

Aareon Annual Report 2019

# Pioneering Spirit



# Contents

<b>3</b>	<b>The company</b>	3	Pioneering Spirit – mission
		4	Key performance indicators 2019
		5	Fiscal 2019
		6	Aareon at a glance
		8	Pioneering Spirit
		16	Preface of the Management Board
		19	Management Board
		20	Overview of 2019
<b>24</b>	<b>Group management report</b>	26	Group business fundamentals
		32	Economic report
		39	Our staff
		41	Internal control system
		43	Risk report
		47	Opportunities
		49	Outlook
<b>52</b>	<b>Consolidated financial statements</b>	54	Consolidated statement of comprehensive income
		55	Consolidated balance sheet
		56	Consolidated statement of changes in equity
		57	Consolidated statement of cash flows
		58	Notes to the consolidated financial statements
		82	Independent Auditor's Report
<b>85</b>	<b>Further information</b>	85	Report of the Supervisory Board
		87	Aareon customers
		89	Publishing information

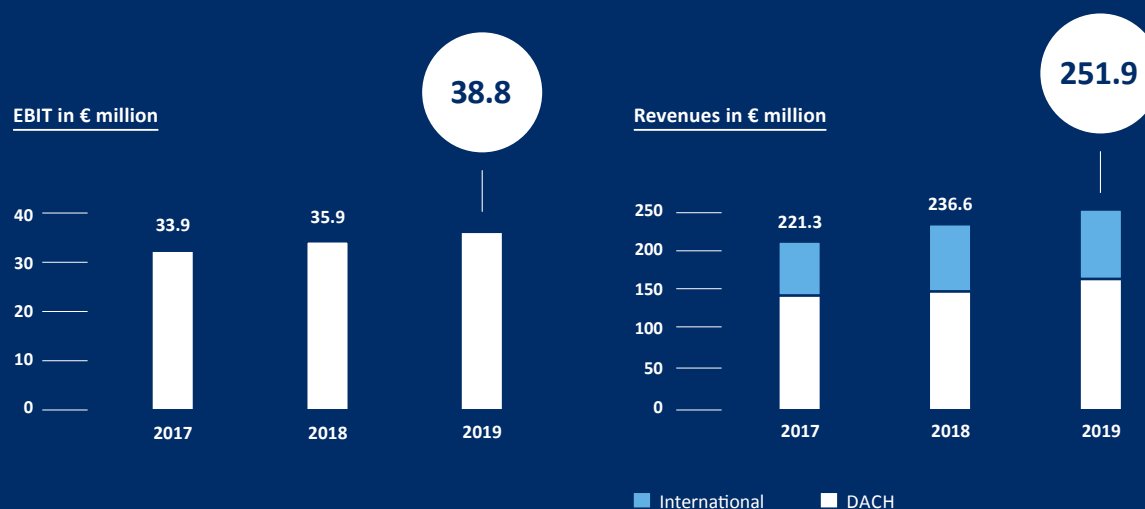
---

→ The annual report is also available online  
<https://ar2019.aareon.com>

# Pioneering Spirit

Aareon aspires to blaze new trails as a technology and industry leader. This aspiration hinges on the **pioneering spirit** of our employees, which is the driving force behind every one of our innovations. Motivated by boundless curiosity, we develop solutions working hand in hand with our customers and partners – solutions that set benchmarks and connect key market players.

# Key performance indicators 2019



## IFRS key indicators (in € million)

	2019	2018	Change
Revenues	251.9	236.6	6.5 %
Of which international	92.7	87.7	5.7 %
EBIT	38.8	35.9	8.1 %
Consolidated net income after tax	25.9	25.7	0.8 %
Consolidated net income after non-controlling interests	22.1	23.5	-6.0 %
Total assets	354.2	274.2	29.2 %
Equity	187.1	167.6	11.6 %
Cash flow from operating activities	-10.4	-4.5	131.1 %
Research and development	38.0	34.9	8.9 %
Number of employees (as at 31 December)	1,631	1,581	3.2 %
Of which international	717	677	5.9 %
Return on Equity in %	21.3	22.3	-4.5 %

