

WE MANAGE IT FOR YOU



Aareon Annual Report 2014

Connected living

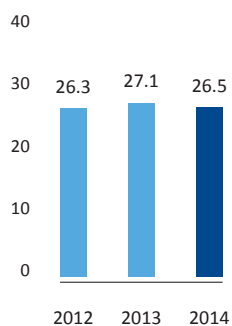


Key performance indicators

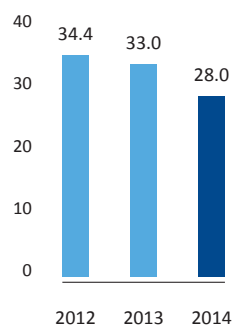
Key performance indicators IFRS (€ m)

	2014	2013	Change
Revenues	177.7	172.8	2.8%
Of which international	60.2	53.6	12.3%
Total expenses	164.0	155.0	5.8%
EBIT	26.5	27.1	-2.2%
Consolidated net income after tax	19.7	18.4	7.1%
Consolidated net income after minority interest	18.4	16.9	8.9%
Total assets	193.4	182.1	6.2%
Shareholder's equity	101.0	90.3	11.8%
Cash flow from operating activities	23.7	29.6	-19.9%
Number of employees (as at 31 December)	1.285	1.258	2.1%
Of which international	508	483	5.2%
Return on equity in %	28.0	33.0	

EBIT in € million



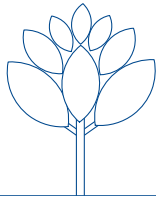
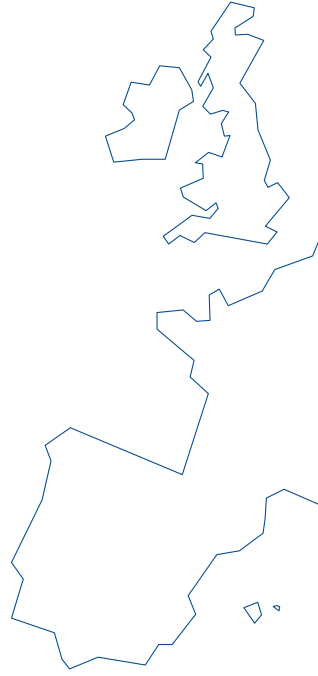
Return on equity in %



Connected living is becoming more and more a given. The ever-higher level of networking between people, organisations and machines, and the internet of things are not just technical phenomena. They are leading to the multidimensional sharing of information, which is not only improving processes and rendering them leaner, but also making our lives smarter. Aareon is utilising its expertise to support the process of digital transformation in the property industry. In doing so, we benefit from the diverse skills of our employees in Germany, France, the UK, the Netherlands, Norway and Sweden.

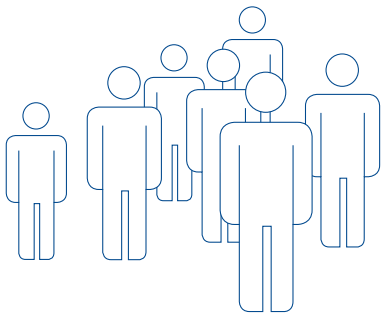
Aareon at a glance

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 a Europe-wide IT service group for the property industry.

1957



2,800

customers make use of Aareon's consulting, software and services to simplify and automate their processes. Aareon's customers are 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.

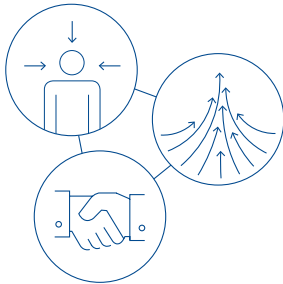


27 **locations** of Aareon across Europe. Aareon AG has its head office in Mainz, Germany, and international subsidiaries in France, the UK, the Netherlands, Norway and Sweden.



10m

10m **units** are managed using Aareon ERP systems and IT solutions.



3

3 pillars support Aareon's corporate strategy:

Having a clear customer focus. Top priority is given to customer satisfaction and creating customer benefit.

Offering pioneering solutions. Aareon draws on the latest trends and industry requirements when developing and refining its products and services.

Being a dependable partner. Aareon is a dependable and reliable partner for its stakeholders – i.e. its customers, employees and investors.

1,285

1,285 employees of different nationalities and from different cultures and age groups are the key to our success. They have the necessary IT and property-industry expertise, are dedicated and willing to perform, and always remain focused on the customer.



diverse





vielfältig



diverse



diversifié

verskillend

mångskiftande

mangfoldig

Aareon is a



diverse



company, and that gives rise

to fresh, innovative ideas

and creates value. We profit

from the individuality of

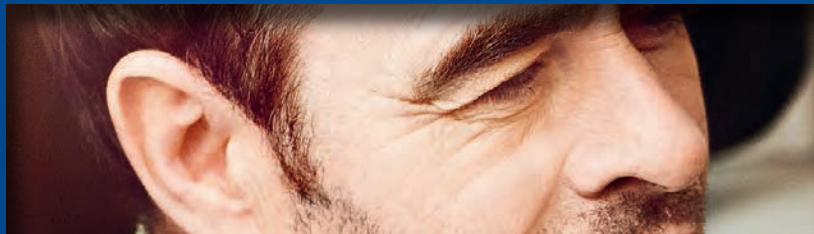
our employees and from the

diversity of their skills.



A photograph of a person in a light blue shirt using a tablet computer. The person is seated at a desk in a modern office environment. The background is blurred, showing office furniture and a window. The word "anywhere" is overlaid in a white box with blue text.

anywhere



überall



anywhere



en tout lieu

overall

överallt

overalt

No matter where our
customers' employees
work, Aareon's mobile IT
solutions are

—

anywhere

—

to support their
business processes.





simpler



einfacher



simpler



plus simple

eenvoudiger

enklare

enklere

**We combine and
concentrate our expertise
at our international
centres of competence. As
a result, we make life**

—

simpler

—

**with our pioneering
IT solutions.**





clever



clever



clever



habilement

slim

smart

smart

The internet of things

can help us to find

—

clever

—

solutions to the challenges

of energy efficiency

and demographic change.

Different devices can be

linked up – in mobile form –

via an integrated internet.

Financial year 2014

- Stable financial year with EBIT of €26.5 million
- High capital expenditure on research and development at €9.6 million
- Range of digital solutions for the housing industry expanded
- Netherlands subsidiary celebrates 35th anniversary and rebrands as Aareon Nederland B.V.
- Many customers opt for Wodis Sigma – some 600 in total by year-end 2014
- Certifications reconfirm Aareon's high levels of data protection

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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.

Letter of the Management Board

Ladies and Gentlemen,

Fiscal 2014 was a year of stability for Aareon. We achieved a slight, 2.8% increase in consolidated revenues, which reached €177.7 million. At €26.5 million, earnings before interest and taxes (EBIT) were almost on a par with the previous year (€27.1 million). In order to keep the company on its growth trajectory and set the right course for the future, we spent a large amount of capital on expanding our portfolio of digital solutions for the housing industry and making the Aareon Group more international. We invested €9.6 million in R&D activities alone, which focused in particular on the topic of digitisation.

The digital transformation process is changing society and the economy. Communication options have become more complex, giving rise to new demands as regards services. Today, we take for granted the ability to access information and make decisions anywhere and any time. We are helping the housing industry to make the most of the opportunities offered by digitisation. Our vision is to link up property companies with their tenants, business partners and technical devices in an integrated digital ecosystem. That will make it possible to reshape and optimise processes, cut costs, enhance revenues and achieve higher levels of comfort and convenience for customers and employees alike. Aareon's ability to integrate all components in terms of technology and processes is a key success factor. In this respect, we can benefit from the expertise we have within the Aareon Group, which we have combined and concentrated in centres of competence devoted to CRM solutions and mobile services. This helped us in 2014 to further expand our range of digital solutions for the housing industry.

In Germany, demand for our ERP solution Wodis Sigma continued to grow, with some 600 customers opting for this future-oriented system by year-end 2014. Although the majority of these new Wodis Sigma users previously deployed GES, many customers that are new to Aareon are also placing their trust in this system. In May, Aareon was granted SAP Partner status as a Value Added Reseller. This is in addition to the company's existing Service Partner status for consulting and marks the continuation of a successful ten-year partnership with the SAP company.

Another key component of Aareon's R&D activities is the company's ongoing dialogue with its customers. Aareon gauges its customers' requirements by speaking directly with them – e.g. by means of institutions such as customer advisory boards and through customer surveys. In 2014, for the first time, we surveyed the customers of our international subsidiaries. We would like to take this opportunity to thank you, our clients, for your candid and constructive feedback – we appreciate it very much.

We live in an age of ever-increasing connectivity – between people, organisations and machines – which includes the exchange of information in multiple dimensions. Especially against this backdrop, data protection and data security are of crucial significance – in particular for providers of software systems and consulting like ourselves. We are aware of our responsibility in this regard and want to offer our customers both security and transparency. The certifications we have attained underscore our high levels of data protection. For the fifth time, DQS GmbH, a German company for certifying/auditing management systems, awarded Aareon and its German subsidiaries its data protection seal of approval. The same is true of newly concluded hosting contracts



Christian M. Schmahl
Chief Financial Officer

Controlling, Accounting, Contract and Receivables Management, International Finance, Central Purchasing, Facility Management

Dr. Manfred Alfien
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

Sabine Fischer
Chief Operating Officer

Products and Services, Consulting, Service Management, Blue Eagle/SAP® Service Centre, Central IT Services, Aareon Immobilien Projekt GmbH

Dr. André Rasquin
Chief Sales Officer

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

with European business partners or group companies, who also stand to benefit from the German locations' recognised high levels of data protection. Over and above this, Aareon's information security system was certified for the first time in 2014 in accordance with the internationally recognised ISO/IEC 27001:2013 standard.

In the interests of optimising our group structure and increasing process efficiency, our German subsidiary Aareon Wodis GmbH was successfully merged into Aareon Deutschland GmbH. At international level, the Aareon Group continued to become more close-knit. In the course of the year, we successfully completed the integration of Incit AB, Mölndal, the Swedish subsidiary acquired in 2013. In September, our Netherlands subsidiary SG|automatisering bv celebrated its 35th anniversary, rebranding as Aareon Nederland B.V.

Our employees – who are of different nationalities, come from different cultures and belong to different age groups – form the foundation of our success. With their diverse knowledge and expertise they are an important factor in ensuring Aareon's ability to offer its customers the right solutions. We thank them – and the employee representative council – for the positive way in which they have worked together with us. We set great store by employee satisfaction, which is why our personnel policy is future-oriented, sustainable and geared to the different phases of our employees' lives. In short, it remains firmly focused on the people that make up Aareon. It was this human resources policy that enabled Aareon in November to reach the finals of the "Work and Old Age" ideas competition sponsored by berufundfamilie gGmbH.

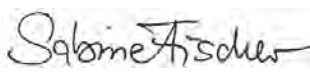
Shifting our gaze to 2015, we can say that the 25th Aareon Congress is certain to be a real highlight of the year, again making Garmisch-Partenkirchen the mecca of the German housing industry. We are proud that this event, the product of our constant honing, has become firmly established within the industry.

Aareon is very well placed for fiscal 2015, and we expect to reap the benefits of the strategic investments we have made in the areas of internationalisation and digitisation. These investments will enable the company to remain on its growth trajectory. We will continue to enhance the Aareon Group's portfolio of digital solutions and to be a professional, reliable partner to our customers during the process of digital transformation in the housing industry.

Kind regards



Dr. Manfred Alflen



Sabine Fischer



Dr. André Rasquin



Christian M. Schmahl

Overview of 2014

01

January

Numerous customers go live with an **Aareon solution**.

Aareon's **Netherlands subsidiary** celebrates its 35th anniversary.

First **international meeting of Aareon's key accounts** in France: degewo, based in Berlin, Germany, (over 73,000 units) and de Alliantie from Hilversum, the Netherlands, (over 60,000 units) are the guests of Erilia in Marseilles, France, (over 89,000 units). The attendees exchange information and share with each other their experiences of customer relationship management.

Aareon completes the transformation to **green electricity** at all its locations in Germany.

02

February

Additional customers – Arun District Council, Littlehampton, West Sussex, and Tamar Housing Society, Plymouth, Devon – opt for **Aareon UK's** ERP solution "QL".

03

March



The motto of the **Girls' Day** 2014 is "Women can do IT – you can too!" Twenty-three school students aged between ten and 15 gain insights into interesting IT topics at Aareon. (photo above)

Allbau AG, Essen, Germany, (about 18,000 units) commissions the roll-out of **SAP® solutions and Blue Eagle**.

04

April

Aareon hosts the **DESWOS convention** (Deutsche Entwicklungshilfe für soziales Wohnungs- und Siedlungswesen e.V.).

Aareon takes part in the **ÖKOPROFIT®** project of the city of Mainz (Ecological Project for Integrated Environmental Technology).

05

May

The Barnet Group, a major London-based client of **Aareon UK**, goes live with the ERP solution QL Housing.

Aareon integrates its subsidiary Aareon Wodis GmbH into **Aareon Deutschland GmbH**, the new company being registered on 23 May 2014. The objective of the merger is to optimise the Group structure and enhance process efficiency.

Aareon launches its **Property Industry Expedition** blog. By the end of the year, the editorial team headed by Kai Heddergott (pictured below) had turned the spotlight on the people and projects that are using digital tools to change the property industry.



Kai Heddergott (editor)

06

June



From left to right: Discussion round with Dr. Frank Schirmmacher, Dr. Willms Buhse, René Borbonus, Axel Gedaschko and Corinna Wohlfeil.

