fair value to EUR 100.3 million (previous year: EUR 19.7 million) when using the 10 % percentile and increasing the capitalisation rate by 50 basis points and an increase in the fair value to EUR 210.1 million (previous year: EUR 25.3 million) when using the median and reducing the capitalisation rate by 50 basis points.

Trade receivables, other financial and non-financial assets, trade payables and other liabilities predominantly have short remaining terms. The carrying amounts are approximately equal to 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:

NET INCOME

€ million	2023
AC	-24.5
FVtPL (assets)	39.4
FVtPL (liabilities)	-11.6
FLAC	-158.1
Total	**-154.8**

NET INCOME	
€ million	2022
AC	-62.5
FVtPL (assets)	-122.2
FVtPL (liabilities)	121.3
FLAC	-129.0
Total	**-192.4**

Net income contains remeasurement effects in addition to interest expenses during the financial year.

b) Risk management

Principles of risk management:

LEG is exposed to default risk, liquidity risk and market risk as a result of its use of financial instruments. To take these risks into account, LEG 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 Corporate Finance and Treasury unit, 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 be used solely to hedge existing underlyings, future cash flows and planned transactions whose occurrence is reasonably certain. Derivative financial instruments are only used to hedge against interest rate risks.

c) Default risk

Credit or default risk describes the risk that business partners – essentially the tenants of the properties held by LEG – will be unable to meet their contractual payment obligations and that this will result in a loss to LEG. 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. LEG 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 69.6 million (previous year: EUR 52.6 million). Allowances of EUR 37.0 million (previous year: EUR 28.0 million) were recognised, hence net rent receivables of EUR 32.6 million were reported as at 31 December 2023 (previous year: EUR 24.6 million). Collateral for receivables (essentially rent deposits) of EUR 54.5 million (previous year: EUR 47.3 million) can only be taken into account in the offsetting of outstanding receivables under restrictive conditions.

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.

With regard to cash and cash equivalents and derivatives, LEG only enters into corresponding agreements with banks with excellent credit ratings. The credit ratings of counterparties are monitored and assessed by LEG 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, LEG 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, LEG 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. Expected credit loss is not taken into account for this reason.

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:

IMPAIRED FINANCIAL ASSETS

€ million Classes of financial instruments as at 31.12.2023	Carrying amount before impairment	Impairment	Carrying amount
Loans and receivables	4.7	–	4.7
Other financial assets	208.6	-13.2	195.4
Trade receivables	83.0	-37.3	45.7
Cash and cash equivalents	277.5	–	277.5
Total	**573.8**	**-50.5**	**523.3**

IMPAIRED FINANCIAL ASSETS

€ million Classes of financial instruments as at 31.12.2022	Carrying amount before impairment	Impairment	Carrying amount
Loans and receivables	0.8	–	0.8
Other financial assets	88.1	-14.3	73.8
Trade receivables	63.5	-28.4	35.1
Cash and cash equivalents	362.2	–	362.2
Total	**514.6**	**-42.7**	**471.9**

To calculate the expected credit losses for trade receivables which essentially comprise rent receivables that are due and not yet due, as well as for operating and heating costs that have not yet been invoiced and are included in other financial assets, LEG uses the simplified approach of the expected credit loss model in accordance with IFRS 9 in order to take potential impairment on a receivable into account on initial recognition. Lifetime expected credit losses are therefore calculated for all trade receivables and for active contract assets.

In calculating the impairment rates for rent receivables which are due, location-specific risk profiles are also taken into account within the individual past due ranges. This includes both the historical default rate for outstanding rent receivables and an assessment of the future development of a location.

Locations are divided into three categories (good, medium, poor), giving rise to the following impairment matrix in accordance with IFRS 9 in the reporting year (unchanged since the previous year):

IMPAIRMENT RATES FOR RENT RECEIVABLES – IFRS 9

		Impairment in %		
Age of rent receivable/time past due in days	Lease status	Good locations	Medium locations	Poor locations
0 to 60	Active	1.0	25.0	45.0
61 to 90	Active	8.0	35.0	55.0
91 to 120	Active	10.0	37.0	57.0
121 to 180	Active	13.0	40.0	60.0
more than 180	Active	18.0	45.0	65.0
0 to 60	Past	43.0	70.0	90.0
more than 60	Past	60.0	87.0	100.0

The gross receivables, broken down by time past due and location-based risk profiles, comprise rent receivables which are due after offsetting tenant credit. Taking allowances into account, the net receivables are as follows as at the end of the reporting period:

IMPAIRMENT ON RENT RECEIVABLES – IFRS 9

		Gross receivables				
Age of rent receivable/time past due in days	Lease status	Good locations	Medium locations	Poor locations	Impairment in %	Net receivables as at 31.12.2023
0 to 60	Active	1.1	3.5	5.2	3.3	6.5
61 to 90	Active	0.2	0.6	0.8	0.6	1.0
91 to 120	Active	0.2	0.5	0.9	0.7	0.9
121 to 180	Active	0.2	0.9	1.1	1.0	1.2
more than 180	Active	0.8	3.3	4.0	4.2	3.9
0 to 60	Past	0.2	1.0	1.0	1.7	0.5
more than 60	Past	1.7	8.6	9.8	18.4	1.7
		4.4	**18.4**	**22.8**	**29.9**	**15.7**

IMPAIRMENT ON RENT RECEIVABLES – IFRS 9							
		Gross receivables					
Age of rent receivable/time past due in days	Lease status	Good locations	Medium locations	Poor locations	Impairment in %	Net receivables as at 31.12.2022
0 to 60	Active	0.6	2.8	4.6	2.8	5.2
61 to 90	Active	0.1	0.5	0.6	0.5	0.7
91 to 120	Active	0.1	0.5	0.6	0.6	0.6
121 to 180	Active	0.1	0.7	0.8	0.7	0.9
more than 180	Active	0.6	2.5	3.1	3.2	3.0
0 to 60	Past	0.2	0.7	1.0	1.5	0.4
more than 60	Past	1.2	5.4	7.6	13.0	1.2
		2.9	**13.1**	**18.3**	**22.3**	**12.0**

Receivables from operating and heating costs not yet invoiced and rent receivables not yet due were each written down by 20.0 % (previous year: 20.0 %). A valuation allowance of 25.0 % (previous year: 32.6 %) was recognised in the reporting year for rent receivables not yet due based on an instalment payment agreement. The expected loss rate has been estimated using past loss rates for all items posted as due.

Rent receivables and receivables from operating costs are derecognised if there is no longer a reasonable expectation of recovery.

Impairment losses broke down as follows for 2023 and 2022:

ALLOWANCES 2023 € million	As at 1.1.2023	Addition	Utilisation	Changes in companies included in consolidation	As at 31.12.2023
Trade receivables	28.6	36.6	-27.9	–	37.3
Other financial assets	14.3	10.1	-11.2	–	13.2
Total	**42.9**	**46.7**	**-39.1**	**–**	**50.5**

ALLOWANCES 2022 € million	As at 1.1.2022	Addition	Utilisation	Changes in companies included in consolidation	As at 31.12.2022
Trade receivables	20.8	26.5	-18.7	–	28.6
Other financial assets	5.2	12.5	-3.4	–	14.3
Total	**26.0**	**39.0**	**-22.1**	**–**	**42.9**

d) Liquidity risks

LEG 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, LEG's liquidity requirements are monitored and planned on an ongoing basis by the Corporate Finance and Treasury unit. Sufficient cash and cash equivalents to meet the Group's obligations for a defined period are available at all times. In addition, LEG has credit facilities and bank overdrafts of EUR 765.0 million (previous year: EUR 615.0 million).

