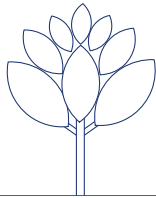
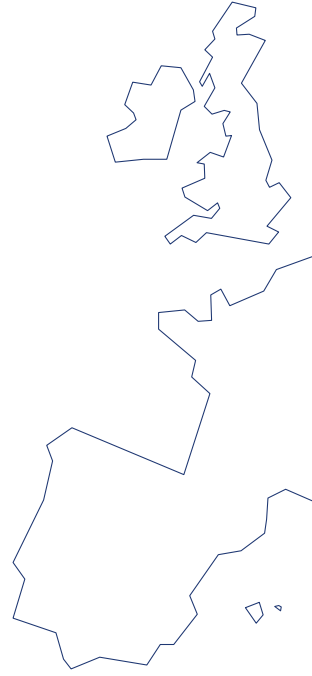


Aareon Annual Report 2012

The peace
of mind
of having
made
the right
choice.

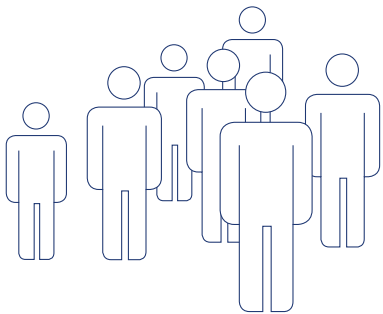
Aareon at a glance

Aareon AG is Europe's leading consultancy and systems house for the property sector



Start of development from the computer centre of Deutsche Bau- und Bodenbank AG to an IT services group for the property sector.

1957



2,500

customers have opted for consulting, software and services from Aareon. These include private-sector, cooperative, municipal and church-owned housing societies, property management companies, property investment funds, insurance companies, companies managing large owner-occupied property portfolios (Corporate Real Estate), commercial property operators and financial investors.

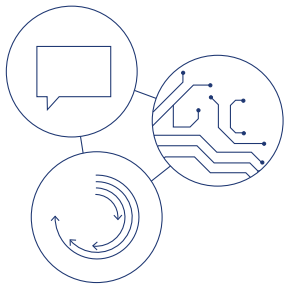


Aareon sites in Germany and throughout Europe. Aareon's head office is located in Mainz, Germany; the company has international subsidiaries in France, the UK and the Netherlands.



9.5 million

rental units are managed with the ERP systems and services from Aareon by more than 50,000 users throughout Europe.



3

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



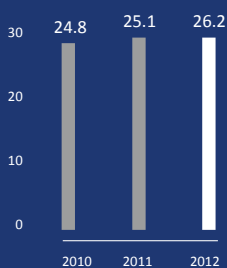
years – this is how old our parent company, the Aareal Bank Group in Wiesbaden, will be in 2013.

Indicators

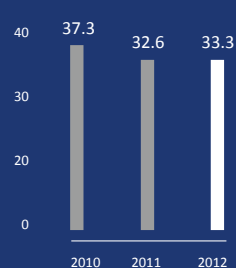
Indicators IFRS (€ m)

	2012	2011	Change
Revenues	165.2	159.5	3.6 %
of which international	47.4	43.7	8.5 %
Operating expenses	144.7	141.8	2.0 %
EBIT	26.2	25.1	4.4 %
Consolidated net income	18.2	16.6	9.6 %
Consolidated net income after minority interest	16.5	15.2	8.6 %
Total assets	164.5	155.8	5.6 %
Shareholder's equity	78.1	81.4	-4.1 %
Cashflow	19.4	25.2	-23.0 %
Number of staff (as at 31 December)	1,168	1,129	3.5 %
of which international	404	374	8.0 %
Key ratios in %			
Return on Equity	33.3	32.6	
Cost Income Ratio	84.7	85.0	


EBIT
in € million



Return on Equity
in %



As the market-leading consultancy and systems house in the European property industry, we set the standards for managing complex business processes – today and in the future. 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.



—No matter where we work for you, whether in the
United Kingdom—



“To future-proof our consulting, software and services and to realise high level service and quality standards we are working closely together within our international group. Our international project focussing on Aareon as a brand supports all those requirements – especially to create customer value.”



Emma Page, Marketing

39 years old, has been with Aareon UK, Coventry/UK, for 10 years.

“As marketing consultant I support communications and the marketing of our products and services. This also includes consistently implementing the requirements of the Aareon brand.”

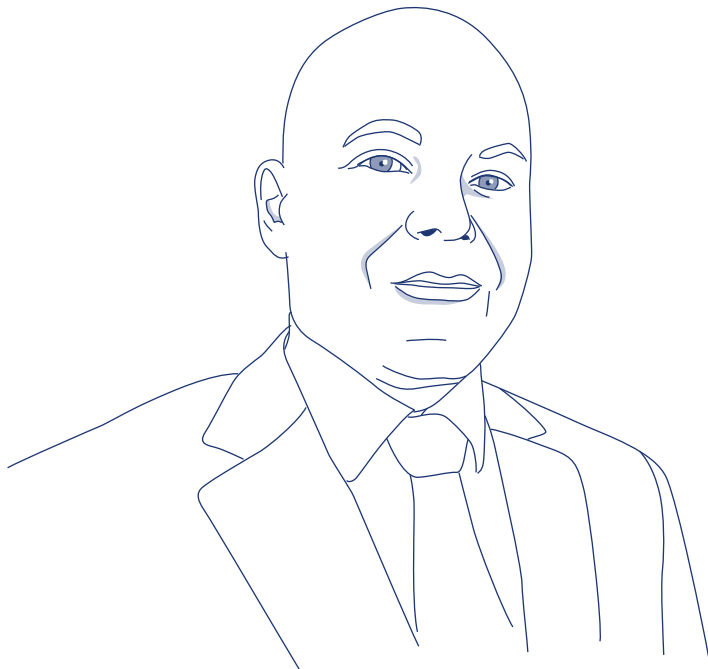




—in the country of canals and windmills—



“Aareon’s IT Service Centre in Mainz offers first-class data protection. Systems used by SG | automatisering have now been hosted at the IT Service Centre since 2011. The data replication that runs between Mainz and Emmen lets us further improve the security of our system so that customers can always rely on the protection of their data.”



Michel Tenty, Technical Productmanager

40 years old, has been with SG | automatisering, Emmen / the Netherlands, for 12 years.

“As technical product manager I am responsible for the decisions concerning technology and architecture. I was recently involved in the integration of authentication between the IT Service Centre and customers.”





—in France—



“As housing associations compete for tenants, it’s therefore crucial that the ever more complex relationships with customers are managed effectively and in a service-oriented manner. The way forward is being shown by our pioneering CRM system, which has already seen successful deployment in France and is being developed further in an international Aareon project in a way that addresses the needs of other countries.”



Hervé Cliquet, e-business team leader

33 years old, has been with Aareon France, Meudon-la-Forêt / France, for 11 years.

“As team leader, I am responsible for the development of e-business solutions.

I also manage the international CRM project within the Aareon Group.”



—or in Germany: Aareon customers benefit from our international exchange of knowledge and our pioneering solutions that give them the peace of mind of having made the right choice.





“Software should be easy to use and should streamline processes. During Wodis Sigma development we have prioritised these areas. We’ve also followed these principles in later development work while also catering to customer requirements. Today, we’re proud to be able to say that almost 500 housing associations have opted for Wodis Sigma.”



Helena Stark, Development and Support Wodis Sigma

26 years old, has been with Aareon Wodis, Dortmund/Germany, for two years.

“As a member in the ‘Wodis Sigma Development and Support team’ I am responsible for handling and solving support queries. In this context, I also analyse our customers’ requirements, which are taken into account in the further development of Wodis Sigma.”



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Dr. Olaf-Rüdiger Hasse
Chief Operating Officer

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

Dr. Manfred Alfien
Chairman of the Management Board

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

Christian M. Schmahl
Chief Financial Officer

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

Dr. André Rasquin
Chief Sales Officer

Central Sales, Regional Sales, Sales Management, Sales Support, Aareon Software Handelsgesellschaft mbH, Advisory Board work, BauSecura product

Letter from the Management Board

Ladies and Gentlemen,

We continued to pursue our profitable growth strategy in the 2012 financial year and were able to increase our earnings once again. Our EBIT rose by 4.4 % to € 26.2 million (previous year: € 25.1 million). Consolidated revenues increased by 3.6 % to € 165.2 million (previous year: € 159.5 million). The importance of our International Business segment also grew in the past year. This segment accounted for 28.7 % of consolidated revenues (previous year: 27.4 %).

The Wodis Sigma ERP product generation that we launched in 2009 continued its positive development. By the end of 2012, a total of 477 customers had opted for Wodis Sigma, including 102 new customers in the 2012 financial year; 404 customers are already working with the system in productive operation. Wodis Sigma as a service from our exclusive Aareon Cloud continues to record positive feedback. No less than 77 customers had signed up for this operating mode by the end of 2012.

Demand in connection with the SAP® Solutions and Blue Eagle product line focused on Aareon's SAP® consulting solutions. We managed to enter into comprehensive service agreements in this field. We also agreed an extension to what is now a successful ten-year partnership with SAP. Our new working relationship grants Aareon the status of "SAP PartnerEdge Services Partner". Supplementing its existing certification as "SAP-Certified Provider of Application Management Services" and "SAP-Certified Provider of Hosting Services", SAP granted Aareon the status of "Partner Center of Expertise" in October, following a comprehensive audit.

Integrated services continued to develop along a positive trajectory. Demand remained focused mainly on the Mareon service portal, the BauSecura insurance solutions and the Aareon invoicing service. We also extended our range of services by purchasing the web-based tenant acquisition solution ImmoBlue-Plus (now Aareon immoblue+), which was added our customer relationship management (CRM) portfolio. The CRM solution is meeting with great interest among customers.

Thanks to the Aareon Group's international operations, which have expanded over the past years, we are benefiting from more intensive international R&D collaboration by systematically identifying and leveraging synergies. For example, we have launched international projects on topics such as "Modern CRM Software for the Housing Industry" and "Mobile Solutions". The I-stay@home project funded by the EU is another undertaking in which an international Aareon subsidiary is the leading IT partner. This project aims to enable older people to continue living independently in their own homes for as long as possible. Considering demographic developments, this objective is of increasing importance in both social and economic terms. Therefore, the project partners are developing an IT-based platform for access to residential assistance services.

Our International Business also performed very well in 2012. The new product generation of our Dutch subsidiary SG|automatisering continues to meet with positive response in the market. The company managed to attract an important new customer in De Key, Amsterdam, with 35,700 rental units. Migration to SG|tobias^{AX} was agreed with our major customer de Alliantie, Huizen. The new releases of the complementary products SG|treasury and SG|vastgoed were launched on schedule in the second quarter of 2012. At the start of 2012, Aareon France ensured that key account Logement Français (Paris, around 85,000 rental units) went live as planned with the ERP solution Portal-Immo Habitat 2.0, followed in June by the leading housing association Le Foyer Remois (Reims, around 18,000 rental units). In addition, Aareon France has also expanded its portfolio in the past year with the acquisition of the geo-based information system SIG Habitat from D6GEO. On the highly competitive UK market for property software, Aareon UK made use of its leading position to win important tenders. Another step in Aareon's international growth strategy was the takeover of all of the shares in the UK company 1st Touch Ltd., Southampton, effective 1 July 2012.

In light of the growing complexity of the Aareon Group, we optimised our organisational structure and introduced two new Management Board positions: Finance and Operations. Christian M. Schmahl and Dr Olaf-Rüdiger Hasse were appointed to these positions by the Supervisory Board. This will compensate for the departure of our long-standing Management Board member Jürgen Pfeiffer, who retired at the end of 2012. Jürgen Pfeiffer worked for Aareon AG for 40 years, serving on the Management Board for more than 10 of those years. In this position he significantly influenced the development of the company, and we would like to thank him for this.

Our family-conscious personnel policy was specially recognised by the German Federal Ministry for Family Affairs in 2012 when Aareon received the award for the most family-friendly company in Germany in the "Medium-sized Companies" category. Under the patronage of Chancellor Angela Merkel, the Ministry had invited applications for the corporate prize competition "Success Factor Family 2012".

We want to thank our employees for their dedication, our Supervisory Body for its close cooperation, and our customers for their continually constructive dialogue in the customer advisory boards and numerous customer discussions.

We will continue to pursue this profitable course of growth in the 2013 financial year. International collaboration in the Aareon Group will play a central role in this, particularly with regard to taking advantage of opportunities for digitisation in the housing industry. For example, at the Aareon Congress in May, we will present a modern CRM solution which was developed in an international Aareon project.

We expect the Wodis Sigma ERP system to make further advances in the market – as both a software solution and a service from the exclusive Aareon Cloud. At the start of 2013, the product went live for 13 companies with 75,000 rental units. In 2013 we will also focus on the migration of national payment processes to SEPA on 1 February 2014. Aareon held a road show on this topic last year in cooperation with Aareal Bank to inform customers about the change. After the new functionalities have been tested in real time with pilot customers, the mass migration phase will begin in the second quarter of 2013.

New milestones will additionally be reached in the 2013 in the “brandIT” project, which aims to strengthen the Aareon brand and ensure its strict management. And in the “Work and Family at Aareon” project, we will prepare for our re-certification in 2014.

Our parent company, the Aareal Bank Group, will proudly celebrate a very special event in 2013: its 90th anniversary. Even back in the late 1950s, the “Services for the Housing Industry from the Computer Centre” division of Deutsche Bau- und Bodenbank AG, the predecessor to Aareal Bank, was setting new standards for optimising processes in the housing industry. This laid the foundations for the Aareon AG of today. The successful development of the division led to its spin-off as an independent subsidiary in 1997. Aareon’s forward-looking development of products and services in consultation with customers has a long history – and we intend to continue this tradition in the future.

Sincerely,



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

Overview of 2012

01

January

At the start of 2013, 20 companies with about 100,000 rental units go operational with **Wodis Sigma**.

Blue Eagle Individual goes live on schedule at the start of the year for LEG Landesentwicklungsgesellschaft NRW GmbH, Düsseldorf, with over 90,000 rental units, and VIT GMBH Viersen, with over 10,000 rental units.



The people responsible for the project executing the successful go-live at the LEG Group (from the left): Alf Tomalla, Aareon / Rolf Hammesfahr, Managing Director of LCS Consulting und Service GmbH (the LEG Group's internal IT service provider) / Rainer Schröder, LCS / René Coldewe, Aareon

At the start of the year, **Aareon France** ensures that major customer Logement Français (more than 85,000 rental units) goes operational on schedule with the ERP solution Portallmmo Habitat 2.0.

02

February

Essen-based Allbau AG signs an **application management services (AMS) agreement** for its existing SAP® installation. The system is used for managing 18,000 apartments.

GEWOBA, Bremen, a major customer with 41,000 rental units, opts for **Mareon**.

Aareon UK is represented successfully at the important Housing Technology Conference in Nottingham.

03

March

Christian M. Schmahl takes over the newly created **Management Board position for Finance and Internal Services**.



Aareon France presents its portfolio of solutions at MPIM, the leading property trade fair, in Cannes.

04

April

Aareon extends its integrated services by purchasing the web-based tenant acquisition solution ImmoBlue-Plus (now **Aareon immoblie+**) from DataConnexx GmbH, Schönbeck, with effect from 1 April 2012.

Aareon is again certified to **Microsoft Gold Competency level as a Microsoft Independent Software Vendor (ISV)**. Gold Competency certification is the highest level of qualification available within the Microsoft partner programme.

Under the motto of "IT jobs with a future", the **2012 Girls' Day** is held at Aareon.

05

May

The Federal Ministry for Family Affairs recognises **Aareon** as the **most family-friendly company** in Germany in the "Medium-sized Companies" category. Under the patronage of Chancellor Angela Merkel, the Ministry had invited applications for the corporate prize competition "Success Factor Family 2012".



Left to right: Dr. Kristina Schröder, Federal Minister for Family Affairs / Sylvia Clöer, Director Human Resources and Organisation, Aareon / Dr. Angela Merkel, Federal Chancellor / Dr. Manfred Alflen, Chairman of the Management Board, Aareon

The **Aareon France** customer conference, one of France's largest property industry events, takes place in Paris. The attendees are invited to the Palais Garnier opera house in the evening to celebrate the 30th anniversary of Aareon France.

The members of the EU-funded **I-stay@home** project meet for the first time in Bamberg. This project aims to enable older people to continue living independently in their own homes for as long as possible.



06

June

Dr. Olaf-Rüdiger Hasse takes over the newly created position of **Chief Operating Officer** effective 1 June 2012.



