



Aareon
WE MANAGE IT FOR YOU

Annual Report 2009
CREATING SUCCESS TOGETHER

CONSULTANCY AND SYSTEMS HOUSE
FOR THE PROPERTY SECTOR

Facts and figures

FACTS AND FIGURES	
Business	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.
ERP systems	Wodis with the new Wodis Sigma, SAP®-based solutions such as Blue Eagle, GES, WohnData, systems of the international subsidiaries
Consulting	ERP, SAP®, process consulting and Integrated Services consulting
Integrated Services	Mareon service portal, Aareon DMS document management system, integrated banking, BauSecura insurance services etc.
Modes of operation	ASP (Application Service Providing), hosting, inhouse
Customer structure	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
Number of customers	More than 2,400
Group affiliation	Wholly owned by the Aareal Bank Group, Wiesbaden. Aareon AG is part of the Consulting and Services business segment of Aareal Bank AG
International presence	France, Italy, United Kingdom
History	<ul style="list-style-type: none"> • 1957: Start of development from the computer centre of Deutsche Bau- und Bodenbank AG to an IT services group • 1996: Spin-off of IT services into a newly-established, independent subsidiary, BauBoden Systemhaus GmbH • 1999: Incorporation of a Group, establishing a holding structure; followed by a company name change to DePfa IT Services AG. International business expansion • 2001: Market launch of the Mareon service portal • 2002: Cooperation with SAP AG to develop Blue Eagle, a new generation of software; change of company name to Aareon AG • 2004: Market launch of Blue Eagle • 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 • 2007: 50th company anniversary; start of construction of the new Aareon head office in Mainz • 2008: Market launch of the Aareon DMS document management system; enhancement of the market position in France by acquiring Sylogis.com • 2009: Market launch of the new Wodis Sigma product generation, merger of Sylogis.com and Aareon France to form the 'new' Aareon France, move into the new Aareon head office in Mainz

Overview of the Aareon Group



Updated: March 2010

GERMANY

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

INTERNATIONAL

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

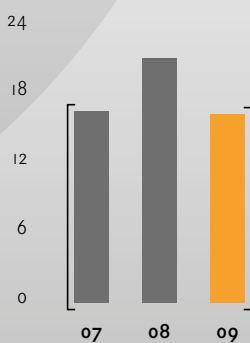
Indicators

Indicators IFRS (€ m)	2009	2008	CHANGE
Revenues	153.0	150.8	1.5%
of which international	22.0	15.5	41.9%
Operating expenses	144.0	139.9	2.9%
Profits from ordinary activities	16.4	21.8	-24.8%
Consolidated net income	10.0	14.8	-32.4%
Consolidated net income after minority interest	9.0	13.9	-35.3%
EBIT	16.3	21.1	-22.7%
Total assets	122.4	131.9	-7.2%
Shareholder's equity	59.3	63.7	-6.9%
Cashflow	16.8	25.6	-34.4%
Number of staff* (average)	1,035	1,001	3.4%
of which international	216	154	40.3%
Key ratios in %			
Return on Equity	26.4	36.7	
Cost/income ratio	89.8	86.9	

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

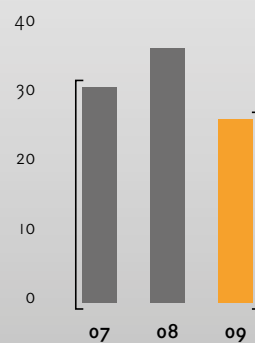
EBIT

(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.”

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Creating success together

Engaging a variety of target groups and learning from each other are key to our ability to offer our customers cutting-edge solutions and hence to our success. Much happens faster, easier and better if it is done together.

Both customers and Aareon can better achieve their goals thanks to constructive exchanges with the company's customer advisory boards. >> [p. 6](#)



Linking theory and practice in cooperation with Nürtingen-Geislingen University enables us to broaden our knowledge and create pioneering solutions for the industry. >> [p. 16](#)



Long-term alliances with business partners such as Techem GmbH allow us to utilise synergies by bringing together both companies' core expertise for the benefit of their customers. >> [p. 32](#)



The company

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Letter from the Management Board

Ladies and Gentlemen,

Stable 2009 financial year

Despite the difficult market conditions caused by the economic crisis, 2009 proved to be a stable year for us. We were able to draw upon the positive performance of our core business in previous years, and the Aareon business model with its multiproduct strategy also proved its worth. Our customers recognised the value of our investment spending and expressed keen interest in our new products. Our stable and long-term customer relationships were of great benefit here. We increased our revenues by 1.5% to € 153.0 million. The operating result, at € 22.6 million, was just above the figure for our record 2008 financial year. Due to one-time charges for restructuring totaling € 6.2 million, however, Group EBIT was € 16.3 million. These one-time charges are due to capacity adjustments in connection with Blue Eagle. The measures associated with this in some areas have triggered an adjustment of staffing levels to capacities. We also incurred expenditure in connection with discontinuing non-core activities.

Successful launch of Wodis Sigma

A particular highlight as far as products are concerned was the successful launch in 2009 of the new product generation Wodis Sigma, which is based on Microsoft® .NET™, a leading global development platform. Following the presentation of Wodis Sigma at the Aareon Congress in May, this new product generation became established on the market in record time. By the end of 2009, more than 200 property companies had chosen Wodis Sigma.

Reacting to this market trend, a number of major customers made inquiries about the Aareon solutions that are based on SAP® and Blue Eagle Individual. GWH Gemeinnützige Wohnungsgesellschaft mbH Hessen, in Frankfurt am Main, elected to introduce a custom SAP® solution and STADT UND LAND Wohnbauten-Gesellschaft mbH in Berlin chose Blue Eagle Individual. GEWOBA Aktiengesellschaft Wohnen und Bauen in Bremen signed a hosting agreement for Blue Eagle Individual. Our customers signed multi-year extensions for the GES product line. A key concern of the autumn meeting of the WohnData advisory council was the service life of WohnData. The council and Aareon agreed that WohnData customers should aim to migrate by 2010/2011. The Aareon service portal was able to further develop its market-leading position. And as compliance requirements have become stricter, the Aareon DMS document management system has become increasingly relevant. Nearly 40 contracts were signed for Aareon DMS.

At international level, we strengthened our market position in France through the merger of our subsidiaries Sylogis.com and Aareon France, which created the 'new' Aareon France. In the United Kingdom, we gained many projects in a highly price-competitive market. To improve productivity at Aareon Italia, we implemented restructuring measures.

We continued to encourage our staff to balance work and family in 2009. Initiatives included modifying the company agreement on working hours to improve work-life balance and introducing a family service managed by a specialist provider.

Geothermal power for new head office

The move to the new head office in Mainz was another milestone in our company's history. Its interior benefits from a modern layout that facilitates communication between staff members. We chose a green solution for our energy needs and are using geothermal energy.



Eberhard Villmow

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

**Dr. Manfred Alflen
(Chairman of the Management Board)**

Shared Services, International Product Management, International Business

Jürgen Pfeiffer

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

Dr. André Rasquin

Regional and centralised sales

(from left to right)

We wish to thank our staff and the Works Council for their dedication and for their contribution to Aareon's corporate success. We thank our customers for their trust and the constructive feedback that helps us to keep improving our products. We also thank our partners, with whom we enjoy such a good working relationship.

We are well prepared to meet the challenges of the 2010 financial year. We strengthened the Management Board on 1 January 2010 with the appointment to our sales division of Dr. André Rasquin. This appointment reflects the company's belief in the importance of our sales operations. We will continue to develop the integrated Aareon portfolio for the benefit of our customers. We intend, for example, to make available a Wodis-Sigma-Release 2.0 with additional features. The Aareon Congress in Garmisch-Partenkirchen will be the highlight of our events calendar. This 20th Congress is a symbol of the growth of our customer relationships over many decades. We are pleased with the high customer satisfaction ratings from our 2009 survey and will be taking steps in 2010 to improve still further.

Yours sincerely,






Dr. Manfred Alflen

Jürgen Pfeiffer

Dr. André Rasquin

Eberhard Villmow





“Aareon’s proximity to the housing sector that has evolved through many decades is a key aspect of the company's cooperation with its customers.”

JÜRGEN PFEIFFER | Member of the Management Board of
Aareon AG



Group Management Report

Aareon head office in Mainz



Business and general conditions

Business activities

Market leader Aareon AG combines property market and IT expertise¹

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 support them in achieving their business goals. Our customers benefit from an integrated range of services and products comprising consultancy, software and services. 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 22 locations in 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. It 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.

Integrated products and services

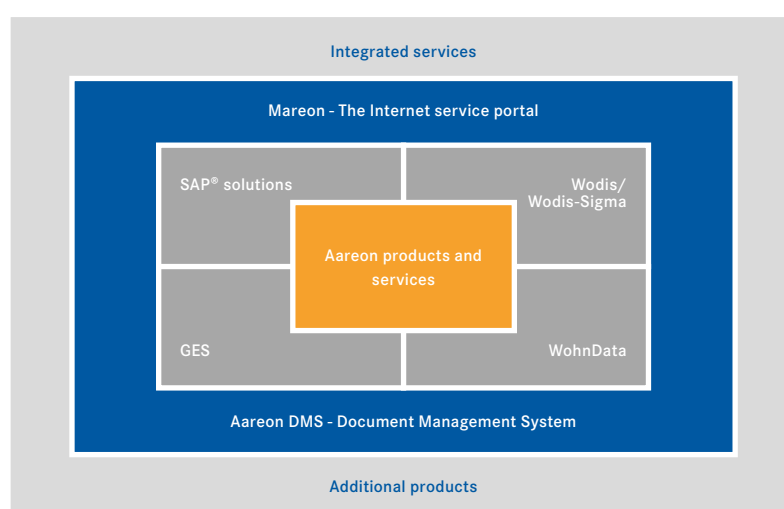
Aareon is committed to pursuing a multiproduct strategy that addresses the needs of all of its customer groups. The ERP product portfolio, which satisfies our customers' requirement for efficient process design, comprises the Wodis solution with the new Wodis Sigma product generation, SAP®-based solutions such as Blue Eagle, and the well established GES and WohnData systems. (see. p. 18 f.). We combine our product portfolio with comprehensive consulting and integrated services that link property companies and their business partners (see p. 20 f.).

According to the Lünendonk List – a well-established annual market survey – Aareon has been ranked among Germany's 25 leading IT service companies for many years². Other players in the market for in-house developed ERP software for the property sector are: ESS EDV Software Services AG, Preußisch Oldendorf, GAP Gesellschaft für Anwenderprogramme und Organisationsberatung mbH, Bremen, and mse relion GmbH, Augsburg. In addition to Aareon, there are seven other providers offering property market ERP software based on SAP®: Comline AG, Hamburg, DKB IT-Services GmbH, Potsdam, IBM Mittelstand Systeme GmbH, Meerbusch, Immologis GmbH, Kassel, Promos Consult

¹ See HMC-Marktreport, Wohnungswirtschaftliche DV-Systeme 2009

² See 2009 Lünendonk List, Lünendonk GmbH, Kaufbeuren, as of 20.05.2009

GmbH & Co. KG, Berlin, Siemens IT-Dienstleistung and Beratung GmbH, Gelsenkirchen, as well as Wiscore GmbH, Bochum. These competitors also offer computer centre services to the property sector although, with the exception of Comline AG, on a much smaller scale. With Mareon, Aareon has the market-leading property sector service portal.



Aareon's ERP systems simplify the process of property companies. Linking these ERP systems with integrated services and Aareon's additional products supports housing companies in achieving their goals.

Economic environment

The global financial and economic crisis led to a serious economic downturn in Germany – especially in the first half of 2009. The German Council of Economic Experts estimates that gross domestic product for 2009 was 5% down on the previous year (previous year: 0.6%)³. Fiscal and monetary intervention prevented matters from becoming even more serious. In the euro zone, the downturn was 3.9%, and in the European Union, 4.0%. The Council expects a muted recovery for 2010 with a growth forecast for Germany of 1.6%.

Although the unemployment rate has been falling in Germany and the European Union in recent years, it rose again in 2009. Short-time working programmes prevented the jobless figures from rising even further. The unemployment rate in Germany is expected to be 8.2% for 2009 (previous year: 7.8%). In the euro zone, it is stated at 9.5% and in the European Union at 9.1%. Unemployment levels are expected to rise in 2010.

Throughout the economic crisis, the German housing industry has shown itself to be a stable market segment. This is borne out by stable cash flows and firm growth in the value of housing stocks. Secure, diversified rental incomes and a long-term financing structure were responsible for the sustained, robust business performance in 2009.