The following table shows the contractually agreed (undiscounted) interest and principal payments for LEG'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.

TYPE OF LIABILITIES ON 31.12.2023

€ million	Carrying amount	< 1 year	Remaining terms 1–5 years	> 5 years
Financial liabilities from loans payable	9,264.9	498.0	4,784.4	5,119.8
Financial liabilities from lease financing	110.9	9.3	21.9	166.1
Interest rate derivatives	9.8	0.6	-8.4	-2.3
Embedded derivatives	7.9	–	–	–
Liabilities to employees	20.5	20.2	0.0	0.3
Liabilities from operating costs	-0.4	-0.4	–	–
Rental and lease liabilities	25.2	25.2	–	–
Trade payables	150.2	141.9	8.3	–
Others	87.4	52.2	10.8	24.4
Total	**9,676.4**	**747.0**	**4,817.0**	**5,308.3**

The embedded derivatives do not result in direct cash outflows.

TYPE OF LIABILITIES ON 31.12.2022

€ million	Carrying amount	< 1 year	Remaining terms 1–5 years	> 5 years
Financial liabilities from loans payable	9,347.9	275.6	4,628.9	5,409.7
Financial liabilities from lease financing	112.9	11.1	25.4	159.5
Interest rate derivatives	–	–	–	–
Embedded derivatives	0.5	–	–	–
Liabilities to employees	13.2	12.8	0.1	0.3
Liabilities from operating costs	0.1	0.1	–	–
Rental and lease liabilities	23.9	23.9	–	–
Liabilities from shareholder loans	0.0	0.0	–	–
Trade payables	152.7	144.1	8.6	–
Others	110.8	71.3	11.4	28.1
Total	**9,762.0**	**538.9**	**4,674.4**	**5,597.6**

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. Floating-rate 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 LEG's loan agreements contain financial covenants. In the event of a failure to comply with the agreed covenants, LEG 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. A long-term failure to comply with the agreed covenants always means that the financing bank is entitled to terminate the respective agreement. In conjunction with unsecured financing, such as bonds, covenants have also been agreed that can lead to termination rights in the event of non-compliance. Compliance with covenants is monitored on an ongoing basis. The regulations on financial ratios agreed with the financing partners were complied with in the 2023 financial year.

e) Market risks

LEG 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, LEG generally enters into fixed or floating-rate loans, sometimes in connection with interest payer swaps. Around 94 % of financial liabilities are hedged in this way. LEG uses derivative financial instruments exclusively to hedge interest rates. The Treasury policy prohibits the use of derivatives for speculative purposes.

The Group had the following derivative financial instruments as at 31 December 2023:

DERIVATIVES ON 31.12.2023

€ million	Fair value	thereof < 1 year
Derivatives – HFT – assets	0.1	–
thereof from interest rate swaps	0.1	–
Derivatives – HFT – liabilities	-8.6	–
thereof from interest rate swaps	-0.7	–
thereof embedded derivatives	-7.9	–
Hedged derivatives	12.3	–

The Group had the following derivative financial instruments as at 31 December 2022:

DERIVATIVES ON 31.12.2022

€ million	Fair value	thereof < 1 year
Derivatives – HFT – assets	0.1	–
thereof from interest rate swaps	0.1	–
Derivatives – HFT – liabilities	-0.5	–
thereof from interest rate swaps	–	–
thereof embedded derivatives	-0.5	–
Hedged derivatives	40.6	–

The derivatives entered into by LEG are used as hedging instruments in accordance with IFRS 9 if they meet the conditions for hedge accounting. The cash flows from hedged items in cash flow hedge accounting will be received between 2024 and 2030 and will be recognised in profit or loss at the same time.

The following table shows the amount recognised/reversed directly in other comprehensive income in the reporting period. It is reversed to interest income. This corresponds to the effective portion of the change in fair value:

EQUITY IMPLICATIONS		
€ million	2023	2022
Opening balance as at 01.01.	**42.7**	**-20.1**
Recognised in equity in reporting period	-42.8	57.8
Reserved from equity to statement of comprehensive income	10.7	5.0
Closing balance as at 31.12.	**10.6**	**42.7**

The effects of accounting for interest rate swaps on the financial position and financial performance of the Group are as follows:

€ million	2023	2022
Hedging ratio	1:1	1:1
Weighted average interest rate	1.64	0.93
Change in fair value of outstanding hedging instruments	-32.6	63.4
Change in the value of the underlying transaction	33.2	-63.8
Nominal amount of hedging instruments as at 31.12.	672.6	445.5
thereof due < 1 year	1.9	1.9
thereof due 1–5 years	356.7	302.6
thereof due > 5 years	314.0	141.0

f) Sensitivity analysis

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 LEG's interest income and expense, trading gains and losses and equity as at the end of the reporting period.

The effects on LEG's equity and statement of comprehensive income are analysed using a +/- 50 BP parallel shift in the euro yield curve 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 LEG 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:

FINANCIAL INSTRUMENTS				
€ million	Equity effect		Comprehensive income	
on 31.12.2023	+ 50 bp	- 50 bp	+ 50 bp	- 50 bp
Net position of all interest-sensitive financial instruments				
Financial liabilities	–	–	-4.0	4.0
Interest rate derivatives	14.9	-14.9	–	–
Embedded derivatives	–	–	-14.3	14.7

FINANCIAL INSTRUMENTS

€ million	Equity effect		Comprehensive income	
on 31.12.2022	+ 50 bp	- 50 bp	+ 50 bp	- 50 bp
Net position of all interest-sensitive financial instruments				
Financial liabilities	–	–	-3.0	3.0
Interest rate derivatives	9.5	-9.6	–	–
Embedded derivatives	–	–	-15.8	16.3

Embedded derivatives are subject to both interest rate risk and share price risk. If the market price for the full instrument had been 5 % higher (lower) at the end of the reporting period as a result of a change in the price of LEG Immobilien SE shares, with the other parameters for the company remaining unchanged, the fair value of the embedded derivatives would have been EUR 38.7 million higher (EUR 38.7 million lower).

g) Offsetting financial assets and financial liabilities

The following financial assets are subject to offsetting:

FINANCIAL ASSETS

€ million				Related amounts not netted in the statement of financial position		
	Gross amount of the reported financial assets	Gross amount of the reported financial liabilities netted in the statement of financial position	Net amount of the financial assets reported in the statement of financial position	Financial instruments	Cash collateral received	Net amount
31.12.2023						
Operating costs not yet billed (services in process)	444.4	-419.0	25.4	-78.0	–	-52.6
31.12.2022						
Operating costs not yet billed (services in process)	395.3	-357.4	37.9	–	–	37.9

The following financial liabilities are subject to offsetting:

FINANCIAL LIABILITIES						
€ million						
				Related amounts not netted in the statement of financial position		
	Gross amount of the reported financial liabilities	Gross amount of the reported financial assets netted in the statement of financial position	Net amount of the financial liabilities reported in the statement of financial position	Financial instruments	Cash collateral provided	Net amount
31.12.2023						
Advanced payments received	-443.6	419.0	-24.6	78.0	–	53.4
31.12.2022						
Advanced payments received	-367.9	357.4	-10.5	–	–	-10.5

4. Number of employees

The average number of employees at LEG developed as follows as against the previous year:

