

Aareon Annual Report 2022
Shortened version

Future is a Team



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→ The annual report (shortened version) is also available [online](#)

Future is a Team

**Trustful collaboration
between our employees,
customers and partners
enables us to actively
shape the future of the
property sector.**

Fiscal 2022



Changes on the Management Board

Harry Thomsen is the new Chief Executive Officer of Aareon AG. The other new members are Romyana Trencheva, Chief Revenue Officer, and Dr Ernesto Marinelli, Chief People Officer.

[Read more](#)

IFRS key indicators (in € million)

	2022	2021	Change
Revenues	308.5	269.3	14.5%
Of which international	121.8	105.1	15.8%
Adjusted EBITDA	75.3	66.8	12.8%
Consolidated net income after tax	-5.0	-0.6	-729.2%
Total assets	690.2	546.1	26.4%
Equity	195.3	209.0	-6.5%
Cash flow from operating activities	36.4	36.2	0.8%
Cash flow from financing activities	159.7	119.6	33.6%
Research and development expenses	59.3	52.4	13.2%
Number of employees (as at 31 December)	2,089	2,010	3.9%
Of which international	967	875	13.0%



Acquisition of Momentum Software Group AB, Sweden

Momentum develops, sells and implements Software as a Service (SaaS) solutions for property and energy management, and will support Aareon's transformation into an SaaS provider. [Read more](#)

New SAP® generation for Aareon Blue Eagle

By switching to SAP® S/4HANA, Aareon paves the way into the digital future for its clients.

[Read more](#) [GERMAN]

€59 million

Investment in research and development



Aareon remains a Great Place to Work®

After its initial certification in 2021, Aareon again receives the "Attractive Employer" accolade in Germany as well as the "Best Employer™ ICT" quality seal.

[Read more](#) [GERMAN]



Fundraising campaign "Give Others a Smile"

Aareon employees grant more than 100 Christmas wishes to people in need, supporting charitable organisations in Mainz, Dortmund and Leipzig (Germany) as well as in Southampton (UK). [Read more](#)

Aareon acquires Locoia GmbH, Germany

Locoia is an innovative low-code automation and integration platform. It is the technological basis for Aareon's digital partner ecosystem.

[Read more](#)

Aareon at a glance

Aareon is the leading provider of SaaS solutions for the European property industry. The company is digitalising property management by offering user-oriented software solutions that simplify and automate processes, support sustainable and energy-efficient operations and interconnect all process participants.

Our values



Pioneering the journey

Always at the forefront: with our technical expertise and innovative spirit, we anticipate our clients' needs and enable them to realise their goals.



Securing success

Our stakeholders can trust in their future: as an experienced and reliable partner, we assist with all challenges and ensure success.



Driven by value outcomes

Together we achieve more: in close cooperation, with a shared vision and a clear drive, added value is delivered for all stakeholders.

9

countries

Aareon has its headquarters in Mainz, Germany, and offices in Austria, Finland, France, the Netherlands, Norway, Sweden, Switzerland and the UK.

> 8,000

customers

use Aareon's software solutions and benefit from the digital transformation of their companies, managing over 14 million units in total.

> 2,000

employees

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

65

years of success

Aareon has done pioneering work ever since the data centre was first founded in 1957. Today, for good reason, it has become the software expert for the property industry.

Management Board 2022



Dr André Rasquin
Chief Technology Officer

Harry Thomsen
Chief Executive Officer

Christian M. Schmahl
Chief Financial Officer

Dr Ernesto Marinelli
Chief People Officer

Romyana Trencheva
Chief Revenue Officer

Dr Imad Abdallah
Chief Digital and Ventures Officer

What's ahead?

What does the future hold for Aareon? Members of the Management Board talk to us in short interviews about what lies ahead for the company.

[➔ Read online](#)



Healthy Minds

Protecting mental health in the changing world of work: how does Aareon ensure a healthy working environment for its employees?

[➔ Read online](#)



Future Talents

To drive the digital future of the property sector through the promotion of talent: this is the declared goal of the cooperation between Aareon and the EBZ Business School.

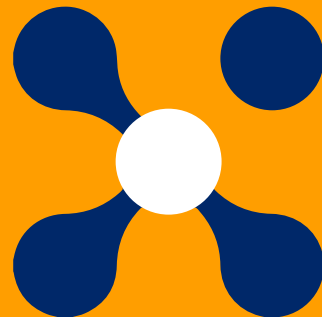
[➔ Read online](#)



Partner up

By opening its digital ecosystem to partner solutions, Aareon Connect is facilitating interaction between the diverse players in the property sector.

[➔ Read online](#)



Preface of the Management Board

Dear Readers,

Fiscal year 2022 was very special for us: we opened a new chapter in the history of our company. We still remain committed to ensuring sustainable success for our customers by helping them achieve their business goals with the aid of our software products. Russia's attack on Ukraine and the resulting increase in energy costs, as well as higher costs in general, have put an enormous strain on the property industry. However, we believe that with the help of the ongoing digital transformation, we will be able to meet these challenges in a united effort with our customers, business partners, employees and investors.

Key strategic initiatives

→ **Partner up:**
Aareon Connect opens up ERP systems for partner solutions.
[Read more](#)

As the newly formed Management Board, with Rumyana Trencheva as Chief Revenue Officer and Dr Ernesto Marinelli as Chief People Officer, we have developed several strategic initiatives aimed at increasing profitability and added value for our customers. In 2022, we began to set up a completely new partner programme that will allow our customers to benefit from software solutions and services from different providers that can be seamlessly integrated into existing Aareon ERP systems. This was made possible by our new Aareon Connect suite in conjunction with the iPaas (integration platform as a service) solution from Locoia GmbH, which Aareon acquired at the end of 2022.

In addition to our product portfolio, we also had a very close look at our different national markets, and came to the conclusion that we need to refocus our product design and product range to cater to the specific local requirements of the individual country. Our new revenue organisation is aimed at being able to respond even more efficiently to the needs of our customers. For this purpose, we will, among other things, roll out the CRM (Customer Relationship Management) software Salesforce throughout the Group to manage our operational processes more efficiently.

Inorganic growth through mergers and acquisitions remains an integral part of our strategic initiatives. In addition to the aforementioned acquisition of Locoia, our successful bid for the Swedish Momentum Software Group also deserves mention. The company develops, sells and implements Software as a Service (SaaS) solutions for energy monitoring and property management. Aareon Nordic and Momentum will operate jointly under the Momentum Software brand.

→ **Healthy Minds:**
How Aareon ensures a healthy working environment.
[Read more](#)

Alongside customer- and product-oriented strategic initiatives, our employees, in particular, are a further key factor for our success, for which their mental well-being is a crucial prerequisite. The "MIND your health" campaign was therefore launched on the occasion of the first company-wide Mental Health Day in 2023. The new Board function "People & Culture" focuses on the strategic development of a resilient, diverse and inclusive working environment, and is underpinned by the appointment of our first Chief

→ **Future Talents:**
Qualified workforce
is the key to digital
transformation.
[Read more](#)

Diversity, Equity & Inclusion Officer as of 1 February 2023. Aareon fosters a culture that embraces the new and unusual as valuable assets and promotes an inclusive environment in which a sense of belonging is deemed beneficial and productive. All employees are valued for their unique perspectives, respected as equals and individuals, and given fair access to all opportunities that arise. This enables everyone to focus on innovation and success for our customers.

To better harness the skills and potential of our people and optimise their further development, we are enlisting external digital support, starting with the introduction of the Workday management software in 2022.

→ **What's ahead?**
Members of the
Board talk
about the future
of Aareon.
[Read more](#)

On the way to becoming a leading SaaS company

Aareon aims to become the leading Rule-of-40 SaaS provider for the European property industry. With a Rule-of-40 value of 39%, we already came very close to achieving this goal in fiscal year 2022. Recurring revenue business grew by 19% year-on-year. Licensing revenue decreased by 10%, reflecting the shift to subscription and SaaS models. Despite the challenging environment, Group revenues increased by 15% to € 308 million (from € 269 million in 2021). Adjusted EBITDA increased by 13% year-on-year to € 75 million (from € 67 million in 2021). These figures are in line with the 2022 guidance issued in 2021. To continue the innovative and future-oriented development of our product portfolio, we again invested significantly in research and development in 2022. Total expenditure in this area amounted to € 59 million (compared to € 52 million in 2021).

We have ambitious plans for the future. Under the motto of "Future is a Team", we aim to unite and act together to shape the digital, innovative and sustainable future of the housing and property industry. Close communication with our stakeholders will play an important role in this process. This is the only way we can continue to improve on a daily basis! We would therefore like to thank you all for the many open and honest discussions and feedback that inspire us every day.

Best regards



Harry Thomsen

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Group business fundamentals

Aareon is the leading provider of SaaS solutions for the European property industry. The company is digitalising the property industry by offering user-oriented software solutions that simplify and automate processes, support sustainable and energy-efficient operations, and interconnect all process participants. In its research and development activities, Aareon pursues a collaborative approach in which the company's knowledge and expertise converge with the needs and requirements of its customers. This results in solutions that help make people's lives and work easier and enable companies to realise new value-creation potential. The Aareon Group is an international company with offices in the DACH region, France, the Netherlands, Scandinavia and the United Kingdom.

Aareon AG is a majority-owned subsidiary of Aareal Bank AG, Wiesbaden. AI Houses (Luxembourg) S.à r.l., Luxembourg – a company owned by Advent International Corporation, Boston, Massachusetts, USA – has a material non-controlling interest in Aareon.

Aareon's portfolio

With its Smart World portfolio, Aareon offers its customers enterprise resource planning (ERP) systems and digital solutions that help connect property management companies with their stakeholders and their buildings. The majority of this software is offered via the software-as-a-service (SaaS) business model, which allows the company to generate a high proportion of its sales as recurring revenues. The ERP systems Aareon offers in its respective national markets form the core of this product portfolio. They assist customers of the property industry with their diverse business processes, helping them to enhance process efficiency and quality as well as the way they manage their business and risks. These ERP systems enable customers to organise not only their core processes more efficiently, but also their key customer and supplier relationships, and portfolio management processes, e.g. contract and receivables management as

well as reporting solutions for commercial-property providers. With its constantly evolving ERP systems, Aareon aims to secure its customer base and generate a stable business volume that is robust over the long term. In many cases, Aareon's customer relationships have been in place for decades.

Software as a service, Aareon's main operating model, offers customers the advantage of not having to bother about updates or maintenance. But Aareon also provides a software hosting service from its certified data centre in Mainz. Hosting is provided either in the exclusive Aareon Cloud or "in-house", meaning on the customers' own premises.

Aareon increasingly favours the subscription payment model, though customers can also purchase software licences. Aareon uses the term subscription when the customer opts for hosting in the Aareon Cloud in combination with the subscription payment model. If the customer operates the software in-house in combination with the licensing model, Aareon generally provides service via a fee-based model that comprises not only maintenance and ongoing development, but also regular software support.

ERP systems portfolio

In Germany, Austria and Switzerland – the DACH region – Aareon markets ERP products for the housing industry and commercial property sector. In the case of the housing industry, the relevant products are Aareon Wodis Yuneo / Aareon Wodis Sigma, immotion® and Aareon's SAP® solutions (including Blue Eagle). Aareon also offers the ERP product Aareon RELion to the commercial property sector and to companies that manage both commercial-property and residential-housing portfolios. In the DACH region, this range of services is complemented by Aareon Cloud services and the BauSecura insurance management solution.

In its international markets, Aareon offers country-specific ERP products. In the Netherlands, Aareon Nederland offers the social-housing industry the SaaS solution

Aareon Tobias 365 (based on Microsoft® Dynamics® 365) and the ERP software Twinq, designed for the management of shared-ownership property by the country's home owners' associations. Aareon Nederland sells the ERP solution Aareon REMS in the commercial-property market. In France, the range of ERP products comprises Aareon Prem'Habitat and Aareon Portallmmo. In the United Kingdom, Aareon UK markets the ERP product Aareon QL, with its new iteration Aareon QL Yuneo. In addition, the British subsidiary Arthur Online Ltd offers an SaaS property management solution that links up property managers, owners, tenants and contractors on a single platform. In Scandinavia, the company markets the Momentum property management SaaS package, which is produced by the Swedish-based Momentum Software Group AB that Aareon acquired in June 2022.

Digital solutions portfolio

The digital solutions Aareon offers include WRM (workforce relationship management), CRM (customer relationship management), SRM (supplier relationship management), BRM (building relationship management) and Digital Office.

WRM products offer property companies greater process efficiency and help simplify their employees' day-to-day work. Mobile solutions, for example, make it easier for field staff to handle commissioning, safety checks, apartment handovers and portfolio data maintenance, and to process customer transactions.

CRM solutions support and simplify processes between tenants or property owners, on the one hand, and property companies, on the other – from searching for a place to live and moving in through to service enquiries and changes of residence. Aareon's CRM solutions enable property companies to offer their customers self-services, so that the latter can access documents like rental agreements online. What is more, tenants are able to submit damage reports, check the status of tickets and find out to what extent their issue has already been processed. The digital solution of Aareon's subsidiary wohnungshelden allows housing

companies to digitalise their entire rental process. Since the full takeover of OSRE B.V. in December 2022 and the acquisition of CubicEyes B.V. in October 2022, Aareon has been able to offer digital solutions that automate the property transaction process, e.g. the marketing of properties.

SRM products make for seamless collaboration between service partners. With the help of these digital solutions, employees tasked with commissioning tradespeople can, for example, coordinate their work efficiently and provide them, via mobile devices, with all the information they need to do their jobs. Service-partner orders, documents and invoices can be organised quickly online – without reams of paperwork. The integrated use of data from CRM and ERP solutions allows property companies to place digital commissions directly with partner companies. This enables maintenance processes, for example, to be managed digitally and transparently. Customers from both the property and energy industries can profit from this integrated portfolio. At the interface between SRM and CRM solutions, Aareon also offers its customers in Germany – through the interaction of vacancy management and the CRM portal/app – an EED-compliant application that satisfies the property industry's information obligations towards tenants.

BRM products support professional building management. These solutions enable property companies to record and analyse all their property-related data in a uniform manner and leverage it in order to optimise their processes. The data gathered is useful in managing property portfolios. A further advantage of these digital applications is that employees on site at a property can access all the data they require via a tablet or smartphone and therefore have at their fingertips precise information about the property's equipment, features, condition and maintenance cycles. In addition, they can update the inventory data in real time. BRM solutions also help property companies upgrade their existing properties to meet new energy-saving requirements. A case in point is the AiBATROS® software solution of Aareon's subsidiary CalCon: by means of a mobile data-capture app, the solution

makes it possible to perform standardised assessments of the current structural status of vacant units and to generate and cost different maintenance options. In the Netherlands, Aareon Nederland deploys the Trace & Treasury product, which helps asset managers manage their cash holdings and draft business plans.

Last but not least, Digital Office comprises solutions like Archiv kompakt or ShareWorX, which ensure the audit-proof archiving and retrieval of documents.

Market environment

With its portfolio of products and services, Aareon competes with other companies, both in its home market of Germany and abroad. Aareon's competitors include providers of proprietary industry products, SAP® partners and, increasingly, PropTech companies offering individual digital solutions. Aareon can boast a comprehensive portfolio of offerings, the majority of which are available via the software-as-a-service operating model.

Research and development (R&D)

Collaborative research and development activities focusing on adding value for customers and partner companies form the basis for the continuous technological evolution and expansion of Aareon's portfolio. Aareon works closely with its customers, adopting a co-creation approach in combination

with design-thinking methods. On top of that, Aareon leverages its potential as an international Group, drawing on the country-specific expertise of its employees in its R&D activities. Aareon takes an agile approach to development, enabling it to perform intensive testing at an early stage and transition as quickly as possible from initial idea to prototype. Its international development teams take social, legal, economic and technical factors into consideration, integrating them into new and existing solutions.

What is more, information gained from the day-to-day dialogue with customers is fed back into the company's R&D activities. Aareon constantly gauges the requirements of its customers by talking to them – e.g. in bodies such as customer advisory councils – and by conducting regular Group-wide customer surveys.

R&D expenses can be broken down into the development of new product generations, updates, the maintenance and upkeep of existing functions as well as the ongoing development of new functions and the creation of new products. Total expenditure of the R&D teams came to € 59.3 million in 2022 (2021: € 52.4 million). Some of the capital spent on developing new functions and products for our customers had to be recognised in the balance sheet. The capitalisation rate as a percentage of total expenditure was 34%. Amortisation of internally generated software amounted to € 12.6 million. Aareon utilises the services of third parties for the purposes of R&D.

Economic report

General economic and industry environment

General economic environment

Overall, 2022 was a difficult year for the global economy. The Ukraine war that erupted at the beginning of the year and the sanctions imposed by the West on Russia and vice versa had a strong negative impact, especially on European economies, causing energy and foodstuff prices to surge and at times also aggravating existing supply-chain problems. At a global level, too, both the economic situation and business confidence deteriorated in the course of the year, particularly in the second half. In many countries, high inflation rates dampened both private consumption and the positive catch-up effects following the Covid-19 pandemic. Another retarding factor for economic growth was the adoption by central banks of tighter monetary policy to combat high inflation rates. While many countries benefited from the easing of contact restrictions, China's zero-Covid policy continued to impact its economy. Growing inflation pressure also influenced financial market trends, with bond market yields rising markedly as a result of monetary tightening and some stock markets suffering sharp drops as well.

Economic growth

In the eurozone, real GDP rose by 3.3% year on year in 2022 – a rather subdued economic recovery from the Covid-19 pandemic. In spring, the easing of Covid-related contact restrictions initially led to a rise in consumer spending, especially on services. But, starting in February, Russia's war of aggression on Ukraine caused energy prices to surge and aggravated existing supply chain problems, affecting industry in particular. Although the war dampened demand and fuelled inflation worldwide, the eurozone was especially impacted due to its geographical proximity and its reliance on Russian energy. As a result, the eurozone economy slowed increasingly during the year on the back of high levels of

uncertainty, high energy costs, the declining purchasing power of private households, weakening terms of foreign trade and tighter financing conditions. The full-year economic growth figures for the major eurozone economies in 2022 were: Spain: 5.3%; Italy: 3.8%; France: 2.5%; and Germany: 1.7%.

Economic growth was also uneven in those European Union countries that are not eurozone members. Sweden, for instance, posted economic growth of 2.9% year on year in 2022 and the Czech Republic 2.5%. Poland's economy, by comparison, grew at a much stronger rate of 5.7%.