Essen-based RWE AG, one of the best-known power and gas providers in Germany, opts for the **Aareon invoicing service**.

SG|automatisering and its major customer de Alliantie, Huizen agree the migration to SG|tobias^{EX}.

The **Aareon Congress**, a major event in the property industry calendar, is held for the 22nd time in Garmisch-Partenkirchen.



The **DW Innovation Award for the Property Sector**, which is supported by Aareon, is presented for the ninth time. Prizes are awarded by GdW president and patron Alex Gedaschko on the topic of "Efficiency 2020" to the following companies: LEG NRW GmbH, Düsseldorf, WIRO Wohnen in Rostock, Wohnungsgesellschaft mbH, Rostock, HOWOGE Wohnungsbaugesellschaft mbH, Berlin, and BSR Berliner Stadtreinigungsbetriebe AöR.



07 July

Effective 1 July 2012, Aareon acquires **1st Touch Ltd.**, Southampton, the leading provider of mobile software solutions for the social housing industry in the UK.



Left to right: Dr. Manfred Alfien, Chairman of the Management Board, Aareon / Hans-Georg Schneider, General Manager, Aareon / Robert Dent, Managing Director, 1st Touch

08 August

DQS GmbH confirms Aareon AG's high standard of data protection with the **DQS Data Protection Certificate 2012**. This certification by DQS is based on a voluntary data protection audit in accordance with Section 9a of the German Federal Data Protection Act.

Irene Alt, Minister for Family Affairs of the state of Rhineland-Palatinate, visits Aareon and presents an information brochure on "**Eldercare & Work in Rhineland-Palatinate**" at a press conference. This brochure highlights the various policies that make Aareon a pioneer in Rhineland-Palatinate.



Left to right, front: Dr. Manfred Alfien, Aareon / Irene Alt, Minister for Family Affairs, Rhineland-Palatinate / Alexandra Wachendorfer, ar priori / Lucie Perrot, berufundfamilie gemeinnützige GmbH
Left to right, back: Dirk Janecke, Rheinessen Chamber of Industry and Commerce/ Sylvia Clöer, Nicole Herbertz, Stephan Rohloff, all Aareon

The **Northern German Property Regatta** is held for the third time at Kiel's Olympic venue. Fifteen yachts and 100 participants sail for victory in the bright sunshine.



09 September

FONCIA DEUTSCHLAND GmbH & Co. KG, with eleven subsidiaries and more than 50,000 housing units, opts for the **GES ERP** system from Aareon.

Intercultural training sessions start for Aareon employees.

With the prize money from the "**Success Factor Family**" competition, Aareon treats 300 socially disadvantaged children and the children of employees to "Gruffalo" and "Sams" performances in the theatre in Mainz.

10 October

The **Wodis Sigma** success story continues, with more than 400 companies now using the ERP system.

Together with Aareal Bank, Aareon organises a road show on the **SEPA migration** at various sites in Germany. More than 1,200 customers take part.

11 November

The **Wodis Sigma Forum** takes place in Bochum.



12 December

A retirement ceremony is held for **Jürgen Pfeiffer**, a long-standing member of the Aareon Management Board who worked for the Aareon Group for 40 years.



Left to right: Christian M. Schmahl / Dr. Manfred Alfien / Jürgen Pfeiffer / Dr. André Rasquin / Dr. Olaf-Rüdiger Hasse.

Before the end of the year, numerous housing companies opt for **Wodis Sigma as a service from the exclusive Aareon Cloud**. These include:

- ESW – Evangelisches Siedlungswerk in Bayern Bau- und Siedlungsgesellschaft mbH, Nürnberg, with approximately 13,000 residential units
- DIV – Deutsche Immobilien Verwaltung GmbH, Mannheim, with approximately 11,000 residential units
- Vereinigte Wohnstätten 1889 eG, Kassel, with approximately 4,500 residential units
- GEWAG Wohnungsaktiengesellschaft Remscheid, Remscheid, with approximately 7,500 residential units
- Wohnungsgenossenschaft Johannstadt eG, Dresden, with approximately 7,600 residential units
- Bauverein Halle & Leuna eG, Halle, with approximately 8,800 residential units
- PECUNIA Immobilien Management GmbH, Berlin, with approximately 9,000 residential units
- Wohnungsbau-Verein Neukölln eG, Berlin, with 6,500 residential units
- Berliner Gesellschaft für Vermögensverwaltung mbH, Berlin, with 9,750 residential units

Aareon pursues a profitable growth strategy that is based on the pillars of its corporate strategy:
Clear customer focus.
Pioneering solutions.
Dependable partner.

Group management report

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- 20— Business activities and corporate structure
- 21— Economic environment
- 22— Corporate strategy
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- 24— Changes in the corporate structure

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Business and general conditions

Business activities and corporate structure

Aareon AG – a European consultancy and systems house to the property sector – offers consulting, software and services. The company has a presence in key European housing markets: Besides Germany, Aareon is represented in France with Aareon France SAS, in the United Kingdom with Aareon UK Ltd. and 1st Touch Ltd., and in the Netherlands with SG|automatisering bv. Ten of its 19 locations are outside Germany.

Aareon AG is wholly-owned by the Aareal Bank Group, Wiesbaden, one of the leading international companies in the property sector. With employees drawn from over 25 nations, the Aareal Bank Group has offices in over 20 countries and on three continents – Europe, North America and Asia. Aareon AG is a wholly-owned subsidiary of Aareal IT Beteiligungen GmbH, Wiesbaden, which in turn is wholly owned by Aareal Bank AG, Wiesbaden. Within the Aareal Bank Group, Aareon AG is part of the Consulting/Services operating segment. In this segment, Aareal Bank offers solutions for customers from the residential and commercial property industry, and from the utility company and waste management sectors. The majority of Aareal Bank customers in this segment are also Aareon customers.

Aareon offers its customers consulting, software and services – tailored to the needs of the property industry – from a single source. The various country-specific ERP solutions that cater to the circumstances of the local markets can be supplemented by Integrated Services and complementary products (see p. 29). With its product and service portfolio, Aareon helps housing associations to streamline and automate their processes. Rapid access to data, increased transparency and efficient rental unit management are just some of the issues faced by housing company tenant services. In addition, the ERP solutions offer a wide variety of reporting options – for instance for preparing management decisions or for budget control. With its ERP multiproduct strategy

in Germany, Aareon addresses the different needs of the property market. The company offers the ERP products Wodis Sigma, SAP®-based solutions such as Blue Eagle and the GES system. Aareon's international subsidiaries offer ERP systems that are tailored to the conditions prevailing in each market. These are Prem'Habitat and Portallmmo Habitat in France, QL in the United Kingdom and SG|tobias in the Netherlands, plus the new product generation SG|tobias^{AX}. The combination of ERP solutions and Integrated Services and complementary products help property companies and their business partners collaborate by means of efficient processes. This portfolio is augmented by product and service consultancy tailored to specific industries.

Aareon's international product strategy facilitates the utilisation of synergies through development work shared among the various country-specific expert teams. In this way, benefits from individual national products and services can also accrue to customers in other countries. It is in this context that the constant expansion of a global IT infrastructure is pursued, ensuring the services provided by the certified, ultramodern Aareon IT Service Centre (see p. 24) – backed by first-class data protection and operational reliability – can be used internationally.

According to the Lünendonk List – a well-established annual market survey – Aareon has been ranked among Germany's leading IT service companies for many years¹.

In France, the Netherlands and the UK, the subsidiaries of the Aareon Group are also some of the leading providers of software and services to the property industry.

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

¹—See Lünendonk List 2012, Lünendonk GmbH, Kaufbeuren 2012, as of 16.05.2012

Important trends on the market for property software: cloud computing and mobile solutions.

Economic environment

The Annual Economic Report 2012/2013 of the German Council of Economic Experts predicted economic growth of -0.2 % for 2012 (previous year: 1.5 %) based on GDP in the European Union². This decline is a reflection of the consolidation efforts in the euro zone, which are impacting on private consumption, government spending and public sector investment. The economic growth forecast for Germany was 0.8 % (previous year: 3.0 %), mainly on the back of foreign trade, for France 0.0 % (previous year: 1.7 %), for the United Kingdom -0.3 % (previous year: 0.9 %) and for the Netherlands -0.7 % (previous year: 1.0 %).

The employment situation in the European Union was forecast to deteriorate in 2012, with the average unemployment rate expected to rise by 0.8 percentage points to 10.5 %. In Germany, the encouraging employment trend of recent years continued, with unemployment standing at the forecast 5.3 % (previous year: 5.7 %). At 10.4 %, the jobless rate in France was up 0.8 percentage points, as projected. Standing at 8.0 % in the United Kingdom, unemployment here hovered around the prior-year level as forecast, but increased in the Netherlands (6.6 %; previous year: 4.4 %).

The institutional housing industry in Germany remained stable. This was principally due to a more or less constant stream of rental income and long-term financing structures. While rural regions saw vacancy rates rise, many economic centres in Germany recorded increased demand for apartments. On account of the continuing volatility in the financial and capital markets, demand for German residential property portfolios remained steady in regional metropolitan areas in particular.

The housing industry continues to face various challenges that need to be taken into account for the company's strategic orientation. These include rising energy costs, the growing demands of tenants as regards housing and services, shareholders' expected returns and, last but not least, technical progress. The latter is increasing the importance of information technology, whose level of complexity continues to rise. In this connection, cloud computing – one of the principal trends in IT – is gaining in significance in the property industry software market, and demand is growing. With cloud computing companies can procure IT solutions through a network of IT service providers, which enables them to make efficient investments in IT and minimise their administrative expenses. Aareon AG is well positioned to benefit from this new trend in the long term thanks to decades of experience as an IT Service Centre operator and a provider of the ASP (application service providing) system GES, which can be considered a precursor of modern-day cloud computing. Another key trend in the housing industry is the use of software solutions and processes on smartphones and other mobile devices. This creates a new realm of possibilities for improving the flow of information between property companies and tenants, supporting the service to tenants for both sides, examples of which include maintenance management, mobile property inspections and management of prospective customers.

The housing industry continues to be affected by demographic trends, especially the ageing of the population. This is precisely where the EU-funded project I-stay@home comes in. The objective of this project is to enable older people to live alone at home for longer (see p. 31).

²—See Annual Economic Report 2012/2013 “Stable Architecture for Europe—Need for Action in Germany”, German Council of Economic Experts' analysis of macroeconomic developments, November 2012

Corporate strategy

Aareon AG is pursuing a profitable growth strategy with which it intends to further expand its market position in Germany as well as internationally. Over the last few years, Aareon has therefore re-aligned both its product portfolio and its international presence while disengaging itself from products (such as payroll services, heat metering services) and countries (Italy, Switzerland) with no strategic relevance. On the other hand, the focal points of Aareon's strategy have also guided investment in new products and the acquisition of companies in highly promising growth markets abroad. Examples of this include the takeover of additional companies to expand Aareon's existing presence in countries such as France or the UK and enhance Aareon's international presence with the important Dutch market.

Aareon's increasingly international orientation is a key part of the company's strategy for growth. Although the residential markets in Europe have their idiosyncrasies, the housing sector processes involved have very similar needs. Everywhere one looks, long-term business success depends on administrative efficiency and local customer services. Knowledge transfer between countries enables the systematic identification and exploitation of potential synergies in relation to business models, technologies or business partners. International collaboration within the Aareon Group supports the continued improvement of IT solutions and services. One area here is the future development planned for mobile solutions from 1st Touch: this encompasses both form-based, customisable applications for use in the field as well as mobile platforms. Aareon acquired 1st Touch Ltd. – the Southampton, UK-based provider of mobile solutions for the residential sector – in 2012. The company's portfolio is also being expanded to include a CRM (Customer Relationship Management) solution. Parts of this solution are based on a system from Aareon France, the company's French subsidiary.

International collaboration within the Aareon Group supports the enhancement of IT solutions and services.

To support this internationalisation, Aareon took organisational action in 2012 to further the aim of achieving a partially-integrated international Group (see p. 24).

Launched by Aareon in 2011, the strategic growth programme "growIT" was completed as scheduled on 31 July 2012. The measures defined were initiated with the aim of achieving their successful implementation by the various units responsible. These measures included staffing structure reorganisation – and, in turn, the optimisation of resource management in Consulting – as well as an increased focus on internationalisation. Alongside the internationalisation of the Aareon Group, the primary goal pursued by growIT is to identify new areas of growth. In addition to CRM and mobile solutions, potential for growth is also offered by Wodis Sigma's ERP product generation – which is also available as a service from the Aareon Cloud – and the Aareon invoicing service product.

Aareon's strategy project "moveIT" – aimed at optimising internal processes and support systems – continued in 2012 (see p. 24).

Aareon also launched the "Finance-International Transformation" (FIT) programme, designed to reorient the Finance and Internal Services unit. The objective here is to underpin the international growth strategy by means of a highly-capable, internationally-focused finance department. This is the first step towards a partially-integrated Aareon Group.

In relationships with the various stakeholder groups, the Aareon brand is an important factor for success. It is being continuously strengthened through specific internal and external communication measures. The strategy project "brandIT" began in 2012, aimed at exploiting the potential of the Aareon brand. By actively developing and rigorously managing the Aareon brand, we aim to secure a competitive edge in the property industry's market for software and services.

At the same time, we are also boosting our image as a preferred employer. In the light of demographic change and the associated shortage of well-qualified staff it implies, this is also a key factor for our future success.

This increased orientation on our brand identity has required us to realign the key pillars of our corporate strategy:

— **A clear customer focus**

Aareon orients its products firmly on the needs of its customers and the requirements of the industry. We offer user-friendly products and services that help our customers optimise their processes and support them in the achievement of their corporate goals. For product development and customer service, Aareon's employees combine property industry know-how with IT expertise. Through our Customer Councils, membership of associations and numerous Aareon customer events, we systematically engage in constructive dialogue with our customers and the industry. In Germany, customer satisfaction is gauged by means of an anonymous customer survey, which continues to turn in highly positive results.

— **Pioneering solutions**

When developing its products and services, Aareon incorporates current trends in IT and the property industry, thus setting the standard for software and service provision to the property sector. We also benefit here from the international orientation of the Aareon Group: Thanks to the systematic knowledge transfer practised by our experts, synergies that benefit our customers can be leveraged and included in the development of products and services. This takes place within the scope of Aareon's research and development work. In addition, Aareon also cooperates with a number of partners to create added value through the bundling of core competencies.

— **Dependable partners**

Aareon is a dependable and reliable partner for its stakeholders – namely its customers, employees and investors. In this role, we pursue a sustainable approach to governance to generate added value for all stakeholder groups.

Quality and security standards

Aareon guarantees data security, reliability and high availability for its IT Service Centre. Key IT processes in the IT Service Centre are examined for compliance with the auditing standard PS 951 of the Institut der Wirtschaftsprüfer e.V. (IDW). Aareon's IT Service Centre is certified as a level 3 high-availability computer centre in accordance with the TÜV auditing standard. The entire infrastructure has a redundant design.

Aareon AG and its German subsidiaries were once again awarded the DQS Data Protection Certificate in 2012. This is based on the findings of a voluntary data protection audit carried out by the DQS GmbH in Frankfurt am Main in accordance with Section 9a of the German Federal Data Protection Act. It confirms that Aareon has designed data protection policies that comply with the law pursuant to the requirements of the German Data Protection Act. This certification also serves to manage and continuously develop data protection measures within the Aareon Group. In conjunction with software certified to audit standard IDW PS 880 – for instance for the Mareon service portal as well as Wodis Sigma and Blue Eagle – these certifications can also mean less work for customers during their annual IT audits. Aareon's quality assurance system has also been certified under DIN ISO 9001:2008. The certificate was reconfirmed in 2012.

Changes in the corporate structure

Together, the internationalisation of the Aareon Group and new conditions on the market – correlated with new requirements for products and services – necessitated changes to our staffing structure in 2012. Effective 1 March, we created a new Management Board mandate, “Finance and Internal Services”. This new area of responsibility caters to the rising complexity within the Aareon Group, stemming from internationalisation work. On 1 June, restructuring work started on the staffing setup in Consulting; procedural measures were also established in this area. This work also involved the creation of the “Operating Business” Management Board mandate. In our new organisational structure, responsibility for all operational areas has been consolidated in Germany. Among other reasons, one aim here was to enable optimised resource management independent of product lines; the move also enhances knowledge transfer while strengthening our capacity to innovate in products and services. The restructuring project was concluded successfully in October.

Aareon AG regularly puts its own corporate processes to the test. This is why it launched the “moveIT” programme back in financial year 2010. Its main goals entail reducing system complexity, eliminating redundancies between systems as well as simplifying processes and making them more transparent. This has a positive effect on operating conditions, and thus lowers costs. Several internal processes were gradually reviewed and streamlined. The employee survey conducted in 2012 revealed additional potential for improvements, which are being addressed. The programme will be continued in the next financial year.