NUMBER OF EMPLOYEES	Average number of employees 2023	Employee capacity (FTEs) 2023	Average number of employees 2022	Employee capacity (FTEs) 2022
Operations	1,107	1,035	1,142	1,053
Management	189	171	207	181
Special purpose entities	612	574	572	540
Total	**1,908**	**1,780**	**1,921**	**1,774**

5. Total auditor’s fees

The total fees paid to the auditor of the consolidated financial statements are composed as follows:

TOTAL AUDITOR’S FEES € million	2023	2022
Audits of financial statements	2.0	1.5
Other audit services	0.3	0.2
Total fee	**2.3**	**1.7**

The audit services mainly include the fees for the audit of the consolidated financial statements and the legally required audits of LEG Immobilien SE and the subsidiaries included in the consolidated financial statements. The fees for the audit of financial statements include EUR 0.1 million for services in the previous year. The fees for other audit services essentially comprise the issue of a comfort letter and the business audit of the non-financial Group statement to obtain limited assurance

6. IFRS 2 programmes

Management Board remuneration programme
The agreements for members of the Management Board provide for a long-term incentive programme to be offered for each financial year. The LTI has a performance period of four years. The amount of LTI remuneration is dependent on the achievement of the financial performance target of the development of total shareholder return relative to the relevant property index (EPRA Germany Index) and non-financial environmental, social and governance targets (ESG targets).

The long-term incentive programme set up in the 2021 financial year has a performance period of four years. The amount of LTI remuneration is dependent on the achievement of the financial performance targets of total shareholder return and the development of LEG's share price compared to the relevant EPRA Germany index, as well as non-financial environmental, social and governance targets (ESG targets).

For the Management Board remuneration system in place until 31 December 2020, the performance period for the LTI 2020 is four years. The programme is divided into three performance periods (until the end of the first, second and third financial year following the relevant financial year). The performance targets in question are total shareholder return and the development of LEG's share price compared to the relevant EPRA Germany Index.

The programme is treated as cash-settled share-based payment in accordance with IFRS 2. Based on the Management Board's assessment and the Supervisory Board's approval of the achievement of the performance hurdles, staff costs of EUR 6.2 million (31 December 2022: EUR 0.6 million) were recognised as at 31 December 2023 on the basis of an actuarial report. The provision for long-term incentive plans amounted to EUR 7.4 million as at 31 December 2023 (31 December 2022: EUR 1.6 million).

The fair value of a performance share unit for the 2024 LTI tranche is EUR 79.25, the fair value of a performance share unit for the 2023 LTI tranche is EUR 94.10 and the fair value of a performance share unit for the 2022 LTI tranche is EUR 117.16.

A target level of 81.00 % was achieved for the 2021 LTI tranche with a target levels of 57.18 % achieved for 2020 LTI tranche 3.

The total intrinsic value at the end of the period of liabilities for which the counterparty's right to cash and cash equivalents or other assets had vested by the end of the reporting period was EUR 194 thousand as at 31 December 2023 (31 December 2022: EUR 392 thousand).

Management remuneration programme
The Management Board and Supervisory Board of LEG Immobilien SE have resolved to introduce a share-based remuneration programme for second level managers at LEG from 1 January 2021 with the aim of giving managers a greater share in the company's success. The remuneration programme will be granted in annual tranches with an individual term of four financial years for each tranche. Each tranche consists of the executive's own investment in LEG Immobilien SE shares and a partly performance-based component in euro. The condition for granting the performance-based component of the programme is the manager's own investment in LEG Immobilien SE shares combined with a holding period of four years. This personal investment results in a higher share-based factor in the remuneration of second-level managers.

The programme is treated as cash-settled share-based payment in accordance with IFRS 2. Personnel expenses of EUR 143 thousand were recognised as at 31 December 2023 (31 December 2022: EUR 209 thousand). The provision amounted to EUR 532 thousand as at 31 December 2023 (31 December 2022: EUR 390 thousand).

Employee share programme
LEG also offers all its employees the chance to participate in an employee share programme to boost employee identification with the company's goals.

The programme is treated as cash-settled share-based payment in accordance with IFRS 2. Personnel expenses of EUR 314 thousand were recognised as at 31 December 2023 (31 December 2022: EUR 615 thousand).

7. Related party disclosures

Related parties are defined as companies and persons that have the ability to control LEG 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 LEG's financial and business policy.

Related persons
The related persons of LEG Immobilien SE include the Management Board and the Supervisory Board of LEG Immobilien SE.

Related companies
LEG Immobilien SE's related companies include all the subsidiaries and associates of LEG.

Transactions with related persons and companies are conducted at arm's-length conditions.

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:

RECEIVABLES FROM AND LIABILITIES TO RELATED COMPANIES € million	31.12.2023	31.12.2022
Statement of financial position		
Receivables from equity investments	0.4	0.4
Receivables from non-consolidated companies	0.1	0.1
Receivables from associates	0.1	0.1
Liabilities to equity investments	0.3	0.3

INCOME FROM AND EXPENSES FOR RELATED COMPANIES € million	2023	2022
Statement of comprehensive income		
Income from associates	-0.1	0.3
Income from equity investments	6.9	5.5

The income from related parties comprises the pro rata annual results of at equity consolidated companies and distributions by equity investments.

a) Related company disclosures

Related companies controlled by LEG Immobilien SE 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 in consolidation.

There was no significant exchange of goods and services with the other unconsolidated subsidiaries or associates.

b) Related person disclosures

With the exception of the remuneration paid to the company's executive bodies as described below, there were no transactions with related parties in the reporting year.

Total remuneration of the Management Board is shown in the table below:

TOTAL REMUNERATION OF THE MANAGEMENT BOARD € thousand	2023	2022
Fixed remuneration	2,056	2,050
Additional benefits	97	98
Total fixed remuneration components	2,153	2,148
One-year variable remuneration (STI)	2,212	1,837
Multi-year variable remuneration (LTI)	194	392
Transaction bonus (deferral 2020)	-	395
Total variable remuneration components	2,406	2,624
Pension costs	236	224
Total	**4,795**	**4,996**

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 three targets: AFFO (capex-adjusted FFO I) per share, the adjusted EBITDA margin and non-financial environmental, social and governance targets. The first two targets each account for 40 % and the latter target for 20 % of the STI.

No loans or advances were granted or extended to the members of the Management Board in the 2023 financial year.

There were pension provisions for previous members of the Management Board of EUR 0.2 million as at 31 December 2023 (31 December 2022: EUR 0.2 million).

The total remuneration of members of the Supervisory Board of LEG Immobilien SE amounted to EUR 1.0 million in 2023 (31 December 2022: EUR 0.9 million).

No loans or advances were granted or extended to the members of the Supervisory Board in the 2023 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:

MANAGEMENT BOARD AND SUPERVISORY BOARD BENEFITS		
€ thousand	2023	2022
Short-term benefits	5,599	5,539
Share-based payment	6,207	583
Total	**11,806**	**6,122**

8. Guarantees and contingent liabilities

Guarantees and contingent liabilities exclusively relate to intragroup matters that have typically already been recognised as liabilities at the level of the Group companies.

9. Other financial commitments

LEG's other financial commitments are composed as follows:

OTHER FINANCIAL COMMITMENTS		
€ million	31.12.2023	31.12.2022
Purchase of energy	83.7	107.4
Purchase obligations	73.7	88.6

Furthermore, there are payment obligations for new construction projects of EUR 73.6 million.

