

WE MANAGE IT FOR YOU

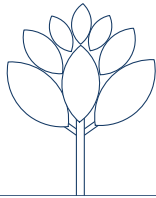
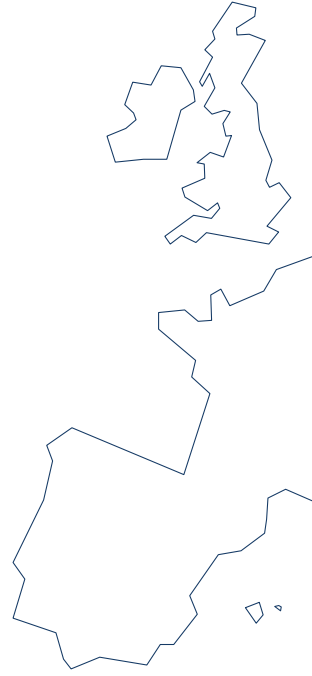


Aareon Annual Report 2013

# Living digitally

# Aareon at a glance

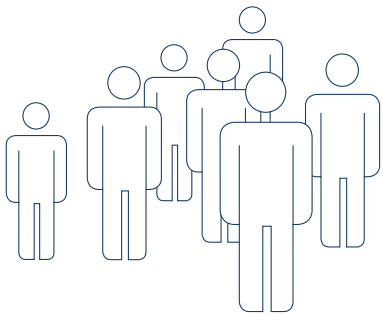
Aareon AG is Europe's leading provider of systems and consulting services for the property industry.



---

**Start** of the company's development from the computer centre of Deutsche Bau- und Bodenbank AG to an IT service group for the property industry.

# 1957



# 2,800

**customers** have already opted for Aareon's consultation, software and services. They include private, public and church-run housing companies, cooperatives, property management companies, real-estate funds, insurers, companies with property holdings (corporate real estate), commercial property operators and financial investors.

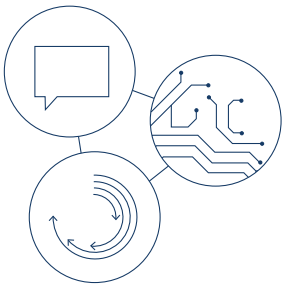


**locations across Europe:** Aareon AG has its headquarters in Mainz, Germany, and international subsidiaries in France, the UK, the Netherlands, Norway and Sweden.



# 10m

**Units** across Europe are managed using Aareon ERP systems and IT solutions.



# 3

**core services:** Aareon provides consulting, software and services from a single source. Housing companies can use the country-specific ERP solutions and integrated services to simplify and automate their processes.

# 2013

**Digitisation** is one of the year's key topics, and Aareon launches major IT solutions that run with this trend. The focus is on customer relationship management and mobile services.

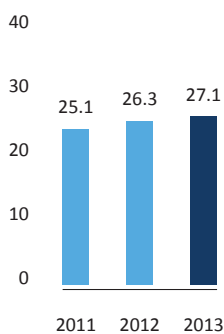
# Indicators

## Indicators IFRS (€ m)

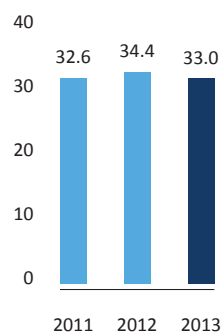
	2013	2012*	Change
Revenues	173.4	165.2	5.0%
of which international	53.6	47.4	13.0%
Total expenses	155.0	144.6	7.2%
EBIT	27.1	26.3	3.0%
Consolidated net income after tax	18.4	18.3	0.5%
Consolidated net income after minority interest	16.9	16.6	1.8%
Total assets	182.1	163.4	11.4%
Shareholder's equity	90.3	74.2	21.7%
Cash flow from operating activities	29.6	23.6	25.4%
Number of employees (as at 31 December)	1,258	1,168	7.7%
of which international	483	404	19.6%
<b>Key ratios in %</b>			
Return on equity	33.0	34.4	
Cost/income ratio	85.1	84.6	

\* The prior-year figures have been adjusted (see Notes 2.5 and 3.7).

## EBIT in € million



## Return on equity in %



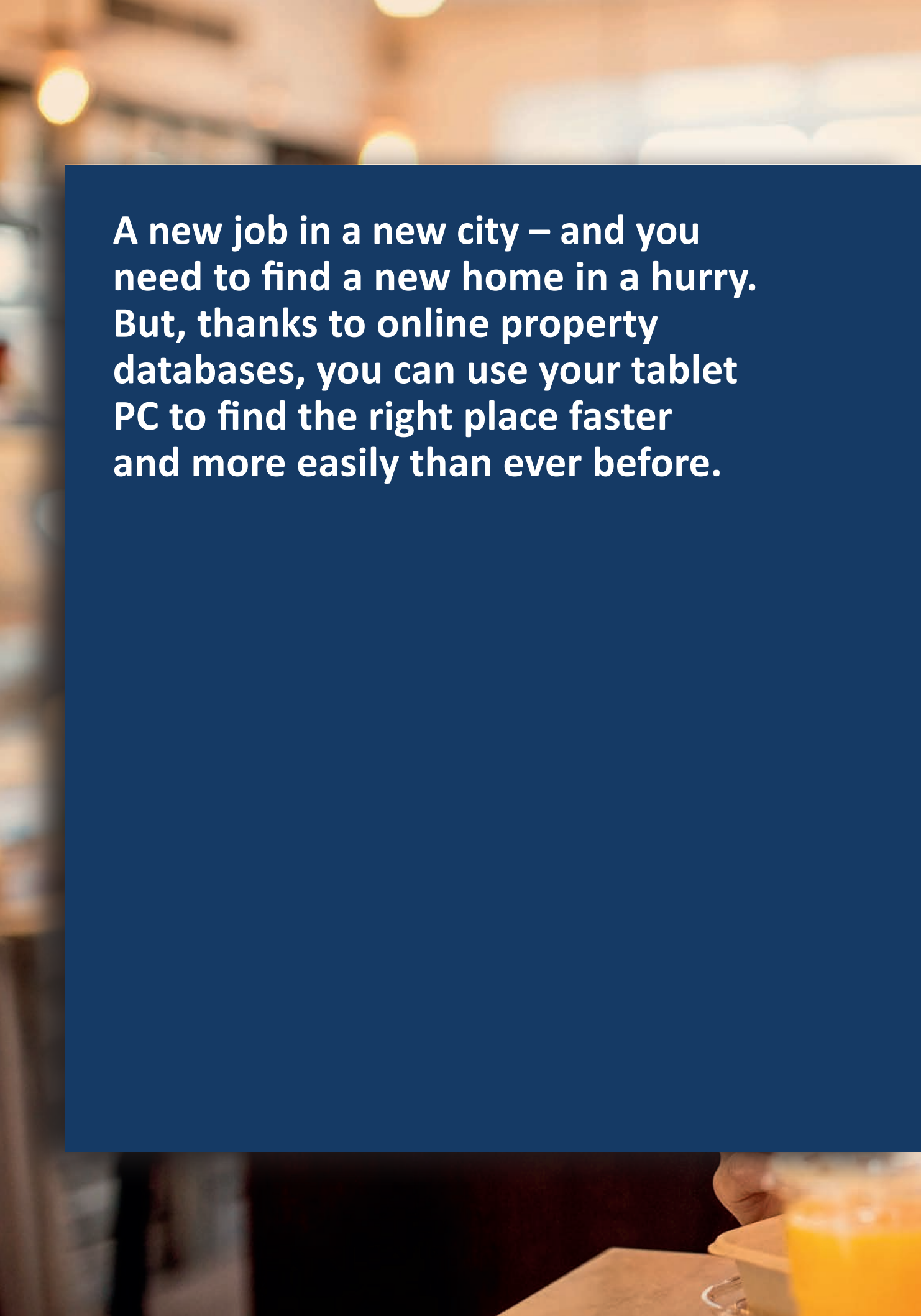
Digitisation affects all aspects of society. It is a trend that enables IT solutions to be used in mobile settings, granting us secure access to data no matter where we are. Digitisation offers property industry companies a multitude of opportunities, of which enhancing process efficiency, improving customer service and developing new business models are just some. That adds tangible value for the tenants in their daily lives. The Aareon Group is supporting this process both in Germany and – through its international subsidiaries – in France, the UK, the Netherlands and Sweden as well.



# —Zeit gewinnen

Saving time  
German





**A new job in a new city – and you need to find a new home in a hurry. But, thanks to online property databases, you can use your tablet PC to find the right place faster and more easily than ever before.**






# — Frihet att leva

Experiencing freedom  
Swedish





The background of the image shows a room with wooden beams on the ceiling and several cardboard boxes on the floor, suggesting a moving or renovation project. A large blue rectangular area is overlaid on the image, containing white text.

**The move went off without a hitch, and everything's as it should be in the new apartment. Thanks to the mobile property inspection function, the housing company was quickly able to get the apartment ready for re-letting.**







**Feeling at home in your new apartment and surroundings. The tenants portal provides all the information you need on your new neighbourhood – even where to find the nearest paediatrician.**





A close-up, slightly blurred photograph of a person with dark hair, wearing a dark suit jacket, sitting in the driver's seat of a car. The person is looking out the window to the right. The background is out of focus, showing the interior of the car and a glimpse of the outside world. The lighting is soft and natural, suggesting daytime.

**— Tackling  
challenges**



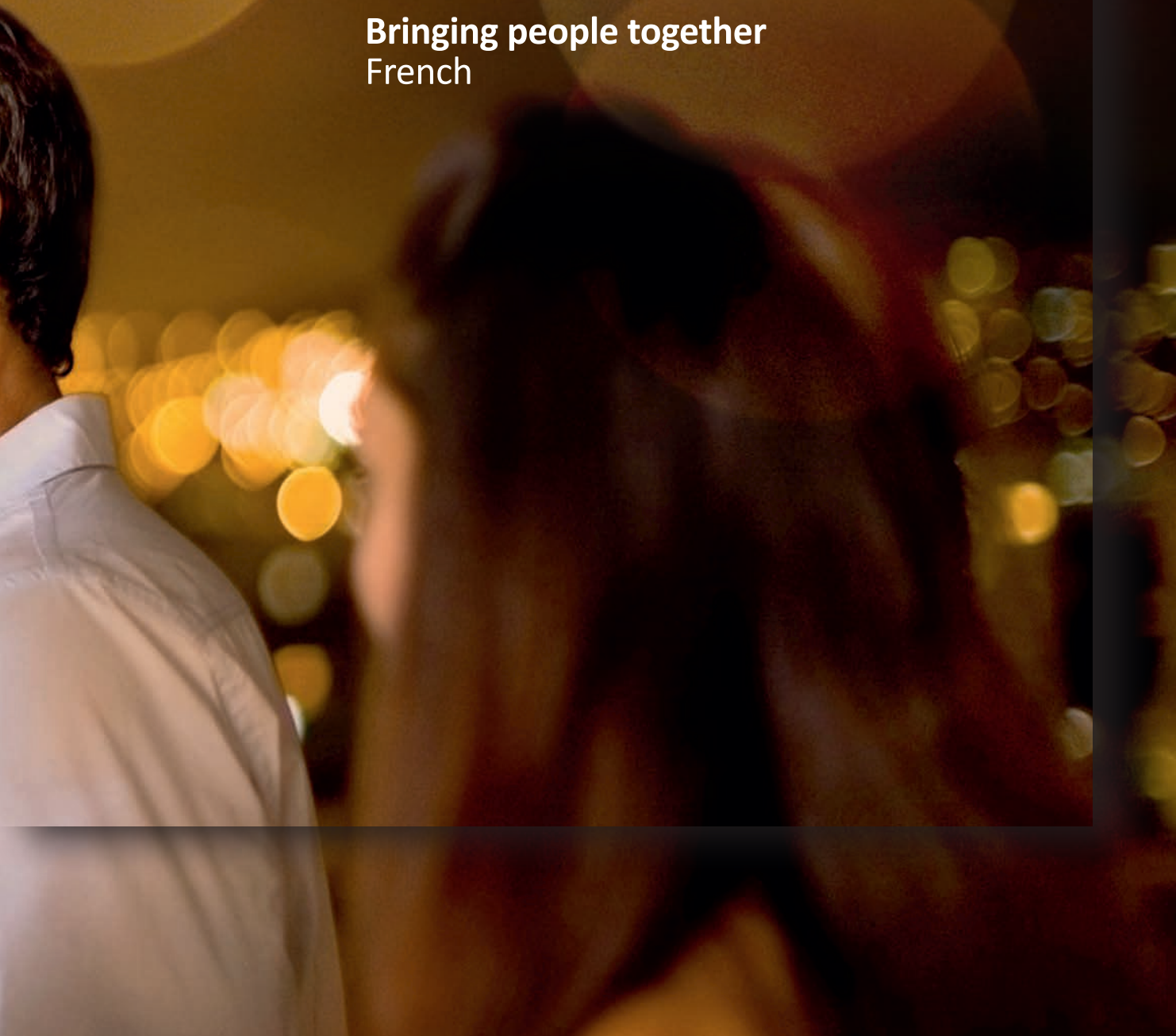
**The tap is dripping – report the problem while on the go and confirm the appointment with the plumber. That way the tap can be fixed the very next day**





# — Relier les hommes

Bringing people together  
French



**A new apartment in another town. The tenants portal tells you what's on where – a good starting point for getting to know the locals.**





# Contents

14

**Letter of the Management Board**  
Internationalisation and innovation

18

**Overview of 2013**  
Information and impressions

20

**Group management report**  
Business model and business performance

50

**Consolidated financial statements**  
Facts and figures

# 20—49

## Group management report

### 22—Group business fundamentals

22—Group business model

23—Research and development

### 25—Economic report

25—General economic and industry environment

27—Business performance

30—Economic situation

34—Financial performance indicators

34—Non-financial performance indicators

34—Sustainability report

### 38—Events after the reporting date

### 38—Internal control system

### 40—Risks, opportunities and outlook

40—Risk report

45—Opportunities

47—Outlook

# 50—85

## Consolidated financial statements

### 52—Consolidated statement of comprehensive income

### 53—Consolidated balance sheet

### 54—Consolidated statement of changes in equity

### 55—Consolidated statement of cash flows

### 56—Consolidated financial statements

56—General disclosures

56—Information on accounting policies and consolidation methods

62—Accounting principles

67—Notes to the consolidated statement of comprehensive income of the Aareon Group

69—Notes to the consolidated balance sheet of the Aareon Group

82—Other explanatory notes

83—Consolidated statement of cash flows

83—Corporate bodies

84—Concluding remarks

### 85—Auditors' report

# 86—88

## Further information

### 86—Report of the Supervisory Board

### 88—Publishing information



**Dr. Manfred Afflen**  
Chairman

International Business Development, Human Resources & Organisation, Legal & Risk Management, Data Protection & Data Security, Internal Audit, Marketing & Communication, International Business, Chairman of the Supervisory Board of Aareon Deutschland GmbH

**Dr. André Rasquin**  
Sales

Central Sales, Regional Sales, Sales Management, Sales Support, Advisory Board work, BauSecura product

**Dr. Olaf-Rüdiger Hasse**  
Operations

Products and Services, Consulting, Customer Management, Service Management, Service Centre, IT Service Centre, Aareon Immobilien Projekt GmbH

**Christian M. Schmahl**  
Finance

Controlling, Accounting & Contract Management, International Finance, Central Purchasing, Facility Management

# Letter of the Management Board

## Ladies and Gentlemen,

The Aareon Group continued to expand its business in fiscal 2013, demonstrating the sustainability of the company's strategy of profitable, long-term growth. We once again succeeded in increasing our consolidated net profit, with EBIT (earnings before interest and taxes) rising by 3.0% to €27.1 million. Consolidated revenues rose by 5.0% to €173.4 million. The proportion of our revenues accounted for by the International Business segment rose once more to reach 30.9% or almost one-third (previous year: 28.7%). We enhanced our international market presence in 2013 through the acquisition of Swedish company Incit AB of Mölndal (located in the greater Gothenburg metropolitan area), a move that secured us a foothold in Scandinavia, a key property market. We are now represented at 27 locations across Europe. Incit AB was established in 1966 and is one of Scandinavia's leading providers of ERP software for property management. In addition to its home market of Sweden, Incit AB has subsidiaries in Norway (Incit AS, Oslo) and the Netherlands (Incit Nederland B.V., Gorinchem). With the aim of achieving even greater integration in the European housing market, Aareon became, in May 2013, a partner of the "European Federation for Living", an association of housing-industry companies from several European countries.

The Aareon Group's international presence is a key factor in our research and development activities. Our international partnerships allow us to leverage expertise and tap synergies for the benefit of individual products and services at national level. The trend towards digitisation – which is gaining momentum across society – was a topic at the focus of our attention in 2013. In fact, we chose it as the keynote topic at the 23rd Aareon Congress in Garmisch-Partenkirchen, Germany. In essence, it is about utilising IT to optimise external and internal processes. Housing companies are networking ever more closely with their business partners (B2B), their tenants (B2C) and their field staff (B2E). What is more, the internet is being used to link up machines (M2M) and inanimate objects (the internet of things). The focus is currently on digital document management, customer relationship management (CRM) and mobility.

The dialogue with our customers is central to us – especially in our day-to-day business. Customer requirements are surveyed – both via customer advisory boards and in our ongoing discussions with clients – and factored into our development activities. It is this relationship of mutual trust that puts us in a position to develop the right solutions for the future – for the benefit of our customers. We are proud of our positive and sustainable customer relationships and take this opportunity to thank our clients for the confidence they place in us and for the constructive exchange of ideas we enjoy with them.

In 2013 we continued refining our Wodis Sigma ERP solution so as to make even greater use of the opportunities presented by the digitisation trend, integrating both a mobile (tablet-based) property inspection function and the new Aareon CRM portal. Wodis

Sigma continues to grow in popularity, especially when offered as a service from the exclusive Aareon Cloud. We are delighted that, before 2013 drew to a close, the number of customers who have opted for Wodis Sigma passed the 500 mark. A lot of clients took this opportunity to review their long-term IT strategy, analysing the systems they have in place and deciding to migrate from GES to Wodis Sigma. Many of them have already successfully deployed Wodis Sigma. In the market for SAP® solutions, we specialise in providing sound consultation and, in 2013, there was great demand for Aareon consulting solutions for SAP®. The upgrade to Release 6.3 of the Blue Eagle Standard ERP system took place as planned in April. Ongoing development of the GES ERP system focused on functions for SEPA, electronic financial statements and Aareon CRM.

Integrated Services business continued to perform well. Demand was strong for the Mareon service portal, the BauSecura insurance management solution and the Aareon invoicing service. We expanded our range of Integrated Services in 2013 to include the “Aareon Archiv kompakt” and Mareon FM (Facility Management) solutions. Aareon Archiv kompakt is a digital archiving solution that is very popular with customers and has already been certified to the PS 880 auditing standard of the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer). The Mareon Service Portal has proven its worth in practice for more than ten years now, and Mareon FM is an upgraded version of the portal that targets facility management service providers.

The International Business segment continued to flourish in 2013. For a number of important customers – among them, housing company De Key of Amsterdam (35,700 rental units) – our Netherlands subsidiary SG|automatisering bv, Emmen, went live with the SG|tobias<sup>AX</sup> ERP product generation based on Microsoft® Dynamics® AX. The CRM solutions of our French subsidiary Aareon France SAS in Meudon-la-Forêt are finding favour with customers. Several important housing companies opted for these solutions in 2013 – among them Erilia of Marseilles (with 89,000 rental units), the first customer of Aareon France to use the Aareon IT Service Centre to host its CRM solution. Development of Release 3.0 of the French ERP solution Portallmmo Habitat went according to plan, with the market launch taking place in Q3 2013. In the UK, we had several go-lives with the QL ERP solution and 1st Touch Mobile Services. 1st Touch, which was acquired in 2012, has now been successfully integrated into the Aareon Group.

All our employees played a part in the positive performance of the Aareon Group, and our thanks go to them for their dedication as well as to the members of the employee representative council for the constructive approach they have taken in their dealings with the company. We strive to be a reliable partner not only for our customers, but also for our employees, and employee satisfaction and motivation are key factors in this respect. To assist our workers in achieving a healthy work-life balance, we have for many years pursued a family-oriented personnel policy. We have taken numerous measures to help our staff with child-care and when they need time to look after family members in need. What is more, in 2013 we launched the “Corporate Health Manage-

ment” project, the aim of which is to promote the physical and psychological well-being of our employees. We continued to pursue the topic of equal opportunities for men and women through our “Aareon 2.n” project.

Aareon – a profitable company of international standing – remains on a stable growth trajectory. In 2014 we will continue to expand our range of digitisation products, also focusing part of our development activities on this area. We expect the number of migrations from GES to Wodis Sigma to rise continually. For one thing, we will provide customers intending to change from GES to an alternative system with comprehensive advice and support in reaching a decision. For another, we have sufficient capacity available to ensure that migrations of this type can be accomplished in a secure and reliable manner.

In Germany, we intend to merge our subsidiary Aareon Wodis GmbH with Aareon Deutschland GmbH, which will lead to a substantial reduction in the complexity of day-to-day operations and, at the same time, enhance process efficiency.

At international level, we will drive forward integration of our Swedish acquisition, Incit AB, in the Aareon Group. Our Netherlands subsidiary SG|automatisering bv will celebrate its 35th anniversary in 2014. We will continue to encourage the transfer of know-how and the tapping of synergies at international level.

The strategic “brandIT” project, the purpose of which is to strengthen the Aareon brand in the market for property management software, will be continued in 2014 – also at international level. Re-certification will be carried out as part of the “Work and Family at Aareon” project. In addition, further measures are set to be implemented as part of both the “Aareon 2.n” project on promoting equal opportunities and the “Corporate Health Management” project.

In 2014 we intend to continue Aareon’s positive performance as Europe’s leading vendor of consultation services and systems. We are driven by the desire to remain a reliable IT partner for our customers in the long term and to continue offering them the right solutions.

Kind regards



Dr. Manfred Alflen   Dr. Olaf-Rüdiger Hasse   Dr. André Rasquin   Christian M. Schmahl

# Overview of 2013

## 01

### January

**Aareal Bank Group**, Wiesbaden, Aareon's parent company, celebrates its 90th anniversary in 2013.



At the start of the year, Aareon organises the go-live for **Wodis Sigma** at 13 different companies (with a total of 75,000 rental units).

The new digital archiving system **Aareon Archiv kompakt** is launched.

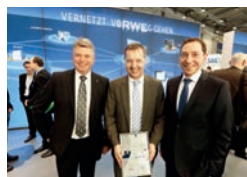
Aareon continues its successful **partnership with SAP**. Starting 1 January, Aareon AG becomes an official SAP Services Partner in the SAP PartnerEdge Program organised by SAP Deutschland AG & Co. KG. Under the new agreement, the company advances from its previous status as an SAP Channel Partner, which expired on schedule at the end of 2012 after ten years of successful collaboration with SAP.