In the UK, economic activity was dynamic across all sectors at the beginning of the year, with close-contact services in particular profiting from the easing of Covid restrictions. Industry, however, was increasingly impacted by price rises for input products, supply bottlenecks and a shortage of workers, causing the rate of economic growth to slow from the second quarter onwards. In the second half of the year, consumer-related services suffered from a slump in consumer confidence attributable to high inflation rates and a decline in real incomes. In autumn, comprehensive tax cuts were announced, most of which were dropped, however, in the wake of the financial market turbulence that cost the Prime Minister her job. Economic output reached 4.1% in 2022 compared with 2021.

Despite the overall challenging environment, labour markets in many countries performed well, continuing their recovery from the Covid-19 pandemic. The service sector, in particular, continued to raise employment levels, though hobbled by a pronounced shortage of workers in some areas. At 6.6%, the eurozone unemployment rate hit a historic low at year end. The same went for the USA, where the previous year's strong increase in the workforce continued, pushing employment levels to new record highs in August. At year end, the unemployment rate stood at 3.5%.

Annual real GDP growth rate in %	2022 ¹⁾	2021 ²⁾
Austria	4.8	4.6
Eurozone	3.5	5.3
Finland	1.8	3.0
France	2.6	6.8
Germany	1.9	2.6
Netherlands	4.2	4.9
Norway	3.4	4.0
Sweden	2.8	5.1
Switzerland	2.0	4.2
United Kingdom	4.1	7.6

(Source: Oxford Economics) 1) Preliminary figures; 2) Adjusted to reflect final figures

Industry trend

In the national markets of relevance to Aareon, the digital transformation process in the property industry is still in progress. Driven especially by the higher energy prices in the wake of the Ukraine war, companies in this industry increasingly need to use digital solutions to reduce energy consumption. The digitalisation of standard processes can also help counter the shortage of skilled workers. It is increasingly important for enterprises to set up their own company-specific digital ecosystems with integrated software solutions. The trend towards sourcing software as a service (SaaS) from the cloud is ongoing. Under this business model, property companies outsource the operation, maintenance and servicing of software to IT service providers. Technologies like artificial intelligence and Big Data offer new ways to reduce the workload of property company employees and aid their decision-making. In addition to connecting property companies with their business partners, tenants and property owners, the focus is now shifting towards linking up with

the buildings themselves and the technical equipment in them – especially for the purposes of managing energy consumption and reducing carbon emissions. People’s growing desire to retain their independence in old age is boosting demand for digital solutions that enable them to continue living to a ripe old age in their own homes.

Key performance indicators

Revenue and adjusted EBITDA – the latter a customary metric across the software industry – are the key financial performance indicators used by Aareon to manage its business operations. Adjusted EBITDA factors out items of an exceptional or non-recurring nature, which usually means acquisition-related expenses, such as due diligence costs or the cost of legal disputes, for example. Capital expenditures on new Aareon products and non-recurring personnel costs are also factored out.

Business performance

Fiscal 2022 saw the reorganisation of Aareon’s Management Board. Hartmut Thomsen has been Chair of the Management Board of Aareon AG since 1 April 2022. Further new members joined the Management Board on 1 July 2022: Dr Ernesto Marinelli in the newly created position of Chief People Officer (CPO) and – as successor to Sabine Fischer – Romyana Trencheva as Chief Revenue Officer (CRO). During 2022, the new Management Board members launched key strategic initiatives in support of Aareon’s growth strategy. These aim to enhance profitability and also generate value added for customers. Continuing on the path of inorganic growth, Aareon strengthened its position by acquiring Momentum Software Group, a Swedish provider of SaaS property-management and energy-monitoring solutions, in June 2022.

Aareon is well on track to becoming a Rule-of-40 SaaS company. In 2022, the sum of revenue growth and adjusted EBITDA margin already equalled 39% (previous year: 29%) and was thus almost at the target level. The transformation process towards SaaS and subscription solutions continued according to plan, with growth of 25%. With the SaaS model, customers benefit from being easily able to utilise software from the cloud. As a result of the growth in SaaS, the share of recurring revenues in total revenues rose to 74% (previous year: 71%).

The Aareon Group reports on two segments: DACH and International Business, with the DACH segment comprising business operations in Germany (D), Austria (A) and Switzerland (CH).

DACH segment

Revenues in the DACH segment were significantly higher year on year. As part of Aareon's transformation into an SaaS company, the SaaS campaign for the new-generation Wodis Yuneo progressed. At the same time, Aareon continued to offer its customers process-oriented product packages that are tailored to their individual requirements and streamline the product range. As a result, revenues from Wodis Yuneo/Wodis Sigma, RELion, the ERP system for the commercial property market, and SAP® solutions (including Blue Eagle) increased markedly year on year. immotion®, the ERP system of the GAP-Group, which Aareon acquired last year, made a major contribution to revenue growth.

In the field of digital solutions, demand for the BRM solution AiBATROS®/epiqr®, which meets the requirements for sustainable portfolio management, was stronger year on year. As for CRM solutions, that of wohnungshelden, the company Aareon took over in 2021, was a positive revenue driver. Customer portal revenues rose year on year. Revenue from SRM solutions also increased, with Mareon, the service

portal for coordinating tradespeople, and the vacancy management solution in particular boosting revenue. Since 2021, the vacancy management solution has been successfully deployed in combination with the CRM portal and app. This solution, which is compliant with the EU's Energy Efficiency Directive (EED), is for managing the property industry's information obligations towards tenants. Revenues from Archiv kompakt, a digital archiving solution belonging to the Digital Office product group, were also up compared with the previous year.

BauSecura's insurance activities performed well. Revenues generated with Aareon Cloud services were down slightly year on year, but still at a high level.

International Business segment

Aareon posted significant year-on-year revenue growth in the International Business segment as well. In ERP systems, Tobias (Netherlands), Arthur (UK) and the Dutch product Twinq for the shared-ownership property management sector were all revenue growth drivers. The SaaS property management system Momentum also helped increase revenues. Revenues from Xpand, Aareon's former ERP solution in the Scandinavian market, from the French ERP systems Prem'Habitat and Portalimmo, from REMS, the ERP system for the commercial property industry in the Netherlands, and from the British ERP system QL, with the new product generation QL Yuneo, were all roughly on a par with the previous year. In the Netherlands, there was also strong demand for Aareon Cloud services.

Digital solutions were a strong revenue driver in the International Business segment, especially the BRM solution of UK company Tactile Ltd. (now Fixflo), which Aareon acquired in 2021. Facilitor, a facility management solution, and Trace & Treasury, a solution for financial and asset management in the Netherlands, generated higher revenues. Momentum Software Group's energy-monitoring solution also contributed

to revenue growth. Demand for CRM solutions was higher year on year in almost all markets. Overall, revenues from WRM solutions, comprising Aareon's mobile solutions, were up.

Economic situation

Earnings

Aareon grew its consolidated revenues in 2022 by 14.5% to € 308.5 million (2021: € 269.3 million). Recurring-revenue business grew by 18.9% year on year. Licensing revenue decreased by 9.5%, in line with expectations, reflecting the shift to subscription and SaaS models. Consulting revenues grew by 8.2% year on year. At € 75.3 million, Aareon's adjusted EBITDA was 12.8% higher year on year (2021: € 66.8 million). As a result, Aareon was within the range it had projected for 2022 – both for revenue (€ 305–325 million) and adjusted EBITDA (€ 73–78 million).

In addition to enhancing operations in its DACH and International Business segments in the fiscal year, Aareon placed special emphasis on its strategic focus areas. The company moved forward with its M&A Roadmap by completing a total of five transactions.

The non-recurring effects factored out of adjusted EBITDA amounted to € 22.2 million in the reporting year, roughly on a par with 2021 (€ 24.0 million). The adjustments concern: € 10.3 million for one-off personnel costs and the Value Creation Program (VCP) (previous year: € 10.9 million); € 6.8 million for the cost of corporate acquisitions (previous year: € 6.4 million); and € 5.2 million for capital spending on new products (previous year: € 6.7 million).

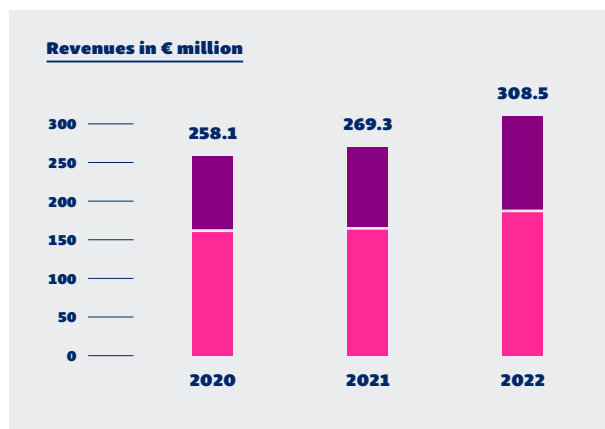
After the high level of capital spending on the product Wodis Yuneo in the DACH region in 2021 (€ 14.2 million), the figure

for 2022 was lower at € 11.7 million. Total expenditure on R&D came to € 59.3 million in 2022 (2021: € 52.4 million).

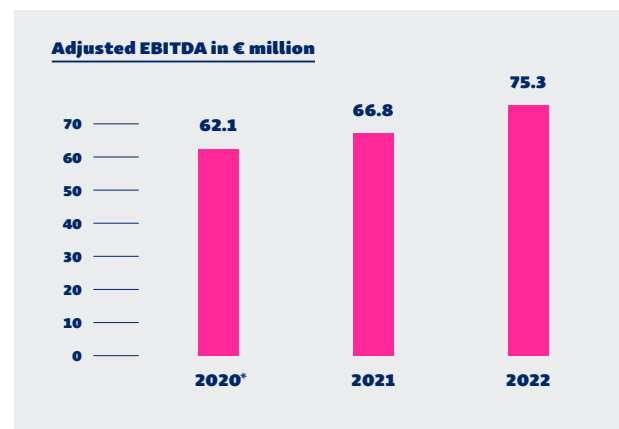
Other operating income amounted to € 7.8 million (2021: € 5.9 million) and included fees paid by participants in customer events, income from the release of purchase price liabilities and measurement effects from the transition of equity-accounted entities to consolidation.

The cost of materials rose by 16.9% to € 56.6 million (2021: € 48.4 million) due to revenue growth. The increase of 10.1% in staff costs to € 177.0 million (2021: € 160.7 million) was chiefly attributable to the increase in personnel numbers resulting from organic growth and to the integration of the employees of acquired companies. Other expenses also increased by 10.1% to € 41.3 million (2021: € 37.5 million).

At € 186.7 million, Aareon's revenues in the DACH segment were 13.7% higher year on year (2021: € 164.2 million). The original forecast figure of € 195.0–205.0 million could not be reached because consulting revenues were lower than expected. That was due mainly to the delayed completion of product releases and to weaker customer demand attributable to a lack of major projects. Recurring revenues, on the other hand, were significantly higher for all products amid the shift from licensing contracts to SaaS and subscription contracts. This was achieved largely through organic growth with the products Wodis Sigma/Wodis Yuneo and vacancy management, and through the inorganic effects of the acquisition of GAP mbH during 2021. Despite increased SaaS/subscription offerings, licensing business remained on a par with the previous year. Several contracts were concluded with major customers for SAP® solutions (including Blue Eagle) and AiBATROS®. The increase in costs is related to higher revenues and, in particular, to growth in the workforce. The latter was considerably lower than forecast and able to roughly offset lower consulting revenues. As a result,



■ International
 ■ DACH



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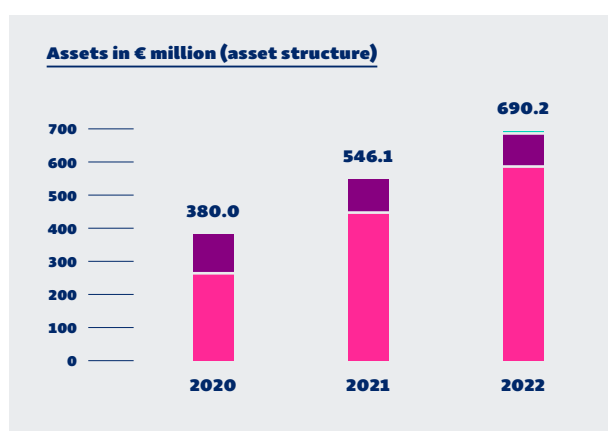
adjusted EBITDA in the DACH segment was higher year on year at € 47.5 million (2021: € 45.4 million), but marginally lower than the forecast range of € 48.0–51.0 million).

Revenues in the International Business segment were up by 15.8% to € 121.8 million (2021: € 105.1 million). The original forecast range of € 110.0–120.0 million was exceeded chiefly due to the acquisition of Momentum on 30 June 2022. Recurring revenues were also the main driver of growth in the International Business segment. Business in the Netherlands and France, and with small and medium-sized property managers in the UK, were the main contributors to organic growth. There was a correspondingly substantial reduction in revenues from licensing business. High customer satisfaction levels with project implementation led to an increase in consulting business in the Netherlands, though overall growth in this area was lower than expected. Cost increases were relatively moderate. Growth in staff costs, for instance,

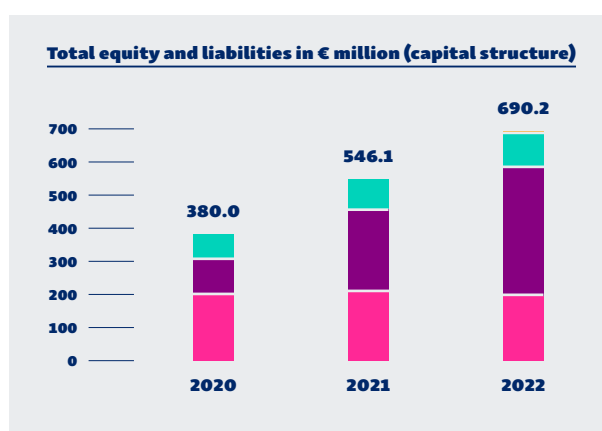
was only in the high-single-digit percentage range. At € 27.7 million, adjusted EBITDA was up year on year (2021: € 21.4 million) and also exceeded the forecast range (€ 25.0–27.0 million).

Net assets

Aareon's total assets amounted to € 690.2 million in 2022, up 26.4% year on year (2021: € 546.1 million). At € 583.8 million, non-current assets rose by 30.3% on the previous year (2021: € 448.2 million), mainly due to the increase in intangible assets from the acquisition of companies in the software industry. The decrease in rights of use was due to derecognition of the extension option in the lease for the headquarters building in Mainz. Current assets rose by 1.7% year on year to € 99.6 million (2021: € 97.9 million). Due to the planned sale of phi-Consulting GmbH at the end of Q1 2023, liabilities in the amount of € 6.8 million were reclassified as "held for sale" in accordance with IFRS 5.



- Non-current assets held for sale
- Current assets
- Non-current assets



- Liabilities attributable to held for sale non-current asset
- Current liabilities
- Non-current liabilities
- Equity

Financial situation

Capital structure

Compared with the previous year, equity decreased by 6.6%, from € 209.0 million to € 195.3 million, mainly due to currency translation differences of € 12.0 million and the consolidated net loss for the year of € 5.0 million.

Non-current liabilities rose by 57.5% to € 387.5 million (2021: € 246.1 million). This increase was driven by the drawdown of further loan tranches to finance acquisitions. The decline in non-current lease liabilities results from derecognition of the extension option in the lease agreement for the headquarters building in Mainz. At € 106.3 million, current liabilities were up by 16.7% year on year (2021: € 91.1 million), chiefly due to the drawdown of current overdraft lines. Due to the planned sale of phi-Consulting GmbH at the end of Q1 2023,

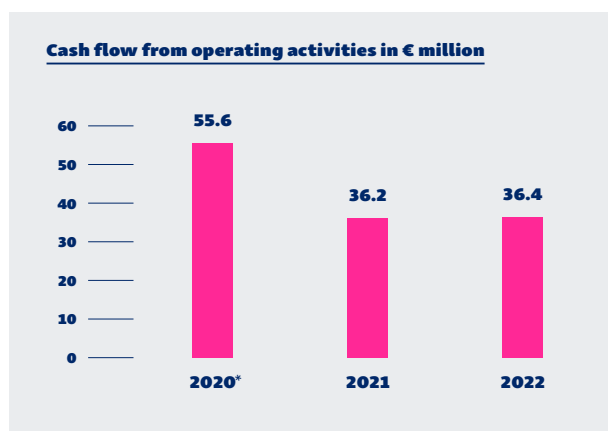
its liabilities of € 1.1 million were reclassified as “held for sale” in accordance with IFRS 5.

Liquidity

The statement of cash flows is the key to analysing Group liquidity. Cash and cash equivalents amounted to € 21.9 million in 2022 (previous year: € 32.5 million).

At € 36.4 million, cash flow from operating activities was on a par with the prior year (€ 36.2 million). EBITDA rose substantially year on year, to € 53.1 million (2021: 42.8 million). Owing to the high levels of business activity in the final quarter, a large volume of receivables was unpaid as at 31 December 2022, leading to a stronger increase in assets and thus lower cash inflows of € -8.1 million (2021: € +5.4 million).

Our staff¹⁾



* Restated

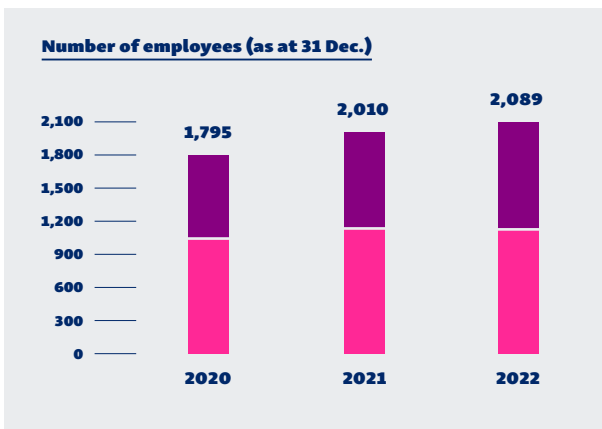
At € -206.2 million, cash flow from investing activities increased year on year (2021: € -173.6 million), due primarily to payments of € -168.0 million to acquire consolidated companies (2021: € -148.6 million). In 2022, this applied in particular to the acquisition of Momentum in Sweden, for the squeeze-out of which an advance payment of € -7.8 million was deposited.

Cash flow from financing activities came in at € 159.7 million (2021: € 119.6 million) and was mainly attributable to cash inflows from the drawdown of further loan tranches in the amount of € 180.0 million (2021: € 137.5 million) to finance acquisitions. In this context, interest paid increased to € 13.1 million (2021: € 3.1 million). The yet-to-be utilised line of credit approved by Aareal Bank amounted to € 32.5 million.