10. Management Board

LEG Immobilien SE is represented by its Management Board, whose members are as follows:

Mr Lars von Lackum, CEO of LEG Immobilien SE, Dusseldorf

Dr Kathrin Köhling, CFO of LEG Immobilien SE, Mülheim/Ruhr– from 1 April 2023

Dr Volker Wiegel, COO of LEG Immobilien SE, Dusseldorf

Ms Susanne Schröter-Crossan, formerly CFO of LEG Immobilien SE, Krefeld – until 31 March 2023

Registered office of the company:

Flughafenstrasse 99
40474 Dusseldorf

Germany
Commercial register: HRB 92791
Dusseldorf

11. Supervisory Board

The Supervisory Board of LEG Immobilien SE has six members.

The following members were elected by the Annual General Meeting:

Mr Michael Zimmer, Chairman, independent investor and consultant, Pulheim

Dr Claus Nolting, Deputy Chairman, lawyer and consultant, Frankfurt

Dr Sylvia Eichelberg, CEO of Gothaer Krankenversicherung AG, Cologne, member of the management boards of Gothaer Versicherungsbank VVaG and Gothaer Finanzholding AG, Cologne

Dr Jochen Scharpe, managing partner, AMCI GmbH, Munich

Dr Katrin Suder, senior advisor at TAE Advisory & Sparring GmbH, Hamburg

Mr Martin Wiesmann, consultant, Frankfurt

12. Events after the end of the reporting period

LEG entered into loan agreements for EUR 280.0 million in Q4 2023 to prolong or replace arrangements maturing as at the end of Q2 2024. Further loan agreements for EUR 51 million were entered into in Q1 2024, which in some cases also serve to prolong loans maturing in 2024. As a result of these activities, all arrangements maturing in 2024 are already contractually regulated and will become effective in full at the end of Q2 2024.

There were no other transactions of material importance to the Group after the end of the financial year.

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 Group management report. The declaration of compliance has been made permanently available to shareholders on the company's website at https://www.leg-wohnen.de/en/corporation/corporate-governance#c2612.

Dusseldorf, 3 March 2024

LEG Immobilien SE

The Management Board

Lars von Lackum	**Dr Kathrin Köhling**	**Dr Volker Wiegel**

J. List of Shareholdings

The following table shows an overview of LEG's consolidated group:

CONSOLIDATED COMPANIES

		Share of capital in %	Equity* € thousand	Result* € thousand	
LEG Immobilien SE, Dusseldorf		Parent company			
Rote Rose GmbH & Co. KG, Dusseldorf	1)	100.00	109,299	-104	
LEG Holding GmbH, Dusseldorf	1)	100.00	880,763	0	
LEG NRW GmbH, Dusseldorf	2)	99.98	1,571,515	231,833	
LEG Wohnen GmbH, Dusseldorf	2)	100.00	559,031	0	
LEG Wohnungsbau Rheinland GmbH, Dusseldorf	2)	100.00	112,639	0	***
Solis GmbH, Dusseldorf	1)	94.90	99,333	0	
Rheinweg Grundstücksgesellschaft mbH, Dusseldorf	2)	100.00	86,392	0	***
Luna Immobilienbeteiligungs GmbH, Dusseldorf	1)	94.90	10,196	0	
Rheinweg Zweite Grundstücksgesellschaft mbH, Dusseldorf	2)	100.00	78,525	0	***
LEG Rheinland Köln GmbH, Dusseldorf	2)	100.00	33,969	0	***
Noah Asset 4 GmbH, Dusseldorf	2)	94.90	2,616	0	
LEG Wohnen Bocholt GmbH, Dusseldorf	2)	100.00	25	0	
LEG Bauen und Wohnen GmbH, Dusseldorf	2)	100.00	2,165	0	
LCS Consulting und Service GmbH, Dusseldorf	1)	100.00	2,556	0	
LEG Consult GmbH, Dusseldorf	1)	100.00	302	0	
GWN Gemeinnützige Wohnungsgesellschaft Nordwestdeutschland GmbH, Munster	2)	94.86	74,582	0	***
GeWo Gesellschaft für Wohnungs- und Städtebau mbH, Castrop-Rauxel	2)	94.00	22,542	0	***
GeWo Beteiligungsgesellschaft mbH, Dusseldorf	2)	100.00	26	0	
Hiltrup Grundbesitzverwertungsgesellschaft mbH, Munster	2)	100.00	39	-6	
LEG Rheinrefugium Köln GmbH, Dusseldorf	2)	94.00	34	0	
Calor Carré GmbH, Dusseldorf	2)	94.00	25	0	
LEG Beteiligungsverwaltungsgesellschaft mbH, Dusseldorf	1)	100.00	13,745	0	
LEG Erste WI Bremen GmbH, Dusseldorf	2)	94.90	25	0	
LEG Zweite WI Bremen GmbH, Dusseldorf	2)	94.90	4,151	0	
LEG WI Oldenburg GmbH, Dusseldorf	2)	94.90	4,324	0	
LEG Grundstücksverwaltung GmbH, Dusseldorf	2)	100.00	531,979	0	
Düsseldorfer Ton- und Ziegelwerke GmbH, Dusseldorf	2)	100.00	10,455	0	
Germany Property Düsseldorf GmbH, Dusseldorf	2)	94.90	4,881	0	
LEG Management GmbH, Dusseldorf	1)	100.00	1,124	0	***
LEG Wohnen NRW GmbH, Dusseldorf	1)	100.00	395	0	***
LEG LWS GmbH, Dusseldorf	4)	100.00	25	0	
LWS Plus GmbH, Essen	4)	100.00	8,557	0	***
LEG Bauen GmbH, Dusseldorf	3)	100.00	66,718	0	
LEG Wohnviertel Dyk GmbH, Dusseldorf	2)	100.00	440	-4	
LEG Standort- und Projektentwicklung Köln GmbH, Dusseldorf	2)	100.00	13,753	0	
Biomasse Heizkraftwerk Siegerland GmbH & Co. KG, Liebenscheid	5)	94.86	20,572	26,783	***
Ravensberger Heimstättengesellschaft mbH, Bielefeld	2)	100.00	89,970	0	***
Ravensberger Heimstätten Beteiligungsgesellschaft mbH, Dusseldorf	2)	100.00	26	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 Münsterland mbH, Münster	2)	100.00	164,978	0	***
Münsterland Immobilien-Dienstleistungsgesellschaft mbH, Münster	2)	100.00	114	0	

