



**Aareon**  
WE MANAGE IT FOR YOU

## Annual Report 2008

“We set the standards for managing complex business processes in the property sector - today and in the future. We provide our customers with first-class and forward-looking solutions. We want to create **added value** for our customers and shareholders and be the preferred employer to our staff.”

# Facts and figures

FACTS AND FIGURES	
<b>Business</b>	Europe's leading consultancy and systems house to the property sector. Aareon's systems are employed by more than 50,000 users in Germany and abroad to manage over 9 million rental units.
<b>ERP systems</b>	Blue Eagle (based on SAP® ERP 6.0) and SAP®, Wodis, GES, WohnData, systems of the international subsidiaries
<b>Consulting</b>	Process ERP, IT and SAP® consulting
<b>Integrated Services</b>	Mareon service portal, Aareon DMS document management system, integrated banking, BauSecura insurance services etc.
<b>Modes of operation</b>	ASP (Application Service Providing), hosting, inhouse
<b>Customer structure</b>	Private-sector housing companies, cooperative housing societies, municipal and church-owned housing societies, property management companies and home owners' associations, insurance companies, property investment funds, companies managing large owner-occupied property portfolios (Corporate Real Estate), commercial property operators, financial investors
<b>Number of customers</b>	More than 2,400
<b>Group affiliation</b>	Wholly owned by the Aareal Bank Group, Wiesbaden. Aareon AG is part of the Consulting and Services business segment of Aareal Bank AG.
<b>International presence</b>	France, Italy, United Kingdom
<b>History</b>	<ul style="list-style-type: none"><li>• 1957: Start of development from the computer centre of Deutsche Bau- und Bodenbank AG to an IT services group</li><li>• 1996: Spin-off of IT services into a newly-established, independent subsidiary, BauBoden Systemhaus GmbH</li><li>• 1999: Incorporation of a Group, establishing a holding structure; followed by a company name change to DePfa IT Services AG. International business expansion</li><li>• 2001: Market launch of the Mareon service portal</li><li>• 2002: Cooperation with SAP AG to develop Blue Eagle, a new generation of software; change of company name to Aareon AG</li><li>• 2004: Market launch of Blue Eagle</li><li>• 2006: Conclusion of a strategic partnership with energy services provider Techem resulting in the exchange of the Aareon Energy Management division for Techem IT Services (now Aareon Wodis GmbH). Introduction of an ERP multi-product strategy</li><li>• 2007: 50th company anniversary; start of construction of the new Aareon head office in Mainz</li><li>• 2008: Market launch of the Aareon DMS document management system; enhancement of the market position in France by acquiring Sylogis.com</li></ul>

# Overview of the Aareon Group



## GERMANY

- **Aareon AG**, Mainz
- **Aareon Deutschland GmbH**, Mainz (100%)  
**Other offices:** Berlin, Dortmund, Dresden, Erfurt, Hamburg, Hanover, Leipzig, Munich, Rostock, Stuttgart
- **Aareon DSK GmbH**, Berlin (100%)
- **Aareon Immobilien Projekt Gesellschaft mbH (AIPG)**, Oberhausen (51%)  
**Other office:** Hückelhoven
- **Aareon Wodis GmbH**, Dortmund (100%)
- **BauSecura Versicherungsmakler GmbH**, Hamburg (51%)

## INTERNATIONAL

- **Aareon France SAS**, Orléans/France (100%)  
**Other offices:** Lyon, Nantes, Paris
- **Aareon Italia S.r.l.**, Rome/Italy (100%)  
**Other office:** Milan
- **Aareon UK Ltd.**, Coventry/United Kingdom (100%)  
**Other office:** Swansea
- **Sylogis.com SAS**, Meudon-la-Forêt/France (100%)  
**Other office:** Toulouse

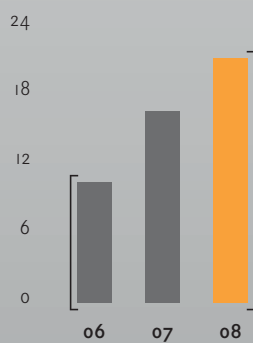
# Indicators

Indicators IFRS (€ m)	2008	2007	CHANGE
Revenues	150.8	157.3	-4.1%
of which international	15.5	16.2	-4.3%
Operating expenses	139.9	147.6	-5.2%
Profits from ordinary activities	21.8	16.9	29.0%
Consolidated net income	14.8	11.0	34.5%
Consolidated net income after minority interest	13.9	10.4	33.7%
EBIT	21.1	16.6	27.1%
Total assets	131.9	132.9	-0.8%
Shareholder's equity	63.7	55.2	15.4%
Cashflow	25.6	31.8	-19.5%
Number of staff* (average)	1,001	1,014	-1.3%
of which international	154	143	7.7%
<b>Key ratios in %</b>			
Return on Equity	36.7	31.0	
Cost/income ratio	86.9	89.9	

\* including Management Board/managing directors, vocational trainees, temporary staff, parental leave

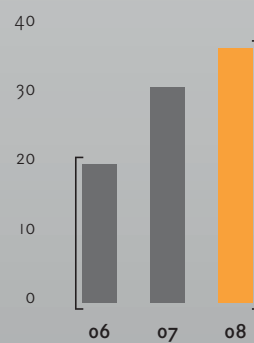
## EBIT increased considerably

(in € million)



## Return on Equity

(in %)



## Corporate mission

“Aareon AG focuses its activities on the property industry and related sectors. We set the standards for managing complex business processes in the property industry – today and in the future. Aareon provides first-class and forward-looking solutions comprising consultancy, software products, support and IT services to its customers and manages their outsourced business processes. We want to create tangible **added value** for our customers and shareholders and be the preferred employer to our staff. In so doing, we will enhance our market position as a leading consultancy and systems house in the European property industry.”

# Contents

**Aareon** – These are our employees. They represent Aareon’s corporate values, are responsible for the company’s success and play a role in enabling Aareon to offer its customers best-in-class products and services.

## The company

C2	Key figures
C3	Facts and figures
C4	Overview of the Aareon Group
C5	Highlights of 2008
C7	Aareon customers
1	Corporate mission
4	Letter from the Management Board

## Group management report

8	<b>Business and general conditions</b>
8	Business activities
9	Economic environment
10	Corporate strategy
12	Corporate structure
16	<b>Our employees – a key success factor</b>
17	Corporate social responsibility
18	<b>Aareon products and services</b>
18	ERP products
21	Integrated services, outsourcing and IT consulting
24	International business



**CUSTOMER SATISFACTION** ▶ read more on p. 6



**WORKING PART-TIME** ▶ read more on p. 14



**EBIT GROWTH** ▶ read more on p. 32

<b>25</b>	<b>Business developments</b>
25	Earnings
27	Assets, liabilities and cash flows
<b>28</b>	<b>Distribution of profits for 2008</b>
<b>28</b>	<b>Events after the balance sheet date</b>
<b>28</b>	<b>Risk report</b>
28	Market risks
29	Software development risks
29	Organisational risks
30	Financial risks
30	Technical risks
<b>30</b>	<b>Anticipated developments</b>

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Consolidated financial statements

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<b>34</b>	<b>Consolidated income statement</b>
<b>35</b>	<b>Consolidated balance sheet</b>
<b>36</b>	<b>Consolidated statement of changes in equity</b>
<b>37</b>	<b>Consolidated statement of cash flows</b>
<b>38</b>	<b>Notes to the consolidated financial statements</b>
<b>61</b>	<b>Auditors' report</b>
<b>62</b>	<b>Report of the Supervisory Board</b>
<b>64</b>	<b>Publishing information</b>

# Letter from the Management Board

## Ladies and Gentlemen,

The 2008 financial year was a successful one for Aareon. We were able to follow up on our positive earnings performance in the previous year with a further improvement in profitability. We extended our varied and integrated product range with the introduction of the Aareon DMS document management system. In line with our continuing quest for quality, we further developed the Aareon ERP products to our usually high standard, and were rewarded with numerous sales successes. We are particularly pleased that the positive results from our customer and employee surveys confirm the effectiveness of both our customer satisfaction measures and our personnel policy.

Marked improvement  
in earnings

There was widespread concern about the financial crisis during 2008. The economic chain reaction set in motion by this crisis affected Aareon because our customers adopted a slightly more cautious approach to investment during the second half of the year. As a result, our revenues for 2008, at € 150.8 million, were marginally down on the previous year. However, despite this slight downturn, we succeeded in increasing EBIT by a substantial 27.1 % to € 21.1 million. Our ongoing optimisation programme of processes and costs is one of the reasons for our increased profitability. We reduced our total operating expenses by 5.2 % to € 139.9 million, for example, and our cost income ratio from 89.9 % to 86.9 %

We acquired new customers in 2008, particularly for our Blue Eagle and SAP® solutions, but also for our Wodis ERP system. Major new Blue Eagle accounts included GAG Immobilien AG, Cologne, and GEWOBA Aktiengesellschaft Wohnen und Bauen, Bremen, and new Wodis accounts included, Wohnungsgenossenschaft "Lipsia" eG, Leipzig, and Vereinigte Wohnungsgenossenschaft eG, Leipzig. The demand from GES and WohnData customers was mainly for additional system modules and integrated services.

Cooperation with EASY  
SOFTWARE AG, the  
document management  
system specialist

An integral part of Aareon's corporate strategy is the formation of alliances with partners, since this enables us to deliver maximum value to our customers. At the beginning of 2008, we were pleased to add the document management system specialist EASY SOFTWARE AG, based in Mülheim an der Ruhr, to our circle of partners. We have now added the fully-featured Aareon DMS document management system to our product portfolio. This system allows housing companies to organise their business processes to be transparent and workflow-oriented, thus saving time and money. In order to improve productivity, Aareon DMS links all correspondence in a dynamic 'knowledge repository', which also effectively supports processes outside the ERP system.

Our international goals involve focusing on our key strategic markets. In Switzerland, we sold our subsidiary Aareon Schweiz AG to W&W Immo Informatik AG, Switzerland at the beginning of the year. We also greatly strengthened our market position in France through the acquisition of the specialist property sector software provider Sylogis.com SAS.

Family friendliness is part  
of our corporate culture

We increased our social commitment to include the issue of "work-life balance". As well as supporting social institutions and sponsoring property sector initiatives – such as the annual DW Innovation Award for the Property Sector, for example – we maintain a keen interest in the welfare of our employees. After all, they play a crucial role in the success of the Aareon Group. We strive to create a corporate culture in which our employees can make themselves heard, one that supports their desire to balance the demands of their jobs and the needs of their families.





**Jürgen Pfeiffer**

Wodis, GES and WohnData Product Lines, Software Services, BauSecura Versicherungsmakler GmbH and Aareon Wodis GmbH shareholdings, associations and advisory boards

**Dr. Manfred Alfien**

**(Chairman of the Management Board)**  
Shared Services, International Product Management, International Business, Sales

**Eberhard Villmow**

Blue Eagle and SAP®, Integrated Services and IT Consulting Product Lines, IT Service Centre, Service Management, Aareon DSK GmbH and Aareon Immobilien Projekt Gesellschaft mbH shareholdings

We wish to thank our employees, without whose commitment this positive Group performance would never have been possible. We also wish to thank the works council for its valuable and constructive cooperation. We thank our customers for their spirit of partnership and openness, which is so important to us as we strive to improve our performance. High customer satisfaction levels do not entitle us to rest on our laurels; they act as an incentive to do even better in the future.

The move to our new head office in Mainz in the second half of 2009 will mark a milestone in our company's history. The many employees who have until now been spread out over several buildings in Mainz will soon be able to work together under the same roof. Thanks to a modern and communication-friendly space concept - one that mirrors our open corporate culture - we expect to see a positive effect on communication, employee satisfaction, and ultimately, work performance.

Yours sincerely,

Dr. Manfred Alfien

Jürgen Pfeiffer

Eberhard Villmow



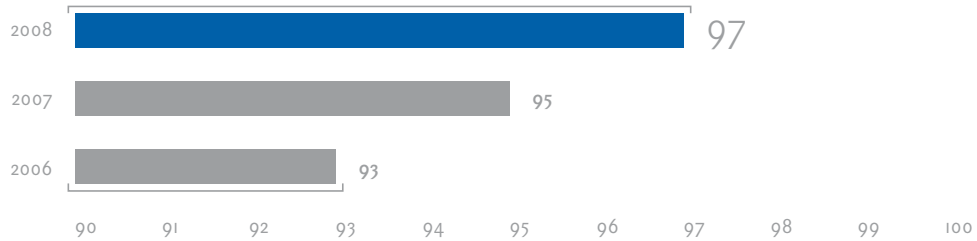
97%

◀ CUSTOMER SATISFACTION

“Understanding our customers’ goals and wishes is part and parcel of my work. Only by adopting this approach can I provide excellent support for housing companies and recommend solutions that enable them to better meet their business objectives.”

**ALEXANDRA HÜSKENS**, Regional Sales West, Aareon Deutschland GmbH

## CUSTOMER SATISFACTION IN %



The annual customer survey shows that customer satisfaction is continually growing – no reason for Aareon to rest on its laurels. Customer satisfaction and the generation of added value for customers are top priorities in Aareon’s strategy.

# Group Management Report

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



## Business and general conditions

### Business activities

Aareon AG is Europe's leading consultancy and systems house for the property sector. Our business activities focus on optimising the IT-supported business processes of property companies in order to enable them to reduce costs and develop new revenue sources. Our customers benefit from an integrated range of services and products comprising consultancy, software, IT services, support and training. Our market leadership is also rooted in our property and IT expertise and in our excellent relationships with customers, associations and partners that we have built in the more than fifty years of our company's history. The Aareon Group is represented at 23 locations Europe, including 13 in Germany. The company has subsidiaries in France, the UK and Italy.

Aareon AG is part of the Aareal Bank Group, Wiesbaden, one of the leading international companies in the property sector. Aareon 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 business segment.

Each one of Aareon's ERP systems for the property market – Blue Eagle based on SAP®, Wodis, GES and WohnData – is a market leader in the relevant segments (s. p. 18). Depending on the product, our customers can choose among different operating modes, i.e. Application Service Providing (ASP), hosting and inhouse. We combine our product portfolio with comprehensive consulting and integrated services that link property companies and their target groups such as tenants, tradesmen, insurance companies or banks (s. p. 21).