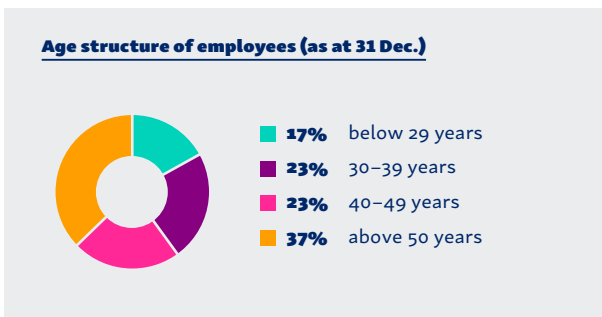
Aareon had 2,089 employees as at 31 December 2022 (2021: 2,010), 46.3% of whom were employed at international subsidiaries (2021: 43.5%). The average period of service with the company was 10.8 years (2021: 10.3 years). The proportion of women in the workforce was 33.7% (2021: 33.9%), while the share of women in management positions was 21.0% (2021: 23.1%). As equal opportunities are an integral part of Aareon's personnel policy, the company is striving to increase these percentages. The intention is to place greater emphasis on gender balance when recruiting talented young employees.

Fostering staff by enabling life-long-learning is important to Aareon because technological progress in particular is constantly transforming the tasks of the workforce. That is why Aareon empowers its staff to keep evolving in their roles and growing with the company – an ever more crucial approach, especially when skilled workers are in short supply. Via the Cornerstone Learning Management System, the company last year offered employees in Germany training courses on housing industry topics from the EBZ Business School Bochum and on leadership, agile project management, soft skills, communication and health from PINKTUM. In the UK, for example, Aareon works together with Udemy, an online learning platform. Other offerings included intercultural training courses, special consulting courses, a digital coaching programme lasting several months, and online language courses. Personalised training for managers is provided, for example, via the Aareon Development Centre for Managers. In addition, the eighth iteration of the Cross-Mentoring Programme was launched. Cross-mentoring is a personnel development tool aimed at encouraging knowledge transfer and involves the systematic sharing of ideas and experiences between employees at different companies. Managers, too, are encouraged to share ideas, with leadership groups at Aareon giving them an opportunity to learn from their peers.

1) Further information on Aareon's staff can be found [here](#).



■ International
■ DACH



Alongside the ongoing development of its staff, the training of new recruits is a key component of Aareon’s strategy to retain skilled workers. Aareon offers trainee programmes, a dual-study programme in Business IT as well as a variety of vocational training courses in office management and IT (the latter as either an application development or systems integration specialist). At year-end 2022, Aareon employed 20 trainees and two dual-study students in Germany. One of Aareon’s trainees came second in the “Azubi-Star 2022” (Star Trainee 2022) regional competition organised by the Rhein-hessen Chamber of Commerce and Industry. In order to foster young talent and promote education, Aareon also works together with several universities, offers internships and supports a number of students from Johannes Gutenberg University Mainz who are holders of a German National Scholarship (Deutschlandstipendium).

Compensation principles

Aareon’s compensation systems are aligned with its strategic goals. The objective is to provide employees with compensation that is attractive and motivating as well as in line with market benchmarks and personal performance. Equal pay for men and women performing the same duties is part of that as well and helps Aareon attract and retain highly qualified and dedicated employees. In the annual performance appraisals, employees and their line managers conduct a dialogue to assess to what extent task-related goals have been met. At present, it is still up to each individual Aareon subsidiary to design its own compensation system in line with the Group’s compensation principles. The ultimate responsibility for this rests with local management, who must also take into account the co-determination rights of the bodies representing the employees in each company as well as local statutory regulations. Aareon makes its principles for compensation systems known at every Group company.

Internal control system

Aareon's internal control system (ICS) consists of systematic organisational measures and controls that are designed to ensure compliance with its directives and to avert potential losses caused by its own staff or third parties. In this connection, Aareon has opted for a risk-based approach.

The purpose of the accounting-related internal control system is to guarantee that Aareon's operations are properly executed in both legal and business terms. One of the principal aims is to ensure the conformity of internal and external accounting processes and compliance with the relevant statutory provisions.

In addition to customers and products, which constitute the company's core processes, the processes in question relate to liquidity, personnel and legal affairs.

The Management Board of Aareon AG is responsible for designing, establishing, applying, refining and reviewing an appropriate system of internal control over financial accounting. At Aareon AG, the processes for (Group) financial accounting are managed by the Corporate Finance unit, which also takes charge of Group financial reporting. All of the company's subsidiaries are included in its consolidated financial statements. The Accounting and Contract Management unit handles some aspects of financial accounting – including preparation of the annual financial statements in the Group's SAP® software programme – for Aareon AG and its subsidiaries Aareon Deutschland GmbH, phi-Consulting GmbH, AV Management GmbH, CalCon Deutschland GmbH, wohnungshelden GmbH, Aareon GAP Beteiligungs GmbH, GAP mbH and AQN GmbH. The financial accounts of BauSecura are handled by the Funk Group. Aareon UK, Aareon France, Aareon Nederland and Aareon Sverige each have their own autonomous financial accounting units, and these also enter their respective financial data independently in the Group's SAP® software programme. The financial data reported by all other companies is entered in the Group's software

programme by Finance unit employees in Germany. After the closing date for the separate financial statements, the reported data is transferred to SAP® EC-CS, the software programme used for consolidation. During the consolidation process, carrying amounts are automatically converted into the functional currency (euro) using the closing rate on the reporting date, while income statement items are converted using the average exchange rate, and added together in the cumulative balance sheet or statement of comprehensive income respectively. Receivables and liabilities as well as income and expenses between Group entities are eliminated. The carrying amounts of investments and capital are also consolidated, as are unilateral transactions such as dividend payments. Finally, Group postings – such as first-time consolidations and deconsolidations, and the amortisation of assets and deferred taxes from first-time consolidations – are made manually.

Internal guidelines for preparing Aareon's separate financial statements and consolidated financial statements are set out in the Group accounting manual. These guidelines are made available to all Aareon subsidiaries, reviewed on a regular basis and updated as required. During preparation of the financial statements, plausibility checks are carried out in the accounting systems of subsidiaries and key individual items analysed. In addition, a schedule for preparation of the annual financial statements is in place, in accordance with which each subsidiary completes its separate financial statements and submits them to the relevant Group department for preparation of the consolidated financial statements. Control processes are in place to monitor both automated and manual entries. Key accounting procedures are subject to the dual-control principle, in some cases soon after the bookings are made. An authorisation process is in place to protect the accounting and financial reporting systems against unauthorised access. Aareon also makes use of external service providers, for instance to assist in measuring pension obligations.

Risk report

Under the internal control system, the units responsible regularly monitor compliance with guidelines and work instructions, and review the control measures in place.

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

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

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

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

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

In accordance with the regulatory requirements, Aareon is not obliged to provide information on either the effectiveness or efficiency of its internal control processes and risk management system in relation to the Group accounting process. Aareon AG has no internal control process or risk management system in place for its Group accounting process.

Aareon's ambitious growth strategy was by far the biggest influencing factor in 2022. Mergers and acquisitions enable Aareon to grow its market share and tap new market segments. At an organisational level, the foundations were laid for a partner ecosystem. In addition, the structures for a revenue marketing organisation were put in place and business cadence reporting rolled out.

In order to fulfil the requirements of the PS 340 nF auditing standard in the area of risk management, a Monte Carlo Simulation module was introduced as part of a software expansion project. That means Aareon can now simulate risk assessments using distribution functions. The new risk values are termed "expected damage" and are not comparable with the "expectancies" previously used. The risk management system enables those responsible for the relevant divisions, investments and projects to regularly record and analyse their respective risks – but not the associated opportunities – as well as to develop proactive risk management measures. Risks are assessed in two separate dimensions, namely in terms of their impact and their probability of occurrence. The risk owners assess the impact by selecting a corresponding distribution function from a list. Risks are assessed in both inherent and residual terms, meaning both before and after any risk minimisation measures are taken into account. In the course of the project, a process was developed to identify as early as possible any trends that could threaten the company's going-concern status as well as a methodology for determining the Aareon Group's risk tolerance. This additional information is also provided in the Aareon Group's risk report. In addition to general corporate risks, special emphasis is placed on information security risks, which are recorded and assessed in a separate information security inventory. Whereas general corporate risks flow directly into the risk management system, information security risks are accounted for in aggregate form. As a general principle, no risks are avoided and all are recorded.

The resulting risk reports are consolidated by the Group's Legal, Risk Management and Compliance unit and provide the basis for quarterly risk reporting. This topic is dealt with regularly at board meetings and also forms part of the quarterly reports submitted to the Supervisory Board of Aareon AG. Aareon uses the risk reporting system to shed light on its risk situation and provide management with a basis for deciding what action to take. For each of the ten risks assessed in each quarter as having the highest expected damage, the corresponding measures specified by the risk owners are documented in the risk reports, to the extent that the expected damage exceeds a defined threshold. The threshold is currently set at € 200k. At the applicable reporting date in the fourth quarter, two risks met the criteria for special individual reporting. In addition to documentation of the measures taken in the fourth quarter, the measures taken against risks whose expected damage ranked among the top ten in any of the preceding three quarters are also documented. This juxtaposition of risks and measures serves two purposes: firstly, to aid comprehension of the risk assessments and, secondly, to assess the effectiveness of the measures taken. Over and above this, the Management Board of Aareon AG and the management of the DACH²⁾ region, the Group's biggest, decide on the measures to be taken against risks whose expectancy exceeds a further defined threshold.

Aareon's Internal Auditing unit carries out reviews of the risk management system. These include checking for compliance with statutory provisions and with the Group-wide guidelines documented in the risk management manual. In addition, a control owner carries out an internal audit in accordance with German auditing standard IDW PS 951 nF to ascertain whether the internal risk management controls in place are effective.

2) D = Germany, A = Austria, CH = Switzerland

The categories of risk to which Aareon is exposed comprise financial and market risks, management and organisational risks, risks from incidental and ambient conditions, and production risks. Financial risks comprise liquidity, cost and revenue risks. Market risks include customer and competition risks, risks relating to associations' and advisory councils' opinion leadership, supplier risks and risks arising from inorganic growth. The management and organisational risk category combines risks relating to personnel and internal processes. The incidental and ambient conditions category comprises legal risks and compliance risks. Production risks comprise product and project risks as well as risks relating to information security. Interdependencies exist between individual risks. No overall risk value is calculated at the risk-category level. The planning period at this level is one year.

Having categories and subcategories enables Aareon to draft a harmonised risk atlas and achieve a uniform approach to the examination of risks. The risk atlas summarises the risks and indicators monitored by the individual divisions and Group companies.

If any major changes are decided on at meetings of the corporate bodies as regards organisation, strategy or management policy, the central risk management department adjusts the risk atlas accordingly.

Viewed on average across the risk assessments of the first three quarters, the risks faced by the company in 2022 were deemed to be lower on the whole than in the previous year. As the method of risk assessment was changed in the fourth quarter of 2022, the risk assessments are not comparable with those of the previous year. On the whole, Aareon was not exposed to any risks that threatened its status as a going concern or had a significant impact on its net assets, financial situation or earnings. The following is a description of risks of material interest to the readers of the financial statements.

Financial risks

Liquidity risk is defined as the risk that the Group companies may be unable to meet their financial obligations, e.g. those arising from loan agreements, leases or trade payables. The Aareon Group's demand for capital is constantly rising due to its strong organic and inorganic growth. That demand is met in close cooperation with Aareal Bank AG. The line of credit of € 350.0 million approved by Aareal Bank is mainly intended to finance corporate acquisitions. Of that figure, € 32.5 million had not already been utilised for loan commitments as at the reporting date. Aareon is convinced that its existing credit facilities with Aareal Bank AG, its optimised corporate structure and the cash inflows from its ongoing business operations are sufficient to meet the Group's foreseeable liquidity requirements.

In order to limit liquidity risks across the entire Aareon Group, the liquidity of each Group company is actively monitored and liquidity is managed at the Group level as well. Where necessary, the liquidity requirements of individual Group companies are met using the available cash of other Group companies via the cash pooling mechanism. In addition, Aareon AG can at any time utilise the line of credit approved by Aareal Bank to cover the Group's needs. This provides the Group with cover that is optimal and always sufficient to finance the needs of its business operations and its local capital expenditures. At the international subsidiaries, this liquidity forecast is prepared on a monthly basis.

Given the international focus of the non-eurozone countries, exchange-rate risks arise in connection with the measurement of foreign-currency payables and receivables, and must be constantly monitored. The financing of its business activities, especially M&A transactions, exposes Aareon not only to exchange-rate risks, but also to interest-rate risks. In order

to limit these risks, the relevant corporate bodies analyse and decide on the use of derivative financial instruments in a series of consultations. The analysis takes account of the geopolitical and economic parameters in the individual countries and the opinions of external experts. Derivative hedging instruments are concluded solely for the purpose of hedging existing risk positions or business transactions that are highly likely to materialise. In this context, Aareon restricts itself to marketable OTC instruments and uses these solely to hedge underlying transactions, and not for trading or speculative purposes. All decisions on the use of derivative financial instruments are made in close cooperation with the Management Board. This ensures the Management Board is always fully informed of all material risks and of the hedging instruments in place.

The tax risk rises as a result of inorganic growth and the increasing complexity of business transactions. Examples of this risk include potential claims arising from company audits and losses that do not qualify as loss carryforwards. A tax compliance system was established to counter these rising risks.

Given the higher levels of liquidity, interest and exchange-rate risks, overall financial risks increased year on year and comprise, in particular, the assessment of tax risks and external financing of the company's growth.

Market risks

Regular reports to the Management Board on the market situation help Aareon counteract the risk of being unable to achieve its planned prices in the marketplace. The Aareon Group also has to deal with general market risks. These also include indicators such as customer churn and the entry of new competitors into the market. Aareon counters the risk

of any deterioration in customer relationships by regularly checking levels of customer satisfaction. In addition, the success of converting contracts to the new SaaS/subscription pricing model is measured on a regular basis.

Compared with the previous year, market risks were deemed to be lower.

Management and organisational risks

In order to do justice to the changing market situation and the resulting changes in the product portfolio, it is especially necessary to regularly adapt the company's human resources to the skills required. The tight labour market in the IT industry makes it ever harder to fill vacancies in time and uphold business operations. Aareon counters this risk by enabling employees to change positions within the company and upgrade their skill sets. Aareon has initiated far-reaching changes to its compensation and bonus systems in order to create an attractive environment and enhance retention of talented employees.

Relative to the previous year, management and organisational risks were assessed as being lower.

Risks from incidental and ambient conditions

At Aareon, the term "incidental and ambient conditions" is used to cover legal and compliance risks. As an IT service provider, Aareon is particularly exposed to risks arising from breaches of IT-relevant regulations. Such risks are processed in at least one of the management systems in use in the Information Security (IS), Data Protection or Compliance units.

These units cooperate closely with each other to counter the risks both effectively and efficiently, and to avoid divergences in how they assess IT-relevant threats. This helps to bring compliance measures into alignment with information security measures.

Aareon places particular emphasis on the constant evolution of the management systems mentioned above. The monitoring and control mechanisms developed there help to continuously improve the Aareon Group's compliance-relevant processes.

In order to manage the risks arising from contractual compliance, Aareon uses standard contracts that are refined and adapted on an ongoing basis to reflect changes in products and laws as well as the latest court rulings. In addition, the managing directors make use of an established complaint management system to monitor – and thus avoid as far as possible – any potential claims for damages. This helps to reinforce Aareon's reputation as a reliable contractual partner. Special customer requirements are discussed with the relevant contractual partners, specified for the particular customer relationship and documented.

The consequences of the EU's General Data Protection Regulation (GDPR) for Aareon's established risk management system were taken into account in Aareon's data protection organisation system, which applies Group-wide. Data protection is an integral part of Aareon's business. The tasks arising out of this project, namely to preserve and maintain the data protection management system, are being constantly monitored and evolved as well.

Relative to the previous year, the risks associated with incidental and ambient conditions were assessed as being lower.

Production risks

Like any other project, software development harbours the risk that the final product cannot be provided at the targeted cost, in the expected quality, or within the time frame required by the market. That is why such work is carried out using development and management methods based on internationally recognised standards. Procedures and standards are set down in a uniform international development policy that places particular emphasis on security and data protection, and takes account of both agile and traditional development methods. Development and customer projects are increasingly being implemented using agile methods, enabling risks to be identified early and monitored accordingly. Responsibilities for continuous improvement processes for software quality have been assigned within the organisational structure. Particular points of focus in this context are the expansion of SaaS/cloud services, and capital expenditure on security and on the automation of software testing and operation in order to ensure consistently high quality at lower cost and to achieve a smooth flow of deliveries.

The information security management system is based on the internationally recognised ISO 27001 standard and is subject to a continuous improvement process. In this context, technical and organisational checks were established in order to ensure a level of protection as regards information processing. This relates not only to the actual area exposed to attack in public networks, but also to the appropriate, proactive response to information security threats as regards the protection goals of confidentiality, integrity and availability. As part of the continuous improvement process, uniform standards compliant with ISO security management

standard 27001:2013 were rolled out on the basis of the Aareon security strategy. In addition, processes, guidelines and controls were refined and enhanced.

Realistic, documented countermeasures are taken to minimise the risk of any serious disruptions during the operation of customer software. In order to minimise the risk of an application being disrupted as a result of unauthorised access or an attack, technical and organisational measures have been taken that are anchored in the internal control system in accordance with German auditing standard IDW PS 951 nF. Appropriate fire-protection and loss- and disaster-prevention measures have also been put in place. Internal redundancies are in place to counter the failure of individual systems or components. Aareon's data centres were built in 2011, are audited by the TÜV technical inspection agency and have been certified as compliant with High-Availability Level 4. Key factors in this certification were the utilisation of state-of-the-art technologies, such as building infrastructure with heat-recovery technology, the mirroring of data between the two data centres, and fibre-optic cabling with cutting-edge encryption technology. Aareon has also established comprehensive data backup processes that allow it to reconstruct lost data in whole or in part within corresponding time frames. Aareon has addressed the issue of liability risk by taking out financial liability insurance for a limited scope and amount. The insurance policy provides cover in the event that Aareon is found liable to a third party for financial losses incurred as a result of its activities as an IT provider.

On the whole, production risks were assessed as being almost unchanged relative to the previous year.

Opportunities

Identifying, creating and utilising opportunities is a decisive component of Aareon's corporate strategy of managing the digital transformation process in a purposeful manner. To this end, Aareon constantly monitors and analyses developments in the property sector, the competitive environment and society at large, as well as IT trends. The insights it gleans from this find their way into the company's strategy. The opportunities this gives rise to, some of which are correlated with each other, are categorised below. They were largely unchanged compared with the previous year:

- Opportunities from customer focus
- Opportunities from a connected product portfolio
- Opportunities from being an attractive employer
- Opportunities from a sustainable business model

Aareon assesses the opposing risk of each opportunity.