CONSOLIDATED COMPANIES		Share of capital in %	Equity* € thousand	Result* € thousand	
LEG Erste Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0	***
LEG Zweite Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0	
LEG Dritte Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0	***
LEG Vierte Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0	
LEG Fünfte Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0	***
LEG Sechste Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0	
LEG Siebte Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0	***
LEG Achte Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0	***
LEG Neunte Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0	***
SW Westfalen Invest GmbH, Dusseldorf	2)	94.90	78,957	0	***
LEG Recklinghausen 1 GmbH, Dusseldorf	2)	94.90	22,737	0	
LEG Recklinghausen 2 GmbH, Dusseldorf	2)	94.90	10,926	0	
LEG Niedersachsen GmbH, Dusseldorf	2)	100.00	25	0	***
LEG Rhein Neckar GmbH, Dusseldorf	2)	100.00	25	0	***
LEG Wohngelegenheit Mitte GmbH, Dusseldorf	2)	100.00	25	0	
LEG Wohngelegenheit Süd GmbH, Dusseldorf	2)	100.00	25	0	
LEG Objekt Krefeld-Bockum Verwaltungs GmbH, Dusseldorf	1)	100.00	-175	-15	
CeRo Wohnen GmbH, Dusseldorf	2)	89.88	-1,085	0	
Cero Wohnen 2 GmbH, Dusseldorf	2)	100.00	858	0	
LEG II Germany GmbH, Dusseldorf	2)	100.00	-6,099	2,854	
LEG Grundstücksverwaltungsgesellschaft mbH & Co. KG, Dusseldorf	2)	100.00	8,636	436	
LEG Verwaltungsgesellschaft mbH, Dusseldorf	1)	100.00	112	0	
LEG Jade mbH, Dusseldorf	2)	100.00	1,708	0	***
LEG 38. Wohnen GmbH, Dusseldorf	2)	100.00	104	0	
LEG 45. Wohnen GmbH, Dusseldorf	2)	100.00	111	0	
LEG Baltic GmbH, Dusseldorf	2)	100.00	5,088	0	
LEG West Immobilien GmbH, Dusseldorf	2)	100.00	4,028	0	
LEG Niedersachsen Nord GmbH, Dusseldorf	2)	100.00	34	0	
LEG Niedersachsen Süd GmbH, Dusseldorf	2)	100.00	34	0	***
LEG Wolfsburg GmbH, Dusseldorf	2)	100.00	25	0	
LEG West VIII. GmbH, Dusseldorf	2)	100.00	2,506	2,475	***
Zweite LEG-Real Estate Opportunities GmbH, Dusseldorf	2)	100.00	2,064	0	
LEG Nord FM GmbH, Cologne	1)	100.00	25	57	
LEG Nord Service GmbH, Dusseldorf	1)	100.00	-4	0	
Youtilly GmbH, Dusseldorf	4)	100.00	25	0	
Erste WohnServicePlus GmbH, Dusseldorf	4)	100.00	25	0	
WohnServicePlus GmbH, Dusseldorf	4)	100.00	25	0	***
EnergieServicePlus GmbH, Dusseldorf	4)	100.00	7,568	0	***
TSP-TechnikServicePlus GmbH, Dusseldorf	4)	51.00	827	0	***
Grundstücksgesellschaft DuHa mbH, Dusseldorf	2)	94.90	3,058	0	***
Gladbau Baubetreuungs- und Verwaltungsgesellschaft mbH, Dusseldorf	2)	94.90	34,426	0	**/***
AWM Grundstücksgesellschaft mbH, Dusseldorf	2)	100.00	2,318	0	
Vitus Service GmbH, Moenchengladbach	1)	100.00	29	0	
BRE/GEWG GmbH, Dusseldorf	1)	100.00	24,169	0	
Gemeinnützige Eisenbahn Wohnungsbaugesellschaft mbH, Dusseldorf	2)	94.90	6,496	0	***
LEG Bauen Zwei GmbH, Dusseldorf	3)	100.00	24	-1	

* Unless indicated otherwise, these figures show the equity and result as taken from the separate HGB financial statements as at 31 December 2023, which have not yet been adopted. A nil result is reported if there is a profit transfer agreement.
** Earnings before loss absorption and after profit transfer
*** Exemption in accordance with section 264(3) HGB/section 264b HGB

Activities of subsidiaries:

1) Performance of services and management of equity investments within LEG

2) Property management and location development

3) Performance of services for third parties

4) Performance of housing industry services

5) Electricity and heat generation

NON-CONSOLIDATED COMPANIES

		Share of capital in %	Equity* € thousand	Result* € thousand
Entwicklungsgesellschaft Rhein-Pfalz GmbH, Mainz	2)	100.00	25	0
Entwicklungsgesellschaft Rhein-Pfalz GmbH & Co. KG, Mainz	1)	100.00	1,062	36
LEG Wohngelegenheit Nord GmbH, Dusseldorf	2)	100.00	25	0
Biomasse Heizkraftwerk Siegerland Verwaltungs GmbH, Dusseldorf	3)	100.00	30	1
Soldappart B.V., Netherlands	2)	100.00	0	0
BGW Bielefelder Gesellschaft für Wohnen und Immobiliendienstleistungen mbH, Bielefeld	3)	15.00	97,023	3,732
Brack Capital Properties N.V., Netherlands **	2)	35.66	734,241	-177,194

* These figures are the HGB equity and results as at 31 December 2022, with the exception of LEG Wohngelegenheit Nord GmbH (31 December 2022) and Brack Capital Properties N.V. (IFRS consolidated financial statements).

** Owing to the shareholder structure, LEG does not have a significant influence on the financial and operating policies of Brack capital Properties N.V. Brack Capital Properties N.V. is therefore not an associated company.

Activities of companies not included in consolidation:

1) General partner in a limited liability company

2) Shell company

3) Performance of services for third parties

COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

	Share of capital in %	Equity* € thousand	Result* € thousand
Kommunale Haus und Wohnen GmbH, Rheda-Wiedenbrück	40.62	24,074	996
Renowate GmbH, Dusseldorf	50.00	2,911	-1,082
dekarbo GmbH, Dusseldorf	50.00	25	0
Beckumer Wohnungsgesellschaft mbH, Beckum	33.37	4,202	147

* These figures are the HGB equity and results as at 31 December 2022; the figures for dekarbo GmbH are taken from the opening statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN ASSETS/ ANNEX I

CONSOLIDATED STATEMENT OF CHANGES IN ASSETS 2023

€ million	Costs								Cumulative depreciation, amortisation and write-downs/fair values				Carrying amounts	
	As at 01.01. 2023	Additions to consolidated group	Additions	Disposals	Reclassification	Additions from investment property	Reclassification to investment property	Reclassification to assets held for sale	As at 31.12. 2023	As at 01.01. 2023	Additions	Disposals	As at 31.12. 2023	As at 31.12. 2023	As at 31.12. 2022
Property, plant and equipment	**254.1**	**–**	**17.9**	**-4.0**	**–**	**4.7**	**-10.7**	**-1.7**	**260.3**	**-106.5**	**-15.9**	**1.9**	**-120.5**	**139.8**	**147.6**
Land, land rights and buildings	103.2	–	3.2	–	4.5	4.7	-10.7	-1.7	103.2	-16.8	-2.2	–	-19.0	84.2	86.4
Technical equipment and machinery	115.6	–	9.3	-2.4	0.2	–	–	–	122.7	-68.6	-8.2	0.3	-76.5	46.2	47.0
Other equipment, operating and office equipment	30.8	–	5.2	-1.6	–	–	–	–	34.4	-21.1	-5.5	1.6	-25.0	9.4	9.7
Finance leases	4.5	–	0.2	–	-4.7	–	–	–	–	–	–	–	–	–	4.5
Intangible assets	**383.3**	**–**	**0.5**	**–**	**–**	**–**	**–**	**–**	**383.8**	**-377.5**	**-1.3**	**–**	**-378.8**	**5.0**	**5.8**
Other intangible assets	22.9	–	0.5	–	–	–	–	–	23.4	-17.1	-1.3	–	-18.4	5.0	5.8
Goodwill	360.4	–	–	–	–	–	–	–	360.4	-360.4	–	–	-360.4	–	–
Total	**637.4**	**–**	**18.4**	**-4.0**	**–**	**4.7**	**-10.7**	**-1.7**	**644.1**	**-484.0**	**-17.2**	**1.9**	**-499.3**	**144.8**	**153.4**