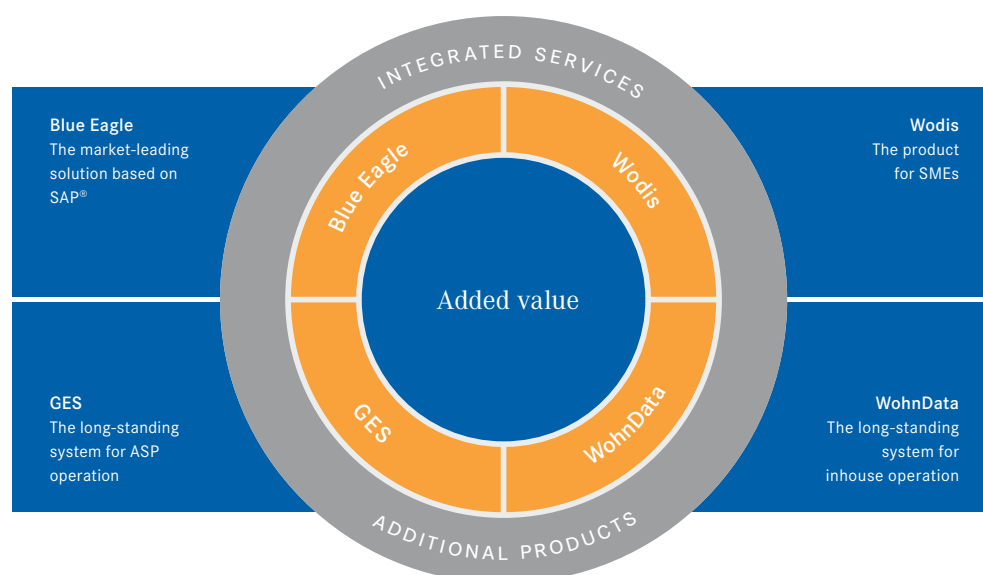
According to the 2008 Lünendonk List – a well-established market survey – Aareon is ranked among Germany's 25 leading IT service companies<sup>1</sup>. Several smaller vendors such as ESS EDV-Software-Services AG (Preußisch Oldendorf) and GAP Gesellschaft für Anwenderprogramme und Organisationsberatung mbH (Bremen) are Aareon's competition in regards to internally developed ERP software for the property sector. The following consulting firms offer ERP software based on SAP®:

#### All-in-one service:

- ERP products
- Integrated services, outsourcing and IT consulting
- IT Service Centre
- Consulting

<sup>1</sup> Cf. 2008 Lünendonk List, Lünendonk GmbH, Kaufbeuren, as of 21.05.2008

Promos Consult GmbH & Co. KG (Berlin), DKB IT-Services GmbH (Potsdam), Siemens IT-Dienstleistung und Beratung GmbH (Gelsenkirchen), IBM Mittelstand Systeme GmbH (Meerbusch) and Wiscore GmbH (Bochum). The aforementioned competitors also offer a more limited range of computer centre services for the property sector. While Aareon's Mareon portal is the market leader in the property service portal market, there are also many other niche suppliers catering to this sector.



Aareon's four ERP systems simplify property companies' processes in various ways, depending on the depth of customers' requirements and the complexity of their business processes. Linking these ERP systems with integrated services and Aareon's additional products gives housing companies further opportunities to better achieve their goals.

### Economic environment

In 2008, the economy was impacted in particular by the financial crisis and the resulting turmoil in the financial markets. Industries particularly dependent on exports, such as the automobile industry for example, are beginning to feel the fallout from the crisis. The German Council of Economic Experts estimates that the German gross domestic product grew by 1.7% in 2008 (previous year: 2.5%)<sup>2</sup>. Its forecast for 2009 is down to 0.0%. GDP in the euro zone is estimated to have grown by 1.2% in 2008 (previous year: 2.6%) and that of the European Union by 1.4% (previous year: 2.9%). The unemployment rate continued to decline in 2008 in Germany as well as in the entire European Union, just as in recent years. Whilst the 2008 unemployment rate in Germany is estimated at 7.8% (previous year: 9.0%), the figures for both the euro zone and the entire European Union are even lower: 7.4% for the euro zone (previous year: 7.4%) and 7.0% for the European Union (previous year: 7.1%).

<sup>2</sup> Cf. the Annual Report 2008/09 of the German Council of Economic Experts on macroeconomic developments, "Mastering the financial crisis – Strengthening the forces for growth".

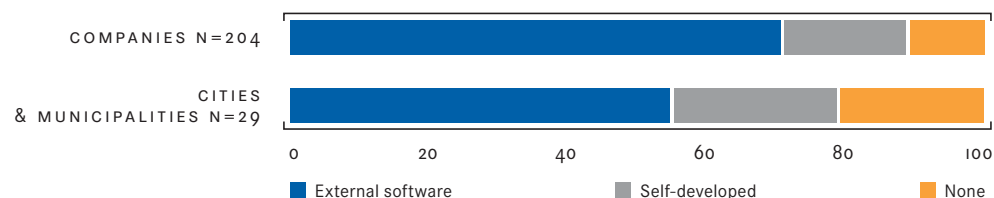
The German housing market is characterised by a wide variety of household structures

Trading in residential properties has declined after many years of intense activity, due among other things to the turmoil in the financial markets. New directives and statutory specifications included the 2008 German corporate tax reform, the binding introduction of energy efficiency certificates, the 2009 Energy Savings Regulation, the future Single Euro Payments Area (SEPA) as well as the EU Counter-Terrorism Strategy. The challenges facing the German property sector include regional differences in terms of economic development as well as changes in population numbers, demographic changes that will lead to different demand structures and continuously rising energy costs that have a substantial effect on ancillary rental expenses. Likewise, housing companies must also take tenants' increasing requirements into account. For example, this concerns modified household structures (patchwork families, single households, senior households) and working from home. The outcome of the DW Innovation Award for the Property Sector underscores the extent to which the property sector deals with challenges in innovative ways. This award was presented in May at Aareon's Congress in Garmisch-Partenkirchen in connection with the issue "Professionalism in Housing".

### Corporate strategy

According to the 2008 RAAD study – a representative survey of software use in the property sector – most companies in the industry use standard software. The advantages of using software are said to include transparency, functional coverage as well as quality whilst areas requiring improvement are said to include lack of manageability and user-friendliness. The study also finds that lowering costs and restructuring internal processes are special challenges facing the property sector.

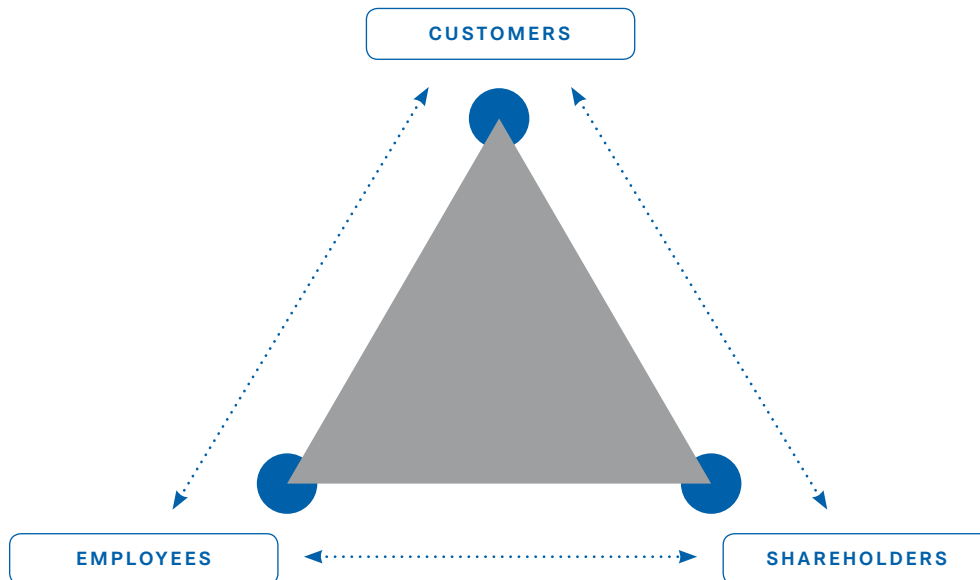
#### Property management software used (in %)



Aareon is the leading provider of standard software in the property sector. Its main strengths include property and IT expertise coupled with proximity to the customer – as customers confirmed in a 2008 market survey regarding the Aareon brand. The company's portfolio of services, which includes four different ERP systems, was considered another advantage. Combined with integrated services and additional products, IT service centre services as well as ERP, SAP®, process and IT consulting services, they generate high benefits for customers. Aareon AG pursued its 2008 growth strategy by successfully leveraging its Value 2010 programme. ERP products were further refined in innovative ways. We launched the Aareon DMS document management system to further optimise our product portfolio (s. p. 22). And we optimised our international positioning by selling Aareon Schweiz AG and taking over Sylogis.com in France (s. p. 13, 24). Launching an executive development programme and enhancing Aareon as a family-friendly company were first and foremost among activities aimed at refining our corporate culture (s. p. 16).

<sup>3</sup> Cf. Herausforderungen der Immobilienwirtschaft und Anforderungen an deren Softwarelieferanten (Challenges facing the property industry and requirements their software providers must meet), RAAD Research GmbH, Münster, January 2008





Aareon's corporate strategy takes into account that both its value creation and its success take place in an environment characterised by the conflicting demands of the company's different stakeholders – customers, employees and shareholders.

The framework for Aareon's strategy rests on the following pillars:

- **A clear focus on markets and customers.** Creating customer benefits and customer satisfaction is our top priority. Being a reliable partner for our customers is very important to us. We measure customer satisfaction in an annual survey. In 2008, Aareon succeeded in maintaining the high level of customer satisfaction achieved in previous years: A total of 97% of customers surveyed stated that they were satisfied, very satisfied or completely satisfied with Aareon (previous year: 95%).
- **Customer-focused solutions:** Our integrated portfolio of products and services, which is characterised by quality and innovation, offers Aareon AG's customers a range of solutions from a single source. Changes in both the property sector and IT are incorporated into the enhancement of our products and services. In order to provide solutions that create value, Aareon maintains a close dialogue with customers and partners. Customer requirements are discussed in committees such as the customer advisory boards and addressed during product development.

We use partnerships to combine different companies' core competencies for the benefit of our customers. Aareon's partners include SAP AG, Walldorf (development and sales partner), Techem AG, Eschborn (strategic partnership), Immobilien Scout GmbH, Berlin (partner in the Mareon service portal), and ista Deutschland GmbH, Essen (sales partner). The company closed a cooperation agreement on the marketing of document management systems with Mülheim-based EASY SOFTWARE AG in 2008 (s. p. 22). It also entered into a partnership with VRG HR GmbH pursuant to which VRG HR will take over the Aareon human resources management in connection with the latter's focus on its core competencies (s. p. 13).

Customer satisfaction is at a high level

Bundling core competencies through partnerships for the benefit of customers



Successful SAP partnership has been in place since 2002.

Employees are the key to the company's success

- **Motivated and achievement-oriented employees:** Our employees, for whom we want to be a preferred employer, are the key to customer satisfaction and, in the final analysis, Aareon's success. The capacity for open dialogue, fairness and the balancing of work and family are critical aspects of Aareon's corporate culture (s. p. 16). Aareon employees combine in-depth expertise in the property market with excellent IT skills and great commitment. Consistency in continued education and training is equally essential to us.

Project management enhances focus on targets and results

- **Customer-focused internal processes:** Our products and services are customer-focused, as are our internal processes. They comply with quality management standards and are subject to continual improvement. As a project-oriented company, Aareon's work is based on setting goals and achieving results, as well as on ensuring transparency in carrying out its tasks.

### Corporate structure

The structure that arose from Aareon AG's strategic realignment and the resulting optimisation of several organisational issues has proven its utility.

Changes on the Management Board of Aareon AG

Gereon Neuhaus, member of the Management Board of Aareon AG, resigned effective 15 October 2008. His responsibilities were distributed among the remaining members of the Management Board. Dr. Manfred Alflen, Chairman of the Management Board, took on overall responsibility for Group Sales in addition to his responsibilities for Shared Services, International Product Management and International Operations. Eberhard Villmow was given responsibility for the Blue Eagle and SAP® Systems House and is also responsible for integrated services, the IT Service Centre and IT Consulting. Since then, Jürgen Pfeiffer has been responsible for the Wodis Product Line and Software Services besides the GES and WohnData Product Lines.



The new Aareon head office in Mainz was taking shape in 2008

Effective 1 October 2008, Aareon took over all shares in Sylogis.com to enhance its market position in France (s. p. 24). In order to focus its international activities on major strategic markets, Aareon AG sold its subsidiary, Aareon Schweiz AG, to W&W Immo Informatik AG, Switzerland, retroactively effective 1 January 2008. The purchaser is a local software provider for Swiss housing companies.

The contract regarding the acquisition of the company's human resources management was signed with VRG HR GmbH on 27 October 2008. VRG HR is a specialised and established IT service provider for payroll and personnel management. Customers' contacts will remain the same because Aareon's personnel management team will be transferred to VRG HR PROVIA GmbH, a company to be founded in connection with the disposal. It is likely to take effect in the first quarter of 2009.

The construction of our new head office in Mainz proceeded as planned. It started in 2007 and takes state-of-the-art office design into consideration. The new building is intended to improve the work environment and enhance the efficiency of internal communications as well as promote our staff's enthusiasm for their work on our products and services. We also used this opportunity to implement an innovative energy concept aimed at long-term climate protection based on geothermal energy. The topping out ceremony was celebrated on 19 September 2008. We will relocate in two phases as construction is completed. The first employees from our existing Mainz offices in Essenheimer Strasse, Hegelstrasse and Münchfeld will move in the second half of 2009.

Construction of the new Mainz head office is on schedule



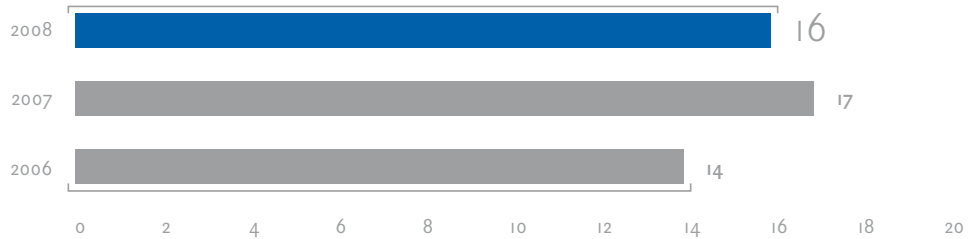
16%

◀ WORKING PART-TIME

“Flexibility is a key factor for me to balance work and family. Being able to work part-time at Aaron enables my wife and me to realise our concept of family. We both take care of our five-year old twins and we both can work in the job we like.”

**MARKUS EMIL SCHMIDT**, Group Legal Affairs, Aareon AG

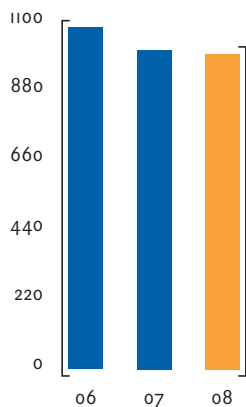
## WORKING PART-TIME IN %



Flexible work models have been an integral part of Aareon's human resources policy for years. Flexibility increases employee satisfaction and loyalty. This creates a win-win situation for all parties involved: employers and employees and, in the final analysis, benefits the customers too.