Opportunities from customer focus

Aareon is fully focused on its customers. Aareon's goal is to leverage its portfolio of products and services to add value for customers, also by making their day-to-day work easier. Aareon's ERP systems and digital solutions help the property industry – which faces a shortage of qualified personnel and challenges from high energy costs – do business more efficiently. In many cases, Aareon's relationships with its customers, the property industry and their partner companies have grown over many years. Aareon is a member of several property industry associations, including the German Federation of Housing and Property Companies (GdW). Beyond that, Aareon systematically engages in dialogue with its customers – in the Aareon customer advisory councils, at numerous customer events

and in customer meetings. It also conducts regular customer surveys. This proximity to the industry and customers presents opportunities to identify customer trends, needs and requirements as they arise and to factor them into the ongoing development and expansion of Aareon's portfolio of products and services.

Opportunities from a connected product portfolio

Both the economy and society are characterised by the ongoing digital transformation process. Technological change is accelerating. Aareon integrates the opportunities this offers into its product strategy. It is constantly expanding the Aareon Smart World digital ecosystem – which centres on the company's ERP systems and its innovative integrated mobile digital solutions – and also enhancing it with solutions from its partner companies. The further transformation to software as a service is one point of focus. Our customers can work in a convenient, process-efficient manner using a single database, can expand their own customer service capabilities and leverage potential for new business models. Aareon offers corresponding consulting services for all its products and services to help its customers to set a digital agenda – meaning to focus on the right products and solutions – so that they can achieve their business goals. Companies frequently prefer to source all their products and services from a single provider. That is why, compared with its competitors, Aareon has opportunities from its integrated software offerings in combination with consulting. When refining and enhancing existing products and services or developing entirely new ones, Aareon harnesses the growth potential arising out of the new trends and requirements of both customers and the market.

Opportunities from being an attractive employer

The demographic trend is making competition for qualified workers more intense, which is why Aareon is constantly honing its profile as an attractive employer. An important step in this context was the establishment in July 2022 of a dedicated Management Board function “People & Culture”. Aspects where Aareon can score points in this regard include an innovative, inspiring and informal working environment in a hybrid working world, a healthy work-life balance, a personnel policy that is geared to the employees’ different life phases, equal opportunities, diversity, and a corporate health management programme with a particular focus on mental well-being. This creates opportunities for enhancing employee motivation and for facilitating the recruitment of new, highly qualified employees. In the race to recruit new qualified workers, Aareon relies, among other things, on employer branding activities – also via social media – that help to establish links to potential employees at a very early stage.

Opportunities from a sustainable business model

Aareon’s goal is to entrench environmental, social and governance (ESG) aspects in its value creation processes and factor them into corporate decision-making. This creates opportunities to enhance Aareon’s future viability and position it, both in the market and with stakeholders, as a company that acts responsibly. Since 2012, for example, the Aareal Bank Group – and thus also Aareon – has been accorded Prime Status in the sustainability rankings of ISS-ESG, a well-known rating agency. Key aspects of sustainability at Aareon include: a sustainable, forward-looking business model with Aareon Smart World, which leverages the potential of digitalisation with its customer-centric, high-quality IT solutions; high levels of data protection and security; and a responsible, life-phase-oriented personnel policy that exploits the opportunities provided by the digital working world. With products like AiBATROS®, Aareon has the potential to fulfil the wishes of many property companies, namely to make their own contribution to sustainability. The Aareal Bank Group’s annual Sustainability Report describes the sustainability measures adopted by Aareon.

Outlook

Aareon will continue to pursue its growth strategy in 2023, with the declared goal of becoming a Rule-of-40 SaaS company.

Aareon's consolidated revenues are likely to rise in 2023, reaching € 325.0–345.0 million (2022: € 308.5 million), driven by recurring revenues from the SaaS, subscription and maintenance contracts the company has been marketing more intensively since 2021. Especially with SaaS products, customers benefit from the added value of cloud solutions. Alongside these, the continual expansion of new business and further cross-selling of digital products to existing customers – so that the latter can expand their digital ecosystems – will contribute to sales growth. As a result, licensing revenues will decline further in 2023 as the trend towards SaaS continues. Organic growth will be complemented by inorganic growth from mergers and acquisitions in line with the corporate strategy. In late December 2022, Aareon exercised its option to acquire the remaining shares in Netherlands-based OSRE B.V. As a result, the latter will contribute to the Group's revenues and earnings in 2023 just like the other acquisitions made during 2022. On the other hand, the shift in focus to core business means that the subsidiary phi-Consulting GmbH, which specialises in consulting services for utilities, will be sold at the end of Q1 2023 as contractually agreed last December. Because of this sale, revenues from professional services will rise only slightly compared with 2022. Thanks to strategic cost-optimisation measures, costs should rise only marginally in 2023, with higher energy costs being the main driver. At € 90.0–100.0 million, adjusted EBITDA should be considerably higher than last year (2022: € 75.3 million). The adjustments should amount to around € 40.0 million and will thus be higher than last year (2022: € 22.2 million). They comprise not only M&A costs, but also a capex budget of around € 35.0 million for measures to enhance efficiency.

The main drivers of ERP revenues will be Wodis Yuneo in the DACH region, Tobias 365 in the Netherlands, Arthur Online in the UK and Momentum in Sweden. The roll-out of the new product generations of Wodis Yuneo and Tobias 365 will continue. New customers and an expanded product portfolio will help boost growth at Arthur Online. The Swedish Momentum Software Group, which was acquired in June 2022, will be included in the 2023 consolidated financial statements for a full 12 months. In addition to that, the migration of Xpand customers to the technologically future-oriented Momentum solution will help Momentum's revenue growth. By the same token, revenues from Xpand will gradually decline. Revenues from the other ERP products – like Aareon's SAP® solutions (including Blue Eagle), RELion and immotion® in the DACH region, Portallmmo and Prem'Habitat in France, QL Yuneo in the UK, and REMS and Twinq in the Netherlands – are expected to be on a par with last year. With digital solutions, too, the trend towards SaaS solutions will continue, with a consequent decline in licensing revenues. Owing to demand for the solutions of acquired companies like CubicEyes B.V., OSRE B.V. and wohnungshelden GmbH, as well as to further penetration of the customer base, revenues from CRM products should rise sharply. SRM products for existing customers are also expected to show strong growth. Revenues from other digital solutions will be on a par with last year. As for the BRM solution AiBATROS®, an increase in recurring revenues will help equal the sales figure of 2022 despite lower licensing revenues in 2023. The same applies to WRM products, where higher licensing revenues in the UK were generated last year by the shift to a new product generation.

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

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Comprehensive auditor's opinion

Consolidated statement of comprehensive income

For the period 1 January to 31 December

€ '000	Note	2022	2021
Revenues	04.1	308,460	269,327
DACH		186,702	164,208
International Business		121,758	105,119
Other own work capitalised	05.1	11,726	14,244
Other income	04.2	7,822	5,888
Cost of materials	04.3	56,643	48,434
Staff costs	04.4	176,970	160,712
Other expenses	04.5	41,334	37,533
EBITDA (earnings before interest, taxes, depreciation and amortisation)		53,061	42,780
Depreciation/amortisation and impairments		38,057	30,785
EBIT (earnings before interest and taxes)		15,004	11,995
Financial income	04.6	42	78
Financing expenses	04.6	-16,556	-6,553
Net income from equity-accounted investments	05.3	-1,371	-501
EBT (earnings before taxes)		-2,881	5,019
Income taxes	04.7	2,144	5,625
Consolidated net loss for the year		-5,025	-606
Of which attributable to:			
Shareholders of the parent company		-7,149	-2,737
Non-controlling interests		2,124	2,131
Other comprehensive income (OCI)		-8,449	6,549
Items recycled to profit and loss		-12,340	3,137
Currency translation differences from international business operations		-12,340	3,137
Items not recycled to profit and loss		3,891	3,412
Fair-value remeasurement gains on financial instruments	05.3	-1,000	1,000
Actuarial gains/losses from defined benefit plans	05.14	7,050	3,508
Income tax on actuarial gains/losses from defined benefit plans	05.14	-2,159	-1,096
Comprehensive income		-13,474	5,943
Of which attributable to:			
Shareholders of the parent company		-15,598	3,812
Non-controlling interests		2,124	2,131

Consolidated balance sheet

As at 31 December

Assets – € '000			
	Note	31 Dec. 2022	31 Dec. 2021
Non-current assets			
Intangible assets	05.1	522,966	361,348
Property, plant and equipment		16,321	14,387
Right-of-use assets	05.2	22,108	54,753
Financial assets	05.3/05.4	15,282	11,448
Other non-current assets	05.2	1,196	1,677
Deferred tax assets	05.6	5,961	4,592
		583,834	448,205
Current assets			
Inventories		704	290
Contract assets*	05.7	14,699	17,665
Receivables from customers*	05.7	40,776	31,766
Other current assets	05.8	10,618	6,558
Current income tax receivables		10,865	9,047
Securities		1	53
Cash and cash equivalents	05.9	21,896	32,548
		99,559	97,927
Non-current assets held for sale	02.4	6,776	0
		690,169	546,132
Equity and liabilities – € '000			
	Note	31 Dec. 2022	31 Dec. 2021
Equity			
Equity attributable to shareholders	05.10/05.11/05.12	192,393	206,656
Non-controlling interests	05.13	2,868	2,326
		195,261	208,982
Non-current liabilities			
Provisions for pensions and similar obligations	05.14	25,639	33,412
Other non-current provisions	05.15	1,189	1,417
Non-current lease liabilities	05.2	19,057	53,210
Deferred tax liabilities	05.5	23,806	19,118
Non-current purchase price liabilities	05.16	2,363	4,220
Non-current financing liabilities	06.2	315,448	134,687
		387,502	246,064
Current liabilities			
Current financing liabilities	05.9	4,563	0
Other current provisions	05.15	21,492	19,009
Income tax liabilities		2,118	1,126
Current purchase price liabilities	05.16	3,002	3,630
Trade payables	05.17	17,002	13,585
Contract liabilities	05.18	24,983	23,591
Current lease liabilities	05.2	9,270	8,495
Other liabilities	05.19	23,833	21,650
		106,263	91,086
Liabilities in connection with non-current assets held for sale	02.4	1,143	0
		690,169	546,132

* Prior-year figure restated

Consolidated statement of changes in equity

For the period 1 January 2021 to 31 December 2022

€ '000

	Equity attributable to shareholders				Total before non-controlling interests	Non-controlling interests		Total
	Subscribed capital	Share premium	Currency translation differences	Accumulated group earnings and profits		Subscribed capital	Accumulated group earnings and profits	
1 January 2021	25,000	41,900	-5,096	136,987	198,791	84	2,141	201,016
Capital increase	48	1,614	0	0	1,662	0	0	1,662
Dividend	0	0	0	0	0	0	-2,029	-2,029
Derecognition of equity instruments and transfer to retained earnings	0	0	0	2,391	2,391	0	0	2,391
Total net income for the period	0	0	3,137	675	3,812	0	2,130	5,942
Consolidated net loss/profit for the year	0	0	0	-2,737	-2,737	0	2,131	-606
Other comprehensive income (OCI)	0	0	3,137	3,412	6,549	0	-1	6,548
31 December 2021	25,048	43,514	-1,959	140,053	206,656	84	2,242	208,982
1 January 2022	25,048	43,514	-1,959	140,053	206,656	84	2,242	208,982
Changes in scope of consolidation	0	0	0	0	0	2	878	880
Dividend	0	0	0	0	0	0	-2,127	-2,127
Recognition of equity instruments in retained earnings	0	0	0	1,000	1,000	0	0	1,000
Total net income for the period	0	0	-12,005	-3,258	-15,263	0	1,789	-13,474
Consolidated net loss/profit for the year	0	0	0	-7,149	-7,149	0	2,124	-5,025
Other comprehensive income (OCI)	0	0	-12,005	3,891	-8,114	0	-335	-8,449
31 December 2022	25,048	43,514	-13,964	137,795	192,393	86	2,782	195,261

Consolidated statement of cash flows

For the period 1 January to 31 December

€ '000	2022	2021
EBIT (earnings before interest and taxes)	15,004	11,995
Depreciation/amortisation and impairments of non-current intangible assets and property, plant and equipment	38,057	30,785
Income taxes paid and income tax refunds received	-7,474	-10,264
Other non-cash expenses/income	-3,570	-2,162
Payments from lease receivables	486	485
Increase (-)/decrease (+) from changes in assets	-8,064	5,408
Increase (+)/decrease (-) from changes in liabilities	1,985	-97
Cash flow from operating activities	36,424	36,150
Net payments for investments in non-current assets	-27,954	-28,163
Payments for the purchase of consolidated companies (less cash and cash equivalents acquired)	-167,978	-148,554
Capital increases for other business units	-2,387	-990
Advance payments deposited for outstanding purchases of residual shares	-7,843	0
Payments from the sale of Immomio GmbH	0	4,150
Cash flow from investing activities	-206,162	-173,557
Drawdown of non-current liabilities to banks	180,000	137,500
Fees paid in advance for loans granted	-750	-3,750
Change in current bank borrowings	4,563	0
Repayment and interest components of lease payments	-10,591	-10,159
Interest received	29	8
Interest paid	-13,145	-3,062
Payments to non-controlling interests	-2,127	-2,029
Share issues/capital repayments and other equity transactions	1,725	1,062
Cash flow from financing activities	159,704	119,570
Cash change in cash and cash equivalents	-9,706	-18,056
Cash and cash equivalents of assets held for sale at year end	-618	0
Exchange-rate-related changes in cash and cash equivalents	-328	219
Total change in cash and cash equivalents	-10,652	-17,837
Cash funds at the beginning of the period	32,548	50,385
Cash funds at the end of the period	21,896	32,548

Notes to the consolidated financial statements

(shortened version)

01 General disclosures

The 2022 consolidated financial statements of Aareon AG, Isaac-Fulda-Allee 6, 55124 Mainz, Germany – entered in the commercial register of the Local Court in Mainz (HR B No. 7713) – were prepared in accordance with International Financial Reporting Standards (IFRS), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), the interpretations of the former Standing Interpretations Committee (SIC) as applicable in the EU, as well as with the applicable provisions of Section 315e (3) in combination with Section 315e (1) of the German Commercial Code (Handelsgesetzbuch – HGB). All of the International Financial Reporting Standards that must be applied for the consolidated financial statements as at 31 December 2022 were taken into account. The financial statements give a true and fair view of the net assets, financial situation and earnings of the Aareon Group. The consolidated financial statements have been prepared in euros. Unless indicated otherwise, all amounts are shown in thousands of euros (€ '000 or €k).

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

Aareon AG is a majority-owned subsidiary of Aareal Bank AG, Paulinenstraße 15, 65189 Wiesbaden, Germany. AI Houses (Luxembourg) S.à r.l., 2–4 rue Beck, 1222 Luxembourg – a company owned by Advent International Corporation, 800 Boylston Street, Boston, MA, USA – has a material non-controlling interest in Aareon. The ownership shares are as follows: 58.70% Aareal Bank AG, Wiesbaden, Germany;

25.16% AI Houses (Luxembourg) S.à r.l., Luxembourg; 16.02% Houses 2021 MEP Beteiligungs GmbH, Wiesbaden, Germany; 0.12% Houses Nominee Ltd., United Kingdom. Aareal Bank AG prepares consolidated financial statements for the lowest and highest consolidation levels. Aareon AG is included in the consolidated financial statements of Aareal Bank AG pursuant to the pertinent provisions concerning consolidation. The financial statements are published in Germany's Federal Gazette (Bundesanzeiger).

02 Information on accounting policies and consolidation methods

02.1 Accounting principles

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

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

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

compared with the events that actually occur. With regard to the estimates and assumptions made for the purposes of accounting and measurement, we refer to the disclosures made for each item in the following sections.

02.2 Consolidation principles

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

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

Associates are included in Aareon's consolidated financial statements in accordance with the equity method.

02.3 Currency translation

The companies belonging to the Aareon Group are independent sub-units. Financial statements prepared in currencies other than the euro are translated into euros using the functional currency method. The items in the statement of comprehensive income are translated using the average exchange rate; all monetary and non-monetary assets and liabilities are translated into euros on the reporting date. Both the average and reporting-date rates are calculated using the European Central Bank's reference rate. Currency translation gains/losses – arising from the above transactions as well as from the conversion of foreign currencies – are recognised in profit or loss. Differences affecting equity are disclosed in other comprehensive income until disposal

of the subsidiary. This also applies to any deviations between the unappropriated surplus, which is converted using the closing rate at the reporting date, and the results shown in the consolidated statement of comprehensive income, which are based on average exchange rates. The components of equity to be consolidated as capital are translated using historical exchange rates.

The following rates were used for currency translation:

		Balance sheet		Statement of	
		Closing rate		comprehensive income	
		2022	2021	2022	2021
United Kingdom	GBP	0.8869	0.8403	0.8528	0.8596
Sweden	SEK	11.1218	10.2503	10.6296	10.1465
Norway	NOK	10.5138	9.9888	10.1026	10.1633
Romania	RON	4.9495	4.9490	4.9313	4.9215
Switzerland	CHF	0.9847	1.0331	1.0047	1.0811
Thailand	THB	36.8350	-	36.8560	-

The EUR-CHF exchange rate is included because Aareon Deutschland GmbH has a branch office in Switzerland. The exchange rates for Romania and Thailand relate to development companies located in these countries.

02.4 Scope of consolidation (shortened version)

The group of consolidated companies includes Aareon AG as well as all subsidiaries in which Aareon AG either directly or indirectly holds the majority of voting rights or has the right to appoint the majority of the Supervisory Board members, or which it has gained control over in some other way (see Note 05.5).

In 2022, Aareon made five acquisitions in Scandinavia, the DACH region and the Netherlands.

In June 2022, Aareon strengthened its market presence in Scandinavia, initially acquiring 93% of the shares in the Swedish company Momentum Software Group AB via the holding company Mary BidCo AB, Sweden. Following further share purchases, the shareholding reached 96.27% as at 31 December 2022. The company develops, markets and implements software as a service (SaaS) for property-management and energy-monitoring applications that helps the property industry make its property portfolio more energy-efficient. Aareon Nordics and Momentum will operate jointly under the Momentum Software brand.

On 30 September 2022, Aareon took over Rumpf IT-Service GmbH, the GAP-Group's sales partner. The acquisition means Aareon itself can now provide these services to this customer base.