The housing industry is a stable market segment

³ See the 2009 /2010 Annual Report by the German Council of Economic Experts, "Securing the future through responsible economic policies", November 2009

The winner of the 2009 DW Innovation Award for the Property Sector (from the left): Heinz-Peter Richrath, THS Wohnen, Gelsenkirchen, Stefan Lerch, DKB Immobilien AG, Potsdam, Norbert Reinelt, GeWoSüd, Berlin, Thomas Rücker, GSW Immobilien GmbH Berlin.



Compliance gains in importance

Rental prices in Germany rose again slightly, with regional differences being observed. The average rise in rent, according to the F+B-Mietspiegelindex 2009 – an analysis of all official rental price surveys in Germany – was 0.6%. The previous year's figure was 0.8%.

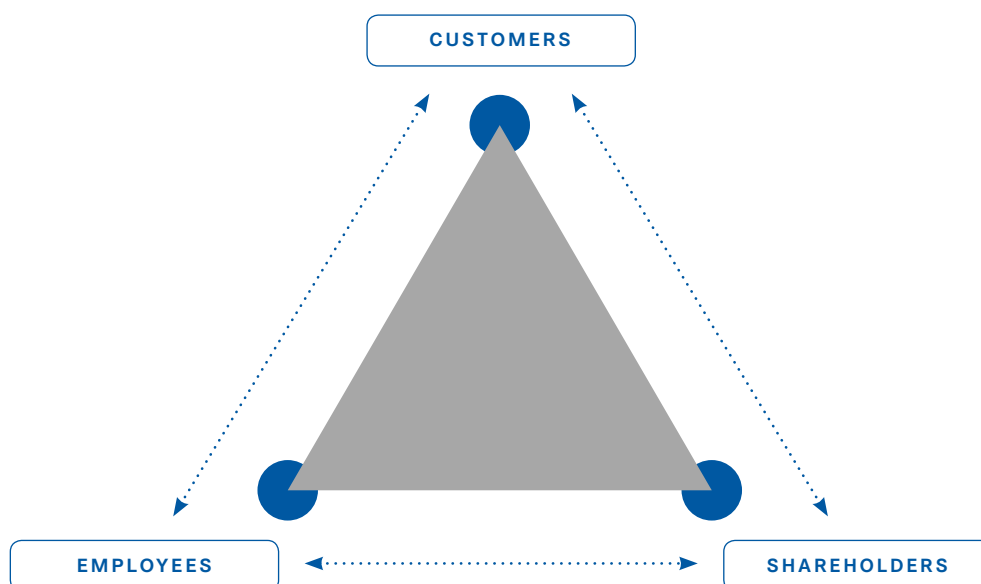
High energy costs continue to present a challenge. To reduce its energy and maintenance costs, the housing industry is investing in energy efficient modernization measures. Also, the amended 2009 German Energy Savings Regulation (EnEV 2009), which contains more stringent energy-saving standards for building and renovation, came into force on 1 October. Changes in demographics and in the requirements of tenants are leading to more multi-faceted household structures, which reflect the needs of, for example, patchwork families, single people of all ages and senior citizens. For some time now, the housing industry has been concerned with more than simply providing somewhere to live. Housing companies who provide additional services on the various aspects of renting accommodation make it more attractive to tenants. In addition, the housing industry has become increasingly conscious of the importance of sustainability, or ensuring that its business activities are conducted with due regard for its social and ecological responsibilities. The subject of compliance – the observance of legal and ethical standards in all business activities – is growing in importance within the property industry. An important aspect of compliance is putting in place the best possible processes for verifying and auditing data. IT compliance is also an important factor when choosing an IT service provider. Software and computer centre services that have been tested and certified to current standards mean proven IT security and less auditing for customers.

The 2009 entries for the “DW Innovation Award for the Property Sector” showed quite clearly that innovation is alive and well within the housing industry. GdW president Lutz Freitag presented the prize to the best entries on the topic of “Professionalism in Housing” at the Aareon Congress in Garmisch-Partenkirchen in May. Typical of the high standard of entries received was the “Baby-boomer” campaign from GSW Immobilien GmbH, Berlin.

The market for property-related software suffered from a mild cyclical slowdown in the first six months, and tendering volumes were down. The market for ERP solutions was increasingly separating into solutions based on SAP® and solutions not based on SAP®. In the SAP®-based market, demand for custom solutions increased. In the market for non-SAP®-based solutions, the modern Microsoft®.NET™ development platform grew in importance for Aareon and for our new product generation Wodis Sigma.

Corporate strategy

Aareon has diligently pursued its strategic growth programme Value 2010. The launch of the Wodis Sigma new product generation was an important milestone in the ongoing development of our innovative ERP products (see p. 18 f.). We were able to further consolidate our international position. Following our acquisition of the French software specialist Sylogis.com SAS in 2008, we merged this company with Aareon France SAS to form the “new” Aareon France SAS (see p. 23). Focusing on “Strengthening our corporate culture”, we concluded the senior management development programme that we had begun in 2008, and implemented other measures aimed at strengthening our family-friendly personnel policy (see p. 13 f.). We also launched our “Living Aareon” project designed to convey a consistent perception of the Aareon brand and corporate culture – particularly with regard to the matter of customer focus.



Value generation and corporate success in balancing the conflicting interests of the stakeholder groups customers, employees and shareholders.

Aareon’s strategy rests on four cornerstones:

- **A clear focus on markets and customers.** Ensuring customer benefit and customer satisfaction are our first priority. Our goal is to be a reliable partner for our customers, helping them to achieve their corporate goals. We measure customer satisfaction by means of an annual survey, which helps us to improve our performance in a structured way. Aareon’s customer satisfaction rates have risen steadily over recent years and we were successful in maintaining this trend in 2009: A total of 99% of customers surveyed stated that they were satisfied, very satisfied or completely satisfied with Aareon (previous year: 97%).

High customer satisfaction

Synergies through partnership

Employees are the key to the company's success

Project management promotes transparency and the focus on targets and results

- Customer-focused solutions:** Dialogue with customers plays a key role in ensuring that our solutions offer added value. We therefore examine customer needs in committees such as our customer advisory boards as well as in regular dialogue with our customers. We constantly monitor the trends that influence the property sector and feed our findings into the ongoing development of our integrated portfolio of products and services. The quality and innovative nature of this portfolio support assists companies in their efforts to achieve their corporate goals. Aareon's ERP systems facilitate efficient process design and offer a range of evaluation options to support management decision-making. They make it possible for property companies to reduce their costs and to open up new areas of revenue. Aareon offers customers a choice of ERP products to match their business needs. These systems offer outstanding benefits when used in conjunction with industry-specific consulting services (ERP, SAP®, process and IT consulting), and this can be enhanced still further through the use of integrated services and related products. Our IT Service Centre rounds off Aareon's portfolio. Partnerships and collaborations help us to combine our various core competencies for the benefit of the customer. Aareon partners include Mülheim-based EASY SOFTWARE AG (product partnership in the development of an integrated document management system), Immobilien Scout GmbH, Berlin (partnership aimed at improving the marketing and rental processes in the Mareon Service Portal), Techem AG in Eschborn (strategic premium partnership), ista Deutschland GmbH in Essen (collaboration on the development of an integrated settlement accounting system for service and maintenance charges), SAP AG in Walldorf, and VRG HR GmbH in Oldenburg (partner for IT solutions, HR management systems).
- 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 (see p. 13 f.). Creating an atmosphere in which people like to work is important to us. Aareon employees combine in-depth expertise in the property market with excellent IT skills and great commitment and constantly enhance their training.
- 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

In response to current market needs, Aareon is shifting its product strategy from Blue Eagle towards custom SAP® projects (see p. 19 f.). In 2009, Aareon merged the SAP® consultancy organisations in its Aareon Immobilien Projekt Gesellschaft mbH subsidiary.

The market for sector-specific hardware and software has also changed. Aareon is now concentrating on the provision of consulting for integrated services. In this context, Aareon DSK GmbH, Berlin changed its name to Aareon Software Handelsgesellschaft mbH with effect from 1 January 2010 and relocated its head office to Mainz. The company will enter into licensing and maintenance agreements for Aareon DMS with customers. Consulting and maintenance services and Aareon software products will remain with Aareon Deutschland GmbH and Aareon Wodis GmbH.

In 2008, VRG HR GmbH, Oldenburg, a well established IT service provider specialising in HR accounting and administration, acquired Aareon's personnel management solution. In 2009, staff affected by the sale moved to the newly established subsidiary VRG HR PROVIA GmbH, providing a measure of continuity for customers, who were able to deal with the same staff. The solution continues to be enhanced by specialists at VRG HR.

On 3 December 2009, Dr. André Rasquin from the Supervisory Board was appointed to the Management Board of Aareon AG with effect from 1 January 2010. Dr. Rasquin assumes responsibility for Aareon's sales division. The division was previously the responsibility of the Chairman of the company's Management Board. Dr. Rasquin will continue to act as Managing Director of Aareon Deutschland GmbH and Aareon Wodis GmbH.

The two French subsidiaries Sylogis.com SAS and Aareon France SAS merged in 2009 to become the "new" Aareon France SAS (see p. 23). Aareon had acquired the property sector software specialist Sylogis.com SAS one year earlier.

Successful employees

A company's workforce plays a key role in its success. Aareon sets great store by the hard work and enthusiasm of its workforce, its professionalism and motivation and, especially, its commitment to customer service. In view of this, it is of great strategic importance to Aareon to have a corporate culture that encourages these qualities and, together with a performance-based remuneration system, positively influences employee motivation and satisfaction.

To help us implement measures aimed at improving employee satisfaction, Aareon has carried out an employee survey every year for the past nine years. A total of 71 % of our workforce in Germany took part in the 2009 survey (previous year: 68 %). Overall satisfaction with Aareon as an employer improved for the third year in succession.

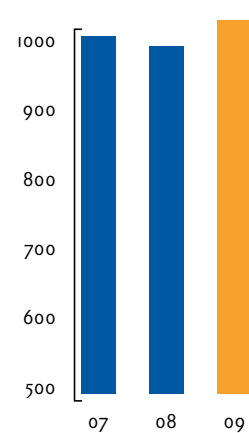
The average annual headcount (including management, trainees, temporary staff, staff on parental leave working part-time) was 1,035 (previous year: 1,001). The essential development work on Blue Eagle is completed. Having observed a certain degree of caution in new investment spending in SAP®-based ERP solutions, we adjusted capacities and staffing levels in our SAP®-based solutions and Blue Eagle product line accordingly. Despite these measures, our headcount increased in the fourth quarter 2008 as the staff of the former Sylogis.com came on board.

The ERP Products product group accounts for the largest share of employees (42.35 %), followed by Other (33.5 %), which includes sales among other things. 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. At the close of 2009, Aareon was offering 130 (13.0 %) part-time positions (previous year: 137, 16.1 %) and 114 (14.32 %) teleworking positions (previous year: 109, 12.8 %) in Germany.

There are many reasons why it is important for a healthy work-life balance to be firmly established as part of our corporate culture. We have a social responsibility towards families – and an involvement in childcare. It is also a competitive factor in our personnel strategy. After all, it is a while since financial remuneration was the single overriding factor in the choice of an employer. An increasing number of employees want to combine work and family life more successfully. Having been awarded the 'berufundfamilie' (work and family) certificate in 2008 by the German Minister of Family Affairs, Ursula von der Leyen, in Berlin, we introduced further measures in 2009. We amended our working hours agreement to ensure a better work-life balance for our staff and made changes to further improve flexibility. Aareon is introducing a family service, which will be managed by an external service provider. Staff will be able to obtain family services from this provider.

For Aareon, corporate culture is a strategic issue

Number of employees (average)



Work-life balance is important

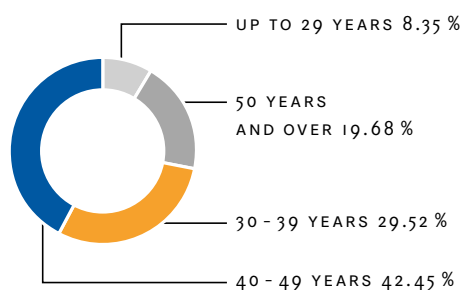
Qualified junior staff

In 2009, we concluded the management development centre programme as originally planned in 2008 when we initiated the programme (see p. 11). This management development programme analyses the strengths and weaknesses of our managers with reference to a standard skill set and uses the findings to help them develop and hone their managerial skills. In future, new managers will attend a development centre once a year. Technology training, particularly in Microsoft®.NET™, will feature strongly in the professional development provided by the centres. The first seminar for “Certified Housing Manager (HfWU)” was presented for Aareon at the Nürtingen-Geislingen University. Its purpose is to enable Aareon staff to gain greater knowledge of their sector and so help them develop innovative products and provide more in-depth advice to customers. Aareon also offers ongoing professional development for its trainers.