Some 1,000 representatives of the housing and property industry attend the **24th Aareon Congress**. The event revolves around the digital transformation of society and the economy. (photo above)

Aareon UK lends its support to the Scottish Home Awards.

Aareon is recertified by berufund-familie gGmbH for its **family-oriented personnel policy**. (photo below)



Caren Marks, Parliamentary Under-secretary at the German Federal Ministry of Family Affairs (front left), and Dr. h. c. Frank-Jürgen Weise, Chairman of the Hertie Foundation (front right), together with the representatives of the prize-winning companies from Rhineland-Palatinate and Saarland; Sylvia Clöer, Aareon (back right).

Aareon France's customer congress focuses on the topic of digitisation.

At the Aareon Congress, Aareon and "DW Die Wohnungswirtschaft", a German housing industry journal, honour three housing companies with the **DW Future Prize of the Property Industry**: degewo AG, Berlin, FLÜWO Bauen Wohnen eG, Stuttgart, and ProPotsdam GmbH, Potsdam. (photo below)



MKB, Malmö, one of Sweden's largest public-sector housing companies, opts for the **IncIt Xpand** ERP solution.

Aareon is awarded **SAP Partner status as a Value Added Reseller**, on top of its existing Service Partner status (for consulting).

Aareon is once again awarded the highest qualification ranking in the **Microsoft Partner Program** (Gold Application Development). Aareon customers can thus rest assured that the company's software solutions comply with Microsoft's applicable international guidelines.

07

July

Bremen-based GEWOBA Aktiengesellschaft Wohnen und Bauen commissions the introduction of **Wodis Sigma** for the third-party management of around 16,000 units.

The **Learning Islands East and North** are held with the aim of fostering trainees in the property industry. Aareon is one of the supporters of the Learning Islands.

08

August

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

09

September



Dr. Manfred Alflen, Aareon, (back left) and Christa Bauer, two4science GmbH, (back right) with a group of participants at one of the Aareon Science Camps 2014.

Aareon participates in the German Federal Ministry of Education and Research's Science Year 2014 – "The Digital Society". Eighty children have a fun time at the **Aareon Science Camps**, whose motto this year is "From talking drums to bits and bytes". (photo above)

The international **Group customer survey** is carried out.

Aareon's first Health Day takes place.

Everything ship-shape at the fifth **North German Property Regatta (NoIR)**, where over 120 participants enjoy two exciting yacht races on the Kiel inlet.

Netherlands-based subsidiary SG|automatisering bv is renamed **Aareon Nederland B.V.**, completing its integration in the Aareon Group brand.

10

October

Vivawest Wohnen GmbH, Gelsenkirchen – one of the biggest providers of residential property in Germany with over 120,000 units in 76 municipalities – transfers operation of its SAP® systems to the **Aareon IT Service Centre**. The first of these systems goes live in October, with further systems gradually shifting to productive mode by the end of the year.

11

November



From left to right: Axel Gedaschko, President of the German Federation of Housing and Property Companies (GdW); Dr. Manfred Alflen, Aareon; Klaus Leuchtmann, Chancellor of the EBZ

In November, in an effort to encourage young talent and promote education, Aareon and the EBZ Business School in Bochum agree the **endowment of a professorship in business IT**. The new chair is to be set up by winter semester 2015. Aareon's endowment will run for five years. (photo above)

Aareon launches **Blue Eagle Release 6.4** on schedule.

Bietigheimer Wohnbau GmbH, Bietigheim, (around 31,000 units) decides to expand deployment of **SAP® solutions and Blue Eagle** with effect from 1 January 2015, making it the largest management company for condominiums to have SAP® solutions and Blue Eagle installed.

12

December

Aareon reaches the finals of the “**Work and Old Age**” ideas competition sponsored by berufundfamilie gGmbH. Entitled “Focus on people at Aareon – refining our life-phase-oriented personnel policy and corporate culture”, the company’s holistic approach promotes constructive cooperation between young and old.

The first **Aareon Forum** takes place in Bochum. This new forum, which arose by combining the Wodis Sigma Forum with the PC Club, is Germany’s second-largest housing industry event for IT decision-makers and users. (photo below)



TÜV Rheinland, a German technical inspection agency, certifies Aareon’s information security management system in accordance with the internationally recognised **ISO/IEC 27001:2013 standard**. (photo above)

Netherlands housing company Provides, IJsselstein, (over 3,500 units) is the first customer to opt for **Aareon Nederland’s** tenants portal. This CRM solution for the Netherlands was developed on the basis of the Aareon’s CRM solution for the French market.

Logement Français, Paris, (over 80,000 units) opts to source **Aareon France’s** CRM solution from the exclusive Aareon Cloud, making it the 25th French customer to use the service provided by the Aareon IT Service Centre in Mainz.

In Oslo, Norwegian company Thon Holding AS and Incit AS, an Aareon subsidiary, sign a contract to roll out the IT solution **Incit Xpand**. Thon Holding AS belongs to the Olav Thon Group, one of Norway’s leading property companies (for shopping centres, hotels, etc.).

Around 600 customers have already opted for **Wodis Sigma**. Customers purchasing the software in December included:

- Beamten-Bau- und Wohnungsverein eG, Emden
- BSG – ALLGÄU Bau- und Siedlungsgenossenschaft eG, Kempten-Sankt Mang
- BWB Beamten-Wohnungs-Baugenossenschaft eG, Düsseldorf
- GSW Gesellschaft für Siedlungs- und Wohnungsbau Baden-Württemberg mbH, Sigmaringen
- Hammer Gemeinnützige Baugesellschaft mbH (HGB Hamm), Hamm
- Walddörfer Wohnungsbaugenossenschaft eG, Hamburg
- Wohnungsbaugenossenschaft Süderelbe eG, Hamburg
- Wohnungsbaugenossenschaft “VORWÄRTS” eG, Berlin
- Wohnungsgenossenschaft eG Bützow, Bützow
- Wohnungsgesellschaft Ludwigsfelde mbH “Märkische Heimat”, Ludwigsfelde

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Group business fundamentals

Group business model

Aareon AG is a European provider of consulting services and systems for the property industry. Its secure, ground-breaking solutions in the areas of consulting, software and services enable its customers to optimise their business processes with the aid of information technology. 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, namely Germany, France, the UK, the Netherlands, Norway and Sweden.

The company has been 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 30 nations, the Aareal Bank Group has offices on three continents – Europe, North America and Asia. Aareon AG is a wholly owned subsidiary of Aareal Finanz und IT Beteiligungen GmbH (formerly 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, via which Aareal Bank offers solutions for customers from the residential and commercial property industry, and from the energy production 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 assists property companies in optimising and automating

their internal and external business processes – for example with their business partners, with tradespeople and with their tenants. In doing so, Aareon can help to enhance overall process quality. The company's ERP (enterprise resource planning) solutions also 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.

The ERP Products segment comprises the ERP solutions offered by Aareon in Germany. The company pursues a multi-product strategy in this context, fully covering the diverse requirements of the property market with Wodis Sigma, SAP® solutions and Blue Eagle as well as GES. The company continued to develop and enhance these products in 2014, taking current market trends and industry/customer requirements into account (see p. 30 et seq). 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 exclusive 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. 30).

Wodis Sigma can be deployed either as an in-house solution or as a service from the exclusive Aareon Cloud. As we had anticipated, the majority of new customers in 2014 opted for the exclusive Aareon Cloud solution – a secure, ground-breaking method of operation.

Aareon also offers property companies the Blue Eagle system, an SAP®-based package developed with property industry expertise. 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. Aareon consultants can assist customers in expanding or customising their own SAP® solutions.

GES is an ASP system for the housing industry that focuses on the bulk operational processes of commercial and technical property management.

The Integrated Services segment mainly comprises integrated services, integrated payment transaction services and IT outsourcing. 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. They include the Mareon service portal, the Aareon invoicing service (a fully integrated digital accounting process), 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.

In the field of IT outsourcing, Aareon provides its customers with high-performance IT systems and services that are managed by experienced specialists in accordance with ITIL (IT Infrastructure Library). Some of these systems and services are available via the exclusive Aareon Cloud. In conjunction with its parent company Aareal Bank, Aareon offers payment transactions as an integral part of its ERP systems. The company also provides the BK01® payment system for the Wodis Sigma and GES systems as well as the BKXL® system for SAP®-based Blue Eagle.

Aareon's International Business segment unites the product offerings of its international subsidiaries, namely country-specific ERP products, integrated services and consulting. The ERP products comprise Prem'Habitat and Portallmmo Habitat in France, QL in the UK and, in the Netherlands, SG|tobias and the SG|tobias^{AX} product generation. Aareon's Swedish subsidiary Incit AB, which also has a presence in the Netherlands and Norway, offers the Incit Xpand system.

Aareon generates its revenues mainly through:

- Licensing agreements
- Maintenance contracts
- Consulting projects (including implementation, training and optimisation)
- Aareon cloud computing
- Integrated services, including the Mareon service portal, brokerage of insurance cover for the property industry (BauSecura), the Aareon invoicing service and the Aareon Archiv kompakt archiving solution
- Hosting/outsourcing services and integrated payment transaction services

Market position

Aareon AG pursues a strategy of profitable growth, in the course of which the company has expanded its international presence in recent years and broadened its product portfolio. Underpinning this growth strategy is the Striving for Excellence programme launched in 2014, which is focused on enhancing performance, making efficiency gains and further improving quality.

brandIT, the company's strategic brand project – the purpose of which was to further strengthen the Aareon brand in the market for property management software – was successfully concluded in 2014 and transferred to the line organisation.

According to the Lünendonk List, an established annual market survey, Aareon is one of the leading IT service providers in the German market¹. 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.

Quality and security standards

In the age of “big data”, data protection and data security are of central importance. Since 2010, Aareon has voluntarily submitted to regular external data-protection audits in accordance with Section 9a of the German Federal Data Protection Act (BDSG). In July 2014, DQS GmbH, a German company for certifying/auditing management systems, re-confirmed that Aareon provides a high level of data protection. For the fifth time, Aareon and its domestic subsidiaries were awarded the DQS data-protection seal of approval. European business partners or group companies with newly concluded hosting contracts also stand to benefit from the German locations’ recognised high levels of data protection.

The data held in the exclusive Aareon Cloud is stored solely at Aareon’s IT Service Centre in Germany, and customers access their data either via exclusive WAN or encrypted VPN connections that are protected against attacks from the internet with multi-layer firewalls. Aareon IT Service Centre operations are regularly examined for compliance with the PS 951 auditing standard of the Institute of Public Auditors in Germany (IDW).

In November 2014, Aareon was certified for the first time in accordance with the internationally recognised ISO/IEC 27001:2013 standard. In order to achieve this certification, the company once again enhanced the already high standard of its information security management system.

In conjunction with software certified to audit standard IDW PS 880 – for instance, for the Aareon Archiv kompakt archiving solution, the Mareon 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 for the period until 2016.

Research and development

Aareon’s ground-breaking portfolio is underpinned by the company’s R&D activities, which make use of the latest technologies and trends to help broaden the company’s range of products and services. Aareon can benefit here from its international focus, with development work being systematically shared between teams of experts in different countries, thus tapping synergies for the benefit of individual products and services at national level. To this end, several centres of competence were established in 2014, enabling the company to make the best-possible use of the expertise within the Aareon Group and to harness that knowledge for its R&D activities in a flexible manner. Over and above this, Aareon created the position of CITO (Chief Innovation and Technology Officer) in the year under review.

Aareon supplements its R&D activities by maintaining a close dialogue with its customers in the course of everyday business. Aareon gauges its customers’ requirements by speaking to them on a regular basis – e.g. by means of institutions such as customer advisory councils and through customer surveys. In 2014, for the first time, we surveyed

¹—See the Lünendonk Study 2014, Lünendonk GmbH, Kaufbeuren, Germany, 2014

the customers of our international subsidiaries. This regular contact puts Aareon in a position to discern market requirements at an early stage and take those requirements – as well as trends in the property and IT industries – into account when developing and refining its portfolio.

Digitisation

The trending topic of digitisation remains firmly in the focus of our R&D activities. In essence, this trend is all about utilising IT to optimise external and internal business 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 web is being used to link up machines (M2M) and inanimate objects (the internet of things). Against this backdrop, Aareon is driving forward the harmonisation and networking of diverse IT infrastructures and honing its existing solutions. Aareon was already proactive on the digitisation front in 2013, enlarging its range of products for the property industry and developing what it has labelled its “digital ecosystem”. This term stands for an IT infrastructure comprising a multitude of different systems that work together in an integrated way. All key business processes – such as rentals, customer service and maintenance – are fully supported by digital technology around the clock. ERP systems form the nerve centre of the digital ecosystem. On the basis of solutions from France and the UK, international groups of experts are developing solutions for other national markets.

The 24th Aareon Congress in 2014 revolved around the ongoing digital transformation and turned the spotlight on digital customer relationships. Key topics discussed at the congress included the internet of things, social customer relationship management and e-business services.

Aareon is lead IT partner in the “I-stay@home” R&D project funded by the European Union. Taking demographic change into account, the project aims to enable senior citizens to keep living in their own homes for as long as possible.

Fifteen partners from the European housing industry and the research and technology fields are participating in the project. In 2014, work in the project concentrated on the evolution and operation of an IT platform (in the shape of a test installation), on communication between tenants and on the integration of third-party systems (i.e. AAL – Ambient Assisted Living – technology). Some 180 tenants in five countries are taking part in the test phase, which will run for several months. The project is set to end in 2015.