Aareon AG and IT company Schleupen AG from Moers, Germany, agree a strategic partnership, with an interface being set up between the **Aareon invoicing service** and the Schleupen.CS IT system.

## 02

### February

Aareon successfully integrates RWE, one of Europe's leading electricity and gas utilities, into the **Aareon invoicing service**. RWE is presented with the Aareon invoicing service certificate at E-world energy & water 2013 in Essen – the leading trade fair for the energy and water management industries.



Left to right: Lothar Böttcher (Aareon), Günter Rehme (RWE Vertrieb AG) and Volker Blödel (Aareon)

The first **SEPA** direct debits for pilot customers are successfully processed.

Prominent property management company Osborne, a customer of Aareon's UK subsidiary **1st Touch**, receives the "Best Application of Technology Award" from the Institute of Customer Services.

## 03

### March

Erilia, a housing company based in Marseilles that manages 89,000 rental units, becomes the first customer of Aareon France to have its CRM solution hosted by the **Aareon IT Service Centre** in Mainz, Germany.

## 04

### April

Together Housing Group of Halifax, a leading British company that manages 35,000 rental units, goes live with systems from **Aareon UK and 1st Touch**.

French housing company Promologis of Toulouse (22,000 rental units) successfully introduces **Aareon France's tenants portal**.

In a joint project, Aareon AG and IT-Power GmbH, Flensburg, Germany, link up public utility Stadtwerke Mühlhausen and two housing companies (Wohnungsgenossenschaft Mühlhausen eG and Städtische Wohnungsgesellschaft mbH Mühlhausen) to the **Aareon invoicing service**.

Aareon launches **Blue Eagle Release 6.3** on schedule.

Aareon takes part in the Germany-wide **Girls' Day** with the slogan "Women and Technology – Show What You Can Do!"

## 05

### May

The **23rd Aareon Congress** in Garmisch-Partenkirchen, Germany, focuses on the topic "The Housing Industry Goes Digital", covering the key facts and trends.



Construction company München-Land GmbH, Munich, and FLÜWO Bauen Wohnen eG, Stuttgart, are the first customers to sign up for the **Aareon CRM portal**.

The prestigious **DW Innovation Award for the Property Sector**, which is supported by Aareon, is presented for the tenth time at the Aareon Congress. The topic is "Web 2.0 – the Housing Industry Goes Digital". Axel Gedaschko, president of the German Housing Industry Association (GdW) and patron of the award, presented the winners with their prizes at a special ceremony. The victors were Wohnbau GmbH, Bonn, Nibelungen-Wohnbau-GmbH, Braunschweig, and LEG Immobilien AG, Düsseldorf.



Aareon becomes an associate partner of the **European Federation for Living (EFL)**, an association of housing industry companies from several European countries.

Aareon AG, Mainz, and SEEBURGER AG, Bretten, agree a partnership centring around integration of the **Aareon invoicing service** and SEEBURGER Business Integration Suite Utilities.



# 06

## June

The first **Aareon Archiv kompakt** customers go live.

French housing company Adoma of Paris (80,000 rental units) opts for **Aareon France** to develop a CRM internet solution for potential tenants

# 07

## July

As part of its international growth strategy, Aareon takes over **Swedish company Incit AB**, Mölndal (located in the greater Gothenburg metropolitan area). The acquisition marks Aareon's entry into Scandinavia, an important property management market.



Göran Johansson (left) of Incit AB and Dr. Manfred Alfien of Aareon AG

Aareon and Planon, a leading global provider of facility management and real estate software, forge a partnership to utilise the **Mareon** system. The goal of this exclusive partnership is to enable Planon customers to benefit from the advantages of using the Mareon service portal for their ongoing maintenance work.

**SG|automatisering** goes live with SG|tobias<sup>AX</sup> for customer De Key, Amsterdam.

# 08

## August

DQS GmbH, a German company for certifying/auditing management systems, reconfirms that Aareon provides a high level of data protection. For the fourth time, Aareon and its domestic subsidiaries are given the **DQS data-protection seal of approval**.

Ten-year anniversary of **"Lerninsel Juist"**, an institution that encourages trainees in the housing industry. It is a joint initiative of Aareon, the Association of North German Housing Companies (VNW) and the Housing Industry Association of Lower Saxony and Bremen (vdw).



# 09

## September

In its fourth year, the **North German Property Regatta (NoIR)** continues to enjoy fair winds. Sixteen yachts and 100 contestants cruise together off the coast near Kiel at what can be described as the industry's "sailing summit".



In an effort to promote the technicians of tomorrow, Aareon organises the inaugural **kids & friends science camps**. Aareon provides financial support to these camps through its "Aareon 2.n" project, with the aim of ensuring equal opportunities.

# 10

## October

Aareon's quality management system is successfully re-certified: DQS GmbH, a German company for certifying/auditing management systems, carries out **re-certification in accordance with ISO 9001:2008**.

# 11

## November

At the **Wodis Sigma Forum 2013** in Bochum, Germany, Aareon presents Release 5 of its Wodis Sigma software, which includes mobile services and a range of new functions – marking a further step along the path towards digitisation.



**Ten-year anniversary of IPMA-compliant project management** (International Project Management Association). Application of the IPMA standards has enabled Aareon to continually enhance its project management activities.

# 12

## December

The number of customers opting for **Wodis Sigma** passes the 500 mark.

As the market leader in consulting and systems for the European property industry, we set the current and future benchmark for managing complex business processes. Aareon offers its customers pioneering and secure consulting, software and services. Everything we do is aimed at giving our customers, shareholders and employees the peace of mind of having made the right choice by selecting Aareon. This is what motivates and drives us.

# Group management report

## **22—Group business fundamentals**

22—Group business model

23—Research and development

## **25—Economic report**

25—General economic and industry environment

27—Business performance

30—Economic situation

34—Financial performance indicators

34—Non-financial performance indicators

34—Sustainability report

## **38—Events after the reporting date**

## **38—Internal control system**

## **40—Risks, opportunities and outlook**

40—Risk report

45—Opportunities

47—Outlook

# Group business fundamentals

## Group business model

Aareon AG is a European provider of consulting services and systems for the property industry. It helps its customers to optimise their business processes by offering them secure, ground-breaking solutions in the areas of consulting, software and services. Aareon is an international player. With a presence at 27 locations (nine of which are in its home market of Germany), the company is represented in Europe's major property markets – Germany, France, the UK, the Netherlands, Norway and Sweden.

The company has been active in the market for almost 60 years and is a wholly owned subsidiary of the Aareal Bank Group, Wiesbaden, a leading international real estate specialist. With employees from over 25 nations, the Aareal Bank Group has offices in more than 20 countries across three continents – Europe, North America and Asia. Aareon AG is a wholly owned subsidiary of Aareal IT Beteiligungen GmbH, Wiesbaden, which in turn is wholly owned by Aareal Bank AG, Wiesbaden. Within the Aareal Bank Group, Aareon AG forms part of the Consulting/Services segment. In that segment, Aareal Bank offers solutions for customers from the residential and commercial property industry, and from the utilities and waste management sectors. The majority of these customers are also customers of Aareon.

## Aareon's portfolio

Aareon's products and services are spread across the following segments:

- ERP Products
- Integrated Services
- International Business
- Other Products

With its portfolio of software, services and consulting, Aareon supports property companies in optimising and automating their business processes, also helping to enhance their overall process quality. What is more, the company's

ERP (enterprise resource planning) solutions offer a wide range of reporting options – for instance for preparing management decisions or for budget control purposes – thus delivering a sound basis for making successful long-term decisions. Aareon's subsidiaries in Germany and abroad offer ERP systems that are tailored to the individual needs of each market and can be supplemented with integrated services and add-on products. Aareon's ERP multi-product strategy in Germany fully addresses the different requirements of the property market, with a range that includes Wodis Sigma, SAP® solutions and Blue Eagle and GES. Internationally, the product range comprises Prem'Habitat and Portallmmo Habitat in France, QL in the United Kingdom and SG|tobias in the Netherlands as well as the new product generation SG|tobias<sup>AX</sup>. In Sweden, Incit AB, which also has a presence in the Netherlands and Norway, offers the Incit Xpand system.

Depending on the chosen product, customers can access and operate Aareon's ERP solutions in different ways: either as software as a service from the exclusive Aareon Cloud, via application service providing (ASP), hosting or in-house operation. In the case of the Aareon cloud, ASP and hosting, the data is located in Aareon's certified IT Service Centre in Mainz, Germany, ensuring high levels of data security and data protection (see p. 34).

The combination of ERP solutions with Integrated Services and add-on products enables property companies and their business partners to work together efficiently. Integrated Services are directly embedded in the ERP solutions and access the same data. These services include, for example, the Aareon service portal, the Aareon invoicing service, the "Aareon Archiv kompakt" archiving solution, the BauSecura insurance management solution, customer relationship management (CRM) solutions and Mobile Services. The portfolio is augmented by product and service consulting tailored to specific industries.

Aareon generates its revenues mainly through:

- Licensing agreements
- Maintenance contracts
- Consulting projects
- Training
- Aareon cloud computing, hosting/outsourcing services
- Integrated Services, which include integrated payment transactions, the Aareon service portal and insurance brokerage for the property industry (BauSecura)

### Market position

The main thrust of Aareon's growth-oriented strategy is to expand the company's International Business segment. In fiscal 2013, Aareon invested in strengthening its market position in Europe, acquiring a 100% stake in Swedish company Incit AB, Mölndal, as at July 1. The acquisition marked Aareon's entry into the key property market of Scandinavia. Incit AB was established in 1966 and is one of Scandinavia's leading providers of ERP software for property management. A rapidly growing company with over 300 customers, Incit AB offers property management software solutions for housing companies, local governments, commercial property operators as well as real estate managers and service companies. In addition to its home market of Sweden, Incit AB has subsidiaries in Norway (Incit AS, Oslo) and the Netherlands (Incit Nederland B.V., Gorinchem).

According to the Lünendonk List, an established annual market survey, Aareon is one of the leading IT service providers in the German market<sup>1</sup>. In France, the UK, the Netherlands and Sweden, the subsidiaries of the Aareon Group also rank among the leading providers of software and services to the property industry.

Competitors in this sector include providers of proprietary industry products and SAP® partners.

### Research and development

Aareon's ground-breaking portfolio is underpinned by the company's ongoing R&D activities, which centre around exploiting the latest technologies and trends and expanding the company's portfolio. Aareon can benefit here from its international focus, with development work being systematically shared between the various teams of experts in each country, thus tapping synergies for the benefit of individual products and services at national level.

In 2013, the topic of digitisation remained in the focus of this international R&D network. In addition, the company has been driving forward expansion of its international IT infrastructure as well as the further development and enhancement of its existing solutions.

### Digitisation

In recent years, the digitisation of society has taken a giant leap forward, with the internet, smartphones and tablet PCs bringing about decisive changes in human communication. The digitisation of processes offers the housing industry, its business partners and tenants substantial benefits. For instance, by providing support in all phases of the property company's customer relationship lifecycle, digitisation can help to improve customer focus and service orientation, enhance efficiency, lower costs and heighten transparency. At the heart of this approach is a state-of-the-art, end-to-end CRM solution, mobile services, digital archiving systems and cloud computing. After concentrating its efforts in recent years on promoting cloud computing, Aareon's focus as regards digitisation has shifted since 2012 to the develop-

<sup>1</sup>—See the Lünendonk Study 2013, Lünendonk GmbH, Kaufbeuren, Germany, 2013

ment of modern, end-to-end CRM solutions and mobile services. International project groups at Aareon have already succeeded in enhancing existing solutions, initially for the German market. They include, for example, a CRM solution from Aareon France, Meudon-la-Forêt, and Mobile Services from our subsidiary 1st Touch in Southampton.

The 23rd Aareon Congress, which was held in Garmisch-Partenkirchen, Germany, in May 2013 and revolved around the digitisation topic, saw the presentation of Aareon's CRM product range. It covers the entire customer relationship lifecycle – namely acquiring and looking after new tenants, generating and providing services, managing complaints and developing the customer relationship.

#### **I-stay@home – an EU project**

Aareon is lead IT partner in the I-stay@home project, which is sponsored by the European Union and in which several European partners of the housing industry are collaborating. They include housing companies from Germany, France, Belgium and the Netherlands as well as research and technology companies. The objective of the project is to enable senior citizens to remain living in their own homes for as long as possible.

#### **Further development of products and services**

In addition to this, the Aareon Group continued expanding its own international IT infrastructure so that services can be utilised across borders.

As part of the ongoing development and enhancement of the company's ERP services and integrated services, capital expenditure in fiscal 2013 was focused on the following areas: SEPA (Single Euro Payments Area), Wodis Sigma Release 5 as well as GES versions and Mareon releases. In the International Business segment, R&D activities were mainly concentrated on development of Release 3.0 of the French ERP

solution Portallmmo Habitat, various Netherlands software products (SG Vastgood, Klantportal, CRE-outwikkeling, Wocas4all, Basware) and Aareon UK's QL.net software solution.

Capital expenditure on research and development in fiscal 2013 reached €9.2 million (previous year: € 6.8 million). The capitalisation rate was 48.0%. Amortisation of internally generated software amounted to €2.3 million.

# Economic report

## General economic and industry environment

At 2.1%, global economic growth in 2013 was slightly less than in the previous year (2.4%), with substantial differences in growth being recorded between the regions.

In real terms, economic output in the eurozone shrank marginally in 2013, with an economic downturn manifesting itself at the start of the year. As the year progressed, the economy picked up and the eurozone eased out of recession in the second quarter. However, the eurozone economy continued to remain subdued in 2013, with both private consumption and corporate investment activity contracting. Exports, on the other hand, provided some positive stimulus. In addition to the uncertainty generated by the European sovereign debt crisis, restrictive fiscal policy and high unemployment levels in many countries were the main brakes on overall economic demand.

In the Netherlands, real GDP fell in 2013, as it had in the year before. Real economic growth was largely stable in France, while the economy grew at only a minimal rate in Germany.

However, in a number of countries outside the eurozone, economic growth was somewhat more positive. For instance, real GDP grew slightly in both the UK and Sweden.

### Annual real growth in GDP in %.

Source: Oxford Economics

	2013	2012
<b>Europe</b>		
Eurozone	-0.5	-0.6
Austria	0.3	0.7
Belgium	0.2	-0.1
Finland	-0.9	-0.8
France	0.1	0.0
Germany	0.5	0.9
Italy	-1.8	-2.6
Luxembourg	0.8	0.3
Netherlands	-0.1	-1.3
Portugal	-1.5	-3.2
Spain	-1.3	-1.6
<b>Other European countries</b>		
Czech Republic	-1.4	-0.9
Denmark	0.2	-0.4
Poland	1.4	2.0
Russia	1.5	3.5
Sweden	0.8	1.3
Switzerland	1.9	1.0
Turkey	4.2	2.2
UK	1.4	0.1

The employment situation remained tense in many EU countries. In the eurozone, the start of the year witnessed another hike in the unemployment rate. As the year wore on, there were signs that the situation was beginning to stabilise and the unemployment rate rose only marginally, reaching 12.1% by year end. The unemployment rate was high in France, Sweden and the UK at 10.8%, 8% and 7.2% respectively. Germany's rate was lower, however, at 6.7%.

All in all, the housing industry in Germany again posted stable growth in 2013, with the general trend towards slightly higher rents and the long-term structure of financing having the main positive impacts. Across Germany, rents in 2013 were up by around 3% on the previous year. Housing companies continued to concentrate their capital expenditures on maintaining and modernising the properties in their portfolios. According to estimates by the German Federation of Housing and Property Companies (GdW), the companies represented by the GdW and its regional bodies<sup>2</sup> invested over €10 billion in the future of their properties.

In 2013, the housing market in Germany remained under the influence of a variety of different factors. While there was increased demand for apartments in conurbations with flourishing economies, demand weakened particularly in rural areas in line with the fall in population there. Investors continued to focus on residential property. The main reasons for the continuing investment demand were the low returns offered by alternative forms of investment and the positive trend in the housing market.

In the European countries in which Aareon operates, the following trends are shaping the housing industry. In the Netherlands, we expect to see structural changes in the housing sector owing to political measures that have been taken, including the introduction of new taxes and the requirement that housing companies once again focus more on their core business, namely property management. As a result, housing companies will pursue the goal of enhancing the efficiency of their processes in order to reduce costs. What is more, market consolidation can be expected. Mergers in the social housing sector are also expected in France as a consequence of changes in government policy. In the UK, the government has introduced what it calls an

Efficiency Agenda, the purpose of which is to manage public property more cost-effectively, and that includes public housing companies. In addition, the government has introduced financial incentives for companies to drive forward the digitisation process. In Sweden, the housing industry remains stable, and the demand for new technologies to enhance efficiency is still strong.

Both in Germany and abroad, complex trends will influence the housing sector going forward. According to the “Trends in Living 2030” study [Wohntrends 2030] carried out by the GdW, these trends will lead to quite diverse ways of living, further strengthening the role of information technology:

1. Technology – caught between what is possible and what is desirable: integrated systems and services are set to become even more important in the housing industry.
2. The 25-hour society: owing to the increasing intensity of life and the stress that gives rise to, tenants are placing more emphasis on keeping their travel times short, simplifying their lives and making their homes into places of refuge and well-being.
3. Mine, yours ... ours: the online society is opening up more and more opportunities for people to share things, for instance commodities such as cars.
4. Keeping fit and remaining healthy continue to be focal topics going forward. IT and mobile services harbour new potential for health management.
5. The city of neighbourhoods 2030: the design of local neighbourhoods is set to become even more important, and potential tenants are placing increasing emphasis on this aspect.
6. Golden age or pensioners in poverty: aspects of relevance include alternative ways of combining care for the aged with residential living and greater focus on the needs of low-income senior citizens.
7. Housing companies as partners: the ancillary products and services offered by housing companies will gain in significance.

<sup>2</sup>—Housing Industry Data and Trends 2013/2014, Figures and Analyses from the Annual Statistics of the GdW [Wohnungswirtschaftliche Daten und Trends 2013/2014, Zahlen und Analysen aus der Jahresstatistik des GdW], German Federation of Housing and Property Companies (GdW), Berlin, 2013



## Digitalisation gaining ground.

These trends underscore just how important digitisation is becoming for the housing industry. The mobile utilisation of IT and the linking up of different stakeholder groups will continue to gain ground across the housing industry. Examples of this general trend include organising appointments with tradesmen, procurement, maintenance and health-care as well as the responsible use of energy resources. That can lead to process efficiency gains and improved customer service. Thus, the internet, tenants portals and apps are gaining in importance for the housing industry. By tapping the digital potential in the relationship with their tenants, housing companies can position themselves as key providers of housing-related services.

Aareon is factoring these trends into its R&D activities (see p. 23).

### Business performance

Aareon's ERP Products, Integrated Services and International Business segments all performed well in 2013. Total revenues grew from €165.2 million to €173.4 million. EBIT rose from €26.3 million to €27.1 million, with German business accounting for €18.7 million of that figure and international business for €8.4 million.

### ERP Products

The ERP Products segment comprises the ERP solutions offered by Aareon in Germany: Wodis Sigma, SAP® solutions and Blue Eagle and GES. The company continued to develop and enhance these products in 2013, taking current market trends and industry/customer requirements into account (see p. 24).

In preparation for the changeover from national payment transaction systems to the Single Euro Payments Area (SEPA) on 1 February 2014, Aareon integrated the necessary functions in all of its ERP systems and was rewarded with a high level of customer acceptance. Aareon had organised its first information events on this topic in conjunction with

Aareal Bank in 2012. The mass changeover to SEPA went off without a hitch and the customers could be switched to the new system in good time.

The ERP solution Wodis Sigma is based on Microsoft®.NET™, one of the world's leading development platforms. The number of Wodis Sigma customers continued to rise in 2013, surpassing the 500 mark. Alongside the Wodis Sigma in-house solution, Aareon has been offering Wodis Sigma as a service from the exclusive Aareon Cloud since 2011. The majority of new customers now opt for the latter, a secure and ground-breaking mode of operation. The company presented Release 5 of Wodis Sigma at the annual Wodis Sigma Forum for customers, which was held in Bochum, Germany, in November. The main innovations of the new release include a mobile property inspection function and integration of the Aareon CRM portal.

For those property companies that prefer a solution based on SAP®, Aareon offers the Blue Eagle system. A great deal of property management expertise went into the development of this product. For ERP systems and the SAP® Real Estate Management module, Aareon offers the Blue Eagle Individual template, which customers can adapt to meet their specific requirements. Alternatively, companies can opt for Blue Eagle Standard, an off-the-shelf ASP solution. Over and above this, consultation and system support play a big part in the SAP® systems market. Aareon consultants can assist customers in expanding or customising the latter's own SAP® solutions. In 2013, there was particularly great demand for these Aareon consulting solutions for SAP® and for corresponding consulting services. The upgrade to Release 6.3 of the Blue Eagle Standard ERP system took place as planned in April, providing customers with all the necessary prerequisites for the changeover to SEPA.

Aareon is continuing its successful partnership with SAP and, on 1 January 2013, became an official SAP Services Partner in the SAP PartnerEdge Program organised by

SAP Deutschland AG & Co. KG. Under the new arrangement, the company advanced from its previous status as an SAP Channel Partner, which expired at the end of 2012 after ten years of successful collaboration with SAP.

The volume of business handled by the legacy system GES, which is made available via ASP, remained stable. The GES versions 05/2013 and 11/2013 went into operation on schedule. Both versions focused on enhancing the functions for SEPA, electronic financial statements and Aareon CRM.

The rising number of customers opting for the Wodis Sigma ERP solution and the system adaptations necessary to meet SEPA requirements were the main reasons that, as forecast in 2012, revenues in the ERP Products segment rose from €79.6 million to €81.1 million, with EBIT increasing as well.

### **Integrated Services**

The Integrated Services segment, which mainly comprises integrated services, integrated payment transaction services and IT outsourcing, continued to develop along a positive trajectory. Demand was strong for the Mareon service portal as well as for the BauSecura insurance management solution.

At the start of 2013, Aareon launched the “Aareon Archiv kompakt” digital archiving solution on schedule, and customer demand for the new system was brisk. This standardised archiving solution enables customers to store documents in an audit-compliant manner and to carry out document searches.

As planned, Aareon also introduced the Mareon FM (facility management) solution. Mareon FM is an upgraded version of the Mareon service portal – which has proven its worth for more than a decade – and has been especially tailored to the needs of FM providers. Effective 8 July 2013, Aareon and Planon, a leading global provider of facility manage-

ment and real estate software, agreed on a partnership to utilise the Mareon system. The goal of this exclusive partnership is to enable Planon customers to benefit from the advantages of using the Mareon service portal for their ongoing maintenance work.