## Our employees – a key success factor

(Average) number of employees declining slightly



Aareon's success is primarily dependent on its employees – their commitment, competence, willingness to excel and approach to customer service. Hence a corporate culture that fosters employees' motivation and satisfaction as well as performance-based compensation are strategic factors. For years, our annual employee survey has served as a tool for measuring the mood among employees and employee satisfaction. More than two thirds of our employees – specifically, 68% (previous year 66%) – participated in the survey. We are pleased that according to this year's findings, overall employee satisfaction has increased for the second year in a row, with cooperation among the divisions registering the largest gains.

The average headcount (including managing directors, trainees, temporary staff and employees on parental leave) fell slightly from the previous year and now is 1,001 (previous year: 1,014). The ERP Products product group accounts for the largest share of employees (45%), followed by Other (29%), which includes products and services among other things. An analysis of our employees' age in recent years shows that our staff has grown older, evidencing employees' loyalty to Aareon.

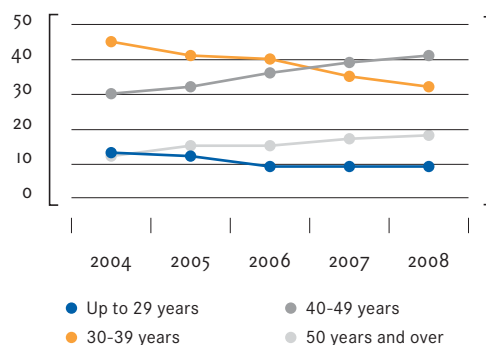
We launched our Work and Family project back in 2007 in order to continue improving the compatibility of work and family life at Aareon and to firmly anchor a family-friendly approach in the company's corporate culture. In 2008, Germany's Family Minister, Ursula von der Leyen, awarded Aareon AG the certificate that berufundfamilie gGmbH issued after its review of the company's policies. Aareon further loosened restrictions on working hours in 2008. Part-time and telework have been an accepted part of the company's corporate culture for many years. The number of part-time and teleworkers has increased in recent years. Already at the close of 2008, Aareon was offering 137 part-time positions (16.1%) and 109 teleworking positions (12.8%) in Germany.

In June 2008, we launched development centres for executives as part of Aareon AG's growth strategy (s. S. 10). This concerns an executive development programme that helps executives to recognise their strengths as well as areas they could improve – based on a unified job requirement profile – and develop their management and leadership work in targeted ways. The switch to MS Office 2007 as well as SAP® training sessions were at the heart of ongoing education measures.

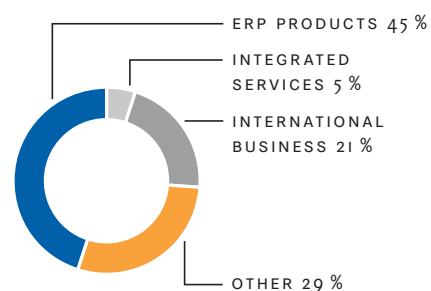
At the close of 2008, Aareon had 18 trainees and two students from a university of cooperative education. Aareon offers internships as well as thesis options in order to establish contacts with junior staff at an early stage and is cooperating with the following universities in Germany: Technical University of Applied Sciences Berlin, Johannes Gutenberg University of Mainz, University of

Aareon values qualified junior staff

Average age of employees increases –  
Development of age structure (in %)



Employees by product group –  
almost half work in ERP Products







Left: Aareon supports a home construction programme in an Indian region struck by the tsunami with € 10,000.

Right: The winners of the 2008 DW Innovation Award for the Property Sector

Applied Sciences Mainz, Nürtingen-Geislingen University, University of Cooperative Education Stuttgart, EBZ – European Training Centre of the Housing and Property Sector Bochum, University of Cooperative Education Leipzig. We developed a new management trainee programme for college graduates in 2008 that takes them to the level of Junior Consultant as one way of joining Aareon.

## Corporate social responsibility

Besides our economic responsibility, we also attach great importance to our corporate social responsibility.

In its capacity as a specialist for the property sector, Aareon places great store in engaging itself on behalf of the industry. We have created incentives for innovation in the property sector by supporting two competitions, the DW Innovation Award for the Property Sector and Property Manager of the Year. Promoting young talent is equally significant in our view. We have established the “Lerninsel” (islands of learning) programme in a joint initiative with the Association of Housing Companies in Northern Germany and other entities belonging to this association in order to foster and motivate trainees in the property industry. As future high achievers, they are made aware of exciting work in the field.

We are involved in the course of studies related to the property sector at Nürtingen-Geislingen University, specifically, by funding the professorship for data processing-based information systems via a foundation. Moreover, Aareon’s specialists impart their practical knowledge to students through presentations, and Aareon confers the Aareon IT Sponsorship Award in Information Technology twice yearly. Aareon also works with other universities.

The compatibility of professional and family life is important to us, given both the challenges families face and the challenges from demographic changes that will lead to shortages of skilled staff in future. As a preferred employer, this allows us for one to intensify employees’ ties to the company and for another facilitates recruiting qualified staff (s. p. 16).

In social terms, Aareon has committed itself to a variety of initiatives. For instance, we once again presented Deutsche Entwicklungshilfe für soziales Wohnungs- und Siedlungswesen e.V. (DESWOS – German Development Assistance for Social Housing), Cologne, with a donation of € 10,000 at last year’s Aareon Congress in Garmisch-Partenkirchen. These funds will be used to support a home construction programme in Tanzania. In December 2008, DESWOS bestowed the plaque of honour for promoting collaboration in development on Aareon. We also make regular donations to Christopherus, a hospice in Mainz; Heilpädagogium Schillerhain (in Kirchheimbolanden); and Pfarrer-Landvogt-Hilfe.

Aareon is committed to promoting young professionals in the property industry.

## Aareon products and services

Aareon AG reports by product group in order to manage the provision of services based the following groups' contribution to net profit:

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

The consultancy services (ERP, SAP® and IT consultancy) are provided as part of each product line by consulting teams specialising in the relevant product.

Consulting at Aareon means:

- Professionally recognise, understand and solve customer needs
- Create value for the customer
- Provide competent and committed employees in proximity to the customer
- Provide the best possible services to customers in tandem with other Aareon divisions
- Qualification and innovation based on property and IT expertise
- Maintaining the highest level of consulting expertise in the European property sector, especially in the SAP® and Blue Eagle business.

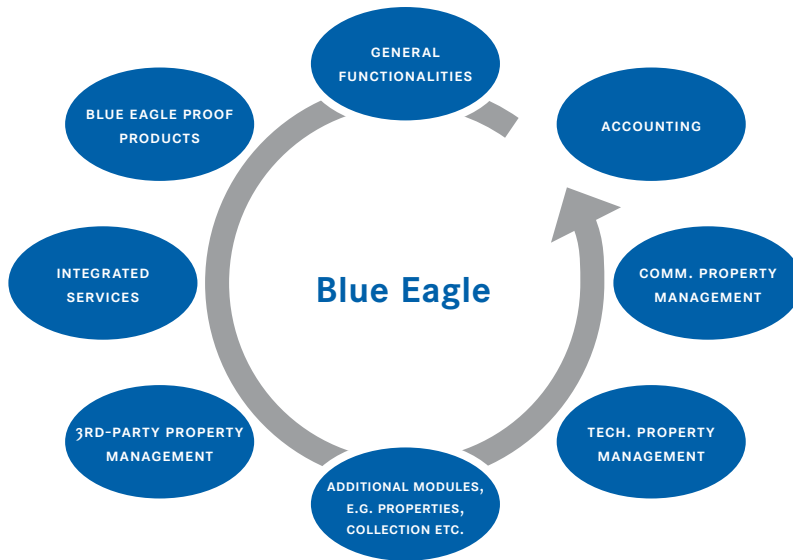
We offer ERP solutions in a variety of operating modes – ASP, hosting, inhouse – depending on the product. The Aareon IT Service Centre ensures state-of-the-art Application Service Providing (ASP) and hosting, with IT security having the highest priority.

### ERP products

Aareon's ERP products are: Blue Eagle based on SAP®, Wodis, GES and WohnData. They are offered and used in combination with Integrated Services. In 2008, we implemented a process-integrated link to SCHUFA and its specific services for all four products that further simplifies processes.

#### Blue Eagle

The Blue Eagle property software is based on SAP®. It offers numerous advantages such as high-performance accounting and controlling systems that meet all relevant requirements, in particular, flexible reporting that includes IFRS consolidation and the individualisation of all functions.

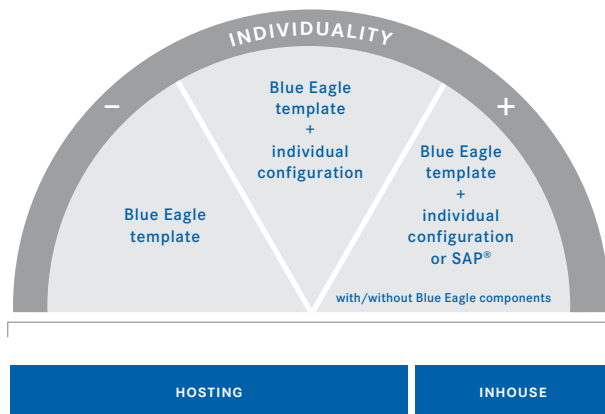


Huge functionality of the Blue Eagle solution based on SAP®

The market success of Blue Eagle continued in 2008. The product went live at HANSAINVEST Hanseatische Investmentgesellschaft mbH (Hamburg) and NEULAND Wohnungsgesellschaft mbH (Wolfsburg) among others. GAG Immobilien AG (Cologne) and GEWOBA Aktiengesellschaft Wohnen und Bauen (Bremen) recently decided to apply Blue Eagle.

More major customers decide to implement Blue Eagle

Deciding which SAP® solution is best suited to a particular company depends entirely on its corporate strategy. Aareon offers a variety of solutions ranging from standardised systems to highly customised implementations. The degree to which a system can be customised increases exponentially once it has been introduced.



Blue Eagle: Mature standard – flexible design

Services and support for Blue Eagle were further optimised in 2008. Migrating customers to Blue Eagle Release 5.0 based on SAP® ERP 6.0 using ASP went without a hitch. Customers that use Blue Eagle in hosted and inhouse applications decide for themselves pursuant to their IT strategy when to upgrade to the new version. Hosting and inhouse customers that have already made the switch have brought their projects to a successful completion. System refinements focused on completing and optimising management under the German Residential Property Act as well as on making several improvements, taking customer requirements into account. Everything necessary for enabling the optional tie-in of the Aareon DMS document management system to Blue Eagle was put in place. Aareon completed Release 5.1 of Blue Eagle based on SAP® ERP 6.02 in the fourth quarter of 2008. Among other things, this integrates the most recent version of the BKXL® payment system with expansions related to the management of security deposits as well as the most recent SAP® standard with Enhancement Package 2 (EhP2). Reporting options as well as third-party management functions were expanded, and both the handling and the ergonomics of the system were made more user friendly.

Aareon is the number one in the SAP® real estate market<sup>1</sup>. The large number of SAP® consultants and developers are a guarantee of the success of projects executed based on our sound SAP® expertise.

#### Wodis

Wodis has established itself as the perfect product for SMEs in connection with Aareon's multiproduct strategy. It is the sector solution that is available both as an inhouse and an ASP version and is applied successfully in both operating modes. Given its modular structure, Wodis takes each company's individuality into account. The integrative modular approach and the Oracle database as the platform ensure nonredundant and unlimited data storage, with the result that efficient business procedures and optimised data flows reduce the amount of work required by users. Standard and individual analyses and reports ensure comprehensive, company-specific distribution of information that can be prepared for and distributed to specific target groups.

The Wodis performance indicator system was developed in 2008 in order to expand the reporting options required for effective controlling. Additional product enhancements concerned the following issues among others: Definitive withholding tax, SEPA, SCHUFA integration, order overview, expansion of the Wodis random number generator. We executed more than 20 operational launches – for example at Voerder Baugenossenschaft Ennepetal-Voerde eG (in Ennepetal-Voerde) and at Wohnungsbaugenossenschaft Chemnitz West eG (in Chemnitz) – and successfully acquired new customers. Ten new customers have decided to apply Wodis. The Wodis Forum in Bochum again was well attended this year.

#### GES

The well-established GES system is Aareon's tried and tested ASP solution. This system serves to efficiently execute key processes in property management. Demand for consulting services as well as individualised projects remained strong, and many GES customers renewed their contracts. For example, the two versions released in 2008 now provide property companies with all data relevant to further processing of the energy efficiency certificates. Likewise, the system also complies with the directives of the EU's Counter-Terrorism Strategy prohibiting transactions with persons contained in the EU

Extended reporting  
functionality in Wodis

<sup>1</sup> Cf. HMC-Marktreport, Wohnungswirtschaftliche DV-Systeme (Housing Industry IT Systems) 2008

Sanctions List by comparing names through automated processes. The work to prepare GES for the single euro payments area proceeded as planned. An independent auditing company confirmed that all modules were compliant with applicable regulations as at 1 December 2008.

**WohnData**

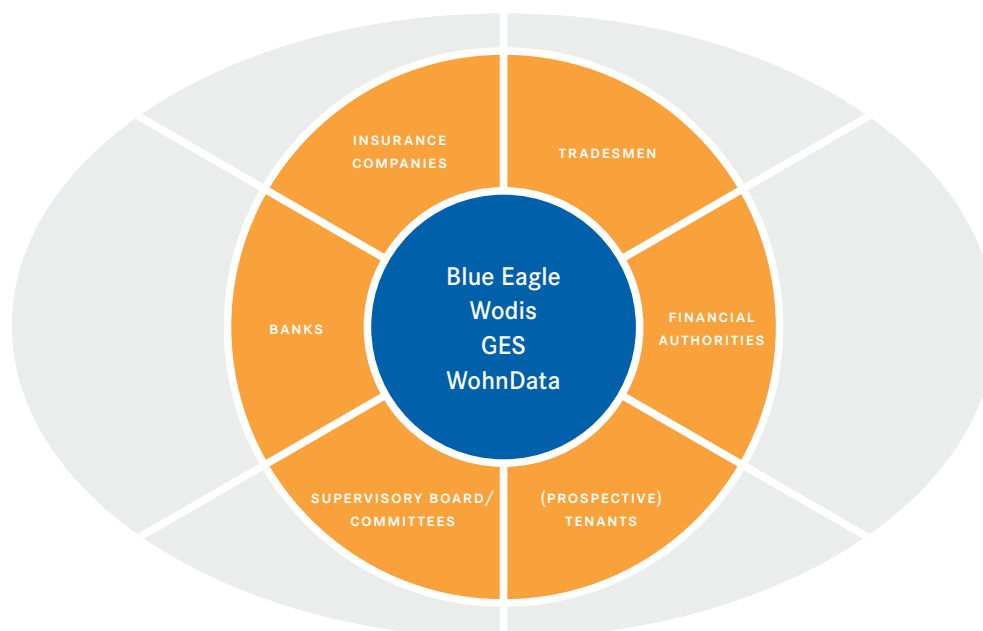
WohnData is the fully-established solution for inhouse customers. The new Release 9.4 - which includes innovations related to energy efficiency certificates, SEPA and the definitive withholding tax - was introduced in September 2008 at the annual WohnData Change event in Hamburg where it met with a highly positive response. Customer demand for the new modules in particular is rising.