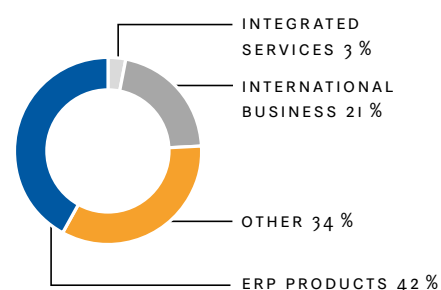
Aareon gives school leavers a choice of vocational training options such as office manager, IT applications development specialist/systems integration specialist as well as a property management degree course leading to a Bachelor of Arts. We groom our trainees for advancement by organizing training courses and giving them an early opportunity to experience the responsibility of handling project-oriented tasks. At the end of 2009, we employed 17 trainees and 2 vocational college students. As part of its university marketing activities, Aareon supports student internships and students writing degree dissertations. We cooperate ever more closely with the following universities and universities of applied sciences in Germany: Technical University of Applied Sciences Berlin, Johannes Gutenberg University of 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 offer one junior consultant trainee place for graduates.

The construction of our Mainz head office, begun in 2007, was completed on schedule in the summer of 2009. Approximately 200 staff, who had previously worked at different locations in Mainz, moved into the new building. The new offices reflect the latest ideas in office layout and design. They are fitted out with state-of-the-art equipment and are very pleasing to the eye. The open space layout facilitates communication and transparency between staff members. The second phase of the new building project (building section three) began in September 2009 and is expected to be finished in 2011.

Employees by age structure



Employees by product group – almost half work in ERP Products





Left: Handing over the donation to the Mainzer Hospizgesellschaft Christophorus e.V.

Right: Prof. Werner Ziegler, President of the Nürtingen-Geislingen University, hands over the certificate of appointment as honorary senator to Dr. Manfred Alflen

Corporate social responsibility

Aareon AG takes both its business and its social responsibilities seriously. Here, we focus on areas such as property market competitions, the training of junior staff and social commitment.

As a property sector specialist, Aareon demonstrates its commitment to this sector by sponsoring the “DW Innovation Award for the Property Sector” and the “Property Manager of the Year” (see p. 10). Encouraging young talent is another matter of great importance to the property sector. The “Lerninsel” (islands of learning) programme is a joint initiative with the Association of Housing Companies in Northern Germany and other entities belonging to this association fosters trainees in the property industry to enable them to become the leaders of tomorrow. We are involved in the course of studies related to the property sector at Nürtingen-Geislingen University 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. For his special contribution to the training of young talent of junior staff in the property sector, Dr. Manfred Alflen, Chairman of the Management Board, was appointed an honorary senator.

Aareon’s social commitment is directed towards a number of organisations and initiatives, especially ones based at the company’s head office in Mainz. For some years now, Aareon has donated to DESWOS (German Development Aid Agency for Social Residential and Settlement Projects) in Cologne. A percentage of the entrance fees to the Aareon Congress is used for this purpose. In 2009, a project in the Nilgiris Mountains in Southern India received a donation of € 10,000. We regularly support the Hospizgesellschaft Christophorus e.V hospice in Mainz, the Heilpädagogium Schillerhain institution for the care of maltreated and disturbed children in Kirchheimbolanden, and the Pfarrer-Landvogt-Hilfe e.V. organisation for the homeless in Mainz.

We also see it as our social obligation to help our employees achieve an optimum work-life balance. We introduced further initiatives for this purpose in 2009 (see. p. 13 f.).

Making environmentally sustainable decisions is important to Aareon. We therefore elected to use geothermal energy to heat the new building that we moved into in 2009. 37 probes go 140 metres underground to exploit the earth’s constant temperature by transferring heat to or from the earth via heat pumps – providing heating in winter and cooling in summer.

Social commitment for a number of organisations

Geothermal energy concept for our new head office





“The intensive two-week training programme at Nürtingen-Geislingen University gave me the opportunity to enhance my practical knowledge of the property sector within a short time. This will allow me to tailor my sales activities even better to customers’ needs.”

CHRISTINA BEHRENS | Regional Sales North, Aareon Deutschland GmbH, Certified Housing Manager (HFWU)



Aareon products and services

Proven multiproduct strategy

Aareon is committed to pursuing a multiproduct strategy that addresses the needs of all of its customer groups. Aareon ERP solutions help property companies optimize their IT-assisted process and so achieve their corporate goals. One of the important benefits of these solutions is that they can be enhanced with integrated services and related products from Aareon. These contribute to further improving process efficiency, to meeting compliance requirements, to reducing costs and to linking business partners.

Aareon manages its product groups largely based on their contribution to net profit. Segment reporting is therefore based on the following groups:

- ERP Products
- Integrated Services
- International business
- Other products

The consultancy services (ERP, SAP® and IT consultancy) are provided as part of each product group by specialised consulting teams.

Certification of the IT Service Centre

We offer ERP solutions in a variety of operating modes – ASP, hosting and in-house – 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. To further optimize security standards, the IT Service Centre's control system for essential IT processes underwent certification for compliance with the auditing standard PS 951 Type A of the Institut der Wirtschaftsprüfer e.V. (IDW). An audit for compliance with PS 951 Type B is scheduled for the first quarter of 2010. Using a certified IT Service Centre in combination with software certified to audit standard IDW PS 880 – for Release 4.5 of Wodis and Blue Eagle 5.1 – can mean less work for customers during the annual IT audit.

ERP Products

The Aareon ERP Product portfolio comprises the following software solutions: Wodis, with the new product generation Wodis Sigma, solutions based on SAP® such as Blue Eagle – a highly customisable, flexible product with the ability to manage complex processes – and GES and WohnData, the property sector's standard systems. The ongoing development of our ERP systems takes account of current trends and industry and customer requirements. For example, we have now made provision for the integration of SCHUFA services, which were certified in 2009 by SCHUFA for all ERP systems, and the integration of energy efficiency certification.

Wodis / Wodis Sigma

The continued development of our product portfolio enabled us to successfully launch the new Wodis Sigma product generation in 2009. Wodis Sigma is based on Microsoft®.NET™, one of the world's leading development platforms. The modern, user-friendly interface of Wodis Sigma is closely aligned with the latest Microsoft® Office standard and features user-assisted control elements. Product development consciously focused on user-friendliness and user security in order to increase the productivity of users, and thus their satisfaction with the product.

This new technology has made it possible for us to achieve a completely new operating concept and strategic developments. It allows, for example, the integration of document management systems and planning functions. Users can map new areas of business and also use web services to exchange

New product generation Wodis Sigma



Aareon events like the Aareon Congress (left) or the WohnData Change keep visitors informed of sector trends and product developments.

data with mobile devices and business partners. The new operational concept encourages individual users to work in the way they want. It incorporates a flexible cockpit (displaying important figures, for example), a process assistant (for the rental process, for example), infograms that display business partner relationships, and an interface to Microsoft® Office Outlook®.

Following the launch of Wodis Sigma at the Aareon Congress in May, Release 1.0 was ready on time at the end of 2009. Aareon completed integration testing in September and began trials with pilot customers in October. We successfully launched a special marketing campaign to support the acquisitions of additional customers for Wodis Sigma, which is progressing well. We were able to finalise over 200 agreements representing a volume of around 677,000 residential units under management. The first go-lives took place in November 2009.

SAP® solutions and Blue Eagle

Aareon is the number one in the SAP® real estate market⁴. Our SAP® consultants and developers are a guarantee of the success of projects executed based on our sound SAP® expertise. Which SAP® solution is best for a particular property company depends on that company's business strategy. Customer can choose to implement our sophisticated SAP®-based Blue Eagle Individual product, which is the result of outstanding property expertise, use the SAP® Real Estate Management ERP system, or they can have Aareon set up and customise its in-house SAP® system. Every SAP® solution from Aareon integrates optimally into the corporate structure, maximises the customer's investment over the long term and provides the flexibility needed to meet the challenges of today and tomorrow. This gives customers a competitive advantage.

In the SAP® environment, Blue Eagle Individual has proven its worth on highly specialised projects. We signed an agreement with a major customer, GWH Gemeinnützige Wohnungsgesellschaft mbH Hessen in Frankfurt am Main, for an SAP® custom solution. The STADT UND LAND Wohnbauten-Gesellschaft mbH, Berlin opted for the deployment of Blue Eagle Individual. GEWOBA Aktiengesellschaft Wohnen und Bauen in Bremen signed a hosting agreement for Blue Eagle Individual. We further expanded our business with ABG Frankfurt Holding GmbH, Frankfurt am Main and GAG Immobilien AG, Cologne. We were also successful in winning consulting contracts outside the property sector from energy suppliers and water companies.

The Blue Eagle changeover to Release 5.1 for ASP customers was completed according to schedule. Among other things, Release 5.1 integrates the most recent version of the Aareal Bank Group's BKXI® payment system with expansions related to the management of security deposits as well as the most recent SAP® standard with Enhancement Package 2 (EhP2). Release 6.0 is currently in preparation.

Customised solutions with Blue Eagle based on SAP®

⁴ See HMC-Marktreport, Wohnungswirtschaftliche DV-Systeme (Housing Industry IT Systems) 2009

The established GES and WohnData systems

Both of our established systems GES (ASP solution) and WohnData (in-house solution) feature a high level of integration and automation and are being continually developed to comply with market, and particularly legal, requirements. Functions added to the two GES versions in 2009 included liquidity management for optimally controlling income and expenditure, and technical security management for the electronic verification of inspections and property checking. We also implemented a standardized key figure reporting system to improve management control.

WohnData Release 9.5 was presented to customers in September in Hamburg at WohnData Change, the annual event for WohnData customers. Highlights included the integrated SCHUFA interface, the SEPA European payment system capability and a preview of the 2011 building and housing census. A key concern of the autumn meeting of the WohnData advisory council was the service life of WohnData. The consensus between the advisory council and Aareon was that WohnData customers should now define their IT strategy, select their software and agree a migration project for 2010/2011. We anticipate that WohnData customers will opt either for the new Wodis Sigma product generation or for the Blue Eagle SAP® solution.

Integrated services, IT outsourcing and consulting integrated services

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

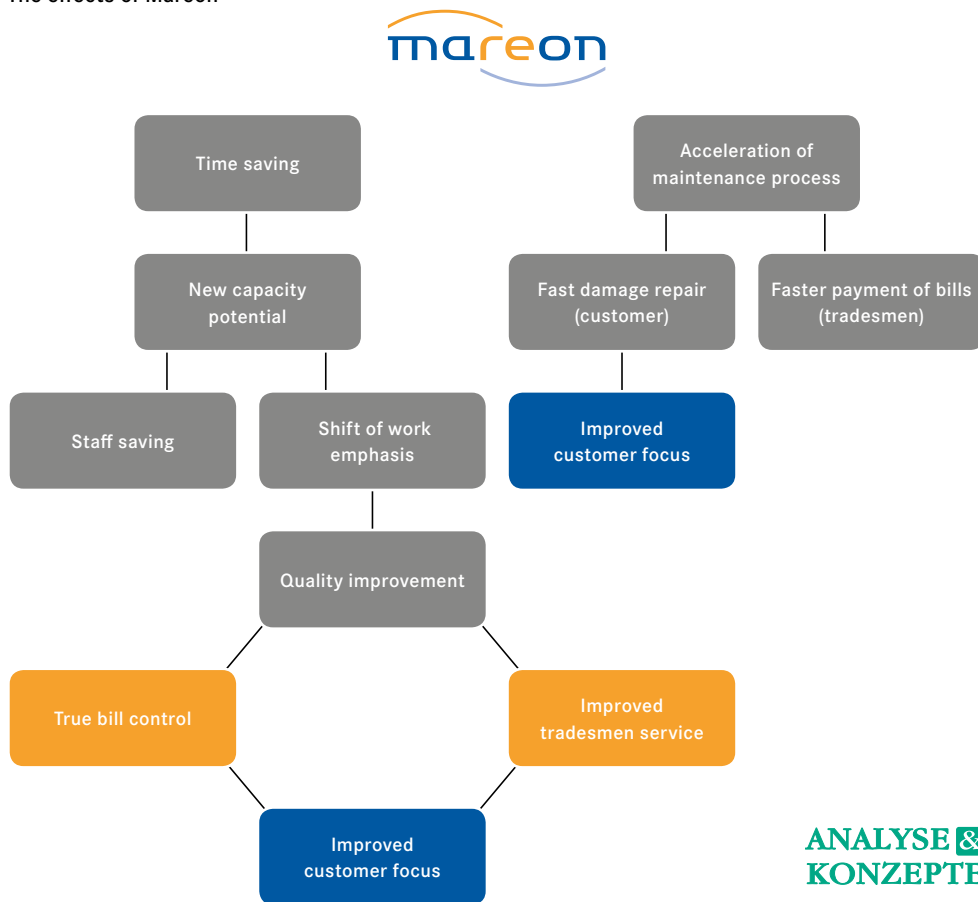
Integrated services

Integrated services from Aareon, such as the Mareon service portal and related products like the Aareon DMS document management system, support day-to-day work processes and link them internally as well as to external business partners via the ERP system. They thus provide greater transparency for property companies together with additional cost and time savings.