The Aareon invoicing service enables housing companies and their business partners to systematically introduce a fully integrated digital invoicing process. The Aareon invoicing service continued to penetrate the market in 2013, with Aareon and Schleupen AG, Moers, agreeing a strategic partnership in January of that year. In another project, Aareon and IT-Power GmbH, Flensburg, which operates all over Germany, joined forces in April to link up Stadtwerke Mühlhausen (a municipal utility) and two housing cooperatives (Wohnungsgenossenschaft Mühlhausen eG and Städtische Wohnungsgesellschaft mbH Mühlhausen) to the Aareon invoicing service. Then, in May 2013, Aareon entered into a partnership with SEEBURGER AG, Bretten – an international specialist for the integration of internal and external business processes – with the goal of integrating the Aareon invoicing service into SEEBURGER Business Integration Suite Utilities.

At the Aareon Congress held at Garmisch-Partenkirchen, Germany, in May 2013, Aareon premiered its CRM product range, which was the outcome of an internal development project (see p. 24). One of the main components is the Aareon CRM portal, and Baugesellschaft München-Land GmbH, Haar, and FLÜWO Bauen Wohnen eG, Stuttgart, were the first companies to go live with that portal. A number of other projects launching new products are set for completion soon.

Demand for IT outsourcing rose again in 2013. Aareon offers its customers powerful IT systems and services that are ITIL (IT Infrastructure Library) compliant. Support is provided by experienced specialists and hosting is also offered via the

## International business activities focused in key strategic markets.

exclusive Aareon Cloud. Cloud computing enables customers to source IT solutions via a network of IT service companies, thus enhancing the efficiency of their capital expenditure on IT and keeping their administration expenses down.

In conjunction with its parent company Aareal Bank, Aareon offers payment transactions as an integral part of its ERP systems, and demand for these was similar to that in the previous year. Aareon offers the BK01® payment system for the Wodis Sigma and GES systems as well as the BKXL® system for SAP®-based Blue Eagle.

The BauSecura and Mareon products were the main contributors to the slight increase in revenues recorded in this business segment. As forecast in the previous year, revenues rose from €37.2 million to €37.7 million.

### International Business

Aareon's international operations are focused on key strategic markets. Through its international subsidiaries, the company has a market presence in France, the UK, the Netherlands, Sweden and Norway. The International Business segment continued to perform well in the period under review and, at 30.9%, accounted for a higher share in Aareon Group revenues than in the previous year (28.7%). The Aareon Group's R&D activities benefit from the ongoing transfer of knowledge at international level, with potential synergies in connection with business models, technologies and partnerships being systematically identified and exploited (see p. 24).

The business performance of our Netherlands subsidiary SG|automatisering bv, Emmen, is highly dependent on licensing agreement renewals and the closing of new business deals. In the year under review, the number of scheduled renewals was below that of the previous years, which was in line with expectations. A number of key customers went live with the ERP product generation SG|tobias<sup>AX</sup>, which

is based on Microsoft® Dynamics® AX. They included, for instance, housing company De Key of Amsterdam (with 35,700 rental units). SG|automatisering has 164 employees at three locations and serves 196 customers.

As expected, Aareon France SAS, Meudon-la-Forêt, performed well in 2013 in terms of revenue growth. Aareon France's CRM solutions are finding favour with customers. The company has taken on a pioneering role in the field of residential customer management systems, which not only optimise and complement the sector's processes, but also improve the services provided to tenants. Aareon France SAS contributes this expertise to the R&D activities of the Aareon Group (see p. 24). French housing company Promologis of Toulouse (which manages 22,000 rental units) opted for Aareon France's CRM solutions, while Erilia of Marseilles (89,000 rental units) is the company's first customer to entrust hosting of its CRM solution to the Aareon IT Service Centre. Housing company Adoma of Paris (with 80,000 rental units) commissioned Aareon France to develop an online CRM solution for potential tenants. Aareon France also won new customers for its ERP solutions Prem'Habitat and Portallmmo Habitat. Development of Release 3.0 of Portal-Immo Habitat went according to plan, with the market launch taking place in Q3 2013. In the middle of 2013, Aareon France's earnings were negatively impacted when a court of first instance ruled in favour of one of Aareon France's customers in a lawsuit centring around a project carried out in 2008. Aareon France has since filed an appeal against the decision.

Aareon France has a workforce of 156 employees at four locations across the country. It serves 220 customers in the social housing, property asset management (administrateurs de biens), private housing and corporate sectors.

Aareon AG is represented in the UK by its two subsidiaries – Aareon UK Ltd., Coventry, and 1st Touch Ltd., Southampton, the latter being a specialist in mobile solutions for housing companies. As was expected, Aareon UK's business performance in 2013 was positive. The company completed several go-lives of the QL ERP solution and the mobile solution from 1st Touch – for example with major housing company Together Housing Group, Halifax (35,000 rental units). Aareon UK has 63 employees at its offices in Coventry and Swansea (Wales). The majority of its 103 customers in the UK are registered social landlords and local authorities.

1st Touch Ltd, which was acquired in 2012, was successfully integrated into the Aareon Group in the course of 2013. Aareon is further enhancing the mobile solutions offered by 1st Touch so that they can be marketed internationally. One result of these activities was development of the mobile property inspection function for Wodis Sigma Release 5 (see p. 27). 1st Touch has a workforce of 29 and serves 73 customers. As forecast in the previous year, 1st Touch succeeded in substantially growing both its revenues and EBIT in 2013.

Incit AB, which Aareon acquired on 1 July 2013, is one of Scandinavia's leading providers of ERP software for property management. Incit Xpand, the company's financial and property management system, provides a comprehensive range of dedicated functions – from invoicing to management information. Like the majority of the Aareon Group's other solutions, the ERP systems of Incit AB are based on Microsoft® technology. As they have also been designed for use in multi-currency and multi-country applications, they are an ideal match for the Aareon portfolio. In addition to its home market of Sweden, Incit AB has subsidiaries in Norway (Incit AS, Oslo) and the Netherlands (Incit Nederland B.V., Gorinchem). A total of 71 employees work at the company's eight locations, while its customer base numbers 315. The project to integrate Incit into the Aareon Group is running according to plan and is due to finish in 2014.

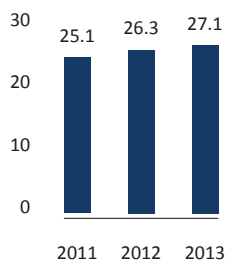
Revenues in the International Business segment grew from €47.4 million to €53.6 million, mainly due to favourable business performance in France and the UK and to the acquisition of the Incit Group. Overall, EBIT in the International Business segment decreased in line with the prior-year forecast.

## Economic situation

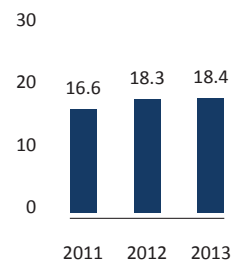
### Earnings

In 2013, Aareon once again succeeded in increasing its EBIT, by 3.0% to €27.1 million (previous year: €26.3 million<sup>3</sup>). Consolidated net profit after taxes amounted to €18.4 million (previous year: €18.3 million).

EBIT in € million



Consolidated net profit after tax in € million



Consolidated revenues increased by 5.0% to €173.4 million (previous year: €165.2 million), mainly owing to the positive earnings trend in the International Business segment, where revenues increased by 13.0% to €53.6 million (previous year: €47.4 million). This segment accounted for 30.9% of consolidated revenues (previous year: 28.7%). Key drivers of revenue growth were the acquisition of Incit AB in the second half of 2013 as well as the take-over of 1st Touch Ltd., which was acquired in 2012, but impacted the accounts for only half of that year. What is more, almost all other inter-

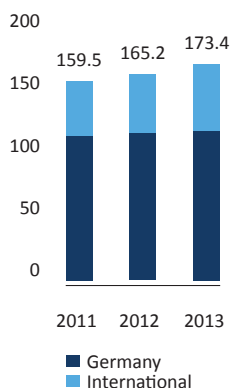
<sup>3</sup>—The prior-year figures have been adjusted (see Notes 2.5 and 3.7).

# €27.1 million EBIT

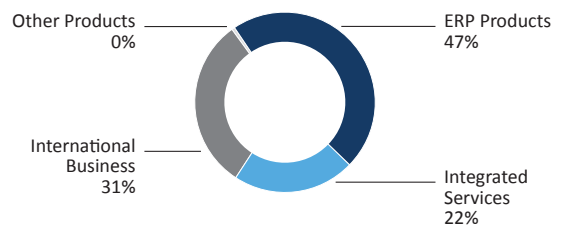
national subsidiaries posted higher revenues. In Germany, revenues rose in 2013 to €119.8 million from €117.8 million in the previous year. At €81.1 million, revenues in the ERP Products segment were up 1.9% (previous year: €79.6 million). The key factors in this revenue growth were the ERP solutions Wodis Sigma and GES – especially due to business generated by the launch of SEPA. Revenues in the Integrated Services segment were up 1.3% to €37.7 million (previous year: €37.2 million), predominantly thanks to the Mareon and BauSecura products.

Total expenses rose by €10.4 million, from €144.6 million to €155.0 million. This increase was mainly attributable to the acquisition of Incit AB in 2013 and to that of 1st Touch Ltd. in 2012, only half of whose costs impacted earnings in that year. Growth in development work, especially in the International Business segment, caused own work capitalised to double, from €2.2 million to €4.4 million. At €20.4 million, the cost of materials was marginally higher than in the previous year (€19.3 million). Staff costs increased by 8.6% to €93.4 million (previous year: €86.0 million). At €31.2 million, other operating expenses were up 4.0% year on year (previous year: €30.0 million).

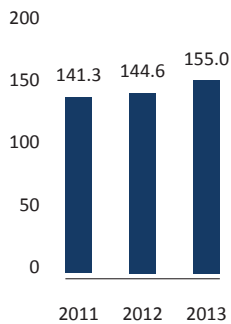
### Revenues in € million



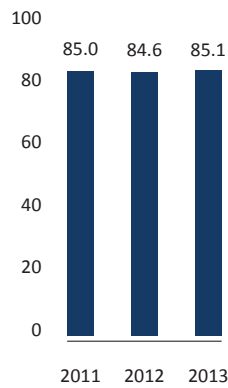
### Revenues by segment



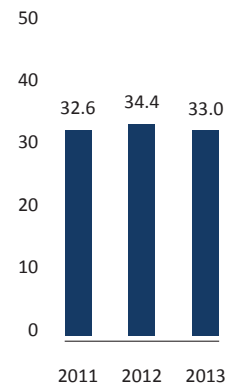
### Expenses in € million



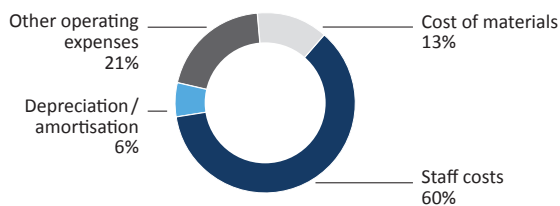
### Total expense ratio in %



### Return on equity in %



### Expenses by expense group



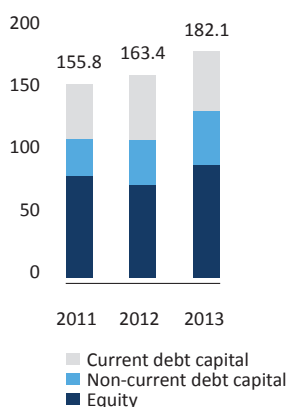
The total expense ratio increased to 85.1% (previous year: 84.6%). At 33.0%, the return on equity was slightly below the prior-year figure (34.4%).

### Financial situation

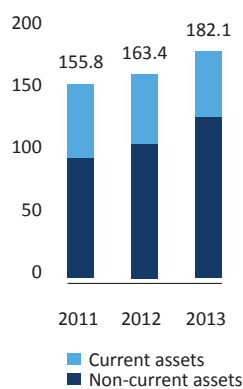
#### Capital structure

Compared with the previous year, equity climbed by 21.7% – from €74.2 million to €90.3 million – owing to the transfer from consolidated net profit. At €43.8 million, non-current liabilities were 20.7% higher than in the previous year, primarily because of the increase in non-current purchase price liabilities following acquisition of the Incit Group. At €48.1 million, current liabilities were 9.1% lower than in the previous year (€52.9 million). In 2012, Aareon had recognised liabilities to banks totalling €10.4 million.

### Total equity and liabilities in € million (capital structure)



### Assets in € million (asset structure)



#### Liquidity

The statement of cash flows is the key to analysing Group liquidity. Cash flow from operating activities in 2013 rose by €6.0 million to €29.6 million (previous year: €23.6 million), mainly as a result of lower income tax payments than in 2012. Cash flow from financing activities amounted to €-12.1 million (previous year: €-11.1 million). This change was primarily attributable to repayment of the working capital loan from Aareal Bank. Cash flow from investing activities amounted to €-24.4 million (previous year: €-18.3 million), mainly as a result of the acquisition of Incit AB in 2013 and to the payment of variable purchase prices for acquisitions in prior years.

#### Net assets

Aareon's total assets stood at €182.1 million in 2013, up 11.4% on the previous year (€163.4 million). Non-current assets increased by 19.6% to €128.8 million (previous year: €107.7 million). The acquisition of Incit AB was a major factor in the increase in the value of goodwill, purchased software, customer relationships and brands.

Current assets decreased by 4.1% to €53.4 million compared with the previous year. Trade receivables were up 14.4% to €31.0 million (previous year: €27.1 million). Cash and cash equivalents declined by 37.6% to €12.1 million (previous year: €19.4 million), primarily due to repayment of the working capital loan, which can be utilised for an amount of up to €20 million.

### Financial performance indicators

Revenue and EBIT are the key financial performance indicators used by Aareon for the internal control and management of its business segments. EBIT is defined as earnings from operating activities less interest income/expense.

### Non-financial performance indicators

The main non-financial performance indicators that Aareon takes into account are customer satisfaction and employee satisfaction (see following section). These indicators are not used for the purposes of internal control and management.

### Sustainability report

Together with its parent company Aareal Bank, Aareon pursues a strategy that is geared to sustainability. Aareon's strategy was formulated in the course of a project in 2012 involving the entire Aareal Bank Group and forms an integral part of the overall corporate strategy. In several rankings, Aareal Bank's sustainability strategy has mostly been rated above average, even being accorded "Prime Status" in the sustainability rankings of oekom research AG, Munich. Aareon's sustainability strategy comprises the following key areas of action:

- Customers and products
- Employees
- Environment
- Society

#### Customers and products

Aareon relies on long-term customer relationships and develops sustainable solutions for its customers. The dialogue with our customers is central to us – especially in our day-to-day business. Customer requirements are surveyed constantly, both via customer advisory boards and in our ongoing discussions with clients. What is more, we factor trends from the property and IT industries into the further development of our product and service portfolio. Aareon

carries out customer surveys in order to systematically gauge customer satisfaction levels. These surveys, which take place every two years, have for many years revealed constant levels of satisfaction among our customers. The next customer survey, due in 2014, is planned to be carried out across all our European companies. The survey enables Aareon to identify market requirements in good time and factor them into its product development and service management activities.

#### Quality and security standards

In an age dominated by IT, data protection and security are becoming ever more important. Aareon guarantees extremely high levels of data security, reliability and availability for its IT Service Centre. Key IT processes in the IT Service Centre are examined for compliance with the auditing standard PS 951 of the Institute of Public Auditors in Germany (IDW). Aareon's IT Service Centre is certified as a level-3 high-availability computer centre in accordance with the auditing standard of TÜV, a German technical inspection agency. Redundancies are designed into the entire infrastructure.

In 2013, Aareon AG and its subsidiaries in Germany were once again awarded the DQS data-protection seal of approval. This was based on a voluntary data-protection audit carried out by DQS GmbH, Frankfurt am Main, in accordance with Section 9a of the German Federal Data Protection Act (BDSG). The seal of approval confirms that Aareon's data protection policies comply with the provisions of the German Data Protection Act. The process of certification also assists in controlling and continually enhancing data protection measures within the Aareon Group. In conjunction with software certified to audit standard IDW PS 880 – for instance for the Aareon Archiv kompakt archiving solution, the Aareon service portal, Wodis Sigma and Blue Eagle – certifications of this kind can also mean less work for customers during their annual IT audits. Aareon's quality management system, too, is certified to the DIN ISO 9001:2008



standard. After a thorough audit in 2013, DQS GmbH, Frankfurt am Main, confirmed its certificate for Aareon's quality management system until 2016.

#### Sustainable and ecological product range

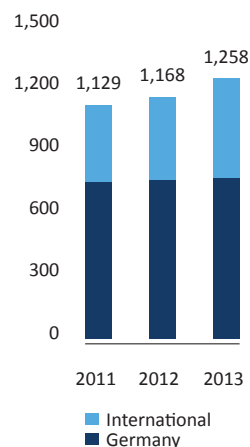
Aareon's product range serves to promote ecological and sustainable behaviour. Both ERP Systems and Integrated Services boost process efficiency by digitising data and the interfaces to the service systems. This promotes transparency in the company and lays the groundwork for sustainable decision-making. It also helps, for example, to achieve a substantial reduction in the amount of paper consumed and archiving space needed.

#### Employees

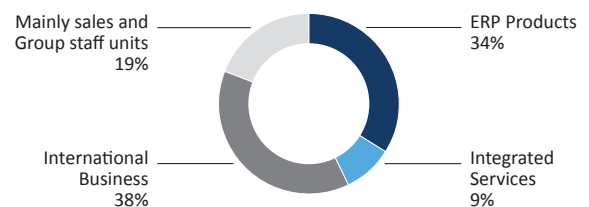
Our employees are the key to Aareon's success. Our staff unite expertise from the IT and property sectors; they are dedicated, display a willingness to perform and put the customer first. Keeping our employees satisfied and motivated is a key factor, which is why Aareon carries out an annual anonymous employee survey across the entire Group. It is a tool for measuring the mood of our workforce and gives an indication of what specific improvements could be made. In 2013, employee satisfaction levels across the Aareon Group were higher than they have ever been since the first survey was carried out in 2002.

As at 31 December 2013, Aareon's workforce totalled 1,258 employees (previous year: 1,168). The average period of service with the company was 11.1 years (previous year: 10.9 years). The number of employees rose because of the acquisition of Incit AB. 38.4% of Aareon's workforce is employed at international subsidiaries (previous year: 34.5%). By virtue of the flexible working time models in place, Aareon had 217 part-time positions in Germany (17.2% of its workforce) at year end 2013 (previous year: 128 or 16.8%) and 85 (6.8%) teleworking positions (previous year: 82 or 7.3%). The proportion of women in the workforce was 32.3%, while the share of women in management positions was 15.6%.

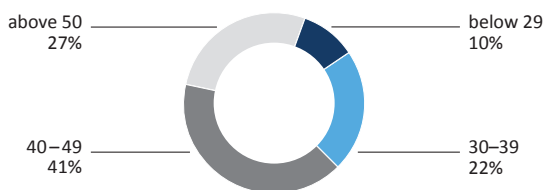
#### Number of employees (as at 31 Dec.)



#### Employees by segment



### Age structure of workforce



### Further training

At Aareon, ongoing employee qualification and development are integral to the employees' annual performance appraisal meeting held with their supervisors. In addition to providing individual training and seminars, Aareon placed particular emphasis on the following topics in 2013. In the course of the Professional Individual Management Development programme (ProFI), managers were offered training sessions (for instance, in labour law), diagnostics (including a development centre for new managers) and consultation (e.g. personalised coaching sessions and leadership groups). Language courses as well as training geared to enhancing intercultural skills took account of the company's growing internationalisation. Aareon continued the "Certified Housing Manager (HfWU)" series of training courses at the Nürtingen-Geislingen University for Economics and the Environment that has been a fixture since 2009. Since the courses began, 31 Aareon Group employees have gained this additional, industry-specific qualification.

### Basic training

Aareon offers candidates vocational training courses in office management and IT (the latter as an application development or systems integration specialist). Two dual work-study programmes are available: "Property Business Administration" (offered jointly with the Leipzig University of Cooperative Education and the Baden-Württemberg Cooperative State University (DHBW) in Mannheim) and "Business Information Systems – Software Engineering" (offered jointly

with the DHBW). During their vocational training at Aareon, trainees benefit from the option of participating in additional courses as well as from the opportunity to take on responsibility for specific tasks at an early stage in their careers. At the close of 2013, Aareon had 27 trainees as well as two students at the University of Cooperative Education.

University graduates can either apply directly for vacant positions or join the company's trainee programme. Internships, degree dissertations and collaboration with several universities form an integral part of our higher education marketing efforts, the purpose of which is to make early contact with qualified young talent.

### Work-life balance

We have taken numerous measures to support our employees in achieving a healthy work-life balance. These include flexible working hours in the shape of part-time work and teleworking, a partnership with a family service company, parent-child offices at various locations, childcare slots at Aareon's location in Mainz in cooperation with another company as well as a series of lectures on the topic of nursing care for family members. In 2012, the German Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (BMFSFJ) recognised Aareon as the most family-friendly company in Germany in the "Medium-sized Companies" category. Preparations have already begun for the recertification audit to be carried out in 2014 by "berufundfamilie gGmbH", a non-profit organisation.

### Equal opportunities

The purpose of the "Aareon 2.n" project launched in 2012 is to enhance Aareon's competitiveness and future viability as a company and to keep it firmly positioned as an employer preferred by candidates. Equal opportunities for women and men have a key role to play in this.

### Health management

Aareon started its "Corporate Health Management" project because the company's long-term success hinges upon

having productive, motivated and, above all, healthy employees. For this reason, the project aims to develop and implement measures for promoting employees' physical and psychological well-being.

#### Environment

One of the goals that Aareon pursues is to keep the environmental impact of its business activities to an absolute minimum. The power supplied to the company's headquarters in Mainz comes mainly from geothermal energy, a process in which heat pumps are used to transfer heat to and from deeper levels of the Earth's crust – in order to heat buildings in winter and cool them in summer. At Aareon's IT Service Centre, which came online at our new headquarters in 2011, the company deploys energy-efficient systems, which are regularly upgraded to stay abreast of technological progress. At the new Aareon IT Service Centre, it was possible to reduce the power usage effectiveness (PUE) ratio – i.e. the ratio of the total amount of energy used by a computer centre to the energy delivered to computing equipment – by more than 30%. This includes using the IT Service Centre's waste heat to support the building heating system and, in the summer, to replenish the geothermal reservoir. Aareon is also committed to promoting environmentally friendly, energy-conscious behaviour among its staff in their everyday work. One way of achieving this, for example, is through the use of teleconferences and videoconferences as well as webinars to reduce travel expenses. Our employees' IT workplaces are equipped in accordance with ecological guidelines. The systems used can generally be recycled, consume very little electricity and are low pollutant. Aareon takes sustainability criteria into account when selecting its suppliers.