In March 2022, Aareon increased its existing non-controlling interest of almost 19% in Netherlands-based PropTech OSRE B.V. to a stake of 51%. The company was accounted for using the equity method from April to December 2022.

In December 2022, the other shareholder in the company, Realmark OSRE Group B.V., was informed that Aareon intended to exercise its contractually agreed option to purchase the remaining 49% of the shares. Transfer of the shares took place in January 2023. OSRE offers an SaaS solution that automates the entire property transaction process in all segments of the residential and commercial property markets, with a special focus on first-time rentals. On 20 October 2022, Aareon purchased Netherlands-based SaaS developer CubicEyes B.V. Like OSRE, this company's software automates the property transaction process, e.g. the marketing of properties.

On 16 December 2022, Aareon acquired 100% of the shares in Locoia GmbH. Locoia offers a low-code automation and data platform that can transform an entire company. It enables companies to integrate their complete tech stack by means of an all-in-one iPaaS solution and to automate their processes with just a few clicks. Aareon's ultimate aim with these acquisitions is to enhance customer focus and customer satisfaction.



In addition, on 21 February 2023 Aareon acquired 100% of the shares in UTS innovative Softwaresysteme GmbH (see Note 06.7). There was as yet no obligation to consolidate UTS as at 31 December 2022.

In order to simplify the structure of the Group, a number of mergers and transfers were transacted in the reporting year. Material mergers were the downstream merger of Aareon Planungs- und Bestandsentwicklungs GmbH with CalCon Deutschland GmbH and the sidestream merger of Aareon RELion GmbH with Aareon Deutschland GmbH. Material transfers were the internal sale of Arthur Online Ltd. and Tactile Ltd. to Aareon SMB Hub UK Ltd. and the internal sale of GAP Gesellschaft für Anwenderprogramme und Organisationsberatung mbH to Aareon GAP Beteiligungsgesellschaft mbH.

As at 31 December 2022, the probability that the subsidiary phi-Consulting GmbH would be sold was sufficiently certain. The contract of sale with conditions precedent was signed in December 2022 and transfer of the shares is likely to take place at the end of Q1 2023. The subsidiary's assets and liabilities were recognised in the corresponding balance-sheet items in accordance with IFRS 5. The company's goodwill of € 4,278k represents a material asset.

02.5 Changes in accounting policies

The following IFRSs, which must be applied in accounting periods beginning on or after 1 January 2022, had no effect on Aareon's accounting practices. These include in particular:

- Amendments to IAS 16 (Proceeds before Intended Use), amendments to IFRS 3 (Reference to the Conceptual Framework of IFRS), amendments to IAS 37 (Onerous

Contracts – Cost of Fulfilling a Contract) and the Annual Improvements to IFRS 2018–2021 cycle.

Future new or amended IFRS standards are to be taken into account as follows:

- On or after 1 January 2023: amendments to IAS 1 (Classification of Liabilities as Current or Non-current), amendments to IFRS 17 (Insurance Contracts), amendments to IAS 1 and IFRS Practice Statement 2 (Disclosure of Accounting Policies), amendments to IAS 8 (Definition of Accounting Estimates), amendments to IAS 12 (Deferred Tax related to Assets and Liabilities arising from a Single Transaction).
- Effective date yet to be determined: amendments to IFRS 10 and IAS 28 (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture).

03 Accounting principles

03.1 Goodwill and other intangible assets

After initial recognition in connection with a business combination, acquired goodwill is measured at cost less cumulative impairment losses. The goodwill is assigned to a cash-generating unit (CGU) for the purposes of impairment testing in accordance with IAS 36. Goodwill is tested for impairment by comparing the recoverable amount of the CGU with its carrying amount including goodwill. The recoverable amount is either the fair value or the value in use less costs to sell, whichever is higher. The recoverable amount is calculated within the Group using the discounted cash flow method. All acquired goodwill is tested for impairment at least once a year. If the recoverable amount is lower than the carrying

amount, an impairment loss is recognised. Impairment losses are not reversed even if the reasons for them no longer apply. Goodwill is not amortised.

Aareon distinguishes six CGUs for the purposes of impairment testing: Aareon DACH, SMB UK, Aareon Netherlands, Aareon France, Aareon Nordics and Aareon UK. Although the CGUs pursue fundamentally similar business models, differing assumptions and risk assessments were made for each owing to their different levels of development. Measurement is based on the present value of future cash flows (value in use), which is determined using medium-term planning figures. This entails using the projected cash flows from the planning figures adopted by the Management Board of Aareon AG and approved by the Supervisory Board. Depending on the CGU in question, income and expense items are planned individually for the first five to six years. The values assigned to the main assumptions are based on internal and external factors as well as on past experience. The previous year's planning figures also play a central role. Revenue planning is based mainly on assumptions regarding new business as well as renewals of contracts and additional business with existing customers. These assumptions also represent the main sources of estimation uncertainty. Regular revenues from existing customers, such as fees from licensing and maintenance contracts, are not generally subject to any major estimation uncertainty. The cost of materials is planned on the basis of planned revenues. Personnel numbers and salary growth are the main factors determining the personnel budget. Other costs are generally projected on the basis of prior-year figures, taking into account known non-recurring effects. On the expenses side, estimation

uncertainty arises as a result of unplanned price increases and unpredictable non-recurring effects. The more forward-looking the assumptions, the higher the estimation uncertainty. As a rule, cash flows after the four-year time horizon are measured taking the perpetual annuity into account. We expect EBITDA at all CGUs to increase, mainly due to the cross-selling push with digital solutions, growth in recurring revenues in combination with cost-reduction measures, and to the acquisitions made (applies to Aareon DACH, Aareon Netherlands and Aareon Nordics). The present value of future cash flows was determined based on risk-adjusted after-tax discount rates ranging between 8.86% and 11.30%. The discount rate is calculated using a risk-free base rate between 2.03% and 2.86% and a market-risk premium of between 7.00% and 7.12%, multiplied by a Beta factor in a range from 1.02 to 1.24. In view of the uncertain nature of the detailed planning phase, we take a cautious view of the market environment and assume a growth rate of 2%. The recoverable amounts of all CGUs exceed their carrying amounts. In the case of the CGUs Aareon DACH, Aareon Netherlands, Aareon France and Aareon UK, even if there were a significant change in one of the main assumptions described above – such as an increase of 1% in the risk-adjusted discount rate, a reduction of 5% in the EBITDA included in cash flow or a drop in the growth rate to 1% – no impairment would be recognised, all else being equal. In the case of the CGU SMB UK, a change in any of the above-mentioned assumptions would result in an impairment in the low-single-digit million euro range. In the case of the CGU Aareon Nordics, a change in the above-mentioned assumptions would result in an impairment in the low-single-digit to low-double-digit million euro range.

Other intangible assets are also tested for impairment in accordance with the principles outlined in Notes 03.1 and 03.2.

Purchased intangible assets – primarily software, customer relations and brands – and internally generated software are capitalised at cost. They are subject to straight-line amortisation in accordance with their customary useful lives. The amortisation methods and useful lives are reviewed annually.

Useful lives of intangible assets

Internally generated intangible assets	3–10 years
Acquired intangible assets (software, customer relations and brands)	3–25 years

Aareon offers its customers acquired and internally generated software in the form of ERP systems and digital solutions. Aareon’s country-specific ERP systems provide support for the business processes of our property industry customers, e.g. to achieve process efficiency and quality, and assist in business management and risk management. These systems enable customers to organise not only their core processes, but all their key portfolio management processes, e.g. contract and receivables management as well as reporting solutions for providers of commercial property. The latter can be linked to digital solutions via the digital platform.

Research costs are treated as current expense in accordance with IAS 38. Development costs for internally generated software are recognised as assets if the prerequisites for recognition under IAS 38 are met.

03.2 Property, plant and equipment

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

Useful lives of property, plant and equipment

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

Property, plant and equipment is tested for impairment if events or changes in circumstances give rise to the assumption that the assets may have become impaired (triggering event). When testing for potential impairment, Aareon distinguishes between 13 CGUs for different products (assets), essentially on the basis of the individual ERP solutions, and refers to these as “asset CGUs”. Each ERP solution generates its own independent cash flows. Where necessary, the country-specific digital solutions, the data centre in Germany and other non-current assets are viewed as joint assets in accordance with IAS 36 and assigned to the respective asset CGUs using a revenue-based formula. When a triggering event occurs, the asset CGUs are tested for impairment in accordance with IAS 36 based on the principles described for intangible assets. To the extent that an impairment is to be recognised, the residual useful life is also adjusted accordingly.

If the reasons for a recognised impairment no longer apply, the impairment is reversed through profit or loss. However, the carrying amount of the assets must not exceed the amount that would have applied if no impairments had been recognised in previous periods.

03.3 Leases

In accordance with IFRS 16, Aareon recognises in the balance sheet all leases – with the exception of those for intangible assets as described in IFRS 16.4 – and all associated assets and liabilities, with a term of 12 months or more, unless the underlying asset is of low value (under € 4,000). Where Aareon is the lessee, an asset is recognised representing Aareon's right of use of the underlying leased object. In addition, a lease liability is recognised representing Aareon's obligation to make lease payments. In order to calculate their present value, the lease payments are discounted at the rate determined on the basis of the marginal borrowing rate for the corresponding maturity band in the corresponding currency. The terms of the leases are determined based on the underlying non-cancellable term, taking into account the lessee's extension and termination options, provided it is sufficiently certain they will be exercised. Where Aareon is the lessor, the leases are classified either as finance leases or operating leases. Subsequent recognition of leases is at amortised cost. The right-of-use assets are amortised on a straight-line basis for the duration of each lease. Where contracts contain both non-lease and lease components, Aareon elects, in line with the practical expedient granted under IFRS 16.15, not to separate these components. Right-of-use assets are subjected to an annual impairment test. The method used is fundamentally the same as that applied when testing goodwill for impairment (Note 03.1). Here, too, no impairment was required in the reporting period.

03.4 Financial assets and financial liabilities

Under IFRS 9, the classification of financial assets depends on the respective business model and on fulfilment of the cash flow criterion. The following business models are possible with debt instruments (e.g. receivables or fixed-income securities):

- Held-to-collect
- Held-to-collect and for sale
- Other business models (those that cannot be assigned to either of the above models)

IFRS 9 also makes a distinction between whether the financial assets are subject to contractual cash flows or whether the cash flows are solely payments of principal and interest (SPPI) for the asset.

Aareon classifies trade receivables, contract assets, lease receivables and other financial assets as well as financial liabilities as held-to-collect. Trade receivables are amounts owed by customers for goods sold and services rendered in normal business operations. Financial assets are initially recognised in the amount of the non-contingent consideration. Subsequent recognition is at amortised cost. Financial liabilities are likewise recognised at amortised cost. Aareon does not exercise its option to recognise them at fair value. Any transaction costs incurred are offset against the corresponding financial liabilities and amortised over the term of the underlying liability using the effective-interest method. This category includes, in particular, financial liabilities, trade payables and non-derivative other current and non-current liabilities.

The risk of default inherent in financial assets is considered to be low. Despite rising interest rates and construction costs, the business environment – i.e. the property sector – is deemed to be fundamentally robust. This was particularly apparent during the Covid-19 pandemic. As the majority of customers are state-owned, there is little or no risk of default. What is more, the roughly 8,000-strong customer base is diversified and does not display any material cluster risk. The assessment of the sector given above is stable and also applies to the future, provided there is no change in the risk assessment. Potential risks are countered by means of loss allowances. These are calculated in accordance with the simplified approach permissible under IFRS 9, i.e. on the basis of expected credit losses for the remaining lifetime. Depending on the customer's situation and the maturity structure, both collective and individual assessments may be made when determining loss allowances. Where collective assessments are made, the following calculation method is applied:

Receivable from customer past-due for	Collective loss allowance
0–90 days	0%
91–180 days	50%
181–360 days	80%
over 360 days	100%

In addition to individual and collective methods based on the maturity structure, a further collective loss allowance of 0.5% is applied to all receivables due from customers and to contract assets. Impaired receivables are pursued through a dunning procedure. The first step is generally to speak directly with the customer in order to effect payment. If the receivable is material, the final step may entail legal proceedings against the debtor.

At Group level, financial risks are assessed via the risk management system. Risks are assessed in two separate dimensions, namely in terms of their impact and their probability of occurrence. Individual risk reports from the corporate departments are consolidated by the Group's Legal, Risk Management and Compliance unit and provide the basis for quarterly risk reporting. This topic is dealt with regularly at board meetings and also forms part of the quarterly reports submitted to the Supervisory Board of Aareon AG. Aareon uses the risk reporting system to shed light on its risk situation and provide management with a basis for deciding what action to take. Risk reporting comprises financial and market risks, management and organisational risks, risks from incidental and ambient conditions, and production risks. Financial risks comprise liquidity, cost and revenue risks. No loan commitments or financial guarantees are in place.

Foreign-currency receivables are converted into euros using the closing rate at the reporting date.

Contract assets in connection with service contracts not yet satisfied as of the reporting date are recognised based on their percentage of completion (input method). The percentage of completion is calculated based on a comparison of the order costs already incurred with the expected total order costs. Other unfinished customer orders are recognised in the amount of the order costs incurred, insofar as it is probable that these will be covered by income.

In the previous year, receivables from customers for contractual services already rendered in the amount of € 2,289k were recognised as contract assets. The figures in last-year's balance sheet were amended and the prior-year figures restated accordingly.

With equity instruments, Aareon decides on a case-by-case basis whether to exercise its option to recognise an instrument through other comprehensive income. Changes in fair value are recognised in other comprehensive income (OCI). When equity instruments are derecognised, they are transferred to retained earnings. If derivatives are held, they are recognised at fair value through profit or loss.

03.5 Inventories

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

03.6 Deferred taxes

Deferred taxes are recognised in line with IAS 12 for all temporary differences between the carrying amounts in the tax base and those in the consolidated balance sheet (temporary difference approach). Deferred taxes also have to be recognised for losses carried forward. The liability method is used to calculate deferred taxes. The deferred amounts recognised reflect the assumed tax burden or relief in future accounting periods based on the applicable tax rate at the time of realisation. Deferred taxes are determined using country-specific tax rates that are either already in effect or have been announced at the reporting date. Deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the temporary differences and unused tax loss carryforwards can be offset. The carrying amounts are reviewed at each reporting date and adjusted where necessary. They are reduced accordingly if it is no longer probable that sufficient taxable profit will be available for offset.

No deferred taxes are recognised if income from subsidiaries is tax-free due to specific local tax regulations and it is unclear what tax effects will result from removal of the temporary tax exemption.

03.7 Provisions for pensions and similar obligations

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

03.8 Income tax liabilities

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

03.9 Other provisions

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

03.10 Liabilities

Liabilities are recognised at amortised cost. Liabilities from leases and purchase price liabilities are recognised at fair value.

03.11 Recognition of income and expenses

Revenues and other income are recognised when the performance obligation is satisfied or when the customer obtains control of the goods or services.

Aareon generates its revenues mainly through

- Licensing agreements
- Maintenance, subscription and SaaS contracts
- Consultancy contracts

Contracts are offered individually and also in combination. For example, a maintenance contract is generally offered together with a licensing contract. In economic terms, these are viewed as forming a unit. The transaction price is allocated to the performance obligation in accordance with the price quoted in the market.

Revenue from licensing agreements concerns, in particular, the granting of rights of use for software products operated by customers in accordance with the in-house model. "In-house model" means the customers run Aareon's software on their own servers and are responsible for ensuring its functionality. In this context, the solutions developed by Aareon run on databases from third-party providers such as SAP®, Oracle® and Microsoft®. In the majority of these cases, Aareon acts on its own account in marketing these third-party licences and bears the implementation risk itself. Only in cases of minor importance does Aareon act as an agent and is paid commission for brokering the third-party licence. In the majority of cases, the right of use is granted for an

indefinite period. In the case of Tobias AX, the right of use is granted for a limited time period, with the result that the customer has to pay for regular licence renewals. The software products are technical solutions that help property-industry customers to organise their business processes and, for example, to manage and control their property portfolios. Aareon's performance obligation towards the customer consists in granting the latter a right to use the software products. Revenue from licensing agreements is recognised when a contract has been signed by both parties with no rights of withdrawal, the product has been delivered in full (e.g. through provision of the licence key) and the licence fee has been determined. The customer thus obtains control of the right of use granted to them. Payment is generally made after conclusion of the licence agreement or after successful implementation of the software; the deadline for payment can be up to 30 days.

Maintenance contracts are concluded when customers enter into a licensing agreement in accordance with the above-mentioned in-house model (i.e. the customers run the software on their own servers and are thus responsible for ensuring its functionality). Under maintenance contracts, services include the provision of regular updates and support services for ongoing operation of the software.

Since 2021, Aareon has offered subscription contracts (rental software). In the DACH segment, Aareon undertakes to deliver new material functionalities to its customers at very short intervals. The customer, in turn, is required to install these new functionalities and versions promptly, as Aareon's maintenance and support are restricted to these. Unlike with a licensing contract, Aareon must ensure the rental software is fully functional at all times. The customer is obliged to return the software undamaged at the end of the subscription period.

In the case of SaaS (software-as-a-service) contracts, the customers do not operate the software in-house, i.e. on their own. Instead, they are granted access to Aareon's server and the software functions are provided via that server. Aareon's performance consists in providing a right of access and, as is the case with maintenance contracts, executing regular updates and providing support services.

Revenues from maintenance and subscription contracts for Wodis Yuneo and from SaaS services are recognised on a prorated basis, i.e. over the contractually agreed service provision period. The latter commences on the go-live date. The customers pay their fees monthly or in advance for a certain period (at most one year). That portion of the advance payment covering the performance obligation not yet satisfied is recognised as a contract liability and reversed in profit or loss in proportion to future performance. The customer derives benefit from the service and, at the same time, makes use of the service as it is being rendered.

Consulting services include, for example, product customisation requests from customers, training provided in the use of the software (modules) and implementation services for migration projects. Revenue is recognised once the service has been rendered. In this context, assets are also generated or improved over which the customer has gained control. Revenue and contract assets are recognised in accordance with the percentage of completion, which is based on an input method. Under this method, a project's percentage of completion is calculated based on a comparison of the order costs already incurred – essentially for the personnel or external consultants deployed – with the total order

costs expected. The customer makes advance payments for the services rendered by Aareon. These are either netted against the corresponding contract assets, or recognised as contract liabilities insofar as the advance payment received exceeds the value of the contract asset.

In many cases Aareon's contracts contain a single performance obligation, with the result that it is not necessary to divide up the transaction price. In cases where several contracts are combined or a contract contains several performance obligations, the amounts invoiced separately correspond to the relative stand-alone selling prices. In a few cases where the invoicing does not match the corresponding stand-alone selling prices, accounting allocations and balance-sheet accruals are performed in accordance with the adjusted market assessment approach.