# Fiscal 2019

- ✓ Record result: € 38.8 million (previous year: € 35.9 million)
- ✓ Revenues up: € 251.9 million (previous year: € 236.6 million)
- ✓ Research and development intensified:  
expenditure of € 38.0 million (previous year: € 34.9 million)
- ✓ Digital solutions in high demand: revenue growth of 20 %
- ✓ Aareon Smart Platform launched
- ✓ First venture established: OFI Group GmbH
- ✓ New market- and customer-oriented organisational structure implemented
- ✓ New digital collaboration tool supports cooperation

# Aareon at a glance

Aareon is the leading provider of systems and consulting services for the European property industry and its partners in the digital age.

## Cornerstones of strategy



### Having a clear customer focus

Top priority is given to customer satisfaction and creating customer benefit.



### Offering pioneering solutions

New technologies, customer needs, industry trends and issues of the future are incorporated into research and development.



### Being a dependable partner

Aareon is a dependable and reliable partner for its customers, employees, investors and stakeholders.

# 37

## Locations

Aareon has its headquarters in Mainz, Germany. In addition to Germany, Aareon does business in Austria and Switzerland and has international subsidiaries in Finland, France, the UK, the Netherlands, Norway and Sweden.

# 3,000

## Clients

make use of Aareon's consulting, software and services to profit from the opportunities created by digitalisation and services to simplify and automate their processes. They manage over 10 million units with the help of Aareon's IT solutions.

# 1,631

## Employees

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

# 62

## years of success


Aareon has developed steadily ever since the former data centre was first founded in 1957. Today, for good reason, it has become the leading provider of systems and consulting services to the European property industry in the digital age.



### Aareon Smart World

Harness the opportunities presented by digitalisation with Aareon Smart World. This digital ecosystem enables property companies to link up with their customers, employees and business partners and can interconnect technical devices, both in individual apartments and entire buildings. It also allows processes to be redesigned and optimised. Aareon Smart World adds value by lowering costs, enabling new business models and facilitating the dialogue between customers and housing-industry employees.





Technology

# Meet the new Tobias

ERP systems remain at the heart of Aareon's digital ecosystem Aareon Smart World; technology and functions are being continuously refined. This is also the case with the Dutch ERP system Tobias, with a new product generation, Tobias 365, launched in the spring of 2019.

---

→ Take a look at our [online journal](#) to see what the new Tobias product generation has to offer.





Service

# For good reason

There are many communication channels that enable us to maintain contact with our customers – and there are big differences between them when it comes to the time and expense they involve. The Aareon 360 Customer Portal offers many advantages.

---

→ Read in our [online journal](#) what convinced our customer Curo to use the portal.







Networking

# The platform principle

More than half of the world's most valuable enterprises are platform companies. Now, Aareon has developed a smart platform that allows customers, partners and start-ups to develop their own solutions and integrate them into Aareon Smart World.

---

→ Read in our [online journal](#) how the new Aareon Smart Platform functions and get interesting insights.







Innovation

# I'm Neela

How many benefits can an AI-based virtual assistant bring to the housing industry? Plenty! In Neela, Aareon has created a young “woman” with a thirst for knowledge whose aim is to provide the housing industry with efficient support.

---

→ Get to know Neela and her capabilities in our [online journal](#).







# Preface of the Management Board

## Ladies and Gentlemen,

Artificial intelligence and new technologies are driving the process of digital transformation. Courage and a pioneering spirit are needed if the associated opportunities are to be exploited. Business models and processes are undergoing a re-think. Creativity, ideas, openness and enthusiasm are becoming increasingly important success factors. The process of change must be proactively managed if we are not to be left behind by the digital transformation. We want to support our customers with an eye to the future. We regard ourselves as a one-stop IT service partner whose offerings include:

- the integrated portfolio Aareon Smart World, comprising ERP and digital solutions
- significant investment in research and development for the expansion of our offering with an eye to the future and to adding value
- extensive consulting services, for example on the subject of the Digital Agenda

Our customers are always at the heart of all we do and we aspire to offer user-oriented solutions designed to make them even more successful.