The company plans to deploy only green electricity at its locations in Germany as from 2014.

#### Society

The actions of corporations extend beyond their core business activities and involve the assumption of social responsibility.

## Importance of promoting young talent in the property sector.

#### Sustainability in the property industry – innovation award

As an IT specialist for the property sector, Aareon supports the "DW Innovation Award for the Property Sector" and the "Property Manager of the Year" competition. The prestigious DW Innovation Award for the Property Sector was presented for the tenth time at the Aareon Congress in Garmisch-Partenkirchen, Germany. The topic in 2013 was "Web 2.0 – the Housing Industry Goes Digital."

Promoting young talent in the property sector is also very important to Aareon. The "Lerninsel" (islands of learning) programme – a joint initiative of Aareon and the Association of North German Housing Companies (VNW) – has been fostering trainees in the property industry for ten years. In fast-track courses held every summer, trainees gain the qualifications they need to become key players in tomorrow's property industry. Aareon also supports the "Institute for Information Technology Related to the Property Market" at Nürtingen-Geislingen University. This institute was conceived as an independent platform for research activities in information technology. Nürtingen-Geislingen University also awards the Aareon IT Sponsorship Award in Information Technology twice a year.

As part of its R&D activities, Aareon is leading IT partner in the EU's I-stay@home project, which aims to enable the elderly to continue living independently in their own homes for as long as possible (see p. 24).

#### Social responsibility

In the social arena, Aareon – in particular, its head office in Mainz – supports a number of organisations and initiatives, such as the Christophorus hospice and the Pfarrer-Landvogt-Hilfe organisation for the homeless. In addition, Aareon has for many years been making donations to Cologne-based DESWOS – the German Development Aid Agency for Social Residential and Settlement Projects.

# Events after the reporting date

No events or business transactions have occurred since the close of the fiscal year that could have an effect on Aareon's net assets, financial situation or earnings as presented in this report.

# Internal control system

Aareon AG's internal control system (ICS) consists of systematic organisational measures and controls that are designed to ensure compliance with the company's directives and to avert potential losses caused by the Company's own staff or third parties. The purpose of the accounting-related internal control systems is to guarantee that the company's operations are properly executed in legal and economic terms. One of the principal aims is to ensure the conformity of internal and external accounting processes and compliance with the relevant legal provisions.

In addition to customers and products, which constitute the company's core processes, this mainly concerns processes relating to liquidity, personnel and legal affairs.

The Management Board of Aareon AG is responsible for designing, establishing, applying, refining and reviewing an appropriate system of internal control over financial accounting. At Aareon AG, the processes for (Group) financial accounting are managed by the International Finance unit, which also takes charge of Group financial reporting. All of the company's subsidiaries are included in its consolidated financial statements. Finance and Internal Services handles financial accounting for Aareon AG, including preparation of the annual financial statements of Aareon Deutschland GmbH, Aareon Wodis GmbH and Aareon Immobilien Projektmanagement Gesellschaft mbH. The financial accounts of BauSecura Versicherungsmakler GmbH are handled by the Funk Group. Aareon UK Ltd., Aareon France SAS and SG|automatisering bv have independent financial accounting systems, and the Group's new Swedish subsidiary Incit AB is also responsible for its own accounts. The only exception within the Aareon Group is 1st Touch Ltd., which relies on an external accounting services provider, who passes on the corresponding data to co-subsidiary Aareon UK. Apart from Incit AB, each subsidiary independently enters its financial data in the Group's SAP® software programme. In fiscal 2013, the financial data reported by Incit AB was entered in the Group's software programme by members of the

Aareon Group's International Finance unit on that subsidiary's behalf. The data was consolidated at Group level.

The group accounting manual is an aid to preparing Aareon's financial statements that provides internal accounting process guidance that is in compliance with the legal requirements. This guidance is made available to all Aareon subsidiaries, reviewed on a regular basis and updated as required. During preparation of the financial statements, plausibility checks are carried out in the accounting systems of subsidiaries and key individual items analysed. In addition, a schedule for preparation of the annual financial statements is in place, in accordance with which all the subsidiaries complete their separate financial statements and submit them to the relevant Group department for preparation of the consolidated financial statements. Appropriate control processes are in place to monitor automated and manual entries. The principal accounting procedures are subject to the dual-control principle. An authorisation process is in place to protect the accounting and financial reporting systems against unauthorised access. The Finance unit of Aareon AG has an adequate number of highly qualified staff, who have the knowledge and experience needed for their areas of responsibility. Aareon also makes use of external service providers, for instance to assist in measuring pension obligations.

Aareon AG regularly monitors compliance with various guidelines, e.g. in respect of signatory powers, the use of company cars or travel expenses.

The company has summarised its core processes in matrix form. It has analysed the relevant objectives of the control process and devised appropriate control activities. The performance of the control activities, and hence the effectiveness of the controls, is documented in a variety of ways.

The Supervisory Board receives quarterly reports on the Group's performance.

Aareon AG's Internal Auditing department exercises a process-independent supervisory function. This department reports directly to the Management Board and provides audit and advisory services that are focused on monitoring the compliance, security and profitability of Aareon's business processes.

Aareon AG is integrated in the financial processes of its parent company, Aareal Bank AG.

Aareon AG maintains a risk management manual, which describes the main elements of the risk management system. In this context we also refer to the information provided in the risk report.

# Risks, opportunities and outlook

## Risk report

Aareon AG monitors and manages its business risks by means of a Group-wide risk management system that is based on the R2C\_risk standard software and includes an early warning function. The risk management system enables those responsible for the relevant divisions, investments and projects to record and analyse their respective risks – but not the associated opportunities – on a regular basis as well as to develop proactive risk management measures. Risks are assessed in two separate dimensions, namely their impact and their probability of occurrence. As a general rule, risks are reported only after any risk minimisation measures have been taken into account. The resulting risk reports are consolidated by the Group's Legal and Risk Management department and provide the basis for quarterly risk reporting. This topic is regularly dealt with at Management Board meetings and also forms part of the quarterly reports submitted to the Supervisory Board of Aareon AG. By means of its risk reporting system, Aareon sheds light on its risk situation and provides the company's management with a basis for deciding what measures to take. The risk reports document the measures proposed by those responsible to counter the ten risks assessed as being the highest in each quarter. The same applies to the measures taken against the risks that ranked among the top ten in one of the three preceding quarters. In this way, the effectiveness of the measures taken can be monitored. Over and above this, the Management Board of Aareon AG decides on the measures to be taken against risks whose expectancy (i.e. the product of impact and probability of occurrence) exceed a given threshold, even if the risk in question is not among the ten highest-rated.

Aareon's Internal Audit department ensures that the risk management system is reviewed on a regular basis. That includes checking for compliance with legal provisions and with the Group-wide guidelines documented in the risk management manual. In addition, a control owner carries out an internal audit to ascertain whether the internal risk management controls in place are effective.

Financial and market risks, management and organisational risks, risks from incidental and ambient conditions as well as production risks are among the types of risk to which Aareon is exposed. Liquidity, cost and revenue risks are analysed as part of the financial risks. Market risks include customer and competition risks, risks relating to associations' and advisory boards' opinion leadership as well as supplier risks. The management and organisation category combines risks relating to personnel, communication, corporate culture and planning, and individual processes. The incidental and ambient conditions category includes legal risks as well as political and regulatory risks. Production risks comprise product and project risks as well as risks relating to information security. There are interdependencies between the individual types of risk and risk groups. At the risk-category level, no overall risk value is calculated that is used for the internal management of the company.

The introduction of categories and subcategories assist the company in drafting a uniform risk atlas and achieving a uniform way of examining risks. The risk atlas summarises the risks and indicators observed by the individual divisions and Group companies.

## Customer survey – a key barometer.

The head of Legal and Risk Management informs the risk manager of any major changes in organisation, strategy or management policy decided on at meetings of the Management Board or senior management. The risk manager then amends the risk atlas to take account of these changed requirements. The risk owners, too, can propose that new risks be categorised or existing ones deactivated. Once the central Risk Management unit has carried out a review and reached a decision, the risk atlas is updated and the relevant risk owners informed.

Within the company, risks were already recorded individually and assessed in summary form in the areas of Sales and Products and Services. In the year under review, this same approach was applied in the area of Consulting. Viewed on average across the quarterly risk assessments, the risks faced by the company in 2013 were deemed to be lower than in the previous year.

Overall, Aareon AG was not exposed to any risks in the reporting year that would have threatened its status as a going concern or had a significant impact on its net assets, financial situation or earnings.

### Financial risks

Suitable measures are taken wherever necessary to control and monitor liquidity across the entire Aareon Group, including all of its subsidiaries, in order to ensure the Group's solvency. Every week, a liquidity forecast is prepared for Aareon in Germany on the basis of outstanding receivables and liabilities as well as known payment dates. At the company's foreign subsidiaries, this liquidity forecast is prepared on a monthly basis.

As Aareon AG is integrated in the financing processes of the Aareal Bank Group, its refinancing risk is judged to be secure and thus not taken into account.

After being acquired on 1 July 2013, Incit AB, Mölndal/Sweden, was included first in the consolidated financial statements and then in the group of consolidated companies for the purposes of risk consolidation. As a result, both bases of consolidation were identical as at 31 December 2013.

Aareon AG deals with the risk that earnings may be lower than planned by monitoring the costs, deadlines and quality of its customer projects in the course of project management. If contractual agreements on milestones for critical projects have not yet been achieved, additional action is taken in cooperation with the Consulting division in order to achieve the project targets.

Aareon AG deals with expense-related risks – which this year, for the first time, included market price risk – by promoting cost-awareness enforced by tight budgeting.

### Market risks

The Aareon Group's multi-product ERP strategy in Germany and country-specific ERP products at international level are the Group's response to the increasingly heterogeneous challenges facing the property industry. The ERP solutions in the individual countries can be combined with other industry-specific and integrated services. The emphasis is on exploiting Group synergies to develop add-on products. Issues of future relevance are deliberated on, assessed and prioritised according to their strategic significance in order to meet market requirements, win new customers and promote customer loyalty.

Aareon counteracts the risk of being unable to enforce its list prices in the marketplace by analysing competitors' pricing. Using a competitor analysis that is prepared by its Marketing and Communications department, and supported by the activities of the regional sales departments, Aareon ensures that it knows its competitors' products and can use that knowledge to achieve its own sales and revenue targets.

The Aareon Group also deals with general market risks, which include customer churn, greater demands on software systems, the entry of new competitors into the market and the counterparty default risk. At the Aareon Group, these risks are monitored by means of a monthly Management Board report on customer base management. The report also contains a detailed sales pipeline (i.e. a list of potential customers including an analysis of the probability of their becoming actual customers).

In order to support customers in changing over from their national payment transaction systems to SEPA and at the same time to comply with legal requirements, Aareon offers the required functions in all of its ERP systems and has met with a high level of acceptance in the market. Q2 2013 witnessed the start of the mass changeover phase to SEPA. The knowledge that Aareon AG gains from its active participation in property associations at both national and regional level as well as from competitor analyses is taken into account when surveying customer requirements.

Aareon's standardised customer survey, which is carried out every two years, is a key barometer for measuring general customer satisfaction with Aareon, the acceptance of its products as well as its image. Due in 2014, the next customer survey is planned to be carried out across all of Aareon's European companies. The survey enables Aareon to identify market requirements in good time and factor them into its product development and service management activities.

#### **Risks relating to management and organisation**

Aareon encounters risks relating to management and organisation in a number of areas.

A project has been launched on the merger of Aareon Deutschland GmbH and Aareon Wodis GmbH with the aim of reducing complexity, both in the delivery of services to the customer and in the internal billing of services, as well as lowering internal administration expenses. The objective is to optimise the legal structure of the Aareon Group. A first step in this process was the absorption of a German company into the Group in 2013.

Various measures have been implemented as a result of the first international projects launched in 2012. The aim of these is to systematically promote integration in the Aareon Group, encourage an international mindset and cross-border activities, and derive synergy effects from the sharing of information and ideas among experts. Employees who are in regular contact with colleagues abroad receive language and intercultural training. The international subsidiaries are managed via bodies such as the IOB (International Operating Board), IPM (International Product Meeting) and IFM (International Finance Meeting).



Biometric risks were evaluated for the first time in the year under review. In line with the concept of biometric statistics from the insurance industry (i.e. the calculation and forecasting of parameters of relevance to life insurers, e.g. mortality tables), biometric risks are understood to be those directly connected with a person's life. A system of health management was established in the year under review in order to promote the idea of sustainability and the related issue of preventive healthcare for employees. The goal is to enhance employee awareness of preventive health measures and thus lower absence rates. In addition, Software Services launched a project for employees who are soon to retire to ensure the transfer of their know-how to younger colleagues.

The joint goal of all the members of the Aareon Group is to continue pursuing the company's successful growth strategy in the year ahead, a goal that can be effectively supported by a strong brand that functions as a symbol of identification and orientation. The "brandIT" project was launched in 2012 with the aim of sharpening the Aareon brand profile. Working hand in hand with nearly all of the company's managers as well as many of its employees and customers, the project team took a structured approach to identify what constitutes the Aareon brand, what sets its selling proposition apart from the competition, and what form collaboration within the Aareon Group could take in future.

The Group believes that the development and strict management of the Aareon brand will secure it a competitive edge. Among other things, that should help future products and services to reach the break-even point faster. In addition, the focus is on increasing customer and employee satisfaction,

delivering products and services in line with the brand, building a brand commitment, promoting brand-compliant behaviour among staff as well as increasing perceived employer attractiveness.

Optimising corporate processes by means of cutting-edge IT solutions is one of Aareon's core competencies. To ensure that its own processes live up to this standard, Aareon has analysed, automated and optimised its internal processes and support systems over the last three years in the course of the "moveIT" strategy project. The goals pursued include reducing the complexity of the systems for users, doing away with redundancies in the systems, and familiarising staff with the simpler and more transparent processes.

In order to harness the momentum generated by the "moveIT" project, the moveIT steering committee was transformed into the Internal Projects Steering (IPS) Board and given a broader portfolio of tasks. The project manager tandem and the cross-divisional management of resources and content were retained. New duties of the IPS Board include budget control for third-party consultants across all internal projects, the coordination of project planning and the drawing up of a watch list of major internal projects for Management Board meetings. In order to implement the company's international growth strategy in organisational terms in the area of Finance and Internal Services, the Finance International Transformation (FIT) programme launched in 2012 was driven forward in the year under review. One objective of the programme is to underpin the international growth strategy by means of a highly capable, internationally focused finance department – a first step towards greater integration of the Aareon Group. The core elements

of the projects launched comprise the optimisation and standardisation of processes, the exploitation of potential synergy effects and the streamlining of information and supply processes.

#### **Incidental and ambient conditions**

For Aareon AG, legal, political and regulatory risks are termed incidental and ambient conditions. In the case of contracts with long terms, differences may arise between the services originally agreed and those actually delivered. The challenge consists in integrating changes in incidental and ambient conditions (especially those of a legal or technological nature) into existing contractual relationships in such a way as to ensure that the contracts can be fulfilled at all times. Aareon uses standard contracts that are continuously refined and adapted to reflect changes in products and laws as well as new court rulings. Where necessary, Aareon mutually agrees changes or additions to existing contracts with the relevant contracting parties in order to ensure that the contractually agreed services match those actually delivered to, or required by, the customer. Complaints management is a means of minimising potential claims for damages in connection with software implementation projects. The aim is to restore customer satisfaction as rapidly as possible by processing complaints in a timely and professional manner. Fast responses to customer complaints help to get things back on track and avert damage to the customer relationship.

#### **Production risks**

The Aareon Group constantly refines its ERP solutions and Integrated Services with an eye to the future, focusing on adding benefit for the customer. Like any other project, software development harbours the risk that the final product cannot be provided at the targeted cost, in the expected quality, or within the time frame expected by the market. That is why it is carried out using development and management methods based on internationally recognised standards. A uniform and professional approach is central to product development. The Management Board regularly reviews the list of all software development projects in progress and the assessment of the risks associated with them.

The use of Aareon development guidelines, ongoing checks, prompt systematic controls and specialised employee development programmes helps to reduce software development risks, e.g. when preparing new software releases. What is more, before starting work on custom projects, Aareon carefully compiles the functional specifications together with the customer. Enhancements to standard software that have been introduced to meet customer requirements are initially deployed with pilot customers. An IDW PS 951 Type B audit was carried out in order to save outsourcing customers individual internal control system audits by Aareon's central IT Services department. Both the adequacy and the effectiveness of the service-related internal control system were retrospectively certified in 2013 for the period 1 January to 31 December 2012. The main focus of attention was on IT security processes and controls (physical security, network, database and system security, data backup and job processing).

## Strengthening our position as a preferred employer

In order to comply with the provisions of Germany's Federal Data Protection Act (BDSG) and ensure the security of the customer data stored, regular voluntary data protection audits have been carried out since 2010 in accordance with Section 9a of the BDSG (see section on quality and security standards).

Realistic, documented countermeasures are taken to minimise the risk of any serious disruptions during the operation of customer software. These countermeasures cover the entire software development process, from design and testing through to normal operations and disaster prevention. Thus far, we have not experienced any disruptions leading to a prolonged loss of service. In order to minimise the risk of the application being disrupted as a result of unauthorised access, technical and organisational measures have been taken in accordance with the annex to Section 9 of the BDSG, and appropriate fire-protection, loss-protection and disaster-prevention measures have been put in place. These include securing the IT Service Centre premises with early-warning fire detectors, systems for actively preventing and extinguishing fires, and an autonomous emergency power supply system to avoid system crashes in the event of a power outage. Nevertheless, the possibility that a disruption or emergency could result in a breach of contractually agreed standards (SLA) cannot be entirely ruled out. In the event of emergencies, an appropriately equipped backup location is available, enabling Aareon to temporarily resume its contractual obligations after a specified adjustment period.

The company has also installed comprehensive data backup processes that allow it to reconstruct lost data fully or partially in due time. Aareon has addressed the issue of liability risk by taking out an errors and omissions insurance

policy for a certain scope of cover and limit of indemnity. This policy provides cover in the event that Aareon is found liable to a third party for financial losses incurred as a result of its activities as an IT provider.

### Opportunities

Identifying, creating and utilising opportunities is central to Aareon's corporate strategy. Aareon's own research and development activities play a crucial role here, as do its constant observation and analysis of developments in the property and IT industries, the competitive environment and society as a whole. The many opportunities identified through this process can be summarised as follows:

- Opportunities from customer focus
- Opportunities from an integrated, ground-breaking product portfolio
- Opportunities from the company's international position
- Opportunities from being a preferred employer
- Opportunities from a sustainable business model
- Opportunities from brand management

When utilising opportunities, Aareon weighs them up against the risks involved by means of the risk management system the company has in place (see p. 40).

#### Opportunities from customer focus

Aareon keeps close contact with its customers and the property industry. Many of its customer relationships are of long standing, reaching back over many years. The company is a member of several property industry associations – among them the German Federation of Housing and Property Companies (GdW). Over and above this, the dialogue with our customers is systematically maintained through both the Aareon customer advisory boards and the numerous

discussions we hold with clients in the course of everyday business. This proximity to the industry and our customers presents us with the opportunity to identify customer trends, needs and requirements as they arise and to take them into account in the ongoing development of our portfolio of products and services. This is backed up by a Group-wide customer satisfaction survey carried out every two years. These customer-related activities also enable us to maintain our high levels of customer satisfaction and customer loyalty in the long term.

#### **Opportunities from an integrated, ground-breaking product portfolio**

Aareon offers consulting, software and services from a single source. The portfolio comprises ERP solutions, which are enhanced with Integrated Services and add-on products. The result is one system with one database that guarantees ease of operation and process efficiency. Depending on the mode of operation they opt for, our customers can use the certified Aareon IT Service Centre, for example when utilising our software as a service from the exclusive Aareon Cloud. Aareon offers corresponding consulting services for all its products and services. This comprehensive, integrated portfolio gives us advantages over our competitors. Current requirements in the industry mean that IT structures are becoming ever more complex and, ideally, companies want to procure their IT services from a single partner. Aareon's ability to offer and operate everything from a single source grants it opportunities in this respect.

Aareon's solutions create possibilities for the company to consolidate and expand on its position as market leader. Ongoing R&D activities create the underpinnings for this (see p. 23). Among other things, Aareon benefits from its inter-

national presence and from the transfer of know-how that that enables. The growth potential arising out of the new trends and requirements of both customers and the market is harnessed by the company both when refining and enhancing existing products and services and developing entirely new ones.

#### **Opportunities from the company's international position**

Aareon's international presence – i.e. the growth strategy it pursues – enables it to tap the potential arising in individual national markets. Wherever possible, the company exploits synergies within the Aareon Group and enables the sharing of technological and cultural know-how (see p. 23).

#### **Opportunities from being a preferred employer**

The demographic trend means that, in the years ahead, competition for qualified workers will intensify. That is why Aareon is constantly working to strengthen its position as a preferred employer (see p. 35). We achieve this by means of binding leadership guidelines as well as a systematic dialogue between managers and employees that is the starting point for further development prospects. What is more, Aareon offers its employees services for a healthy work-life balance, equal opportunities for women and men, and a corporate health management system. This creates opportunities for further enhancing employee satisfaction and loyalty, and for facilitating the search for qualified new recruits. The anonymous employee survey held across the Group every year is a useful tool for gauging the mood of Aareon's workforce. In the race to recruit qualified new workers, Aareon relies on personnel marketing activities that help to establish a link with potential employees very early on. For instance, Aareon works together with universities and offers students internships.

#### **Opportunities from a sustainable business model**

Together with its parent company Aareal Bank, Aareon pursues a strategy that is geared to sustainability (see p. 34). This creates opportunities to ensure the company's future viability in the long term and to cultivate a positive image with stakeholders, namely of Aareon as a responsible company.

#### **Opportunities from brand management**

Aareon actively manages its brand and the values associated with it. This is a key component of the company's strategy and personality, and affects all areas of the organisation. It opens up opportunities for Aareon to distinguish itself even better from the competition and to win over stakeholders, customers and qualified workers alike. That, in turn, creates further potential for growth.

#### **Outlook**

Aareon expects EBIT to increase slightly in 2014. In particular, the acquisition of Incit AB in 2013, the ongoing migrations of GES customers to Wodis Sigma, and the vibrant growth achieved by our international subsidiaries will be decisive factors in this trend.

The digitisation of communication in the property industry and the associated deployment of CRM solutions and mobile services are increasingly gaining in importance. In this context, the trend towards cloud computing will continue to gain ground in the market for property industry software.