**Integrated Services, outsourcing and IT consulting**

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

**Integrated services**

Aareon ERP solutions provide a substantial advantage in that they supplement both integrated services and additional products in connection with process improvement and cost reduction. For instance, this includes the Mareon service portal, integrated payment transaction services, document and data management systems as well as the offerings of BauSecura, an insurance broker.

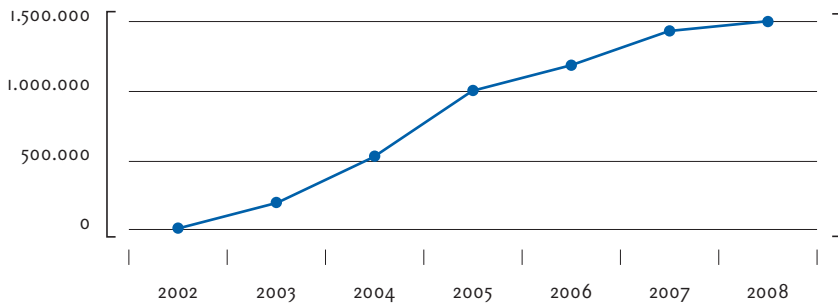


Aareon's integrated services simplify processes by linking Aareon ERP systems with our customers' different target groups.

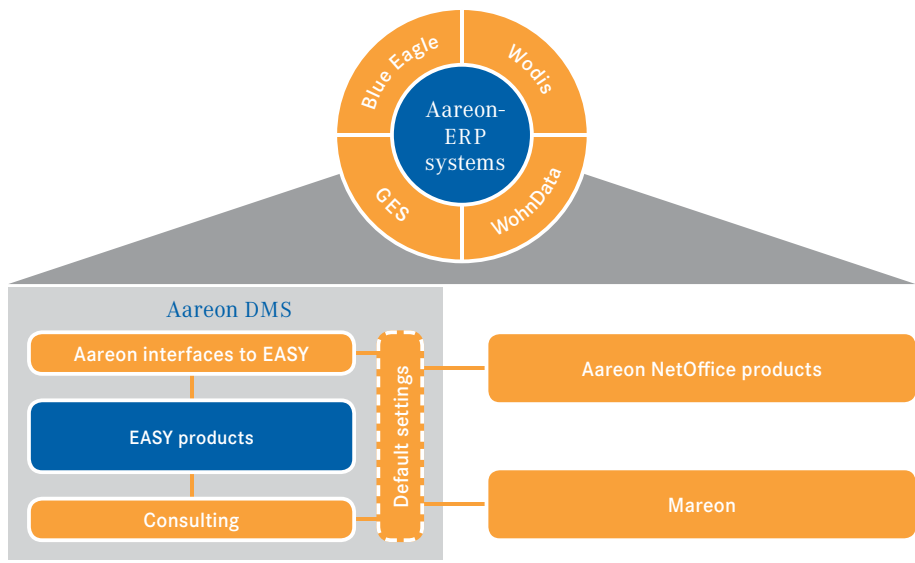
Mareon – the market-leading service portal for German property industry

**Mareon** is Aareon’s online service portal. The modules – tradesmen collaboration, inventory management and insurance company collaboration – serve to support all essential maintenance processes and technical aspects of construction projects. A market share of more than 60% makes this portal the market leader in Germany. Approximately 150 property companies use Mareon. More than 6,000 tradesman’s businesses use Mareon. Close to 50 interfaces to trade software programmes have been certified. More than five million orders and an order volume of roughly € 1.6 billion have been transacted to date via Mareon. In 2008, the order volume surpassed € 470 million.

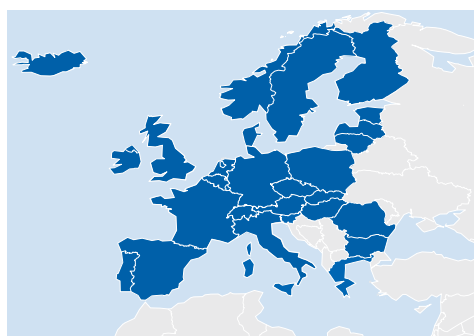
Mareon: Number of jobs accepted per year



**Aareon DMS:** Aareon has been offering the Aareon DMS document management system for the property market in cooperation with EASY SOFTWARE AG, Mülheim, since 2008. We integrate EASY’s products into the respective ERP system (Blue Eagle, Wodis, GES and WohnData) via an interface. This not only facilitates the archiving of emails and documents but also provides rapid access to necessary documents, taking all statutory requirements regarding the archiving and verifiability of data into account.



Aareon DMS – the solution based on EASY licences and ERP integration



Left: The single euro payments area comprises 31 states.

Right: Beamten Wohnungs-Verein zu Köpenick eG is the first Wodis customer to opt for the introduction of the new product Aareon DMS.

**BauSecura:** BauSecura Versicherungsmakler GmbH, Hamburg is a joint venture between Aareon AG (51 %) and the Funk Group, an international, Hamburg-based insurance service provider. BauSecura enables Aareon's customers to benefit from value and efficiency gains through integrated risk and insurance management. BauSecura's services include consulting on any insurance-related issues, the analysis and assessment of individual risk situations, and the development of insurance concepts.

Value and efficiency gains with BauSecura

**Aareon's NetOffice product portfolio** increases the efficiency, speed and transparency of business processes through specialised additional products. The product portfolio includes Aareon Business Document Administration (BDA) for the individualised preparation of documents on site, Aareon Fax and Aareon Reporting, among others.

**Integrated payment transaction services:** Aareon and Aareal Bank jointly offer the BK01® payment system for GES, Wodis and WohnData as well as the BKXL® system including digital signature exclusively for Blue Eagle. Thanks to these systems, posting, payment and accounting are merged into a single unit, enabling property companies to benefit from the automation of routine processes. Preparations for SEPA, the single euro payments area, are proceeding as planned. All customers using Aareon's ERP systems were switched to Aareal Bank's new account management system in 2008.

**Outsourcing:** Aareon's outsourcing services are available to companies within the property sector as well as to companies from other sectors. These services provide the customer with the benefits of a powerful and failsafe IT system. Our services include mainframe, Unix, Linux, Windows and SAP® systems, databases, LAN and WAN management including the latest firewall technologies. Aareon takes care of hardware and software installation and maintenance, creates backups, keeps systems up-to-date and ensures the applications' availability.

**IT consulting:** Aareon DSK GmbH uses the IT Consulting product line to develop intelligent IT solutions for IT infrastructures, including hardware and software. IT technology related to vitalisation and storage was newly added to our portfolio of consulting services, and ten related customer projects have already been executed. Just as Aareon, Aareon DSK too has been granted EASY's Gold Partner status for its Aareon DMS product.

## International Business

Aareon is focusing its international operations on major strategic markets. This is why we sold our shares in Aareon Schweiz AG effective retroactively on 1 January 2008 (s. p. 13). Aareon AG took over all shares of the French company Sylogis.com effective 1 October 2008.

Aareon strengthens market position in France

**France:** Aareon AG's acquisition of its French competitor Sylogis.com has substantially improved the company's market position in France. A project aimed at integrating the company into the Aareon Group began immediately after the takeover. The two product lines – Aareon France's Prem' and Sylogis.com's Portalimmo – will be continued. They target two market segments: social housing and private property companies. Customers of both Aareon France and Sylogis.com will benefit from the merger in a number of ways. For the two companies' combined expertise has expanded the product portfolio as well as consulting know-how, in turn substantially enhancing the support provided to customers for optimising their business processes.

A total of 54 employees work for Aareon France SAS at the company's head office in Orléans as well as in its Lyon, Nantes and Paris offices. The company's main market, IT solutions for social housing companies, continued to grow in 2008. Adoma, a social housing landlord, has become a key major customer.

Sylogis.com, the software specialist for the property sector, was founded back in 1982. Besides a head office in Paris, the company also maintains offices in the Southern French city of Toulouse. Sylogis.com has 82 employees. The takeover has turned Aareon into the leading provider of software for the French property sector.

**Italy:** Our Italian subsidiary, Aareon Italia S.r.l., offers SAP® consulting services besides the ERP system Esse RE. Esse RE is mainly utilised by commercial property management companies specialised in shopping centres as well as by (third-party) property managers. The company gained new customers in 2008 as well. It employs a staff of 26 at its head office in Rome and an office in Milan.

**United Kingdom:** Aareon UK Ltd. has about 50 employees at its offices in Coventry and Swansea (Wales). Registered social landlords and local authorities are among Aareon UK's main customers. The company offers the ERP solution QL. It acquired additional new customers in 2008. Stiff competition and mergers characterise both of the aforementioned market segments.



## Business developments

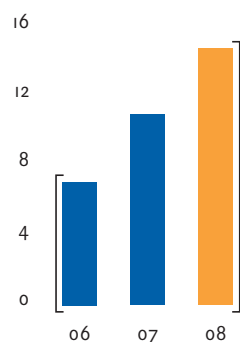
### Earnings

Just as in previous years, consolidated net income rose substantially in 2008 as well. Consolidated net income after taxes was € 14.8 million, corresponding to an increase of 34.5% over the previous year (€ 11.0 million). For one, the process and cost optimisation that Aareon had already launched in previous years further improved profitability, as indicated by the ongoing decrease in the cost/income ratio, which currently is 86.9% (previous year: 89.9%). For another, the increase in other operating income due to the reversal of provisions had a positive effect on consolidated net income. Other operating income rose year on year by 72.2% to € 9.7 million (previous year: € 5.6 million). Earnings before interest and taxes (EBIT) of € 21.1 million reflect growth of 27.1% (previous year: € 16.6 million), further improving the return on equity from 31.0% to 36.7%.

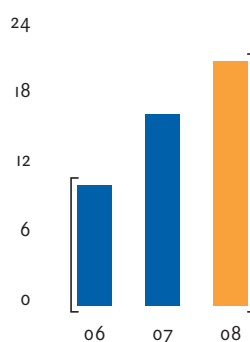
**+ 27,1 %**

EBIT growth underscores positive earnings trend

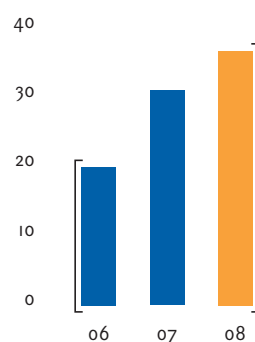
Consolidated net income after taxes  
in € million



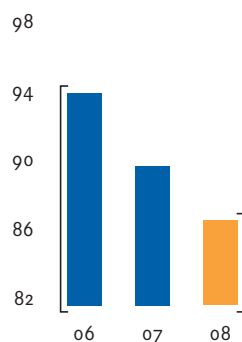
EBIT in € million



Return on equity in %



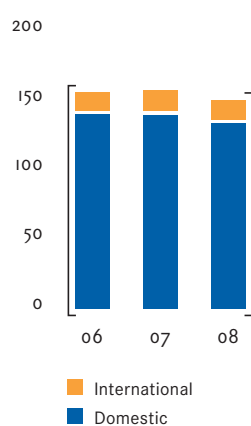
Cost/income ratio in %



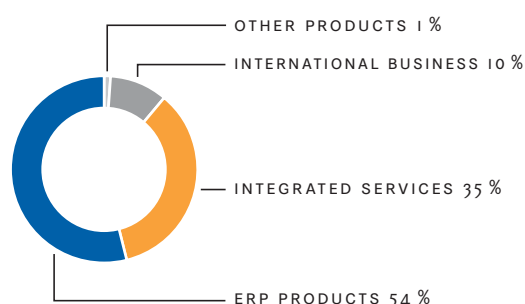
Consolidated revenues fell by 4.1% to € 150.8 million (previous year: € 157.3 million). While the revenues from each product group - i.e. ERP Products, International Business and Other Products - changed but slightly year on year, revenues from the Integrated Services product group fell 9.8% to € 52.4 million (previous year: € 58.1 million) due to declining revenues from integrated payment

transaction services (integrated banking). At 54.0%, ERP Products accounted for the largest share in revenues (€ 81.5 million), followed by Integrated Services at 34.7% (€ 52.4 million), International Business at 9.7% (€ 14.7 million) and Other Products at 1.4% (€ 2.1 million).

Revenue in € million



Revenue by product group



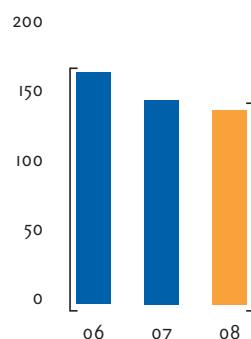
Ongoing process and cost optimisation at Aareon AG helped to further reduce operating expenses in 2008 as well. Operating expenses fell 5.2% to € 139.9 million (previous year: € 147.6 million). After dropping significantly in 2007, the cost of materials decreased yet again in 2008 by 5.7% to € 32.9 million (previous year: € 34.9 million). Staff costs declined by 2.6% to € 72.3 million (previous year: € 74.2 million) and other operating expenses fell by 10.9% to € 26.2 million (previous year: € 29.4 million).

Aareon continues to refine its products in order to satisfy customers' requirements. Aside from Blue Eagle, the company also focuses on Wodis. Expenditure for research and development in 2008 was € 2.2 million (previous year: € 3.6 million), corresponding to 1.2% of total operating expenses.

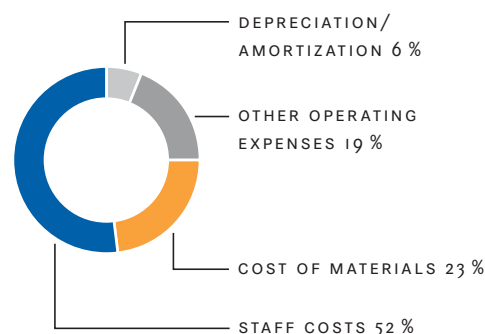
2,2 Mio€

for research and development

Expenditure in € million



Expenditure by cost group



### Assets, liabilities and cash flows

Total assets of the Aareon Group shrank slightly by 0.8% year on year to € 131.9 million (previous year: € 132.9 million). Non-current assets rose 2.5% to € 73.7 million (previous year: € 71.9 million). While intangible assets climbed by 16.1% to € 55.5 million (previous year: € 47.8 million) – owing to higher goodwill – property, plant and equipment dropped by 34.5% to € 9.3 million (previous year: € 14.2 million). This decline stems from the sale of a building.