### Success – another record result

Aareon once again successfully implemented its international growth strategy in fiscal 2019, posting another record result: the company's EBIT (after strategic capital expenditures) was up 8.1% at € 38.8 million (previous year: € 35.9 million). Operative EBIT– adjusted for non-recurring effects – increased by 10.6% to € 41.6 million (previous year: € 37.6 million). We were also able to increase our consolidated revenues by 6.5% to € 251.9 million (previous year: € 236.6 million).

### Pioneering spirit – research and development stepped up further

Future success is dependent on current investment. Our research and development expenditure amounted to € 38.0 million in total (previous year: € 34.9 million), the vast majority of which was spent on the ongoing development of new functions and new digital solutions, the development of updates, and the maintenance and upkeep of existing functions. The Aareon Smart Platform was launched in Germany, France and the Netherlands in the fourth quarter of 2019. It enables customers to develop software solutions for apartment and property management and to integrate them into Aareon Smart World. Partners can also develop their own solutions and make them available in Aareon Smart World. Preparations for the 2020 market launch of our AI-based virtual assistant Neela got under way in 2019. The key success factors of research and development are innovative and user-centric cooperation with our customers and partners – for example through pilot projects, design thinking workshops and customer engagement programmes.

### Collaboration with the start-up scene – first venture established

Aareon has been collaborating with the start-up scene for a number of years. In 2018, it established Ampolon Ventures (AV Management GmbH) with a view to testing its own business ideas in the market. An integral part of the Proptech scene, Ampolon Ventures aims to set up new ventures and to forge partnerships with ambitious company founders. 2019 saw the establishment of the first venture, OFI Group GmbH, Frankfurt am Main, which offers the digital office rental platform Ophigo. Aareon has a share in the PropTech Immomio (digital rental platform) in Germany and, as of 2019, in OSRE (digital platform for real estate transactions) in

→ [The platform principle](#) explores how the new Aareon Smart Platform simplifies the integration of further solutions.

the Netherlands. It also has a stake as a strategic partner in blackprint Booster Fonds and blackprint Booster Fonds International, which support future-oriented start-ups in the real estate environment. In addition to the above initiatives, Aareon cooperates with a number of PropTech companies at international level.

### ERP solutions – the core of Aareon Smart World

→ The new Tobias – an example of how Aareon develops ERP systems further.

Aareon invests in the ongoing technological development of its ERP software solutions. Future ERP product generations in all countries in which Aareon is active are to be rendered cloud-ready and compatible with new technologies. To this end, the company has been pressing ahead with developments such as Aareon QL.web in the UK, Incit Xpand Allweb in Sweden and Tobias 365 in the Netherlands, as well as providing regular new releases for existing product generations in all countries. Country-specific ERP systems form the core of Aareon Smart World, where they are linked to digital solutions. This enables our customers to establish their own digital ecosystem on the basis of their ERP system in accordance with the respective individual corporate strategy, while benefiting from a uniform database. In the second quarter, Aareon Nederland launched the new product generation Tobias 365 based on Microsoft® Dynamics® 365, while Wincasa, the leading integral provider of property services with 232,000 units, opted for RELion in Switzerland. The mse subsidiaries were renamed Aareon RELion in November. In Norway, Aareon won a major tender from housing company OBOS (around 233,000 units) with its ERP solution Incit Xpand. With 1,048 customers, Wodis Sigma has consolidated its standing as the industry benchmark in Germany. The volume of business from Wodis Sigma as well as SAP® solutions and Blue Eagle was up on the figures for the previous year.

### Digital solutions – double-digit growth

→ Aareon is improving customer communication For good reason.