Further development of products and services

As part of its efforts to refine its ERP systems and integrated services, Aareon invested in particular in the following products in fiscal 2014: Wodis Sigma Release 6, the GES versioning and maintenance packages, and various Mareon releases. In the International Business segment, the focus of development differed from country to country: a CRM solution suitable for deployment throughout the Group and new versions of ERP solutions (in France), a customer portal and commercial real estate (CRE) solution (in the Netherlands) and the QL-net software solution (in the UK).

Capital expenditure on research and development in fiscal 2014 amounted to €9.6 million (previous year: €9.2 million). The capitalisation rate was 50.9%. Amortisation of internally generated software amounted to €2.5 million.

Economic report

General economic and industry environment

Economic growth

At 2.6%, global economic growth in 2014 was on a par with the previous year (2.5%), thus remaining subdued and below expectations. The eurozone economy, in particular, failed to pick up. Though demand within the eurozone remained listless, net exports grew substantially. Macroeconomic imbalances and structural problems in a number of eurozone economies played a part in the region's weak economic growth. Rising geopolitical risks also weighed on business confidence and the economy.

Diverging trends were discernible between eurozone member countries. While Germany posted slight to moderate growth in real GDP, growth was somewhat lower in the Netherlands, and very subdued in France. Economic growth was more dynamic in a number of European countries that are not eurozone members. The UK, for instance, posted robust growth while real GDP rose faster in Sweden than the eurozone average.

Annual real growth in GDP in %.

	2014	2013
Eurozone	0.9	-0.4
Germany	1.5	0.2
France	0.4	0.4
Netherlands	0.7	-0.7
United Kingdom	2.6	1.7
Norway	2.1	0.8
Sweden	1.9	1.3

The sluggish economic growth in the eurozone was insufficient to bring about any substantial recovery in employment markets. While the eurozone unemployment rate declined only marginally, Germany was able to boast one of the region's lowest unemployment rates.

Industry trend

Overall, the residential and commercial property industry in Germany put in another solid performance in 2014. The reasons for this include the long-term financing structures in place as well as stable rental income, which is attributable to the diversified tenant portfolio. The industry remained committed to sustainable portfolio growth, focusing on greater energy efficiency and the creation of more living space tailored to the needs of senior citizens. The residential and commercial property companies organised in the German Federation of Housing and Property Companies (GdW) and its regional associations invested over €11 billion in the future of their portfolios.

The housing market remained for the most part immune to short-term economic fluctuations, given that prices in this market tend to be influenced more by long-term factors

such as population growth and income trends. Across Germany, rents for new properties were around 2.8% higher year on year.

Regional differences persisted in the housing market. Whereas demand for housing rose in the growth regions that continue to attract new workers, economically weak locations were faced with out-migration. The housing market vacancy rate remained stable, amounting to less than 3% in the states of the former West Germany and around 9% in the area comprising the former East Germany.

The positive housing market trend in 2014 continued to bolster demand for German residential property portfolios, with the investment market for residential property benefiting from very low interest rates and the German economy's sound fundamentals. German investors still dominate the local transaction market, and the property market is currently experiencing a wave of important corporate mergers.

In Germany and the other countries in which Aareon operates, the trending topic of digitisation continues to gain traction in the housing industry. Fast mobile communication is becoming more and more a matter of course. The internet of things and additional service offerings for tenants will make life "smarter" in future. In this context, people view their own four walls as a place of refuge. The work-life balance is changing in line with the digital and mobility options on offer. These developments are confirmed by the "Trends in Living 2030" study [Wohntrends 2030] carried out by the GdW and published in Germany in 2013.

In the Netherlands, social-housing companies find themselves under enormous cost pressure, partly due to a special tax imposed in line with the country's housing policy. As was expected, this cost pressure has led to a consolidation process and corporate mergers. For this reason, a focus of the social-housing industry in the Netherlands is on enhanc-

ing process efficiency. Over and above this, demand for mobile applications and CRM solutions is on the rise. Aareon Nederland B.V. is mainly active in the social-housing industry, where it is one of the leading providers of software, consulting and services. What is more, the Aareon Group is also represented in the Netherlands market via its Swedish subsidiary Incit AB.

Political influence is strong in the French social-housing market, too. The public sector there is interested in raising satisfaction levels among tenants and in reducing portfolio management costs through the merger of public-sector companies. Against this backdrop, French housing companies are banking on internet-based CRM solutions and payment process systems in an effort, for example, to simplify rental payment processes via a tenants portal. Demand for mobile applications is growing in France as well. Aareon France SAS is the market leader in the French social-housing industry alongside one other competitor of note.

The UK government has passed an Efficiency Agenda to make the administration of public-sector property more cost-efficient, and introduced financial incentives for companies to drive forward the digitisation process. As a result, the companies in the social-housing market are increasingly digitising their customer service. The market for providers of IT for the housing industry is extremely fragmented. Aareon profits from the strong position in the market of both Aareon UK Ltd. and 1st Touch Ltd., the UK market leader for mobile applications.

In Sweden, internet-based service portals are a matter of course for housing companies and much used by their tenants. The scope of services is even broader here, for instance, with tenants also able to rent household appliances such as washing machines and refrigerators. Incit AB is the leader in the Swedish housing market.

Incit AS occupies a leading position in the Norwegian market, too. Although it does have one major competitor there, it is the only company that is able to satisfy all the latest trends and market requirements, including BIM (Building Information Modelling), which is mandatory for all buildings owned by the public sector.

Key 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 before interest income/expense and taxes.

The main non-financial indicators Aareon monitors are customer satisfaction and employee satisfaction (see p. 40). These indicators are not used for the purposes of internal control and management.

Business performance

In the interests of optimising its Group corporate structure and enhancing process efficiency in Germany, Aareon AG merged its subsidiary Aareon Wodis GmbH into Aareon Deutschland GmbH with retroactive effect from 1 January 2014. The new company was entered in the commercial registry as of 23 May 2014.

ERP Products

Aareon continued to develop the Wodis Sigma ERP solution in 2013 to make even greater use of the opportunities presented by the digitisation trend, integrating in it both a mobile (tablet-based) property inspection function and the

new Aareon CRM portal. The solution met with a positive response in the market. In 2014, extensive innovations were made to the mobile property inspection function. Aareon presented the new Wodis Sigma Release 6 in November at its annual Aareon Forum customer event (previously the Wodis Sigma Forum), held in Bochum, Germany. A further 89 customers opted for Wodis Sigma in 2014, taking the total number of customers to around 600.

GES business volumes continued to decline as planned. Numerous GES customers are reviewing their long-term IT strategy and are either weighing up the possibility of modernising their technology or have already done so. This usually means deciding to migrate from GES to Wodis Sigma, and Aareon is generally the preferred partner and adviser in this situation. However, Aareon's migration volume in 2014 was slightly lower than expected. The company has put capacity in place to prepare for future migrations of GES customers and ensure that these run smoothly and securely.

The GES versioning (05/2014) and maintenance (11/2014) packages went live on schedule. The packages focused on the implementation of statutory regulations, the expansion of Aareon CRM functionalities, and integration of the mobile property inspection function.

Aareon was granted SAP Partner status as a Value Added Reseller, marking the next step in its successful ten-year partnership with the German software company. This new Partner status complements Aareon's existing certifications as a Partner Center of Expertise, SAP Certified Provider of Hosting Services and SAP Certified Provider of Application

Management Services. In November 2014, the upgrade to Release 6.4 of the Blue Eagle Standard ERP system took place.

Income from maintenance and fees was comparable with prior-year levels and constituted a reliable source of revenue. Market demand for consulting projects was below expectations for all ERP products.

Integrated Services

The Integrated Services segment remains dominated by the Mareon service portal, the BauSecura insurance management solution and Aareon NetOffice. The Aareon invoicing service has been available as an online portal since Q2 2014. In addition, Aareon Archiv kompakt, the archiving solution launched in 2013, has also attracted a lot of interest.

Aareon premiered its CRM product at the Aareon Congress in 2013, and a number of customers have opted to deploy Aareon CRM since then. The product's performance scope is being enhanced through regular new releases. Tenants, members of cooperatives and property owners all highly appreciate being able to enjoy the same level of online convenience with their housing company that they have become accustomed to in other industries, e.g. banking. The system is in the market launch phase, and demand is developing in line with expectations.

Demand for IT outsourcing continued to increase while demand for integrated payment transaction services was on a par with the previous year.

International Business

Aareon's international operations are focused on key strategic markets. The International Business segment continued to perform well in the period under review and, at 33.9%, accounted for a higher share of Aareon Group revenues

than in the previous year (31.0%). 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. 30 et seq).

In September 2014, Aareon's Netherlands subsidiary SG|automatisering bv rebranded as Aareon Nederland B.V., also taking over the remaining 49% stake in the subsidiary SG|Facilitor B.V. as of 1 July 2014. The latter now goes by the name Facilitor B.V. In addition, Aareon Nederland B.V. acquired the remaining 30% of the shares in another subsidiary, SG|stravis B.V., which was liquidated on 31 December 2014 after the transfer of its business activities to Aareon Nederland B.V. In 2014, Aareon Nederland B.V. was able to renew several important customer contracts, including that with key account de Alliantie of Hilversum. The company also won a new major customer in the shape of Brabant Wonen, Oss. Aareon Nederland collaborates with Aareon France, the Group's French subsidiary, within the scope of the Aareon Group's R&D activities. The medium-term goal of this collaboration is to develop a solution for the Netherlands market on the basis of Aareon France's tried-and-tested CRM system. Aareon Nederland also celebrated its 35th anniversary in 2014. Owing to fiercer competition in the Netherlands market, business performance was not in line with expectations. Higher capital expenditure on one-off projects also weighed on EBIT.

Aareon France SAS, Meudon-la-Forêt, performed well in 2014. The French market continues to respond positively to Aareon France's CRM system. Our French subsidiary's customer congress also focused on the issue of digitisation. Aareon France is a pioneer in the field of customer relationship management systems for the housing industry – systems that help to optimise processes and improve service for

tenants – and the company contributes this expertise to the R&D activities of the Aareon Group (see p. 30 et seq). Aareon France also won new customers for its ERP solutions Prem'Habitat and Portallmmo Habitat in the year under review. What is more, Aareon France was successful in overturning on appeal a court ruling that had been handed down against it in 2013. As a result, the damages it had paid in that year were reimbursed. The lawsuit centred around a customer project carried out in 2008. The customer has now appealed against the latest ruling.

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. In 2014, the QL Housing ERP solution went live at Barnet Group, a major client in London. Aareon UK also supported the Scottish Home Awards in June. In the UK, there was increased demand for 1st Touch's mobile services. Performance at both Aareon UK and 1st Touch was positive, with business growing, albeit somewhat below expectations.

The Aareon Group successfully completed the integration of its Swedish subsidiary – Incit AB, Mölndal – in 2014. 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). MKB, Malmö, one of Sweden's largest public housing companies, decided to purchase Incit Xpand in the course of the year.

Economic situation

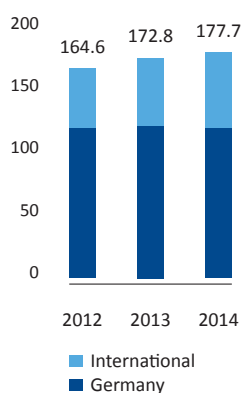
Earnings

At €26.5 million, Aareon's EBIT for 2014 was roughly the same as in the prior year (€27.1 million). In order to drive the company's future growth, a large amount of capital was expended on broadening the Group's international base and expanding its portfolio of digital solutions for the housing industry. Aareon grew its consolidated revenues by 2.8% to €177.7 million (previous year: €172.8 million),

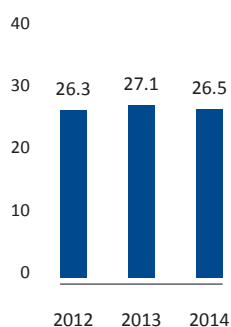
The Group's total expenses rose by 5.8%, from €155.0 million to €164.0 million. The main reason for this increase was the acquisition of Incit AB in 2013, which was consolidated only in the second half of that year and whose costs therefore did not fully impact earnings. At €4.8 million, internally generated assets were slightly higher than in the previous year (€4.4 million). Other operating income rose from €4.9 million in 2013 to €8.0 million in 2014 owing to positive developments in the Aareon France SAS lawsuit and to higher reversals of contingent purchase price liabilities. The cost of materials rose by a slight 2.9% to €21.0 million (previous year: €20.4 million). Staff costs rose 8.4% to €101.2 million (previous year: €93.4 million), in part due to the acquisition of Incit AB. Other operating expenses amounted to €31.0 million, 0.5% below the previous year's figure of €31.2 million. The latter had been impacted, in particular, by the cost of the lawsuit in France in the amount of €1.5 million.

Revenues fell marginally in Germany, declining by 1.4% to €117.5 million (previous year: €119.2 million), primarily due to effects from the ERP segment. As a result, EBIT in Germany did not reach the €18.7 million planned for 2014. Instead, at €17.9 million, it came in just 4.3% below that figure. Another contributing factor in this decrease was

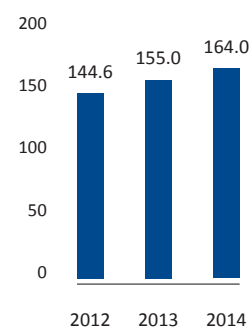
Revenues in € million



EBIT in € million



Expenses in € million



higher project costs from the expansion of the company's portfolio of digital solutions for the housing industry. Unplanned earnings from the adjustment of contingent purchase price liabilities had the opposite effect.