Current assets fell by 4.7% to € 58.2 million (previous year: € 61.1 million). Trade receivables and other assets rose by 16.8% to € 27.1 million (previous year: € 23.2 million), whereas cash and cash equivalents decreased by 19.5% to € 25.6 million (previous year: € 31.8 million).

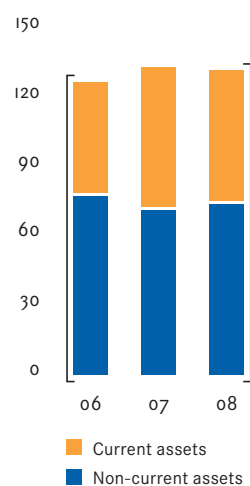
The capital structure of the Aareon Group has changed in that both equity and non-current borrowings have increased. Given the Group's net income, the equity attributable to the owners of Aareon AG rose 14.8% to € 62.7million (previous year: € 54.6 million). Consolidated net income is € 12.0 million following a dividend distribution of € 5.6 million to the company's shareholders.

Cash and cash equivalents fell by 19.5% during the 2008 financial year to € 25.6 million (previous year: € 31.8 million). The cash flow from operating activities dropped by 47.6% to € 10.9 million (previous year: 20.8 million). At 126.2%, the cash used for investing activities more than doubled to € 9.5 million (previous year: € 4.2 million).

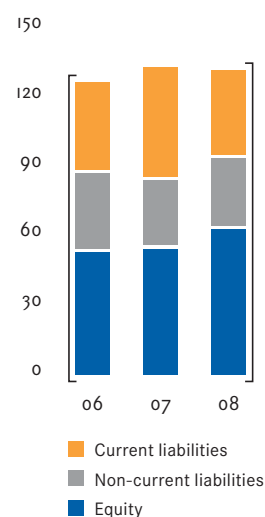
**+ 14,8 %**

in equity attributable to shareholders

**Assets in € million**  
(asset structure)



**Equity and liabilities in € million**  
(capital structure)



## Distribution of profits for 2008

Aareon AG intends to distribute € 13.7 million of its accumulated profits reported for 2008.

## Events after the balance sheet date

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.

## Risk report

We utilised a groupwide risk management system with an early warning function for monitoring and managing the business risks of Aareon AG. This system, which has been tried and tested through the years, is based on the "Aareon Risk Analysis" software and is adjusted to new requirements on an ongoing basis. Our risk management system enables those responsible for the relevant product line, investments and projects to record and analyse risks on a regular basis as well as to develop measures aimed at proactive risk management. The resulting risk reports are consolidated by the risk management department and provide the basis for monthly risk reporting. Monthly risk reports are discussed in Management Board meetings and are also included in the quarterly reports to the Supervisory Board of Aareon AG. Our 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 in view of eliminating and/or reducing risk. The centralised risk management department documents all measures the management initiates.

The company's internal auditing department verifies compliance with statutory requirements and uniform groupwide guidelines that are documented in the risk management manual by conducting targeted audits and recommends corresponding actions as needed, which the company's management then carries out if necessary. The key risk types to which Aareon is exposed are software development, and financial risks. Other significant risk groups include market risks, organisational risks and technical risks. In the majority of cases, these risks are linked to each other.

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

### Market risks

The property sector continued to change in 2008. We have been using a multiproduct ERP strategy to respond to increasingly heterogeneous requirements and our customers' rising demands for customised solutions since the 2006 financial year. Both services and support were optimised and offered in addition to the established Application Management Services product portfolio with the aim of enhancing the profitability of the Blue Eagle and SAP® business in the long term. Our services were thus adapted to the changing market environment for SAP® software.

We verified the credit ratings of some outsourcing customers, given the crisis in the financial markets. There has been no need for further action on this issue to date.

Aareon AG regularly assesses the needs of its customers in order to minimise quality risks. Our annual, anonymous and standardised customer survey is a key barometer of customer satisfaction with our products and the Aareon brand. It enables us to recognise market requirements early on and take them into account in the development of our products.

### Software development risks

Aareon AG consistently refines its ERP solutions and Integrated Services with an eye toward the future. We focus first and foremost on creating customer benefits. The risk inherent in software development is that the relevant activities can not be provided at the targeted costs, in the expected quality, and within the timeframe expected by the market. Hence software is always developed in conjunction with Aareon's project management based on internationally recognised standards that serve to ensure unified, professional project work. The application of Aareon's project management thus reduces software development risks.

Software development generally entails the risk that not all contractually stipulated customer demands can be satisfied in full and hence that the company might be faced with claims for damages or warranty claims. We use tool-based demand management, which tracks all requirements and their processing, in order to prevent these risks. Tests are performed at different stages as part of the development process. Furthermore, the ERP software is certified in accordance with the PS 880 testing standard, which allows auditors to evaluate compliance with principles of proper accounting. Finally, information related to the release documentation is furnished to both sales and consulting for internal purposes.

Our complaint management system helps to minimise the risk of possible claims for damages 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.

Aareon project management for professional project work

Complaints management prevents undesirable developments

### Project risks

Executing individual customer projects is an integral part of Aareon AG's business. Each of these individual projects harbours risks in terms of time, costs and quality arising from incomplete fulfillment of customer expectations. Aareon employs project management standards to reduce these risks. This has enabled us to execute larger and more complex customer projects.

### Organisational risks

Internal organisational requirements are identified and implemented in projects. We use an extensive prioritisation process in cooperation with the executive management to counter the risk that some internal requirements might not be fulfilled.

However, a separate committee responsible for our international business will continue to monitor our foreign subsidiaries in the UK, Italy and France.

## Financial risks

Business development with the international subsidiaries also involves earnings risks. In order to absorb these risks, we continued our restructuring and consolidation measures in 2008, and we will constantly review the strategy we have adopted.

Our Value 2010 growth programme serves to push Aareon's evolution in strategic terms. Its core elements entail expanding Blue Eagle, refining the ERP product strategy, optimising the product portfolio, developing new areas related to the property sector, pursuing our international strategy and refining the personnel programmes. We are confident that this strategy project will minimise potential risks to revenues and earnings. We deal with cost-related risks by implementing cost-conscious strategies supported by tight budget planning.

## Technical risks

We minimise the risk of serious disruption by implementing sensible, documented measures that are subject to regular exercises 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. With the exception of unavoidable issues and short-term interruptions, we have so far experienced no disruptions that have led to an extended period of loss of output. Generally speaking, however, we cannot completely rule out the possibility of disruption that could result in the breaching of contractual agreed standards (SLA). In the event of this kind of disruption, we have contractually protected backup locations available to enable us to temporarily resume our contractual obligations after a specified, short adjustment period.

We have also installed comprehensive data security processes which allow us 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.

Comprehensive data backup processes are in place at Aareon

## Anticipated developments

The macroeconomic environment will give rise to greater difficulties in 2009, the current financial year. The ramifications of the financial market crisis are beginning to spread to other sectors. Whilst the German property sector remains stable so far, we cannot preclude that the chain reactions triggered by the financial market crisis will affect the property sector regionally.

We expect the positive earnings trajectory that started years ago to continue in 2009 and consolidated EBIT to increase as before. The plan is to further optimise costs besides posting a slight increase in revenues.

Aareon will continue to refine its ERP products in keeping with its corporate mission to generate added value for its customers. Our four ERP products cover a variety of requirements in terms of complexity and operating modes. Blue Eagle based on SAP® is generally tailored to major property companies with complex requirements, especially in regards to reporting options. The market shares of the two established products, GES and WohnData, will basically hold steady in 2009 as well. We expect revenues

Positive earnings trend continues

from our ERP products to grow in years to come, especially due to customers' positive response to the services and support for Blue Eagle that were optimised in 2008 as well as the process-integrated link to SCHUFA for all ERP products.

Our integrated services offer customers a level of added value that clearly sets us apart from the competition. Our products are expected to make a positive contribution to earnings overall in 2009. Both the Mareon service portal and BauSecura's insurance services will generate a substantial portion of it by acquiring new customers. Revenues from the Aareon DMS property market document management system, which was launched in 2008, are expected to rise. This would compensate the loss of revenues from the disposal of Aareon human resources management.

Integrated services create added value

There will be a slight decline in the net profit contribution from outsourcing due to the elimination of some services.

Internationally, we focus on important strategic markets. Earnings are expected to develop along a positive trajectory in coming years. Our second French subsidiary, Sylogis.com, allowed us to substantially enhance our market position in France. We expect the French companies' earnings to benefit substantially in the current financial year from the acquisition of customers in the social housing segment. Aareon Italia, our Italian subsidiary, plans to further penetrate the Italian social housing market in order to improve earnings. Our British subsidiary, Aareon UK, anticipates rising revenues from the enhancement of its new customer business which in turn will have a positive effect on earnings.

Group human resource management will shift its archives to Aareon DMS in the current financial year in order to continue optimising our own corporate processes. This will reduce archiving space and simplify data searches.

As far as the Work and Family project is concerned, we will further enhance the family-friendly nature of Aareon's corporate culture and take additional action designed to promote work-life balance.

The development centres that were launched in 2008 as part of our executive development programme will remain in place in 2009.

Completing and taking possession of Aareon's new head office in Mainz in the second half of 2009 will open a new chapter in the history of Aareon AG. The department responsible for the construction project is working on all organisational details in order to ensure smooth relocation.

Moving into the new Aareon head office

We will analyse the findings of the 2008 customer satisfaction survey, which have been available since January 2009, and take additional action aimed at further improving customer satisfaction.

Mainz, 28 January 2009



Dr. Manfred Alflen



Jürgen Pfeiffer



Eberhard Villmow

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 photos and captions in the Group management report are not part of the audited report.







27%

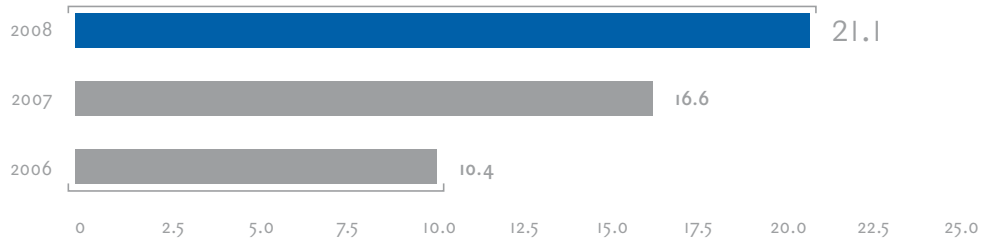


EBIT GROWTH

“We again posted a good result in 2008. This is a trend we want to continue. It is therefore essential that we continually develop our company further and implement our activities based on sound corporate planning in the future as well.”

**CLAUDIA SCHENKEL**, Director Finance and Internal Services, Aareon AG

## EBIT GROWTH IN € MILLION



EBIT is the key performance indicator we use to measure Aareon's success. It reflects both the value of our products and services and the professionalism and efficiency displayed by Aareon in implementing this value. This benefits each and every customer, employee and shareholder.

# Consolidated Financial Statements

## Consolidated Income Statement

for the period from 1 January to 31 December 2008

(€ 000's)	NOTES	2008	2007
Revenues	4.1	150,803	157,311
Other own work capitalised		573	1,226
Other operating income	4.2	9,659	5,609
Cost of materials	4.3	32,925	34,873
a) Expenses for raw materials and consumables		4,668	8,574
b) Costs for services used		28,257	26,299
Staff costs	4.4	72,339	74,189
a) Wages and salaries		60,406	62,317
b) Social security costs and expenses for pensions and support including for pensions: € 2,605k (2007: € 2,566k)		11,933	11,872
Depreciation and amortisation			
on intangible assets and on property, plant and equipment		8,283	8,998
Other operating expenses	4.5	26,153	29,366
Other interest and similar income	4.6	642	594
Including from affiliated companies: € 377k (2007: € 270k)			
Interest and similar expenses	4.6	169	427
<b>Result from ordinary activities</b>		<b>21,809</b>	<b>16,887</b>
Income taxes	4.7	6,763	5,706
Other taxes		200	169
<b>Consolidated net income/loss</b>		<b>14,846</b>	<b>11,012</b>
Of which attributable to:			
Shareholders of the parent company		13,865	10,405
Minority shareholders		981	607

## Consolidated Balance Sheet

as at 31 December 2008

(€ 000's)	NOTES	2008	2007
<b>Non-current assets</b>			
Intangible assets	5.1	55,537	47,822
Property, plant and equipment	5.2	9,337	14,217
Financial assets	5.3	3,373	3,365
Trade receivables and other assets	5.6	312	11
Deferred tax assets	5.9	5,157	6,450
		<b>73,716</b>	<b>71,865</b>
<b>Current assets</b>			
Inventories	5.5	3,051	4,559
Trade receivables and other assets	5.6	27,085	23,195
Current tax assets	5.7	2,388	1,568
Cash on hand and balances held with banks	5.8	25,643	31,756
		<b>58,167</b>	<b>61,078</b>
		<b>131,883</b>	<b>132,943</b>

(€ 000's)	NOTES	2008	2007
<b>Equity</b>			
Equity attributable to shareholders	5.10/5.11/ 5.12	62,676	54,579
Minority interest	5.13	1,044	670
		<b>63,720</b>	<b>55,249</b>
<b>Non-current liabilities</b>			
Provisions for pensions and similar obligations	5.14.1	20,086	19,539
Other non-current provisions	5.14.2	4,888	4,785
Deferred tax liabilities	5.9	3,896	3,482
Other liabilities	5.16	2,003	1,712
		<b>30,873</b>	<b>29,518</b>
<b>Current liabilities</b>			
Other current provisions	5.14.2	10,127	16,104
Current tax liabilities	5.15	7,413	8,521
Trade payables and other liabilities	5.16	19,750	23,551
		<b>37,290</b>	<b>48,176</b>
		<b>131,883</b>	<b>132,943</b>