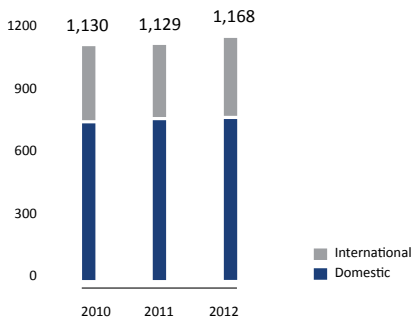
The takeover of all of the shares in the UK company 1st Touch Ltd., Southampton, effective 1 July 2012 further strengthened Aareon’s position in the UK market (see p. 32).

Our staff

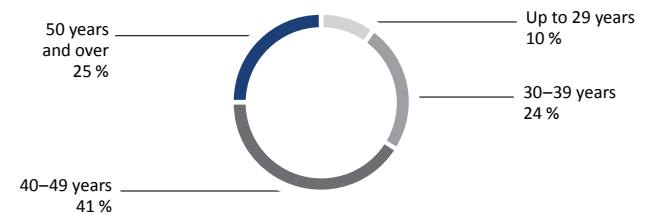
Our workforce plays a key role in the success of our business. Our staff combine expertise from the IT and property sectors; they are dedicated, service-oriented and put the customer first in their work. Employee satisfaction and motivation play a key part here, which is why Aareon conducts a Group-wide, anonymous employee survey each year. This serves as a tool for measuring the mood among employees and provides insights into how concrete improvement measures can be implemented. Employee satisfaction in the Aareon Group remained high in 2012.

As at 31 December 2012, Aareon's workforce totalled 1,168 employees (previous year: 1,129). The average length of employment at the company is 10.9 years. The increase in employee numbers is attributable to personnel investments made to expand consultancy and support capacities for Wodis Sigma, as well as the acquisition of the UK company 1st Touch. A total of 34.5 % of Aareon's employees are based at our international subsidiaries.

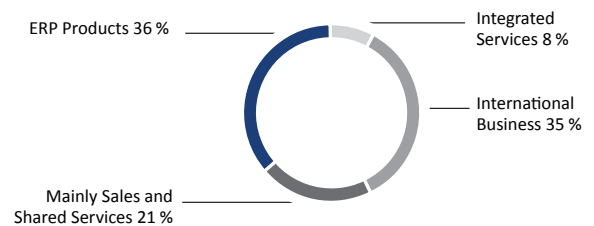
Number of employees (as at 31.12.)



Employees by age structure



Employees by operating segment



Recognised as the most family-friendly company in Germany in the “Medium-sized Companies” category.

To reflect our concept of a unified Aareon Group strategy and corporate culture, we have also revised our internal management guidelines. These guidelines emphatically designate management staff and Board members as role models for the entire company, while ensuring a uniform leadership model that works to strengthen the Aareon brand. A cascade structure is used for employee communication.

The family-oriented personnel policy that helps our employees balance the needs of career and family has been systematically promoted for many years now and is also a key feature of our corporate culture. In May 2012, the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (BMFSFJ) recognised Aareon as the most family-friendly company in Germany in the “Medium-sized Companies” category. Under the patronage of Chancellor Angela Merkel, the Ministry had invited applications for the corporate prize competition “Success Factor Family 2012”. The award highlights the successes achieved by our strategies targeting the balancing of careers and parenting as well as careers and care work. Aareon’s services include flexible working hours in the form of part-time work and teleworking. At the close of 2012, Aareon had 128 (16.8 %) part-time positions (previous year: 127, 16.8 %) and 82 (10.7 %) teleworking positions (previous year: 76, 10.1 %) in Germany. Aareon also works with a family service company, has set up parent-child offices at various sites and offers childcare slots at its location in Mainz in cooperation with another company. In 2012, Aareon also hosted a series of talks – free for employees and their relatives – on key topics related to care work.

At Aareon, employee qualification and development are integral to the employees’ annual performance appraisal meeting held with their supervisors. Aside from offering individual training and seminars, Aareon in 2012 focused in particular on completion of the development strategies identified for management staff in the Development Centers. Management staff who joined the company during the year

also participated in Development Center work. Additional training was also completed in the Wodis Sigma product area. As part of the Aareon Group’s internationalisation efforts, we have conducted a range of training measures to support cross-border knowledge transfer. Aareon continued the “Certified Housing Manager (HfWU)” series of training courses at the Nürtingen-Geislingen University for Economics and the Environment, which have been a fixture since 2009. Since its introduction in 2009, a total of 31 employees of the Aareon Group have already acquired this additional industry-relevant qualification. Furthermore, Aareon also hands out the Aareon Excellence Award each year for employees who have shown special performance levels.

Aareon provides school leavers with a choice of vocational training options such as office management or IT (as 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 and the Baden-Wuerttemberg Cooperative State University in Mannheim. Aareon’s trainees benefit from supplementary training courses and the chance to take responsibility for project-oriented tasks at an early stage. At the close of 2012, Aareon had 17 trainees and one student from a university of cooperative education.

Aareon offers University graduates specific vacancies or places on its trainee programme. Internships, degree dissertations and collaboration with several universities form an integral part of our higher education marketing.

Social responsibility

Aareon takes both its business and its social responsibilities seriously. We support organisations and initiatives in the following three areas: competitions in the property sector, promoting young talent and social commitment. Making environmentally sustainable decisions is important to Aareon.

As a property sector specialist, Aareon supports the “DW Innovation Award for the Property Sector” and the “Property Manager of the Year” competitions. In May, the DW Innovation Award for the Property Sector was presented for the ninth time at the Aareon Congress in Garmisch-Partenkirchen. GdW President and patron Axel Gedaschko honoured the outstanding example set by the prize-winners in the categories of “Management”, “Procurement” and “Financing” against the backdrop of “Efficiency 2020”.

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

In the social arena, Aareon – and the Mainz head office in particular – supports a number of organisations and initiatives, such as the Christophorus hospice and the Pfarrer-Landvogt-Hilfe organisation for the homeless. For years Aareon has also been making donations to DESWOS – the German Development Aid Agency for Social Residential and Settlement Projects – in Cologne. In 2012, our donation was used to

help smallholders in South Nicaragua’s Jinotepe region construct a total of 80 new houses.

Aareon also integrates sustainability into its entrepreneurial activities. To meet the energy needs of our headquarters in Mainz, Aareon installed a geothermal system, which exploits the earth’s constant temperature to transfer heat to or from the ground via heat pumps – providing heat in winter and cool air in summer. At Aareon’s IT Service Centre, which came online at our new headquarters in 2011, there is a focus on energy-efficient systems, which are updated to stay abreast of recent advances in technology. In 2012, a main-frame computer was replaced by a new model, enabling energy requirements to be reduced by 55 % in comparison to the system previously in use. This includes using the IT Service Centre’s waste heat to support the building’s heating system and replenish the store of geothermal energy in the summer.

Aareon is also committed to promoting environmentally friendly, energy-conscious behaviour among its staff in their everyday work. This is partly achieved through the use of teleconferences and videoconferences as well as webinars to reduce travel expenses. Employees’ IT workplaces are equipped in accordance with ecological guidelines. The systems used can generally be recycled, consume very little electricity and are low pollutant.

Even Aareon’s product range serves to promote ecological and sustainable activity on the whole. Both ERP Systems and Integrated Services boost process efficiency, among other things by digitising both the data and the interfaces to the service systems. This promotes transparency in the company and lays the groundwork for sustainable decision making. It also helps to reduce the consumption of paper and necessary archiving space considerably.

Aareon also takes social responsibility in the balancing of work and family (see p. 26).

As part of activities integrating Aareon into the parent company's sustainability management programme, the Aareal Bank Group launched a project aimed at streamlining existing policies while also initiating further strategies.

Aareon products and services

Aareon's products and services are combined into the following operating segments:

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

Aareon manages its segments largely based on their contribution to net profit. Revenues and contribution margins are the key performance indicators to determine a product's contribution to net profit.

Aareon offers ERP solutions in a variety of operating modes, depending on the product: software as a service from the exclusive Aareon Cloud (see p. 21), ASP (Application Service Providing), hosting and inhouse. The Aareon cloud hosts the data in Aareon's certified IT Service Centre in Mainz, ensuring a high level of data security and data protection (see p. 23).

ERP Products

The ERP Products operating segment comprises the ERP solutions offered by Aareon in Germany: Wodis Sigma, SAP® Solutions and Blue Eagle as well as GES. The results of the other country-specific ERP products are recognised in the International Business operating segment. Aareon works to steadily improve the usability of its solutions, enhancing them so as to cater to current trends and to requirements from customers and the industry. Examples in this area include e-balance sheet and SEPA, as well as the enhancement of our Aareon Cloud portfolio.

Wodis Sigma

The Wodis Sigma product generation that Aareon launched in 2009 continued its positive development. Wodis Sigma is based on Microsoft® .NET™, one of the world's leading development platforms. A total of 477 customers have

opted for Wodis Sigma, including 102 in 2012. The system was already in service at 404 customers at the end of 2012. Wodis Sigma is being continuously advanced and tailored to customers' wishes. At the Wodis Sigma Forum in Bochum, a customer event held in November of each year, Aareon presented Wodis Sigma Release 4.0, which offers new functionality while integrating the latest statutory regulations. Wodis Sigma as a service from our exclusive Aareon Cloud was launched a year ago and feedback continues to be positive. No less than 77 customers have now signed up for this operating mode.

SAP® Solutions and Blue Eagle

Aareon offers the SAP®-based Blue Eagle solution, which was developed using the company's property expertise, as well as consulting and management services surrounding the SAP® Real Estate Management ERP system. Customers receive tailor-made SAP® solutions for running in-house or as an Aareon-hosted installation. Key features of our service provision here include consultancy, targeted customising and individual custom development work, plus tailored services and support. Alternatively customers can commission Aareon separately to expand their own SAP® system and tailor it to their company's needs. The market for SAP® projects remained slow in 2012, as expected. Demand focused on Aareon's SAP® consulting solutions. Aareon managed to conclude comprehensive service agreements in this field. For example, the Essen-based Allbau AG signed an SAP® application management services agreement for its existing SAP® installation. Since 1 February 2012, Aareon has been taking care of Allbau AG's system, which is used to manage 18,000 apartments. Right on schedule, Blue Eagle Individual went operational at the start of 2012 at LEG Landesentwicklungsgesellschaft NRW GmbH, Düsseldorf, with more than 90,000 rental units and at VIT GmbH, Viersen, with more than 10,000 rental units. The development of Blue Eagle Release 6.3 remains on schedule.

8,500 Tradespeople
use the Mareon
service portal.

Within the reporting period, an extension was agreed to what is now a ten-year partnership with SAP. Our new working relationship grants Aareon the status of "SAP Partner-Edge Services Partner". Supplementing its existing certification as "SAP-Certified Provider of Application Management Services" and "SAP-Certified Provider of Hosting Services", SAP granted Aareon the status of "Partner Center of Expertise" in October, following a comprehensive audit.

GES

The business volume with GES remained stable. Response to the new GES Customer Contact Management and GES Contract Management modules, which were introduced during the fourth quarter 2011, was positive. The main areas of emphasis of the two GES versions in 2012 were the e-balance sheet as well as the refinement of GES contract management and GES customer contact management. The product continues to enjoy a high level of customer satisfaction, as evidenced by the large number of contract extensions.

Integrated Services

Aareon's Integrated Services product group comprises integrated services, integrated payment transaction services and IT outsourcing.

Integrated services

Integrated services continued to develop along a positive trajectory. Aareon's integrated services support day-to-day work processes of property companies and link them to business partners via the ERP system – enhancing transparency, accelerating processes and reducing costs. Demand remained focused mainly on the Mareon service portal, the BauSecura insurance solutions and the Aareon invoicing service. Among the companies adopting Aareon's invoicing service was Essen-based RWE, one of the best-known power and gas providers in Germany. This product enables the paperless transfer of invoices between business partners, as well as fully-digital invoice processing.

The Mareon Service Portal, which networks housing associations, heat metering services and tradespeople, is used by around 250 property companies and 8,500 tradespeople to simplify their processes. Some 42 production-quality interfaces are provided to applications used by tradespeople. Aareon and the Bremen-based GEWOBA Aktiengesellschaft Wohnen und Bauen, another major customer with 41,000 rental units, signed a contract for the introduction of Mareon.

Aareon also extended its integrated services by purchasing the web-based tenant acquisition solution ImmoBlue-Plus (now Aareon immoblie+) from Schönebeck-based DataConnex GmbH, with effect from 1 April 2012. DataConnex specialises in the development of web-based solutions for the residential sector. Aareon immoblie+ supports and streamlines the entire letting process – including publication of rental property details, property management, the professional preparation of a quotation for the prospective tenant and contract completion. The solution had already been deployed by around 50 companies, for which Aareon is now providing support. Aareon immoblie+ has been integrated into the Customer Relationship Management portfolio and is attracting strong interest from customers. Aareon plans to expand this area of business in the future.

In 2012, insurance solutions from BauSecura attracted even stronger demand nationwide and have contributed to continuous growth.

IT-Outsourcing

At its Mainz site, Aareon operates a modern IT Service Centre that was upgraded in 2011. A backup data centre is also maintained on the premises of its parent company, Aareal Bank in Wiesbaden. With its IT outsourcing services, Aareon offers customers powerful IT systems and services that are ITIL (IT Infrastructure Library) compliant. Support is provided by experienced specialists and hosting is also offered via our exclusive Aareon Cloud. Aareon's IT experts install

and maintain hardware and software, create backups, keep systems up-to-date and ensure the availability of applications. This allows cost savings to be made, and customers obtain planning reliability.

Integrated payment transaction services

The integrated payment transaction services which Aareon offers in partnership with its parent company, Aareal Bank, integrate seamlessly within Aareon ERP systems. Aareon offers the BK01® payment system for the Wodis Sigma and GES systems as well as the BKXL® system with integrated digital signature technology for SAP® -based Blue Eagle.

International Business

Aareon's international operations are focused on key strategic markets. The Group has subsidiaries in France, the United Kingdom and the Netherlands and has further expanded its activities by acquiring the UK company 1st Touch. The International Business continued to perform well in the period under review, rising to a share of 28.7 % in the Aareon Group's revenues. In its product and business development, the Aareon Group benefits from the continuous transfer of knowledge on a global scale. These activities systematically identify and exploit synergy areas such as business models, technologies and joint venture partners. Key areas of interest here include the planned enhancements to mobile solutions from our UK subsidiary 1st Touch, as well as the development of a modern, sector-specific CRM (Customer Relationship Management) application, which is being completed as an international Group project.

Aareon is also the leading IT partner in the "I-stay@home" project, which is being funded by the European Union. The project – managed as a whole by the Bamberg-based Joseph Foundation housing association – has been awarded to a consortium of European partners working in the residential housing sector, including housing associations from

Germany, France, Belgium and the Netherlands, as well as research and technology partners. The project has the objective of keeping senior citizens in their own residence as long as possible. Considering demographic developments, this objective is of increasing importance in both social and economic terms. Therefore, the project partners are developing an IT-based platform for access to residential assistance services.

The Netherlands

SG|automatisering bv, Emmen, offers the SG|tobias ERP solution featuring the new SG|tobias^{AX} generation based on Microsoft® Dynamics® AX. SG|tobias^{AX} continues to meet with positive response in the market. The company managed to attract two important new customers with Provides, IJsselstein, with more than 3,500 rental units and Woningstichting Den Helder, Den Helder, with about 10,000 rental units. De Key, Amsterdam, is yet another large property company with 35,700 rental units that has opted for SG|tobias^{AX} financials and projects. Migration to SG|tobias^{AX} was agreed with our major customer de Alliantie, Huizen. The solution is scheduled to go live in the fourth quarter of 2013. The new releases of the complementary products SG|treasury and SG|vastgoed were launched on schedule in the second quarter of 2012. The SG|VVE Beheer product generated a positive response from customers in the financial year. SG|automatisering (Group) has 164 employees at three sites and serves 182 customers.