Changes in customer migration behaviour impacted the ERP Products segment, lowering revenues by a slight 3.8% to €78.0 million (previous year: €81.1 million). EBIT for this segment was thus down 9.3%. Although the number of migrations was lower than expected, more and more customers opted for Wodis Sigma as a service from the exclusive Aareon Cloud. Although non-recurring licensing-fee income in this area was lower, maintenance revenues will rise in future. This trend was evident in the increase in Wodis Sigma

revenue in 2014, which was of only a minor nature, and the significant drop in GES revenues, which had been expected. The latter decrease was all the stronger given the high revenues of the previous year from major one-off projects and the SEPA changeover. Revenues from SAP® solutions and Blue Eagle were largely unchanged compared with the previous year.

Revenue in the Integrated Services segment rose by a slight 3.7% to €39.1 million (previous year: €37.7 million). EBIT in this segment remained more or less on a par with the previous year. In particular, the revenues generated by the Aareon Archiv kompakt archiving solution launched in 2013 were higher.

Revenues in the Other Products segment amounted to €0.4 million (previous year: €0.4 million).

International Business generally continued to perform well. Incit AB, which was acquired in the second half of 2013 and was thus included in the consolidated financial statements for that fiscal year in the last six months only, played a major part in the 12.4% increase in revenues to €60.2 million achieved in 2014 (previous year: €53.6 million). The segment now accounts for around a third of consolidated revenues at 33.9% (previous year: 31.0%). Against expectations, EBIT was almost unchanged at €8.6 million (previous year: €8.4 million).

Aareon Nederland posted a slight increase in revenues, which rose 2.5% to €19.2 million (previous year: €18.7 million). EBIT was much lower than expected due to additional work required for fixed-price projects. What is more, it was negatively impacted by non-recurring effects in the shape of unexpected costs.

Aareon France exceeded its revenue and EBIT targets for 2014. Revenues rose by a strong 5.4% to €19.7 million (previous year: €18.7 million) as customers switched to the new maintenance model. EBIT was substantially boosted by the reimbursement of damages previously paid to a customer in connection with a lawsuit.

The Group's UK companies raised their revenues by 4.4% in 2014 to €11.9 million (previous year: €11.4 million), though demand for 1st Touch's mobile services was lower than anticipated. As a result, there was a strong reduction

in EBIT, with personnel capacity built up in order to achieve the ambitious revenue targets weighing on the margin.

Incit AB, which was included in the Aareon Group's consolidated financial statements for only half of the previous year, doubled its revenues to €9.4 million (previous year: €4.7 million). EBIT also rose, albeit not by as much as expected, the reason being that planned revenues were put off to the next fiscal year. What is more, additional work was required for fixed-price projects.

Financial situation

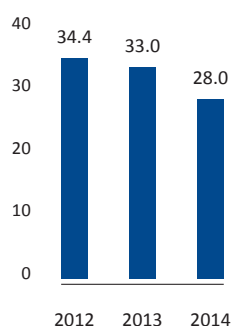
Capital structure

Equity increased by 11.9%, rising from €90.3 million to €101.0 million, mainly due to the addition of comprehensive income. At 28.0%, the return on equity was substantially lower than the prior-year figure of 33.0%, due to the renewed retention of profits. Non-current liabilities were 6.0% higher at €45.7 million (previous year: €43.1 million), mainly as a result of the increase in provisions for pensions brought about by the lower discount rate. Current liabilities were 4.3% lower year on year at €46.7 million.

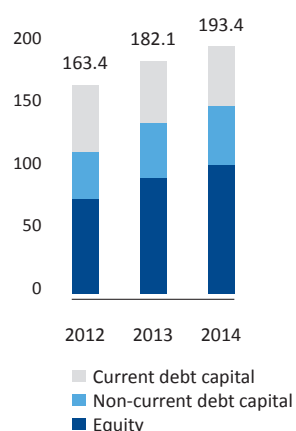
Liquidity

The statement of cash flows is the key to analysing Group liquidity. At €23.7 million, cash flow from operating activities was below the prior-year figure of €29.6 million, primarily due to higher tax payments and an increase in receivables and other assets. Cash flow from investing activities amounted to €-10.6 million (previous year: €-24.4 million). In addition to capital expenditure on non-current assets, payments were made to acquire minority shareholdings in

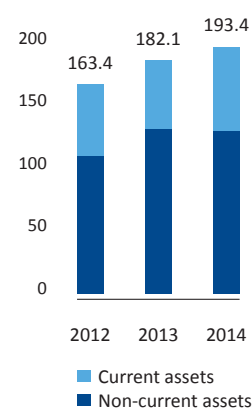
Return on equity in %



Total equity and liabilities in € million (capital structure)



Assets in € million (asset structure)



Facilitor B.V. and SG|stravis B.V. and in connection with variable purchase prices for acquisitions from prior years. Cash flow from financing activities amounted to €-1.3 million (previous year: €-12.1 million). This change was primarily attributable to repayment of the working capital loan in the previous year.

Net assets

Aareon AG's total assets stood at €193.4 million in 2014, up 6.2% on the previous year (€182.1 million). Non-current

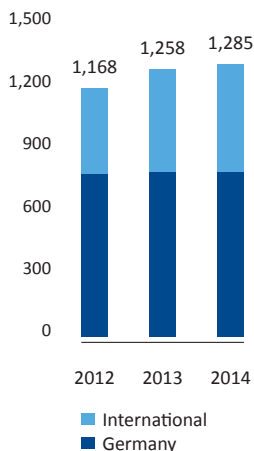
assets decreased by 0.9% to €127.6 million (previous year: €128.8 million). Depreciation-related reductions in property, plant and equipment were balanced out by an increase in deferred tax assets brought about by the change in provisions for pensions. Current assets increased by 23.2% year on year to €65.8 million, mainly as a result of the change in cash funds. The latter rose to €24.1 million (previous year: €12.1 million) as a result of the cash flow from operating activities. Trade receivables were up 5.7% to €35.5 million (previous year: €33.6 million).

Our staff

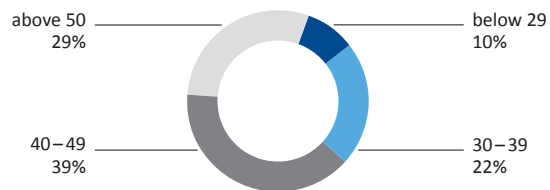
Employees of different nationalities and from different cultures and age groups form the basis for Aareon's business success. They have the necessary IT and property-industry expertise, are dedicated and willing to perform, and always remain focused on the customer. For more than ten years now, Aareon has been carrying 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. Employee satisfaction and motivation are essential to Aareon. The Group-wide response rate of 69% for the employee survey shows that both rank-and-file employees and management consider it important to participate in the future success of the company. General levels of employee satisfaction remain high.

As at 31 December 2014, Aareon's workforce totalled 1,285 employees (previous year: 1,258). The average period of service with the company was 11.4 years (previous year: 11.1 years). At 39.5% of the total workforce, well over one-third of employees work for our international subsidiaries (pre-

Number of employees (as at 31 Dec.)



Age structure of workforce



vious year: 38.4%). Aareon promotes flexible working time models. At the end of 2014, Aareon in Germany had 132 part-time positions (17.0%) (previous year: 143; 18.5%) and 88 teleworking positions (11.3%) (previous year: 85, 11.0%). The proportion of women in the workforce was 32.4%, while the share of women in management positions was 19.2%.

Qualification and further training

At Aareon, constant training and development of staff is an integral part of the company's life-phase-oriented personnel policy. In addition to providing personalised training and seminars, Aareon focused on further developing its management staff in 2014. 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). Another focal point was promoting the internationalisation of Aareon by means of language courses and seminars to enhance intercultural skills. The Certified Housing Manager (HfWU) training course at the Nürtingen-Geislingen University for Economics and the Environment in Germany was held once again in 2014.

Initial training and the promotion of young talent

Aareon offers candidates vocational training courses in office management and IT (the latter as either an application development or systems integration specialist). Another

option is the work-study degree course in Property Business Administration, offered jointly with the Leipzig University of Cooperative Education. Aareon also works hand in hand with the Baden-Württemberg Cooperative State University (DHBW) in Mannheim to offer business administration courses in Trade Fair, Congress and Event Management as well as in Business IT. 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 2014, Aareon had 14 trainees as well as three 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.

Aareon supports Nürtingen-Geislingen University's Institute for Information Technology Related to the Property Market, which was conceived as an independent platform for research activities in information technology.

In November, in an effort to encourage young talent and promote education, Aareon and the EBZ Business School in Bochum reached an agreement on the endowment of a professorship in business IT. The new chair is to be established by winter semester 2015, and Aareon's endowment will run for five years.

The Girls' Day was organised for the seventh consecutive time in 2014. Twenty-three school students aged between ten and 15 gained insights into the great variety of professions available in the IT field. In addition, a total of 80 boys and girls aged between eight and 12 took part in the Aareon Science Camps, whose motto this year was "From talking drums to bits and bytes". The goal of these camps is to awaken and encourage an interest in technology at an early age.

Work-life balance

Aareon offers numerous measures that support our employees in achieving a healthy work-life balance. These include flexible working hours in the form 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. The range of consultation services offered by the family service, which already includes childcare and long-term care, was supplemented by psycho-social counselling. One focal point lay on refining Aareon's life-phase-oriented personnel policy. This topic is becoming increasingly important against the backdrop of demographic change and an increase in the pensionable age. In 2014, berufundfamilie gGmbH again gave Aareon its seal of approval for the company's family-oriented personnel policy. In 2012, the German Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (BMFSFJ) had recognised Aareon as the most family-friendly company in Germany in the "Medium-sized Companies" category.

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 with applicants as a preferred employer. Equal opportunities for women and men have a key role to play in this, and corresponding communication training courses for men and women were continued in the year under review.

Health management

As part of the Corporate Health Management project launched in 2013, various activities aimed at promoting physical and mental health were implemented in 2014. These included seminars on "Leadership and Health" and "Employees and Health", jogging meets for employees at the Mainz location and organisation of the first Aareon Health Day.

Events after the reporting period

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, the processes in question relate 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, including preparation of the annual financial statements, for Aareon AG and its subsidiaries Aareon Deutschland GmbH and Aareon Immobilien Projekt

Gesellschaft mbH. The financial accounts of BauSecura Versicherungsmakler GmbH are handled by the Funk Group. Aareon UK Ltd., Aareon France SAS and Aareon Nederland B.V. 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. The latter 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 2014, 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 and provides internal guidance for the accounting process 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 both automated and manual entries. Key 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.

Risk report

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 unit exercises a process-independent supervisory function, reporting directly to the Management Board and providing audit and advisory services that are focused on monitoring the compliance, security and profitability of Aareon's business processes. In the reporting period, the International Finance unit provided support to Incit AB in adapting its processes and implementing internal control systems.

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.

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 regularly record and analyse their respective risks – but not the associated opportunities – as well as to develop proactive risk management measures. Risks are assessed in two separate dimensions, namely in terms of their impact and their probability of occurrence. Only residual risk is assessed and reported, i.e. any risk minimisation measures in place are taken into account. The resulting risk reports are consolidated by the Group's Legal and Risk Management unit and provide the basis for quarterly risk reporting. This topic is dealt with regularly 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 action to take. For each of the ten risks assessed as being the highest in a given quarter, the corresponding measures specified by the risk owners are documented in the risk reports, to the extent that their expectancy (i.e. the product of impact and probability of occurrence) exceed a defined threshold. The same applies to the measures taken against the risks that ranked among the top ten in any of the three preceding quarters. In this way, the effectiveness of action taken can be monitored. Over and above this, the Management Board of Aareon AG decides on measures to be taken against risks whose expectancy exceeds a further defined threshold, even if those risks are not among the ten highest-rated in the current reporting period.

Aareon's Internal Auditing unit carries out reviews of the risk management system. 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 categories of risk to which Aareon is exposed. Financial risks cover liquidity, cost and revenue risks. Market risks include customer and competition risks, risks relating to associations' and advisory councils' opinion leadership as well as supplier risks. The management and organisation risk 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 individual risks and risk categories. At the risk-category level, no overall risk value is calculated for use in the internal management of the company.

The introduction of categories and subcategories assists the company in drafting a uniform risk atlas and achieving a uniform approach to the examination of risks. The risk atlas summarises the risks and indicators observed by the individual divisions and Group companies.

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 corporate bodies. The risk manager then amends the risk atlas to take account of the altered 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 respective risk owners informed.

Viewed on average across the quarterly risk assessments, the risks faced by the company in 2014 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

Financial risks primarily comprise liquidity risks, the funding risk, exchange rate risks and market price risks.

In order to avoid liquidity risks throughout the entire Aareon Group, risks are monitored and controlled in Germany in weekly liquidity planning rounds, in which known cash flows are mapped. Short-term fluctuations in cash flow are monitored on a daily basis and, where necessary, suitable countermeasures taken. 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 funding is judged to be secure and thus the funding risk not taken into account.

Exchange rate risks can be posed by transactions carried out in foreign currencies. Such transactions are monitored constantly and reported to the CFO of Aareon AG. Exchange rate risks are managed centrally. Group-wide currency risks are hedged using hedging instruments, which comprise currency forwards.

Aareon AG counters expense-related risks, which include market price risks, by promoting cost-awareness enforced by tight budgeting.

Relative to the previous year, financial risks were assessed as being higher. The amended version of German Accounting

Standard No. 20 (DRS 20) necessitated the inclusion of further risks, and the increase in financial risks was mainly attributable to the first-time assessment of these.

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 can be combined with other industry-specific and integrated services in all countries. To this end, Aareon utilises the synergies afforded by the Group to refine its product portfolio. It also factors in the insights gained from its active participation in property-industry organisations and from various customer events. In order to meet market requirements, win new customers and promote customer loyalty, issues of future relevance are deliberated on, assessed and prioritised according to their strategic significance. The ongoing digitisation of the housing industry forms a core focus of Aareon's R&D activities (see p. 31).