In Germany, EBIT in 2014 is expected to be roughly around the same level as in 2013, with modest revenue growth being eroded to a certain extent by higher personnel and employee-related costs from new recruitments as well as by project costs.

#### **ERP Products**

We expect revenues and EBIT in the ERP Products segment to remain constant in fiscal 2014.

In particular, a substantial increase in revenues is expected for the Wodis Sigma product line, with activities aimed at a gradual increase in both migration volumes and consulting services being the main factor in this trend. This will manifest itself in rising income from consulting and licenses.

In 2013, business with the GES product line was mainly influenced by substantial non-recurring projects with major customers and by the launch of SEPA. Aareon expects to post much lower revenues for the GES product line in 2014 as the above-mentioned factors will cease to have an effect and GES customers will continue to migrate to Wodis Sigma.

As far as the SAP® solutions and Blue Eagle product line is concerned, revenues are expected to remain stable even though the boost in revenues triggered by the SEPA launch in 2013 will not be repeated.

### Integrated Services

The Integrated Services segment can expect to record a significant increase in revenues in 2014, especially on the back of the strong demand for the CRM solutions and Mobile Services launched by Aareon in 2013 and for the “Aareon Archiv kompakt” product. EBIT in this segment is forecast to be much the same as in 2013 owing to higher development expenditure. Consulting for Integrated Services is also expected to generate healthy revenues.

### International Business

The International Business segment is expected to record substantial increases in both revenues and EBIT in 2014, especially since the acquisition of Incit AB in Sweden. What is more, we also expect all other international subsidiaries to post significantly higher revenues and earnings.

In the Netherlands, the government is pushing ahead with structural changes to the social housing sector, and Aareon is preparing to meet these changes with enhanced products. The SG|tobias<sup>AX</sup> product generation will continue to gain market penetration. Fiscal 2014 is expected to see further licensing agreement renewals, which should in turn generate substantial growth in revenues and earnings.

We expect Aareon France SAS to post a slight increase in revenues. This will stem mainly from consulting and maintenance services, especially for the ERP products Portallmmo Habitat and Prem'Habitat owing to expected higher utilisation and per-diem rates. The introduction of Release 3.0 of the Prem'Habitat ERP solution is planned for 2014. Aareon France's contribution to earnings is set to rise significantly in 2014.

In the UK, the pricing war in the ERP solutions market continues to exert a strong influence on the acquisition of new customers. Nevertheless, Aareon UK Ltd. is expected to record modest growth in revenues in 2014, in particular thanks to an increase in Mobile Services and document management business and to unchanged costs. The QL ERP solution will continue to be upgraded in line with the latest technological requirements. We expect Aareon UK Ltd. to achieve a slight increase in its contribution to EBIT in 2014.

As for 1st Touch Ltd., the strong demand for Mobile Services is having a positive effect on both revenues and earnings, and the company is forecast to grow again in 2014 on the back of a substantial increase in new business. This growth trend will go hand in hand with higher capital expenditure, primarily due to expansion of the workforce.

As far as Incit AB is concerned, we expect to see a significant increase in revenues thanks to new business. At the same time, we are forecasting an increase in personnel and employee-related costs. The acquisition of Incit AB will bring about a lasting increase in the Aareon Group's earnings.

### Projects

The strategic “brandIT” project, the purpose of which is to further strengthen the Aareon brand in the market for property management software, will be continued in 2014 – also at international level.

As part of the “Work and Family at Aareon” project, preparations will be made for recertification, which is due in 2014. In addition, further measures are being planned for 2014 in connection with the “Aareon 2.n” project to ensure equal opportunities. The “Corporate Health Management” project begun in 2013 will be continued in 2014.

### Summary

In view of the preceding information, Aareon expects, on the whole, to substantially increase its revenues in 2014 and, at around €28 million, to achieve a slightly higher EBIT figure than in 2013.

All statements made in this Group management report that do not pertain to past events should be regarded as forward-looking statements. The company does not accept any responsibility for updating or correcting such forward-looking statements. All forward-looking statements are subject to differing risks and levels of uncertainty. As a result, the actual figures may deviate from expectations. The forward-looking statements reflect the prevailing opinion at the time that they were made. The highlighted statements in the headlines do not form part of the audited Group management report.

Aareon pursues a profitable growth strategy that is based on the pillars of its corporate strategy – clear customer focus, pioneering solutions, dependable partner.



# Consolidated financial statements

**52—Consolidated statement of comprehensive income**

**53—Consolidated balance sheet**

**54—Consolidated statement of changes in equity**

**55—Consolidated statement of cash flows**

**56—Consolidated financial statements**

56—General disclosures

56—Information on accounting policies and consolidation methods

62—Accounting principles

67—Notes to the consolidated statement of comprehensive income of the Aareon Group

69—Notes to the consolidated balance sheet of the Aareon Group

82—Other explanatory notes

83—Consolidated statement of cash flows

83—Corporate bodies

84—Concluding remarks

**85—Auditors' report**

# Consolidated statement of comprehensive income

for the period 1 January to 31 December 2013

€ '000	Note	2013	2012*
Revenues	4.1	173,402	165,245
Other own work capitalised	5.1	4,401	2,210
Other operating income	4.2	4,266	3,480
Cost of materials	4.3	20,378	19,272
a) Software and hardware costs		2,630	2,054
b) Cost of services bought		17,748	17,218
Staff costs	4.4	93,422	85,967
a) Wages and salaries		77,358	71,309
b) Social security contributions and cost of post-retirement benefits and other benefits		16,064	14,658
Of which for post-retirement benefits: €2,939k (previous year: €2,195k)			
Depreciation/amortisation	5.1/5.2	9,336	8,824
Other operating expenses	4.5	31,175	29,988
Other taxes		680	548
<b>EBIT (earnings before interest and taxes)</b>		<b>27,078</b>	<b>26,336</b>
Other interest and similar income	4.6	212	239
Of which from affiliated companies: €31k (previous year: €47k)			
Impairment of financial assets	4.6	64	0
Interest and similar expenses	4.6	750	428
Of which to affiliated companies: €194k (previous year: €228k)			
<b>Profit/loss from ordinary activities</b>		<b>26,476</b>	<b>26,147</b>
Income taxes	4.7	8,054	7,880
<b>Consolidated net profit</b>		<b>18,422</b>	<b>18,267</b>
Of which attributable to:			
Shareholders of the parent company		16,886	16,570
Non-controlling interests		1,536	1,697
<b>Other comprehensive income (OCI)</b>		<b>-257</b>	<b>-3,443</b>
<b>Items not recycled to profit and loss</b>		<b>-257</b>	<b>-3,443</b>
Actuarial gains and losses from defined benefit plans		-359	-5,004
Income tax on actuarial gains and losses from defined benefit plans		102	1,561
<b>Comprehensive income</b>		<b>18,165</b>	<b>14,824</b>
Of which attributable to:			
Shareholders of the parent company		16,629	13,127
Non-controlling interests		1,536	1,697

\* The prior-year figures have been adjusted (see Note 3.7).

# Consolidated balance sheet

as at 31 December 2013

Assets			
€ '000	Note	31 Dec. 2013	31 Dec. 2012*
<b>Non-current assets</b>			
Intangible assets	5.1	104,538	82,746
Property, plant and equipment	5.2	14,315	15,608
Financial assets	5.3	4,831	4,821
Other non-current assets	5.9	1,104	0
Non-current income tax receivables	5.5	1,004	1,315
Deferred tax assets	5.6	2,966	3,237
		<b>128,758</b>	<b>107,727</b>
<b>Current assets</b>			
Inventories	5.7	515	1,411
Trade receivables	5.8	31,042	27,092
Other current assets	5.9	5,932	3,198
Current income tax receivables	5.5	3,755	4,533
Cash and cash equivalents	5.10	12,120	19,437
		<b>53,364</b>	<b>55,671</b>
		<b>182,122</b>	<b>163,398</b>
<b>Equity and liabilities</b>			
€ '000			
	Note	31 Dec. 2013	31 Dec. 2012*
<b>Equity</b>			
Equity attributable to shareholders	5.11 / 5.12 / 5.13	88,043	71,843
Non-controlling interests	5.14	2,214	2,373
		<b>90,257</b>	<b>74,216</b>
<b>Non-current liabilities</b>			
Provisions for pensions and similar obligations	5.15	26,391	26,155
Other non-current provisions	5.16	2,061	1,266
Deferred tax liabilities	5.6	7,635	5,951
Non-current purchase price liabilities	5.17	5,993	945
Other financial liabilities	5.20	1,686	2,012
		<b>43,766</b>	<b>36,329</b>
<b>Current liabilities</b>			
Other current provisions	5.16	10,187	10,492
Liabilities to banks		0	10,394
Current income tax liabilities	5.18	3,518	1,094
Trade payables	5.19	5,116	5,651
Current purchase price liabilities	5.17	3,586	6,717
Other liabilities	5.20	25,692	18,505
		<b>48,099</b>	<b>52,853</b>
		<b>182,122</b>	<b>163,398</b>

\* The prior-year figures have been adjusted (see Notes 2.5 and 3.7).

# Consolidated statement of changes in equity

for the period 1 January to 31 December 2013

€ '000

	Subscribed capital	Share premium	Currency translation differences	Total before non-controlling interests	Total
<b>Equity attributable to shareholders</b>					
<b>1 January 2013</b>	<b>25,000</b>	<b>26,400</b>	<b>-433</b>	<b>20,876</b>	<b>71,843</b>
Dividend	0	0	0	0	0
Consolidated net profit	0	0	0	16,886	16,886
Other comprehensive income (OCI)	0	0	0	-257	-257
Other changes	0	0	-396	-33	-429
<b>31 December 2013</b>	<b>25,000</b>	<b>26,400</b>	<b>-829</b>	<b>37,472</b>	<b>88,043</b>
<b>Non-controlling interests</b>					
<b>1 January 2013</b>	<b>79</b>	<b>0</b>	<b>0</b>	<b>2,294</b>	<b>2,373</b>
Dividend	0	0	0	-1,695	-1,695
Consolidated net profit	0	0	0	1,536	1,536
Other comprehensive income (OCI)	0	0	0	0	0
Other changes	0	0	0	0	0
<b>31 December 2013</b>	<b>79</b>	<b>0</b>	<b>0</b>	<b>2,135</b>	<b>2,214</b>

for the period 1 January to 31 December 2012

€ '000

	Subscribed capital	Share premium	Currency translation differences	Total before non-controlling interests	Total
<b>Equity attributable to shareholders</b>					
<b>1 January 2012*</b>	<b>25,000</b>	<b>26,400</b>	<b>-478</b>	<b>27,938</b>	<b>78,860</b>
Dividend	0	0	0	-20,144	-20,144
Consolidated net profit	0	0	0	16,570	16,570
Other comprehensive income (OCI)	0	0	0	-3,443	-3,443
Other changes	0	0	45	-45	0
<b>31 December 2012*</b>	<b>25,000</b>	<b>26,400</b>	<b>-433</b>	<b>20,876</b>	<b>71,843</b>
<b>Non-controlling interests</b>					
<b>1 January 2012*</b>	<b>79</b>	<b>0</b>	<b>0</b>	<b>1,941</b>	<b>2,020</b>
Dividend	0	0	0	-1,344	-1,344
Consolidated net profit	0	0	0	1,697	1,697
Other comprehensive income (OCI)	0	0	0	0	0
Other changes	0	0	0	0	0
<b>31 December 2012*</b>	<b>79</b>	<b>0</b>	<b>0</b>	<b>2,294</b>	<b>2,373</b>

\* The prior-year figures have been adjusted (see Note 3.7).

# Consolidated statement of cash flows

for fiscal 2013

€ '000	2013	2012*
EBIT (earnings before interest and taxes)	27,078	26,336
Depreciation and amortisation	9,336	8,824
Income taxes paid	-5,158	-13,390
Interest paid	-324	-428
Interest received	212	239
Increase (-)/decrease in inventories	926	-217
Increase (-)/decrease in receivables and other assets	104	2,527
Increase (-)/decrease in other assets	-2,483	441
Increase/decrease (-) in provisions	8,766	-2,545
Increase/decrease (-) in liabilities	-10,274	1,688
Increase/decrease (-) in other liabilities	1,419	130
<b>Cash flow from operating activities</b>	<b>29,602</b>	<b>23,605</b>
Payments for investments in non-current assets	-7,324	-8,416
Payments for the purchase of consolidated companies and other business units (less cash in hand acquired)	-17,730	-9,823
Exchange-rate-related changes in non-current assets	621	-34
<b>Cash flow from investing activities</b>	<b>-24,433</b>	<b>-18,273</b>
Payments made/received for working capital loan	-10,394	10,394
Payments to non-controlling interests	-1,696	-1,343
Payments to shareholders	0	-20,144
Other changes in capital	0	-48
<b>Cash flow from financing activities</b>	<b>-12,090</b>	<b>-11,141</b>
Cash change in cash and cash equivalents	-6,921	-5,809
Exchange-rate-related changes in cash and cash equivalents	-396	45
<b>Total change in cash and cash equivalents</b>	<b>-7,317</b>	<b>-5,764</b>
Cash funds at the beginning of the period	19,437	25,201
<b>Cash funds at the end of the period</b>	<b>12,120</b>	<b>19,437</b>

\* The prior-year figures have been adjusted (see Note 3.7).

# Consolidated financial statements

## 01 General disclosures

### 01.1 Compliance with legal requirements

The consolidated financial statements of Aareon AG, Isaac-Fulda-Allee 6, 55124 Mainz, Germany, for fiscal 2013 were prepared voluntarily in accordance with International Financial Reporting Standards (IFRS), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), the interpretations of the former Standing Interpretations Committee (SIC) as applicable in the EU, as well as with the applicable provisions of Section 315a (1) of the German Commercial Code (Handelsgesetzbuch – “HGB”). All of the International Financial Reporting Standards that must be applied for the consolidated financial statements as at 31 December 2013 were taken into account. The financial statements give a true and fair view of the net assets, financial situation and earnings of the Aareon Group. The consolidated financial statements have been prepared in euros. Unless indicated otherwise, all amounts are shown in thousands of euros (€ '000 or € k).

For the sake of enhanced clarity and transparency, all notes on individual items in the balance sheet / statement of comprehensive income that are provided in accordance with statutory provisions and that may be shown either in the balance sheet / statement of comprehensive income or in the Notes section are given in the Notes. Where individual items are summarised in the balance sheet and the statement of comprehensive income, they are broken down in the Notes.

Aareon AG is a wholly owned subsidiary of Aareal IT Beteiligungen GmbH, Paulinenstraße 15, 65189 Wiesbaden, Germany. It is included in the consolidated financial statements of its ultimate parent company, Aareal Bank AG, pursuant to the provisions for consolidation.

### 01.2 Disclosures on operating activities

Aareon AG – a European provider of consultancy and systems for the property industry – offers its customers consulting, software and services. The company has a presence at 27 locations, nine of which are in Germany, the rest being spread across France, the UK, the Netherlands, Norway and Sweden. As at 31 December 2013, the company had 1,258 employees (previous year: 1,168). Its head office is located in Mainz, Germany.

Aareon’s customers include private housing companies, co-operatives, municipal and church-run housing organisations, property management companies, home owners’ associations, insurance companies, property investment funds, companies with property holdings (corporate real estate), commercial property operators and providers of heat-metering services.

## 02 Information on accounting policies and consolidation methods

### 02.1 Accounting principles

In order to ensure the comparability of the financial statements of different periods, a general continuity is preserved in the methods of presentation used and the accounting policies applied.

The principle of materiality is observed when disclosing information. For arithmetical reasons, rounding differences of up to one unit in either direction may occur in tables. The statement of comprehensive income has been prepared using the total cost method. All assets and liabilities with a term of less than one year are recognised as current assets.

The presentation of the consolidated financial statements is subject both to the recognition and measurement methods used to prepare those statements and to the uncertainty of the assumptions and estimates made in respect of future events. Where assumptions and estimates are required for accounting and measurement purposes, they are made in accordance with the relevant accounting standards. The estimates and assumptions are based on historical experience and other metrics such as planning figures. The estimates and assessments used, as well as the underlying assessment factors and estimation methods, are regularly reviewed and compared with the events that actually occur. In our opinion, the parameters used are both suitable and reasonable.

The main assumptions concerning the future and other sources of estimation uncertainty giving rise to a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year concern, in particular, the calculation of pension obligations and of provisions, and the measurement of intangible assets and of tax assets and liabilities.

## 02.2 Consolidation principles

In accordance with IFRS, the separate financial statements of the individual subsidiaries are included in the consolidated financial statements by uniformly applying the accounting policies defined by Aareon AG. The historical cost of the subsidiaries included in consolidation is offset against their proportionate equity on their respective dates of acquisition in line with the purchase method. Any goodwill remaining is recognised under intangible assets.

All receivables and liabilities as well as revenues, income or expenses resulting from transactions between the consolidated companies have been eliminated. Balancing items for non-controlling interests were created for any shares in fully consolidated subsidiaries not held by the parent company. These are affected by any consolidation measures recognised in profit and loss.

## 02.3 Currency translation

The international companies belonging to the Aareon Group are independent sub-units, whose financial statements are translated into euros using the functional currency method. The items in the statement of comprehensive income are translated using the average exchange rate; all monetary and non-monetary assets and liabilities are translated into euros using the European Central Bank's reference rate on the balance sheet date. Differences impacting equity are disclosed directly in a separate equity item until disposal of the subsidiary. This also applies to any deviations between the unappropriated surplus converted using the closing rate at the balance sheet date and the results shown in the consolidated statement of comprehensive income, which are based on average exchange rates. The components of equity to be consolidated as capital are translated using historical exchange rates.

The following rates were used for currency translation:

1 € =		Balance sheet		Statement of comprehensive income	
		Closing rate		Average exchange rate	
		31.12.2013	31.12.2012	2013	2012
United Kingdom	GBP	<b>0.8337</b>	0,8161	<b>0.84926</b>	0,81087
Sweden	SEK	<b>8.8591</b>	n/a	<b>8.77130</b>	n/a
Norway	NOK	<b>8.3630</b>	n/a	<b>8.08770</b>	n/a

As Incit AB was acquired in the course of 2013, the average rates given for SEK and NOK reflect the averages for the period 1 July to 31 December 2013.

## 02.4 Scope of consolidation

The group of consolidated companies includes Aareon AG as well as all subsidiaries in which Aareon AG either directly or indirectly holds the majority of voting rights or the right to appoint the majority of the Supervisory Board members. In addition, one entity – SG2ALL B.V., Huizen – is included as a jointly controlled entity and accounted for using the equity method. Please see Note 5.4 for a list of all subsidiaries included in the consolidated financial statements, along with information on the percentage of shares held, equity and net profit/loss for the year.

The merger of Aareon Software Handelsgesellschaft mbH, Mainz, and Aareon Deutschland GmbH took effect retroactively as of 1 January 2013 following the entry of the merger in the commercial register on 26 August 2013. Aareon Deutschland GmbH continues to handle operating business for both units. As of 1 July 2013, Aareon AG acquired 100% of the shares in Incit AB, which is domiciled in Mölndal (in the greater Gothenburg metropolitan area), Sweden. Incit AB has two subsidiaries, one domiciled in the Netherlands, the other in Norway. The company is a leading provider of ERP software for real estate management in Scandinavia.

Pursuant to IFRS 3, all consideration transferred in connection with the business combination (including contingent consideration) must be measured and recognised at fair value as at the acquisition date. The purchase price for Incit AB comprises a fixed price of €13,866k and a contingent purchase price. The contingent purchase price is payable as of 30 June annually for the consecutive 12-month periods between 2014 and 2016, and is calculated by comparing actual EBIT with planned EBIT. The expected earnings corridor is well above the planned figures, with the result that the contingent purchase price was measured on the basis of the contractually capped goal achievement level of 150%. The fair value of the contingent purchase price amounted to €8,034k at the acquisition date and has not changed since then. The pro rata fair value of the assets and liabilities was €9,534k. The acquired assets and liabilities were recognised in the following amounts:

Incit Group in € '000	Carrying amount prior to takeover	Fair value as at date of initial consolidation
Purchased software and other intangible assets	896	4,887
Customer relations	0	4,624
Brands	0	1,019
Property, plant and equipment	74	74
Receivables	2,189	2,189
Cash and cash equivalents	1,666	1,666
Other assets	297	297
Financial liabilities	2,086	2,086
Non-financial liabilities	809	809
Deferred tax liabilities	208	2,327
<b>Net assets acquired</b>	<b>2,019</b>	<b>9,534</b>

The takeover resulted in goodwill in the amount of €12,390k, which includes market potential and economic advantages that Aareon considers it has gained through entry into the Swedish market. In addition, the business combination pre-

sents opportunities for expanding the company's business activities throughout the entire Scandinavian region. No goodwill exists that could be expected to qualify as a tax deduction. Since it was acquired, Incit AB has contributed revenues of €4,725k and a net profit of €313k to the Aareon Group. Prior to consolidation, the acquired companies closed their books for the stub fiscal year and did not prepare any monthly financial statements. Therefore, on the premise that the acquisition had taken place on 1 January 2013, it would take substantial accounting effort to calculate the Incit Group's revenue and profit for the year. That is why no corresponding disclosures have been made in this annual report.

## 02.5 Changes in accounting policies

The following accounting and reporting standards (IAS/IFRS) were applied for the first time in the reporting period:

- IFRS 13, Fair Value Measurement – the standard provides uniform criteria and disclosure requirements for measuring fair value. These were previously set down in a number of different standards. The standard expands the scope of the disclosures of non-financial assets to be made in the Notes section. For example, they are to be recognised at fair value in the case of business combinations or investment property. Fair value is defined 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.
- Amendments to IAS 1, Presentation of Financial Statements – the amendments to IAS 1 concern presentation of the items shown under “Other comprehensive income” in the statement of comprehensive income.
- Amendments to IAS 19, Employee Benefits, Post-Employment Benefits – in line with the amendments to IAS 19, unexpected fluctuations in pension obligations or in any plan assets must be recognised directly in the item “Remeasurement of defined benefit plans” under “Other comprehensive income”. The previous option of choosing between immediate recognition in profit and loss or in other comprehensive income and on a staggered basis using the corridor method has been eliminated. A further amendment concerns interest



income on plan assets, which is no longer to be estimated in accordance with expected interest in line with asset allocation. Instead, income from the expected interest earned on the plan assets may be recognised only in an amount equaling the discount rate.