Our customers are increasingly adding digital solutions to their own ecosystem on the basis of ERP solutions. This has led to another substantial increase in revenue from digital solutions, which was up 20% on the previous year. There was particular demand in Germany for the Mareon Service Portal, Aareon Archiv kompakt, Aareon CRM (portal and app for tenants/owners) and Aareon ImmoBlue Pro (tenant acquisition solution). The ShareWorX® (case management) and Aareon CRM solutions proved particularly popular in the Netherlands. Around 50 new projects for digital solutions were signed off in France – the majority of them likewise based on Aareon CRM – and five French customers have already opted for the newly launched Aareon Smart Platform. The uportal, which provides self-service offerings for tenants, was in demand in Scandinavia. Aareon also provides a comprehensive portfolio of digital services for the utility sector on the German market, including the Aareon invoicing service, Mareon and Aareon Vacancy Management – a digital solution for energy suppliers, housing companies and providers of metering services that streamlines processes when residences change hands.

### One Aareon – new structures strengthen customer- and market-oriented organisation

The successful international growth strategy also encompassed our ongoing internal optimisation, designed to boost organisational performance and profitability. Implementation of a new, Group-wide organisational structure featuring the three international divisions Market (consulting and sales), Operatives (ERP solutions and outsourcing business) and Digital Solutions and Ventures got under way at the start of April with a view to enhancing our market and customer orientation. By the end of the year, the target organisational structure had been implemented as envisaged in all country units. As part of the organisational adjustments and the planned development of further market potential in Austria and Switzerland, Aareon's management in Germany also assumed responsibility for business in the Austrian and Swiss markets.

**New working world – digital collaboration tool supports cooperation**

The focus of the work4future project in 2018 was on preparing for the introduction of a digital collaboration tool in the following year. The Aareon Group launch took place at the start of April, with the tool enjoying high levels of acceptance. It brings employees throughout the Aareon Group closer together by means of networking, transparency and dialogue. We reviewed the flexibility of our working-time models in 2018 in the light of our employees’ requirements and, in 2019, introduced a new company-wide agreement on off-site working options.

**Outlook for 2020 – investing in the future**

We intend to continue our international growth strategy. We will steadily expand our customer base in the ERP business and tap cross-selling potential for digital solutions. We will continue to market the newly launched Aareon Smart Platform and to integrate additional smart partners. We will also launch the first stage of our AI-based virtual assistant, Neela. Another focal point in the expansion of our portfolio of offerings will be the aspect of predictive maintenance, such as intelligent lift management. In addition, Ampolon Ventures will explore further venture opportunities and tap any potential that arises. We plan to supplement this organically generated growth inorganically through expansion of our M&A strategy. Our acquisition of the CalCon Group was effective as of 1 January 2020. The contract was signed in November 2019. We will press ahead with the project to integrate the CalCon Group’s solutions – epiqr for property condition assessment and the new AiBATROS® product generation – in Aareon Smart World.

New ideas result from openness and dialogue, and we appreciate being able to collaborate with our customers, business partners, employees and our shareholder, Aareal Bank, in thinking beyond perceived boundaries. This is the only way of identifying new opportunities and implementing them to the benefit of all those concerned. We thank all our stakeholders for this cooperation. We intend to continue this successful approach as an IT service partner of the housing sector and related industries in 2020.

Our outlook does not account for the potential impact that may result from the global outbreak of the coronavirus. Both society and the economy are facing new challenges in the wake of the coronavirus. Aareon takes its responsibility seriously and is therefore committed to making the best possible contribution to protecting customers, employees and their respective environments, all of which is aimed at preventing the further spread of this virus. Furthermore, our digital structures enable us to ensure operations will continue, by using digital and remote work arrangements. Due to the current situation in March 2020, our employees are working almost entirely from home. We are doing everything to ensure that we can continue to provide our customers with the service and quality that they come to expect from us.

Best regards,



Dr. Manfred Alflen



Dr. Imad Abdallah



Sabine Fischer



Dr. André Rasquin



Christian M. Schmahl

→ The story I'm Neela describes how the virtual assistant Neela is transforming tenant support.