Aareon's standardised customer survey, which is carried out every two years at all European companies of the Aareon Group, is a key barometer for measuring customer satisfaction with Aareon and the acceptance of its products as well as for identifying market requirements at an early stage. The results of the 2014 customer survey have been made available.

Aareon counteracts the risk of being unable to enforce its list prices in the marketplace by regularly monitoring the agreed terms and conditions. The results of these monitoring activities are presented once a month at a meeting of executive management.

The Aareon Group also deals with general market risks, which include customer churn, greater demands on software sys-

tems and the entry of new competitors into the market. Risks of this kind are monitored within the Aareon Group and the results provided to the Management Board in a monthly sales report. 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).

Risks relating to management and organisation

Aareon encounters risks relating to management and organisation in a number of areas. In the year under review, Aareon Wodis GmbH was merged into Aareon Deutschland GmbH with retroactive effect from 1 January 2014. The purpose of the merger was to optimise the Group's legal structure, so as to reduce complexity, make the delivery of services to customers more transparent and lower internal administration expenses.

The international subsidiaries are controlled via the International Operations Board (IOB).

The objective of the Finance International Transformation (FIT) programme launched in 2012 is to underpin the company's strategy of international growth with a highly capable international finance organisation based on optimised and standardised processes. The FIT programme came to an end in Q4 2014. The topics covered in the programme are now the subject of a continual improvement project and will be worked on further in the line organisation.

Internal projects involving more than one division report to the Internal Projects Steering (IPS) Board. The objective is to manage the resources, content and budgets of internal projects on a cross-divisional basis. In addition, the IPS Board is responsible for approving project planning. The members of the Management Board and the IPS Board are kept abreast of major internal projects by means of a monthly watch list.

Biometric risks were also evaluated in the year under review. These are understood to be those risks directly connected with a person's life, e.g. premature death through accident or illness, occupational disability or permanent incapacity to work, or severe illnesses. The Corporate Health Management project initiated in 2013 was continued in the year under review in order to promote the idea of sustainability and the related issue of preventive healthcare for employees (see p. 41).

The Aareon Group's goal is to continue growing, and it has thus far succeeded in doing so. This goal is underpinned by a strong brand that offers identification and orientation. In order to strengthen its brand, Aareon launched the brandIT project in 2012 and brought it to a successful conclusion in 2014 (see p. 29).

The Group believes that the development and strict management of the Aareon brand will secure it a competitive edge, which should help future products and services to reach the break-even point faster. In 2014, the company also focused 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 and increasing perceived employer attractiveness. The brand name was also strengthened internationally by the rebranding of our Netherlands subsidiary as Aareon Nederland B.V.

Relative to the previous year, leadership and organisation risks were assessed as being lower because risks were re-structured and new risk owners named.

Incidental and ambient conditions

At Aareon AG, the term "incidental and ambient conditions" is used to cover legal, political and regulatory risks. 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 constantly refined and adapted to reflect changes in products and laws as well 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.

An anti-corruption directive was formulated in order to sensitise Aareon employees to corruption risks and provide them with the guidance they need to avoid misconduct.

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, soft-

ware 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 development work is carried out using development and management methods based on internationally recognised standards. A uniform and professional approach is central to product development. Risks are rendered transparent and tracked in the course of development and customer projects with the aid of various methods and tools (e.g. through project portfolio reporting, project reviews and individual project reports).

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 2014 for the period 1 January to 31 December 2013. The main focus of attention was on IT security processes and controls (physical security, network, database and system security, data backup and job processing). In order to comply with the provisions of Germany's Federal Data Protection Act (BDSG) and ensure the security of the customer data the company stores, regular voluntary data protection audits have been carried out since 2010 in accordance with Section 9a of the BDSG (see p. 30). On top of that, Aareon's information management system was audited in 2014 and certified to the internationally recognised ISO/IEC 27001:2013 standard (see p. 30).

Realistic, documented countermeasures are taken to minimise the risk of any serious disruptions during the operation of customer software. Thus far, we have not experienced any disruptions leading to a prolonged loss of service. In or-

der to minimise the risk of an 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 (service level agreements – SLAs) cannot be ruled out entirely. 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 in whole or in part in due course. Aareon has addressed the issue of liability risk by taking out financial liability insurance for a limited scope and amount. The insurance 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 effective organisation
- Opportunities from being a preferred employer
- Opportunities from a sustainable business model
- Opportunities from active brand management and quality

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. 43).

Opportunities from customer focus

Aareon fosters close ties with its customers and with the property industry (see p. 30 et seq). Many of its customer relationships are of long standing, reaching back many years. The company is a member of several property industry associations, including the German Federation of Housing and Property Companies (GdW). Over and above this, Aareon systematically maintains a dialogue with its customers through the Aareon customer advisory councils, at numerous customer events and in individual discussions with them.

This proximity to the industry and customers presents opportunities to identify customer trends, needs and requirements as they arise and to factor them into the ongoing development and expansion of Aareon's portfolio of products and services. This is backed up by a Group-wide customer satisfaction survey carried out every two years. By systematically evaluating the results of this survey, Aareon pinpoints and can take account of further customer requirements.

These customer-related activities enable the company to maintain its 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 (see p. 28 et seq). The portfolio comprises ERP solutions, which are enhanced with integrated services and add-on products. The result is a single system with a single database that guarantees ease of operation and process efficiency. Depending on the mode of operation they opt for, customers can use the certified Aareon IT Service Centre, for example when utilising software as a service from the exclusive Aareon Cloud. Aareon offers professional consulting services for all its products and services. Aareon consultants assist their customers in selecting the right products and solutions to optimise their business processes and provide them with ongoing support throughout their implementation projects. Ideally, companies want to be able source their IT services from a single service provider owing to the high degree of complexity involved. Compared with its competitors, Aareon has opportunities because of its ability to offer consulting, software and services from a single source. This fits Aareon's corporate strategy of consolidating and building on its leading position in the market. The company harnesses the growth potential arising out of new trends and customer/market requirements both when enhancing its existing products and services and developing entirely new ones.

Aareon's research and development activities are the foundation for its ground-breaking portfolio of products and services (see p. 30 et seq). Aareon factors in trends and expands its portfolio accordingly. In recent years the company has launched its own cloud computing service, the exclusive Aareon Cloud, established the topic of "digitisation in the housing industry" and implemented new IT solutions such as the Aareon Archiv kompakt digital document manage-

ment system, Aareon CRM and mobile services (e.g. mobile property inspections). In its R&D endeavours, Aareon benefits from its international position and from its ability to share know-how across borders. When it comes to CRM, Aareon's subsidiary Aareon France is a pioneer in the French market, and contributes its knowledge and experience to the Aareon Group's internal centres of competence. UK subsidiary 1st Touch is a specialist for mobile services in the housing industry, and Aareon also has a centre of competence for this topic.

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. 30, 35).

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. 40 et seq). It achieves 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 simplifying 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 employer branding activities that help to establish a link with potential employees very early on. For instance, Aareon works together with universities and offers students internships (see p. 40 et seq).

Opportunities from a sustainable business model

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

Opportunities from active brand management and quality

Aareon actively manages its brand and the associated brand values. The company offers its customers the right solutions and has high quality standards (see p. 29 et seq). Aareon makes systematic use of quality management tools such as customer and employee surveys and commissions regular audits and certifications in a variety of areas. In addition, the IT solutions the company develops are reviewed and vetted in several quality assurance rounds. This is a key component of the corporate strategy and personality, impacting 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 potential for further growth.

Outlook

The decisive factors in Aareon's future growth are the trending topic of digitisation in the housing industry – which will remain the focus of the company's R&D activities – the expansion of international collaboration within the Group, the ongoing migration of GES customers to Wodis Sigma and growth of the International Business segment. In 2015 we expect to post a substantial increase in consolidated revenues coupled with a slight increase in consolidated EBIT.

For Germany, we are proceeding on the assumption that EBIT will be roughly on a par with the 2014 figure. Although we expect to see a slight increase in revenues, personnel costs will also be higher due to expansion of the workforce, while strategic programmes will trigger additional project costs. What is more, whereas non-operational income components were realised in 2014 – mainly as a result of the adjustment of contingent purchase price liabilities – income of this kind is not expected in 2015.

ERP Products

We expect revenues in the ERP Products segment to rise slightly in fiscal 2015, especially due to determined implementation of our digitisation strategy.

Wodis Sigma sales are expected to increase substantially as more and more GES customers migrate to this product. This will result in rising income from consulting and licenses as well as higher maintenance fee income. We therefore expect this product's contribution to net profit to climb, in particular thanks to the greater flexibility achieved in our consulting organisation to reduce migration volatility.

In view of the planned effects of this migration, Aareon expects to post much lower revenues for GES in 2015, substantially lowering this product's contribution to net profit.

As for SAP® solutions and Blue Eagle, we expect to record a significant increase in revenues and contribution to net profit thanks to the expansion of tailored consulting for both new and existing customers.

Integrated Services

A slight increase in revenues is expected for the Integrated Services segment in 2015, fuelled in particular by Aareon CRM and mobile services, the Aareon Archiv kompakt digital archiving solution and Mareon. This segment's contribution to net profit is expected to rise somewhat despite the continuing high level of costs involved in developing new digital solutions.

International Business

In its International Business segment, Aareon expects to see positive effects from the investments the company made in 2014 in strategic activities related to internationalisation and digitisation. Revenues and EBIT should rise significantly.

Aareon Nederland B.V. is expected to post a substantial increase in revenues, especially since adding the CRM solution, Aareon Archiv kompakt and Mareon to its portfolio of digital solutions for the Netherlands market. In spite of the associated increase in development costs, earnings are expected to rise considerably.

We expect Aareon France SAS to post a slight increase in revenues. The positive trend of 2014, especially as regards maintenance revenues, is expected to continue. Similarly, market acceptance of the French CRM system is anticipated to increase. Earnings will be substantially lower relative to the previous year, as the corresponding figure in 2014 benefited from a non-recurring effect, i.e. the positive conclusion of a lawsuit.

Aareon expects to record a substantial increase in both revenues and EBIT in the UK market, particularly due to expected high licensing income from the market launch of Aareon UK's new QL.net product generation and to rising demand for the mobile services of 1st Touch. However, this will be linked to higher capital expenditure, primarily due to expansion of the workforce.

We see big potential for Incit AB, particularly in the Norwegian and Netherlands markets. A high project volume, coupled with growth in consulting business, is expected to trigger a significant increase in revenues and earnings – with personnel and related expenses rising as well.

Projects

New areas for growth were identified during the strategy process in 2014. The focal topics derived from these will form the basis for a variety of new projects in 2015, e.g. the development of solutions for collaboration between housing companies and energy providers, and the growing worldwide orientation toward commercial real estate and public-sector properties. Over and above this, 2014 saw the launch of the Striving for Excellence programme, which is focused on further enhancing quality, and achieving efficiency and performance gains. This programme will continue in 2015.

Another project has been initiated to ensure the success of the GES-Wodis Sigma migration strategy and keep Aareon's product and consulting business on a growth trajectory in the years ahead.

Summary

In view of the preceding information, Aareon expects overall to achieve a significant increase in revenues in 2015 and, at around €28 million, to post a higher EBIT figure than in the previous year.

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.

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Consolidated statement of comprehensive income

for the period 1 January to 31 December 2014

€ '000	Note	2014	2013*
Revenues	4.1	177,738	172,766
Other own work capitalised	5.1	4,826	4,401
Other operating income	4.2	7,968	4,902
Cost of materials	4.3	20,970	20,378
a) Software and hardware costs		2,698	2,630
b) Cost of services bought		18,272	17,748
Staff costs	4.4	101,237	93,422
a) Wages and salaries		83,056	77,358
b) Social security contributions and cost of post-retirement benefits and other benefits		18,181	16,064
Of which for post-retirement benefits: €3,509k (previous year: €2,939k)			
Depreciation/amortisation	5.1/5.2	10,167	9,336
Other operating expenses	4.5	31,026	31,175
Other taxes		630	680
EBIT (earnings before interest and taxes)		26,502	27,078
Other interest and similar income	4.6	156	212
Of which from affiliated companies: €27k (previous year: €31k)			
Impairment of financial assets	4.6	0	64
Interest and similar expenses	4.6	497	750
Of which to affiliated companies: €20k (previous year: €194k)			
Profit/loss from ordinary activities		26,161	26,476
Income taxes	4.7	6,435	8,054
Consolidated net profit		19,726	18,422
Of which attributable to:			
Shareholders of the parent company		18,389	16,886
Non-controlling interests		1,337	1,536
Other comprehensive income (OCI)		-4,922	-257
Items not recycled to profit and loss		-4,922	-257
Actuarial gains and losses from defined benefit plans		-7,165	-359
Income tax on actuarial gains and losses from defined benefit plans		2,243	102
Comprehensive income		14,804	18,165
Of which attributable to:			
Shareholders of the parent company		13,467	16,629
Non-controlling interests		1,337	1,536