- Amendments to IFRS 7, Financial Instruments: Disclosures – the amendments concern disclosures regarding the offsetting of financial assets and financial liabilities. In future, as an additional mandatory disclosure, the gross and net amounts from offsetting in the financial statements and the probable effects of offsetting agreements that do not meet the requirements for offsetting in the financial statements must be disclosed.
- Amendments to IAS 12, Income Taxes – in accordance with IAS 12, the measurement of deferred taxes depends on whether the carrying amount of the asset is realised through utilisation or sale. The amendment introduces the rebuttable presumption that the carrying amount is normally realised through sale. As a consequence of this amendment, SIC 21, Income Taxes no longer applies to investment property measured at fair value.

—Annual Improvements Project: Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards; IAS 1, Presentation of Financial Statements; IAS 16, Property, Plant and Equipment; IAS 32, Financial Instruments: Presentation; IAS 34, Interim Financial Reporting.

With the exception of IAS 19 (revised), the new or amended accounting and reporting standards and interpretations had no major impact on the consolidated financial statements of Aareon. The impact of IAS 19 (revised) is explained in the following section.

Up until 31 December 2013 the following accounting and reporting standards (IAS/IFRS) and interpretations (IFRIC), which are to be applied in future financial years, had been issued by the International Accounting Standards Board (IASB) and endorsed by the European Union:

New standards/interpretations	Issued	Endorsed	Effective date
IFRS 9, Financial Instruments	November 2013		Postponed
IFRS 10, Consolidated Financial Statements	May 2011	December 2012	Accounting periods beginning on or after 1 January 2014
IFRS 11, Joint Arrangements	May 2011	December 2012	Accounting periods beginning on or after 1 January 2014
IFRS 12, Disclosure of Interests in Other Entities	May 2011	December 2012	Accounting periods beginning on or after 1 January 2014
IAS 27, Separate Financial Statements	May 2011	December 2012	Accounting periods beginning on or after 1 January 2014
IAS 28, Investments in Associates and Joint Ventures	May 2011	December 2012	Accounting periods beginning on or after 1 January 2014
IFRIC 21, Levies	May 2012		Accounting periods beginning on or after 1 January 2014

Revised standards	Issued	Endorsed	Effective date
IAS 19, Defined Benefit Plans: Employee Contributions	November 2013		Accounting periods beginning on or after 1 January 2014
IAS 27, Separate Financial Statements: Investment Entities	October 2013	November 2013	Accounting periods beginning on or after 1 January 2014
IAS 32, Presentation of Financial Instruments	December 2011	December 2012	Accounting periods beginning on or after 1 January 2014
IFRS 7, Financial Instruments: Disclosures	December 2011		Postponed
IFRS 10, Consolidated Financial Statements	June 2012	April 2013	Accounting periods beginning on or after 1 January 2014
IFRS 11, Joint Arrangements	June 2012	April 2013	Accounting periods beginning on or after 1 January 2014
IFRS 12, Disclosure of Interests in Other Entities	June 2012	April 2013	Accounting periods beginning on or after 1 January 2014
IAS 36, Impairment of Assets	May 2013		Accounting periods beginning on or after 1 January 2014
IAS 39, Financial Instruments: Recognition and Measurement	June 2013		Accounting periods beginning on or after 1 January 2014

- IAS 19, Defined Benefit Plans: Employee Contributions – the amendment clarifies the treatment of contributions that are made by employees or third parties and are linked to service.
- IAS 27 (2011), Separate Financial Statements – in future, the standard will deal only with rules for separate financial statements; IAS 27, Separate Financial Statements: Investment Entities – this amendment to the standard will make it possible to measure certain investment entities at fair value and to forgo their consolidation as subsidiaries.
- IAS 28 (2011), Investments in Associates and Joint Ventures – the standard has been adapted to suit IFRS 10, 11 and 12.
- IAS 32, Financial Instruments: Presentation – clarification of a number of details concerning the offsetting of financial assets and liabilities as well as additional disclosures.
- IAS 39, Financial Instruments: Disclosure and Measurement – the amendment enables companies to claim relief from the provisions concerning the discontinuation of hedge accounting. In line with this amendment, novations of derivatives contracts that are prescribed by law or by contract, such as the implementation of central clearing, do not lead to discontinuation of the hedging relationship in accordance with IAS 39.
- Amendments to IFRS 7, Financial Instruments: Disclosures – the amendments concern extended disclosure obligations for the transfer of financial instruments and should make it easier for readers of financial statements to understand the effects of the risks remaining with the company.
- IFRS 9, Financial Instruments – the intention of the standard is to revise recognition of financial instruments in the finan-

cial statements. It will completely replace IAS 39. The development of IFRS 9 is divided into three phases: "Classification and Measurement", "Impairment" and "General Hedge Accounting". The new standard simplifies the rules for hedge accounting by creating a clearer link between the company's risk management strategy and the reflection in the financial statements of the hedging instruments it uses. The disclosure obligations for hedge accounting will be expanded. The final standard was issued by the IASB in November of the year under review.

Aareon is currently assessing the effects of the implementation of IFRS 9 on its consolidated financial statements.

- IFRS 10, Consolidated Financial Statements – IFRS 10 replaces the guidance concerning control and consolidation contained in IAS 27, Consolidated and Separate Financial Statements and SIC-12, Consolidation – Special Purpose Entities. No change has been made to the guidance provided for separate financial statements. IFRS 10 modifies the definition of "control" such that the same criteria are applied to all companies to identify a controlling relationship.
- IFRS 11, Joint Arrangements – IFRS 11 replaces IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities – Non-Monetary Contributions by Venturers, which were previously the authoritative provisions in matters relating to the recognition of joint ventures in financial statements. IFRS 11 outlines the accounting of arrangements in which a company exercises joint control over a joint venture or joint operation. The new standard does away with proportionate consolidation of joint ventures, which in future must always be accounted for using the equity method. If a company participates in a joint operation, the assets, liabilities, income and expenses from the operation that are directly attributable to the company must be recognised directly in its consolidated financial statements.
- IFRS 12, Disclosure of Interests in Other Entities – IFRS 12 sets down the required disclosures for companies that prepare their financial statements in accordance with the new IFRS 10 and IFRS 11 standards. The standard replaces the dis-

closure obligations currently contained in IAS 27, IAS 28 and IAS 31. Companies must disclose information enabling the readers of financial statements to evaluate the nature of, and risks associated with, the companies' interests in subsidiaries, associates and joint arrangements. New disclosure requirements have arisen in connection with unconsolidated structured entities. In future, detailed information must be made available on the nature of the relationship with, and the risks involved in, the unconsolidated structured entity in which the company has an interest or which it sponsors.

In fiscal 2013, Aareon did not make use of the option of early application of standards applicable in future financial years.

In fiscal 2013, Aareon made changes to the following other accounting and reporting policies:

In 2013, provisions for outstanding invoices were no longer recognised under other liabilities, but under trade payables. The previous year's figures were restated accordingly. Owing to their importance, the purchase price liabilities are presented separately. Similarly, financial assets/liabilities and non-financial assets/liabilities are shown as separate items. In addition, in the year under review, items belonging together in terms of content in the amount of €2,811k were netted and recognised under deferred tax assets and liabilities. Further, deferred tax liabilities were recognised in full under non-current liabilities. The amended items are marked with an asterisk (\*).

In the year under review, an adjustment was made to accounting-related estimates. The useful life of the software purchased during the acquisition of SG|automatisering bv was changed from seven to ten years owing to contract renewals. The useful life of ten years now corresponds to the economic realities of the software and to the customary approach taken in the industry. This amendment thus improves presentation of the financial statements. This new estimation was made on the best judgement of management. Extension of the amortisation period impacted earnings in 2013 in the amount of €327k.

## 03 Accounting principles

### 03.1 Intangible assets

Purchased intangible assets, primarily software, are capitalised at cost and subject to straight-line amortisation in accordance with their customary useful lives. The amortisation methods and useful lives are reviewed annually. Any adjustments are made in accordance with IAS 8.

---

#### Useful lives of intangible assets

Internally generated intangible assets	10 years
Acquired intangible assets	3–10 years
Customer relations	20 years
Brands	20 years

---

As a rule, goodwill is tested for impairment in the fourth quarter of each year. Its value is measured based on the present value of future cash flows (“value in use”), which are determined using medium-term planning figures. This entails using the projected pre-tax cash flows from the five-year plan adopted by the Management Board of Aareon AG and approved by the Supervisory Board. Thus, the revenue and expense items are individually planned over this five-year period. Cash flows after the five-year time horizon are measured taking the perpetual annuity into account. The present value of future cash flows was determined on the basis of a Group-wide risk-adjusted discount rate of 8.27% before tax. The discount rate is calculated as the sum of a risk-free base interest rate of 2.40% plus a company-specific risk loading of 6.00% multiplied by a beta factor of 0.98. Owing to the uncertain nature of planning beyond five years, we take a cautious view of the market environment and assume constant values – i.e. no further growth. The values assigned to the main assumptions are based on internal and external factors (migration projects, growth in customer base, trends in costs/personnel) as well as on past experience. The previous year’s planning figures also play a central role. As the recoverable amounts are well in excess of

the carrying amounts, we do not consider a shortfall to be a possibility, even if there were to be a serious change in the assumptions described above. To this extent, an increase of 1.00% in the risk-adjusted discount rate during the reporting period would not have led to any impairment. There was thus no need for impairment charges in the reporting period. Research costs are treated as current expenses in accordance with IAS 38. Development costs for internally generated software are capitalised if the prerequisites for capitalisation in accordance with IAS 38 are met.

### 03.2 Property, plant and equipment

Items of property, plant and equipment are measured at cost – including restoration obligations that must be capitalised in accordance with IAS 16 – and, insofar as they are wasting assets, are subject to straight-line depreciation based on the expected useful lives of the components. The depreciation methods and useful lives are reviewed annually. Any adjustments are made in accordance with IAS 8. The useful lives of the principal items are presented below:

---

**Useful lives of property, plant and equipment**

Buildings	40 years
Tenant's improvements	8–15 years
Other equipment, and office furniture/equipment	3–23 years

---

Impairment within the meaning of IAS 36 is recognised if it is compulsory to carry the asset at a lower value, i.e. if the net realisable value or the value in use of the asset in question is lower than its carrying amount.

### 03.3 Leasing

The finance lease requirements of IAS 17 are fulfilled for the use of leased property, plant or equipment if all of the major opportunities and risks associated with ownership are transferred to the lessee. In this case, the respective assets are capitalised at the present value of the minimum lease payments and depreciated using the straight-line method over the asset's useful life or the duration of the lease, whichever is shorter. The obligations from future lease payments are discounted and carried as a liability. The provisions of IFRIC 4 are observed when applying IAS 17.

After expiry of the lease period, the lessee generally has the option of concluding a subsequent lease or purchasing the asset at its respective residual value or having it transferred to the lessee so that it can be scrapped. The discount factor equals the assumed interest rate underlying the lease.

### 03.4 Financial assets and financial liabilities

IAS 39 divides financial assets into the following categories:

- Financial assets held for trading
- Held-to-maturity investments
- Loans and receivables
- Available-for-sale financial assets

The financial assets held by the Aareon Group are recognised as “loans and receivables”. Financial assets are not treated as “held-to-maturity investments”. Aareon does not acquire “financial assets held for trading”. The “available-for-sale financial assets” category comprises financial assets that are not assigned to any of the other categories and that are held for an indefinite period or can be sold if liquidity is required or there is a change in market conditions. Insofar as the Group acquires securities, they are generally treated as “available-for-sale financial assets”. The financial instruments disclosed are not subject to any interest rate risk.

“Loans and receivables” are measured at amortised cost or fair value, whichever is lower. This category includes in particular:

- Non-current loans
- Trade payables and trade receivables
- Receivables from unbilled services
- Other current receivables and assets as well as liabilities.

Owing to the predominantly short terms of these financial instruments, their fair value is assumed to equal their carrying amount.

Impairments for trade receivables are recognised to the extent required – as a rule by means individual fixed percentages that take account of the maturity structure. Low-interest-bearing receivables are carried at their discounted amount, taking into account appropriate interest.

Foreign-currency receivables are converted using the closing rate at the balance sheet date.

Receivables from service contracts that have not been completed at the balance sheet date are recognised using the percentage-of-completion (PoC) method. The percentage of completion is calculated based on a comparison of the order

costs already incurred with the expected total order costs. Other unfinished customer orders are recognised in the amount of the order costs incurred, insofar as it is probable that these will be covered by income.

### 03.5 Inventories

Inventories are recognised at cost. Financing costs are not taken into account. Inventories are measured at the balance sheet date at cost or net realisable value, whichever is lower.

### 03.6 Deferred taxes

Deferred taxes are recognised in line with IAS 12 for all temporary differences between the carrying amounts in the tax base and those in the consolidated balance sheet (temporary difference approach). Deferred taxes also have to be recognised for losses carried forward. The liability method is used to calculate deferred taxes. The deferrals are recognised in the amount of the assumed tax burden or relief in future fiscal years based on the applicable tax rate at the time of realisation. Deferred taxes are determined using country-specific tax rates that are either in effect or have been announced at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the temporary differences and unused tax loss carryforwards can be offset. The carrying amounts are reviewed at each balance sheet date and adjusted where necessary. The carrying amounts are reduced accordingly if it is no longer probable that sufficient taxable profit will be available for offset. No deferred taxes are recognised if income from subsidiaries is tax-free due to specific local tax regulations, and it is unclear what tax effects will result from removal of the temporary tax exemption.

### 03.7 Provisions for pensions and similar obligations

IAS19 (revised) was applied as of 1 January 2013. As a result, the corridor method is no longer permissible when accounting for provisions for pensions under defined benefit plans. Further, actuarial gains and losses and their tax effects may be recognised only in other comprehensive income (OCI) and not through profit and loss.

Provisions for pension obligations are primarily recognised for commitments arising out of pension plans, i.e. retirement pensions, disability pensions and benefits for surviving dependants. The actuarial measurement of pension provisions is based on the projected unit credit method prescribed for pension commitments in IAS 19 (revised). As a rule, these are defined benefit commitments, i.e. the pension promised to the respective employees depends on the development of their salaries and the number of years of service they achieve (defined benefit obligation). This method takes future increases in salaries and pensions into account as well as the pensions and commitments known at the balance sheet date. The amount recognised as the provision is the present value of the entitlement to pension benefits that the eligible employees have earned. Any plan assets offset against the provision are recognised at fair value.

Similarly, the step-up payments made under phased early retirement agreements can no longer be recognised as post-employment benefits. The prior-year figures have been adjusted accordingly.

---

**Adjusted balance sheet items as at 1 January 2012 in € '000**

	Published	Adjustment IAS 19 (revised)	Adjustment netting	Restated
Pension provisions	20,130	937	0	21,067
Other non-current provisions	1,153	-169	0	984
Deferred tax assets	3,820	240	0	4,060
Accumulated group earnings and profits	28,466	-528	0	27,938

---



---

**Adjusted balance sheet items as at 31 December 2012 in € '000**

	Published	Adjustment IAS 19 (revised)	Adjustment netting	Restated
Pension provisions	20,214	5,941	0	26,155
Other non-current provisions	1,570	-304	0	1,266
Deferred tax assets	4,289	1,759	-2,811	3,237
Accumulated group earnings and profits	24,754	-3,878	0	20,876

---



---

**Adjusted items in the statement of comprehensive income 2012 in € '000**

	Published	Adjustment IAS 19 (revised)	Adjustment netting	Restated
Statement of comprehensive income				
Staff costs	86,099	-132	0	85,967
Income taxes	7,839	41	0	7,880
<b>Other comprehensive income</b>				
Change in reserve from remeasurement in accordance with IAS 19 (revised), including tax effects	0	-3,443	0	-3,443

---

### 03.8 Provisions for taxes

Provisions for taxes include obligations in connection with current income taxes. Deferred taxes are disclosed under a separate balance sheet item and in the tax reconciliation statement.

### 3.9 Other provisions

Other provisions are recognised if the Aareon Group has a present obligation arising from a past event, the settlement of which is expected to result in an outflow of resources. The amount of the provision corresponds to the best possible estimate at the balance sheet date of the amount required to settle the present obligation. Provisions that will not already lead to an outflow of resources in the following year are recognised at their settlement value if no material impact on interest would result. The settlement value also comprises any cost increases to be taken into account at the balance sheet date. Provisions in foreign currencies are translated using the closing rate at the balance sheet date.

### 03.10 Liabilities

Liabilities are recognised at their repayment or settlement amount. Liabilities from finance leases and purchase price liabilities are recognised at their present value.

### 03.11 Realisation of income and expense

Revenues and other operating income are not recognised until the service has been performed or the goods or products have been delivered, i.e. the risk has been transferred to the customer.

The company generates its revenues mainly through

- Licensing and maintenance contracts
- Consulting and training projects
- Hosting/outsourcing services as well as Aareon cloud computing
- Integrated Services, which include integrated payment transactions, the Mareon service portal, and insurance brokerage for the property industry (BauSecura)

Software licence revenue is recognised if a contract has been signed by both parties with no rights of withdrawal, the product has been delivered in full, the licence fee has been determined and payment is probable.

Maintenance services are realised proportionately over the contractual performance period.

Consulting and training services are recognised in profit and loss when the service has been performed. The Group also provides implementation services as part of its project work. In such cases, revenue is recognised according to the percentage-of-completion method. The percentage of completion of a project is calculated based on a comparison of the order costs already incurred with the total order costs expected. Provisions are recognised for impending losses from this type of service in the period in which the losses were caused, insofar as no asset item exists.

Hosting/outsourcing services are billed and recorded as revenues on a monthly basis.

Operating expenses are recognised in profit and loss when the service is utilised or when they are incurred in economic terms. Interest income and expense are recognised on an accrual basis.



## 04 Notes to the consolidated statement of comprehensive income of the Aareon Group

### 04.1 Revenues

#### Revenues by operating segment in € '000

	2013	2012
ERP Products	81,075	79,590
Integrated Services	37,734	37,195
International Business	53,557	47,448
Other Products	1,036	1,013
<b>Total</b>	<b>173,402</b>	<b>165,246</b>

#### Revenues by type of income in € '000

	2013	2012
Licences	17,719	21,512
Consulting	38,374	34,478
Fees and maintenance	105,419	97,507
Other	11,890	11,749
<b>Total</b>	<b>173,402</b>	<b>165,246</b>

Revenues from the International Business segment rose by €6,109k compared with the previous year. This was due in part to the acquisition of Incit AB, which was consolidated for the first time in the year under review. The revenues of most of the other international subsidiaries also rose compared with the previous year. In addition, only a proportion of the revenues of 1st Touch Ltd., which was acquired in the previous year, were contained in the 2012 figures. Revenues from the ERP Products segment increased slightly compared with the previous year, rising by €1,485k. Revenues in the Integrated Services segment grew by €539k compared with the previous year.

Viewed by type of income, revenues from licences fell by €3,793k. However, this drop was more than compensated for by an increase of €3,896k in revenues from consulting and a rise of €7,912k in revenues from current fees and maintenance. The main cause of the increase in current fees and maintenance in Germany was the growing number of customers switching to the software-as-a-service (SaaS) model, under which customers pay a higher maintenance fee in place of licence fees. At the international level, the transition to an SaaS model also made itself felt in France, with higher maintenance fees fully or partially replacing licence income. The effect of the initial consolidation of Incit AB was also noticeable. Income from consulting was substantially higher due both to the SEPA launch and to orders from major customers.

### 04.2 Other operating income

#### Other operating income in € '000

	2013	2012
Non-cash income	1,601	1,153
Services for affiliated companies outside the Aareon Group	996	903
Adjustment of purchase price liabilities	605	449
Income from trade fairs	271	99
Income from foreign currency translation	190	4
Income from the reversal or reduction of individual fixed-percentage impairments	61	112
Other income	542	760
<b>Total</b>	<b>4,266</b>	<b>3,480</b>

#### 04.3 Cost of materials

Cost of materials in € '000		
	2013	2012
Software and hardware costs	2,630	2,054
Cost of services purchased	17,748	17,218
<b>Total</b>	<b>20,378</b>	<b>19,272</b>

#### 04.4 Staff costs / employees

Staff costs in € '000		
	2013	2012*
Salaries	77,358	71,309
Social security costs	16,064	14,658
of which for post-employment benefits	2,939	2,195
<b>Total</b>	<b>93,422</b>	<b>85,967</b>

\* The prior-year figures have been adjusted (see Note 3.7).

**Staff costs** increased by €7,455k compared with the previous year. The main reasons for this were the inclusion, for the first time, of Incit AB in the group of consolidated companies and the full consolidation of 1st Touch Ltd., which was acquired in the previous year. In addition, staff costs rose in the same measure as operating income because of the adjustments made to non-cash remuneration from prior years.

Average number of employees, excluding managing directors, temporary staff and trainees (quarterly average):

Employees		
	2013	2012
Germany	742	730
International	420	362
<b>Total</b>	<b>1,162</b>	<b>1,092</b>

#### 04.5 Other operating expenses

Other operating expenses in € '000		
	2013	2012
Occupancy expenses	7,966	7,598
Motor vehicle expenses	4,244	4,266
Travel expenses	3,553	3,499
Advertising/marketing/entertainment	3,454	3,024
Legal and consultation expenses / auditing costs	2,792	2,592
Impairments of receivables	2,001	876
Software maintenance	1,734	1,576
Other staff costs	1,409	1,333
Further training	1,048	700
Communication costs	896	880
Insurance costs	438	475
Compensation for Supervisory Board and Advisory Council	367	432
Office material	321	229
Credits for invoices from prior years	319	753
Leasing/technology	209	262
Cost of purchase price adjustments	0	755
Miscellaneous other operating expenses	424	738
<b>Total</b>	<b>31,175</b>	<b>29,988</b>

The increase of €1,187k in **other operating expenses** was primarily the result of impairments. In view of the uncertainty surrounding the outcome of an ongoing lawsuit involving Aareon France, the receivables from the plaintiff were impaired in full (€1,500k).

#### 04.6 Net financial income/expense

Net financial income/expense in € '000		
	2013	2012
Other interest and similar income	118	131
Net income from measurement using the equity method	94	108
Interest and similar expenses	750	428
Impairment of financial assets	64	0
<b>Total</b>	<b>-602</b>	<b>-189</b>

#### 04.7 Income taxes

Income taxes in € '000		
	2013	2012*
German income taxes	6,952	5,983
Foreign income taxes	1,849	2,535
<b>Actual tax expense</b>	<b>8,801</b>	<b>8,518</b>
Deferred tax expense/income	-747	-638
<b>Total</b>	<b>8,054</b>	<b>7,880</b>

\* The prior-year figures have been adjusted (see Note 3.7).

The following table shows the reconciliation statement for the differences between income taxes based on the net income before taxes and the actual income tax reported. In order to calculate the expected tax expense, the Group tax rate of 31.2% valid in fiscal 2013 (previous year: 31.2%) is multiplied by earnings before taxes.