# Management Board



**Sabine Fischer**  
Chief Market Officer

**Dr. Manfred Alfien**  
Chief Executive Officer

**Dr. Imad Abdallah**  
Chief Digital and Ventures Officer

**Dr. André Rasquin**  
Chief Operations Officer

**Christian M. Schmahl**  
Chief Financial Officer



# Overview of 2019

01

January

## Wodis Sigma Dialogues 2019

Around 500 participants take the opportunity for a personal dialogue with Aareon and come to find out about the new features of Wodis Sigma as part of Aareon Smart World. (Photo below)



## Establishment of Aareon Finland OY

Aareon Sverige establishes a Finnish subsidiary with the aim of consolidating and building on its successful presence in the market.

## Aareon Deutschland: Record result for consulting business

The start of the year sees the migration of 50 Wodis Sigma projects with around 200,000 units under management. At the same time, 75 digital projects, from Aareon Archiv kompakt via Aareon CRM all the way to mobile solutions, go live.

## SAGA Siedlungs-Aktiengesellschaft Hamburg uses SAP® solutions and Blue Eagle

SAGA Siedlungs-Aktiengesellschaft Hamburg launches its SAP® solutions and Blue Eagle at the start of the year. More than 132,000 units under management were migrated in the course of a two-year project. The company also uses other digital solutions from Aareon, including Aareon CRM and Mareon.

## FONCIA Deutschland GmbH & Co. KG opts for Wodis Sigma

The Frankfurt/Main-based company signs a contract for over 50,000 units; it will also introduce Aareon CRM. The European market leader in the management of real estate is in charge of around 120,000 units in Germany.

02

February

## Aareon sponsors students with Deutschlandstipendium (German scholarship)

Aareon sponsors a number of students at Johannes Gutenberg University Mainz as of the start of the 2018/2019 winter semester. It is a way of establishing contact with potential employees at an early stage and driving the transfer of knowledge. (Photo below)



## Ampolon Ventures: Investment in Ophigo

The Aareon subsidiary Ampolon Ventures (AV Management GmbH) invests in its first start-up venture, Ophigo, which offers an AI-supported rental platform in the office sector.

## E-world 2019

Aareon and its subsidiary phi-Consulting join forces with Aareal Bank to present their entire portfolio of innovative solutions for the energy sector at the event for European energy businesses in Essen.

03

March

## Dr. Imad Abdallah appointed to the Aareon AG Management Board

Dr. Imad Abdallah is appointed Chief Digital and Ventures Officer, a new Management Board position. He was previously Head of Group Strategy for the Aareon Group. (Photo below)



## Curo Group goes live with the 360 Customer Portal (tenant portal)

The British housing company is putting its faith in digital customer communication. Companies and tenants alike benefit from the transparency and time savings provided by the customer portal. Curo Group is one of the biggest landlords in the south-west of England and manages 13,500 residential units with a total of around 25,000 tenants.

**04**    April

**Aareon acquires a stake in OSRE B.V., Amsterdam**

The Dutch PropTech company makes transactions related to the sale and rental of properties more efficient via its digital solution platform. The aim is to integrate OSRE's software into Aareon Smart World and jointly develop markets. This participation marks a further step in Aareon's international expansion. (Photo below)



**Aareon donates to DESWOS e.V.**

Aareon donates EUR 10 for every online consulting day as part of the "Green Consulting" initiative. Not only does this enable Aareon's customers to reduce travel expenses in their projects, but they are also helping to fund DESWOS e.V. development aid projects to the tune of EUR 23,820 overall. (Photo below)



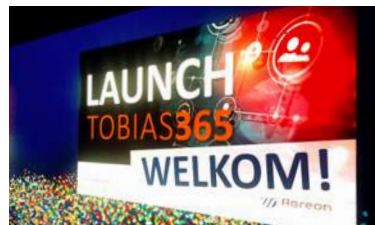
**Aareon Group: New market-oriented organisational structure**

Aareon is setting the course for its strategic growth programme with its new organisational structure. The particular focus is on market and customer requirements.