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

Consolidated balance sheet

as at 31 December 2014

Assets € '000	Note	31 Dec. 2014	31 Dec. 2013*
Non-current assets			
Intangible assets	5.1	102,857	104,538
Property, plant and equipment	5.2	13,034	14,315
Financial assets	5.3	4,393	4,831
Other non-current assets	5.9	1,098	1,104
Non-current income tax receivables	5.5	643	1,004
Deferred tax assets	5.6	5,610	2,966
		127,635	128,758
Current assets			
Inventories	5.7	299	515
Trade receivables	5.8	35,451	33,562
Other current assets	5.9	3,374	3,412
Current income tax receivables	5.5	2,495	3,755
Cash and cash equivalents	5.10	24,132	12,120
		65,751	53,364
		193,386	182,122
Equity and liabilities € '000			
	Note	31 Dec. 2014	31 Dec. 2013*
Equity			
Equity attributable to shareholders	5.11/5.12/5.13	99,204	88,043
Non-controlling interests	5.14	1,830	2,214
		101,034	90,257
Non-current liabilities			
Provisions for pensions and similar obligations	5.15	33,398	26,391
Other non-current provisions	5.16	2,011	2,061
Deferred tax liabilities	5.6	6,514	7,635
Non-current purchase price liabilities	5.17	3,213	5,993
Other financial liabilities	5.20	553	1,033
		45,689	43,113
Current liabilities			
Other current provisions	5.16	10,957	10,187
Current income tax liabilities	5.18	2,124	3,518
Trade payables	5.19	5,529	5,116
Current purchase price liabilities	5.17	2,715	3,586
Other liabilities	5.20	25,338	26,345
		46,663	48,752
		193,386	182,122

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

Consolidated statement of changes in equity

for the period 1 January to 31 December 2014

€ '000	Subscribed capital	Share premium	Currency translation differences	Total before non-controlling interests	Total
Equity attributable to shareholders					
1 January 2014	25,000	26,400	- 829	37,472	88,043
Consolidated net profit	0	0	0	18,389	18,389
Other comprehensive income (OCI)	0	0	0	- 4,922	- 4,922
Acquisition of non-controlling interests	0	0	0	- 1,807	- 1,807
Other changes	0	0	- 476	- 23	- 499
31 December 2014	25,000	26,400	- 1,305	49,109	99,204
Non-controlling interests					
1 January 2014	79	0	0	2,135	2,214
Dividend	0	0	0	- 1,323	- 1,323
Consolidated net profit	0	0	0	1,337	1,337
Acquisition of non-controlling interests	0	0	0	- 398	- 398
31 December 2014	79	0	0	1,751	1,830

for the period 1 January to 31 December 2013

€ '000	Subscribed capital	Share premium	Currency translation differences	Total before non-controlling interests	Total
Equity attributable to shareholders					
1 January 2013	25,000	26,400	- 433	20,876	71,843
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
31 December 2013	25,000	26,400	- 829	37,472	88,043
Non-controlling interests					
1 January 2013	79	0	0	2,294	2,373
Dividend	0	0	0	- 1,695	- 1,695
Consolidated net profit	0	0	0	1,536	1,536
31 December 2013	79	0	0	2,135	2,214

Consolidated statement of cash flows

for fiscal 2014

€ '000	2014	2013
EBIT (earnings before interest and taxes)	26,502	27,078
Depreciation and amortisation	10,056	9,336
Income taxes paid	-9,574	-5,158
Income tax refunds received	1,037	0
Interest paid	-464	-324
Interest received	139	212
Increase (-)/decrease in inventories	327	926
Increase (-)/decrease in receivables and other assets	-1,990	104
Increase (-)/decrease in other assets	-2,312	-2,483
Increase / decrease (-) in provisions	5,944	8,766
Increase / decrease (-) in liabilities	-4,340	-10,274
Increase / decrease (-) in other liabilities	-1,627	1,419
Cash flow from operating activities	23,698	29,602
Net payments for investments in non-current assets	-7,424	-7,324
Payments for the purchase of consolidated companies and other business units (less cash in hand acquired)	-3,857	-17,730
Exchange-rate-related changes in non-current assets	660	621
Cash flow from investing activities	-10,621	-24,433
Payments made/received for working capital loan	0	-10,394
Payments to non-controlling interests	-1,323	-1,696
Cash flow from financing activities	-1,323	-12,090
Cash change in cash and cash equivalents	11,754	-6,921
Exchange-rate-related changes in cash and cash equivalents	258	-396
Total change in cash and cash equivalents	12,012	-7,317
Cash funds at the beginning of the period	12,120	19,437
Cash funds at the end of the period	24,132	12,120

Notes to the 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 2014 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 2014 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 Finanz und IT Beteiligungen GmbH (formerly 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 is a European provider of consulting, software and services for the property industry. 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 2014, the company had 1,285 employees (previous year: 1,258). Its head office is located in Mainz, Germany.

Aareon's customers include private housing companies, cooperatives, 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 maturities 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, which is 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	
		Closing rate		comprehensive income	
				Average exchange rate	
		31/12/2014	31/12/2013	2014	2013
United Kingdom	GBP	0.7789	0.8337	0.80610	0.84926
Sweden	SEK	9.3930	8.8591	9.09850	8.77130
Norway	NOK	9.0420	8.3630	8.35440	8.08770

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, Netherlands – 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 Wodis GmbH, Dortmund, into Aareon Deutschland GmbH took effect retroactively as of 1 January 2014 following entry of the merger in the commercial register on 23 May 2014. Aareon Deutschland GmbH continues to handle the operating business of both units.

In September 2014, SG|automatisering bv, Emmen, Netherlands, was renamed Aareon Nederland B.V., while SG|Facilitor B.V., Enschede, Netherlands, was renamed Facilitor B.V. On 1 July 2014, Aareon Nederland B.V. acquired a 49% stake in Facilitor B.V. for €2,190k. The difference between this amount and the change in the non-controlling interest amounted to €-1,825k

and was recognised directly in equity in accordance with IFRS 10:B96. On 14 July 2014, Aareon Nederland B.V. acquired a 30% stake in SG|stravis B.V., Emmen, Netherlands, for €5k. The difference between this amount and the change in the non-controlling interest amounted to €18k and was recognised directly in equity in accordance with IFRS 10:B96. SG|stravis B.V. was liquidated after the transfer of its business activities to Aareon Nederland B.V.

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 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. At its core, IFRS 10 introduced a single consolidation model for all companies based on the concept of control by the parent of subsidiaries.
- IFRS 11, Joint Arrangements – IFRS 11 replaces IAS 31, Interests in Joint Ventures, and abolishes the previous possibility of proportionate consolidation of joint ventures. Instead, the equity method in accordance with IAS 28, Investments in Associates and Joint Ventures, which was previously confined to associates and has now been extended to include joint ventures, must be applied in future.
- IFRS 12, Disclosures of Interests in Other Entities – IFRS 12 combines in a single standard all the disclosure requirements for all interests in subsidiaries, joint ventures and associates as well as non-consolidated structured entities. Under the new standard, companies must disclose quantitative and qualitative information enabling the users of the financial statements to evaluate the nature of, and the risks and financial consequences associated with, their interests in such entities.

- IAS 27 (revised 2011), Separate Financial Statements – the new rules in IFRS 10, Consolidated Financial Statements, have replaced the previous guidance on consolidation in IAS 27, Consolidated and Separate Financial Statements, as well as SIC-12, Consolidation – Special Purpose Entities. In future, this standard will deal only with separate financial statements and has been renamed IAS 27, Separate Financial Statements (revised 2011).
- Amendments to IFRS 10, Consolidated Financial Statements, IFRS 12, Disclosure of Interests in Other Entities, and IAS 27, Separate Financial Statements – according to these amendments, investment entities (a term newly defined in IFRS 10) will be exempted in future from the obligation of including in their consolidated financial statements the subsidiaries they control.
- 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.

The new and amended accounting and reporting standards and interpretations do not have any effects on Aareon's consolidated financial statements.

Up until 31 December 2014 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 14, Regulatory Deferral Accounts	January 2014		Accounting periods beginning on or after 1 January 2016
IFRS 15, Revenue from Contracts with Customers	May 2014		Accounting periods beginning on or after 1 January 2017
IFRS 9, Financial Instruments	July 2014		Accounting periods beginning on or after 1 January 2018

Revised standards	Issued	Endorsed	Effective date
IAS 19, Defined Benefit Plans: Employee Contributions	November 2013		Accounting periods beginning on or after 1 July 2014
IFRS 11, Joint Arrangements	May 2014		Accounting periods beginning on or after 1 January 2016
IAS 16, Property, Plant and Equipment, and IAS 38, Intangible Assets	May 2014		Accounting periods beginning on or after 1 January 2016
IFRS 16, Property, Plant and Equipment, and IAS 41, Agriculture	June 2014		Accounting periods beginning on or after 1 January 2016
IAS 27, Separate Financial Statements	August 2014		Accounting periods beginning on or after 1 January 2016

- IFRS 14, Regulatory Deferral Accounts – this standard permits an entity that is a first-time adopter of International Financial Reporting Standards to continue to account for “regulatory deferral account balances” – which arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation – in accordance with its previous GAAP, but with some limited changes. This applies both on initial adoption of IFRS and in subsequent financial statements.
 - IFRS 15, Revenue from Contracts with Customers – IFRS 15 provides a single model to be applied to all contracts with customers. It replaces the current provisions on revenue recognition in IAS 11, IAS 18 and the associated interpretations. The core principle of the new standard is that an entity will recognise revenue once or as it satisfies the performance obligations it has assumed, i.e. when control of the goods or services has passed to the customer.
 - IFRS 9, Financial Instruments – IFRS 9 revises the recognition of financial instruments in the financial statements and completely replaces IAS 39. In its final version, IFRS 9 contains in particular the following thoroughly revised areas: classification and measurement of financial instruments, recognition of impairments of financial assets, and hedge accounting.
 - IAS 19, Employee Benefits – the amendments to IAS 19 clarify the recognition of contributions made by the employees themselves for units of benefit entitlement under defined benefit plans.
 - IFRS 11, Joint Arrangements – the amendments to IFRS 11 clarify the accounting of acquisitions of interests in joint operations in which the activity constitutes a business as defined in IFRS 3, Business Combinations. In such cases the acquirer is required to apply all of the principles of business combinations accounting in IFRS 3.
 - IAS 16, Property, Plant and Equipment, and IAS 38, Intangible Assets – the amendments provide guidance on determining an acceptable depreciation/amortisation method. It is clarified that a depreciation method for property, plant and equipment based on revenue that is generated by an activity that includes the use of an asset is not appropriate.
 - IAS 16, Property, Plant and Equipment, and IAS 41, Agriculture – following the amendments made to these standards, bearer plants such as grapevines, rubber plants and oil palms, which are expected to bear produce (biological assets) for more than one period without themselves being sold as agricultural produce, must in future be accounted for in accordance with IAS 16 in the same way as property, plant and equipment.
 - IFRS 27, Separate Financial Statements – this amendment reintroduces the equity method as an option when accounting for investments in subsidiaries, joint ventures and associates in separate financial statements. The existing option of accounting either at cost or in accordance with IAS 39/IFRS 9 remains unchanged. In fiscal 2014, Aareon did not make use of the option of the early application of standards applicable in future financial years.
- In fiscal 2014, Aareon made changes to the following other accounting and reporting policies:
- In order to improve presentation of the statement of comprehensive income, Aareon reclassified income from trade fairs and events of the parent company. Previously recognised under revenues, this income is now presented under other operating income.
- The prior-year figure for other non-financial assets given in the balance sheet was adjusted for the trade receivables that were included in it. Other non-current financial liabilities were adjusted for the current component of the item “lease liabilities”, which was reclassified as current. Adjustments made that affect the previous year are marked with an asterisk (*).

03 Accounting principles

03.1 Intangible assets

As a rule, goodwill is tested for impairment in the fourth quarter of each year. Its value is measured on the basis of 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. The values assigned to the main assumptions are based on internal and external factors as well as on past experience. The previous year’s planning figures also play a central role. Revenue planning is based mainly on assumptions regarding migration projects, new business and renewals of contracts with existing customers. These assumptions also represent the main sources of estimation uncertainty. Regular revenues from existing customers, such as fees from licensing and maintenance contracts, are not generally subject to any major estimation uncertainty. The cost of materials is planned on the basis of planned revenues. Personnel numbers and salary growth are the main factors determining the expenditure budget. Other costs are generally projected on the basis of prior-year figures, taking into account known non-recurring effects. On the expenses side, estimation uncertainty arises as a result of unplanned price increases and unpredictable non-recurring effects. The more forward-looking the assumptions are, the higher the estimation uncertainty. Cash flows after the five-year time horizon are measured taking the perpetual annuity into account. The present value of future cash flows is determined on the basis of a Group-wide risk-adjusted discount rate of 6.9% before tax. The discount rate is calculated as the sum of a risk-free base interest rate of 2.1% plus a company-specific risk loading of 6.0% multiplied by a beta factor of 0.8. 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. 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. Consequently, even an increase of 1.0% in the risk-adjusted discount rate or a reduction of 5.0% in the EBIT included in cash flow, both of which are potentially possible, would not lead to an impairment charge. There was no need for any impairment charges in the reporting period.

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

Research costs are treated as current expense 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 were 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.

We refer to the risk report, which forms part of the management report, for information regarding the Group-wide system in place at Aareon AG for measuring, limiting and controlling risks as well as for information provided in accordance with IFRS 7 concerning the description and scope of the risks arising out of financial instruments.

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 maturities of these financial instruments, their fair value is assumed to equal their carrying amount.

Impairments of trade receivables are recognised to the extent required – as a rule by means of 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 income 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. They 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

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. 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.

03.8 Income tax liabilities

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.

03.9 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 and 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 and 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 statement of comprehensive income of the Aareon Group

04.1 Revenues

Revenues by operating segment in € '000

	2014	2013*
ERP Products	78,030	81,075
Integrated Services	39,112	37,734
International Business	60,217	53,557
Other Products	379	400
Total	177,738	172,766

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

Revenues by type of income in € '000

	2014	2013*
Licences	20,078	17,719
Consulting	37,309	38,374
Fees and maintenance	108,597	105,419
Other	11,754	11,254
Total	177,738	172,766

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

Revenues from the **International Business** segment rose by €6,660k compared with the previous year. This was mainly due to the acquisition of Incit AB as of 1 July 2013, with fiscal 2014 marking the first full financial year since its consolidation. What is more, almost all international subsidiaries posted higher revenues than in the previous year. Revenues from the **ERP Products** segment decreased by €3,045k year on year. Revenues in the **Integrated Services** segment grew by €1,378k year on year.