Mareon: Mareon is the market-leading service portal linking property companies, meter reading services and tradesmen. The modules, tradesmen collaboration and inventory management – serve to support all essential maintenance processes and technical aspects of construction projects. The automatic, digital processing of repair orders and invoices, together with the provision of qualified electronic signatures, provides substantial time and cost savings for users. Mareon expedites claims management and thus improves tenant satisfaction. This was confirmed by the study carried out in 2009 by the Analyse & Konzepte Beratungsgesellschaft für Wohnen, Immobilien und Tourismus mbH research agency in Hamburg.

Improved tenant satisfaction thanks to Mareon

The effects of Mareon



ANALYSE & KONZEPTE

The time saving and quality improvements provided by Mareon ultimately lead to greater customer focus.

Around 160 property companies rely on Mareon to streamline their processes. Nearly 50 interfaces to software programs for tradesmen have been certified, and as a result, there are now around 6,500 trade businesses working with Mareon. In 2009, the value of orders placed was € 472 million (previous year: € 470 million). A total of nearly seven million orders have been transacted via Mareon to date.

Aareon DMS: Aareon’s DMS document management system links all of a property company’s correspondence, as well as lists, memos, notes and even e-mails and their attachments, in a dynamic knowledge repository. The system conforms to the legal requirements for archiving and data traceability (compliance regulations). It helps customers achieve lower costs, improved quality and a better service to tenants. Aareon DMS now has over 60 customers. The number of new customers is currently 27, 12 customers became operational in 2009.

Integrated risk and insurance management with BauSecura

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 offers customers an integrated risk and insurance management system, which integrates into Aareon ERP systems and lowers the cost of risk, increases value and improves efficiency. BauSecura's services include consulting on any insurance-related issues, the analysis and assessment of individual risk situations, and the development of insurance concepts. We gained an important major customer in GAG Immobilien AG, Cologne.

Aareon NetOffice product portfolio: Aareon NetOffice products increase business process efficiency, speed and transparency. The product portfolio includes Aareon Business Document Administration (BDA) for the individualised preparation of documents on site, Aareon Fax and Aareon Reporting, among others. The annual Aareon NetOffice update shipped as planned in August. As well as a greater user friendliness and an improved technical architecture, the update included an interface to SCHUFA.

Integrated payment transaction services: The integrated payment transaction services which Aareon offers in partnership with its parent company, Aareal Bank, integrate seamlessly within Aareon ERP systems. We offer the BK01® payment system for Wodis systems with the new product generation Wodis Sigma, GES and WohnData as well as the BKXL® system with integrated digital signature technology for SAP®-based Blue Eagle. Further preparations for SEPA, the single euro payments area, proceeded as planned.

IT outsourcing: Aareon operates two IT Service Centres at its Mainz office. Aareon's IT outsourcing service offers customer the benefits of a powerful IT system. Experienced specialists here at Aareon manage mainframes, SAP®, Unix®/Linux® and Windows® systems. They also take care of ISDN, ATM, leased lines, Internet VPN, web servers, databases, firewalls and other security systems - from a standalone server to a high availability cluster solution. Aareon IT experts install and maintain hardware and software, create backups, keep systems up-to-date and ensure the availability of applications. This provides a more transparent basis for planning and enables cost savings be made. The internal control system for key IT processes in the IT Service Centre was certified to audit standard IDW PS 951 Type A. Restructuring of the organisation of a major customer resulted in the termination of the account.

Integrated services and IT consulting: The needs of the market served by our IT consulting operation have changed. Demand for non-specialist hardware and operating systems-related software has fallen noticeably. For this reason, we discontinued our pure IT consulting at the end of 2009 (see p. 12). We will continue to provide software-related consulting services to the integrated services sector from within Aareon Deutschland GmbH. This will ensure a better relationship between our IT consulting specialists and our ERP consultants (Wodis/Wodis Sigma, SAP®-solutions and Blue Eagle, GES, WohnData).



Left: Aareon France at the H'Expo trade fair in Toulouse, France, in September

Right: The new Aareon France hosted a customer event at the Chalet des Iles in Paris to celebrate the merger of Aareon France and Sylogis.com.

International business

Aareon's international operations are focused on key strategic markets. The company has subsidiaries in France, the UK and Italy.

France: More than two million residential units in France's social housing sector are managed by systems from Aareon France SAS. Other market segments include property asset management, private housing companies and corporates. Following the 2008 acquisition of the French software specialist Sylogis.com SAS, Aareon merged the company with the previous Aareon France in June 2009. Synergies were soon evident in the development of the new generation of the ERP software PortalImmo 2.0 and Prem'Habitat 2.0, which were very well accepted in the market. Customer response at the USH Congress in Toulouse in September was also very favourable. The company has 250 customers, more than 25,000 users and approximately 140 employees at six office locations in France.

Aareon France - market leader in France

United Kingdom: Aareon UK Ltd. has about 50 employees at its offices in Coventry and Swansea (Wales). The company offers the ERP solution QL. Registered social landlords and local authorities are among Aareon UK's main customers. Against some very aggressively priced competition, Aareon UK gained many new projects in 2009 and 7 new customers from the housing association and local authority sectors. It now has 95 customers.

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. It employs some 20 staff at its headquarters in Rome. Around 40 customers are using systems from Aareon S.r.l. The difficult market situation in Italy has made it necessary to restructure the company in order to improve productivity.

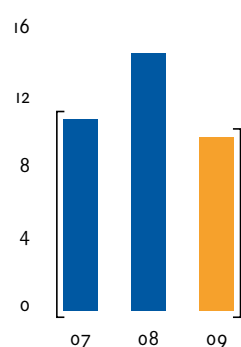
Business developments

Earnings

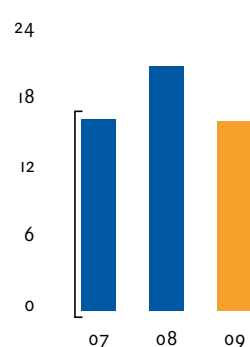
Consolidated EBIT of
€ 16.3 million

In spite of the general economic slowdown, which reduced the tender volume in the market during the first half of the year in particular, revenue edged up 1.5% to € 153.0 million in 2009 (previous year: € 150.8 million). On account of one-time charges of € 6.2 million in financial year 2009, Group EBIT stood at € 16.3 million (previous year: € 21.1 million). Excluding these non-recurring expenses, the Aareon Group would have posted an operating profit of € 22.6 million, up on the figure for 2008, which was a record year. Consolidated net income after taxes came to € 10.0 million (previous year: € 14.8 million). The one-time charges are attributable in part to the optimisation of the product portfolio of Blue Eagle real estate software based on the SAP® platform. The measures associated with this made it necessary for us to reduce staff numbers in this area. Aareon also posted expenses in connection with the discontinuation of non-core activities. The extraordinary factors outlined brought the cost/income ratio up to 89.8% (previous year: 86.9%).

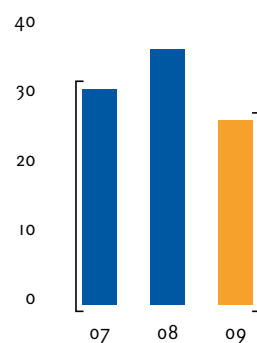
**Consolidated net income after taxes
in € million**



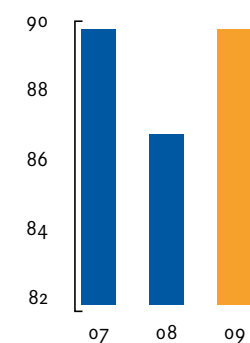
EBIT in € million



Return on Equity in %



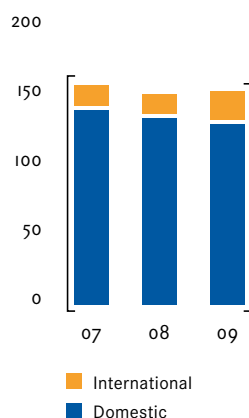
Cost Income Ratio in %



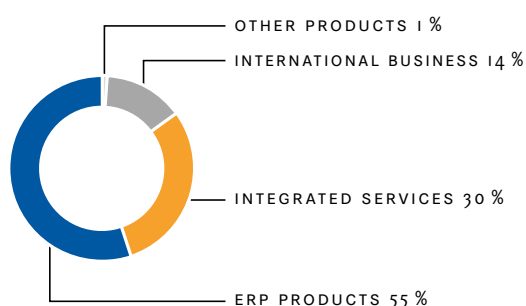
Revenues from ERP Products increased slightly by 2.3% to € 83.4 million (previous year: € 81.5 million). The International Business product group lifted its revenue by a substantial 49.7% to € 22.0 million (previous year: € 14.7 million). This improvement is attributable to the acquisition of the

French company Sylogis.com SAS in October 2008, which merged with Aaron France SAS in 2009 (see page 23). By contrast, the Integrated Services product group saw its revenues slide by 11.3% to € 46.5 million (previous year: € 52.4 million), principally due to the sale of Aareon human resources management in 2009.

Revenue in € million



Revenue by product group

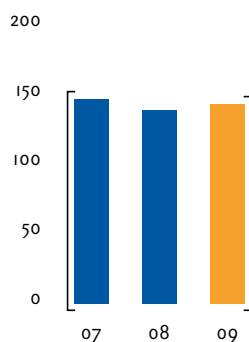


The process and cost optimisation pursued in previous years also further reduced the cost of materials by a significant 29.5% to € 23.2 million (previous year: € 32.9 million). Total operating expenses nevertheless rose by 2.9% year-on-year to € 144.0 million (previous year: € 139.9 million), due in particular to the 15.8% increase in staff costs to € 83.7 million (previous year: € 72.3 million). This development is attributable in part to the one-off expenses for the workforce adjustment in the Blue Eagle area as well as in IT consulting. In addition, the French subsidiary - formerly Sylogis.com SAS - that merged with Aareon France SAS is accounted for in full in 2009.

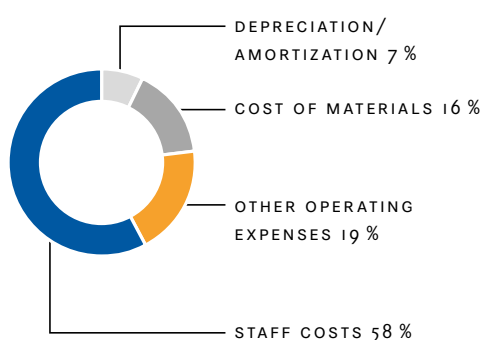
Research and development activities at Aareon in 2009 focused on the Wodis ERP solution with its new Wodis Sigma product generation. Expenses for research and development in 2009 were € 3.8 million (previous year: € 2.2 million), corresponding to 2.6% of total operating expenses.

€3.8 million
for research and development

Expenditure in € million



Expenditure by cost group

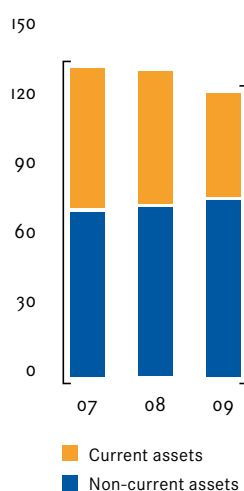


Assets, liabilities and cash flows

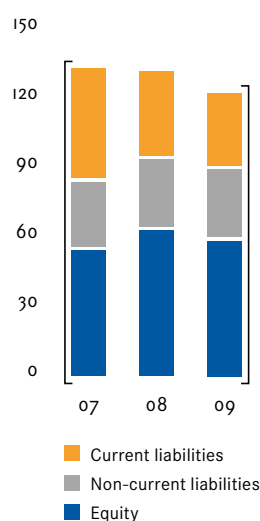
Total assets of the Aareon Group decreased by 7.2% to € 122.4 million (previous year: € 131.9 million). Non-current assets rose 4.3% to € 76.9 million (previous year: € 73.7 million) due to the increases in property, plant and equipment (€ 10.8 million; previous year: € 9.3 million) and financial assets (€ 5.1 million; previous year: € 3.4 million). Current assets fell by 22.0% to € 45.4 million (previous year: € 58.2 million), owing to the 34.4% decline in cash and cash equivalents to € 16.8 million (previous year: € 25.6 million). While the cash flow from operating activities was up 51.4% to € 16.5 million (previous year: € 10.9 million), the cash flow from financing activities dropped to € -15.3 million (previous year: € -7.4 million) as a result of higher dividend distributions to shareholders (€ -14.5 million; previous year: € -6.8 million).