## Consolidated Statement of Changes in Shareholders' Equity

for the period from 1 January to 31 December 2008

(€ 000's)	SUBSCRIBED CAPITAL	CAPITAL RESERVES	TRANSLATION DIFFERENCE	ACCUMULATED GROUP EARNINGS	TOTAL
<b>Of which attributable to shareholders of the parent company</b>					
<b>01 January 2008</b>	<b>25,000</b>	<b>26,400</b>	<b>-557</b>	<b>3,736</b>	<b>54,579</b>
Addition to reserves	0	0	0	0	0
Distribution	0	0	0	-5,584	-5,584
Group earnings	0	0	0	13,866	13,866
Other changes	0	0	-185	0	-185
<b>31 December 2008</b>	<b>25,000</b>	<b>26,400</b>	<b>-742</b>	<b>12,018</b>	<b>62,676</b>
<b>Of which attributable to minority interest</b>					
<b>01 January 2008</b>	<b>79</b>	<b>0</b>	<b>0</b>	<b>591</b>	<b>670</b>
Addition to reserves	0	0	0	0	0
Distribution	0	0	0	-607	-607
Group earnings	0	0	0	981	981
Other changes	0	0	0	0	0
<b>31 December 2008</b>	<b>79</b>	<b>0</b>	<b>0</b>	<b>965</b>	<b>1,044</b>

for the period from 1 January to 31 December 2007

(€ 000's)	SUBSCRIBED CAPITAL	CAPITAL RESERVES	TRANSLATION DIFFERENCE	ACCUMULATED GROUP EARNINGS	TOTAL
<b>Of which attributable to shareholders of the parent company</b>					
<b>01 January 2007</b>	<b>25,000</b>	<b>26,400</b>	<b>-360</b>	<b>1,895</b>	<b>52,935</b>
Addition to reserves	0	0	0	0	0
Distribution	0	0	0	-8,564	-8,564
Group earnings	0	0	0	10,405	10,405
Other changes	0	0	-197	0	-197
<b>31 December 2007</b>	<b>25,000</b>	<b>26,400</b>	<b>-557</b>	<b>3,736</b>	<b>54,579</b>
<b>Of which attributable to minority interest</b>					
<b>01 January 2007</b>	<b>79</b>	<b>0</b>	<b>0</b>	<b>664</b>	<b>743</b>
Addition to reserves	0	0	0	0	0
Distribution	0	0	0	-680	-680
Group earnings	0	0	0	607	607
Other changes	0	0	0	0	0
<b>31 December 2007</b>	<b>79</b>	<b>0</b>	<b>0</b>	<b>591</b>	<b>670</b>

## Consolidated Statement of Cash Flows

(€ 000's)	2008	2007
Net income for the period (including income/loss portion attributable to minority interest) before net interest income and tax expense	21,135	16,550
Amortisation/depreciation of fixed assets	8,283	8,998
Write-up on fixed assets	0	0
Income taxes paid	-3,554	-3,421
Interest paid	-169	-426
Interest received	642	594
Increase/decrease (-) in provisions	-12,113	-1,323
Increase (-)/decrease in inventories	1,527	3,896
Increase (-)/decrease in receivables and other assets	-2,304	-445
Increase (-)/decrease in other assets	437	159
Increase/decrease (-) in liabilities	-1,810	-3,979
Increase/decrease (-) in other liabilities	-1,173	226
Income/loss from the transfer of assets to fixed assets	0	0
<b>Cash flow from operating activities</b>	<b>10,901</b>	<b>20,828</b>
Payments for investments in fixed assets	-275	-4,171
Payments received for the sale of consolidated companies and other business units	-9,191	0
Income from the disposal of fixed assets	0	0
Exchange rate-related changes in fixed assets	0	0
<b>Cash flow from investing activities</b>	<b>-9,466</b>	<b>-4,171</b>
Change in minority interest	0	0
Payments to minority shareholders	-607	-680
Payment to shareholders	-6,757	0
<b>Cash flow from financing activities</b>	<b>-7,364</b>	<b>-680</b>
Net change in cash and cash equivalents	-5,929	15,977
Exchange rate-related change in cash and cash equivalents	-184	-197
<b>Total change in cash and cash equivalents</b>	<b>-6,113</b>	<b>15,780</b>
<b>Cash funds at the beginning of the year</b>	<b>31,756</b>	<b>15,976</b>
<b>Cash funds at the end of the year</b>	<b>25,643</b>	<b>31,756</b>

# Notes to the Consolidated Financial Statements

[ 1 ]

## General notes

[1.1]

### Compliance with legal requirements

The consolidated financial statements of Aareon AG, Im Münchfeld 1-5, 55122 Mainz, Germany, for the 2008 financial year were prepared according to International Financial Reporting Standards (IFRS) and the interpretations of the Standing Interpretations Committee (SIC/IFRIC). All of the compulsory International Financial Reporting Standards required for the consolidated financial statements as of 31 December 2008 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 are prepared in euros. Unless indicated otherwise, all amounts are shown in thousands of euros (€ 000's). The income statement is 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 income statement in accordance with statutory provisions, which may optionally be shown either in the balance sheet/the income statement or in the Notes, are listed in the Notes. Where individual items are summarised in the balance sheet and the income statement, these are broken down in the Notes.

Preparing the consolidated financial statements requires estimates to be made for several items. These affect the carrying amounts in the consolidated balance sheet or income statement.

Aareon AG is a wholly-owned subsidiary of Aareal IT Beteiligungen GmbH, Paulinenstraße 15, 65189 Wiesbaden, Germany. It is included in the consolidated financial statements of its ultimate parent company, Aareal Bank AG, according to the provisions for full consolidation. In accordance with section 291 German Commercial Code (Handelsgesetzbuch - "HGB"), Aareon AG is therefore exempt from the obligation to prepare consolidated financial statements under German commercial law. Aareon AG therefore prepared its consolidated financial statements in accordance with the IFRSs endorsed by the EU and in accordance with the applicable provisions of section 315a para 1 of the HGB.

[1.2]

### Operating activities

Aareon AG is Europe's leading consultancy and systems house for the property sector. The company's offerings cover all of the sector's key requirements for the management of residential and commercial properties: consultancy services, software solutions, support and other services as well as training.

Aareon has a presence at 23 sites (13 of which are in Germany) and operates in Germany, France, Italy and the United Kingdom. The company has some 1,000 employees and is head-quartered in Mainz, Germany.

Its customers include private-sector housing companies, cooperative housing societies, municipal and 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 financial investors.



## Information on accounting, measurement and consolidation methods

[2]

The group of fully consolidated companies includes Aareon AG as well as all significant 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. Aareon Schweiz AG, Otelfingen, Switzerland, was sold and deconsolidated in the current financial year. The French company, Sylogis.com, Nanterre, was acquired. Initial consolidation is carried out according to the provisions of IFRS 3. One subsidiary was omitted from the group of consolidated companies for reasons of materiality.

[2.1]

### Basis 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.

[2.2]

### Principles of consolidation

As of 1 October 2008, Aareon acquired all shares in Sylogis.com for a price of € 10,817k. The pro-rated fair value of the assets and liabilities was € 1,238k. This results in goodwill of € 9,579k. Goodwill is the result of purchase price allocation. The share in the consolidated net income attributable to the acquired company since initial consolidation during the year was € 264k.

The assets and liabilities of Sylogis.com at the time of initial consolidation were as follows:

Sylogis.com	(€ 000's)		(€ 000's)
Software	798	Equity	1,238
Receivables	2,275	Provisions	1,266
Other	2,478	Liabilities	2,460
		Other	587
<b>Total</b>	<b>5,551</b>	<b>Total</b>	<b>5,551</b>

If the acquisition had been recognized as of the beginning of the reporting period, revenues and net income for the year attributable to the acquired entity would have been € 8,866k and € 663k, respectively.

Aareon Schweiz AG was deconsolidated as of 1 January 2008 in the current financial year, resulting in a deconsolidation gain of € 323k.

All receivables and liabilities as well as revenues, intra-group earnings, 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.



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 leasing payments are discounted and carried as a liability.

**[3.3]**  
**Leases**

These primarily relate to IT equipment and associated peripherals and domestic waste disposal facilities with leases of various terms between one and eight years. 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 interest rate underlying the lease. If this rate is unknown, an incremental borrowing rate of 4% is taken into account.

(€ 000's)	2009	2010-2013	AFTER 2013
Lease payments	842	986	0
Discount amounts	-83	-160	0
Present values	759	826	0

Operating leases primarily concern rent, motor vehicles, office furniture and equipment and telecommunication equipment. Minimum lease payments due to operating leases were as follows:

(€ 000's)	2009	2010-2013	AFTER 2013
Lease payments	6,928	17,502	14,771

Financial instruments are agreements that result in a financial asset at one company and a financial liability or an equity instrument at another company.

**[3.4]**  
**Financial instruments**

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 Aareon Group are primarily loans and receivables originated by the enterprise. As a rule, financial instruments 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” and liabilities 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 production or service contracts that had not been completed on the balance sheet date are capitalised at cost as well as a profit mark-up in line with their degree of completion to the extent that the result of the contract can be reliably estimated. Other unfinished customer orders are capitalised in the amount of the production costs incurred, insofar as it is probable that these will be covered by income.

Production costs are calculated based on standard hourly rates. These include a reasonable amount of material and production overheads in addition to unit costs. Administrative costs are taken into account to the extent that these are attributable to production.

As a rule, “available-for-sale assets” are recognised at fair value. The fair value always is the stock market or market value. If this cannot be calculated, these assets are measured according to actuarial principles by discounting future cash flows using a risk-adjusted discount factor.

**[3.5]  
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. In so doing, this is generally based on the net selling price of the finished product.

**[3.6]  
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). In addition, deferred taxes must be recognised for losses carried forward. The so-called liability method is used to calculate deferred taxes. Deferrals are made 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 taxes are recognised at their nominal amount (IAS 12.54 et seq.). 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.

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 company's 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.

**[3.7]**  
**Provisions for pensions and similar obligations**

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.

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.

**[3.8]**  
**Tax provisions**

The other provisions account for all identifiable risks and uncertain liabilities at the reporting date. Provisions which do not already lead to an outflow of resources in the following year are not recognised at their settlement value discounted to the balance sheet date in line with IAS 37.45 as 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.

**[3.9]**  
**Other provisions**

Stock option programmes (IFRS 2 "Share-based Payment") granted in return for services rendered are recognised under staff costs; the offsetting entry is made as addition to provisions.

The payment of "phantom stock" as a bonus is distributed evenly over three calendar years. Regardless of this, the full provision is made as of the time the options are granted. The amount of provisions was reduced as a result of price adjustments.

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

**[3.10]**  
**Liabilities**

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.

**[3.11]**  
**Recognition of income and expense**

The company essentially generates its sales through

- consulting projects and training
- licensing and maintenance contracts
- hosting/outsourcing services
- integrated banking services
- the Mareon service portal
- insurance brokerage services for the property industry (BauSecura)

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

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. If licence contracts include agreements on future deliveries and performance, part of the software income is allocated to the deliveries and performance based on the underlying calculations, and is only collected when the services have been performed.

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 costs already incurred with the total project costs. These figures are modified regularly as a result of changes to forecast. 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.

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.

[4]

#### Notes to the Consolidated Income Statements of the Aareon Group

[4.1]

##### Revenues

(€ 000's)	REVENUES BY PRODUCT GROUP	
	2008	2007
ERP Products	81,545	82,564
Integrated Services	52,434	58,093
International Business	14,745	14,613
Other products	2,079	2,041
<b>Total</b>	<b>150,803</b>	<b>157,311</b>

At € 1,019k, revenues generated with ERP products was below the previous year's figure. This is essentially due to lower GES revenues. Revenues in the Integrated Services product group decreased by € 5,659k. This is primarily the result of lower revenues from integrated banking services and IT consulting. In contrast, outsourcing revenues grew year on year.

In addition to its German presence, Aareon AG maintained offices in France, Italy, and the UK in 2008.

(€ 000's)	REVENUES BY REGION	
	2008	2007
Germany	135,306	141,119
International	15,497	16,192
<b>Total</b>	<b>150,803</b>	<b>157,311</b>

(€ 000's)	2008	2007
Income from the reversal of provisions	4,480	2,762
Non-cash income	1,081	1,166
Income from letting premises	184	223
Income from the reversal and reduction of specific and global valuation allowances	511	242
Deconsolidation gain	324	0
Other income	3,079	1,216
<b>Gesamt</b>	<b>9,659</b>	<b>5,609</b>

[4.2]  
Other operating income

The increase in other operating income essentially results from the reversal of provisions - especially the reversal of provisions for risks from the sale of the Aareon Energy Management division in 2006 and the reversal of provisions for variable salary components and anticipated losses -, the deconsolidation gain of Aareon Schweiz AG and income related to other accounting periods.

(€ 000's)	2008	2007
Expenses for raw materials, consumables and supplies and goods for resale	4,668	8,574
Cost of purchased services	28,257	26,299
<b>Total</b>	<b>32,925</b>	<b>34,873</b>

[4.3]  
Cost of materials

The expenses for raw materials, consumables and supplies and goods for resale were down year on year due to fewer SAP® license purchases. Triggered by higher expenses for third-party consultancy in connection with Blue Eagle and SAP® implementation projects, expenses for purchased services increased compared with the previous year.

## [4.4]

## Staff costs/employees

(€ 000's)	2008	2007
Salaries	60,406	62,317
Social security costs	11,933	11,872
of which: Retirement benefits	2,605	2,566
<b>Total</b>	<b>72,339</b>	<b>74,189</b>

Staff costs decreased by € 1,850k compared to the previous year. This is essentially due to the decrease in the number of employees and the lower additions to pension provisions compared with the previous year. Also, restructuring costs as defined by IAS 37.10 were incurred in 2007.

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

	2008	2007
Germany	826	847
International	149	140
<b>Total</b>	<b>975</b>	<b>987</b>

## [4.5]

## Other operating expenses

(€ 000's)	2008	2007
Occupancy expenses	6,627	6,716
Leasing/rents	226	233
Legal, audit and consultancy expenses	1,847	1,792
Advertising/marketing	2,698	2,724
Travel expenses	3,258	2,995
Other staff expenses	805	816
Further training	891	657
Motor vehicle expenses	2,886	2,714
Costs of communication	1,069	910
Valuation allowances and write-downs on receivables	172	800
Costs for repairs and maintenance	1,352	909
Insurance premiums	488	520
Office supplies, printed matters, newspapers and magazines	227	259
Subcontracted work	13	46
Emoluments for Supervisory Board and Advisory Council	360	342
Other operating expenses	3,234	6,933
<b>Total</b>	<b>26,153</b>	<b>29,366</b>



Other operating expenses decreased by € 3,213k in comparison with the previous year. This is essentially the result of higher additions to provisions for anticipated losses in 2007 and additional one-off expenses caused by the termination of a development cooperation agreement in 2007.

(€ 000's)	2008	2007	[4.6] Net interest income
Other interest and similar income	642	594	
Interest and similar expenses	169	427	
<b>Total</b>	<b>473</b>	<b>167</b>	

Net interest income increased by € 307k compared to the previous year, essentially due to the additional interest expense incurred as a result of additional tax payments.

(€ 000's)	2008	2007	[4.7] Income taxes
German income taxes	5,562	5,607	
Foreign income taxes	461	247	
<b>Actual tax expense</b>	<b>6,023</b>	<b>5,854</b>	
Deferred tax expense/income	740	-148	
<b>Income taxes</b>	<b>6,763</b>	<b>5,706</b>	

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 2008 financial year (previous year: 39.75%) is multiplied by the pre-tax earnings. The change in the tax rate of deferred taxes in Germany in 2007 was caused by the tax reform carried out effective 1 January 2008.