Operating expenses and interest income/expense are recognised in profit or loss when the service is utilised or when the expenses are incurred in economic terms.

In addition to country-specific ERP business for the property and energy-supply industries, Aareon offers digital solutions – some of them internationally – in areas such as CRM (customer relationship management), WRM (workforce relationship management), SRM (supplier relationship management) and BRM (building relationship management). Aareon also has other products and services in its portfolio, such as the BauSecura insurance management solution and Aareon Cloud Services (hosting). Since 2021, these products have also been marketed in packages, i.e. an ERP product together with several digital solutions.

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

04.1 Revenues

Revenues by business segment in € '000

	2022	2021
DACH	186,702	164,208
International Business	121,758	105,119
Total	308,460	269,327

Revenues by category in € '000

	2022	2021
Licensing revenues	17,171	18,983
Consulting revenues	63,392	58,607
Maintenance revenues	71,875	67,110
SaaS and fees	156,023	124,627
Total	308,460	269,327

Revenues were higher year on year in both the **DACH** and **International Business** segments, up € 22,494k and € 16,639k respectively. The International Business segment accounted for 39.5% of consolidated revenues (previous year: 39.0%). Both segments grew not only organically – especially due to recurring revenues (**maintenance revenues** as well as **SaaS and fees**) – but also as a result of acquisitions made in the course of 2021 and 2022. Organic growth in the **DACH** segment was driven by the Wodis Sigma/Wodis Yuneo products and the vacancy management solution, and in the **International Business** segment by products in the Netherlands and France and from SMB UK. **Licensing revenues** were only

slightly lower than the previous year despite growth in the SaaS business model. **Consulting revenues** were up slightly year on year.

All revenue was from contracts with customers and reflects that portion of the total transaction price for which the performance obligation has been satisfied. In the reporting period, revenues in the amount of € 2,465k were recognised for performance obligations satisfied (in full or in part) in earlier periods (changes in the transaction price).

04.2 Other income

Other income in € '000

	2022	2021
Measurement of purchase price liabilities	2,922	1,286
Non-cash income	1,694	1,569
Research grants	657	385
Income from customer events	654	99
Fair-value remeasurement gain from at equity to full consolidation	648	875
Income from affiliated companies outside the Aareon Group	312	290
Income from the reversal or reduction of individual impairment losses	47	349
Income from insurance compensation	0	510
Other income	888	525
Total	7,822	5,888

See Note 05.16 for information on the effect on income from the adjustment of purchase price liabilities. The fair-value remeasurement gain from the consolidation of equity interests (step acquisitions) came to € 648k, compared with € 875k in 2021 (see also Note 05.4).

04.3 Cost of materials

Cost of materials in € '000

	2022	2021
Software and hardware costs	4,511	3,840
Cost of services purchased	52,131	44,594
Total	56,643	48,434

Due to acquisitions and higher hosting costs from growing SaaS operations, the **cost of materials** was up € 8,209k year on year.

04.4 Staff costs / employees

Staff costs in € '000

	2022	2021
Salaries	147,462	132,770
Social security costs	29,508	27,942
of which: for post-employment benefits	4,973	4,889
Total	176,970	160,712

Staff costs increased by € 16,258k compared with the previous year, chiefly due to the addition of personnel at acquired companies and further planned recruitment to meet corporate growth.

As at 31 December 2022, the number of employees of Aareon – excluding temporary staff, trainees and interns – was as follows:

Employees (excluding temporary staff, trainees and interns) – at year end

	2022	2021
Employees	1,891	1,837
Executive managers	98	96
Total	1,989	1,933
of which: part-time employees	388	377

Employees (excluding temporary staff, trainees and interns) – annual average

	2022	2021
Employees	1,855	1,735
Executive managers	95	97
Total	1,950	1,833
of which: part-time employees	378	356

Employees (excluding temporary staff, trainees and interns) – annual average by business segment

	2022	2021
DACH	1,054	1,020
International Business	896	813
Total	1,950	1,833

04.5 Other expenses

Other expenses in € '000		
	2022	2021
Legal and consultation expenses/ auditing costs	12,708	16,092
Software maintenance	5,356	3,748
Occupancy expenses	4,313	2,808
Advertising/marketing/entertainment	4,086	2,823
Other staff costs and temporary staff	3,576	2,485
Motor vehicle expenses	2,270	1,866
Travel expenses	2,249	1,027
Communication costs	1,143	1,076
Further training	1,002	899
Technology costs	889	769
Insurance costs	819	553
Other taxes	666	681
Contributions and bank fees	605	518
Impairments of receivables	386	802
Compensation for Supervisory Board and Advisory Board	272	229
Office material	252	220
Foreign-currency translation	189	207
Losses from the disposal of assets	88	171
Sundry other expenses	465	559
Total	41,334	37,533

Other expenses were up € 3,801k year on year. Consulting expenses, in particular, declined due to a drop in expenditure for the Value Creation Program. Software maintenance costs and occupancy expenses, in particular, both increased due to rising prices. The increase in advertising/marketing/entertainment expenses was attributable to the Aareon Congress in Germany, which was held once again after being cancelled in the previous year. All impairment losses stem from contracts with customers.

04.6 Financial income and financing expenses

Net financial income/ expenses in € '000		
	2022	2021
Financial income	42	78
of which: with affiliated companies	-12	-36
Financing expenses	16,557	6,554
of which: with affiliated companies	15,391	5,288
Total	-16,515	-6,476

Financial income and **financing expenses** mainly comprise interest components. Financing expenses included interest costs of € 974k for lease liabilities. Financing expenses with affiliated companies include interest on loans granted by Aareal Bank.

04.7 Income taxes

Income taxes in € '000		
	2022	2021
German income taxes	3,566	2,096
Foreign income taxes	3,185	4,175
Actual tax expense	6,751	6,271
Deferred income tax assets/liabilities	-4,607	-646
Total	2,144	5,625

The following table shows the reconciliation statement for the differences between income taxes based on the net income before taxes and the actual income tax reported. In order to calculate the expected tax expense, the applicable Group tax rate of 31.3% in 2022 (previous year: 31.7%) was multiplied by earnings before taxes. The change in the Group tax rate was due mainly to a reduction in the trade tax assessment rate at the Mainz location.

Reconciliation of tax expenses in € '000

	2022	2021
Earnings before income taxes	-2,881	5,019
Trade tax	-446	753
Corporation tax	-432	797
Solidarity surcharge	-24	41
Expected tax expense	-902	1,591
Reconciliation:		
Non-deductible expenses	2,893	3,858
Tax-free income	-559	-330
Taxes for prior years	-1,347	57
Differences in tax rates of international subsidiaries	1,301	645
Loss carryforwards, not including deferred tax assets	170	0
Other differences	589	-196
Tax expense reported	2,144	5,625

In the reporting period, non-deductible expenses included interest expense that could not be recognised due to the tax interest barrier. Corporate acquisition costs also remained non-deductible. Other differences comprise, in particular, loss carryforwards on international companies that are unlikely to be utilised.

05 Notes to the consolidated balance sheet of the Aareon Group

05.1 Intangible assets

Goodwill mainly results from the acquisition of companies in the software industry. It is allocated to the cash generating units that derive benefit from the synergies created through the acquisition and on the basis of which management monitors goodwill for internal control purposes. The cash generating units are grouped together in the business segments.

The amortised goodwill by business segment is as follows:

Carrying amounts in € '000					
	31 Dec. 2021	Exchange- rate effects	Additions	Disposals	31 Dec. 2022
DACH	105,892	0	3,943	4,278	105,557
International Business	125,420	-11,279	149,218	0	263,359
Aareon Nordics	7,541	-8,174	141,626	0	140,993
Aareon Netherlands	47,324	0	7,592	0	54,916
SMB UK	54,171	-2,846	0	0	51,325
Aareon France	11,465	0	0	0	11,465
Aareon UK	4,919	-259	0	0	4,660
Total	231,312	-11,279	153,161	4,278	368,916

The additions result from the business combinations described in Note 02.4. The disposal in the DACH segment is attributable to phi-Consulting GmbH, which is recognised as a non-current asset held for sale in accordance with IFRS 5.

The item "Internally generated intangible assets" relates to internal and external development costs capitalised in accordance with IAS 38. The development costs in each subsidiary were capitalised using a standard per-diem rate that is updated every year. The capitalised carrying amounts are as follows:

Carrying amounts of internally generated intangible assets in € '000		
	31 Dec. 2022	31 Dec. 2021
ERP solutions	44,521	41,615
Aareon Wodis Sigma/Wodis Yuneo	16,056	14,221
Aareon QL	11,674	9,681
Aareon Tobias/Aareon REMS	4,695	4,746
Aareon Portallmmo/ Aareon Prem'Habitat	3,156	3,336
Aareon Incit Xpand	2,777	5,957
Arthur Online	2,613	1,157
Aareon RELion	1,727	1,678
Aareon Fund 365	1,376	839
Momentum	447	0
Digital solutions	16,289	12,794
CRM Solutions by Aareon*	5,455	4,357
BRM Solutions by Aareon*	4,156	2,321
New products (including Smart Partner by Aareon, PrediMa by Aareon)	2,024	1,745
Smart Platform by Aareon	1,525	1,842
WRM Solutions by Aareon*	1,305	645
SRM Solutions by Aareon*	1,242	1,363
Digital Office by Aareon	444	303
Miscellaneous	138	218
Total	60,810	54,409

*Prior-year figure restated

The increase in the carrying amounts of internally generated intangible assets (see Note 03.1) is primarily attributable to development of the new product generation Wodis Yuneo in the DACH segment and the Aareon QL Yuneo solution in the UK. The remaining amortisation periods for these solutions are as follows:

Remaining amortisation period in years

Aareon Wodis Sigma/Wodis Yuneo	8.3
Aareon QL	4.7

Internally generated software in the amount of € 46,790k was completed in the reporting period, while internally generated software worth € 14,020k was still under development. Research and development costs for the update and maintenance of existing functions, and to create new functions and products totalled € 59,333k in the year under review. Internally generated assets amounted to € 11,726k. Retrospective estimates are applied when calculating the per-diem

rate for capitalisation. Externally sourced services in the amount of € 8,823k were also capitalised.

Software and customer relations acquired through the Momentum transaction also constituted material additions in the reporting year. These have the potential mainly to generate recurring revenues in the future. Customer churn rates are generally low, with the result that customer relations are of a long-term nature. The residual useful life of the software is 6.5 years and that of the customer relations 19.5 years.

In the year under review, intangible assets were impaired in the amount of € 2,312k. These concerned impairments of software and brand rights assigned to the CGU of the asset Xpand. The impairments were not made in connection with an impairment test, but on the basis of altered assumptions of the expected useful life.

See the statement of changes in assets for further details of changes in intangible assets in the year under review.

Consolidated statement of changes in fixed assets 2022

as at 31 December 2022

€ '000	Historical cost						31 Dec. 2022
	1 Jan. 2022	Currency translation differences	Acquisitions through business combinations	Additions	Disposals	Reclassification	
I. Intangible assets							
1. Goodwill	267,925	-11,351	153,161	0	4,278	0	405,457
2. Acquired intangible assets	118,158	-2,108	29,583	1,453	649	-143	146,294
3. Internally generated intangible assets	79,296	-1,488	189	20,039	1,076	143	97,103
	465,379	-14,947	182,933	21,492	6,003	0	648,854
II. Property, plant and equipment							
1. Land, leasehold rights and buildings	10,174	-11	0	78	0	3	10,244
2. Plant and machinery	7,962	0	0	0	0	0	7,962
3. Other equipment, and office furniture/equipment	20,817	-77	777	5,829	3,804	0	23,542
4. Prepayments made	40	0	0	1,292	0	-3	1,329
	38,993	-88	777	7,199	3,804	0	43,077
III. Right-of-use assets							
1. Rights of use to land, leaseholds and buildings	66,324	-245	486	1,494	28,367	0	39,692
2. Rights of use to other equipment, and office furniture/equipment	8,944	-10	188	3,308	666	0	11,764
	75,268	-255	674	4,802	29,033	0	51,456
IV. Financial assets							
1. Investments in associates and joint ventures	1,582	0	0	3,799	7,769	2,402	14
2. Other investments	3,253	0	0	0	44	-2,402	807
3. Other loans	7,105	-2	0	7	0	0	7,110
4. Prepayments made to financial assets	0	0	0	7,843	0	0	7,843
	11,940	-2	0	11,649	7,813	0	15,774
	591,580	-15,292	184,384	45,142	46,653	0	759,161

Accumulated depreciation/amortisation and impairments							Carrying amounts		
1 Jan. 2022	Currency translation differences	Acquisitions through business combinations	Additions: depreciation/amortisation	Disposals	Reclassification	31 Dec. 2022	31 Dec. 2022	31 Dec. 2021	
36,613	-72	0	0	0	0	36,541	368,916	231,312	
42,531	-814	1,411	10,690	621	-143	53,054	93,240	75,627	
24,887	-385	0	12,642	994	143	36,293	60,810	54,409	
104,031	-1,271	1,411	23,332	1,615	0	125,888	522,966	361,348	
4,746	-7	0	523	0	0	5,262	4,982	5,428	
7,784	0	0	175	0	0	7,959	3	178	
12,076	-71	464	4,288	3,222	0	13,535	10,007	8,741	
0	0	0	0	0	0	0	1,329	40	
24,606	-78	464	4,986	3,222	0	26,756	16,321	14,387	
15,523	-90	0	6,290	442	0	21,281	18,411	50,801	
4,992	-5	75	3,072	67	0	8,067	3,697	3,952	
20,515	-95	75	9,362	509	0	29,348	22,108	54,753	
0	0	0	0	0	0	0	14	1,582	
11	0	0	0	0	0	11	796	3,242	
481	0	0	0	0	0	481	6,629	6,624	
0	0	0	0	0	0	0	7,843	0	
492	0	0	0	0	0	492	15,282	11,448	
149,644	-1,444	1,950	37,680	5,346	0	182,484	576,677	441,936	

05.2 Property, plant and equipment, right-of-use assets, and lease liabilities

Aareon leases, in particular, property and office furniture/equipment. A number of property leases contain extension options of up to ten years. In some cases, recognition of the leases was based on the assumption that the extension options were sufficiently certain, given that long-term lease periods were desirable. In the reporting year, the estimate regarding exercise of the lease extension option of 10 years for the headquarters building in Mainz was adjusted. Derecognition of the extension option reduced the carrying amounts and the lease liabilities by € 27.0 million each.

Right-of-use assets by asset class in € '000

	2022	2021
Carrying amounts		
Properties (rental of office space, parking spots)	18,411	50,801
Operating and business equipment (vehicle fleet, servers, etc.)	3,697	3,952
Amortisation in the reporting period		
Properties (rental of office space, parking spots)	6,290	6,050
Operating and business equipment (vehicle fleet, servers, etc.)	3,072	3,009

Interest expense from lease liabilities came to € 974k. Total cash outflows for leases in the period under review amounted to € 10,591k as at the reporting date.

Leases recognised in profit or loss in € '000

	2022	2021
Current leases	622	460
Low-value leases	244	148

Leases that can be assigned to more than one of the categories in the above table are assigned to the higher category in each case. As all variable leases are both current and of low value, the resulting value is zero.

The following table shows the maturities of the lease liabilities.

Lease liabilities in € '000

	2023	2024–2027	After 2027
Maturities of lease liabilities	9,270	17,026	2,031
Total	9,270	17,026	2,031

Aareon acts as lessor when renting out properties. The company has one material rental agreement in place, which is classified as a finance lease. In the reporting period, the financial income from the net investment in the rental agreement came to € 19k. Variable rents on office and business equipment in the amount of € 579k were not included in the measurement of finance leases where Aareon is the lessor. The minimum lease payments amount to € 486k in each of the next two years and to € 243k for the remaining lease period in the third year.

05.3 Financial assets

Financial assets comprise other loans and investments that are accounted for either using the equity method or at fair value. Some of these investments are recognised as equity instruments through other comprehensive income in accordance with IFRS 9.

Financial assets in € '000

	Interest held (%) 31 Dec. 2022	31 Dec. 2022	31 Dec. 2021
Time deposits		4,210	4,210
Rent deposits		1,316	1,311
Cash deposit (guarantee for a lawsuit)		1,100	1,100
Other		3	3
Other loans (at amortised cost)		6,629	6,624
Refurbio GmbH (associated company)	0	0	702
Ecaria GmbH (associated company)	35.87	0	869
ImmoProConsult GmbH (joint venture)	50.00	14	11
Investments in associates and joint ventures (accounted for using the equity method)		14	1,582
blackprint Booster Fonds GmbH & Co. KG	12.49	250	250
blackprint Booster Fonds International GmbH & Co. KG	49.88	420	420
Investments – debt instruments (FVTPL)		670	670
OSRE B.V. (consolidated [100%] on 31 Dec. 2022; previous year: 18.70%)		0	2,403
MPC Best Select Company Plan GmbH & Co. KG	<20.00	126	169
Investments – debt instruments (FVTOCI)		126	2,572
Purchase price deposited for acquisition of the outstanding shares in Momentum Software Group AB		7,843	0
Prepayments made to financial assets		7,843	0
Total		15,282	11,448

The time deposits relate to the guarantee issued to cover existing and future obligations in connection with membership in two supplementary pension funds. The investment in OSRE B.V. was increased to 100% in the reporting year. As a result, OSRE B.V. became a consolidated company of the Aareon Group on 31 December 2022. Due to the consolidation

of OSRE B.V., the FVTOCI effect of € 1,000k from 2021 was reclassified to retained earnings. Refurbio GmbH was sold during the reporting year and Ecaria GmbH was fully impaired. The related expenses are reflected in net income from equity-accounted investments (€ -1,371k; previous year: € -501k).

05.4 Information on associates and joint ventures

The following table provides financial figures for the joint venture ImmoProConsult GmbH, which was acquired in 2021 together with the GAP-Group, and for the associate Ecaria GmbH.