Viewed by type of income, revenues from **licences** rose by €2,359k. Revenues from current **fees and maintenance** grew too, rising by €3,178k, while **consulting** revenues fell by €1,065k. The increase in current fees and maintenance was mainly attributable to the ongoing changeover of Aareon France SAS's maintenance model and to the consolidation of Incit AB in the course of the previous year. The decrease in consulting revenues in 2014 was primarily due to the fact that revenues in the previous year had been unusually high thanks to the SEPA changeover and orders from major customers in Germany.

04.2 Other operating income

Other operating income in € '000

	2014	2013
Adjustment of purchase price liabilities	1,840	605
Income from the reversal or reduction of individual fixed-percentage impairments	1,770	61
Non-cash income	1,317	1,601
Income from trade fairs	1,046	907
Services for affiliated companies outside the Aareon Group	846	996
Income from foreign currency translation	388	190
Other income	761	542
Total	7,968	4,902

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

The increase in other operating income was mainly due to the positive outcome of a lawsuit at Aareon France. As a result, the reimbursement of damages to the company led to the repayment of receivables, and the individual impairments of €1,500k booked for these were reversed. The increase in income from adjustment of contingent purchase price liabilities is explained in Note 5.17.

04.3 Cost of materials

Cost of materials in € '000		
	2014	2013
Software and hardware costs	2,698	2,630
Cost of services purchased	18,272	17,748
Total	20,970	20,378

04.4 Staff costs/employees

Staff costs in € '000		
	2014	2013
Salaries	83,056	77,358
Social security costs	18,181	16,064
Of which for post-employment benefits	3,509	2,939
Total	101,237	93,422

Staff costs increased by €7,815k compared with the previous year. This was due in part to the first-time consolidation of Incit AB.

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

Employees		
	2014	2013
Germany	752	742
International	478	420
Total	1,230	1,162

04.5 Other operating expenses

Other operating expenses in € '000		
	2014	2013
Occupancy expenses	8,269	7,966
Motor vehicle expenses	4,370	4,244
Advertising/marketing/entertainment	3,894	3,454
Travel expenses	3,787	3,553
Legal and consultation expenses/auditing costs	3,004	2,792
Software maintenance	1,862	1,734
Other staff costs	1,688	1,409
Communication costs	930	896
Further training	831	1,048
Insurance costs	413	438
Compensation for Supervisory Board and Advisory Board	389	367
Office material	276	321
Credits for invoices from prior years	272	319
Leasing/technology	195	209
Impairments of receivables	148	2,001
Miscellaneous other operating expenses	698	424
Total	31,026	31,175

Despite the complete inclusion of Incit AB – which had been acquired in the course of the previous year – in the 2014 financial statements, **other operating expenses** decreased by €149k. This was mainly due to the high level of impairments in the prior year owing to the uncertainty surrounding the outcome of a pending lawsuit against Aareon France.

04.6 Net financial income/expense

Net financial income/expense in € '000		
	2014	2013
Other interest and similar income	90	118
Net income from equity-method accounting	66	94
Interest and similar expenses	497	750
Impairment of financial assets	0	64
Total	-341	-602

04.7 Income taxes

Income taxes in € '000		
	2014	2013
German income taxes	5,337	6,952
Foreign income taxes	2,920	1,849
Actual tax expense	8,257	8,801
Deferred tax expense/income	-1,822	-747
Total	6,435	8,054

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 31.4% valid in fiscal 2014 (previous year: 31.2%) was multiplied by earnings before taxes.

Reconciliation of tax expenses in € '000

	2014	2013
Earnings before taxes	26,161	26,476
Trade tax	4,075	4,077
Corporation tax	3,924	3,971
Solidarity surcharge	216	218
Expected tax expense	8,215	8,267
Reconciliation:		
Non-deductible expenses	176	247
Taxes for prior years	-677	465
Differences in tax rates of international subsidiaries	-392	-733
Other differences	-886	-192
Tax expense reported	6,435	8,054

The divergence between the figures for 2014 and 2013 under "Other differences" mainly results from adjustment of the assets remeasured in the course of acquisitions in accordance with IFRS 3 to match local tax rates.

05 Notes to the consolidated balance sheet of the Aareon Group

05.1 Intangible assets

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				
	2013	Additions	Currency translation effect	2014
ERP Products	21,396	0	0	21,396
Integrated Services	4,899	0	0	4,899
International Business	39,979	0	-756	39,223
Other Products	173	0	0	173
Total	66,447	0	-756	65,691

The item "Internally generated intangible assets" relates 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		
	2014	2013
Aareon France (mainly Portallmmo, Prem'Habitat)	2,282	2,201
Aareon UK (QL.net)	3,678	1,853
Aareon Nederland B.V. (various projects)	2,801	2,330
Wodis Sigma	2,368	2,273
CRM	1,887	1,494
Blue Eagle	1,309	2,470
Miscellaneous	892	118
Total	15,217	12,739

Internally generated software in the amount of €9,791k has already been completed, while internally generated software worth €5,425k is still under development. Development costs for research and development in the reporting period totalled €9,563k. Internally generated assets amounted to

€4,826k in the year under review. In the course of an impairment test, Aareon Nederland B.V. recognised an impairment charge for internally generated software in the amount of €13k in 2014.

05.2 Property, plant and equipment

In accordance with IAS 17, €898k was recognised in the reporting year under property, plant and equipment for mainframe 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			
	2015	2016–2019	After 2019
Lease payments	477	517	0
Discount amounts	-29	-52	0
Present values	448	465	0

Operating leases primarily concern rent, motor vehicles, office furniture and equipment, and telecommunications equipment. In 2014, €8,302k was recognised for lease payments through profit and loss. The minimum lease payments due to operating leases are as follows:

Operating leases in € '000			
	2015	2016–2019	After 2019
Lease payments as lessee	8,504	25,407	23,753
Lease receivables as lessor	560	2,235	2,915

05.3 Financial assets

Other loans include time deposits in the amount of €3,260k with Landesbank Baden-Württemberg. These deposits relate to the guarantee issued to cover existing and future obligations in connection with membership in two supplementary pension funds. This item also includes rent deposits. An amount of €128k 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 items of the balance sheet of SG2ALL B.V.:

SG2ALL B.V. in € '000		
	2014	2013
Current assets	368	502
Current liabilities	81	68

05.4 Shareholdings

Name and registered office of company	Equity interest held %	Equity (IFRS) 2014 € '000	Net profit/loss (IFRS) 2014 € '000
Aareon AG, Mainz, Germany			
Aareon Deutschland GmbH, Mainz, Germany	100	38,146	1,045*
Aareon Immobilien Projekt Gesellschaft mbH, Essen, Germany	51	630	-517
BauSecura Versicherungsmakler GmbH, Hamburg, Germany	51	2,984	2,854
Aareon France SAS, Meudon-la-Forêt, France	100	6,784	3,180
Aareon Nederland B.V. (formerly: SG automatisering bv), Emmen, Netherlands	100	19,306	2,514
Aareon UK Ltd., Coventry, UK	100	6,539	1,062
1st Touch Ltd., Southampton, UK	100	3,079	267
Facilitor B.V. (formerly: SG Facilitor B.V.), Enschede, Netherlands	100	1,275	331
Incit AB, Mölndal, Sweden	100	3,331	866
Incit AS, Oslo, Norway	100	-99	-208
Incit Nederland B.V., Gorinchem, Netherlands	100	-488	68
SG2ALL B.V., Huizen, Netherlands	50	287	133

* The net profit for Aareon Deutschland 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		
	2014	2013
Current income tax receivables	2,495	3,755
Non-current income tax receivables	643	1,004
Total	3,138	4,759

The non-current income tax receivables in the amount of €643k 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		
	2014	2013
Pension provisions	5,029	2,773
Liabilities	270	14
Other provisions	124	104
Loss carryforwards	175	0
Other	11	75
Total deferred income tax assets	5,610	2,966
Measurement of assets under construction	290	514
Other	0	41
Current deferred income tax liabilities	290	555
Intangible assets	5,811	6,766
Other	413	314
Non-current deferred income tax liabilities	6,224	7,080
Total deferred income tax liabilities	6,514	7,635

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.

Inventories in € '000		
	2014	2013
Raw materials and supplies	9	7
Finished products and goods	66	169
Advance payments made for inventories	224	339
Total inventories	299	515

In the year under review, inventories were impaired by €111k.

05.8 Trade receivables

Trade receivables in € '000		
	2014	2013
Receivables from unbilled services	9,847	7,206
Trade receivables	25,517	26,055
Receivables from affiliated companies	87	301
Total	35,451	33,562

Receivables from unbilled services (PoC) are presented as a net figure. They include €1,282k in advance payments received, gains (less recognised losses) of €934k as well as overall costs incurred in the amount of €3,696k.

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		
	2014	2013
Impaired trade receivables	1,672	2,328
Impairments as at 1 January	1,463	1,076
Additions	210	501
Reversals	270	61
Utilisation	127	53
Total as at 31 December	1,276	1,463

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		
	2014	2013*
Other current financial assets	276	465
Other current non-financial assets	3,098	2,947
Total other current assets	3,374	3,412
Non-current financial assets	1,098	1,104
Total	4,472	4,516

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

Other current non-financial assets mainly comprise deferred advance payments of €3,005k for subsequent periods. Other non-current financial assets in the amount of €1,098k (previous year: €1,104k) primarily comprise a fixed-term deposit with Aareal Bank serving as a guarantee for a lawsuit.

The other current and non-current financial assets contain appropriate impairments.

Impairments of other assets in € '000		
	2014	2013
Impaired other financial assets	1,249	3,048
Impairments as at 1 January	2,689	1,189
Additions	0	1,500
Reversals	1,500	0
Utilisation	0	0
Total as at 31 December	1,189	2,689

The reversal refers to the impairment for the lawsuit from 2013.

05.10 Cash and cash equivalents

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

Cash and cash equivalents in € '000		
	2014	2013
Cash in hand	9	10
Balances held with banks	24,123	12,110
Of which with affiliated companies	12,911	2,663
Funds with terms of up to three months	24,132	12,120

05.11 Subscribed capital

The subscribed capital of Aareon AG is fully paid up and, as at 31 December 2014, was 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 €1.00.

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 contain no provisions regarding the formation of reserves.

05.14 Non-controlling interests

Non-controlling interests are reported as a separate item in the consolidated statement of changes in equity. They are held by BauSecura Versicherungsmakler GmbH, Hamburg, and Aareon Immobilien Projekt Gesellschaft mbH, Essen.

05.15 Provisions for pensions and similar obligations

Trend in pension obligation:

Pension obligation in € '000		
	2014	2013
1. Pensions provisions as at 1 January (accrued pension cost)	26,391	26,155
2. Net expense for the period		
a) Service cost	295	347
b) Interest cost	919	895
3. Experience-based adjustments recognised under OCI	1,183	326
4. Actuarial adjustments recognised under OCI	5,969	0
5. Actual utilisation	1,359	1,332
Pension provisions as at 31 December	33,398	26,391

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

Assumptions in %		
	2014	2013
Interest rate	2.05	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:

Sensitivity analysis		
	Sensitivity	Obligations adjusted due to sensitivities, in € '000
Interest rate (2.05%)	+1.00%	29,416
Interest rate (2.05%)	-1.00%	38,334
Pension trend (2.00%)	+0.25%	34,255
Pension trend (2.00%)	-0.25%	32,546
Income trend (2.25%)	+0.50%	34,852
Income trend (2.25%)	-0.50%	32,747

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:

Plan participants by category in € '000	
	2014
Active employees	11,429
Former employees with vested benefits	1,337
Pensioners	20,632
Total	33,398

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

Maturities of the defined benefit obligation (DBO) in € '000	
2015	1,383
2016	1,421
2017	1,428
2018	1,426
2019	1,429
2020–2024	6,885

Service and interest costs are recognised under staff costs. The expense recognised for defined contribution pension plans amounted to €7,056k. 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 their 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 2015 is likely to amount to €90k.

The problem inherent in the pay-as-you-go system is that of proportionately allocating the obligations and the costs among the individual beneficiaries of 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. 2014	Additions	Reclassifications	Utilisation	Reversals	Amount at 31 Dec. 2013
Long-service obligations (previous year)	0 (6)	0 (0)	0 (0)	0 (6)	0 (0)	0 (0)
Variable salary components (previous year)	7,868 (6,307)	8,314 (7,422)	0 (130)	6,907 (5,801)	144 (190)	9,131 (7,868)
Personnel measures (previous year)	0 (1,619)	0 (0)	0 (-162)	0 (1,007)	0 (450)	0 (0)
Other provisions (previous year)	4,380 (3,826)	2,070 (2,566)	0 (96)	2,589 (1,765)	25 (343)	3,836 (4,380)
Total (previous year)	12,248 (11,758)	10,384 (9,988)	0 (388)	9,496 (8,579)	169 (983)	12,967 (12,248)

Development in 2014 (prior-year figures in parentheses)

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 provisions are recognised in the amount of the fair value of the obligation in question at the balance sheet date, and adjusted if the share price changes. Provisions for share-based payment (SAR) amounted to €798k. At the end of the year under review, 19,798 shares were outstanding at an average price per share of €20.76 (previous year: 21,923 shares; €15.97). Of these outstanding shares, 12,501 (previous year: 20,616) were exercisable and 6,057 (previous year: 0) were granted. The exercise prices of the outstanding shares range between €14.50 and €33.29.