The capital structure of the Aareon Group has changed in that equity and current liabilities are down year-on-year. Due to the decrease in consolidated income and a higher dividend distribution, equity attributable to shareholders fell by 7.5% to € 58.0 million (previous year: € 62.7 million).

Assets in € million
(asset structure)



Equity and liabilities in € million
(capital structure)



Events after the reporting period

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

Internal control system

Aareon AG's internal control system (ICS) consists of systematic organisational measures and controls for compliance with the company's directives and to avert potential losses caused by the Company's own staff or third parties. Accounting-related internal control systems are designed to ensure that a company's operations are duly executed and efficient. One of the principal aims is to ensure the con-

formity of internal and external accounting processes and compliance with the relevant legal provisions. Aareon AG's main core processes include the areas of liquidity, human resources, legal affairs, customers and products. Aareon has presented its main core processes in the form of a matrix, identified the relevant risks in each case and assigned control objectives and suitable control activities. The performance of the control activities and hence the effectiveness of the controls is documented using different forms of evidence.

For the preparation of Aareon AG's annual financial statements, internal accounting guidance for the accounting process is set out in a group accounting manual in compliance with the legal requirements. This guidance is made available to all Aareon subsidiaries, reviewed on a regular basis and updated as required. When the financial statements are being prepared, plausibility checks are carried out in the accounting system primarily involving the analysis of individual items. Aareon also reconciles balances with customers and suppliers for the annual financial statements. Appropriate control processes are implemented for automated and manual entries. The principal accounting procedures are double checked. An authorisation concept for the accounting and financial reporting systems is in place to protect against unauthorised access.

Aareon's risk management manual contains the key elements of the risk management system. In this context we also refer to our statements in the risk 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. The previous system, which was based on the "Aareon Risk Analysis" software has been replaced in mid-year by the "R2C_risk to chance" standard software from Schleupen AG, Moers. 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. Risk assessment is carried out separately in terms of a risk's impact and probability of occurring. The resulting risk reports are consolidated by the risk management department and provide the basis for quarterly risk reporting. Quarterly risk reports are discussed in Management Board meetings and are also included in the quarterly reports to the Supervisory Board of Aareon AG. 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 counteracting risks effectively. The centralised risk management department documents all such measures initiated by the management. The company's internal auditing department verifies compliance with statutory requirements and uniform group-wide guidelines that are documented in the risk management manual.

In the software migration to R2C, the key risk types to which Aareon has been exposed up to now – software development, project and financial risks as well as market risks, organisational risks and technical risks – were recategorised as financial and market risks, risks relating to management and organisation, environmental and ambient risks, and production risks. Liquidity and cost risks fall under financial risks. Market risks include customer risks, competition risks and risks relating to associations and advisory boards. In R2C the risks previously subsumed under software development risks were divided between the categories of management and organisation, environmental and ambient conditions and production risks. The management and organisation category combines risks relating to personnel, communication, the corporate culture and corporate planning and individual processes. Legal risks are put in the environmental and ambient conditions category. Production risks comprise product risks, project risks and risks relating to information security. There are interdependencies between the individual risk types.

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

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 2009, and we will regularly review the strategy we have adopted.

Our Value 2010 growth programme has served to push Aareon's evolution in strategic terms. Its core elements entail expanding the Blue Eagle Individual and SAP® solutions, refining the ERP product strategy, optimising the product portfolio, developing new areas related to the property sector, pursuing our international strategy and strengthening our corporate culture (Aareon's "Work and Family" project, see pages 11, 13 f.). We are confident that this strategy project will minimise potential earnings risks. It also opens up new revenue fields. This applies in particular to the new Wodis Sigma product generation, which was unveiled at the Aareon Congress in spring 2009. This new product generation has made a positive contribution to Aareon's revenue performance even in the year of being launched on the market. We deal with cost-related risks by implementing cost-conscious strategies supported by tight budget planning.

Market risks

The property sector continued to change in 2009 under the influence of the financial market crisis. We have accounted for this change for several years now with a multi-product strategy which we use to respond to increasingly heterogeneous requirements and our customers' rising demands for customised solutions. Personnel capacity has been adjusted and the organisation restructured to enhance the profitability of the Blue Eagle and SAP® business in the long term. This is how we responded to the shift in market demand for SAP® consulting.

Given the crisis in the financial markets, we verified the payment history of some outsourcing customers. There has been no need for further action on this issue to date.

Aareon AG also addresses general market risks, which include potential customer churn, pressure on achievable market prices, greater demands for the software systems and the market entry of new competitors. At Aareon AG, these risks are monitored by means of a monthly Management Board report on management of the customer base. This report also contains a detailed sales pipeline and an analysis of the market prices achieved compared with the assumptions in the business plan. Active participation in property associations, own studies and competitive analyses serve as further instruments for managing risk.

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. In 2009, the survey was complemented by detailed surveys carried out during the year to gauge customer satisfaction with training, support and completed software implementation projects. These surveys are intended to recognise market requirements at an early stage in order to be able to take them into account in product development and service management.

Customer survey minimises qualitative risks

Management and 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.

Aareon implements major organisational changes, such as the merger of French software company Sylogis.com with Aareon France, in the form of integration projects. The integration and briefing of all participants, professional and transparent project planning as well as active labelling and management of the risks is of prime importance in such activities.

Networking the individuals involved in the project with the goal of promoting the concept of “One Company” is achieved, for example, by establishing overarching meeting structures, processing orders jointly and exchanging detailed information. Aareon’s targeted project management activities are rounded off by integrating staff from different areas in the Group in Germany, supporting integration projects with the aid of experts from the field of change management and using knowledge and procedures from past organisation projects.

However, a separate committee responsible for our international business will continue to monitor our foreign subsidiaries.

Software development and implementation risks

Software development generally entails the risk that new customer requirements based on service expectations or commitments included in customer contracts are not satisfied in full and hence that the company might be faced with claims for damages or warranty claims. Sales support has been restructured in order to mitigate this risk. This sales unit ensures that offers include solutions that can be delivered and that Aareon’s product management approach is followed.

Complaints management is another measure intended to minimise potential claims for damages arising from software development 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.

Complaints management prevents undesirable developments

Production 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. Before starting work on custom projects, we prepare a requirements specification with the customer. Product enhancements to standard software that have been introduced to meet customer requirements are deployed initially with pilot customers. The Management Board also checks the list of software development projects and their risk assessment at regular intervals.

Aareon project management
for professional project work

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. Project start, project management and project conclusion are divided into the phases 'initialisation', 'design', 'realization', 'implementation' and 'conclusion'. Both the project records from customer projects and internal project records (status report, project progress and key results/plan progress with variance analysis) are discussed once a month by the Management Board. To enable us to coordinate several projects at the same time, we have opted for a multiproject management approach. This has enabled us to execute larger and more complex customer projects.

A control system forms an integral part of the operation of the Aareon IT Service Centre. The Centre's internal control system has been audited and certified to IDW PS 951 Type A. The audit covered mainly the IT Service Centre processes for ensuring availability, physical safety, network, database and system security, data security and job processing.

We minimise the risk of serious disruption when operating customer software 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.

Comprehensive data backup
processes are in place at
Aareon

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.

Anticipated developments

For the 2010 financial year, we expect investment spending on major IT projects by the property industry to increase slightly, but to still be modest – despite a mild economic recovery. The total number of tenders will therefore be rather low. We expect to see a rise in tender invitations from WohnData customers who are keen to change. In view of these general conditions, we predict a slight rise in sales in 2010 and 2011. We expect to achieve significant cost reductions in 2010. These will be due in particular to lower staff costs brought about by the restructuring programme undertaken in 2009. As a result, we expect EBIT to rise in subsequent years.

Our integrated product portfolio is being constantly developed. Large migrations are planned for the SAP® solutions and Blue Eagle in the coming year. The launch of the new Wodis Sigma product generation in 2009 was very successful. In the coming year, we expect a large number of WohnData customers to switch to Wodis Sigma. We will issue a Wodis Sigma Release 2.0 with additional features during the 2010 financial year. The market share of our established GES solution is expected to remain more or less stable over the next two years. We assume that many Aareon ERP customers will switch from our established WohnData system to SAP® solutions such as Blue Eagle and Wodis Sigma.

Integrated services networked with our ERP products should perform well over the next two years. The positive trend in new customer acquisition should continue, particularly for the Aareon DMS document management system, BauSecura insurance services and the Mareon service portal. The loss of a key IT outsourcing customer in 2009 should be partly compensated for by new business gained over the next two years.

We expect results to improve significantly following the merger in 2009 of Sylogis.com SAS and Aareon France SAS into the new Aareon France SAS. The subsidiary's continued market penetration with its two ERP products Prem'Habitat 2.0 and PortalImmo 2.0 will be largely responsible for these improved results (see p. 23). We look forward to an improvement in profit performance from our Italian subsidiary Aareon Italia S.r.l. as a result of its restructuring in 2009. Market conditions will remain difficult. We expect the growth in new customer acquisition to continue for Aareon UK (see p. 23). The excellent growth in revenue that will result should lead to a further improvement in profit contribution.

We will improve the work-life balance of our employees by implementing further measures in the next two years (see p. 13 f.). A recertification by berufundfamilie gGmbH will take place in 2010.

Mainz, 26 January 2010



Dr. Manfred Alflen Jürgen Pfeiffer Dr. André Rasquin 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 management report are not part of the audited report.





“Partnerships with companies and associations are an integral part of Aareon’s corporate strategy that is aimed at developing leading solutions. We have been working successfully with Techem for many years.”

HANS-GEORG SCHNEIDER | General representative of Aareon AG



Consolidated financial statements

Consolidated statement of comprehensive income

for the period from 1 January to 31 December 2009

(€ 000's)	NOTES	2009	2008
Revenues	4.1	153,019	150,803
Other own work capitalised		1,597	573
Other operating income	4.2	5,394	9,659
Cost of materials	4.3	23,218	32,925
a) Expenses for raw materials and consumables		3,532	4,668
b) Cost of purchased services		19,686	28,257
Staff costs	4.4	83,663	72,339
a) Wages and salaries		70,539	60,406
b) Social security costs and expenses for pensions and support		13,124	11,933
Including for pensions: € 2,703k (previous year: € 2,605k)			
Depreciation and amortisation			
on intangible assets and on property, plant and equipment		9,064	8,283
Other operating expenses	4.5	27,396	26,153
Other interest and similar income	4.6	408	642
Including from affiliated companies: € 48k (previous year: € 377k)			
Write-downs on financial assets	4.6	301	0
Interest and similar expenses	4.6	331	169
Including from affiliated companies: € 32k (previous year: € 0k)			
Result from ordinary activities		16,445	21,809
Income taxes	4.7	6,114	6,763
Other taxes		325	200
Consolidated net income/loss		10,006	14,846
Of which attributable to:			
Shareholders of the parent company		9,019	13,865
Minority shareholders		987	981
Changes in value recognised directly in equity		0	0
Comprehensive income		10,006	14,846
Of which attributable to:			
Shareholders of the parent company		9,019	13,865
Minority shareholders		987	981

Consolidated balance sheet

as at 31 December 2009

(€ 000's)	NOTES	2009	2008
Non-current assets			
Intangible assets	5.1	55,166	55,537
Property, plant and equipment	5.2	10,836	9,337
Financial assets	5.3	5,079	3,373
Trade receivables and other assets	5.6	313	312
Non-current tax assets	5.9	5,547	5,157
		76,941	73,716
Current assets			
Inventories	5.5	1,157	3,051
Trade receivables and other assets	5.6	24,744	27,085
Current tax assets	5.7	2,695	2,388
Cash on hand and balances held with banks	5.8	16,844	25,643
		45,440	58,167
		122,381	131,883