France

Based in Meudon-la-Forêt, Aareon France SAS offers the two ERP systems Prem'Habitat 2.0 and Portallmmo Habitat 2.0. At the start of the year, Aareon France ensured that key account Logement Français (Paris, around 85,000 rental units) went live as planned with the ERP solution Portallmmo Habitat 2.0, followed in June by the leading housing association Le Foyer Remois (Reims, around 18,000 rental units). Development work on Portallmmo Habitat 3.0 has started – with

30

Years of Aareon France

a focus on extended customer requirements – and its market launch is planned for 2013. In addition, Aareon France has also expanded its portfolio with the acquisition of the SIG Habitat solution from D6GEO. SIG Habitat is a geo-based information system. SIG Habitat will be one of the systems installed by Loire Habitat, an established property company with 11,000 rental units in the Département Loire. Aareon France has a leading position in the field of residential customer management systems (CRM) that not only optimise the sector's processes but also improve the services it provides to tenants. Aareon France shares this expertise with the entire Aareon Group. One highlight was Aareon France's 30th anniversary – an event whose celebrations included the annual Congress in Paris, which was attended by around 300 delegates. Aareon France employs a workforce of around 158 employees, based at four locations in France. It serves around 250 customers drawn from the sectors of social housing, property asset management (administrateurs de biens), private housing and corporate.

United Kingdom

Coventry-based Aareon UK Ltd. offers the QL ERP solution. On the highly competitive UK market for property software, Aareon UK made use of its leading position to win a number of tenders. The ERP system QL Housing is one of the systems run by the property companies CHS Group (Cambridge, 1,600 rental units) and Powys CC (Llandrindod Wells, 6,000 rental units). Aareon UK has about 62 employees at its offices in Coventry and Swansea (Wales). The 95 customers in the UK are mainly registered social landlords and local authorities.

Another step in Aareon's international growth strategy was the takeover of all of the shares in the UK company 1st Touch Ltd., Southampton, effective 1 July 2012. Established in October 2007, 1st Touch leads the market as a fast-growing provider of mobile software solutions for the UK property sector. The company draws its customers from the social housing market: these not only include customers of Aareon UK, but also other housing associations. As an Aareon Group brand, 1st Touch will continue operations at its Southampton HQ with its original management team and an independent market identity. Aareon is developing the mobile solutions offered by 1st Touch further with the objective of extending their sale to the global market. The company employs a workforce of 20 and has 50 customers.

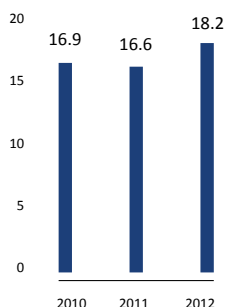
Business developments

Earnings

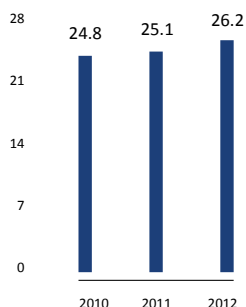
In 2012, Aareon once again boosted EBIT by 4.4 % to € 26.2 million (previous year: € 25.1 million). Consolidated net income after taxes amounted to € 18.2 million (previous year: € 16.6 million). The cost/income ratio decreased to 84.7 % (previous year: 85.0 %), while the return on equity rose slightly to 33.3 % compared with the previous year (32.6 %).

Aareon lifted its consolidated revenues by 3.6 % in 2012 to € 165.2 million (previous year: € 159.5 million), mainly thanks to a positive trend in the International Business segment, where revenues climbed 8.5 % to € 47.4 million (previous year: € 43.7 million), accounting for 28.7 % of consolidated revenues (previous year: 27.4 %). The acquisition of 1st Touch Ltd. in the first half of 2012 increased revenues, though all other international subsidiaries also improved their revenue figures. In Germany, revenues also rose in 2012 to € 117.8 million from € 115.8 million in the previous year. At € 79.6 million, revenues in the ERP Products business segment were almost flat on the prior-year level (€ 79.4 million). Revenues in the Integrated Services business segment were up 5.3 % to € 37.2 million (previous year: € 35.3 million).

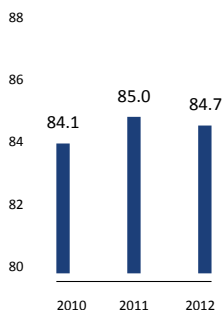
Consolidated net income after taxes in € million



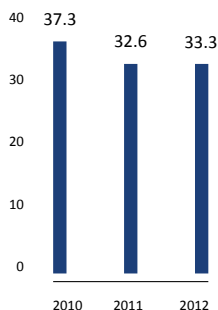
EBIT in € million



Cost-income ratio in %

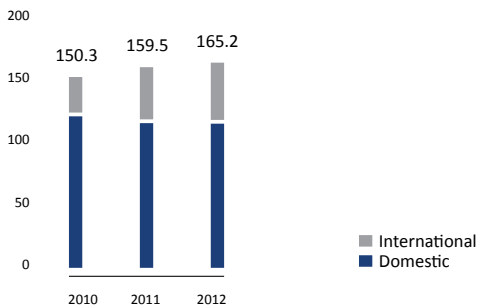


Return on equity in %

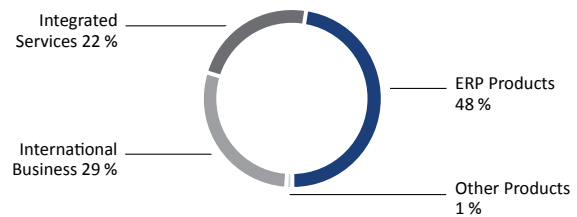


€ 26.2 million EBIT

Revenue in € million



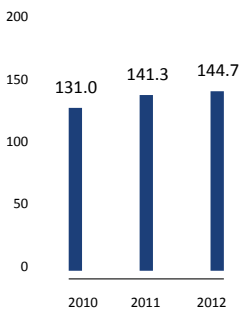
Revenue by operating segment



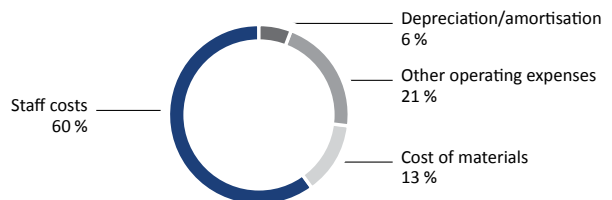
Total expenses increased by € 2.9 million, from € 141.8 million in the previous year to € 144.7 million, mainly due to the acquisition of 1st Touch Ltd. The cost of materials hovered around the prior-year level at € 19.3 million (previous year: € 19.2 million). Staff costs rose by 2.1 % to € 86.1 million

(previous year: € 84.3 million). At € 30.0 million, other operating expenses were up 3.8 % year-on-year (previous year: € 28.9 million).

Expenditure in € million



Expenditure by cost group



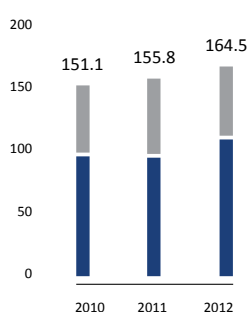
Research and development activities in Germany focused on the refinement of Wodis Sigma, the two releases for Mareon as well as the two GES version updates and Aareon Archive Compact. Internationally, research and development activities were concentrated on CRM and Portal-Immo Habitat Release 3.0 in France, SG|Vastgoed, Rapid start and SG|fox in the Netherlands and QL.net in the United Kingdom. Aareon incurred research and development expenses of € 6.8 million (previous year: € 4.9 million).

Assets, liabilities and cash flows

Total assets of Aareon AG stood at € 164.5 million in 2012, an increase of 5.6 % on the previous year (€ 155.8 million). Non-current assets increased by 13.1 % to € 108.8 million (previous year: € 96.2 million). The purchase of 1st Touch Ltd. and the ImmoBlue-Plus solution designed to manage prospective tenants (now called Aareon ImmoBlue+) were key factors contributing to the increase in goodwill and purchased software, which rose by 15.5 % to € 82.7 million year-on-year (previous year: € 71.6 million). Property, plant and equipment also climbed 5.4 % to € 15.7 million, while financial assets were up 4.3 % to € 4.8 million and non-current tax assets were up 9.1 % to € 5.6 million.

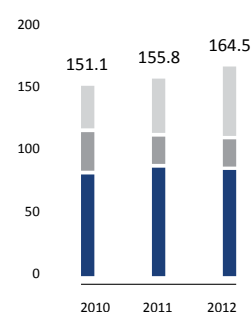
Current assets decreased by 6.6 % to € 55.7 million against the previous year. Inventories grew from € 1.2 million in 2011 to € 1.4 million in the reporting period. Trade receivables and other assets were down 4.7 % to € 30.3 million (previous year: € 31.8 million). Cash and cash equivalents declined by 23.0 % to € 19.4 million (previous year: € 25.2 million). The cash flow from operating activities rose by € 3.0 million to € 23.6 million (previous year: € 20.6 million), mainly due to the higher net income for the period. While the negative cash flow from investing activities increased by € 8.2 million to € -18.3 million (previous year: € -10.1 million), the cash flow from financing activities changed by € -0.4 million.

Asset in € million
(asset structure)



Current assets
Non-current assets

Equity and liabilities
in € million



Current liabilities
Non-current liabilities
Equity

Aareon's equity fell by 4.1 % year-on-year from € 81.4 million to € 78.1 million due to the transfer from consolidated net income and taking into account the dividend distribution of € 20.1 million for the 2010 and 2011 financial years. Non-current liabilities rose by 2.8 % year-on-year to € 31.2 million due to two factors: a decrease in other liabilities as a consequence of the shortening of the maturities, which led to their reclassification as other current liabilities, and the increase in non-current deferred tax liabilities of 56.1 % to € 6.4 million. At € 55.2 million, current liabilities were 25.1 % higher than in the previous year (€ 44.1 million). Aareon has liabilities to banks of € 10.4 million. The 36.4 % increase in other liabilities (€ 17.6 million; previous year: € 12.9 million) is mainly attributable to the maturities of liabilities being shortened and to the purchase of 1st Touch Ltd.

Events after the reporting period

There were no events or business transactions which occurred after the close of the financial year and which could have an effect on its assets, liabilities, cash flows and profit or loss presented in this report

Internal control system

Aareon AG's internal control system (ICS) consists of systematic organisational measures and controls for compliance with the company's directives and to avert potential losses caused by the Company's own staff or third parties. Accounting-related internal control systems are designed to ensure that a company's operations are duly executed and efficient. 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 the core processes of customers and products, this mainly concerns processes relating to liquidity, personnel and legal affairs.

The Management Board of Aareon AG is responsible for designing, setting up, implementing, refining and reviewing an appropriate system of internal control over financial reporting. At Aareon AG, the processes for financial reporting in the Group are managed by the International Finance unit, which also takes charge of Group reporting. All subsidiaries are included in the consolidated financial statements. Finance and Internal Services performs the financial accounting for Aareon AG including the preparation of the annual financial statements of Aareon Deutschland GmbH, Aareon Wodis GmbH, Aareon Software Handelsgesellschaft mbH and Aareon Immobilien Projektmanagement Gesellschaft mbH. The Funk Group does the financial accounting for BauSecura Versicherungsmakler GmbH. With the exception of newly acquired 1st Touch Ltd., the international subsidiaries each

have their own financial accounting department. In the past financial year, the financial accounting for 1st Touch Ltd. was still prepared by an external service provider and supplied to the parent company by means of a reporting package. The data supplied by the subsidiaries is recorded, processed, condensed and consolidated at Group level using a consolidation package.

For the preparation of Aareon's financial statements, a group accounting manual sets out the internal accounting 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. When the financial statements are being prepared, plausibility checks are carried out in the accounting systems of subsidiaries in addition to the analysis of individual key items. In addition, a schedule governing the preparation of the annual financial statements provides a framework for the given process once all subsidiaries have completed their separate financial statements and submitted them to the corporate department for preparation of the consolidated financial statements. Appropriate control processes are implemented for automated and manual entries. The principal accounting procedures are double checked. An authorisation concept for the accounting and financial reporting systems is in place to protect against unauthorised access. The Group Finance unit of Aareon AG has a sufficient number of high-quality staff. The employees have the knowledge and experience required for their areas of responsibility. Aareon also uses the services of external providers, for instance in connection with the measurement of pension obligations.

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

Risk report

Aareon AG has presented its main core processes in the form of a matrix and identified the relevant control objectives and suitable control activities.

The performance of the control activities and hence the effectiveness of the controls is documented using different forms of evidence.

Consolidated net income is reported once a quarter to the Supervisory Board and is coordinated at Aareon by the Marketing and Communication department.

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

Aareon AG maintains a risk management manual which contains the main elements of the risk management system. In this context we also refer to our statements in the risk report.

Aareon AG monitors and manages its business risks with a groupwide risk management system based on the R2C_risk standard software that includes an early warning function. The risk management system enables those responsible for the relevant divisions, investments and projects to record and analyse risks on a regular basis as well as to develop measures aimed at proactive risk management. Risk assessment is carried out separately in terms of a risk's impact and probability of occurring. The resulting risk reports are consolidated by Group Legal and Risk Management and provide the basis for quarterly risk reporting. Quarterly risk reports are discussed in Management Board meetings and are also included in the quarterly reports to the Supervisory Board of Aareon AG. The risk reporting system sheds light on the company's risk situation, providing management with the tools it needs to make decisions with respect to actions to be taken. Group Legal and Risk Management documents all of the risk officers' suggested actions regarding the ten most serious risks. In addition the Management Board of Aareon AG resolves measures in regards to risks that exceed a given threshold (in function of their impact and probability of occurring).

Aareon's Group Internal Audit unit reviews the company's risk management activities, verifying compliance with statutory requirements and uniform group-wide guidelines that are documented in the risk management manual.

Financial and market risks, management and organisational risks, risks from environmental and ambient conditions as well as production risks are among the risk types to which Aareon is exposed. Liquidity, cost and revenue risks are analysed as part of the financial risks. Market risks include customer and competition risks, risks relating to associations' and advisory boards' opinion leadership as well as supplier risks. The management and organisation category combines risks relating to personnel, communication, the corporate culture and corporate planning and individual processes. The environmental and ambient conditions category

includes legal risks as well as political and regulatory risks. Production risks comprise product and project risks as well as risks relating to information security. There are interdependencies between the individual risk types and risk groups.

Overall, Aareon AG was not exposed to any risks in the reporting year that would have threatened it as a going concern or had a significant impact on its assets, liabilities, cash flows and earnings.

Financial risks

Suitable measures are taken where necessary to control and monitor liquidity in the entire Aareon Group including all of its subsidiaries. Every week, a liquidity overview is prepared on the basis of outstanding receivables and liabilities as well as known payment dates. Aareon continued its "growIT" strategic growth programme to counteract potential revenue risks and safeguard the company's growth. Growth areas outside the ERP business were identified and the time-to-market processes for new business ideas improved. In the Consulting sub-project of the "growIT" programme, suitable organisational and procedural measures were drawn up to boost revenue and increase earnings. An international control structure was put in place to expand the international business and support the associated growing internationalisation of the Aareon Group. Finally, in the Cost Efficiency sub-project, processes and measures to optimise costs were developed and implemented in the main divisions.

Aareon AG deals with the risk that earnings may be lower than planned by monitoring the costs, deadlines and quality of its customer projects as part of project management. Additional actions are taken in cooperation with the Consulting division in order to achieve the project targets if contractual agreements on milestones for critical projects have not yet been fulfilled.

Aareon AG deals with cost-related risks by implementing cost-conscious strategies supported by tight budget planning.

Market risks

Aareon AG's multi-product ERP strategy in Germany and country-specific ERP products internationally are the Group's response to the property industry's increasingly heterogeneous challenges. In the individual countries, the ERP solutions can be combined with other industry-specific and integrated services. The emphasis is on leveraging Group synergies for the development of complementary products.

Issues relevant to the future are deliberated, assessed and prioritised according to their strategic significance in order to meet market requirements. Aareon has been counteracting the risk of being unable to enforce its list prices in the marketplace by analysing competitors' pricing. Using a competitor analysis prepared by Group Marketing and Communications, which is supported by the activities of its regional sales departments, Aareon ensures that it knows competitors' products well enough to use that knowledge for its own marketing activities.

In the reporting period, risk assessments by the regional sales areas and by Central Sales were initially captured individually and then evaluated collectively. This approach enabled us to prevent distortions in the risk assessment.

Aareon AG also addresses general market risks, which include potential customer churn, greater demands for the software systems and the market entry of new competitors. At Aareon AG, these risks are monitored by means of a monthly Management Board report on management of the customer base. 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). We integrate the knowledge gained from our active participation in

property associations at the national and regional levels as well as from competitor analysis into the identification of customer requirements.

Aareon's standardised customer survey, which was expanded to include the topic "The Aareon brand" in the reporting year, is a key barometer measuring general customer satisfaction with Aareon, the acceptance of its products as well as Aareon's image (see p. 23). It enables Aareon to recognise market requirements early on and take them into account in the development of products and in service management.