#### Reconciliation of tax expenses in € '000

	2013	2012*
Earnings before taxes	26,476	26,014
Trade tax	4,077	4,006
Corporation tax	3,971	3,902
Solidarity surcharge	218	215
<b>Expected tax expense</b>	<b>8,267</b>	<b>8,123</b>
Reconciliation:		
Non-deductible expenses	247	184
Taxes for prior years	465	-48
Differences in tax rates of international subsidiaries	-733	-376
Other differences	-190	-3
<b>Tax expense reported</b>	<b>8,056</b>	<b>7,880</b>

\* The prior-year figures have been adjusted (see Note 3.7).

The divergence between expected tax expense and actual tax reported shown under "Other differences" mainly results from the tax assessment of Aareon UK Ltd. In the year under review, the latter was able to offset its profits from 2011 and 2012 against the losses of an Aareon Group company not included in the Aareon Group of consolidated companies and thus claim a tax reimbursement equivalent to €480k. The amounts recognised under "Taxes for prior years" stem mainly from the findings of the company audit for the assessment periods 2007 to 2010.

## 05 Notes to the consolidated balance sheet of the Aareon Group

### 05.1 Intangible assets

The additions to the item "Internally generated intangible assets" relate to internal and external development costs capitalised in accordance with IAS 38. The development costs in each country were capitalised using a standard per-diem rate.

The capitalised carrying amounts are as follows:

Carrying amounts in € '000	
	2013
Aareon France (including CRM, Portallmmo, Prem'Habitat)	3,393
Blue Eagle	2,470
SG   automatisering (various projects)	2,330
Wodis Sigma	2,273
Aareon UK (QL.net)	1,853
Miscellaneous	420
<b>Total</b>	<b>12,739</b>

Internally generated software in the amount of €8,055k has already been completed, while internally generated software worth €4,684k is still under development. Development costs in connection with research and development totalled €9,171k in the reporting period. Internally generated assets amounted to €4,401k in the year under review.

Upon initial consolidation, Incit AB's intangible assets were measured at fair value, using only net-present-value-based methods. These assume that the value of the assets is measured by their ability to generate future cash flows. In the course of the acquisition of the Incit Group, the assets "customer relations" and "brands" were measured for the first time in the year under review.

Goodwill mainly results from the acquisition of companies in the software industry. It is allocated to the cash generating unit deriving synergistic benefits from the business combination. The ERP Products, Integrated Services and International Business segments constitute the corresponding reporting level within the Group at which management monitors goodwill for the purposes of internal control.

The amortised goodwill by segment is as follows:

Carrying amounts in € '000				
	2012	Additions	Currency translation effect	2013
ERP Products	21,396	0	0	21,396
Integrated Services	4,899	0	0	4,899
International Business	27,618	12,390	-29	39,979
Other Products	173	0	0	173
<b>Total</b>	<b>54,086</b>	<b>12,390</b>	<b>-29</b>	<b>66,447</b>

## 05.2 Property, plant and equipment

In accordance with IAS 17, €1,329k was recognised in the reporting year under property, plant and equipment for main-frame computers and associated peripheral devices that were acquired under finance leases. The payments in connection with finance leases are as follows:

Finance leases in € '000			
	2014	2015-2018	After 2018
Lease payments	477	995	0
Discount amounts	-10	-82	0
<b>Present values</b>	<b>467</b>	<b>913</b>	<b>0</b>

Operating leases primarily concern rent, motor vehicles, office furniture and equipment, and telecommunications equipment. In 2013, €9,596k was recognised for lease payments in profit and loss. The minimum lease payments due to operating leases are as follows:

Operating leases in € '000			
	2014	2015–2018	After 2018
Lease payments as lessee	8,313	24,935	27,034
Lease receivables as lessor	506	2,043	3,477

### 05.3 Financial assets

**Other loans** include time deposits in the amount of €3,260k with Landesbank Baden-Württemberg. These deposits are intended to secure a guarantee issued in connection with membership in two supplementary pension funds. This item also includes rent deposits. An amount of €202k is shown under **equity investments** for shares in SG2ALL B.V., which is accounted for using the equity method. Under the equity method, the shares are initially carried at cost and subsequently adjusted to reflect the investor's share of the profit or loss of SG2ALL B.V. The overview presented below shows the key balance sheet items of SG2ALL B.V.:

SG2ALL B.V. in € '000		
	2013	2012
Current assets	502	530
Current liabilities	68	112

### 05.4 Shareholdings

Name and registered office of company	Interest held %	Equity 2013 (IFRS) € '000	Net profit/loss 2013 (IFRS) € '000
Aareon AG, Mainz			
Aareon Deutschland GmbH, Mainz	100	32,407	-1,081 *
Aareon Immobilien Projekt Gesellschaft mbH, Essen	51	1,131	-314
Aareon Wodis GmbH, Dortmund	100	8,204	-292 *
BauSecura Versicherungsmakler GmbH, Hamburg	51	2,830	2,700
Aareon France SAS, Meudon-la-Forêt, France	100	4,168	1,263
Aareon UK Ltd., Coventry, UK	100	5,117	1,345
1st Touch Ltd., Southampton, UK	100	2,628	1,314
Incit AB, Mölndal, Sweden	100	2,614	515
Incit Nederland B.V., Gorinchem, Netherlands	100	-556	54
Incit AS, Oslo, Norway	100	121	40
SG automatisering bv, Emmen, Netherlands	100	16,792	3,167
SG Facilitor B.V., Enschede, Netherlands	51	944	594
SG stravis B.V., Emmen, Netherlands	70	76	20
SG2ALL B.V., Huizen, Netherlands	50	434	190

\* The net profit for Aareon Deutschland GmbH and Aareon Wodis GmbH was calculated after taking into account the transfer of profits in accordance with the German commercial code. In view of the divergent accounting methods used, the result is not zero.

## 05.5 Income tax receivables

### Income tax receivables in € '000

	2013	2012
Current income tax receivables	3,755	4,533
Non-current income tax receivables	1,004	1,315
<b>Total</b>	<b>4,759</b>	<b>5,848</b>

The non-current income tax receivables in the amount of €1,004k relate solely to capitalised tax claims from corporation tax credits following amendments to Section 37 the German Corporation Tax Act (KStG) in the wake of the "Law on Tax Support Measures for Implementation of the European Company and for Changing Further Tax Requirements" (SEStEG) (as at 31 December 2006).

## 05.6 Deferred income taxes

### Deferred taxes in € '000

	2013	2012*
Pension provisions	2,773	2,825
Liabilities	14	96
Other provisions	104	78
Losses carried forward (Germany)	0	238
Other	75	0
<b>Total deferred income tax assets</b>	<b>2,966</b>	<b>3,237</b>
Measurement of assets under construction	514	115
Other	41	77
<b>Current deferred income tax liabilities</b>	<b>555</b>	<b>192</b>
Intangible assets	6,766	5,479
Other	314	280
<b>Non-current deferred income tax liabilities</b>	<b>7,080</b>	<b>5,759</b>
<b>Total deferred income tax liabilities</b>	<b>7,635</b>	<b>5,951</b>

\* The prior-year figures have been adjusted (see Notes 2.5 and 3.7).

Unused tax loss carryforwards for which no deferred tax assets were recognised amounted to €4,199k in Germany.

## 05.7 Inventories

The inventories mainly comprise advance payments made. There are no restrictions on ownership or disposal of the disclosed inventories.

## 05.8 Trade receivables

### Trade receivables in € '000

	2013	2012
Receivables from unbilled services	4,686	5,459
Trade receivables	26,055	21,467
Receivables from affiliated companies	301	166
<b>Total</b>	<b>31,042</b>	<b>27,092</b>

**Receivables from unbilled services** (PoC) are presented as a net figure. They include €2,176k in advance payments received, gains (less recognised losses) of €1,167k as well as overall costs incurred in the amount of €2,205k.

There are no restrictions on ownership or disposal of the disclosed receivables.

Impairments are made to account for the risk of default.

Trade receivables were impaired as follows:

Impairments of trade receivables in € '000		
	2013	2012
Impaired trade receivables	2,328	1,282
<b>Impairments as at 1 January</b>	<b>1,076</b>	<b>1,131</b>
Additions	501	29
Reversals	61	3
Utilisation	53	81
<b>Total as at 31 December</b>	<b>1,463</b>	<b>1,076</b>

Overdue but not impaired receivables relate solely to receivables that are overdue by up to 90 days.

## 05.9 Other assets

Other assets in € '000		
	2013	2012*
Other financial assets	465	1,129
Other non-financial assets	5,467	2,069
<b>Total</b>	<b>5,932</b>	<b>3,198</b>

\* The prior-year figures have been adjusted (see Note 2.5)

Other non-financial assets mainly comprise deferred advance payments of €5,374k for subsequent periods.

Other non-current assets in the amount of €1,104k (previous year: €0k) primarily comprise a fixed-term deposit with Aareal Bank serving as a guarantee for a lawsuit.

Other financial assets contain appropriate impairments. The impairment amount from 2012 concerns a loan to a customer. See Note 4.5 for information on the impairments made in 2013.

Impairments of other assets in € '000		
	2013	2012
Impaired other financial assets	3,048	1,248
<b>Impairments as at 1 January</b>	<b>1,189</b>	<b>450</b>
Additions	1,500	739
Reversals	0	0
Utilisation	0	0
<b>Total as at 31 December</b>	<b>2,689</b>	<b>1,189</b>

## 05.10 Cash and cash equivalents

As in the previous year, this balance sheet item includes cash on hand and balances held with banks.

Cash and cash equivalents in € '000		
	2013	2012
Cash in hand	10	6
Balances held with banks	12,110	19,431
of which with affiliated companies	2,663	9,478
<b>Funds with terms of up to three months</b>	<b>12,120</b>	<b>19,437</b>

### 05.11 Subscribed capital

The subscribed capital of Aareon AG is fully paid up and can be broken down as at 31 December 2013 as follows:

Number and class of shares in € '000	
25,000,000 no-par value ordinary shares	25,000

Each share has a theoretical par value of €1.

### 05.12 Share premium

In fiscal 2002, €26,400k was added to the share premium by way of the capital increase by Aareal Bank AG, Wiesbaden.

### 05.13 Accumulated Group earnings and profits

Accumulated Group earnings and profits comprise other retained earnings within the meaning of the disclosures required under German commercial law. Retained earnings include additions from the net profit of the year under review or of previous years as well as currency translation differences from the financial statements of subsidiaries recognised directly in equity. Aareon AG's Memorandum and Articles of Association do not provide for the recognition of reserves.

### 05.14 Non-controlling interests

Minority interest is reported as a separate item under consolidated equity in the consolidated financial statements. Minority interest exists with respect to BauSecura Versicherungsmakler GmbH, Hamburg, Aareon Immobilien Projekt Gesellschaft mbH, Essen, SG|Facilitor B.V., Enschede, as well as SG|stravis B.V., Emmen.

### 05.15 Provisions for pensions and similar obligations

The pension obligation and pension provisions developed as follows:

Pension obligation in € '000		
	2013	2012*
1. Pensions provisions as at 1 January (accrued pension cost)	26,155	21,067
2. Net expense for the period		
a) Service cost	347	283
b) Interest cost	895	1,075
3. Adjustment effects recognised under OCI	326	5,004
4. Actual utilisation	1,332	1,274
<b>Pension provisions as at 31 December</b>	<b>26,391</b>	<b>26,155</b>

\* The prior-year figures have been adjusted (see Note 3.7)

These obligations have been calculated on the basis of the following assumptions:

Assumptions in %		
	2013	2012
Interest rate	3.60	3.60
Expected inflation rate	2.00	2.00
Income trend	2.25	2.25
Pension trend	2.00	2.00
Fluctuation rate	3.00	3.00
Calculations based on	"Mortality Tables 2005 G", Prof. Klaus Heubeck	"Mortality Tables 2005 G", Prof. Klaus Heubeck



Changes in these assumptions would have the following consequences:

<b>Sensitivity analysis</b>		
	<b>Sensitivity</b>	<b>Effect on DBO in € '000</b>
Interest rate (3.60%)	+1.00%	22,797
Interest rate (3.60%)	-1.00%	29,075
Pension trend (2.00%)	+0.25%	26,270
Pension trend (2.00%)	-0.25%	24,991
Income trend (2.25%)	+0.50%	26,789
Income trend (2.25%)	-0.50%	25,098

The sensitivity analysis is based on changes in a single assumption, with all other assumptions remaining constant. It is unlikely that this would occur in reality, and there could indeed be a correlation between changes in certain assumptions. For this reason, in calculating the sensitivity of the defined benefit obligation to changes in actuarial assumptions, the same method was employed as is used to determine the pension provisions in the balance sheet (see Note 3.7). The types and methods of the assumptions used when preparing sensitivity analyses did not change compared with the previous period. No sensitivity analysis was carried out that factored in changes in the fluctuation rate or expected inflation rate as these rates do not represent material actuarial assumptions.

The defined benefit obligation can be broken down by plan participant into the following categories:

<b>Plan participants by category in € '000</b>	
	<b>2013</b>
Active employees	<b>7,764</b>
Former employees with vested benefits	<b>888</b>
Pensioners	<b>17,739</b>
<b>Total</b>	<b>26,391</b>

The effects on cash flow in subsequent years are as follows:

<b>Maturities of the defined benefit obligation (DBO) in € '000</b>	
2014	1,329
2015	1,342
2016	1,351
2017	1,354
2018	1,354
2019–2023	6,629

Service and interest costs are recognised under staff costs. The expense recognised for defined contribution pension plans amounted to €6,918k. These plans mainly include employer contributions to the statutory pension scheme. For reasons of materiality, pension provisions are not presented by maturity.

Aareon has pension plans in place in Germany and France. The pension plans in Germany have been closed and no further employees are now able to join. All of these plans are defined benefit plans within the meaning of IAS 19. This means that, subject to certain conditions, Aareon guarantees that the beneficiaries will receive a particular benefit amount. Depending on the type, the amount of employee benefits varies according to different factors such as eligible salary, period of service, amount of the statutory pension, and benefits paid under individual direct insurance plans.

Aareon is a voluntary member of the Baden-Württemberg and Bavarian supplementary pension funds and has indirectly promised pensions to active and former employees under a multi-employer plan. The supplementary pension funds amass fund assets for investment and establish actuarial provisions and contingency reserves. If a shortfall in funds arises, the beneficiaries' benefits are reduced if their entitlements are based on contracts concluded before 31 December 2008. In the case of entitlements based on contracts concluded after that date, the members can cover any shortfall in funds through the payment of additional contributions. Financing of the fund is on a pay-as-you-go basis. If a member leaves the supplementary fund, it must pay a compensatory contribution in the amount of the present value of the obligations it bears towards the statutory pension insurance scheme on the date its membership ends. In the event that the plan is wound up, liabilities towards third parties must be met before the benefits of current pensioners are secured. No provisions are in place concerning reimbursement of the fund assets to the members or utilisation of these assets in the event of winding up. Aareon has no knowledge of any shortfalls or surpluses or of how its own contributions compare with those of the other members of the supplementary pension funds. The contribution for fiscal 2014 is likely to amount to €88k.

The problem inherent in the pay-as-you-go system is that of proportionately allocating the obligations and the costs among the individual beneficiaries in the plan in a sensible manner. This difficulty arises from the fact that the contributions of the members are based on their respective shares in the compensation of the beneficiaries covered by the supplementary plan. For this reason, the defined benefit plan is recognised as a defined contribution plan in accordance with IAS 19.34.

## 05.16 Other provisions

### Other provisions in € '000

	Amount at 1 Jan. 2013	Additions	Reclassifications	Utilisation	Reversals	Amount at 31 Dec. 2013
Long-service obligations	6	0	0	6	0	0
(previous year)	(3,542)	(6)	(0)	3,414	(128)	(6)
Variable salary components	6,307	7,422	130	5,801	190	7,868
(previous year)	(5,347)	(5,680)	-(146)	4,574	(0)	(6,307)
Personnel measures	1,619	0	-162	1,007	450	0
(previous year)	(1,395)	(736)	-(62)	450	(0)	(1,619)
Other provisions	3,826	2,566	96	1,765	343	4,380
(previous year)	(4,358)	2,759	(207)	3,057	442	(3,826)
<b>Total</b>	<b>11,758</b>	<b>9,988</b>	<b>64</b>	<b>8,579</b>	<b>983</b>	<b>12,248</b>
<b>(previous year*)</b>	<b>(14,642)</b>	<b>(9,181)</b>	<b>(0)</b>	<b>(11,495)</b>	<b>(570)</b>	<b>(11,758)</b>

The other provisions developed as follows in 2013 (prior-year figures in parentheses)

\* The prior-year figures have been adjusted (see Note 3.7).

**Provisions for obligations to employees** essentially result from variable performance-related compensation to be paid after the balance sheet date.

Aareon AG makes payments to the members of its Management Board that qualify as cash-settled **share-based payments** within the meaning of IFRS 2. The obligations arising out of these share-based payments are recognised as staff costs and via corresponding provisions. Claims to the phantom stocks of Aareal Bank AG are paid in cash. The payments are distributed over three or four calendar years from the grant date. Provisions for share-based payment are recognised in full from the commitment date. The provision is recognised in the amount of the fair value of the obligation in question at the balance sheet date. The provision is adjusted if the share price changes. Provisions for share-based payment (SAR) amounted to €789k. At the end of the year under review, 28,644 shares were exercisable at a weighted average price per share of €28.79 (previous year: 27,021 shares; €15.71). The total expenses for share-based payment amounted to €452k. During the reporting period no options were exercised and 10,545 share options were granted.

Provisions for **personnel measures** are recognised if there is a detailed, formal restructuring plan in place that has been communicated to the parties involved.

The **other provisions** are also recognised in line with IAS 37 for all recognisable risks and uncertain obligations in the amount of their probable occurrence.

Other provisions by term

Other provisions in € '000

	1/1	31/12	1/1	31/12
	< 1 year		>1 year	
Long-service obligations	6	0	0	0
(previous year)	(3,293)	(6)	(249)	(0)
Variable salary components	5,905	7,167	402	701
(previous year)	(4,983)	(5,905)	(364)	(402)
Personnel measures	1,619	0	0	0
(previous year)	(1,395)	(1,619)	(0)	(0)
Other provisions	2,962	3,020	864	1,360
(previous year)	(3,818)	(2,962)	(540)	(864)
<b>Total</b>	<b>10,492</b>	<b>10,187</b>	<b>1,266</b>	<b>2,061</b>
<b>(previous year)</b>	<b>(13,489)</b>	<b>(10,492)</b>	<b>(1,153)</b>	<b>(1,266)</b>

The interest cost for non-current provisions in the year under review amounted to €54k, €6k of which stemmed from changes in the interest rate.

#### 05.17 Purchase price liabilities

Purchase price liabilities in € '000

	2013	2012
<b>Non-current purchase price liabilities</b>		
1st Touch Ltd.	0	767
Immoblue GmbH	0	178
Incit AB	5,993	0
<b>Subtotal</b>	<b>5,993</b>	<b>945</b>
<b>Current purchase price liabilities</b>		
SG automatisering bv	0	5,363
Immoblue GmbH	185	185
1st Touch Ltd.	1,369	1,169
Incit AB	2,032	0
<b>Subtotal</b>	<b>3,586</b>	<b>6,717</b>
<b>Total</b>	<b>9,579</b>	<b>7,662</b>

One factor in the increase in purchase price liabilities was the acquisition of Incit AB (see Note 2.4).

Interest cost was recognised for the noncurrent purchase price liabilities from the purchase of Immoblue GmbH and 1st Touch Ltd., and the liabilities were reclassified as current purchase price liabilities in line with their maturity. That proportion of the liabilities classified as current in the previous year in relation to Immoblue GmbH (€145k) was disbursed and the difference (€40k) recorded as other income in profit and loss. That proportion of the liabilities classified as current in the previous year in relation to 1st Touch (€100k) was disbursed. As the parameters used to determine the purchase price have been permanently shifted to subsequent years, they will not be earned for the purchase price liability until after the calculation period. Adjustment of the purchase price liability resulted in other income of €455k and interest income of €12k. The purchase price liabilities in connection with the acquisition of SG|automatisering bv (€5,286k) were disbursed and the difference of €110k was recognised in profit and loss.

#### 05.18 Current income tax liabilities

The current income tax liabilities amounted to €3,518k (previous year: €1,094k).

#### 05.19 Current trade payables

All trade payables are classified as current. With the exception of customary retention of title and similar rights, liabilities are not collateralised.

#### 05.20 Other liabilities

Other liabilities in € '000		
	2013	2012
<b>Non-current other financial liabilities</b>		
Lease liabilities	1,380	1,792
Miscellaneous other financial liabilities	306	220
	<b>1,686</b>	<b>2,012</b>
<b>Current other financial liabilities</b>		
Paid-leave liabilities	2,691	1,537
Miscellaneous other financial liabilities	3,181	6,857
	<b>5,872</b>	<b>8,394</b>
<b>Current other non-financial liabilities</b>		
Prepayments received	10,754	3,481
Other tax liabilities	9,066	6,630
	<b>19,820</b>	<b>10,111</b>
<b>Total</b>	<b>27,378</b>	<b>20,517</b>

\* The prior-year figures have been adjusted (see Note 2.5).

The other financial liabilities mainly comprise liabilities in connection with wages and salaries. The other tax liabilities consist solely of transaction taxes such as value-added tax and income tax liabilities.