(€ 000's)	NOTES	2009	2008
Equity			
Equity attributable to shareholders	5.10/5.11/ 5.12	57,978	62,676
Minority interest	5.13	1,312	1,044
		59,290	63,720
Non-current liabilities			
Provisions for pensions and similar obligations	5.14.1	19,960	20,086
Other non-current provisions	5.14.2	3,505	4,888
Deferred tax liabilities	5.9	4,408	3,896
Other liabilities	5.16	2,936	2,003
		30,809	30,873
Current liabilities			
Other current provisions	5.14.2	12,634	10,127
Current tax liabilities	5.15	6,964	7,413
Trade payables and other liabilities	5.16	12,684	19,750
		32,282	37,290
		122,381	131,883

Consolidated statement of changes in equity

for the period from 1 January to 31 December 2009

(€ 000's)	SUBSCRIBED CAPITAL	CAPITAL RESERVES	TRANS- LATION DIFFERENCES	ACCUMULATED GROUP INCOME	TOTAL
Of which attributable to shareholders of the parent company					
01 January 2009	25,000	26,400	-742	12,018	62,676
Addition to reserves	0	0	0	0	0
Distribution	0	0	0	-13,700	-13,700
Group income	0	0	0	9,019	9,019
Other changes	0	0	103	-120	-17
31 December 2009	25,000	26,400	-639	7,217	57,978
Of which attributable to minority interest					
01 January 2009	79	0	0	965	1,044
Addition to reserves	0	0	0	0	0
Distribution	0	0	0	-719	-719
Group income	0	0	0	987	987
Other changes	0	0	0	0	0
31 December 2009	79	0	0	1,233	1,312

for the period from 1 January to 31 December 2008

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

Consolidated statement of cash flows

(€ 000's)	2009	2008
Net income for the period (including income/loss portion attributable to minority interest) before financial result and tax expense	16,344	21,135
Amortisation/depreciation of fixed assets	9,064	8,283
Income taxes paid	-5,550	-3,554
Interest paid	-226	-169
Interest received	89	642
Increase/decrease (-) in provisions	-322	-12,113
Increase (-)/decrease in inventories	1,893	1,527
Increase (-)/decrease in receivables and other assets	3,072	-2,304
Increase (-)/decrease in other assets	-205	437
Increase/decrease (-) in liabilities	-7,840	-1,810
Increase/decrease (-) in other liabilities	467	-1,173
Income (-) /loss from the sale/purchase of consolidated companies and other business units	-284	0
Cash flow from operating activities	16,502	10,901
Payments for investments in fixed assets	-9,779	-275
Payments received from/made for the sale/purchase of consolidated companies and other business units	-189	-9,191
Exchange rate-related changes in fixed assets	-104	0
Cash flow from investing activities	-10,072	-9,466
Payments to minority shareholders	-719	-607
Payment to shareholders	-14,493	-6,757
Other changes in capital	-120	0
Cash flow from financing activities	-15,332	-7,364
Net change in cash and cash equivalents	-8,902	-5,929
Exchange rate-related change in cash and cash equivalents	103	-184
Total change in cash and cash equivalents	-8,799	-6,113
Cash funds at the beginning of the year	25,643	31,756
Cash funds at the end of the year	16,844	25,643

Notes to the consolidated financial statements

[1]

General notes

[1.1]

Compliance with legal requirements

The consolidated financial statements of Aareon AG, Isaac-Fulda-Allee 6, 55124 Mainz, Germany, for the 2009 financial year were prepared according to International Financial Reporting Standards (IFRS) and the interpretations of the Standing Interpretations Committee (SIC/IFRIC as applicable in the EU as well as the applicable provisions of section 315a para 1 of the German Commercial Code (Handelsgesetzbuch - "HGB"). All of the compulsory International Financial Reporting Standards required for the consolidated financial statements as of 31 December 2009 were taken into account. The financial statements give a true and fair view of the assets, liabilities, cash flows and profit or loss of the Aareon Group. The consolidated financial statements have been prepared in euros. Unless indicated otherwise, all amounts are shown in thousands of euros (€ 000's). Rounding differences of up to one unit in each direction may occur in tables for technical reasons. The statement of comprehensive income has been prepared using the total cost (nature of expense) method.

For the sake of enhanced clarity and transparency, all notes added to individual items in the balance sheet and the statement of comprehensive income in accordance with statutory provisions, which may optionally be shown either in the balance sheet/the statement of comprehensive income or in the Notes, are listed in the Notes. Where individual items are summarised in the balance sheet and the 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 statement of comprehensive income.

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 of the HGB, Aareon AG is therefore exempt from the obligation to prepare consolidated financial statements under German commercial law.

[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: consulting, software and services.

Aareon has a presence at 22 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 headquartered in Mainz, Germany.

Its customers include private-sector housing companies, cooperative housing societies, church-owned housing societies, property management companies, home owners' associations, insurance companies, property investment funds, companies managing property portfolios (Corporate Real Estate), commercial property operators and financial investors.

Information on accounting policies and consolidation methods

[2]

The group of fully consolidated companies includes Aareon AG as well as all subsidiaries in which Aareon AG either directly or indirectly holds the majority of voting rights or the right to appoint the majority of the Supervisory Board members. Please see section 5.4 for a list of all subsidiaries included in the consolidated financial statements including information on the percentage of shares held, equity and net profit/loss for the year. Aareon's human resources management business was spun off and sold in the 2009 financial year. In France, the two subsidiaries Sylogis.com SAS, Meudon-la-Forêt, and Aareon France SAS, Orléans, merged to become the "new" Aareon France SAS, Meudon-la-Forêt, retroactively as of 1 January 2009.

[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

The division responsible for the Aareon Human Resources Management product was deconsolidated effective 8 May 2009, resulting in a deconsolidation gain of € 284k.

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 international companies which belong to the Aareon Group are independent sub-units, whose financial statements are translated into euros using the functional currency concept. The items in the statement of comprehensive income are translated using the average exchange rate, all monetary and non-monetary assets and liabilities are translated using the closing rate on the balance sheet date. Differences which impact equity are disclosed directly in a separate equity item until the subsidiary is disposed of. This also applies to any deviations between the accumulated profit translated using the closing rate on the balance sheet date and the results shown in the consolidated income statement based on average exchange rates. The components of equity to be included in acquisition accounting are translated using historical exchange rates.

[2.3]

Currency translation

The following exchange rates were used for translation:

1€ =	BALANCE SHEET CLOSING RATE		INCOME STATEMENT AVERAGE EXCHANGE RATE	
	31.12.2009	31.12.2008	2009	2008
United Kingdom GBP	0.8881	0.9525	0.8909	0.8028

[3]**Accounting policies****[3.1]****Intangible assets**

Purchased intangible assets, primarily software, are capitalised at cost and subject to amortisation in line with their useful life. Goodwill essentially arises from the acquisition of software companies and is attributed mostly to the ERP Products and Integrated Services product groups and to the Group's international business.

Goodwill is subject to an annual impairment test. Its value is determined based on the present value of future cash flows ("value in use") which are determined by using mid-term planning figures. This entails using the planned after-tax cash flows taken from the five-year planning approved by the Management Board of Aareon AG. The cash flows applicable beyond the planning period correspond to the figures for the fifth year of planning. The determination of the present value of future cash flows is based on a discount factor of 8,2% after tax which is adequate to the risks concerned.

Research costs are treated as ongoing expense in line with IAS 38. Development costs for software produced in-house were capitalised if the requirements for capitalisation according to IAS 38 are met. They are amortised in accordance with their useful life, which for property software is ten years and for other application software is three years on average.

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

Property, plant and equipment are measured at cost according to IAS 16 and, insofar as these are wasting assets, subject to straight-line depreciation in line with their expected useful life. Low-value assets are written down in full in the year of acquisition. Impairment within the meaning of IAS 36 is recognised if it is compulsory to carry the asset at a lower value, i.e. if the net selling price or the value in use of the affected asset is lower than its carrying amount. If the reasons for impairment losses recognised in previous years no longer exist, impairment is reversed in line with IAS 36.104 and recognised in profit or loss.

[3.3]**Leases**

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

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, a borrowing rate of 4% is taken into account.

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 the Aareon Group are loans and receivables. 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 have not been completed on the balance sheet date are recognised 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 recognised 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.

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.

[3.5]

Inventories

[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 recognised in the amount of the assumed tax burden or relief in future financial years based on the tax rate which applies at the time of realisation. Deferred 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.

[3.7]**Pension provisions and similar obligations**

Provisions for pension obligations are primarily recognised for commitments arising from pension plans, i.e. retirement pensions, disability pensions and benefits for surviving dependants. The actuarial measurement of pension provisions is based on the projected unit credit method prescribed by IAS 19 for pension commitments. As a rule, these are performance-oriented commitments, i. e. the 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.

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.

[3.8]**Tax provisions**

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

[3.9]**Other 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.

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.

Provisions for share-based payment are recognised in full from the date the options are granted/issued. The provisions are adjusted if the price changes.

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 payment 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 statement of comprehensive income of the Aareon Group

[4.1]

Revenues

(€ 000's)	REVENUES BY PRODUCT GROUP	
	2009	2008
ERP products	83,393	81,545
Integrated Services	46,527	52,434
International Business	21,973	14,745
Other products	1,126	2,079
Total	153,019	150,803

At € 1,848k, revenues generated with ERP products was above the previous year's figure. This is essentially due to the increase in licensing revenue from the new Wodis Sigma product generation. Revenues in the Integrated Services product group decreased by € 5,907k. This is primarily the result of lower revenues from the Outsourcing, IT Consulting and Aareon Human Resources Management products. Mainly on account of the French company Sylogis.com, which was acquired as of 1 October 2008 (now: Aareon France SAS), revenues in the International Business product group increased year on year.

[4.2]

Other operating
income

(€ 000's)	2009	2008
Income from the reversal of provisions	1,453	4,480
Non-cash income	1,061	1,081
Income from letting premises	180	184
Income from the reversal and reduction of specific and global valuation allowances	172	511
Deconsolidation gain	284	324
Other income	2,244	3,079
Total	5,394	9,659

The decrease in other operating income essentially results from the decrease in the reversal of provisions. In 2008, these primarily included the reversal of provisions for risks from the sale of the Aareon Energy Management division in 2006 and the reversal of provisions for anticipated losses.

(€ 000's)	2009	2008
Expenses for raw materials, consumables and supplies and goods for resale	3,532	4,668
Cost of purchased services	19,686	28,257
Gesamt	23,218	32,925

[4.3]
Cost of materials

The expenses for raw materials, consumables and supplies and goods for resale were down year on year due to reduced materials input for IT consulting services. Expenses for purchased services decreased compared to the previous year as a result of a decrease in consulting expenses for Blue Eagle and SAP® implementation projects as well as outsourcing. Furthermore, Aareon no longer incurred any external costs for the alternate data centre.

(€ 000's)	2009	2008
Salaries	70,539	60,406
Social security costs	13,124	11,933
of which: Retirement benefits	2,703	2,605
Total	83,663	72,339

[4.4]
Staff costs/
employees

Staff costs rose by € 11,324k compared to the previous year. This is essentially due to restructuring costs as defined by IAS 37.10 and additional staff costs incurred by an international subsidiary, which has been included since 1 October 2008.

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

Employees	2009	2008
Germany	790	826
International	208	149
Total	998	975

[4.5]

Other operating expenses

(€ 000's)	2009	2008
Occupancy expenses	7,965	6,627
Travel expenses	3,296	3,258
Motor vehicle expenses	2,722	2,886
Advertising/marketing	2,547	2,698
Legal, audit and consultancy expenses	2,355	1,847
Costs for repairs and maintenance	1,311	1,352
Costs of communication	1,088	1,069
Further training	945	891
Other staff expenses	864	805
Valuation allowances and write-downs on receivables	695	172
Insurance premiums	669	488
Leasing/rents	363	226
Emoluments for Supervisory Board and Advisory Council	327	360
Subcontracted work	292	13
Office supplies, printed matters, newspapers and magazines	246	227
Other operating expenses	1,711	3,234
Total	27,396	26,153

Other operating expenses increased by € 1,243k in comparison with the previous year. This is essentially the result of higher occupancy expenses triggered by higher rental expenses at the Mainz and Hamburg sites as well as costs incurred in connection with the move into the new office building in Mainz. Consultancy expenses for internal projects also rose compared to the previous year. The year-on-year increase in the international business is essentially due to the French company Sylogis.com, which has been included since 1 October 2008.

Other operating expenses also contain minor expenses not related to the reporting period.

[4.6]

Net interest income

(€ 000's)	2009	2008
Other interest and similar income	408	642
Write-downs on financial assets	301	0
Interest and similar expenses	331	169
Total	-224	473

The financial assets written down concern a loan extended to an Italian company.