Associates and joint ventures in 2022 in € '000	ImmoPro- Consult GmbH 50.00%	Ecaria GmbH 35.87%
Non-current assets	1	257
Receivables and other assets	23	2
Cash and cash equivalents	49	32
Liabilities	44	46
Net assets/equity	29	245
Capital contributions/ acquisitions by Aareon	15	993
Aareon's share in net profit for the year (cumulative)	-1	-212
Carrying amount of (equity- accounted) investment in Aareon's consolidated financial statements	14	0
Income	502	120
Operating expenses	492	433
Net financial income/expense	0	0
Income taxes	2	0
Net profit/loss for the year	8	-313
Aareon's share in net profit/loss for the year	4	-112

Associates and joint ventures in 2021 in € '000	ImmoPro- Consult GmbH 50.00%	Refurbio GmbH 33.39%	Ecaria GmbH 35.87%
Non-current assets	1	10	205
Receivables and other assets	36	0	2
Cash and cash equivalents	16	211	382
Liabilities	31	34	31
Net assets/equity	22	187	558
Capital contributions/ acquisitions by Aareon	15	902	993
Aareon's share in net profit for the year (cumulative)	-4	-200	-124
Carrying amount of (equity- accounted) investment in Aareon's consolidated financial statements	11	702	869
Income	427	172	192
Operating expenses	477	743	522
Net financial income/expense	0	-6	-6
Income taxes	-3	0	0
Net profit/loss for the year	-47	-577	-336
Aareon's share in net profit/loss for the year	-4	-198	-121

05.5 Shareholdings

Name and registered office of company	Interest held in % (2022)	Interest held in % (2021)
Aareon AG, Mainz		
Consolidated subsidiaries		
– DACH segment:		
Aareon Deutschland GmbH, Mainz, Germany	100	100
Aareon GAP Beteiligungsgesellschaft mbH, Mainz, Germany	100	100
Aareon Österreich GmbH, Vienna, Austria	100	100
Alexander Quien Nova GmbH, Bremen, Germany	100	100
AV Management GmbH, Mainz, Germany	100	100
BauSecura Versicherungsmakler GmbH, Hamburg, Germany	51	51
CalCon Deutschland GmbH, Munich, Germany	100	100
CalCROM S.R.L., Iasi, Romania	83.33	83.33
GAP Gesellschaft für Anwenderprogramme und Organisationsberatung mbH, Bremen, Germany	100	100
Locoia GmbH, Hamburg, Germany	100	100
phi-Consulting GmbH, Bochum, Germany	100	100
Rumpf IT-Service GmbH, Reichertshofen, Germany	100	n.a.
wohnungshelden GmbH, Munich, Germany	100	100

Name and registered office of company	Interest held in % (2022)	Interest held in % (2021)
Consolidated subsidiaries		
– International Business segment:		
Aareon Finland OY, Helsinki, Finland	100	100
Aareon France SAS, Meudon-la-Forêt, France	100	100
Aareon Holding France SAS, Meudon-la-Forêt, France	100	100
Aareon Nederland B.V., Emmen, Netherlands	100	100
Aareon Norge AS, Oslo, Norway	100	100
Aareon SMB Hub UK Ltd., Kenilworth, United Kingdom	100	100
Aareon Sverige AB, Mölndal, Sweden	100	100
Aareon UK Ltd., Kenilworth, United Kingdom	100	100
Arthur Online Ltd., London, United Kingdom	100	100
CubicEyes B.V., LT Maarssen, Netherlands	100	n.a.
Curo Software Ltd., Warrenpoint, United Kingdom	100	100
FIRE B.V., Utrecht, Netherlands	60	60
Mary BidCo AB, Mölndal, Sweden	100	n.a.
Momentum Software AB, Falun, Sweden	100	n.a.
Momentum Software Group AB, Stockholm, Sweden	96.27	n.a.
OSRE B.V., Amsterdam, Netherlands	100	n.a.
RentPro Ltd., Warrenpoint, United Kingdom	100	100
Tactile Ltd., London, United Kingdom	100	100
Associates and joint ventures		
Ecaria GmbH, Berlin, Germany	35.87	35.87
ImmoProConsult GmbH, Leverkusen, Germany	50	50

05.6 Deferred taxes

Deferred taxes in € '000

	Deferred tax assets 2022	Deferred tax liabilities 2022	Deferred tax assets 2021	Deferred tax liabilities 2021
Pension provisions	2,358	0	5,582	0
Other provisions	109	0	115	0
Leases (right-of-use assets less lease liabilities)	204	0	2,151	0
Non-current assets	0	30,083	0	26,105
Loss carryforwards	9,722	0	3,748	0
Miscellaneous	177	332	32	50
Total from the separate financial statements	12,570	30,415	11,629	26,155
Netting	6,610	6,610	7,037	7,037
Total deferred taxes	5,961	23,806	4,592	19,118

Deferred income taxes on loss carryforwards are recognised based on the assumption that sufficient future profit will be available for offset. Unused tax loss carryforwards for which no deferred tax assets were recognised amounted to € 0k in Germany and € 4,089k abroad. These are utilisable to a limited extent only. Furthermore, the interest barrier rule restricts the amount of deductible interest in Germany. This resulted in non-deductible interest carried forward of € 0k. No deferred tax assets were recognised for this, as it is also deemed unlikely that these will be utilised in the foreseeable future. There are no restrictions on the utilisation of interest carried forward. Deferred income taxes on pension provisions in the amount of € 2,159k (previous year: € 1,096k) were recognised in OCI. All other deferred income taxes from changes in carrying amounts were recognised in profit or loss. In the reporting year, Aareon AG, Aareon Deutschland GmbH, AV Management GmbH and phi-Consulting GmbH formed a fiscal unity, for which deferred tax assets of € 1,250k were recognised. The amount recognised for these deferred tax assets is also based on the assumption that sufficient future profit will be available for offset.

05.7 Contract assets and receivables due from customers

Contract assets and receivables due from customers in € '000

	31 Dec. 2022	31 Dec. 2021
Contract assets (gross)*	14,947	18,046
Impairment losses on contract assets	-248	-381
Contract assets*	14,699	17,665
Trade receivables (gross)*	42,319	32,780
Receivables from affiliated companies	387	721
Impairment losses on receivables from customers	-1,930	-1,735
Trade receivables*	40,776	31,766

*Prior-year figure restated

The portion of project performance obligations not yet satisfied amounted to € 6,124k, of which € 6,043k is likely to be realised in 2023 and € 81k in 2024 or thereafter. Aareon does not recognise the unsatisfied portion of performance

obligations in connection with maintenance and SaaS contracts, as the customer's consideration corresponds to the performance delivered by Aareon. Contract assets are not subject to any significant changes – except for an acquisition-related increase in value.

Due to the short-term nature of the receivables, their carrying amount equals their fair value. There are no restrictions on ownership or disposal of the disclosed receivables. Impairment losses were recognised for the risk of default. See Note 03.4 for information on the risk of default. Contract assets and trade receivables were impaired as follows:

Impairment losses on contract assets
in € '000

	2022	2021
Impairments as at 1 January	381	517
Additions	75	0
Reversals	1	0
Utilisation	195	166
Exchange-rate effects	-12	30
Total as at 31 December	248	381

Impairment losses on receivables from customers
in € '000

	2022	2021
Impaired receivables from customers	4,371	7,251
Impairments as at 1 January	1,735	1,977
Changes in scope of consolidation	2	143
Additions	524	369
Reversals	263	200
Utilisation	58	562
Exchange-rate effects	-10	8
Total as at 31 December	1,930	1,735

05.8 Other assets

Other assets in € '000

	31 Dec. 2022	31 Dec. 2021
Other current financial assets	1,573	1,325
Other current non-financial assets	9,045	5,233
Total	10,618	6,558

Other current non-financial assets mainly comprise deferred advance payments of € 8,605k for subsequent periods.

05.9 Cash and cash equivalents

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

Cash and cash equivalents in € '000

	31 Dec. 2022	31 Dec. 2021
Cash in hand	8	13
Balances held with banks	21,888	32,535
of which: with affiliated companies	1,949	11,354
Funds with maturities of up to three months	21,896	32,548

Current financing liabilities toward Aareal Bank AG amount to € 4,563k.

05.10 Subscribed capital

Aareon AG's subscribed capital is fully paid and, as at 31 December 2022, was as follows:

Number and class of shares
in € '000

25,048,418 no-par value ordinary shares	25,048
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Each share has a theoretical par value of € 1.

Since 4 May 2021, Aareon AG's ownership structure had been as follows: 58.70% Aareal Bank AG, Wiesbaden, Germany; 25.16% AI Houses (Luxembourg) S.à. r.l., Luxembourg; 16.02% Houses 2021 MEP Beteiligungs GmbH, Wiesbaden, Germany; 0.12% Houses Nominee Ltd., UK.

The ownership structure changed on 21 February 2023 following a share issue. For further information see Notes 01 and 06.7.

At Aareon AG's annual general meeting on 14 March 2022, no resolution was adopted regarding the appropriation of profit for fiscal 2021, as a net loss was posted in the balance sheet.

05.11 Share premium

The share premium was unchanged compared with the previous year.

05.12 Accumulated Group earnings and profits

Accumulated Group earnings and profits comprise other retained earnings within the meaning of the disclosures required under German commercial law. Retained earnings include additions from the net profit of the year under review or of previous years as well as currency translation differences from the financial statements of subsidiaries recognised in other comprehensive income. Aareon AG's Memorandum and Articles of Association contain no provisions regarding the formation of reserves.

05.13 Non-controlling interests

Non-controlling interests are reported as a separate item in the consolidated statement of changes in equity. They are held by the other shareholders of: BauSecura Versicherungsmakler GmbH, Hamburg, Germany; FIRE B.V., Utrecht, Netherlands; CalCROM S.R.L., Iasi, Romania; and Momentum Software Group AB, Stockholm, Sweden.

05.14 Provisions for pensions and similar obligations

Trend in net defined benefit obligation in € '000	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit obligation
1. Balance as at 1 Jan. 2022	34,262	-850	33,412
2. Changes in the group of consolidated companies			
3. Net expense for the period			
a) Service cost	394	0	394
b) Interest cost	352	-3	349
4. Payments			
a) Pension benefits paid	-1,563	0	-1,563
b) Employer contributions	0	-17	-17
5. Remeasurement			
a) Due to experienced-based adjustments	822	0	822
b) Due to changes in financial assumptions	-7,822	0	-7,822
c) Difference between actual return and return calculated using the discount rate (plan assets)	0	64	64
Balance as at 31 Dec. 2022	26,445	-806	25,639
1. Balance as at 1 Jan. 2021	37,998	-285	37,713
2. Changes in the group of consolidated companies	556	-547	9
3. Net expense for the period			
a) Service cost	467	0	467
b) Interest cost	234	-1	233
4. Payments			
a) Pension benefits paid	-1,508	0	-1,508
b) Employer contributions	0	-17	-17
5. Remeasurement			
a) Due to experienced-based adjustments	-1,320	0	-1,320
b) Due to changes in financial assumptions	-2,165	0	-2,165
c) Difference between actual return and return calculated using the discount rate (plan assets)	0	0	0
Balance as at 31 Dec. 2021	34,262	-850	33,412

The plan assets consist solely of reinsurance policies.

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

Assumptions in %	31 Dec. 2022	31 Dec. 2021
Interest rate	3.74	1.06
Income trend	2.25	2.00
Pension trend	2.25	1.75
Fluctuation rate	3.00	3.00

Pension obligations were calculated in the reporting period using the Heubeck-Richttafeln 2018 G[®] biometric tables.

Changes in these assumptions would have the following consequences as regards the present value of the defined benefit obligation (DBO):

Sensitivity analysis 2022	Sensitivity	Obligation adjusted due to sensitivities in € '000
Interest rate (3.74%)	1.00%	23,807
Interest rate (3.74%)	-1.00%	29,628
Pension trend (2.25%)	0.25%	27,056
Pension trend (2.25%)	-0.25%	25,857
Income trend (2.25%)	0.50%	26,796
Income trend (2.25%)	-0.50%	25,839
Life expectancy (Heubeck 2018 G)	+1 year	27,988
Life expectancy (Heubeck 2018 G)	-1 year	24,850

Sensitivity analysis 2021

	Sensitivity	Obligation adjusted due to sensitivities in € '000
Interest rate (1.06%)	1.00%	30,085
Interest rate (1.06%)	-1.00%	39,460
Pension trend (1.75%)	0.25%	35,250
Pension trend (1.75%)	-0.25%	33,288
Income trend (2.00%)	0.50%	35,248
Income trend (2.00%)	-0.50%	33,339
Life expectancy (Heubeck 2018 G)	+1 year	36,559
Life expectancy (Heubeck 2018 G)	-1 year	31,958

The sensitivity analysis is based on changes in a single assumption, with all other assumptions remaining constant. It is unlikely that this would occur in reality, and there could indeed be a correlation between changes in certain assumptions. When calculating the sensitivity of the defined benefit obligation for actuarial assumptions, the same method was employed as is used to determine the pension provisions in the balance sheet (see Note 03.7). The types and methods of the assumptions used when preparing sensitivity analyses did not change compared with the previous period. No sensitivity analysis was carried out that factored in changes in the fluctuation rate or expected inflation rate because these rates do not represent material actuarial assumptions.

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

Plan participants by category	31 Dec. 2022
Active employees	281
Former employees with vested benefits	26
Pensioners	146
Total	453

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

Maturities of the defined benefit obligation (DBO) in € '000

2023	1,651
2024	1,626
2025	1,622
2026	1,705
2027	1,677
2028–2032	9,143

Service and interest costs are recognised under staff costs. The expense recognised for defined contribution pension plans amounted to € 9,244k. It mainly comprised employer

contributions to the statutory pension scheme. For reasons of materiality, pension provisions are not presented by maturity.

Aareon has pension plans in place in Germany and France. The pension plans of Aareon AG and Aareon Deutschland GmbH have been closed to new members. All of these plans are defined benefit plans within the meaning of IAS 19. This means that, subject to certain conditions, Aareon guarantees that the beneficiaries will receive a particular benefit amount. Depending on the plan type, the amount of employee benefits varies according to different factors such as eligible salary, period of service, amount of the statutory pension, and benefits paid under individual direct insurance plans.

05.15 Other provisions

Other provisions in € '000

	Balance as at 1 Jan. 2022	Change in scope of consolidation	Currency translation	Additions	Utilisation	Reversals	Balance as at 31 Dec. 2022
Variable salary components	14,243	0	-80	13,835	12,549	450	14,999
Other provisions	6,183	352	-55	5,793	4,092	499	7,682
Total	20,426	352	-135	19,628	16,641	949	22,681

Other provisions mainly comprise uncertain obligations arising from employee overtime, termination payments and paid leave as well as from estimated contributions to employers' liability insurance associations and from impending losses. Other provisions are recognised in accordance with IAS 37 for all identifiable risks and uncertain obligations in the amount of their probable occurrence. The interest cost for non-current provisions amounted to € 28k in the reporting period.

The measurement of other provisions is subject to numerous imponderables and often requires management to make considerable estimates in relation to various influencing factors that may later turn out to be inaccurate. The actual final amount of the liabilities may differ from the measurements made during the accounting process. The outcome of individual lawsuits, for example, cannot be predicted with certainty.

If the obligation is not expected to arise in the short term (within 12 months), the provision is recognised at its present value.

Aareon AG makes payments to the members of its Management Board that qualify as cash-settled share-based payments within the meaning of IFRS 2 (see Note 06.3).

Other provisions by maturity:

Other provisions in € '000

	<1 year 31 Dec. 2021	<1 year 31 Dec. 2022	>1 year 31 Dec. 2021	>1 year 31 Dec. 2022
Variable salary components	13,748	14,758	495	241
Other provisions	5,261	6,734	922	948
Total	19,009	21,492	1,417	1,189

05.16 Purchase price liabilities (shortened version)

Contingent purchase price liabilities in € '000

	31 Dec. 2022	31 Dec. 2021
Non-current purchase price liabilities	2,363	4,220
Current purchase price liabilities	3,002	3,630
Total	5,365	7,850

Contingent purchase price liabilities developed as follows:

Purchase price liabilities in € '000							
	1 Jan. 2022	Additions	Reclassi- fication	Adjustment	Payment	Interest cost	31 Dec. 2022
Total	7,850	3,346	0	-2,949	-2,905	23	5,365

05.17 Trade payables

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

05.18 Contract liabilities

Contract liabilities relate to deferred revenues and to projects in which the advance payments received exceed the value of the contract assets. As of 1 January 2022, contract liabilities amounted to € 23,591k, € 20,484k of which was recognised through profit or loss in the year under review. Contract liabilities are not subject to any significant changes – except for an acquisition-related increase in value.

05.19 Other liabilities

Other liabilities in € '000

	31 Dec. 2022	31 Dec. 2021
Current other financial liabilities		
Paid-leave liabilities	4,363	4,182
Miscellaneous other financial liabilities	7,402	6,541
	11,765	10,723
Current other non-financial liabilities		
Tax liabilities	11,265	10,200
Miscellaneous current other non-financial liabilities	803	727
	12,068	10,927
Total	23,833	21,650

Miscellaneous other financial liabilities mainly comprise liabilities in connection with wages and salaries. The other tax liabilities consist mainly of value-added tax and payroll tax liabilities.

06 Other explanatory notes

06.1 Other financial obligations

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

Other financial obligations in € '000			
	2023	2024–2027	After 2027
Purchase commitments	26,759	8,737	0
Future leases	208	542	0
Total	26,967	9,279	0

Financial liabilities from purchase commitments mainly comprise supplier contracts received in connection with maintenance and hosting business under third-party licences, € 1,319k of which will result from the acquisition of intangible assets in 2023.

06.2 Related-party transactions

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

These primarily relate to service provision and comprise the following:

- Collaboration with Aareal Bank with regard to the fully automated and integrated accounting and payment services for property companies in Germany as implemented in the software systems Wodis Sigma and SAP® solutions (including Blue Eagle)
- Provision of data centre services and related implementation services
- Purchase of IT equipment such as mobile phones and workstations

In addition, Aareon AG concluded a loan agreement on 20 April 2021 and an amendment agreement on 20 May 2022 with Aareal Bank AG for a loan amount of up to € 350,000k. It can be drawn down in various tranches and currencies on differing terms and conditions. To date, Aareon AG has drawn down the following tranches:

Line of credit				
	Volume € '000	Drawn down € '000	Interest rate	Processing fee
1st tranche	250,000	250,000	EURIBOR + 4.95%	1.50%
2nd tranche	100,000	67,500	EURIBOR + 4.80%	0.75%
Total	350,000	317,500		

The main purpose of these loans is to fund corporate acquisitions in the year under review and subsequent fiscal years. The loans run for three years as from 20 April 2021 and include two one-year extension options. The amount of € 315,448k recognised for this liability as at 31 December 2022 does not include transaction costs in the amount of the non-recurring transaction fees. The net transaction fee amounted to € 2,052k as at 31 December 2022.

Furthermore, a provision fee of 1% is payable for amounts not utilised and a fee of 3.95% for the underutilisation of drawdown limits. Aareon AG must also demonstrate to Aareal Bank AG that it has complied with the covenant of a restricted indebtedness of ratio 2.7 and a total net leverage ratio in line with that of the Aareon Group. The total net leverage ratio is calculated by extrapolating the pro-forma adjusted EBITDA of the acquired companies to reflect 12 months of Group affiliation. Currently, the ratio must not exceed 4.0 (see Note 06.6).