CONSOLIDATED STATEMENT OF CHANGES IN ASSETS 2022

€ million	Costs									Cumulative depreciation, amortisation and write-downs/fair values				Carrying amounts	
	As at 01.01. 2022	Additions to consolidated group	Additions	Disposals	Reclassification	Additions from investment property	Reclassification to investment property	Reclassification to assets held for sale	As at 31.12. 2022	As at 01.01. 2022	Additions	Disposals	As at 31.12. 2022	As at 31.12. 2022	As at 31.12. 2021
Property, plant and equipment	**177.8**	**–**	**80.9**	**-4.6**	**–**	**–**	**–**	**–**	**254.1**	**-91.5**	**-19.6**	**4.6**	**-106.5**	**147.6**	**88.8**
Land, land rights and buildings	42.4	–	1.8	–	59.0	–	–	–	103.2	-14.2	-2.6	–	-16.8	86.4	28.2
Technical equipment and machinery*	103.4	–	12.4	-0.2	–	–	–	–	115.6	-60.2	-8.6	0.2	-68.6	47.0	45.7
Other equipment, operating and office equipment	27.6	–	7.6	-4.4	–	–	–	–	30.8	-17.1	-8.4	4.4	-21.1	9.7	10.5
Finance leases	4.4	–	59.1	–	-59.0	–	–	–	4.5	–	–	–	–	4.5	4.4
Intangible assets	**380.4**	**–**	**3.0**	**-0.1**	**–**	**–**	**–**	**–**	**383.3**	**-82.8**	**-294.8**	**0.1**	**-377.5**	**5.8**	**374.6**
Other intangible assets*	20.0	–	3.0	-0.1	–	–	–	–	22.9	-16.2	-1.0	0.1	-17.1	5.8	3.9
Goodwill*	360.4	–	–	–	–	–	–	–	360.4	-66.6	-293.8	–	-360.4	–	370.7
Total	**558.2**	**–**	**83.9**	**-4.7**	**–**	**–**	**–**	**–**	**637.4**	**-174.3**	**-314.4**	**4.7**	**-484.0**	**153.4**	**463.4**

* Prior-year figure restated based on finalised purchase price allocation. Please see section C.3.

CONSOLIDATED STATEMENT OF CHANGES IN PROVISIONS/ANNEX II

CONSOLIDATED STATEMENT OF CHANGES IN PROVISIONS 2023
€ million

	As at 01.01.2023	Changes in companies included in consolidation	Utilisation	Release	Reclassification	Addition	Interest	Discounting	As at 31.12.2023	thereof Non-current	thereof Current
Staff provisions											
Staff provisions	2.7	–	-1.2	-0.1	-0.2	1.1	0.0	0.0	2.3	1.1	1.2
Other provisions	**34.5**	**–**	**-15.8**	**-2.1**	**–**	**14.8**	**0.1**	**–**	**31.5**	**2.3**	**29.2**
Construction book provisions	1.6	–	0.0	0.0	–	–	–	–	1.6	–	1.6
Litigation risks	1.0	–	-0.1	0.0	–	0.3	0.0	0.0	1.2	0.0	1.2
Other provisions	31.9	–	-15.7	-2.1	–	14.5	0.1	0.0	28.7	2.3	26.4
Total	**37.2**	**–**	**-17.0**	**-2.2**	**-0.2**	**15.9**	**0.1**	**0.0**	**33.8**	**3.4**	**30.4**

CONSOLIDATED STATEMENT OF CHANGES IN PROVISIONS 2022
€ million

	As at 01.01.2022	Changes in companies included in consolidation	Utilisation	Release	Reclassification	Addition	Interest	Discounting	As at 31.12.2022	thereof Non-current	thereof Current
Staff provisions											
Staff provisions	2.9	–	-1.5	-0.2	–	1.5	–	–	2.7	1.4	1.3
Other provisions	**29.0**	**–**	**-8.2**	**-1.7**	**–**	**15.8**	**–**	**-0.4**	**34.5**	**2.4**	**32.1**
Construction book provisions	2.4	–	-0.5	-0.5	–	0.2	–	–	1.6	–	1.6
Litigation risks	0.7	–	–	-0.1	–	0.4	–	–	1.0	0.0	1.0
Other provisions	25.9	–	-7.7	-1.1	–	15.2	–	-0.4	31.9	2.4	29.5
Total	**31.9**	**–**	**-9.7**	**-1.9**	**–**	**17.3**	**–**	**-0.4**	**37.2**	**3.8**	**33.4**

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INDEPENDENT AUDITOR'S REPORT

To LEG Immobilien SE, Düsseldorf/Germany

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of LEG Immobilien SE, Düsseldorf/Germany, and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2023, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of LEG Immobilien SE, Düsseldorf/Germany, including the remuneration report pursuant to Sec. 162 German Stock Corporation Act (AktG) included in the group management report, including the corresponding disclosures, for the financial year from 1 January to 31 December 2023. In accordance with German legal requirements, we have neither audited the contents of the consolidated non-financial statement pursuant to Sec. 315b HGB, of the combined corporate governance statement pursuant to Sections 289f and 315d HGB nor of the contained further reporting on Corporate Governance, all of which included in the group management report, nor have we audited the quarterly figures extraneous to management reports, which were marked as "unaudited".

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2023 and of its financial performance for the financial year from 1 January to 31 December 2023, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the consolidated financial statements does neither cover the contents of the non-financial statement, the combined corporate governance statement including the contained further reporting on corporate governance included group management report, nor the quarterly figures extraneous to the management report marked as "unaudited" in the group management report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

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Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following, we present the measurement of investment properties, which we have determined as a key audit matter in the course of our audit.

Our presentation of this key audit matter has been structured as follows:

a) description (including reference to corresponding information in the consolidated financial statements)

b) auditor's response

Measurement of investment properties

a) In the consolidated financial statements of LEG Immobilien SE, mEUR 18,101.8 (prior year: mEUR 20,204.4) in investment properties are reported as at 31 December 2023. LEG Immobilien SE recognises investment properties exercising the option set out in IAS 40.30 in accordance with the fair value model under IFRS 13. Accordingly, both changes in market value when properties are sold as well as unrealised changes in market value are recognised through profit or loss when measuring the assets. In the past financial year, mEUR -2,422.8 (prior year: mEUR 382.4) in unrealised market value changes were recognised through profit or loss in the consolidated statement of comprehensive income under operating earnings.

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When determining the fair value, the executive directors assume that the current use corresponds to the highest and best use of the property. Fair value is determined using a company-internal measurement model based on projected net cash inflows from the management of the properties that are derived using the discounted cash flow method. For properties with no positive net cash inflow (mainly vacant buildings), a market value is determined using a liquidation value method. Undeveloped land is usually measured based on an indirect comparison of indicative land values.

To the extent possible, LEG uses data observable on the market for fair value measurement (sources include, for example, documents prepared by expert committees as well as real estate market databases that are publicly available or for a fee). In addition, a valuation report is prepared by an independent external expert, which serves to verify the plausibility of internal measurement results.

The measurement of investment properties is based on a large number of parameters that are generally subject to judgement and estimation uncertainties. Significant measurement parameters include in particular expected cash flows as well as the discount and capitalisation rate. Expected cash flows are mainly influenced by the assumed rent, vacancy rate and maintenance costs. The discount rate is especially determined by the transactions made in the market. The capitalisation rate is, among others, dependent on the residual useful life of the properties and the expected growth rate of the cash flows.

From our point of view, this matter was of particular significance for our audit since measurement of investment properties is generally subject to judgements and estimation uncertainties and because there is a risk that the fair value changes recognised through profit or loss are not within an appropriate range.