(€ 000's)	2009	2008	[4.7] Income taxes
German income taxes	5,280	5,562	
Foreign income taxes	704	461	
Actual tax expense	5,984	6,023	
Deferred tax expense/income	130	740	
Income taxes	6,114	6,763	

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 2009 financial year (previous year: 31.2%) is multiplied by the pre-tax earnings.

(€ 000's)	2009	2008
Earnings before taxes	16,120	21,609
Trade tax	2,482	3,328
Corporation tax	2,418	3,241
Solidarity surcharge	133	178
Anticipated tax expense/tax income	5,033	6,747
Reconciliation:		
Non-deductible expenses	197	207
Taxes for previous years	27	-227
Change in tax rate for deferred taxes (Germany)	0	0
Other differences	857	36
Disclosed tax expense	6,114	6,763

The other differences essentially concern the unused loss of an international subsidiary, for which no deferred tax assets were recognised given the continued negative development of its business.

[5] Notes to the consolidated balance sheet of the Aareon Group

Changes in fixed assets 2009 (Group)

	COST					31.12.2009
	01.01.2009	CURRENCY TRANSLATION DIFFERENCE	ADDITIONS	DISPOSALS	RECLASSI- FICATIONS	
(€ 000's)						
I. Intangible assets						
1. Goodwill	69,783	162	93	0	0	70,038
2. Licenses, industrial property rights and similar rights and assets as well as licences to such rights and assets	44,186	37	3,891	2,078	0	46,036
3. Payments on account for intangible assets	0	0	0	0	0	0
	113,969	199	3,984	2,078	0	116,074
II. Property, plant and equipment						
1. Land, equivalent rights and buildings	4,065	21	616	592	68	4,178
2. Plant and machinery	1,980	12	78	0	-139	1,931
3. Other equipment, and office furniture and equipment	27,019	0	5,373	7,067	71	25,396
4. Payments on account	0	0	117	20	0	97
	33,064	33	6,184	7,679	0	31,602
III. Financial assets						
1. Shareholdings	111	0	0	111	0	0
2. Other loans	3,705	0	2,189	71	0	5,823
	3,816	0	2,189	182	0	5,823
	150,849	232	12,357	9,939	0	153,499

	ACCUMULATED DEPRECIATION				CARRYING AMOUNTS		
	01.01.2009	CURRENCY TRANSLATION DIFFERENCE	ADDITIONS	DISPOSALS	31.12.2009	31.12.2009	PREVIOUS YEAR
	33,160	77	411	0	33,648	36,390	36,623
	25,272	33	4,029	2,074	27,260	18,776	18,914
	0	0	0	0	0	0	0
	58,432	110	4,440	2,074	60,908	55,166	55,537
	3,450	9	227	572	3,114	1,064	615
	864	10	245	0	1,119	812	1,116
	19,413	0	4,152	7,032	16,533	8,863	7,606
	0	0	0	0	0	97	0
	23,727	19	4,624	7,604	20,766	10,836	9,337
	0	0	0	0	0	0	111
	443	0	301	0	744	5,079	3,262
	443	0	301	0	744	5,079	3,373
	82,602	129	9,365	9,678	82,418	71,081	68,247

[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 development of the Wodis Sigma 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 as of 31 December 2009, the balance sheet date, totalled € 7,642k, with an average residual useful life of six years. A further € 1,034k in development costs for Wodis Sigma were also capitalised. Development costs for research and development in the reporting period totalled € 3,818k.

The amortised goodwill by product group is as follows:

1. ERP Products:	€ 21,396k
2. Integrated Services:	€ 4,429k
3. International Business:	€ 10,392k
4. Other products:	€ 173k

Goodwill was reduced by € 411k due to the continued negative development of business at a foreign subsidiary.

[5.2]
Property, plant and equipment

In accordance with IAS 17, mainframe computers including peripheral devices that were acquired under finance leases are recognised under property, plant and equipment. The lease payments due to finance leases were as follows:

Finance leases in € 000's	2010	2011-2014	AFTER 2014
Lease payments	1,378	1,287	0
Discount amounts	-159	-217	0
Present values	1,219	1,070	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:

Operating lease in € 000's	2010	2011-2014	NACH 2014
Lease payments	6,864	20,025	34,793

[5.3]
Financial assets

The other loans include time deposits in the amount of € 2,660k at Landesbank Baden-Württemberg. These deposits are intended to secure a guaranty issued in connection with the membership in two supplementary pension funds. There is also a litigation guarantee amounting to € 2,112k.

Name and registered office of company	INTEREST HELD %	EQUITY 2009 (€ 000's)	PROFIT/LOSS 2009 (€ 000's)
Aareon AG, Mainz		60,360	7,931
Aareon Deutschland GmbH, Mainz	100	38,808	-1,309
Aareon Immobilien Projekt Gesellschaft mbH, Oberhausen	51	814	279
Aareon Software Handelsgesellschaft mbH, Mainz	100	-1,072	-1,417
Aareon Wodis GmbH, Dortmund	100	5,994	2,233
BauSecura Versicherungsmakler GmbH, Hamburg	51	1,707	1,577
Aareon France SAS, Meudon-la-Forêt (France)	100	3,202	985
Aareon Italia S.r.l., Rome (Italy)	100	-13	-1,378
Aareon UK Ltd., Coventry (United Kingdom)	100	1,871	458

[5.4]
Shareholdings

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.

[5.5]
Inventories

In T€	2009	2008
Receivables from unbilled services	2,157	2,632
of which: with a remaining term of more than one year	0	0
Trade receivables	19,570	21,495
of which: with a remaining term of more than one year	0	0
Receivables from affiliated companies	95	130
of which: with a remaining term of more than one year	0	0
Prepayments	2,477	2,142
of which: with a remaining term of more than one year	0	0
Other assets	758	998
of which: with a remaining term of more than one year	313	312
Total	25,057	27,397

[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 € 695k.

[5.7]

Current tax assets

(€ 000's)	2009	2008
Current tax receivables	1,161	1,417
Deferred tax assets	1,534	971
Current tax assets	2,695	2,388

[5.8]

Cash and cash equivalents

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)	2009	2008
Cash reserve	16	20
Balances held with banks	16,828	25,623
of which affiliated companies	12,744	22,118
Funds with terms of up to three months	16,844	25,643

[5.9]

Deferred taxes

(€ 000's)	2009	2008
Pension provisions	1,138	1,062
Liabilities	825	571
Other provisions	357	489
Losses carried forward (domestic)	778	326
Other	1,533	971
Deferred tax assets	4,631	3,419
Intangible assets	3,607	3,369
Property, plant and equipment	802	527
Other	2,140	1,310
Deferred tax liabilities	6,549	5,206

Of the deferred tax assets, € 3,097k are included in non-current tax assets. In addition, tax assets totalling € 2,449k resulting from the capitalisation of tax claims from corporation tax credits under the German SEStEG law are allocated to non-current tax assets. Of the deferred tax liabilities, € 2,140k were allocated to current tax liabilities and € 4,409k 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 € 4,359k abroad.

The subscribed capital of Aareon AG as of 31 December 2009 shows the following breakdown:

[5.10]
Subscribed capital

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. No income or expenses were recognised directly in equity. Aareon AG's Memorandum and 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

(€ 000's)	01.01.2009	ADDITIONS	CHANGE IN BASIS OF CONSOLIDATION	USE	REVERSAL	31.12.2009
Pension provisions	20,086	1,328	-310	1,145	0	19,960
Tax provisions	2,771	1,007	0	2,466	193	1,119
Other provisions	15,014	9,721	-162	7,027	1,407	16,139
Total	37,871	12,056	-472	10,638	1,600	37,218

[5.14.1]
Provisions for pensions
and similar obligations

Development of pension provisions:

(€ 000's)	2009	2008
Pension provision as of 01.01.		
1. Pension provision as of 31.12. of the previous year (accrued pension cost)	20,086	19,539
Expense for the financial year		
2. Expense for the financial year, net		
a) Service cost	175	194
b) PBO interest cost	1,098	1,131
c) Amortisation	0	0
- Gains (-)/Losses	0	7
- Prior service cost	0	0
- Initial net obligation	0	0
d) Other additions	55	0
	1,328	1,332
3. Actual utilisation	1,145	1,165
4. Other additions and transfers	-310	380
Pension provision as of 31.12.	19,960	20,086
Obligations as of 01.01.		
Projected benefit obligation (PBO) on 01.01.	21,150	21,102
Expense for the financial year		
1. Expense for the financial year, net		
a) Service cost	175	194
b) PBO interest cost	1,098	1,131
c) Amortisation	0	0
- Gains (-)/Losses	0	0
- Prior service cost	0	0
- Initial net obligation	0	0
d) Other additions	55	0
	1,328	1,325
2. Actual utilisation	1,145	1,165
3. Other additions and transfers	-310	380
4. Gains (-)/Losses	-219	-492
Pension obligation as of 31.12.	20,804	21,150

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

In %	2009	2008
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. The expense recognised for defined-contribution pension plans amounts to € 4,867k. The essentially include employer contributions to the statutory pension scheme.

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 2009 (2008)

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)	369 (0)	758 (1,127)
Salary components Employees	258 (298)	396 (204)	-13 (-10)	407 (229)	3 (4)	231 (258)
Long-service obligations	3,761 (3,658)	527 (435)	-103 (0)	212 (191)	468 (142)	3,505 (3,761)
Bonus, payments	4,421 (6,233)	5,457 (4,308)	-37 (0)	4,162 (5,422)	93 (698)	5,586 (4,421)
Restructuring	16 (893)	765 (0)	0 (0)	13 (868)	3 (9)	765 (16)
Other provisions	5,431 (8,680)	2,576 (2,020)	-9 (751)	2,233 (2,393)	471 (3,627)	5,294 (5,431)
Total 2009	15,014	9,721	-162	7,027	1,407	16,139
Total 2008	(20,889)	(6,967)	(741)	(9,103)	(4,480)	(15,014)

Warranty provisions were recognised for any sales revenues associated with any such claims. 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. The provision for long-service obligations is shown under other non-current provisions.

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)	758 (0)	1,127 (1,127)	0 (1,127)
Employees Salary components	259 (298)	231 (259)	0 (0)	0 (0)
Long-service obligations	0 (0)	0 (0)	3,761 (3,658)	3,505 (3,761)
Bonus, payments	4,421 (6,233)	5,586 (4,421)	0 (0)	0 (0)
Restructuring	16 (893)	765 (16)	0 (0)	0 (0)
Other provisions	5,431 (8,680)	5,294 (5,431)	0 (0)	0 (0)
Total 2009	10,127	12,634	4,888	3,505
Total 2008	(16,104)	(10,127)	(4,785)	(4,888)

[5.15]

Current tax liabilities

(€ 000's)	2009	2008
Income tax liabilities	3,260	4,081
Other liabilities, taxes	3,705	3,332
Total	6,965	7,413

[5.16]

Liabilities

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

(€ 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	61 (1,276)	0 (0)	0 (0)	61 (1,276)
Trade payables	2,855 (3,271)	2,672 (2,003)	0 (0)	5,527 (5,274)
Liabilities to affiliated companies	0 (4,432)	0 (0)	0 (0)	0 (4,432)
Other liabilities	6,875 (8,345)	180 (0)	84 (0)	7,139 (8,345)
Prepayments received	2,893 (2,426)	0 (0)	0 (0)	2,893 (2,426)
Total 2009	12,684	2,852	84	15,620
Total 2008	(19,750)	(2,003)	(0)	(21,753)

Of the trade payables with a remaining term of more than one year, € 2,646k concern liabilities under leases. The other liabilities primarily include liabilities from outstanding 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)	2010	2011-2014	AFTER 2014
Licence agreements	3,000	6,000	0
Lease agreements	8,210	21,217	34,683
Other contracts	445	340	0
Total	11,655	27,557	34,683

[6]

[6.1]

Other financial obligations

[6.2]
Related parties

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

This primarily relates to the following services rendered:

- Cooperation with Aareal Bank AG with regard to the fully automated and integrated accounting and payment services for property companies in Germany incorporated in the software systems “Wodis”, “Blue Eagle”, “GES” and “WohnData”
- Provision of computer centre services and related implementation consultancy services
- Consulting projects
- Sharing the costs of the Aareon Congress

The volume of the business relations with Aareal Bank AG comprises revenues of € 7,051k and other operating expenses of € 706k.

Related parties controlled by Aareon AG, or over which Aareon AG can exert a controlling influence, are included in the consolidated financial statements and included in the list of shareholdings with information on the equity interest held and net profit/loss for the year in section 5.4. 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 € 3,399k in the financial year, including € 975k for the members of the Management Board. Compensation for the members of the Supervisory Board in the financial year just ended amounted to € 44k. Furthermore, provisions totalling € 237 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.