Risks relating to management and organisation

Aareon counters risks relating to management and organisation in many areas. A variety of measures were implemented in connection with the first international projects initiated in the reporting period under the slogan "More knowledge, more innovation, more success". These aim to systematically promote integration in the Aareon Group, extend international thought and action beyond borders and develop synergy effects from the resulting exchange of information and ideas between experts. Employees who are in regular contact with their international colleagues receive English-language and intercultural training.

The international subsidiaries are monitored regularly by a separate committee called the International Operations Board (IOB).

"More knowledge, more innovation, more success" was the slogan under which the first international projects were launched.

The "growIT" growth programme came to an end in September 2012. Tasks arising from this project were transferred to the line organisation. The "brandIT" strategy project is designed to strengthen Aareon as a brand and sharpen the brand focus of the entire Aareon Group. Through the refinement and strict management of the Aareon brand, we believe we will secure ourselves a competitive edge that among other things will help make future market launches of new products and services profitable more rapidly. The focus is also on the following goals: Increasing customer and employee satisfaction, delivering products and services in line with the brand, building a brand commitment and brand-compliant behaviour among staff, as well as increasing perceived employer attractiveness. Aareon launched its strategic "moveIT" in project to optimise internal processes and support systems. Its main goals entail reducing the complexity of the systems for users, eliminating redundancies between systems as well as simplifying processes and making them more transparent.

Environmental and ambient conditions

Environmental and ambient conditions represent legal risks for Aareon AG as well as political and regulatory risks. When making modifications to the products that may affect contracts, Aareon AG is faced with the challenge of implementing such modifications in existing contracts as well. The same applies to changes in legislation and case law. Aareon uses standardised sample contracts that are continuously refined and tailored to changes in the products, the law and established practice of the courts. Changes to existing contractual relations are made in agreement with the parties to the contract.

Products and services:
the focus is on creating customer benefits.

Complaints management is a measure intended to minimise potential claims for damages arising from software implementation projects. The aim is to appease customers as rapidly as possible by processing their complaints in a timely and professional manner. Rapid responses to customer complaints help to remedy developments gone awry and avert any resulting damage.

Production risks

Aareon AG consistently refines its ERP solutions and Integrated Services with an eye toward the future. The company focuses first and foremost on creating customer benefits. The risk inherent in software development is that the development results can not be provided at the targeted costs, in the expected quality, or within the timeframe expected by the market. Hence software is always developed using development and management methods based on international standards with a focus on uniform and professional approaches to development work. The application of Aareon's development guidelines thus reduces software development risks. Before starting work on custom projects, Aareon prepares a requirements specification with the customer. Product enhancements to standard software that have been introduced to meet customer requirements are deployed initially with pilot customers. The Management Board regularly checks the list of software development projects and their risk assessment.

The internal control system of Aareon's IT Service Centre has been audited and certified to IDW PS 951 Type B. The adequacy and efficacy of the service-related internal control system was certified retroactively in 2012 for the period from 01 January 2011 through 31 December 2011. The audit mainly covers the IT security processes and controls (physical safety, network, database and system security, data security and job processing).

Data security and data privacy are extremely important to Aareon. Therefore, voluntary data protection audits in accordance with Section 9a of the German Federal Data Protection Act have been performed regularly since 2010. For the third time, Aareon was awarded the Data Protection Certificate by DQS GmbH, the German Society for the Certification of Management Systems based in Frankfurt am Main. This certificate is valid for three years and must be validated every year in a recertification audit.

Anticipated developments

Aareon minimises the risk of serious disruption when operating customer software by implementing sensible, documented measures that are subject to regular tests to ensure that any periods of disruption that should occur are tolerable and do not cause appreciable damage to the customer or the supplier's business. We have so far experienced no disruptions that have led to an extended period of loss of output. Generally speaking, the possibility of disruption or emergencies that could result in the breaching of contractually agreed standards (SLA) cannot be completely ruled out. In the event of this kind of outage, a contractually protected backup location is available to enable Aareon to temporarily resume its contractual obligations after a specified, short adjustment period.

The company has also installed comprehensive data security processes which allow it to reconstruct lost data in part or in whole in due time. Aareon has addressed the issue of liability risk by taking out property damage/liability insurance with limited scope and cover provided. This policy provides cover in the event that Aareon is judged liable to a third party for damage incurred as a result of its activities as an IT provider.

The IT trend of cloud computing will continue to entrench itself still further in the property industry software market over the next two years. In addition, the use of mobile solutions is also gaining steadily in importance.

For the Wodis Sigma product line, Aareon is expecting to see significant growth in both years of the forecast. As an SaaS offering from the Aareon Cloud, Wodis Sigma has been well-received by our customers and is boosting revenue growth in this product line. Aareon has also made preparations for the expected migration of other ERP solutions to Wodis Sigma, with consultancy and support capacities already topped up in 2012. Strongly positive customer satisfaction with the GES ERP system is impacting a readiness to migrate. Accordingly, GES customer migration is proceeding more slowly than expected and being postponed for a year or more. For 2013, we therefore expect to see GES revenue holding steady at the level achieved in 2012. From 2014, a moderate downturn is to be expected, resulting from customer migration to other software solutions.

As in previous years, we expect to see a few invitations to tender for new installations in the market for SAP® solutions and Blue Eagle. In terms of revenue earned from consultancy solutions, Aareon therefore anticipates overall revenue levels to be stable for the two forecast years, coupled with a significant drop in license revenue.

In the Integrated Services operating segment, a steady but minor increase in revenue is expected over the two forecast years. The market launch of new products – such as a modern, industry-specific CRM (Customer Relationship Management) system, Aareon Archive Compact and Mareon FM (Facility Management) – will have a positive effect on sales. The CRM system and the mobile solutions are being developed as internal, international projects, ensuring synergies can be applied to increase customer benefits delivered by these solutions. Since the new products planned from 2013

are still at the market launch stage, investment costs will continue to impact the contribution margin of the Integrated Services operating segment over the next two years.

In 2013, EBIT for the International Business operating segment will drop slightly but will recover to surpass the 2012 figure by 2014.

The EU-funded project I-stay@home will continue until 2015. Initial pilot customers are scheduled for 2014.

In the Netherlands, the government is pushing ahead with structural changes to the social housing sector. Aareon is preparing to meet these by adjusting its product portfolio. Market penetration by the next-generation SG|tobias^{AX} product will continue to advance. As regards the Facility Management Information System (FMIS) solution from our subsidiary SG|Facilitor B.V., market penetration is taking much longer than expected. Aareon believes that the overall sales contribution from its Dutch subsidiary SG|auto-matisering will be slightly lower in 2013 than in 2012, on account of longer terms for license agreements. We assume a return to sales growth from 2014 onwards. In the 2013 forecast year, we assume cost levels will remain the same while EBIT declines; EBIT will then increase again in 2014.

In France, the roll-out of Release 3.0 of the Portallmmo Habitat ERP solution is scheduled for 2013 and the roll-out of Release 3.0 of the Prem'Habitat ERP solution for 2014. Notwithstanding an unexpected downturn in SAP[®] business, we expect to see a slight but steady growth in sales for the two following years, which will be generated primarily from the consulting business. In the future, the Flexiciel module will be marketed as Software as a Service (SaaS). During the two forecast years, the I-stay@home project is initially to be seen as an investment in the development of an innovative platform, occurring within the scope of Aareon's social responsibility activities. The project aims to enable older

residents (in particular) to live within their own four walls for as long as possible. If the project generates a workable model, we will also integrate this into our business strategy. Project cost effects will impact EBIT for Aareon France in 2013: EBIT will therefore remain flat and a return to growth is not expected until 2014.

In the UK, the pricing war in the ERP solutions market continues to exert a strong influence on customer acquisition. We nonetheless expect moderate revenue growth for Aareon UK to continue and cost levels to remain constant. QL ERP solution development continues – and to the very latest technological standards. Demand remains strong for the document management solutions offered by Aareon UK and the mobile solutions in our portfolio. Aareon UK will also achieve a slight improvement to its EBIT contribution over the next two years.

1st Touch Ltd., the mobile solutions specialist acquired in 2012, will achieve significant revenue growth via the acquisition of new customers, as market demand for mobile solutions is rapidly increasing. The steady growth forecast for new project volume in terms of both new and existing customer business will create increased demand for consultants – a demand 1st Touch Ltd. will match by expanding its available personnel resources (primarily by taking on new staff). This will trigger significant growth in employee-related costs. 1st Touch is a key strategic acquisition for the Aareon Group and will also have a positive influence on Aareon's EBIT.

As part of the Aareon Group's efforts towards internationalisation and the associated utilisation of synergies, the project to develop an international IT strategy will continue in 2013.

The strategic branding project "brandIT" – aimed at further raising the profile of the Aareon brand on the property

industry software market – will also continue in 2013. The sustainability project run by the parent company Aareal Bank Group – and also involving Aareon – will be concluded in 2013.

As part of the “Work and Family at Aareon” project, preparations will be made for recertification, which is due in 2014.

Overall, the Aareon Group expects revenue to rise slightly for the following year. In particular, increased demand for Wodis Sigma consultancy services, revenue growth in integrated services resulting from the new CRM (Customer Relationship Management) system, Aareon Archive Compact and Mareon FM (Facility Management) products, the sales growth expected from 1st Touch Ltd. and revenue growth from Aareon France SAS and Aareon UK Ltd. will all act to compensate for the lower level of license revenue earned by our Dutch subsidiary. Since contract renewals mean that one can assume Dutch license revenue will also return to growth in 2014, the Aareon Group is expecting revenue growth to continue from 2014. On the costs side, investments made in the new products from integrated services on the one hand and investment costs for I-stay@home on the other – as well as extra, revenue-dependent personnel costs incurred by increasing personnel capacities at 1st Touch – will lead to cost increases over the next two years. For 2013, the Aareon Group expects EBIT to remain stable year-on-year at around € 27 million, with a slight increase being achievable in 2014.

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

The Aareon Group once again
boosts revenue and earnings
compared with the previous year.

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Consolidated statement of comprehensive income

for the period from 1 January to 31 December 2012

(€ 000's)	notes	2012	2011
Revenues	4.1	165,245	159,507
Other own work capitalised		2,210	2,404
Other operating income	4.2	3,480	4,976
Cost of materials	4.3	19,272	19,189
a) Expenses for raw materials and consumables		2,054	2,104
b) Cost of purchased services		17,218	17,085
Staff costs	4.4	86,099	84,253
a) Wages and salaries		71,441	70,319
b) Social security costs and expenses for pensions and support		14,658	13,934
Including for pensions: € 2,195k (previous year: € 2,142k)			
Depreciation and amortisation			
on intangible assets and on property, plant and equipment		8,824	8,903
Other operating expenses	4.5	29,988	28,934
Other taxes		548	540
Other interest and similar income	4.6	239	203
Including from affiliated companies: € 47k (previous year: € 25k)			
Interest and similar expenses	4.6	428	254
Including from affiliated companies: € 0k (previous year: € 0k)			
Result from ordinary activities		26,015	25,017
Income taxes	4.7	7,839	8,455
Consolidated net income		18,176	16,562
Of which attributable to:			
Shareholders of the parent company		16,479	15,207
Minority shareholders		1,697	1,355
Comprehensive income		18,176	16,562

Consolidated balance sheet

as at 31 December 2012

assets (€ 000's)	notes	2012	2011
Non-current assets			
Intangible assets	5.1	82,746	71,636
Property, plant and equipment	5.2	15,608	14,861
Financial assets	5.3	4,821	4,600
Non-current tax assets	5.9	5,604	5,134
		108,779	96,231
Current assets			
Inventories	5.5	1,411	1,194
Trade receivables and other assets	5.6	30,290	31,816
Current tax assets	5.7	4,533	1,366
Cash on hand and balances held with banks	5.8	19,437	25,201
		55,671	59,577
		164,450	155,808

liabilities (€ 000's)	notes	2012	2011
Equity			
Equity attributable to shareholders	5.10/5.11/ 5.12	75,721	79,388
Minority interest	5.13	2,373	2,020
		78,094	81,408
Non-current liabilities			
Provisions for pensions and similar obligations	5.14.1	20,214	20,130
Other non-current provisions	5.14.2	1,570	1,153
Deferred tax liabilities	5.9	6,425	4,099
Other liabilities	5.16	2,957	4,946
		31,166	30,328
Current liabilities			
Other current provisions	5.14.2	10,492	13,489
Current tax liabilities	5.15	10,061	11,156
Liabilities to banks		10,394	0
Trade payables and other liabilities	5.16	24,243	19,427
		55,190	44,072
		164,450	155,808

Consolidated statement of changes in equity

for the period from 1 January to 31 December 2012

(€ 000's)	subscribed capital	capital reserves	translation differences	accumulated group income	total
Of which attributable to shareholders of the parent company					
01 January 2012	25,000	26,400	-478	28,466	79,388
Addition to reserves	0	0	0	0	0
Distribution	0	0	0	-20,144	-20,144
Group income	0	0	0	16,479	16,479
Other changes	0	0	45	-47	-2
31 December 2012	25,000	26,400	-433	24,754	75,721
Of which attributable to minority interest					
01 January 2012	79	0	0	1,941	2,020
Addition to reserves	0	0	0	0	0
Distribution	0	0	0	-1,344	-1,344
Group income	0	0	0	1,697	1,697
Other changes	0	0	0	0	0
31 December 2012	79	0	0	2,294	2,373

for the period from 1 January to 31 December 2011

(€ 000's)	subscribed capital	capital reserves	translation differences	accumulated group income	total
Of which attributable to shareholders of the parent company					
01 January 2011	25,000	26,400	-575	22,618	73,443
Addition to reserves	0	0	0	0	0
Distribution	0	0	0	-9,361	-9,361
Group income	0	0	0	15,207	15,207
Other changes	0	0	97	2	99
31 December 2011	25,000	26,400	-478	28,466	79,388
Of which attributable to minority interest					
01 January 2012	79	0	0	1,874	1,953
Addition to reserves	0	0	0	0	0
Distribution	0	0	0	-1,282	-1,282
Group income	0	0	0	1,355	1,355
Other changes	0	0	0	-6	-6
31 December 2011	79	0	0	1,941	2,020

Consolidated statement of cash flows (IFRS)

(€ 000's)	2012	2011
Net income for the period (including income/loss portion attributable to minority interest) before financial result and tax expense	26,203	25,068
Amortisation/depreciation of fixed assets	8,825	8,903
Income taxes paid	-13,390	-5,775
Interest paid	-428	-254
Interest received	239	203
Increase/decrease (-) in provisions	-2,413	-1,336
Increase (-)/decrease in inventories	-217	-593
Increase (-)/decrease in receivables and other assets	2,527	-3,811
Increase (-)/decrease in other assets	441	-169
Increase/decrease (-) in liabilities	1,688	-1,186
Increase/decrease (-) in other liabilities	130	-455
Cash flow from operating activities	23,605	20,595
Payments for investments in fixed assets	-8,416	-9,564
Cash payments for the purchase of consolidated companies and other business units (less cash acquired)	-9,823	-500
Exchange rate-related changes in fixed assets	-34	-39
Cash flow from investing activities	-18,273	-10,103
Utilisation of a working capital credit	10,394	0
Payments to minority shareholders	-1,343	-1,282
Payment to shareholders	-20,144	-9,361
Other changes in capital	-48	-4
Cash flow from financing activities	-11,141	-10,647
Net change in cash and cash equivalents	-5,809	-155
Exchange rate-related change in cash and cash equivalents	45	97
Total change in cash and cash equivalents	-5,764	-58
Cash funds at the beginning of the year	25,201	25,259
Cash funds at the end of the year	19,437	25,201

Notes to the Consolidated financial statements

01 General notes

01.1 Compliance with legal requirements

The consolidated financial statements of Aareon AG, Isaac-Fulda-Allee 6, 55124 Mainz, Germany, for the 2012 financial year were prepared voluntarily according to 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 the applicable provisions of section 315a para 1 of the German Commercial Code (Handelsgesetzbuch – “HGB”). All of the compulsory International Financial Reporting Standards required for the consolidated financial statements as of 31 December 2012 were taken into account. The financial statements give a true and fair view of the assets, liabilities, cash flows and profit or loss 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’s). Rounding differences of up to one unit in each direction may occur in tables for technical reasons. The statement of comprehensive income has been prepared using the total cost (nature of expense) method. For the sake of enhanced clarity and transparency, all notes added to individual items in the balance sheet and the statement of comprehensive income in accordance with statutory provisions, which may optionally be shown either in the balance sheet/the statement of comprehensive income or in the Notes, are listed in the Notes. Where individual items are summarised in the balance sheet and the statement of comprehensive income, these are broken down in the Notes. Aareon AG is a whollyowned subsidiary of Aareal IT Beteiligungen GmbH, Paulinenstraße 15, 65189 Wiesbaden, Germany. It is included in the consolidated financial statements of its ultimate parent company, Aareal Bank AG, according to the provisions for full consolidation.