### Consolidated statement of changes in non-current assets 2013

as at 31 December 2013

€ '000	1 Jan. 2013	Currency translation differences	Historical cost				Reclassifications	31 Dec. 2013
			Changes in scope of consolidation	Additions	Disposals			
<b>I. Intangible assets</b>								
1. Goodwill	87,833	-55	12,390	0	0	0	<b>100,168</b>	
2. Acquired intangible assets	42,900	-482	4,887	911	11	0	<b>48,205</b>	
3. Internally generated intangible assets	23,427	-4	0	4,481	0	0	<b>27,904</b>	
4. Customer relations	0	-86	4,624	0	0	0	<b>4,538</b>	
5. Brands	0	-19	1,019	0	0	0	<b>1,000</b>	
	<b>154,160</b>	<b>-646</b>	<b>22,920</b>	<b>5,392</b>	<b>11</b>	<b>0</b>	<b>181,815</b>	
<b>II. Property, plant and equipment</b>								
1. Land, leasehold rights and buildings	8,075	-7	0	243	39	0	<b>8,272</b>	
2. Plant and machinery	3,472	0	0	686	358	5,337	<b>9,137</b>	
3. Other equipment, and office furniture/equipment	13,870	0	74	1,189	215	-5,337	<b>9,581</b>	
4. Prepayments made and assets under construction	16	0	0	15	16	0	<b>15</b>	
	<b>25,433</b>	<b>-7</b>	<b>74</b>	<b>2,133</b>	<b>628</b>	<b>0</b>	<b>27,005</b>	
<b>III. Financial assets</b>								
1. Equity investments	208	0	0	95	90	0	<b>213</b>	
2. Other loans	5,376	0	113	0	44	0	<b>5,445</b>	
	<b>5,584</b>	<b>0</b>	<b>113</b>	<b>95</b>	<b>134</b>	<b>0</b>	<b>5,658</b>	
	<b>185,177</b>	<b>-653</b>	<b>23,107</b>	<b>7,620</b>	<b>773</b>	<b>0</b>	<b>214,478</b>	

1 Jan. 2013	Accumulated depreciation and amortisation				Carrying amounts		
	Currency translation differences	Additions	Disposals	Reclassifications	31 Dec. 2013	31 Dec. 2013	31 Dec. 2012
33,747	-26	0	0	0	33,721	66,447	54,086
24,785	0	3,470	2	0	28,253	19,952	18,115
12,882	0	2,283	0	0	15,165	12,739	10,545
0	-2	115	0	0	113	4,425	0
0	0	25	0	0	25	975	0
<b>71,414</b>	<b>-28</b>	<b>5,893</b>	<b>2</b>	<b>0</b>	<b>77,277</b>	<b>104,538</b>	<b>82,746</b>
1,857	-6	433	10	0	2,274	5,998	6,218
1,145	0	1,061	357	3,445	5,294	3,843	2,327
6,823	2	1,949	207	-3,445	5,122	4,459	7,047
0	0	0	0	0	0	15	16
<b>9,825</b>	<b>-4</b>	<b>3,443</b>	<b>574</b>	<b>0</b>	<b>12,690</b>	<b>14,315</b>	<b>15,608</b>
11	0	0	0	0	11	202	197
752	0	64	0	0	816	4,629	4,624
<b>763</b>	<b>0</b>	<b>64</b>	<b>0</b>	<b>0</b>	<b>827</b>	<b>4,831</b>	<b>4,821</b>
<b>82,002</b>	<b>-32</b>	<b>9,400</b>	<b>576</b>	<b>0</b>	<b>90,794</b>	<b>123,684</b>	<b>103,175</b>

## 06 Other explanatory notes

### 06.1 Other financial obligations

The nominal amounts of the other financial obligations can be broken down by maturity as follows:

Other financial liabilities in € '000			
	2014	2015–2018	after 2018
Lease agreements	8,790	25,930	27,034
Purchase commitments	7,792	4,055	0
<b>Total</b>	<b>8,790</b>	<b>25,930</b>	<b>27,034</b>

### 06.2 Related-party transactions

In addition to the subsidiaries included in its consolidated financial statements, Aareon AG has, in the course of its ordinary activities, direct or indirect relations with subsidiaries of the Aareal Bank Group that are included in the consolidated financial statements of Aareal Bank AG. The majority of Aareon AG's business relationships are with Aareal Bank AG.

This primarily relates to the following services rendered:

- Collaboration with Aareal Bank AG with regard to the fully automated and integrated accounting and payment services for property companies in Germany as incorporated in the software systems Wodis Sigma, Blue Eagle, GES and WohnData
- Provision of computer centre services and related implementation consultancy services
- Co-financing of the Aareon Congress
- Financing agreements related to the granting of a working capital loan.

The business transactions with Aareal Bank AG comprise revenues and other operating income in the amount of €8,087k as well as cost of materials and other operating expenses in the amount of €799k.

Related parties controlled by Aareon AG, or over which Aareon AG can exert a controlling influence, are included in the consolidated financial statements. They also appear in the list of shareholdings in Note 5.4, with information on the equity interest held and the net profit/loss for the year.

One Group company, SG2ALL B.V., Huizen, is jointly controlled with de Alliantie, Hilversum. The business transactions with SG2ALL B.V., which mainly comprise computer centre services, amount to €165k for the cost of materials, while business transactions with de Alliantie, comprise revenue of €1,523k. All transactions with related parties were conducted based on international price comparison methods in line with IAS 24, on the same conditions that are customary with non-Group third parties (arm's-length transactions).

In the Aareon Group, members of management in key positions are defined as members of the Management Board and the Supervisory Board as well as members of first- and second-tier management (directors, division managers), regional directors (sales) and members of strategic purchasing.

In the year under review, the total compensation paid to members of management in key positions amounted to €8,692k, all of which comprised benefits falling due in the short term. The members of the Supervisory and Management Boards are listed individually on the following pages.

### 06.3 Auditors' fees

In the reporting period, €297k was recognised for auditing of the financial statements, €137k for other auditing services, €13k for tax consultancy services and €43k for other services.



#### **06.4. Exemption for domestic group companies provided for in Section 264 (3) of the German Commercial Code (HGB)**

Aareon Deutschland GmbH, Mainz, and Aareon Wodis GmbH, Dortmund, which are included in the consolidated financial statements of Aareon AG, have, with the approval of the General Meeting of Shareholders granted in accordance with Section 264 (3) of the German Commercial Code (HGB), been exempted from the obligation of preparing annual financial statements and a management report in compliance with the corresponding provisions for corporations.

### **07 Consolidated statement of cash flows**

All funds with terms of up to three months are deemed to be cash and cash equivalents. The statement of cash flows shows how the Aareon Group's cash and cash equivalents changed in the year under review. To this end, the cash flows are annotated for fiscal 2013 and for the previous year in accordance with IAS 7, with a distinction being made between cash inflows and outflows from operating, investing and financing activities. The effects on cash and cash equivalents of changes in the group of consolidated companies, changes in exchange rates and other changes are disclosed separately.

Investing activities comprise additions to and disposals of non-current and financial assets as well as the effects of changes to the group of consolidated companies.

Financing activities include the outflow of cash and cash equivalents from dividend disbursements and profits or losses from the disposal of non-current assets, payments and contributions from shareholders as well as changes in other financial liabilities.

The cash flow from operating activities totalled €29,602k. The cash flow from investing activities amounted to €-24,433k and resulted from investments in non-current assets and the acquisition of Incit AB. The cash flow from financing activities was €-12,090k and resulted mainly from repayment of the working capital loan from Aareal Bank.

## **08 Corporate bodies**

### **08.1 Supervisory Board**

**Thomas Ortmanns, Chairman**

**Management Board**

Aareal Bank AG, Wiesbaden

**Dr. Peter Lammerskitten, Deputy Chairman**

**Consultant**

Königstein

**Lutz Freitag**

**Consultant**

Hamburg

**Dirk Grosse Wördemann** until 31 May 2013

**Management Board**

Aareal Bank AG, Wiesbaden

**Dagmar Knopek** since 24 June 2013

**Management Board**

Aareal Bank AG, Wiesbaden

**Hermann J. Merkens**

**Management Board**

Aareal Bank AG, Wiesbaden

**Prof. Dr. Manfred Schlottke**

**Business Consultant**

Munich

**Dr. Wolf Schumacher**

**Chairman of the Management Board**

Aareal Bank AG, Wiesbaden

## 08.2 Management Board

### Dr. Manfred Alflen

#### Chairman

International Business Development, Human Resources & Organisation, Legal & Risk Management, Data Protection & Data Security, Internal Audit, Marketing & Communication, International Business, Chairman of the Supervisory Boards of Aareon Deutschland GmbH and BauSecura GmbH

### Dr. Olaf-Rüdiger Hasse

Products and Services, Consulting, Customer Management, Service Management, Service Centre, IT Service Centre, Aareon Immobilien Projekt GmbH

### Dr. André Rasquin

Central Sales, Regional Sales, Sales Management, Sales Support, Advisory Board work, BauSecura product

### Christian M. Schmahl

Controlling, Accounting & Contract Management, International Finance, Central Purchasing, Facility Management

## 09 Concluding remarks

Aareon AG is obliged to prepare consolidated financial statements and a group management report. As Aareon AG and its subsidiaries are included in the consolidated financial statements and in the group management report of Aareal Bank AG, Wiesbaden, the requirements for the company's exemption pursuant to section 291 (2) of the German Commercial Code (HGB) have been fulfilled. Thus, Aareon AG's preparation of consolidated financial statements and a group management report is entirely voluntary.

Aareal Bank AG also prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). These consolidated financial statements have been deposited with the Local Court (Amtsgericht) of Wiesbaden.

Mainz, 6 March 2014

The Management Board



Dr. Manfred Alflen



Dr. Olaf-Rüdiger Hasse



Dr. André Rasquin



Christian M. Schmahl

# Auditors' report

We have audited the consolidated financial statements of Aareon AG, Mainz – comprising the balance sheet, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes – as well as the Group management report for the fiscal year 1 January to 31 December 2013. It is the responsibility of the Company's Management Board to prepare the consolidated financial statements and the Group management report in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU, and the additional accounting provisions pursuant to Section 315a (1) of the German Commercial Code (HGB). Our responsibility is to express an opinion on the consolidated financial statements and the Group management report on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code (HGB), taking into account the accounting principles for the audit of financial statements formulated by the Institute of Public Auditors in Germany (IDW). These require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial situation and earnings in the consolidated financial statements in accordance with the applicable financial reporting principles and in the Group management report are detected with reasonable assurance. Knowledge of the Group's business activities and of its economic and legal environment as well as expectations as to possible misstatements are taken into account when determining the content of the audit. During the audit, the effectiveness of the accounting-related internal control system and the evidence supporting the disclosures made in the consolidated financial statements and Group management report are examined primarily on the basis of random samples. The audit entails assessing the separate financial statements of the companies included in the consolidated financial statements, the scope of consolidation, the accounting and consolidation principles applied and significant estimates made by the

Management Board, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, which is based on the findings of our audit, the consolidated financial statements comply with IFRS as applicable in the EU and with the supplementary applicable provisions of Section 315a (1) of the German Commercial Code and, in accordance with these provisions, give a true and fair view of the net assets, financial situation and earnings of the Group. The Group management report is consistent with the consolidated financial statements, provides a true picture of the Group's situation and correctly portrays the opportunities and risks associated with its future development.

Frankfurt am Main, 7 March 2014

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Marc Billeb  
German Public Accountant

ppa. Thomas Körner  
German Public Accountant

# Report of the Supervisory Board

During the year under review, the Supervisory Board continually monitored the management of the company. It was kept informed by the Management Board, both verbally and in writing, especially through written quarterly reports, regarding progress of the company's business, its overall situation, the business policies planned by the Management Board, corporate planning issues, significant transactions and Aareon's internal control system. The Supervisory Board also dealt with issues that required its approval pursuant to applicable statutes or the company's Articles of Association.

The Supervisory Board met on four occasions during 2013, twice in the first half of the year and twice in the second. A further resolution was adopted by circular memorandum. During all meetings, the Management Board informed the Supervisory Board in detail of the company's business policies, economic progress, strategic orientation and sales activities. The work and findings of the company's internal audit department were explained to the Supervisory Board. The risk reporting and internal control systems were also presented to it on a regular basis.

The Supervisory Board was kept informed by the Management Board about the company's products and their installation and launch at customers' premises, with emphasis being placed on major customer and acquisition projects. In this context, particular attention was paid to the Wodis Sigma product, to the Integrated Services portfolio, and to boosting business in relation to SAP® solutions, Blue Eagle and consulting. Attention was also given to progress of the SEPA campaign and SEPA rollout with customers. The Supervisory Board was kept up to date on the process of acquiring Incit AB and its takeover on 1 July 2013.

The Management Board reported to the Supervisory Board at regular intervals on progress of the "moveIT" project, which comprised a number of activities affecting the company's future strategy. The project was completed in the course of the year under review, with its tasks being transferred to various committees and corporate bodies. The Supervisory Board repeatedly addressed the organisational restructuring measures taken by the company and its international strategy. It was apprised in detail of the plans made to simplify the corporate structure and of their implementation. In this context, the Supervisory Board was informed in particular of the absorption by Aareon Deutschland GmbH of Aareon Software Handelsgesellschaft mbH, which has already taken place, and of the planned absorption of Aareon Wodis GmbH by Aareon Deutschland GmbH. The company's strategy process, and how it is linked to that of Aareal Bank AG, was also presented to the Supervisory Board. In addition, the Supervisory Board was given an insight into the "brandIT" brand positioning project and was informed in greater detail of the activities of Aareon AG's international subsidiaries.

The Management Board kept the Supervisory Board informed of developments regarding the enforcement measures initiated against ITSC Sp. z o.o., formerly DomData Sp. z o.o., as well as of the progress of litigation between Aareon France SAS and Habitat 44.

The Supervisory Board discussed and approved the business plan. The Management Board regularly informed the Supervisory Board of the company's actual business performance compared with what was forecast in the business plan. The Supervisory Board has a Human Resources Committee and an Auditing Committee. The Human Resources Committee met once, and the Auditing Committee twice, during 2013.

The Supervisory Board appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as the company's auditors. PricewaterhouseCoopers examined the company's financial statements as at 31 December 2013, together with the accounting records and the management report, and issued an unqualified auditor's report. The report prepared by the auditors was made available to all the members of the Supervisory Board, who fully endorsed the results of the audit.

The Supervisory Board examined the financial statements, the management report and the proposal of the Management Board for the appropriation of distributable profit. These were discussed by the Supervisory Board in the presence of the auditor. The auditor was always available to the Auditing Committee and other members of the Supervisory Board to answer questions. Having completed its examination, the Supervisory Board has no objections to raise. Within the scope of its duties of monitoring the management of the company, the Supervisory Board is not aware of any risks that have not been appropriately accounted for in the financial statements. The Supervisory Board endorses the assessments made by the Management Board in preparing the management report. It approves the financial statements, which are thus final, and also endorses the proposal for the appropriation of profit as submitted by the Management Board.

The Management Board submitted to the Supervisory Board its report on the company's relationships with affiliated companies pursuant to Section 312 of the German Stock Corporation Act (AktG), together with the corresponding report prepared by the external auditors. The auditors examined the dependent companies report and issued an unqualified auditor's report.

The Supervisory Board has examined the report on the company's relationships with affiliated companies and duly noted the auditors' opinion submitted in this respect. Having completed its examination, the Supervisory Board has no objections to raise to the declaration made by the Management Board at the end of the report on the company's relationships with affiliated companies.

The Supervisory Board would like to thank the company's employees for their dedication.

Mainz, March 2014

The Supervisory Board



Thomas Ortmanns  
(Chairman)

# Publishing information

## Published by

Aareon AG,  
Group Marketing and Communications  
Stephan Rohloff (responsible),  
Karin Veyhle

## Design

3st kommunikation GmbH, Mainz

## Photography

p. 2, p. 8, p. 10: Plain Picture  
p. 4, p. 6: Getty Images  
p. 14: Matthias Haslauer, Hamburg; Angelika Stehle, Mainz  
p. 18: February: RWE, May: Jens Braune del Angel, Frankfurt  
am Main  
p. 19: July: Incit AB, Mölndal, Sweden, August: Fotostudio  
LICHTBLICK, Meike Goebel, Rotenburg (Wümme), September/  
November: Fotografie C.B. – Christian Beeck, Osterrönfeld

## Printed by

Westdeutsche Verlags- und Druckerei GmbH,  
Mörfelden-Walldorf

## Investor Relations contact / press spokesperson

Aareon AG  
Group Marketing and Communications  
Stephan Rohloff  
Isaac-Fulda-Allee 6  
55124 Mainz, Germany  
Phone: +49 6131 301-995



In 2012, the German Federal Ministry of Family Affairs recognised Aareon as the most family-friendly company in Germany in the “Medium-sized Companies” category of the “Success Factor Family 2012” competition.



In 2008, Aareon AG received the “berufundfamilie” (work and family) certificate from berufundfamilie gGmbH. The company was re-certified in 2011.

# Aareon customers

More than 2,800 customers from six countries have opted for consulting, software and services from Aareon.

## Germany (selection)

- Aachener Siedlungs- und Wohnungsgesellschaft mbH, Cologne
- ABG Frankfurt Holding GmbH, Frankfurt am Main
- Altonaer Spar- und Bauverein eG, Hamburg
- Baugesellschaft dhu eG, Hamburg
- Baugesellschaft München-Land GmbH, Haar
- degewo AG, Berlin
- DERAG Deutsche Realbesitz AG & Co. KG, Munich
- eG Wohnen 1902, Cottbus
- Eisenhüttenstädter Wohnungsbaugenossenschaft eG, Eisenhüttenstadt
- FLÜWO Bauen Wohnen eG, Stuttgart
- FONCIA DEUTSCHLAND GmbH & Co. KG, Frankfurt am Main
- FORTUNA Wohnungsunternehmen e.G., Berlin
- GAG Immobilien AG, Cologne
- Grundstücks- und Gebäudewirtschafts-Gesellschaft mbH (GGG), Chemnitz
- HOWOGE Wohnungsbaugesellschaft mbH, Berlin
- JOSEPH-STIFTUNG Kirchliches Wohnungsunternehmen, Bamberg
- NEULAND Wohnungsgesellschaft mbH, Wolfsburg
- Rheinwohnungsbau GmbH, Düsseldorf
- Sächsische Wohnungsbaugenossenschaft Chemnitz eG, Chemnitz
- SAGA Siedlungsaktiengesellschaft, Hamburg
- Sedlmayr Grund und Immobilien KGaA, Munich
- Stendaler Wohnungsbaugesellschaft mbH, Stendal
- TREUREAL GmbH, Leipzig
- WBM Wohnungsbaugesellschaft Mitte mbH, Berlin
- WGS Wohnungsgesellschaft Sömmerda mbH, Sömmerda
- WIELANT HOFFMANN GmbH, Hamburg
- WIRO Wohnen in Rostock Wohnungsgesellschaft mbH, Rostock
- Wohnstätte Krefeld Wohnungs-Aktiengesellschaft, Krefeld
- Wohnungsbaugenossenschaft Gablonzer Siedlungswerk, Kaufbeuren
- Wohnungsgenossenschaft „Glückauf“ Süd Dresden e.G., Dresden
- Wohnungsgenossenschaft WARNOW Rostock-Warnemünde e.G., Rostock

## International (selection)

### France

- Adoma, Paris
- Batigère, Metz
- Cus Habitat, Strasbourg
- Dyar Al Madina, Casablanca/Morocco
- Erilia, Marseilles
- Foyer Rémois, Reims
- Groupe Hainaut Immobilier, Valenciennes
- Groupe Opievoy, Versailles
- Groupe Valophis, Créteil
- Logement Français, Paris
- Mairie de Paris, Paris
- Monoprix, Clichy
- Neolia, Monbéliard
- Pas de Calais Habitat, Lille

### United Kingdom

- Aster Group, Devizes, Wiltshire
- Barnet Group, London
- City West Housing Trust, Manchester
- Halton Housing Trust, Runcorn
- Hillcrest HA, Dundee
- Link Group, Edinburgh
- North Lincolnshire Homes, Scunthorpe
- NPT Homes, Neath, Port Talbot, Wales
- Peabody Group, London
- Richmond Housing Partnership, London
- Together Housing Group, Halifax

### The Netherlands

- de Alliantie, Hilversum
- de Woonplaats, Enschede
- GroenWest, Woerden
- Parteon, Wormerveer
- Stadlander, Bergen op Zoom
- Trudo, Eindhoven
- Vidomes, Delft
- WoonFriesland, Grou
- Woonmensen, Apeldoorn
- Woonstede, Ede

### Norway

- Forsvarets forskningsinstitut, Oslo
- Forsvarsbygg, Oslo
- Kongsberg kommunale eendom KF, Kongsberg
- Kragerø Bolig- og Byggelag, Kragerø
- Kragerø kommune, Kragerø
- Newsec TM, Oslo
- Oslo kommune, Oslo
- Stjørdal kommune, Stjørdal
- Universitetet i Oslo, Oslo

### Sweden

- AB Gavlegårdarna, Gävle
- Akelius Lägenheter AB, Stockholm
- Bostads AB Mimer, Västerås
- Göteborgs Stad, Gothenburg
- Malmö Stad, Malmö
- Riksbyggen, Stockholm
- SBC, Stockholm
- Stockholms Stad, Stockholm
- Uppsala AB, Uppsala
- Willhem AB, Gothenburg



#### Subsidiaries

Aareon Deutschland GmbH  
Isaac-Fulda-Allee 6  
55124 Mainz  
Phone: +49 6131 301-0

Aareon Wodis GmbH  
Rheinlanddamm 199  
44139 Dortmund  
Phone: +49 231 7751-0

Aareon Immobilien Projekt GmbH  
Paul-Klinger-Straße 7  
45127 Essen  
Tel.: +49 201 809886-0

BauSecura  
Versicherungsmakler GmbH  
Valentinskamp 20  
20354 Hamburg  
Phone: +49 40 35914-393

#### German operations

Berlin  
Wallstraße 9-13  
10179 Berlin  
Phone: +49 30 88099-6

Dortmund  
Rheinlanddamm 199  
44139 Dortmund  
Phone: +49 231 7751-0

Hamburg  
Tangstedter Landstraße 83  
22415 Hamburg  
Phone: +49 40 27833-0  
Fax: +49 40 27833-999

Hückelhoven  
Gut Gansbroich 5  
41836 Hückelhoven  
Phone: +49 2433 951809-0

Leipzig  
Neumarkt 2-4  
04109 Leipzig  
Phone: +49 341 9985-300

Munich  
Stollbergstraße 3  
80539 Munich  
Phone: +49 89 211219-0

Stuttgart  
Büchsenstraße 26  
70174 Stuttgart  
Phone: +49 711 222909-0

#### International operations

France  
Aareon France SAS  
9 rue Jeanne Braconnier  
92360 Meudon-la-Forêt  
Phone: +33 145 379230

United Kingdom  
Aareon UK Ltd.  
Building 500, Abbey Park  
Stareton  
CV8 2LY Coventry  
Phone: +44 2476 323723

1st Touch Ltd.  
Suite 19-21, 2 Venture Road  
Southampton Science Park  
Southampton, Hampshire  
SO16 7NP  
Phone: +44 871 7163060

Netherlands  
SG | automatisering bv  
Cornelis Houtmanstraat 36  
7825 VG Emmen  
Phone: +31 591 630-111

Norway  
Incit AS  
Karl Johans Gate 5  
0154 Oslo  
Phone: +47 90986827

Sweden  
Incit AB  
Flöjelbergsgatan 10  
43137 Mölndal  
Phone: +46 31 725 43 00

Aareon AG • Isaac-Fulda-Allee 6 • 55124 Mainz • Germany  
Phone: +49 6131 301-0 • [www.aareon.com](http://www.aareon.com)

#### An Aareal Bank Group company

Aareal Bank AG • Paulinenstraße 15 • 65189 Wiesbaden • Germany  
Phone: +49 611 348-0 • [www.aareal-bank.com](http://www.aareal-bank.com)