(€ 000's)	2008	2007
<b>Earnings before taxes</b>	<b>21,609</b>	<b>16,718</b>
Trade tax	3,328	3,037
Corporation tax	3,241	3,420
Solidarity surcharge	178	188
<b>Anticipated tax expense/tax income</b>	<b>6,747</b>	<b>6,645</b>
<b>Reconciliation:</b>		
Non-deductible expenses	207	64
Taxes for previous years	-227	-128
Change in tax rate for deferred taxes (Germany)	0	-469
Other differences	36	-406
<b>Disclosed tax expense</b>	<b>6,763</b>	<b>5,706</b>

## [5] Notes to the Consolidated Balance Sheet of the Aareon Group

## Changes in fixed assets 2008 (Group)

						COST	
	01.01.2008	CURRENCY TRANSLATION- DIFFERENCE	CHANGE IN BASIS OF CONSOLI- DATION	ADDITIONS	DISPOSALS	31.12.2008	
(€ 000's)							
<b>I. Intangible assets</b>							
1. Goodwill	60,871	-667	9,579	0	0	69,783	
2. Licenses, industrial property rights and similar rights and assets as well as licences to such rights and assets	42,108	-142	587	2,099	-466	44,186	
3. Payments on account for intangible assets	0	0	0	0	0	0	
	<b>102,979</b>	<b>-809</b>	<b>10,166</b>	<b>2,099</b>	<b>-466</b>	<b>113,969</b>	
<b>II. Property, plant and equipment</b>							
1. Land, equivalent rights and buildings	9,284	-64	-56	237	-5,336	4,065	
2. Plant and machinery	1,760	-51	318	82	-129	1,980	
3. Other equipment, and office furniture and equipment	28,157	-1	-205	2,910	-3,842	27,019	
4. Payments on account	1	0	0	0	-1	0	
	<b>39,202</b>	<b>-116</b>	<b>57</b>	<b>3,229</b>	<b>-9,308</b>	<b>33,064</b>	
<b>III. Financial assets</b>							
1. Shareholdings	0	0	111	0	0	111	
2. Investment securities	0	0	0	0	0	0	
3. Other loans	3,808	0	64	0	-167	3,705	
	<b>3,808</b>	<b>0</b>	<b>175</b>	<b>0</b>	<b>-167</b>	<b>3,816</b>	
	<b>145,989</b>	<b>-925</b>	<b>10,398</b>	<b>5,328</b>	<b>-9,941</b>	<b>150,849</b>	

01.01.2008	CURRENCY TRANSLATION- DIFFERENCE	CHANGES IN BASIS OF CONSOLI- DATION	ACCUMULATED DEPRECIATION			CARRYING AMOUNTS	
			ADDITIONS	DISPOSALS	31.12.2008	31.12.2008	PREVIOUS YEAR
33,477	-317	0	0	0	33,160	36,623	27,394
21,680	-115	312	3,676	-281	25,272	18,914	20,428
0	0	0	0	0	0	0	0
<b>55,157</b>	<b>-432</b>	<b>312</b>	<b>3,676</b>	<b>-281</b>	<b>58,432</b>	<b>55,537</b>	<b>47,822</b>
4,933	-47	-11	501	-1,926	3,450	615	4,351
661	-45	167	206	-125	864	1,116	1,099
19,391	-1	-129	3,898	-3,746	19,413	7,606	8,766
0	0	0	0	0	0	0	1
<b>24,985</b>	<b>-93</b>	<b>27</b>	<b>4,605</b>	<b>-5,797</b>	<b>23,727</b>	<b>9,337</b>	<b>14,217</b>
0	0	0	0	0	0	111	0
0	0	0	0	0	0	0	0
443	0	0	0	0	443	3,262	3,365
<b>443</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>443</b>	<b>3,373</b>	<b>3,365</b>
<b>80,585</b>	<b>-525</b>	<b>339</b>	<b>8,281</b>	<b>-6,078</b>	<b>82,602</b>	<b>68,247</b>	<b>65,404</b>

**[5.1]**  
**Intangible assets**

The additions to “Industrial rights and similar rights and assets” essentially relate to the capitalisation of internal and external costs for the enhancement of the Wodis software in accordance with IFRS/IAS 38. The internal costs were capitalised in the amount reflecting development services rendered based on a standard per-diem rate and pro-rated project management costs.

The capitalised carrying amount for Blue Eagle in the reporting period totalled € 9,029k, with an average remaining useful life of eight years. A further € 487k in development costs for Wodis were also capitalised. Development costs for research and development in the reporting period totalled € 2,214k. The increase in “Goodwill” results from the addition of € 9,579k from the acquisition of the French company, Sylogis.com.

The amortised goodwill concerning the products is as follows:

1. ERP Products:	€ 21,396k
2. Integrated Services:	€ 4,429k
3. International Business:	€ 10,625k
4. Other products:	€ 173k

**[5.2]**  
**Property, plant and equipment**

The decrease in “Land, equivalent rights and buildings” results from the sale of the property on Tangstedter Landstraße 83 in Hamburg amounting to € 3,648k.

**[5.3]**  
**Financial assets**

The other loans include time deposits in the amount of € 2,660k at Landesbank Rheinland-Pfalz. These deposits are intended to secure a guaranty issued in connection with the membership in two supplementary pension funds.

**[5.4]**  
**Shareholdings**

Name and registered office of company	INTEREST HELD IN %	EQUITY 2008 (€ 000's)	PROFIT 2008 (€ 000's)
Aareon AG, Mainz		66,130	14,933
Aareon Deutschland GmbH, Mainz	100	40,118	-364
Aareon Deutschland GmbH, Berlin	100	345	160
Aareon Immobilien Projekt Gesellschaft mbH, Oberhausen	51	534	688
Aareon Wodis GmbH, Dortmund	100	3,761	-117
BauSecura Versicherungsmakler GmbH, Hamburg	51	1,598	1,468
Aareon France SAS, Orléans (France)	100	835	305
Aareon Italia S.r.l., Rome (Italy)	100	115	-893
Aareon UK Ltd., Coventry (United Kingdom)	100	1,316	226
Sylogis.com SAS, Nanterre (France)	100	1,501	663 <sup>1</sup>

<sup>1</sup> This figure is the company's net profit for 2008.

Aareon acquired all of the shares of Sylogis.com SAS effective 1 October 2008.

**[5.5]**  
**Inventories**

The inventories mainly comprise payments on account. The payments on account made primarily relate to a payment on account made to SAP AG. Ownership and disposal are not restricted for the disclosed inventories.

(€ 000's)	2008	2007
Receivables from unbilled services	2,632	2,150
of which: with a remaining term of more than one year	0	0
Trade receivables	21,495	17,758
of which: with a remaining term of more than one year	0	11
Receivables from affiliated companies	130	185
of which: with a remaining term of more than one year	0	0
Prepayments	2,142	2,483
of which: with a remaining term of more than one year	0	0
Other assets	998	630
of which: with a remaining term of more than one year	312	0

[5.6]  
Receivables and other assets

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

Further details on the receivables from unbilled services can be found in chapter 3.11 "Recognition of income and expense". Ownership and disposal are not restricted for the disclosed receivables. Bad debt allowances were recognised to account for the risk of default. Bad debt allowances in the year under review totalled € 172k.

(€ 000's)	2008	2007
Current tax receivables	1,417	935
Deferred tax assets	971	633
<b>Current tax assets</b>	<b>2,388</b>	<b>1,568</b>

[5.7]  
Current tax assets

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

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

(€ 000's)	2008	2007
Cash reserve	20	8
Balances held with banks	25,623	31,748
of which affiliated companies	22,118	28,894
<b>Funds with terms of up to three months</b>	<b>25,643</b>	<b>31,756</b>

[5.8]  
Cash and cash equivalents

## [5.9]

## Deferred taxes

(€ 000's)	2008	2007
Pension provisions	1,062	1,006
Liabilities	571	534
Other provisions	489	1,719
Losses carried forward (domestic)	326	381
Other	971	485
<b>Deferred tax assets</b>	<b>3,419</b>	<b>4,125</b>
Intangible assets	3,369	3,869
Property, plant and equipment	527	475
Other	1,310	829
<b>Deferred tax liabilities</b>	<b>5,206</b>	<b>5,173</b>

Of the deferred tax assets, € 2,448k are included in non-current tax assets. In addition, tax assets totalling € 2,708k 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, € 1,310k were allocated to current tax liabilities and € 3,896k were allocated to non-current deferred tax liabilities. Unused tax loss carryforwards, for which no deferred tax assets were recognised, amounted to € 2,099k in Germany and € 3,328k abroad. We anticipate the other loss carryforwards to be used.

## [5.10]

## Subscribed capital

The subscribed capital of Aareon AG as of 31 December 2008 shows the following breakdown:

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

Each share has a theoretical par value of 1 €.

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

[5.11]  
Capital reserves

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. In addition, adjustments from the initial application of new IAS that were recognised directly in equity are added to or offset against retained earnings. In the case of the previous year's figures, the unchanged application of the accounting and valuation regulations did not require any adjustment directly recognised in equity. Aareon AG's Articles of Association do not include any provisions for the recognition of reserves.

[5.12]  
Accumulated  
Group income

Minority interest is reported as a separate item under consolidated equity in line with IAS 27.33 and IAS 1.68. Minority interest exists with respect to BauSecura Versicherungsmakler GmbH, Hamburg, and Aareon Immobilien Projekt Gesellschaft mbH, Oberhausen.

[5.13]  
Minority interest

Provisions developed as follows:

[5.14]  
Provisions

	01.01.2008	ADDITIONS	CHANGE IN BASIS OF CONSOLIDATION	USE	REVERSAL	31.12.2008
(€ 000's)						
Pension provisions	19,539	1,483	230	1,166	0	20,086
Provision for taxes	3,801	1,801	261	2,779	313	2,771
Other provisions	20,889	6,967	741	9,103	4,480	15,014
<b>Total</b>	<b>44,229</b>	<b>10,251</b>	<b>1,232</b>	<b>13,048</b>	<b>4,793</b>	<b>37,871</b>

[5.14.1]  
Provisions for pensions  
and similar obligations

Development of pension provisions:

(€ 000's)	2008	2007
<b>Pension provision as of 01.01.</b>		
1. Pension provision as of 31.12. of the previous year (accrued pension cost)	19,539	19,217
<b>Expense for the financial year</b>		
2. Expense for the financial year, net		
a) Service cost	194	246
b) PBO interest cost	1,131	1,023
c) Amortisation	0	122
- Gains (-)/Losses	7	0
- Prior service cost	0	0
- Initial net obligation	0	0
	<b>1,332</b>	<b>1,391</b>
3. Actual utilisation	1,165	1,069
4. Other additions and transfers	380	0
<b>Pension provision as of 31.12.</b>	<b>20,086</b>	<b>19,539</b>
<b>Obligations as of 01.01.</b>		
Projected benefit obligation (PBO) on 01.01.	21,102	23,238
<b>Expense for the financial year</b>		
5. Expense for the financial year, net		
a) Service cost	194	246
b) PBO interest cost	1,131	1,023
c) Amortisation	0	122
- Gains (-)/Losses	0	0
- Prior service cost	0	0
- Initial net obligation	0	0
	<b>1,325</b>	<b>1,391</b>
6. Actual utilisation	1,165	1,069
7. Other additions and transfers	380	0
8. Gain (-)/Loss	-492	-2,458
<b>Pension obligation as of 31.12.</b>	<b>21,150</b>	<b>21,102</b>



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

In %	2008	2007
Interest rate	5,5	5,5
Development of salaries	2,25	2,25
Expected inflation rate	2,0	2,0
Fluctuation rate	3,2	3,2
Calculation based on	“Mortality Tables 2005 G”*	“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.

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.

[5.14.2]

Development in 2008 (2007)

Other provisions

(€ 000's) Previous year's figures in parentheses	01.01.	ADDITIONS	CHANGE IN BASIS OF CONSOLIDATION	USE	REVERSAL	31.12.
Warranties	1,127 (1,127)	0 (0)	0 (0)	0 (0)	0 (0)	1,127 (1,127)
Staff salary components	298 (787)	204 (335)	-10 (0)	229 (794)	4 (30)	258 (298)
Long-service obligations	3,658 (3,883)	435 (236)	0 (0)	191 (224)	142 (237)	3,761 (3,658)
Bonus payments	6,233 (4,379)	4,308 (6,168)	0 (0)	5,422 (4,216)	698 (98)	4,421 (6,233)
Restructuring	893 (4,856)	0 (730)	0 (0)	868 (3,220)	9 (1,473)	16 (893)
Other provisions	8,680 (7,044)	2,020 (4,754)	751 (0)	2,393 (2,194)	3,627 (924)	5,431 (8,680)
<b>Total 2008</b>	<b>20,889</b>	<b>6,967</b>	<b>741</b>	<b>9,103</b>	<b>4,480</b>	<b>15,014</b>
<b>Total 2007</b>	<b>(22,076)</b>	<b>(12,223)</b>	<b>(0)</b>	<b>(10,648)</b>	<b>(2,762)</b>	<b>(20,889)</b>

Warranty provisions were recognised for any sales revenues associated with any such claims. Their non-current portion is shown under non-current provisions, as is the provision for long-service benefits. In addition, specific provisions were recognised for individual risks. Provisions for obligations to employees essentially result from variable performance-linked remuneration to be paid after the balance sheet date. 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.

Other provisions by term:

(€ 000's)	< 1 YEAR		> 1 YEAR	
	01.01.	31.12.	01.01.	31.12.
Previous year's figures in parentheses				
Warranties	0 (0)	0 (0)	1,127 (1,127)	1,127 (1,127)
Staff salary components	298 (787)	259 (298)	0 (0)	0 (0)
Long-service obligations	0 (0)	0 (0)	3,658 (3,883)	3,761 (3,658)
Bonus payments	6,233 (4,379)	4,421 (6,233)	0 (0)	0 (0)
Restructuring	893 (4,856)	16 (893)	0 (0)	0 (0)
Other provisions	8,680 (7,044)	5,431 (8,680)	0 (0)	0 (0)
<b>Total 2008</b>	<b>16,104</b>	<b>10,127</b>	<b>4,785</b>	<b>4,888</b>
<b>Total 2007</b>	<b>(17,066)</b>	<b>(16,104)</b>	<b>(5,010)</b>	<b>(4,785)</b>

[5.15]

Current tax liabilities

(€ 000's)	2008	2007
Income tax liabilities	4,081	5,492
Other liabilities, taxes	3,332	3,029
<b>Total</b>	<b>7,413</b>	<b>8,521</b>

[5.16]

Liabilities

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

(€ 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
Payments received on account of orders	1,276 (1,178)	0 (0)	0 (0)	1,276 (1,178)
Trade payables	3,271 (4,351)	2,003 (1,712)	0 (0)	5,274 (6,063)
Liabilities to affiliated companies	4,432 (6,872)	0 (0)	0 (0)	4,432 (6,872)
Other liabilities	8,345 (8,139)	0 (0)	0 (0)	8,345 (8,139)
Prepayments received	2,426 (3,011)	0 (0)	0 (0)	2,426 (3,011)
<b>Total 2008</b>	<b>19,750</b>	<b>2,003</b>	<b>0</b>	<b>21,753</b>
<b>Total 2007</b>	<b>(23,551)</b>	<b>(1,712)</b>	<b>(0)</b>	<b>(25,263)</b>

Of the trade payables with a remaining term of more than one year, € 1,831k concern liabilities under leases. The other liabilities primarily include provisions from other supplier invoices and holiday obligations. Prepayments received mainly include the deferral of future maintenance revenues.