01.2 Operating activities

Aareon AG – consultancy and systems house to the property sector – offers consulting, software and services. Besides Germany, Aareon is represented in France with Aareon France SAS, in the United Kingdom with Aareon UK Ltd. and 1st Touch Ltd., and in the Netherlands with SG|automatisering bv. Ten of its 19 locations are outside Germany. As at 31 December 2012, the company had 1,168 employees. Its head office is located in Mainz, Germany.

Aareon’s customers include private-sector housing companies, cooperative housing societies, church-owned housing societies, property management companies, home owners’ associations, insurance companies, property investment funds, companies managing property portfolios (Corporate Real Estate), commercial property operators and providers of heat measurement services.

02 Information on accounting policies and consolidation methods

02.1 Basis of consolidation

The group of fully 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., is included as a jointlycontrolled entity and accounted for using the equity method. Please see section 5 for a list of all subsidiaries included in the consolidated financial statements including information on the percentage of shares held, equity and net profit/loss for the year.

Aareon AG acquired 100 % of the interests in ImmoBlue GmbH, Schönebeck (Elbe), Germany, as at 1 April 2012. The company offers marketing systems as part of the web-based tenant acquisition solution.

Pursuant to IFRS 3, all consideration transferred in connection with the business combination (including contingent consideration) must be measured at fair value as at the acquisition date

and recognised accordingly. The purchase price for Immo blue GmbH comprises the fixed price of € 417k and a contingent purchase price. The contingent purchase price is composed of the comparison between realised and projected licence revenues in the years 2012 to 2014. The fair value of the contingent purchase price is measured at € 363k. In the fair value measurement it is assumed that the profit targets will be reached in full. There has been no change since the acquisition date. The prorated fair value of the assets and liabilities was € 310k. The assets and liabilities acquired were recognised in the following amounts:

Immo blue GmbH
In € 000's

	Carrying amount before combination	Fair value as of the date of initial consolidation
Fixed assets	212	313
of which intangible assets	210	311
Receivables	73	73
Other assets	33	33
Liabilities and deferred taxes		32
Financial liabilities	77	77
Net assets acquired	241	310

This results in goodwill of € 470k. This represents further earnings potential through the addition of another solution to Aareon's cloud computing portfolio. Immo blue GmbH was merged into Aareon Deutschland GmbH with effect from 1 April 2012.

Effective 3 July 2012, Aareon AG also acquired 100 % of the interests in 1st Touch Ltd., Southampton, UK. 1st Touch Ltd. leads the UK market as a fastgrowing provider of mobile software solutions for the property sector.

The purchase price for 1st Touch Ltd. comprises the fixed price of € 8,120k and a contingent purchase price. The contingent purchase price is composed of the comparison between realised and projected EBIT in the years 2012 to 2014. The fair value of the contingent purchase price was measured at € 2,383k in the firsttime consolidation and decreased by € 449k during the reporting period. This results from the postponement of the licence and consulting business. The pro-rated fair value of the assets and liabilities was € 6,740k. The assets and liabilities acquired were recognised in the following amounts:

1st Touch Ltd.
In € 000's

	Carrying amount before combination	Fair value as of the date of initial consolidation
Fixed assets	89	7,909
of which intangible assets		7,819
Receivables	897	897
Other assets	1,112	1,112
Liabilities and deferred taxes	987	3,177
Financial liabilities		
Net assets acquired	1,110	6,740

This results in goodwill of € 3,762k. The resulting goodwill reflects the enhanced market position of the International Business segment owing to the property sector's strong demand for mobile solutions.

The share in the consolidated net income and revenues attributable to the acquired company since initial consolidation during the year was € -545k and €857k, respectively.

If the acquisition had been recognised as of the beginning of the reporting period, revenues and net income for the year

attributable to the acquired entity would have been € 2,519k and € 500k, respectively. The cost related to the business combinations that were not capitalised amounted to €192k. The contingent purchase price for SG|automatisering bv, acquired in 2010, which is required to be measured at fair value in accordance with IFRS 3, comprises two components: achievement of targets based on earnings from 2010 to 2012 and the recurring revenues between 2010 and 2012. On account of the improvement in the business development of SG|automatisering bv, the fair value of the contingent purchase price increased by € 755k in the reporting period. SG|Professional Services B.V., Emmen, Netherlands, was deconsolidated in 2012.

02.2 Principles of consolidation

In accordance with IFRS, the financial statements of the individual subsidiaries are included in the consolidated financial statements by uniformly applying the accounting policies defined by Aareon AG. The acquisition value of the subsidiaries included in consolidation is offset against their proportionate equity on their respective dates of acquisition using the purchase method. Any goodwill remaining is recognised under intangible assets. According to IFRS 3, amortisation of goodwill has been discontinued since 2004.

All receivables and liabilities as well as revenues, income or expenses resulting from transactions between the consolidated companies have been eliminated. A reconciliation item for minority interest was created for any shares in fully consolidated subsidiaries which are not held by the parent company. As a rule, these are affected by any consolidation measures recognised in profit or loss.

02.3 Currency translation

The international companies which belong to the Aareon Group are independent subunits, whose financial statements are translated into euros using the functional currency concept. The items in the statement of comprehensive income are translated using the average exchange rate; all monetary and nonmonetary assets and liabilities are translated using the European Central Bank's reference rate on the balance sheet date. The differences which impact equity are dis-

closed directly in a separate equity item until the subsidiary is disposed of. This also applies to any deviations between the accumulated profit translated using the closing rate on the balance sheet date and the results shown in the consolidated statement of comprehensive income based on average exchange rates. The components of equity to be included in acquisition accounting are translated using historical exchange rates. The following exchange rates were used for translation:

1 € =	Balance sheet Closing rate		Statement of comprehensive income Average exchange rate	
	31.12.2012	31.12.2011	2012	2011
United Kingdom GBP	0.8161	0.8353	0.81087	0.84405

02.4 Changes in accounting policies

The following accounting and reporting standards (IAS/IFRSs) and interpretations (IFRICs) had to be applied for the first time in the reporting period:

- Amendments to IFRS 7, Disclosures – Transfer of Financial Assets
- Amendments to IFRS 1, Firsttime Adoption of IFRS – Severe Hyperinflation and Removal of Fixed Dates for Firsttime Adopters
- Amendment to IAS 12 Income Taxes – Recovery of underlying Assets

The new and amended accounting and reporting standards and interpretations do not have significant effects on Aareon's consolidated financial statements. In the current financial year, the reversal of provisions was reported under the items under which the provisions were originally recognised rather than in other operating income. In contrast to previous years, other taxes are now presented under the result from ordinary activities. In the 2012 financial year, Aareon did not make use of the option of early application of standards applicable in future financial years.

03 Accounting policies

03.1 Intangible assets

Purchased intangible assets, primarily software, are capitalised at cost and subject to straight-line amortisation in accordance with their useful life.

Useful life of intangible assets

Internally generated software	10 years
Purchased software	3–5 years
Licences	3–5 years

As a rule, goodwill is tested for impairment in the fourth quarter of each year. Its value is determined based on the present value of future cash flows (“value in use”) which are determined by using mid-term planning figures. This entails using the planned after-tax cash flows taken from the five-year planning adopted by the Management Board of Aareon AG and approved by the Supervisory Board. Cash flows after the five-year time horizon are measured taking the perpetual annuity into account. The determination of the present value of future cash flows was based on a groupwide risk-adjusted discount rate of 8.16 % before tax. There was no need for impairment charges in the reporting period. Even a 1 % in-crease in the risk-adjusted discount factor would not have necessitated impairment in the period under review. IFRS 3 offers a choice of measuring the goodwill using either the full goodwill or the partial goodwill method. Aareon applies the partial goodwill method. Research costs are treated as ongoing expense in line with IAS 38. Development costs for software produced inhouse were capitalised if the requirements for capitalisation according to IAS 38 are met.

03.2 Property, plant and equipment

Items of property, plant and equipment are measured at cost including restoration obligations that are required to be capitalised in accordance with IAS 16 and, insofar as these are wasting assets, are subject to straight-line depreciation in line with the expected useful life of the components. The useful lives of the principal components are presented below:

Useful life of property, plant and equipment

Buildings	50 years
Tenant’s improvements	8–15 years
Other equipment, operating and office equipment	3–23 years

All assets costing between € 150 and € 1,000 (net) are recognised as low-value assets and depreciated over a period of five years using the straight-line method. 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 selling price or the value in use of the affected asset is lower than its carrying amount.

03.3 Leases

The requirements of IAS 17 are fulfilled for the use of leased assets 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 payment obligations from future lease payments are discounted and carried as a liability. The provisions of IFRIC 4 are observed in connection with the application of IAS 17.

After the lease period expires, as a rule the lessee has the opportunity to conclude a subsequent lease or purchase the asset at its respective residual value or transfer the asset to the lessee to have it scrapped. The discount factor equals the assumed interest rate underlying the lease.

03.4 Financial assets and financial liabilities

IAS 39 breaks down financial assets into the following categories:

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

Financial assets held by the Aareon Group are "loans and receivables". As a rule, financial assets are not treated as "held-to-maturity investments". No "financial assets held for trading" are acquired. Insofar as the Group acquires securities, these are generally treated as "available-for-sale financial assets". The financial instruments disclosed are not subject to any interest rate risk.

"Loans and receivables" are measured at the lower of amortised cost and fair value. This category includes in particular:

- Long-term loans
- Trade payables and trade receivables
- Receivables from unbilled services
- Current other receivables and assets as well as liabilities.

Valuation allowances for trade receivables are recognised to the extent required – as a rule using global allowances. Low-interest bearing receivables are carried at their discounted amount taking into account appropriate interest.

Foreign currency receivables are translated at the exchange rate on 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 method. The percentage of completion is calculated based on a comparison of the project costs already incurred with the expected total project 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 included. Measurement on the balance sheet date is the lower of cost and the net selling price that can be realised.

03.6 Deferred taxes

Deferred taxes are recognised in line with IAS 12 for all temporary differences between the carrying amounts in the tax base and the consolidated balance sheet (temporary concept). Deferred taxes must also be recognised for losses carried forward. The so-called liability method is used to calculate deferred taxes. Deferrals are recognised in the amount of the assumed tax burden or relief in future financial years based on the tax rate which applies at the time of realisation. Deferred tax assets or liabilities were determined using countryspecific tax rates that are in effect or have been announced as at the balance sheet date. Deferred tax assets are recognised when it is probable that taxable income will be available against which the temporary differences and unused tax losses can be utilised. The carrying amounts are reviewed at each balance sheet date and adjusted if necessary. The carrying amount should be reduced accordingly to the extent that it is no longer probable that sufficient taxable profit will be available to allow the

benefit or part or all of that deferred tax asset to be realised (discount).

No deferred taxes are recognised if income from subsidiaries is tax-free due to specific local tax regulations, and if tax effects from the removal of the temporary tax exemption cannot be foreseen.

03.7 Pension provisions and similar obligations

Provisions for pension obligations are primarily recognised for commitments arising from 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 by IAS 19 for pension commitments. As a rule, these are performance-oriented commitments, i. e. the pension commitment to the respective employees depends on the development of their salary and the number of years of service (defined benefit plan). During this process, future increases in salaries and pensions are taken into account as well as the pensions and commitments known on the balance sheet date. The so-called 10 % corridor rule is used in measuring pension provisions and calculating pension costs. Actuarial gains or losses are not taken into account if these do not exceed 10 % of the scope of the obligation. The amount in excess of the corridor is recognised in income and distributed over the average remaining service periods of the active workforce. The International Accounting Standards Board (IASB) has published a revised version of IAS 19, "Employee Benefits". The most important changes affect post-employment benefits classified as defined benefit plans and termination benefits. Actuarial gains and losses will be recognised in other comprehensive income in the consolidated balance sheet and subsequently no longer be reclassified to profit or loss. Also, in the future, the step-up payments made as part of partial retirement arrangements may no longer be recognised as post-employment benefits. The changes are effective for annual periods beginning on or after 1 January 2013. The Aareon Group will therefore apply the amended standard from 1 January 2013.

03.8 Tax provisions

Provisions for taxes include obligations from 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 of the settlement amount of the present obligation at the balance sheet date. Provisions which do 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 the cost increases to be taken into account on the balance sheet date. Provisions in foreign currencies were translated using the closing rate on the balance sheet date.

03.10 Liabilities

Liabilities are recognised at their repayment or settlement value. Liabilities from finance leases are carried at the present value of the lease payments.

03.11 Recognition of income and expense

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

The company essentially generates its sales through

- Licensing and maintenance contracts
- Consulting projects and training
- Hosting/outsourcing services
- Integrated payment services
- The Mareon service portal
- Insurance brokerage services for the property industry (BauSecura)

Software revenue is recognised if there is a contract signed by both parties with no right to withdraw from the contract, the product has been delivered in full, the licence fee has been determined and collectibility is probable.

Maintenance services are realised proportionately over the contractual performance period.

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

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

Operating expenses are recognised in profit or loss when the service is utilised or when these are incurred economically. 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 type of income € 000's

	2012	2011
Licences	21,512	21,191
Consulting	34,478	31,962
Fees and maintenance	97,507	94,943
Other	11,749	11,411
Total	165,246	159,507

Revenues by operating segment in € 000's

	2012	2011
ERP Products	79,590	79,438
Integrated Services	37,195	35,314
International Business	47,448	43,678
Other Products	1,013	1,077
Total	165,246	159,507

Revenues from the **International Business** product group rose € 3,770k compared with the previous year. This is partly due to the acquisition of 1st Touch Ltd., which was consolidated for the first time in the current financial year. The revenues of the other foreign subsidiaries also rose compared with the previous year. The revenues of the **Integrated Services** product group likewise increased by €1,881k as against the previous year. This is due in particular to higher revenues from outsourcing, BauSecura, Consulting Integrated Services, CRM and Mareon. Revenues from the **ERP Products** product group were up slightly year on year. While the revenues from Wodis Sigma climbed substantially, those generated with WohnData fell sharply.

04.2 Other operating income

In € 000's		
	2012	2011
Income from the reversal of provisions	0	808
Non-cash income	1,153	961
Income from the reversal of liabilities	0	1,009
Income from the reversal and reduction of specific and global valuation allowances	112	97
Other income	2,214	2,101
Total	3,480	4,976

The decline in income from the reversal of provisions is attributable to the fact that the reversal of provisions is now reported under the items under which the provisions were originally recognised rather than in other operating income. Other income includes the adjustment of the fair value of the contingent purchase price in the first-time consolidation of 1st Touch Ltd. by € 449k, as well as prior-period income of € 221k.

04.3 Cost of materials

In € 000's

	2012	2011
Software and hardware costs	2,054	2,104
Cost of purchased services	17,218	17,085
Total	19,272	19,189

04.4 Staff costs/employees

Staff costs in € 000's

	2012	2011
Salaries	71,441	70,319
Social security costs	14,658	13,934
of which retirement benefits	2,195	2,142
Total	86,099	84,253

Staff costs increased by € 1,846k compared with the previous year. This is mainly due to a larger workforce and the first-time inclusion of the UK subsidiary in the basis of consolidation in July 2012. Staff costs include termination payments of € 951k.

Average number of staff excluding Managing Directors, temporary staff and vocational trainees (quarterly average):

Employees		
	2012	2011
Germany	730	722
International	362	359
Total	1,092	1,081

04.5 Other operating expenses

In € 000's

	2012	2011
Occupancy expenses	7,598	7,366
Motor vehicle expenses	4,266	3,881
Travel expenses	3,499	3,233
Advertising/marketing	3,024	2,921
Legal, audit and consultancy expenses	2,592	2,608
Costs for repairs and maintenance	1,576	1,695
Other staff expenses	1,333	1,271
Costs of communication	880	914
Further training	700	750
Insurance premiums	475	496
Emoluments for Supervisory Board and Advisory Council	432	418
Other leasing expenses	262	309
Valuation allowances and write-downs on receivables	876	322
Office supplies, printed matters, newspapers and magazines	229	263
Miscellaneous other operating expenses	2,246	2,487
Total	29,988	28,934

04.6 Net interest income

In € 000's

	2012	2011
Other interest and similar income	131	106
Result from measurement using the equity method	108	97
Interest and similar expenses	428	255
Total	-189	-52

04.7 Taxes on income

In € 000's

	2012	2011
German income taxes	5,983	4,823
Foreign income taxes	2,535	2,205
Current tax expense	8,518	7,028
Deferred tax expense/income	-679	1,427
Taxes on income	7,839	8,455

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. To determine the expected tax expense, the Group tax rate of 31.2 % in effect in the 2012 financial year (previous year: 31.2 %) is multiplied by the pre-tax earnings.