In the reporting period, the business transactions with Aareal Bank AG and its subsidiaries (excluding those belonging to the Aareon Group) comprised revenues and other income in the amount of € 17,710k (previous year: € 18,552k), interest

expense of € 15,391k (previous year: € 5,288k), and cost of materials and other expenses in the amount of € 502k (previous year: € 404k). As at the reporting date, Aareon had outstanding receivables of € 378k (previous year: € 3,533k), loan liabilities (after netting with the discount in line with the effective-interest method) of € 315,448k (previous year: € 134,687k), current financing liabilities of € 4,563k and other liabilities of € 2,276k (previous year: € 1,482k) in relation to Aareal Bank and its subsidiaries (excluding those belonging to the Aareon Group). Current financing liabilities incur interest of 1.06%, which is less than the market rate.

All other transactions with related parties were conducted on the basis of international price comparison methods in accordance with IAS 24.

Related parties controlled by Aareon AG, or over which Aareon AG can exert a controlling influence, are included in the consolidated financial statements. They also appear in the list of shareholdings in Note 05.5, along with details of the equity interest held.

The Management Board of Aareon received compensation of € 6,182k in the year under review. The fair value of new stock options granted under the share-based payment plan was € 0k on the grant date. Members of the Supervisory Board received compensation totalling € 16k in the reporting year (previous year: € 0k).

In the Aareon Group, members of the Management Board and the Supervisory Board are defined as members of management in key positions.

The total compensation of € 6,182k paid to members of the Management Board included contributions to defined contribution plans in the amount of € 83k. The total expenses for share-based payments amounted to € 33k. All

compensation is current, except for share-based payments in the amount of € 21k. Members of the Supervisory Board received compensation totalling € 16k in the reporting year (previous year: € 0k).

06.3 Share-based payment plans

The obligations arising out of these share-based payments are recognised as staff costs and via corresponding provisions. Claims to the phantom stocks of Aareal Bank are paid in cash. The payments are distributed over three or five calendar years from the grant date. Provisions for share-based payment are recognised in full from the commitment date. The provisions are recognised in the amount of the fair value of the obligation in question at the reporting date and adjusted if the share price changes. Provisions for share-based payments (stock appreciation rights – SAR) amounted to € 216k. At the end of the period under review, 6,562 shares were outstanding at an average price per share of € 24.76 (previous year: 10,116 shares; € 25.34). Of these outstanding shares, 0 (previous year: 583) were exercisable and 0 (previous year: 4,837) were granted. The exercise prices of the outstanding shares range between € 22.28 and € 28.71.

In 2021, Aareal Bank set up a management equity programme (MEP) for Aareon together with Advent International and, in line with its share, transferred Aareon stock with a market value of € 6,000k to a management investment company. Individual members of Aareon's management and independent members of the Advisory Board can take stakes, also at market value, in this management investment company.

If Aareon is sold, the programme results in a profit or loss for the participants in the form of Aareon shares (equity-settled), depending on how Aareon's value develops. Entitlements are earned quarterly over a period of five years. The break-even point is around 60% of the growth in value and is increased by a minimum interest rate of 12% p. a. Above the break-even

point, management participates via a lever in the potential gain on the sale.

The programme was measured using the option price model, with an assumed term of over five years and a historic volatility of around 30%.

06.4 Auditors' fees

In the reporting period, € 489k was recognised for auditing of the financial statements (previous year: € 359k), € ok for tax consultancy services (previous year: € ok) and € ok for other services (previous year: € ok).

06.5 Exemption for domestic group companies as per Section 264 (3) of the German Commercial Code (HGB)

Aareon Deutschland GmbH, Mainz, and phi-Consulting GmbH, Bochum, which are included in the consolidated financial statements of Aareon AG, have, with the approval granted by their respective general meetings of shareholders in accordance with Section 264 (3) of the German Commercial Code (HGB), been exempted from the obligation of preparing annual financial statements and a management report in compliance with the corresponding provisions for corporations.

06.6 Capital management

The goal of capital management is to finance Aareon's inorganic growth while simultaneously ensuring the Group remains a going concern that can generate returns for its shareholders and benefit for other stakeholders. The Group may adjust its capital structure by changing the amount of the dividend it pays, repaying capital, issuing new shares or selling assets in order to reduce debt. The Group monitors its capital on the basis of the loan agreement concluded with Aareal Bank AG (see Note 06.2). The total net leverage ratio as at 31 December 2022 was calculated as follows:

	31 Dec. 2022	31 Dec. 2021
Total net leverage ratio		
Adjusted EBITDA in € '000	75,298	66,756
Pro-forma adjustments in € '000	29,036	13,232
Total pro-forma adjusted EBITDA in € '000	104,334	79,988
Financing liability net of transaction costs in € '000	317,500	137,500
Current financing liabilities in € '000	4,563	0
Current lease liabilities in € '000	9,270	8,495
Non-current lease liabilities in € '000	19,057	53,210
Cash and cash equivalents in € '000	-21,897	-32,548
Total net debt in € '000	328,493	166,657
Total net leverage ratio	3.1	2.1

06.7 Events after the reporting date

On 27 January 2023, Aareon acquired 620,615 shares in Momentum Software Group AB in a squeeze-out, where the final purchase price is not known. The remaining 650 shares were acquired on 3 March 2023, so that Aareon now owns 100% of the company's shares.

In early February 2023, Aareon announced what it called a Smart Retirement Programme. The financial impact of this programme is estimated at around € 17,000k and is included in the capex budget for measures to enhance efficiency, which totals around € 35,000k.

On 21 February 2023, Aareon AG resolved to issue 121,862 shares valued at € 1 each. The new shares were acquired in their entirety by Houses Stanwich GmbH & Co. KG, Wiesbaden, Germany. Aareon AG's subscribed capital thus amounts to € 25,170,280. The ownership structure is now as follows: 58.42% Aareal Bank AG, Wiesbaden, Germany; 25.04% AI Houses (Luxembourg) S.à. r.l., Luxembourg; 15.94% Houses

2021 MEP Beteiligungs GmbH, Wiesbaden, Germany; 0.12% Houses Nominee Ltd., UK; 0.48% Houses Stanwich GmbH & Co. KG, Wiesbaden, Germany. In the context of the share issue, € 4,878,138 was paid into the share premium account.

On 21 February 2023, Aareon acquired 100% of the shares in UTS innovative Softwaresysteme GmbH. This purchase is subject to the condition precedent that the Supervisory Board of Aareon AG approves the transaction, which is considered to be a certainty. For this reason, the company was included in the consolidated financial statements as at the acquisition date (see Note 02.4).

07 Corporate bodies

07.1 Supervisory Board

Jochen Klösger, Chair

Chair of the Management Board of
Aareal Bank AG, Wiesbaden

Marc Heß

Member of the Management Board of
Aareal Bank AG, Wiesbaden

Jeffrey Paduch

Managing Partner,
Advent International Corporation, London, UK

Arnd Zinnhardt

Former member of the Management Board of
Software AG, Darmstadt

07.2 Management Board

Hartmut Thomsen

Chair of the Management Board, since 1 April 2022

Strategy; Legal, Risk Management & Compliance; Data Protection, Data Security; Corporate Marketing & Communications; Corporate Affairs & Post Merger Integration; Audit; Business Development; Transaction & Corporate Development

Dr Manfred Alflen

Chair of the Management Board, until 31 March 2022

Strategy; Group HR; Legal, Risk Management & Compliance; Data Protection & Data Security; Corporate Marketing & Communications; Corporate Affairs and Post Merger Integration; Audit; Business Development; Transaction & Corporate Development

Dr Imad Abdallah

Member of the Management Board

Until reorganisation of Management Board duties, responsible for: Group Digital Solutions; Ampolon; Group Enterprise Architecture; Digital Platform & Innovations Lab; Digital Product Strategy; Group Digital Development

Sabine Fischer

Member of the Management Board, until 30 June 2022

Markets & Countries; Customer Satisfaction; Sales & Consulting; Development of Market Segments; BauSecura

Dr Ernesto Marinelli

Member of the Management Board, since 1 July 2022

Recruiting; Talent Management; Total Reward; People GTM; PMO; ESG; PMI; Learning; Transformation

Dr André Rasquin

Member of the Management Board

ERP Systems; Outsourcing; Group IT Services; Group Application Management

Christian M. Schmahl

Member of the Management Board

Corporate Finance; Controlling; Accounting & Tax; Contract & Credit Management; Procurement; Facility & Fleet Management

Rumyana Trencheva

Member of the Management Board, since 1 July 2022

Markets and Countries; Customer Satisfaction; Sales and Consulting; Development of New Market Segments; BauSecura

These consolidated financial statements were released for publication by the Management Board on 3 March 2023. The Management Board may change and republish these consolidated financial statements.

Mainz, 3 March 2023

The Management Board



Hartmut Thomsen



Dr Imad Abdallah



Dr Ernesto Marinelli



Dr André Rasquin



Christian M. Schmahl



Rumyana Trencheva

Comprehensive auditor's opinion

KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main (the auditor), has audited the unabridged consolidated financial statements of Aareon AG, Mainz, and its subsidiaries, prepared in accordance with statutory requirements, comprising the consolidated statement of financial position as at 31 December 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, the auditor audited the Group management report of Aareon AG for the financial year from 1 January to 31 December 2022. Pursuant to section 322 (3) sentence 1 of the HGB, the auditor declared that the audit did not lead to any reservations regarding the propriety of the consolidated financial statements and the Group management report. No references within the meaning of § 322 para. 3 sentence 2 HGB to circumstances to which KPMG draws attention in a special way were included without qualifying the auditor's opinion.







Report of the Supervisory Board

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

The Supervisory Board met on six occasions during 2022: four meetings (two of them extraordinary) were held in the first half of the year and two in the second, while nine additional resolutions were adopted by means of circular memorandum. At all of the Supervisory Board's ordinary meetings, the Management Board informed the Supervisory Board in detail of the business policies, economic progress, strategic orientation and sales activities of both Aareon AG and the Aareon Group. The Supervisory Board also received in-depth information on the effects of the cyber-attack in the Netherlands and the countermeasures taken immediately afterwards. The content and findings of the internal audits conducted at the Group companies were explained to the Supervisory Board, and the risk reporting and internal control systems were also presented to it.

The Management Board kept the Supervisory Board up to date on the Group companies' products and their customer-side implementation and launch, with emphasis being placed on major customer and acquisition projects. Special points of

focus in this context were the company's growth strategy, strategic planning, potential acquisitions, ERP products, range of consulting services and International Business segment, especially the business trend in the Scandinavian markets and the United Kingdom.

The Management Board discussed the company's international strategy with the Supervisory Board. The market environment, competitive situation, products, expected developments and growth potential of the Group companies were also dealt with. The Management Board updated the Supervisory Board on the status of the focus areas of the company's growth strategy. Potential cost savings and synergies were also explained. The Management Board kept the Supervisory Board informed on an ongoing basis of current M&A opportunities, of the seven acquisition/sale transactions, including their financing, and of mergers. The Management Board also provided the Supervisory Board with information about the participation and incentive programmes for employees. Further, the Supervisory Board discussed, and adopted resolutions concerning, the planned future (organisational) structure of the Aareon Group as presented by the Management Board. The structure of the new Management Board department People & Culture was also discussed. In addition, the Management Board informed the Supervisory Board about the plans for the new headquarters in Mainz.

The Supervisory Board discussed and approved the business plan. The Management Board regularly informed the Supervisory Board of the company's actual business performance compared with business-plan forecasts. The Supervisory

Board has a Human Resources Committee and an Auditing Committee. The Human Resources Committee met once, and the Auditing Committee twice, during 2022.

The Supervisory Board appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as the company's auditors. KPMG AG examined the annual financial statements and management report of Aareon AG as at 31 December 2022 (prepared in accordance with the German Commercial Code – HGB) as well as the consolidated financial statements and group management report as at the same date (prepared in accordance with IFRS). Based on the results of its audit, KPMG AG issued an unqualified auditor's report for both the annual and consolidated financial statements. On the basis of the annual financial statements prepared in accordance with the German Commercial Code, Aareon closed the fiscal year with an accumulated deficit of €27,821,410.95, which will be carried forward.

On 30 March 2023, the Supervisory Board examined and discussed the company's annual financial statements and management report, the consolidated financial statements compiled in accordance with IFRS and the Group management report for 2022 – all of which received an unqualified auditor's report – as well as the Management Board's proposal to carry forward the accumulated deficit. In preparation for their deliberations, the members of the Supervisory Board were provided in advance with comprehensive documentation, which they analysed thoroughly.

Representatives of KPMG AG were available to the Supervisory Board to answer questions and provide information. On the

basis of the final results of its own review, the Supervisory Board agreed with the findings of the auditors. The Supervisory Board confirmed that it had no objections to raise and endorsed the respective financial statements and management reports of Aareon AG and the Aareon Group as prepared by the Management Board. The 2022 annual financial statements of Aareon AG were thus adopted and the consolidated financial statements of the Aareon Group approved.

The Supervisory Board reviewed the Management Board's proposal for the appropriation of profit and accepted that proposal on the basis of its review.

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

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

1. the actual disclosures made in the report are accurate,
2. the consideration paid by the company for the transactions mentioned in the report was not inappropriately high or any disadvantages were compensated."

Having completed its review, the Supervisory Board has no objections to raise to the report of the Management Board on the company's relations with affiliates.

The Supervisory Board dealt extensively with filling the position of the company's Chief Revenue Officer (CRO) and with the search for a suitable candidate. On 23 March 2022, an extraordinary Supervisory Board meeting took place at which Ms Romyana Trencheva was appointed to the Management Board of Aareon AG for a five-year term commencing 1 July 2022. The Supervisory Board also dealt in depth with the establishment of the Management Board department People & Culture and with the recruitment of the Chief People Officer (CPO). In a further extraordinary Supervisory Board meeting on 28 February 2022, Dr Ernesto Marinelli was appointed to the Management Board of Aareon AG for a five-year term commencing 1 July 2022.

Dr Manfred Alflen stepped down as Chair of Aareon AG effective 31 March 2022. Ms Sabine Fischer left the Management Board on 30 June 2022. The Supervisory Board would like to thank both Dr Alflen and Ms Fischer for their many years of valuable service on the Management Board and wishes them all the very best for the future.

The Supervisory Board wishes Ms Trencheva and Dr Marinelli every success in their new positions and looks forward to working closely together with them.

The Supervisory Board would also like to express its gratitude to all the company's employees for the commitment they have shown.

Mainz, March 2023

The Supervisory Board



Jochen Klösges
(Chair)

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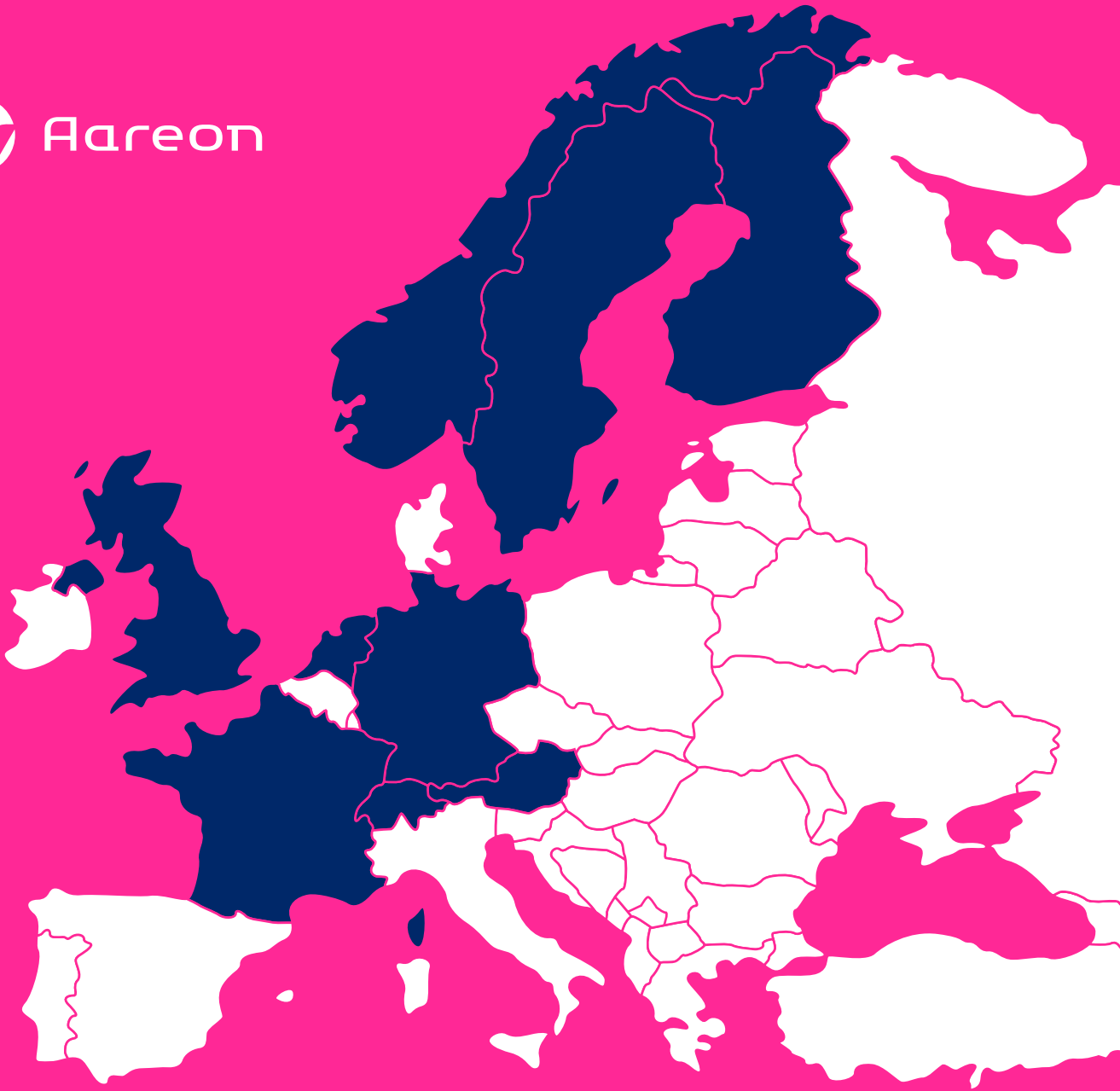
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The Aareon Group has an international presence with offices in the DACH region, Finland, France, the Netherlands, Norway, Sweden and the United Kingdom.

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