The disclosures of the executive directors concerning measurement of these properties and the related judgements and estimates are included in section D “Accounting policies” of the notes to the consolidated financial statements.

b) We assessed whether the measurement method applied is appropriate and reviewed the measurement results. During our audit, we examined the organisational structure and processes of property measurement for appropriateness and examined the effectiveness of the controls implemented at LEG Immobilien SE.

As part of auditing the measurement, we called in internal Real Estate Consulting experts. With the support of these experts, we evaluated the measurement models as well as the parameters used in the measurement process and measurement results for randomly selected properties. In addition, we prepared a comparison calculation for this sample for specific properties using a discounted cash flow method or the standardised German income approach [*Ertragswertverfahren*] under the German Property Valuation Regulation (ImmoWertV), comparing this calculation with the results of the measurement prepared by LEG Immobilien SE. Furthermore, we conducted on-site visits on a sample basis in order to evaluate in particular the assumed residual useful lives for deriving the capitalisation rates.

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We convinced ourselves of the qualification and objectivity of the external expert contracted by LEG Immobilien SE, evaluated the measurement methods used in the expert opinion for conformity with IAS 40 in conjunction with IFRS 13, and compared the internal measurement results with those of the corresponding expert opinion.

In addition, we evaluated the completeness and appropriateness of the disclosures on investment properties required to be made in the notes to the consolidated financial statements under IAS 40 and IFRS 13.

Other Information

The executive directors and/or the supervisory board are responsible for the other information. The other information comprises

- the report of the supervisory board,
- The consolidated non-financial statement contained in the group management report,
- the combined corporate governance statement included in the group management report, including the further reporting on corporate governance included therein,
- the quarterly figures extraneous to the management report marked as "unaudited" in the group management report,
- the executive directors' confirmation regarding the consolidated financial statements and the group management report pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB, and
- all other parts of the annual report,
- but not the consolidated financial statements, not the audited content of the group management report and not our auditor's report thereon.

The supervisory board is responsible for the report of the supervisory board. The executive directors and the supervisory board are responsible for the statement according to Section 161 German Stock Corporation Act (AktG) concerning the German Corporate Governance Code, which is part of the combined corporate governance statement included in the group management report. Otherwise the executive directors are responsible for the other information.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information identified above and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited content of the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

The executive board and the supervisory board are also responsible for the preparation of the remuneration report, which is included in a special section of the group management report, including the related disclosures, that complies with the requirements of Section 162 AktG. In addition, they are responsible for such internal control as they consider necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

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- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

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OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Audit of the Electronic Reproductions of the Consolidated Financial Statements and of the Group Management Report Prepared for Publication Pursuant to Section 317 (3a) HGB

Audit Opinion

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the consolidated financial statements and of the group management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the file, which has the SHA-256 value 8d565b140c06eba3d03d6a3b365edeaa330cef859cf29fc957ba64dede853f38, meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB ("ESEF format"). In accordance with the German legal requirements, this audit only covers the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic reproductions of the consolidated financial statements and of the group management report prepared for publication contained in the file identified above meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying group management report for the financial year from 1 January to 31 December 2023 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Group Management Report" above, we do not express any assurance opinion on the information contained within these electronic reproductions or on any other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our audit of the electronic reproductions of the consolidated financial statements and of the group management report contained in the file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 (06.2022)). Our responsibilities in this context are further described in the "Group Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit firm has applied the requirements of the IDW Quality Management Standards.

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Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the parent are responsible for the preparation of the ESEF documents based on the electronic files of the consolidated financial statements and of the group management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the parent are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements for the electronic reporting format pursuant to Section 328 (1) HGB.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- obtain an understanding of internal control relevant to the audit on the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, on the technical specification for this electronic file.
- evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

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Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the general meeting on 17 May 2023. We were engaged by the supervisory board on 2 June 2023. We have been the group auditor of LEG Immobilien SE, Düsseldorf/Germany, without interruption since the financial year 2021.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as with the audited ESEF documents. The consolidated financial statements and the group management report converted into the ESEF format – including the versions to be submitted for inclusion in the Company Register – are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the audited ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Rolf Künemann.

Düsseldorf/Germany, 3 March 2024

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Signed:	Signed:
André Bedenbecker	Rolf Künemann
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility statement

“To the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of LEG, and the management report of LEG includes a fair review of the development and performance of the business and the position of LEG, together with a description of the principal opportunities and risks associated with the expected development of LEG.”

Dusseldorf, 3 March 2024

LEG Immobilien SE
The Management Board

LARS VON LACKUM **DR KATHRIN KÖHLING** **DR VOLKER WIEGEL**

5

FURTHER INFORMATION

Management Board

The members of the Management Board are as follows:

LARS VON LACKUM
CEO

Investor Relations & Strategy
Legal / Internal Audit, HR & Committees
Corporate Communications & Public Affairs
Acquisition
Project development
IT
Sustainability ESG

DR KATHRIN KÖHLING
CFO

Risk management and Internal Control System
Corporate finance & treasury
Portfolio management
Accounting and taxes
Organisation, processes & data management

DR VOLKER WIEGEL
COO

Asset and property management; incl.
- Commercial property management
- District and neighbourhood management
- Real estate management
- Inventory modernisation
- Central purchasing
- Claims management
- Rental management
- Operating cost management
- Central customer service
- Construction project management

Service companies

Separate financial statements of LEG Immobilien SE

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

As at the balance sheet date of 31 December 2023, the separate entity company is a large corporation within the meaning of section 267(3) sentence 2 of the Handelsgesetzbuch (HGB – German Commercial Code). Since applying for a stock market listing in December 2012, LEG Immobilien SE has been considered a publicly traded company in accordance with section 264d HGB and is subject to section 267(3) HGB.

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.

LEG Immobilien SE and its direct and indirect subsidiaries are among the largest residential companies in Germany. The LEG Group held a portfolio of 168,096 units (residential and commercial) on 31 December 2023.

HGB annual financial statements for 2023

Net income/income statement

The net profit for the 2023 financial year amounts to EUR 18.3 million (previous year: net loss of EUR 307.6 million).

The net profit for the financial year (previous year: net loss) is primarily the result of the profit transfer from LEG Holding GmbH totalling EUR 11.4 million (previous year: loss absorption of EUR 281.9 million) and an increase in income from loans of financial assets provided of EUR 50.1 million to EUR 96.7 million (previous year: EUR 46.6 million) due to higher interest rates. The increase in personnel expenses had an opposite effect, mainly due to EUR 5.6 million higher addition to the provision for the long-term incentive programme compared to the previous year. In addition, interest and similar expenses rose by EUR 8.4 million to EUR 82.1 million (previous year: EUR 73.7).

In the previous year, a negative result in the mid double-digit million range was forecasted. In the reporting year, a net profit of EUR 18.3 million was actually generated. This was mainly due to an increase in income from loans of financial assets provided of EUR 50.1 million to EUR 96.7 million.

Statement of financial position

Summary of balance sheet

in € million	31.12.2023	31.12.2022	Change
Financial assets	8,163.1	8,751.9	–588.8
Receivables	24.1	29.9	–5.8
Cash and cash equivalents	0.1	1.0	–0.9
Prepaid expenses	82.7	45.4	37.3
Total assets	**8,270.0**	**8,828.2**	**–558.2**
Equity	2,749.9	2,731.6	18.3
Provisions	50.5	44.9	5.6
Liabilities	5,463.3	6,045.9	–582.6
Deferred tax liabilities	6.3	5.8	0.5
Total equity and liabilities	**8,270.0**	**8,828.2**	**–558.2**

Financial assets fell by EUR 588.8 million from a total of EUR 8,751.9 million to EUR 8,163.1 million. Loans to affiliated companies fell from EUR 5,007.0 million to EUR 4,418.1 million, mainly due to repayments by LEG NRW GmbH totalling EUR 588.7 million.