Reconciliation of tax expenses in € 000's		
	2012	2011
Earnings before taxes	26,014	25,017
Trade tax	4,006	3,853
Corporation tax	3,902	3,753
Solidarity surcharge	215	206
Anticipated tax expense/tax income	8,123	7,812
Reconciliation:		
Non-deductible expenses	184	175
Taxes for previous years	-48	16
Change in tax rate for deferred taxes (Germany)	-376	0
Other differences	-44	452
Disclosed tax expense	7,839	8,455

05 Notes to the consolidated balance sheet of the Aareon Group

05.1 Intangible assets

The additions to "Industrial rights and similar rights and assets" essentially relate to the capitalisation of internal and external costs for the development of the CRM software in accordance with IAS 38. These internal costs were capitalised in the amount reflecting development services rendered based on a standard per-diem rate.

The capitalised carrying amount for Blue Eagle as at 31 December 2012 reporting date totalled € 3,732k, with an average residual useful life of three years. The carrying amount of the internally generated Portallmmo Habitat and Prem'Habitat software, both products of Aareon France SAS, amounted to € 1,216k and that of Wodis amounted to € 2,601k. In the reporting year, a total of € 2,210k in internal development costs was capitalised, mainly for CRM and projects of SG|automatisering bv. Development costs for research and development in the reporting period totalled € 6,808k.

Intangible assets are measured at fair value, using only net present value-based techniques. These are based on the assumption that the value of the assets is measured by their ability to generate future cash flows.

Goodwill mainly results from the acquisition of companies from the software industry. It is allocated to the identifiable cash-generating units that derive benefit from the synergies arising from the acquisition. The ERP Products, Integrated Services and International Business product groups constitute the corresponding reporting level in the Group at which goodwill is monitored by management for internal control purposes. The amortised goodwill by product group is as follows:

1. ERP Products:	21,396 T€
2. Integrated Services:	4,899 T€
3. International Business:	27,618 T€
4. Other products:	173 T€

05.2 Property, plant and equipment

In accordance with IAS 17, € 1,760k were recognised in the reporting year under property, plant and equipment for mainframe computers including peripheral devices that were acquired under finance leases. The lease payments due to finance leases were as follows:

Finance leases in € 000's

	2013	2014–2017	After 2017
Lease payments	477	1,472	0
Discount amounts	-10	-148	0
Present values	467	1,324	0

Operating leases primarily concern rent, motor vehicles, office furniture and equipment and telecommunication equipment. The minimum leasing payments recognised in profit or loss amounted to € 7,987k in 2012. Minimum lease payments due to operating leases were as follows:

Operating leases in € 000's

	2013	2014–2017	After 2017
Lease payments	8,288	25,218	28,883

05.3 Financial assets

The **other loans** include time deposits in the amount of € 3,260k at Landesbank Baden-Württemberg. These deposits are intended to secure a guaranty issued in connection with the membership in two supplementary pension funds. This item also includes rent deposits. The shares in SG2ALL B.V., which is consolidated using the equity method, in the amount of € 197k are shown under **equity investments**. 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's

	2012	2011
Current assets	530	715
Current liabilities	112	348

05.4 Shareholdings

Name and registered office of company

	Interest held in %	Equity 2012 € 000's	Profit/loss 2012 € 000's
Aareon AG, Mainz			
Aareon Deutschland GmbH, Mainz	100	39,395	130*
Aareon Immobilien Projekt			
Gesellschaft mbH, Essen	51	1,696	503
Aareon Software Handels-			
gesellschaft mbH, Mainz	100	-522	102
Aareon Wodis GmbH, Dortmund	100	8,429	-511*
BauSecura Versicherungsmakler			
GmbH, Hamburg	51	2,835	2,705
Aareon France SAS, Meudon-			
la-Forêt, (France)	100	4,935	1,463
Aareon UK Ltd., Coventry,			
(United Kingdom)	100	3,829	904
1st Touch Ltd., Southampton,			
United Kingdom	100	2,060	223
SG automatisering bv, Emmen,			
the Netherlands	100	13,625	4,024
SG Facilitor B.V., Enschede,			
the Netherlands	51	800	478
SG stravis B.V., Emmen,			
the Netherlands	70	55	7
SG2ALL B.V., Huizen,			
the Netherlands	50	419	216

* The result for Aareon Deutschland GmbH and Aareon Wodis GmbH was calculated after taking into account the profit transfer. In the reporting year, ImmoBlue GmbH was merged into Aareon Deutschland GmbH.

05.5 Inventories

The inventories mainly comprise payments on account. Ownership and disposal are not restricted for the disclosed inventories.

05.6 Receivables and other assets

In € 000's

	2012	2011
Receivables from unbilled services	5,459	4,391
of which: with a remaining term of more than one year	0	0
Trade receivables	21,467	21,605
of which: with a remaining term of more than one year	0	0
Receivables from affiliated companies	166	125
of which: with a remaining term of more than one year	0	0
Prepayments	2,069	2,405
of which: with a remaining term of more than one year	0	0
Other assets	1,129	3,290
of which: with a remaining term of more than one year	0	0
Total	30,289	31,816

Prepayments mainly relate to the deferral of rents and leases as well as maintenance expenses and licence fees.

Receivables from unbilled services are presented as a net figure. This item includes prepayments received in the amount of € 9,336k and total costs incurred in the amount of € 8,652k. Ownership and disposal are not restricted for the disclosed receivables. Write-downs were made to account for the risk of default. Write-downs in the amount of € 1,463k were recognised on trade receivables in the amount of € 1,610k.

05.7 Current tax assets

In € 000's

	2012	2011
Current tax receivables	4,533	1,366

The increase in tax receivables is due to unsettled income tax receivables as at 31 December 2011 as well as to the increase in the income tax receivable arising from higher prepayments as at 31 December 2012.

05.8 Cash and cash equivalents

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

The following table provides a breakdown of cash and cash equivalents according to maturity:

In € 000's

	2012	2011
Cash reserve	6	13
Balances held with banks	19,431	25,188
of which affiliated companies	9,478	20,208
Funds with terms of up to three months	19,437	25,201

05.9 Deferred taxes

In € 000's

	2012	2011
Pension provisions	971	1,041
Liabilities	645	76
Other provisions	290	184
Losses carried forward (domestic)	238	765
Other	2,145	1,754
Deferred tax assets	4,289	3,820
Intangible assets	5,479	3,536
Property, plant and equipment	666	74
Other	2,616	3,133
Deferred tax liabilities	8,762	6,743

The deferred tax assets, € 4,289k relate exclusively to non-current tax assets. In addition, tax assets totalling € 1,315k resulting from the capitalisation of tax claims from corporation tax credits under the German SEStEG law are allocated to non-current tax assets. Of the deferred tax liabilities, € 2,337k relate to current tax liabilities and € 6,425k to non-current tax liabilities. Unused tax loss carryforwards, for which no deferred tax assets were recognised, amounted to € 4,562k in Germany.

05.10 Subscribed capital

The subscribed capital of Aareon AG as of 31 December 2012 shows the following breakdown:

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

Each share has a theoretical par value of 1 €.

05.11 Capital reserves

During financial year 2002, € 26,400k was added to capital reserves by way of the capital increase by Aareal Bank AG, Wiesbaden.

05.12 Accumulated group income

The accumulated group income includes other revenue reserves within the meaning of the disclosures required under commercial law. They include additions from the results of the financial year or previous years and differences from currency translation directly recognised in equity from the financial statements of subsidiaries. Aareon AG's Memorandum and Articles of Association do not include any provisions for the recognition of reserves.

05.13 Minority interest

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

05.14 Provisions

Provisions developed as follows:

In € 000's						
	Balance 01.01.2012	Additions	Reclassifications	Use	Reversal	Balance 31.12.2012
Pension provisions	20,130	1,359	0	1,275	0	20,214
Tax provisions	2,760	215	0	1,866	15	1,094
Other Provisions	14,642	9,485	0	11,495	570	12,062
Total	37,532	11,059	0	14,636	585	33,370

05.14.1 Provisions for pensions and similar obligations

Development of the pension obligation and pension provision:

Pension obligation in € 000's

	2012	2011
1. Pension provision as of 01.01. (accrued pension cost)	20,130	20,156
Expense for the financial year		
2. Expense for the financial year, net		
a) Service cost	284	235
b) PBO interest cost	1,074	1,018
c) Amortisation	0	0
Gains (-)/Losses	0	0
Prior service cost	0	0
Initial net obligation	0	0
d) Other additions	0	0
	1,358	1,253
3. Actual utilisation	1,274	1,279
4. Other additions and transfers	0	0
Pension provision as of 31.12.	20,214	20,130

Pension obligation in € 000's

	2012	2011
1. Projected Benefit Obligation (PBO) on 01.01.	21,066	21,428
of which funded	0	0
Expense for the financial year		
2. Expense for the financial year, net		
a) Service cost	284	235
b) PBO interest cost	1,074	1,018
c) Amortisation	0	0
Gains (-)/Losses	0	0
Prior service cost	0	0
Initial net obligation	0	0
d) Other additions	0	0
	1,358	1,253
3. Actual utilisation	1,274	1,279
4. Other additions and transfers	0	0
5. Gains (-)/Losses	5,006	-336
Pension obligation as of 31.12.	26,156	21,066
of which funded	0	0

Pension obligation in € 000's		
	2012	2011
Projected Benefit Obligation (PBO) on 01.01.	26,156	21,066
Amortisation		
a) Unrecognised actuarial gains/losses	-5.942	-936
b) Past service cost	0	0
c) Not recognised as an asset pursuant to IAS 19.58b	0	0
d) Other amounts recognised in the balance sheet	0	0
Pension provision as of 31.12.	20,214	20,130

The calculation of these obligations is based on the following assumptions:

Assumptions in %		
	2012	2011
Interest rate	3.60	5.40
Development of salaries	2.25	2.25
Expected inflation rate	2.00	2.00
Fluctuation rate	3.00	3.20
Calculation based on	"Mortality Tables 2005 G" Prof. Klaus Heubeck	"Mortality Tables 2005 G" Prof. Klaus Heubeck

The service and interest costs as well as actuarial gains and losses to be amortised in the financial year are shown under staff costs. The expense recognised for defined-contribution pension plans amounts to € 4,819k. They mainly include employer contributions to the statutory pension scheme. For reasons of materiality, pension provisions are not presented by maturity. Aareon AG essentially maintains six different retirement benefit plans, all of which are closed, preventing further employees from being added to them. All plans are defined-benefit plans as defined by IAS 19. This means that Aareon AG guarantees specific employee benefits depending on certain conditions. Depending on the type of benefit, the amount of employee benefits is contingent on different factors such as salary eligible for pension, length of employment, amount of the statutory pension, and benefits paid under individual pension plans. Aareon AG is a 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 allocation method is subject to a difficulty inherent in the system of proportionately and judiciously allocating the defined benefit obligation and the costs among the individual beneficiaries in the plan. This difficulty arises from the fact that the cost allocations of the members are based on their share of the remuneration of the beneficiaries covered by this supplementary plan. For this reason, the defined benefit plan is recognised as a defined contribution plan in accordance with IAS 19.32.

05.14.2 Other provisions

Development in 2012 (previous year's figures in parentheses)

in € 000's

	Balance 01.01.2012	Additions	Reclassifications	Use	Reversal	Balance 31.12.2012
Long-service obligations	3,542	6	0	3,414	128	6
	(3,866)	(529)	(0)	(377)	(476)	(3,542)
Variable salary components	4,983	5,394	-110	4,476	0	5,791
	(5,273)	(4,982)	(0)	(5,222)	(51)	(4,983)
Personnel measures	1,395	736	-62	450	0	1,619
	(17)	(1,395)	(0)	(17)	(0)	(1,395)
Other provisions	4,722	3,349	171	3,155	442	4,646
	(4,613)	(2,710)	(0)	(2,320)	(281)	(4,722)
Total 2012	14,642	9,485	0	11,495	570	12,062
Total 2011	(13,769)	(9,616)	(0)	(7,936)	(808)	(14,642)

Provisions for obligations to employees essentially result from variable performance-linked remuneration to be paid after the balance sheet date.

Aareon AG has cash-settled **share-based payment plans** as defined by IFRS 2. The obligations arising from these payment plans are recognised under staff costs and the corresponding provisions. Claims to the phantom stocks of Aareal Bank AG are paid in cash. The payments are distributed over three or four calendar years from the grant date. Provisions for share-based payment are recognised in full from the commitment date. The provision is recognised in the amount of the fair value of the obligation in question at the balance sheet date. The provisions are adjusted if the price changes. A total of 6,974.60 options were exercised in the reporting period, while 11,378.10 options were granted. The weighted share price for the options exercised on the exercise date was € 15.71 per share.

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

In connection with the "growIT" project, expenses arising from termination benefits were incurred in the amount of € 951k.

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

In the 2011 and 2012 financial years, employees' entitlement to anniversary payments was cancelled and an agreement was reached that the employees would be paid an amount calculated on the basis of an actuarial opinion minus a discount. This payment was made in the current financial year.

Other provisions by term

In € 000's (previous year's figures in parentheses)

	01.01.		31.12.	
	< 1 Jahr	> 1 Jahr	< 1 Jahr	> 1 Jahr
Long-service obligations	3,293 (0)	6 (3,293)	249 (3,866)	0 (249)
Variable salary components	4,983 (5,273)	5,791 (4,983)	0 (0)	0 (0)
Personnel measures	1,395 (17)	1,619 (1,395)	0 (0)	0 (0)
Other provisions	3,818 (3,332)	3,076 (3,818)	904 (1,282)	1,570 (904)
Total 2012	13,489	10,492	1,153	1,570
Total 2011	(8,622)	(13,489)	(5,148)	(1,153)

05.15 Current tax liabilities

In € 000's

	2012	2011
Income tax liabilities	3,431	5,404
Other liabilities, taxes	6,630	5,752
Total	10,061	11,156

05.16 Liabilities

The statutory disclosures with regard to liabilities are summarised in the table below. With the exception of customary retention of title and similar rights, liabilities are not collateralised.

Liabilities in € 000's (previous year's figures in parentheses)

	Remaining term up to 1 year	Remaining term over 1 year up to 5 years	Remaining term more than 5 years	Total
Prepayments received on account of orders	1,390	0	0	1,390
	(1,187)	(0)	(0)	(1,187)
Trade payables	1,863	1,806	0	3,669
	(2,480)	(308)	(0)	(2,788)
Other liabilities	17,509	1,151	0	18,660
	(12,946)	(4,638)	(0)	(17,584)
Prepayments received	3,481	0	0	3,481
	(2,814)	(0)	(0)	(2,814)
Total 2012	24,243	2,957	0	27,200
Total 2011	(19,427)	(4,946)	(0)	(24,373)

Of the trade payables with a residual term of more than one year, € 1,792k are liabilities from leasing arrangements. The other current liabilities include liabilities from the acquisition of companies in the amount of € 6,717k, liabilities for outstanding supplier invoices in the amount of € 2,398k and holiday obligations of € 1,537k. The other non-current liabilities principally result from the purchase of 1st Touch Ltd., Southampton in the amount of € 767k.

Prepayments received mainly include the deferral of future maintenance revenues.

Notes to the consolidated balance sheet of the Aareon Group
as at 31 December 2012

(€ 000's)	Historical cost					31.12.12
	01.01.12	currency translation difference	additions	disposals	reclassifications	
I. Intangible assets						
1. Goodwill	83,541	59	4,233	0	0	87,833
2. Acquired intangible assets	32,959	0	1,927	116	0	42,900
3. Internally generated intangible assets	21,217	0	2,210	0	0	23,427
	137,717	59	8,370	116	0	154,160
II. Property, plant and equipment						
1. Land, equivalent rights and buildings	7,383	8	660	133	133	8,075
2. Plant and machinery	3,311	0	103	89	82	3,472
3. Other equipment, and office furniture and equipment	15,812	0	3,994	5,857	-82	13,870
4. Advances paid and construction in progress	217	0	16	84	-133	16
	26,723	8	4,773	6,163	0	25,433
III. Financial assets						
1. Shareholdings	178	0	108	78	0	208
2. Other loans	5,177	0	232	33	0	5,376
	5,355	0	340	111	0	5,584
	169,795	67	13,483	6,390	0	185,177

accumulated depreciation and amortisation					carrying amounts		
01.01.12	currency translation difference	additions	disposals	31.12.12	31.12.12	31.12.11	
33,719	28	0	0	33,747	54,086	49,822	
21,511	0	3,388	114	24,785	18,115	11,448	
10,851	0	2,031	0	12,882	10,545	10,366	
66,081	28	5,419	114	71,414	82,746	71,636	
1,564	5	421	133	1,857	6,218	5,819	
917	0	315	87	1,145	2,327	2,394	
9,381	0	2,661	5,219	6,823	7,047	6,431	
0	0	0	0	0	16	217	
11,862	5	3,397	5,439	9,825	15,608	14,861	
11	0	0	0	11	197	167	
744	0	8	0	752	4,624	4,433	
755	0	8	0	763	4,821	4,600	
78,698	33	8,824	5,553	82,002	103,175	91,097	

06 Other explanatory notes

06.1 Other financial obligations

The nominal values of the other financial obligations are broken down by maturities as follows:

Other financial obligations in € 000's

	2013	2014–2017	Nach 2017
Lease agreements	8,766	26,690	28,883
Other contracts	1,194	1,466	0
Total	9,960	28,156	28,883

06.2 Related parties

In addition to the subsidiaries included in consolidation, Aareon AG in conducting its ordinary activities has direct or indirect relations to subsidiaries of the Aareal Bank Group that are included in the consolidated financial statements of Aareal Bank AG.