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 maturity:

Other provisions in € '000				
	1/1	31/12	1/1	31/12
	< 1 year		> 1 year	
Long-service obligations	0	0	0	0
(previous year)	(6)	(0)	(0)	(0)
Variable salary components	7,167	8,499	701	633
(previous year)	(5,905)	(7,167)	(402)	(701)
Personnel measures	0	0	0	0
(previous year)	(1,619)	(0)	(0)	(0)
Other provisions	3,020	2,458	1,360	1,378
(previous year)	(2,962)	(3,020)	(864)	(1,360)
Total	10,187	10,957	2,061	2,011
(previous year)	(10,492)	(10,187)	(1,266)	(2,061)

The interest cost for non-current provisions amounted to €83k in the reporting year.

05.17 Purchase price liabilities

Purchase price liabilities in € '000		
	2014	2013
Non-current purchase price liabilities		
Incit AB	3,213	5,993
Total	3,213	5,993
Current purchase price liabilities		
Immoblue GmbH	0	185
1st Touch Ltd.	0	1,369
Incit AB	2,715	2,032
Total	2,715	3,586
Total	5,928	9,579

The interest cost on the non-current purchase price liabilities arising out of the acquisition of Incit AB in 2013 amounted to €275k. These liabilities were reversed in the amount of €340k following currency translation and reclassified as current purchase price liabilities (€2,715k) in accordance with their maturities. That proportion of the liabilities classified as current in the previous year in relation to ImmoBlue GmbH (€75k) was disbursed and the difference (€110k) recorded as other income in profit and loss. The proportion classified as current in the previous year in relation to 1st Touch Ltd. (€827k) was disbursed and the amount of €570k reversed. The proportion classified as current in the prior year in relation to Incit AB (€830k) was disbursed and the amount of €1,160k reversed.

05.18 Current income tax liabilities

The current income tax liabilities amounted to €2,123k (previous year: €3,518k).

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		
	2014	2013*
Non-current other financial liabilities		
Lease liabilities	545	957
Miscellaneous non-current other financial liabilities	8	76
	553	1,033
Current other financial liabilities		
Paid-leave liabilities	2,692	2,691
Miscellaneous current other financial liabilities	3,690	3,604
	6,382	6,295
Current other non-financial liabilities		
Advance payments received from customers	10,925	10,754
Other tax liabilities	7,621	9,125
Miscellaneous	410	171
	18,956	20,050
Total	25,891	27,378

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

The miscellaneous 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 2014

as at 31 December 2014

€ '000	1 Jan. 2014	Currency translation differences	Historical cost			Reclassi- fications	31 Dec. 2014
			Changes in scope of consolidation	Additions	Disposals		
I. Intangible assets							
1. Goodwill	100,168	- 659	0	0	0	0	99,509
2. Acquired intangible assets	48,205	431	0	855	428	0	49,063
3. Internally generated intangible assets	27,904	130	0	4,866	0	0	32,900
4. Customer relations	4,538	-258	0	0	0	0	4,280
5. Brands	1,000	-57	0	0	0	0	943
6. Advance payments made	0	0	0	69	0	0	69
	181,815	- 413	0	5,790	428	0	186,764
II. Property, plant and equipment							
1. Land, leasehold rights and buildings	8,272	28	0	190	40	15	8,465
2. Plant and machinery	9,137	33	0	803	583	0	9,390
3. Other equipment, and office furniture/equipment	9,581	-8	0	985	1,737	0	8,821
4. Prepayments made and assets under construction	15	0	0	13	0	-15	13
	27,005	53	0	1,991	2,360	0	26,689
III. Financial assets							
1. Equity investments	213	0	0	66	140	0	139
2. Other loans	5,445	-6	0	56	653	-96	4,746
	5,658	-6	0	122	793	-96	4,885
	214,478	- 366	0	7,903	3,581	-96	218,338

1 Jan. 2014	Accumulated depreciation and amortisation				Carrying amounts		
	Currency translation differences	Additions	Disposals	Reclassifications	31 Dec. 2014	31 Dec. 2014	31 Dec. 2013
33,721	97	0	0	0	33,818	65,691	66,447
28,253	163	4,027	428	0	32,015	17,048	19,952
15,165	-1	2,519	0	0	17,683	15,217	12,739
113	-13	221	0	0	321	3,959	4,425
25	-4	49	0	0	70	873	975
0	0	0	0	0	0	69	0
77,277	242	6,816	428	0	83,907	102,857	104,538
2,274	22	447	35	0	2,708	5,757	5,998
5,294	22	1,108	578	0	5,846	3,544	3,843
5,122	5	1,685	1,711	0	5,101	3,720	4,459
0	0	0	0	0	0	13	15
12,690	49	3,240	2,324	0	13,655	13,034	14,315
11	0	0	0	0	11	128	202
816	0	0	335	0	481	4,265	4,629
827	0	0	335	0	492	4,393	4,831
90,794	291	10,056	3,087	0	98,054	120,284	123,684

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 obligations in € '000			
	2015	2016–2019	after 2019
Lease agreements	8,480	25,407	23,753
Purchase commitments	8,255	2,451	0
Total	16,735	27,858	23,753

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 implemented in the Wodis Sigma, Blue Eagle and GES software systems
- 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 comprised revenues and other operating income in the amount of €7,976k as well as cost of materials and other operating expenses in the amount of €765k.

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, Netherlands – is jointly controlled with de Alliantie, Hilversum, Netherlands. The business transactions with SG2ALL B.V., which mainly comprise computer centre services, amounted to €226k for the cost of materials, while business transactions with de Alliantie, Hilversum, comprised revenue of €1,821k. In the current fiscal year, Aareon Nederland B.V. received dividend payments from SG2ALL B.V. in the amount of €140k.

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 €14,097k, of which €13,932k comprised benefits falling due in the short term and €200k concerned benefits paid on termination of employment. The total compensation paid to members of the Management Board amounted to €1,940k. The total expenses for share-based payment amounted to €257k.

06.3 Auditors' fees

In the reporting period, €280k was recognised for auditing of the financial statements, €140k for other attestation services, €28k for tax consultancy services and €40k 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, which is included in the consolidated financial statements of Aareon AG, has, 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 maturities 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 the fiscal year 2014 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 €23,698k. The cash flow from investing activities amounted to €-10,621k and resulted, among other things, from the purchase of non-controlling interests and the payment of purchase price liabilities that fell due. The cash flow from financing activities amounted to €-1,323k and concerned payments made to minority shareholders.

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

**Dagmar Knopek
Management Board**

Aareal Bank AG, Wiesbaden

**Hermann J. Merkens
Management Board**

Aareal Bank AG, Wiesbaden

**Prof. Dr. Manfred Schlottke, until 4 April 2014
Business Consultant**

Munich

**Dr. Wolf Schumacher
Chairman of the Management Board**

Aareal Bank AG, Wiesbaden

The compensation paid to members of the Supervisory Board in the reporting year amounted to €27k.

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

Sabine Fischer, since 1 January 2015

Products and Services, Consulting, Service Management, Blue Eagle/SAP® Service Centre, Central IT Services, Aareon Immobilien Projekt GmbH

Dr. Olaf-Rüdiger Hasse, until 31 December 2014

Products and Services, Consulting, Service Management, Blue Eagle/SAP® Service Centre, Central IT Services, 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 and Receivables 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 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, 5 March 2015

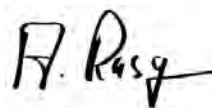
The Management Board



Dr. Manfred Alflen



Sabine Fischer



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 2014. 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, 6 March 2015

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 Aareon AG and the Aareon Group. 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 2014, twice in the first half of the year and twice in the second. At all of these meetings, the Management Board informed the Supervisory Board in detail of the business policies, economic progress, strategic orientation and sales activities of both the company and the Group. The content and findings of the audits carried out at the Group companies 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 of the Group companies' products and their implementation 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. The Supervisory Board was regularly informed of the progress of migration from GES to Aareon's other ERP solutions.

The Management Board explained to the Supervisory Board its international strategy as well as the measures taken to optimise the organisation. The Supervisory Board was apprised in detail of implementation of the measures to simplify the corporate structure, one of the main ones being the merger of Aareon Wodis GmbH into Aareon Deutschland GmbH. The Management Board reported to the Supervisory Board more intensively on development of the International Business segment and the activities of Aareon AG's international subsidiaries. The market environment, competitive situation,

products, expected developments and growth potential of the international subsidiaries were also discussed. As a result of the company's broader international base, the structure of its corporate bodies was enhanced and the details presented to the Supervisory Board. The Management Board also explained to the Supervisory Board its strategic initiatives as well as the nature and objectives of the Striving for Excellence programme.

The Management Board also kept the Supervisory Board abreast of the progress of litigation between Aareon France SAS and one of its former customers.

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 had been forecast in the business plan. The Supervisory Board has a Human Resources Committee and an Auditing Committee. The Human Resources Committee and the Auditing Committee each met twice during 2014.

The Supervisory Board appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as the company's auditors. PricewaterhouseCoopers examined the annual financial statements and management report of Aareon AG, prepared in accordance with the German Commercial Code (HGB), as well as the consolidated financial statements and group management report as of 31 December 2014, prepared in accordance with IFRS. On the basis of the results of its audit, PricewaterhouseCoopers issued an unqualified auditor's report for both sets of annual financial statements. The fiscal year closed with an unappropriated surplus of €31,472,334.33, which is to be carried forward. No profit will be distributed, nor will any allocations be made to retained earnings.

All members of the Supervisory Board received the auditors' reports on the company and the Group as well as all corresponding annexes and documents in good time for its meeting to discuss the annual financial statements. The members of the Supervisory Board acquainted themselves with the results of the audit by studying the documents provided to them.

Representatives of the auditors took part in the meeting of the Supervisory Board at which the annual financial statements were discussed and presented the results of their audit in detail. The representatives of PricewaterhouseCoopers were subsequently available to answer any questions raised by the Supervisory Board and provide additional information. The representatives of the auditors were also available at all times to answer any questions put by the members of the Auditing Committee. All the questions raised were answered to the Supervisory Board's satisfaction.

The Supervisory Board discussed in detail the annual financial statements and management report of Aareon AG, prepared in accordance with the German Commercial Code (HGB), the consolidated financial statements and the Group management report, prepared in accordance with IFRS, the Management Board's profit allocation proposal and the auditors' report. No objections were raised to the results of the audit. At its meeting of 26 March 2015, the Supervisory Board approved the results of the audit, thus also giving its approval to the annual financial statements and management report of Aareon AG, prepared in accordance with the German Commercial Code (HGB), and to the consolidated financial statements and Group management, prepared in accordance with IFRS, and thus to the annual financial statements of Aareon AG. The Supervisory Board examined and discussed with the Management Board the latter's proposal for the appropriation of profit and, on the basis of these discussions, accepted the Management Board's proposal.

In addition, the Supervisory Board assessed the Management Board's declaration concerning the company's relationships with affiliated companies, which was prepared in accordance with Section 312 of the German Stock Corporation Act (AktG). No objections were raised. The auditors issued the following unqualified report with respect to this declaration:

"After carrying out our audit in compliance with our obligations, we hereby confirm that

1. the actual disclosures made in the report are accurate,

2. the consideration paid by the company for the transactions mentioned in the report was not inappropriately high and,
3. with regard to the measures described in the report, there is nothing to indicate that the assessments made by the Management Board should have been materially different from what they were."

Having completed its examination, the Supervisory Board has no objections to raise to the declaration of the Management Board concerning the company's relationships with affiliated companies.

The term of office of Prof. Dr. Manfred Schlottke on the Supervisory Board ended with the close of the annual general meeting of Aareon AG on 4 April 2014. The Supervisory Board wishes to thank Prof. Dr. Schlottke for his many successful years of service on the Supervisory Board.

With effect from 31 December 2014, Dr. Olaf-Rüdiger Hasse stepped down from his position on the Management Board, and the Supervisory Board appointed Ms Sabine Fischer as his successor with effect from 1 January 2015. The Supervisory Board expresses its gratitude to Dr. Hasse for his services to the company and also wishes Ms Fischer every success in her new area of responsibility.

The Supervisory Board would like to thank the company's employees for the dedication they have shown.

Mainz, March 2015

The Supervisory Board



Thomas Ortmanns (Chairman)

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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 was certified by berufundfamilie gGmbH for its family-friendly personnel policy. The company was re-certified in 2011 and 2014.

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
- GSW Gesellschaft für Siedlungs- und Wohnungsbau Baden-Württemberg mbH, Sigmaringen
- HOWOGE Wohnungsbaugesellschaft mbH, Berlin
- JOSEPH-STIFTUNG Kirchliches Wohnungsunternehmen, Bamberg
- NEULAND Wohnungsgesellschaft mbH, Wolfsburg
- Rheinwohnungsbau GmbH, Düsseldorf
- Sächsische Wohnungsgenossenschaft 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

- Barnet Group, London
- 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
- WoonFriesland, Grou
- Woonmensen, Apeldoorn
- Woonstede, Ede
- Woningstichting Den Helder, Den Helder

Norway

- Forsvarets forskningsinstitutt, Oslo
- Forsvarsbygg, Oslo
- Kongsberg kommunale eendom KF, Kongsberg
- Kragerø Bolig- og Byggelag, Kragerø
- Newsec TM, Oslo
- NorgesGruppen, Oslo
- Olav Thon Gruppen, Oslo
- Oslo kommune, Oslo
- Universitetet i Oslo, Oslo

Sweden

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



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