### Other explanatory notes

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

(€ 000's)	2009	2010-2013	AFTER 2013
Licence agreements	3,000	9,000	0
Lease agreements	7,893	18,503	14,771
Other contracts	789	364	0
<b>Total</b>	<b>11,682</b>	<b>27,867</b>	<b>14,771</b>

[6]

[6.1]

Other financial obligations

**[6.2]**  
**Related parties**

In addition to the subsidiaries included in consolidation, Aareon AG has direct or indirect links to a large number of related, non-consolidated parties in conducting its ordinary activities. These are subsidiaries of the Aareal Bank Group, which 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 “Blue Eagle”, “WohnData” “GES” and “Wodis” (Integrated Banking)
- Provision of computer centre services and related implementation consultancy services
- Consulting projects
- Sharing the costs of the Aareon Congress

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 on page 50. 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.

The members of the Management Board and the directors of Aareon AG, the managing directors of Aareon Deutschland GmbH and the members of the Supervisory Board were identified as being key management personnel as defined by IAS 24.9. Compensation for key management personnel totalled € 3,893k in the financial year, including € 1,444k for the members of the Management Board.

Furthermore, provisions totalling € 22k were recognised for share-based payment (SAR) of members of the Management Board.

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

**[7]**

**Consolidated Cash Flow Statement**

All means of payment with terms of up to three months are deemed to be cash and cash equivalents. The cash flow statement 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 2008 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 € 10,901k.

The “cash flow from investing activities” was € -9,466k, resulting essentially from the sale of a subsidiary. The “cash flow from financing activities” in the amount of € -7,364k is essentially due to payments to shareholders.

**Corporate bodies**

[8]

Thomas Ortmanns, Chairman  
Aareal Bank AG, Wiesbaden

Member of the Management Board

[8.1]

**Supervisory Board**

Dr. Peter Lammerskitten, Deputy Chairman  
Königstein

Consultant

Prof. Dr. Björn Dreher  
University of Applied Sciences Wiesbaden

Lecturer for Information Technology

Lutz Freitag  
GdW Bundesverband deutscher Wohnungs-  
und Immobilienunternehmen e. V., Berlin

President

Prof. Dr. Wilhelm Haarmann  
Haarmann Partnerschaftsgesellschaft, Frankfurt

Solicitor and Wirtschaftsprüfer  
(German Chartered Accountant)

Norbert Kickum  
Aareal Bank AG, Wiesbaden

Member of the Management Board

Hermann J. Merkens  
Aareal Bank AG, Wiesbaden

Member of the Management Board

Dr. Manfred Schlottke  
Telekom Forum, Munich

Business Consultant

Dr. Wolf Schumacher  
Aareal Bank AG, Wiesbaden

Chairman of the Management Board

[8.2]  
Management Board

Dr. Manfred Alflen	Chairman of the Management Board Shared Services, International Business, since 15.10.2008 Sales
Gereon Neuhaus	Member of the Management Board (Until 14 October 2008) Blue Eagle and SAP® Product Line, Sales, Aareon Immobilien Projekt Gesellschaft mbH shareholding
Jürgen Pfeiffer	Member of the Management Board GES and WohnData Product Lines, BauSecura Versicherungsmakler GmbH shareholding, since 15.10.2008 Wodis Product Line, Software Services, Aareon Wodis GmbH shareholding
Eberhard Villmow	Member of the Management Board IT Service Centre, Service Management, Integrated Services and IT Consulting Product Lines, Aareon DSK GmbH shareholding, since 15.10.2008 Blue Eagle and SAP® Product Line, Aareon Immobilien Projekt Gesellschaft mbH shareholding

[9]

**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, 28 January 2009

The Management Board



Dr. Manfred Alflen



Jürgen Pfeiffer



Eberhard Villmow

# Auditor's Report

We have audited the consolidated financial statements of Aareon AG, comprising the balance sheet, the income statement, 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 2008. 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 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 presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, which is based on the findings of 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 position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 28 January 2009

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

(Christian F. Rabeling)  
German Public Accountant

(Marc Billeb)  
German Public Accountant

## Report of the Supervisory Board



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

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 and its overall situation, as well as on the business policies contemplated by the Management Board, on corporate planning issues as well as on significant transactions. 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 the year. Furthermore, in the 2008 financial year and at the beginning of the 2009 financial year one resolution each was adopted in writing via circulars. During all meetings, the Supervisory Board was informed in detail by the Management Board 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 Supervisory Board was informed by the Management Board with regard to the company's products and their installation and introduction with customers, putting special emphasis on major customer and acquisition projects. These discussions covered the products' strategic and market focus as well as their economic development and technical enhancement.

The company's strategy in manufacturing and operating its products and in providing its services were yet another focus of the Supervisory Board's deliberations. The discussions included a review of the risks and opportunities associated with production by Aareon as compared to collaboration with partners ("make or buy").

The key activities regarding the company's future strategy were combined in a strategy project, about which there will be quarterly reports. Measures concerning the company's international strategy were also discussed repeatedly in this connection.

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 once and the Auditing Committee met twice during the 2008 financial year.



The company's financial statements as at 31 December 2008, 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 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. Gereon Neuhaus on his own accord and with the Supervisory Board's approval resigned from his office as a member of the Management Board effective 15 October 2008 to devote himself to new tasks. The Supervisory Board would like to thank Mr. Neuhaus for his dedicated and open cooperation.

Mainz, March 2009

The Supervisory Board



Thomas Ortmanns  
(Chairman)

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Photo of the handover of the "berufundfamilie"  
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Aareon AG was awarded the "berufundfamilie" certificate by berufundfamilie gGmbH in 2008.



# Aareon customers

## Germany (selection)

### Blue Eagle

- ABG Frankfurt Holding GmbH, Frankfurt am Main
- FORTUNA Wohnungsunternehmen e.G., Berlin
- GAG Immobilien AG, Cologne
- Gemeinnützige Wohnungsgenossenschaft Gartenstadt-Kolonie Reform eG, Magdeburg
- Sedlmayr Grund und Immobilien KGaA, Munich
- Wohnungsgenossenschaft "Glückauf" Süd Dresden e.G., Dresden
- WOWI WOLGAST Wolgaster Wohnungswirtschafts GmbH, Wolgast

### Wodis

- Baugesellschaft Gotha mbH, Gotha
- GEWO Gemeinnützige Wohnungsbau eG, Oberhausen
- Kreiswohnungsbaugesellschaft mbH Schaumburg, Stadthagen
- Vereinigte Leipziger Wohnungsgenossenschaft eG, Leipzig
- Wohnungsbaugenossenschaft Chemnitz West eG, Chemnitz
- Wohnungsgenossenschaft "Aufbau" eG Stralsund
- Wohnungsgenossenschaft "Lipsia" eG, Leipzig

## International (selection)

### Aareon France, France

- Groupe Hainaut Immobilier, Valenciennes
- Groupe SNI, Paris
- Loire Habitat, Saint Etienne
- Pas-de-Calais Habitat, Arras
- Port Autonome de Paris, Paris

### Aareon Italia, Italy

- Beni Stabili, Rome
- Ferservizi (Gruppo F.S.), Rome
- Gruppo L. Caltagirone, Rome
- I.G.D. SIIQ, Villanova di Castenaso (BO)
- Sansedoni (Gruppo M.P.S.), Siena

### GES

- Barg Holding GmbH, Berlin
- Grundstücks- und Gebäudewirtschafts-Gesellschaft mbH (GGG), Chemnitz
- HOWOGE Wohnungsbaugesellschaft mbH, Berlin
- SAGA Siedlungsaktiengesellschaft, Hamburg
- TREUREAL GmbH, Leipzig
- WIRO Wohnen in Rostock Wohnungsgesellschaft mbH, Rostock
- Wohnungs- und Siedlungsbau Bayern GmbH & Co. OHG, Munich

### WohnData

- Becker & Kries Immobilien Management GmbH & Co. KG, Berlin
- FROHE ZUKUNFT Wohnungsgenossenschaft eG, Halle
- LEG Landesentwicklungsgesellschaft NRW GmbH, Düsseldorf
- LWB Leipziger Wohnungs- und Baugesellschaft mbH, Leipzig
- STADT UND LAND Wohnbauten Gesellschaft mbH, Berlin
- TLG IMMOBILIEN GmbH, Berlin
- wbg Nürnberg GmbH, Nürnberg

### Aareon UK, United Kingdom

- Bournville Village Trust, Birmingham
- Fabrick Housing Group, Middlesbrough
- Richmond Housing Partnership, London
- Selwood Housing, Trowbridge
- Wessex Housing Partnership, Basingstoke

### Sylogis.com, France

- Batigere, Metz
- EPAFM, Paris
- Erilia, Marseille
- Groupe Opievoy, Versailles
- Optimege (Dalkia Group), Paris

# Highlights of 2008



**JANUARY:** Launch of the new ad campaign



**MAY:** Aareon Congress with guest speaker Prof. Ernst Ulrich von Weizsäcker

JANUARY

FEBRUARY

MARCH

APRIL

MAY

JUNE

**MARCH:** Building from the portfolio of Cologne-based property company GAG Immobilien AG, which opted for Blue Eagle. (Buchheimer Weg, Köln-Ostheim)



**JUNE:** Aareon receives the Gold partner certificate from EASY SOFTWARE



**JANUARY** Aareon enters into a partnership with EASY SOFTWARE AG, the Mülheim-based document management system experts. This is followed in April by Aareon's market launch of its new **Aareon DMS** document management system.

The new **ad campaign** gets underway.

Introduction of the **Single Euro Payments Area (SEPA)**: all of Aareon's ERP systems are prepared for the changeover.

**FEBRUARY** **Aareon Schweiz**, the Swiss subsidiary of Aareon AG, is sold to W&W Immo Informatik AG, Switzerland, retroactively effective 1 January 2008. This occurs as part of the process of focusing on significant strategic international markets.

Customer satisfaction improves year on year. This is the key finding of our **2007 Customer Satisfaction Survey**. Aareon has been using this survey as a quality management tool since 2002.

**MARCH** The Cologne-based GAG Immobilien AG corporation chooses **Blue Eagle**.

At **CeBIT 2008** – the world's largest IT trade fair – Aareon is the only SAP partner from the property sector to be present at the SAP partner stand.

**Aareon France** exhibits at the major international property trade fair MIPIM in Cannes, sharing a stand with Aareal Bank.

**APRIL** **Blue Eagle release change:** The release change for our ASP customers running the latest Blue Eagle Release 5.0 is executed without a hitch during the weekend of 18-20 April 2008.

**MAY** "Committed to your success" is the theme for the **18th Aareon Congress**, held in Garmisch-Partenkirchen. Around 1,000 participants use the opportunity presented by the Property Sector Forum to engage in discussion and discovery of the latest trends and topics.

The **DW Innovation Award for the Property Sector** is presented at the Aareon Congress for the fifth time. Four companies receive awards for their outstanding contributions to "Professionalism in Housing".

Beamten-Wohnungs-Verein zu Köpenick eG becomes the first Wodis customer to choose the newly-introduced **Aareon DMS** document management system.

**JUNE** The Mülheim-based EASY SOFTWARE AG confers **Gold Status** on its partner Aareon, recognising the outstanding qualifications achieved by the Aareon DMS team from its training programmes.

Aareon and the Bremen-based GEWOBA Aktiengesellschaft Wohnen und Bauen sign a **Blue Eagle** implementation contract.

Aareon is a participant at the **11th SAP Congress** for the property sector, held in Potsdam.



**JULY:** Ursula von der Leyen, Federal Minister for Family Affairs, presents Aareon with the “berufundfamilie” certificate



**OCTOBER:** Contract signing for the takeover of French software specialist Sylogis.com

**JULY                      AUGUST                      SEPTEMBER                      OCTOBER                      NOVEMBER                      DECEMBER**

**SEPTEMBER:** The staff in Mainz celebrate the topping-out of their new head office.



**NOVEMBER:** Dr. Manfred Alfien receives the DESWOS plaque of honour

**JULY** The major French housing company Adoma becomes a customer of **Aareon France**.

Aareon is awarded the “**job-and-family**” accolade as a family-friendly employer. Ursula von der Leyen, Federal Minister for Family Affairs, Senior Citizens, Women and Youth, presents the certificate.

**AUGUST** Responding to a survey on the Aareon brand, customers highlight **IT and property sector expertise** as two of the company’s key strengths.

“**Lerninseln 2008**” – one-week training camps designed to support trainees in the property sector – are held once again at a number of locations in Germany. Around 60 dedicated junior property professionals take part.

**SEPTEMBER** Our **new Aareon head office building** attains a further milestone: the topping-out ceremony takes place on a gloriously sunny day.

At **WohnData Change** in Hamburg – the traditional annual meeting for WohnData customers – the focus is on the latest 9.4 release and current industry topics.

**Aareon France** exhibits at the H’Expo property trade fair in Cannes.

**OCTOBER Expansion in France:** Effective 1 October Aareon takes full ownership of the software specialist Sylogis.com, strengthening its market position in France significantly.

The Wolfsburg-based NEULAND Wohnungsgesellschaft mbH becomes the first Blue Eagle customer to migrate to **Aareon DMS**.

**NOVEMBER** More than 400 participants visit the **Wodis Forum** in Bochum to find out more about new trends and topics in the property sector.

In recognition of the company’s support for development work, DESWOS – Deutsche Entwicklungshilfe für soziales Wohnungs- und Siedlungswesen e. V. – awards Aareon AG with a **plaque of honour**.

**DECEMBER** The high quality and security of the **GES** ERP system is certified as part of a general product audit conducted by an independent auditing company.

As a result of a change of ownership at LEG Landesentwicklungsgesellschaft NRW, accounting practices must now follow US GAAP. The switch is achieved successfully: “Accounts department completes mammoth project” with **WohnData**.



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An Aareal Bank company

# Aareon AG

# Annual Report 2008