Many of the business relationships are with Aareal Bank AG.

This primarily relates to the following services rendered:

- Cooperation with Aareal Bank AG with regard to the fully automated and integrated accounting and payment services for property companies in Germany incorporated in the software systems “Wodis Sigma”, “Blue Eagle”, “GES” and “WohnData”
- Provision of computer centre services and related implementation consultancy services
- Sharing the costs of the Aareon Congress, and
- Financing agreements in connection with granting a working capital credit.

The volume of the business relations with Aareal Bank AG comprises revenues of € 7,737k and other operating expenses of € 490k.

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

One Group company, SG2ALL B.V., is jointly controlled with De Alliantie. The scope of the business transactions with SG2ALL B.V., which mainly comprise data centre services, is €150k for the cost of materials, while the scope of the business transactions with De Alliantie comprises revenue of € 1,218k plus € 418k for the cost of materials.

All transactions with related parties were conducted based on international price comparison methods in line with IAS 24, as is also standard practice with non-Group third parties.

In the Aareon Group, members of management in key positions refers to members of the Management Board and the Supervisory Board as well as to members of first- and second-tier management (directors, business unit managers), regional directors (sales) and members of strategic purchasing. Compensation for key management personnel totalled € 10,038k in the financial year, including € 9,676k in current benefits and € 382k in other non-current benefits. Furthermore, provisions totalling € 395k (27,021 shares) were recognised for share-based payment (SAR) of members of the Management Board. The total expenses for share-based payment amount to € 198k.

The members of the Supervisory and Management Boards are listed individually on the following pages.

06.3 Auditors' fees

In the reporting period, € 321k was recognised for audit services, € 134k for other assurance work, € 8k for tax consultancy services and € 74k for other services.

07 Consolidated statement of cash flows

All funds with terms of up to three months are deemed to be cash and cash equivalents. The statement of cash flows shows how the Aareon Group's cash and cash equivalents have changed during the year under review. To this end, the cash flows are annotated for financial year 2012 and for the previous year in line with IAS 7, with a distinction between cash inflows and cash outflows from operating, investing and financing activities. The effects of the consolidated group, exchange rates and other changes on the cash and cash equivalents are disclosed separately.

Investing activities comprise additions to and disposals from the financial assets as well as the effects of changes to the consolidated group.

Financing activities include the outflow of cash and cash equivalents from dividend disbursements and profits or losses from the disposal of fixed assets as well as payments and subsidies from shareholders as well as the change in other financial liabilities.

The "cash flow from operating activities" totalled € 23,605k. The "cash flow from investing activities" was € -18,273k. It resulted from investments in fixed assets and the acquisition of two subsidiaries. The "cash flow from financing activities" was € -11,141k. It is principally due to the payment to the parent company in the amount of € 20,144k and the utilisation of a working capital credit of € 10,394k granted by Aareal Bank that was required in this context.

08 Corporate bodies

08.1 Supervisory Board

**Thomas Ortmanns, Chairman
Management Board**

Aareal Bank AG, Wiesbaden

**Dr. Peter Lammerskitten, Deputy Chairman
Consultant**

Königstein

**Lutz Freitag
Consultant**

Hamburg

**Dirk Große Wördemann
Management Board**

Aareal Bank AG, Wiesbaden

**Hermann J. Merkens
Member of the Management Board**

Aareal Bank AG, Wiesbaden

**Prof. Dr. Manfred Schlottke
Business Consultant**

Munich

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

Aareal Bank AG, Wiesbaden

08.2 Management Board

Dr. Manfred Alflen

Chairman of the Management Board

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

Dr. Olaf-Rüdiger Hasse since 01.06.2012

Management Board

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

Jürgen Pfeiffer until 31.12.2012

Management Board

GES and Wohndata product lines, Software Services, BauSecura Versicherungsmakler GmbH shareholding, associations and advisory boards

Dr. André Rasquin

Management Board

Central Sales, Regional Sales, Sales Management, Sales Support, Aareon Software Handelsgesellschaft, Advisory Board work, BauSecura product

Christian M. Schmahl since 26.03.2012

Management Board

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

Eberhard Villmow until 01.06.2012

Management Board

Wodis Sigma, Integrated Services, SAP® solutions and Blue Eagle product lines, IT Service Centre, Service Management, Aareon Immobilien Projekt Gesellschaft mbH and Aareon Software Handelsgesellschaft shareholdingsGesellschaft mbH und Aareon Software Handelsgesellschaft

09 Concluding remarks

The company's financial statements are included in the consolidated financial statements of Aareal Bank AG, Wiesbaden. As Aareon AG is included in the consolidated financial statements and in the Group management report of Aareal Bank AG, the requirements for the company's exemption from presenting consolidated financial statements and a Group management report pursuant to section 291 para. 2 of the HGB have been fulfilled. Aareal Bank AG also prepares its consolidated financial statements according to International Financial Reporting Standards (IFRS). These Consolidated Financial Statements are available from Aareal Bank AG in Wiesbaden, Germany.

Mainz, 22 February 2013

The Management Board



Dr. Manfred Alflen



Dr. Olaf-Rüdiger Hasse



Dr. André Rasquin



Christian M. Schmahl

Auditors' report

We have audited the consolidated financial statements of Aareon AG, Mainz, comprising the balance sheet, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes as well as the Group management report for the financial year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and Group management report in accordance with IFRS as applicable in the EU and the supplementary provisions that are applicable under Section 315a para 1 German Commercial Code (HGB) are the responsibility of the Company's Management Board. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code (HGB) and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Management Board, as well as evaluating the overall presen-

tation 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 the audit, the consolidated financial statements are in compliance with IFRS as applicable in the EU and with the supplementary provisions applicable under Section 315a para 1 German Commercial Code, and in accordance with these provisions give a true and fair view of the net assets, financial position and results of operations of the Group. The Group management report is consistent with the consolidated financial statements, provides a suitable understanding of the Group's situation and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 26 February 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Marc Billeb ppa. Thomas Körner
German Public Accountant German Public Accountant

Report of the Supervisory Board

During the year under review, the Supervisory Board continually monitored the management of the company. The Supervisory Board was kept informed by the Management Board, both orally and in writing, especially through written quarterly reports, regarding the company's business development, its overall situation, the business policies contemplated 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 the year under review, of which two meetings took place during the first half of 2012. Two further resolutions were adopted by circular memorandum in the 2012 financial year. During all meetings, the Management Board informed the Supervisory Board in detail with regard to the business policies, economic development, strategic orientation and sales activities of the company. The work and findings of the company's internal audit department were explained to the Supervisory Board. The risk reporting and the internal control system were presented regularly to the Supervisory Board.

The Supervisory Board was informed by the Management Board with regard to the company's products and their installation and introduction with customers, putting emphasis on major customer and acquisition projects. A particular focus in this context was put on the Wodis Sigma product. Here, the Supervisory Board was informed of the actions taken in Consulting and the Wodis Sigma as a service operator model, among others. Other points of emphasis were the strengthening of the Blue Eagle and SAP® business and the integrated services. The Supervisory Board was informed regularly of the progress of the acquisition of 1st Touch Limited and its takeover.

The key activities regarding the company's future strategy were combined in the MoveIT und GrowIT projects, about which there were regular reports. The "growIT" project was

completed in the reporting year. Other measures that were discussed repeatedly in this connection included the company's organisational restructuring and its international strategy. The planned and executed measures in the Wodis Sigma consulting business and the talks held with SAP Deutschland AG & Co. KG (SAP) regarding the continuation of the cooperation were explained in detail in this context. The result of the talks was presented in detail to the Supervisory Board. Furthermore, the Supervisory Board was given an insight into the "brandIT" brand positioning project and was informed of the activities of Aareon AG's international subsidiaries.

The Management Board kept the Supervisory Board informed of developments regarding the enforcement measures that were initiated against ITSC Sp. z o.o., formerly DomData Sp. z o.o.

The business planning was discussed and approved by the Supervisory Board. The Management Board informed the Supervisory Board continually of the actual economic development versus the company's planning. The Supervisory Board established a Human Resources Committee and an Auditing Committee. The Human Resources Committee met twice and the Auditing Committee met three times during the 2012 financial year.

The company's financial statements as at 31 December 2012, together with the accounting records and the management report, were examined and issued an unqualified auditor's report by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, which were appointed as auditors by the Supervisory Board. The report prepared by the auditors was made available to all members of the Supervisory Board. The results of the audit were fully endorsed by the Supervisory Board.

The Supervisory Board has examined the financial statements, the management report and the proposal of the Management



Thomas Ortmanns, Chairman of the Supervisory Board of Aareon AG and member of the Management Board of Aareal Bank AG

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

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

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

Mr Eberhard Villmow resigned from the Management Board effective 31 May 2012. Both the Supervisory Board and the Management Board would like to thank him for his work and wish him great success for his new tasks within the Aareon Group. By way of circular memorandum, Mr Christian M. Schmahl and Dr Olaf-Rüdiger Hasse were appointed to the Management Board effective 26 March 2012 and 1 June 2012, respectively.

Mr Jürgen Pfeiffer's term of office on the Management Board of Aareon AG ended on 31 December 2012 on account of Mr Pfeiffer's retirement. Both the Supervisory Board and the Management Board would like to thank him for his many years of service and wish him great success for his future.

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

Mainz, March 2013

The Supervisory Board

A handwritten signature in black ink, appearing to read 'Th. Ortmanns', written in a cursive style.

Thomas Ortmanns
(Chairman)

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Investor Relations contact

Press Spokesperson
Aareon AG
Group Marketing and Communications
Stephan Rohloff
Isaac-Fulda-Allee 6
55124 Mainz, Germany
Phone: +49 6131 301-995
Fax: +49 6131 301-17995



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

Aareon customers

Germany (selection)

Wodis Sigma

- DERAG Deutsche Realbesitz AG & Co. KG, Munich
- Eisenhüttenstädter Wohnungsbaugenossenschaft eG, Eisenhüttenstadt
- Gemeinnützige Wohnungsbaugenossenschaft „Stadt Cottbus“ eG, Cottbus
- JOSEPH-STIFTUNG Kirchliches Wohnungsunternehmen, Bamberg
- Rheinwohnungsbau GmbH, Düsseldorf
- Stendaler Wohnungsbaugesellschaft mbH, Stendal
- WBM Wohnungsbaugesellschaft Mitte mbH, Berlin
- WGS Wohnungsgesellschaft Sömmerda mbH, Sömmerda
- WIELANT HOFFMANN GmbH, Hamburg
- Wohnstätte Krefeld Wohnungs-Aktiengesellschaft, Krefeld
- Wohnungsbaugenossenschaft Gablonzer Siedlungswerk, Kaufbeuren
- Wohnungsgenossenschaft WARNOW Rostock-Warnemünde e.G., Rostock

SAP®-Solutions and Blue Eagle

- ABG Frankfurt Holding GmbH, Frankfurt am Main
- degewo AG, Berlin
- FORTUNA Wohnungsunternehmen e.G., Berlin
- GAG Immobilien AG, Cologne
- Sächsische Wohnungsgenossenschaft Chemnitz eG, Chemnitz
- Sedlmayr Grund und Immobilien KGaA, Munich
- Wohnungsgenossenschaft „Glückauf“ Süd Dresden e.G., Dresden

GES

- Aachener Siedlungs- und Wohnungsgesellschaft mbH, Cologne
- FONCIA DEUTSCHLAND GmbH & Co. KG, Frankfurt am Main
- Grundstücks- und Gebäudewirtschafts-Gesellschaft mbH (GGG), Chemnitz
- HOWOGE Wohnungsbaugesellschaft mbH, Berlin
- SAGA Siedlungsaktiengesellschaft, Hamburg
- TREUREAL GmbH, Leipzig
- WIRO Wohnen in Rostock Wohnungsgesellschaft mbH, Rostock

International (selection)

France

- Adoma, Paris
- Batigère, Metz
- Erilia, Marseille
- Groupe Hainaut Immobilier, Valenciennes
- Groupe Opievoy, Versailles
- Groupe Valophis, Créteil
- Logement Français, Paris
- Mairie de Paris, Paris
- Monoprix, Clichy
- Pas de Calais Habitat, Lille

United Kingdom

- Aster Group, Devizes, Wiltshire
- City West Housing Trust, Manchester
- Fabrick Housing Group, Middlesbrough
- Halton Housing Trust, Runcorn
- Link Group, Edinburgh
- North Lincolnshire Homes, Scunthorpe
- NPT Homes, Neah, Port Talbot, Wales
- Peabody Group, London
- Richmond Housing Partnership, London
- Together Housing Group, Halifax

The Netherlands

- de Alliantie, Huizen
- de Woonplaats, Enschede
- GroenWest, Woerden
- Lefier, Emmen
- Parteon, Wormerveer
- Stadlander, Bergen op Zoom
- Trudo, Eindhoven
- Vidomes, Delft
- WoonFriesland, Grou
- Woonstede, Ede



Subsidiaries

Aareon Deutschland GmbH
Isaac-Fulda-Allee 6
55124 Mainz
Phone: +49 6131 301-0
Fax: +49 6131 301-419

Aareon Wodis GmbH
Rheinlanddamm 199
44139 Dortmund
Phone: +49 231 7751-0
Fax: +49 231 7751-190

Aareon Immobilien Projekt GmbH
Paul-Klinger-Straße 7
45127 Essen
Tel.: +49 201 809886-0
Fax: +49 201 809886-99

Aareon Software
Handelsgesellschaft mbH
Isaac-Fulda-Allee 6
55124 Mainz
Phone: +49 6131 301-0
Fax: +49 6131 301-419

BauSecura
Versicherungsmakler GmbH
Valentinskamp 20
20354 Hamburg
Phone: +49 40 35914-393
Fax: +49 40 35914-407

German operations

Berlin
Wallstraße 9-13
10179 Berlin
Phone: +49 30 88099-6
Fax: +49 30 88099-700

Dortmund
Rheinlanddamm 199
44139 Dortmund
Phone: +49 231 7751-0
Fax: +49 231 7751-190

Erfurt
Regierungsstraße 58
99084 Erfurt
Phone: +49 361 216802-0
Fax: +49 361 216802-30

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

Hückelhoven
Gut Gansbroich 5
41836 Hückelhoven
Phone: +49 2433 951809-0
Fax: +49 2433 951809-88

Leipzig
Neumarkt 2-4
04109 Leipzig
Phone: +49 341 9985-300
Fax: +49 341 9985-310

Munich
Stollbergstraße 3
80539 Munich
Phone: +49 89 211219-0
Fax: +49 89 211219-799

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

International operations

France
Aareon France SAS
9 rue Jeanne Braconnier
F-92360 Meudon-la-Forêt
Phone: +33 145 379230
Fax: +33 146 329008

United Kingdom
Aareon UK Ltd.
Building 500, Abbey Park
Stareton
UK-CV8 2LY Coventry
Phone: +44 2476 323723
Fax: +44 2476 323724

The Netherlands
SG|automatisering bv
Cornelis Houtmanstraat 36
NL-7825 VG Emmen
Phone: +31 591 630-111
Fax: +31 591 632-368

Parent Group

Aareal Bank AG
Paulinenstraße 15
65189 Wiesbaden
Phone: +49 611 348-0
Fax: +49 611 348-2549

Aareon AG • Isaac-Fulda-Allee 6 • 55124 Mainz • Germany
Phone: +49 6131 301-0 • Fax: +49 6131 301-419
www.aareon.com

An Aareal Bank Group company