The prepaid expenses of EUR 82.7 million (previous year: EUR 45.4 million) mainly consist of discounts, which result from the difference between the issue proceeds and the liability for bonds recognised at the settlement amount. The bonds issued in the reporting year and the associated discount resulted in an addition to prepaid expenses totalling EUR 47.8 million. This is offset mainly by a scheduled release of EUR 10.5 million.

Total equity and liabilities is made up of the reported equity totalling EUR 2,749.9 million, liabilities of EUR 5,463.3 million, deferred tax liabilities of EUR 6.3 million and provisions of EUR 50.5 million.

As at 31 December 2023, LEG Immobilien SE's equity comprised subscribed capital of EUR 74.1 million, a capital reserve of EUR 1,000.0 million, capital reserves of EUR 1,439.3 million and retained earnings of EUR 236.4 million. The change in equity compared to the previous year results from the net profit for the year totalling EUR 18.3 million.

The bonds totalled EUR 5,430.0 million as at the reporting date (previous year: EUR 5,730.0 million). On 30 June 2021, a bond with a nominal value of EUR 600.0 million and a term until 30 June 2031 was issued, which was increased by EUR 100.0 million on 10 July 2023 through the issue of a further tranche. A bond in the amount of EUR 500.0 million with a term until 17 January 2029 was issued on 10 January 2022, which was increased by EUR 100.0 million on 22 November 2023 through the issue of a further tranche. On 23 October 2023, a bond with a nominal value of EUR 500.0 million and a term until 23 January 2024 was repaid early.

As at 31 December 2023, liabilities amounting to EUR 5,463.3 million mainly comprised convertible bonds with a total volume of EUR 950.0 million, corporate bonds of EUR 4,200.0 million and other financing of EUR 280.0 million, other liabilities (EUR 26.6 million) and liabilities to affiliated companies (EUR 5.6 million).

Provisions are mainly characterised by a provision for conversion rights (EUR 38.3 million) and provisions for pensions and other obligations for members of the Executive Board (EUR 10.0 million).

Financial statements

The complete annual financial statements of LEG Immobilien SE under commercial law, which have received an unqualified audit opinion from the auditor, are published in the electronic Federal Gazette. They can also be requested from LEG Immobilien SE as a special print and are published on the LEG Immobilien SE website.

Glossary

Net operating income (NOI)
Result from the management of the real estate portfolio and from other operating activities. Administrative expenses are not taken into account.

Net operating income (recurring)
Net operating income adjusted for depreciation and non-recurring project costs. As part of the realignment of corporate management, maintenance expenses for externally procured services, subsidies and own work capitalised, which was previously included in the "Other" item, will no longer be reported in the recurring net operating income from the 2023 financial year onwards.

EBITDA
Earnings **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.

EBITDA (adjusted)
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. As part of the realignment of corporate management, from the 2023 financial year onwards – analogous to the net operating income (recurring) – maintenance expenses for externally procured services, subsidies and own work capitalised, which was previously included in the "Other" item, will also no longer be taken into account in the calculation.

or
Recurring net operating income less recurring administrative expenses.

EBIT
Earnings **b**efore **I**nterest and **T**ax
Operating earnings or consolidated net income before net finance costs and taxes.

FFO I
Funds from **O**perations **I**
Funds generated from operating activities. LEG calculation: adj. EBITDA adjusted for cash interest expenses, cash taxes, maintenance expenses for externally procured services, subsidies and own work capitalised.

FFO II
Funds from **O**perations **II**
FFO I plus net income from the disposal of investment properties.

AFFO
Adjusted **FFO** I
Based on FFO I (after non-controlling interests), AFFO takes recurring capex measures (capex (recurring)) into account. Recurring capex measures are defined as capitalised costs from modernisation and maintenance measures as well as new construction activities on own land. When determining costs from modernisation and maintenance measures, consolidation effects due to internally procured services resulting from the elimination of intercompany profits are eliminated.

EPRA
European **P**ublic **R**eal **E**state **A**ssociation

EPRA capex
The EPRA capex splits the **capitalised investments** of the reporting period in comparison to the comparative period in several components.

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 earnings per share
Net profit or loss for the period attributable to parent shareholders, adjusted for non-cash remeasurement effects of investment properties and derivatives, acquisition costs and aperiodic financing costs and income taxes, that are not classified as current income taxes.

EPRA NAV
Net **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, derivatives or subsidised loans.

EPRA NRV
Net **R**einstatement **V**alue as defined by **EPRA**
Recovery value of the company assuming that no assets are sold. The value is calculated on the basis of the equity attributable to controlling shareholders and eliminates the effects of the fair value measurement of derivative financial instruments and deferred taxes attributable to investment property, derivatives or subsidised housing loans. Incidental acquisition costs are added.

EPRA NTA
Net **T**angible **A**ssets as defined by **EPRA**
Net asset value from the shareholders' perspective assuming **long-term continuation** of the business with acquisition and disposal of assets. The value is calculated on the basis of the equity attributable to controlling shareholders and eliminates the effects of the fair value measurement of derivative financial instruments and deferred taxes attributable to non-current investment property, derivatives or subsidised housing loans. Neither goodwill nor other intangible assets are included in the calculation.

EPRA NDV
Net **D**isposal **V**alue as defined by **EPRA**
Net asset value from the shareholders' perspective assuming a **disposal scenario.** The value is calculated on the basis of the equity attributable to controlling shareholders and eliminates the effects of goodwill. The effects from the measurement of liabilities at current fair value less the resulting deferred tax are taken into account.

EPRA NIY
Net **I**nitial **Y**ields 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.

EPRA cost ratio
The **cost ratio** is an indicator of the company's operating performance. Administrative and operating expenses are divided by gross rental income, adjusted for leasehold land interests and – unless marked otherwise – directly attributable vacancy costs.

EPRA LTV
Loan **t**o **V**alue definition according to **EPRA**
Compared to the standard LTV, hybrid debt instruments such as convertible bonds are treated as financial liabilities until the date of conversion. Furthermore, net debt and net assets of joint ventures or material associates are included while being eliminated for material non-controlling interests.

LTV
Loan **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
Capital **Ex**penditure
Capitalised cost for modernisation and maintenance work.

Capex (recurring)
Recurring capex measures are defined as capitalised costs from modernisation and maintenance measures as well as new construction activities on own land. When determining costs from modernisation and maintenance measures, consolidation effects due to internally procured services resulting from the elimination of intercompany profits are eliminated.

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.

Financial calendar

LEG financial calendar 2024

Release of Annual Report 2023	11 March
Release of Quarterly Statement Q1 as of 31 March 2024	15 May
Annual General Meeting	23 May
Release of Quarterly Report Q2 as of 30 June 2024	9 August
Release of Quarterly Statement Q3 as of 30 September 2024	8 November

For additional dates see our website.

The pdf version of our Annual Report was optimised for use on a PC or tablet. The linked tables of contents and the function buttons on each page ensure easy navigation:

- To the main table of contents
- Search in document
- Back to last page

Further information

- Page reference
- Reference to external document

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The annual report as of 31 December 2023
is also available in German.
In case of doubt, the German version takes precedence.

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