[6.3]
Auditors' fees

A total of € 304k and € 266k, respectively, was recognised for auditing services and other confirmation services in the reporting period.

[7]

Consolidated Statement of Cash Flows

All funds with terms of up to three months are deemed to be cash and cash equivalents. The statement of cash flows shows how the Aareon Group's cash and cash equivalents have changed during the year under review. To this end, the cash flows are annotated for financial year 2009 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 € 16,502k. The “cash flow from investing activities” was € -10,072k. The “cash flow from financing activities” in the amount of € -15,332k 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 (until 01.07.2009) 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 (until 01.07.2009) 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 Product Management, International Business, Sales (until 31.12.2009)
Jürgen Pfeiffer	Member of the Management Board GES, WohnData and Wodis product lines, Software Services, Aareon Wodis GmbH shareholding and BauSecura Versicherungsmakler GmbH shareholding
Dr. André Rasquin	Member of the Management Board (since 01.01.2010) Sales
Eberhard Villmow	Member of the Management Board Integrated Services, IT Consulting and Blue Eagle and SAP® product lines, IT Service Centre, Service Management, Aareon Immobilien Projekt Gesellschaft mbH shareholding and Aareon Software Handelsgesellschaft 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, 26 January 2010

The Management Board



Dr. Manfred Alflen



Jürgen Pfeiffer



Dr. André Rasquin



Eberhard Villmow

Auditors' report

We have audited the consolidated financial statements of Aareon AG, Mainz, comprising the balance sheet, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes as well as the Group management report for the financial year from 1 January to 31 December 2009. The preparation of the consolidated financial statements and Group management report in accordance with IFRS as applicable in the EU and the supplementary provisions that are applicable under Section 315a para 1 German Commercial Code (HGB) are the responsibility of the Company's Management Board. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

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

Frankfurt am Main, 28 January 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Christian F. Rabeling
German Public Accountant

Marc Billeb
German Public Accountant

Report of the Supervisory Board



Thomas Ortmanns, chairman of the Supervisor 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 one meeting took place during the first half of the year. One further resolution was adopted by circular memorandum in the 2009 financial year. 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. The main focus in this context was the market launch of the Wodis Sigma product.

The key activities regarding the company's future strategy were combined in the Value 2010 strategy project, about which there were quarterly reports. Other measures that were discussed repeatedly in this connection included the company's organisational restructuring, management development and Aareon's international strategy.

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 three times during the 2009 financial year.

The company's financial statements as at 31 December 2009, 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.

At the Supervisory Board meeting on 03 December 2009, Dr. André Rasquin was appointed to the Management Board effective 01 January 2010.

The Annual General Meeting on 01 July 2009 marked the end of the terms of office of the Supervisory Board members, Prof. Dr. Björn Dreher and Prof. Dr. Wilhelm Haarmann. The Supervisory Board and the Management Board thank Prof. Dr. Björn Dreher and Prof. Dr. Wilhelm Haarmann for their constructive work on the Supervisory Board.

Mainz, im März 2010

Der Aufsichtsrat



Thomas Ortmanns
(Vorsitzender)

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Photos

P. 2, 5, 6 f., 16 f., 32 f.: Andreas Varnhorn, Bad Vilbel
(The photos were taken at the premises of new Aareon head office.)

C5: Stephan Höck (contract signing)

C6: Gerhard Hagen Fotografie (new building),
Angelika Stehle (inauguration), Passionpictures
(Wodis Forum), Hans Soster (certificate handover)

P. 8: Gerhard Hagen Fotografie

P. 9: Forster & Martin Fotografie

P. 15: Source: Aareon

P. 19: Stephan Höck (Aareon Kongress),
Carsten Witte (WohnData Change)

P. 23: Source: Aareon France

P. 62: Source: Aareal Bank

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Aareon AG was awarded the "berufundfamilie" certificate from berufundfamilie gemeinnützige GmbH in 2008 for its efforts in achieving better work-life balance for its employees.



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 / Wodis Sigma

- Baugesellschaft Gotha mbH, Gotha
- GEWO Gemeinnützige Wohnungsbau eG, Oberhausen
- Kreiswohnungsbaugesellschaft mbH Schaumburg, Stadthagen
- Rheinwohnungsbau GmbH, Düsseldorf
- Vereinigte Leipziger Wohnungsgenossenschaft eG, Leipzig
- Wohnstätte Krefeld Wohnungs-Aktiengesellschaft, Krefeld
- Wohnungsbaugenossenschaft Chemnitz West eG, Chemnitz
- Wohnungsgenossenschaft „Aufbau“ eG Stralsund, Stralsund
- Wohnungsgenossenschaft „Lipsia“ eG, Leipzig

International (selection)

Aareon France, Frankreich

- Adoma, Paris
- Batigere, Metz
- Erilia, Marseille
- Groupe Hainaut Immobilier, Valenciennes
- Groupe Opievoy, Versailles

Aareon Italia, Italien

- Fabrica Immobiliare SGR, Rome
- Grandi Stazioni, Rome
- Gruppo L. Caltagirone, Rome
- IGD SIIQ, Bologna
- Sansedoni (Gruppo M.P.S.), Siena

GES

- Aachener Siedlungs- und Wohnungsgesellschaft mbH, Cologne
- 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

- Freiburger Stadtbau GmbH, Freiburg
- FROHE ZUKUNFT Wohnungsgenossenschaft eG, Halle
- GEWOBAU Wohnungsgenossenschaft Essen eG, Essen
- LEG Landesentwicklungsgesellschaft NRW GmbH, Düsseldorf
- STADT UND LAND Wohnbauten-Gesellschaft mbH, Berlin
- TLG IMMOBILIEN GmbH, Berlin

Aareon UK, Großbritannien

- Bournville Village Trust, Birmingham
- City West Housing Trust, Manchester
- Fabrick Housing Group, Middlesborough
- North Lincolnshire Homes, Scunthorpe
- Richmond Housing Partnership, London

Highlights of 2009



JANUARY: Already high customer satisfaction increased yet again.

MAY: Wohnungsgenossenschaft Essen Nord eG signs Wodis Sigma contract at the Aareon Congress: (from the left) Dirk Rasquin, Marcus Peters, Klaus Grewer, Lothar Böttcher.



JANUARY

FEBRUARY

MARCH

APRIL

MAY

JUNE



FEBRUARY: The new Aareon Website

JANUARY Operational start-up of a **custom SAP® solution** for GAG Immobilien AG, Cologne.

Our already high **customer satisfaction ratings** improved still further. 97% of customers interviewed are satisfied, very satisfied or completely satisfied with Aareon.

FEBRUARY The GWH (Gemeinnützige Wohnungsgesellschaft mbH Hessen) chooses an **SAP® custom solution** from Aareon. The housing association manages approximately 46,000 residential units.

Aareon launches its new, more customer-friendly **website**.

MARCH Aareon exhibits at **CeBIT 2009** in Hanover.

Aareon France and Sylogis.com present themselves at MIPIM in Cannes.

APRIL At the **Aareon Girlsday 2009** in Mainz, 30 young women are invited to take a closer look at the company, its activities and IT solutions.

MAY The **19th Aareon Congress** in Garmisch-Partenkirchen is staged under the slogan “Trends erkennen – Akzente setzen” (Recognising trends – leading the way). Around 1,000 visitors attend the real estate industry’s annual get-together.

Wohnungsgenossenschaft Essen-Nord eG signs a contract for **Wodis Sigma** at the Aareon Congress.

GdW president and patron Lutz Freitag presents the **DW Innovation Award for the Property Sector** “Professionalism in Housing” awards at the Aareon Congress.

Dr. Manfred Alflen, Chairman of the Aareon Management Board, is awarded the **title of honorary senator** for his work with the real estate management course at the Nürtingen-Geislingen University (HfWU)

JUNE The VOLKSWOHL BUND insurance company, Dortmund chooses to deploy our new product generation **Wodis Sigma**.

The two French subsidiary companies Sylogis.com SAS and Aareon France SAS merge to become the ‘new’ **Aareon France SAS**. Aareon had acquired the real estate software specialist Sylogis.com one year earlier. A customer event is held in Paris to celebrate the merger.

JULY The new release **Wodis 4.5** is certified according to Auditing Standard 880.

The **Aareon computer centre** is certified to the PS 951 audit standard. This certification guarantees high standards of IT security and reduces the customer’s workload when preparing annual IT audits.

The move to the new **Aareon head office** in Mainz proceeds smoothly. The new building complies with the latest workplace guidelines, with an open plan design to encourage communication.

As part of **Aareon’s work-life balance** project, the company launches a programme with an external service provider for the provision of childcare and eldercare services.

The **Lerninsel 2009** project – an Aareon initiative to promote young talent in the property business – starts in Berlin. The Lerninsel on the island of Juist follows in August.

SEPTEMBER: Official opening of Aareon's new head office (from left to right) Dr. Manfred Alfien, Jens Beutel, Franz Ringhoffer, Thomas Will, Eberhard Villmow, Thomas Ortmanns, Jürgen Pfeiffer, Dirk Gemünden.



DECEMBER: The graduates and professors of the "Certified Housing Manager" course designed by and for Aareon.



JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER



JULY: Move into the new Aareon head office in Mainz.

NOVEMBER: The Wodis Forum in Bochum draws a record attendance.



AUGUST A study carried out by the Analyse & Konzepte Beratungsgesellschaft für Wohnen, Immobilien und Tourismus mbH research agency in Hamburg highlights the numerous customer benefits provided by our efficiency improvements and notes an increase in tenant satisfaction with the **Mareon service portal**.

The GEWOBA Aktiengesellschaft Wohnen und Bauen in Bremen, with 68,600 units, signs a contract for the **hosting of Blue Eagle Individual**.

The first **Aareon holiday care programme** for employees' children is begun in partnership with an external provider. A pilot project for the programme takes place at our Dortmund office.

The first **parent-child office** opens at the head office in Mainz.

SEPTEMBER wbg Nürnberg Immobilien GmbH is the first WohnData customer to select **Wodis Sigma**.

Aareon exhibits at the **SAP Congress for the property industry**, where it gives a guest lecture along with GAG Immobilien AG, Cologne.

Aareon France launches the new product generation Portallmmo Habitat 2.0 Release 2 and Prem'Habitat 2.0 at the H'Expo in Toulouse.

The opening ceremony for the **new Aareon head office** in Mainz takes place in combination with the first family day. Some 350 adults and 200 children enjoy the new building and a variety of special events held under a clear blue sky.

Aareon donates over 10,000 euros to the **Mainzer Hospizgesellschaft Christophorus e.V.** hospice. The donation is from the proceeds of the sale to its staff by Aareon AG of pictures, plants and furniture following its head office move.

OCTOBER After GES, Wodis and WohnData, SCHUFA Holding AG now certifies the **SCHUFA integration** of Blue Eagle.

The **WohnData Change** event is held in Hamburg.

Aareon attends **EXPO REAL** in Munich.

Specialist journal DW 'Die Wohnungswirtschaft' announces the **DW Innovation Award for the Property Sector** for 2010 on the theme of 'Sustainability'. The competition is presented by Aareon AG.

NOVEMBER Over 500 people attend the **Wodis Forum** event in Bochum – a record attendance figure and 40 percent up on the previous year.

The first **Wodis-Sigma pilot customers** successfully migrate their operations. These are Wohnungsgenossenschaft im Kreis Olpe, Südsauerland eG, Rheinwohnungsbau GmbH in Düsseldorf and Eisenhüttenstädter Wohnungsbaugenossenschaft eG. All pilot customers express their satisfaction with the implementation projects and their experience with Wodis Sigma to date.

DECEMBER The new product generation **Wodis Sigma** goes through the 200-customer barrier. Among them are a variety of new and existing Aareon customers such as TLG IMMOBILIEN GmbH in Berlin, with nearly 24,000 rented units and a portfolio encompassing the office, retail, industrial and residential sectors.

STADT UND LAND Wohnbauten-Gesellschaft mbH, Berlin signs an agreement to deploy **Blue Eagle Individual**.

Dr. André Rasquin, Managing Director of Aareon Deutschland GmbH and Aareon Wodis GmbH, is appointed to the **Aareon AG Management Board**. He assumes responsibility for sales.

At an official ceremony, Prof. Hansjörg Bach and Aareon Chairman Dr. Manfred Alfien present certificates to the successful **Aareon graduates** of the professional development seminar 'Certified Housing Manager (HFWU)'.



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