**05**    May

**Market launch of Tobias 365**

Aareon Nederland launches the new ERP product generation Tobias 365 based on Microsoft® Dynamics® 365. It can now offer its customers a modern, user-oriented and future-proof solution capable of satisfying the demands of the market. (Photo below)



**Aareon client convention in Paris**

Aareon France's annual client convention focusses on digital innovations for the social housing sector, with 180 participants debating industry trends and digital transformation.

**First Aareon investor seminar in Frankfurt**

Aareon's first investor seminar attracts a high level of interest from analysts and investors alike. The focus is on the business model, growth strategy and market environment.

**06**    June

**Aareon Congress 2019 – Next-level evolution**

The biggest event for the German property industry provides participants with fresh inspiration for a successful digital evolution in a revolutionary era. A wide range of aspects is featured, including innovative technologies and IT solutions, state-of-the-art trends in living, the digital working environment and digital ethics. (Photo below)



**Presentation of the DW Innovation Award for the property sector**

The winners of the 16th DW Innovation Award for the property sector, held under the motto “Digital Working Environments”, receive their awards at the Aareon Congress. (Photo below)



**Aareon customer conference in the UK**

Over 120 customers explore new trends and take the opportunity to exchange views with industry experts in the course of presentations and workshops.

**Aareon Update in the Netherlands**

The latest industry trends and products from Aareon Smart World are on the agenda at the customer event held by Aareon Nederland. (Photo below)



**07**

**July**

**Promoting young talent: islands of learning 2019**

A total of 35 trainees from the property industry take part in events at the “Lerninsel Nord” on the island of Juist and the “Lerninsel Ost/Mitte” on the island of Schwanenwerder (Berlin). Aareon supports this initiative designed to bring young talent from the industry together to work on solutions to current problems and to support their personal development. (Photo below)



**08**

**August**

**Cheltenham Borough Homes goes live with Aareon QL and digital solutions**

Cheltenham Borough Homes successfully commences operations with Aareon QL, 1st Touch Core Mobile and the Aareon 360 Customer Portal as well as the 1st Touch self-service app. The company based in south-west England manages 5,000 units with 200 staff.

**NoIR 2019**

Aareon stages the 10th North German Property Regatta (NoIR) in cooperation with BFW Landesverband Nord e.V. Some 140 participants come to exchange views and network in this sporting setting.

**09**

**September**

**Drones used for safety measures**

The first pilot project is launched at Wohnbau GmbH Prenzlau. Thanks to intuitive operation of the drone software, hard-to-access areas like roofs can be checked easily and cost-effectively. The software is set to be integrated in Aareon Smart World in the future. (Photo below)



**10**

**October**

**Aareon Nordic Forum in Stockholm**

The main focus of the event, attended by over 170 customers, is on best practice solutions.



**Switzerland: Wincasa goes live with RELion**

Wincasa drives digital transformation across the entire company, while relying on integrated software architecture. The company manages a property portfolio of 232,000 units worth CHF 70 billion with 920 staff at 28 Swiss locations. Aareon has achieved an important step into the Swiss market with this go-live.

**R+V Allgemeine Versicherung: SAP® solutions and Blue Eagle based on S/4HANA**

The Wiesbaden-based company is the first customer to use the new SAP® product generation. The first modules are migrated from GES to SAP® S/4HANA in record time, with the full switch set to be completed in early 2020.

**11 November**

**mse RELion becomes Aareon RELion**

The renaming of the mse subsidiaries to Aareon RELion underscores the integration of the Aareon Group and boosts its common market presence. (Photo below)



**Aareon acquires software and consulting company CalCon**

Aareon further extends its market leadership as a provider of ERP software and digital solutions for the European property industry with its acquisition of the CalCon Group, thereby adding solutions for property condition assessment, determination of requirements and maintenance planning to Aareon Smart World. The takeover is effective as of 01.01.2020. (Photo below)



**Market launch of Aareon Smart Platform**

Aareon is the first provider in the sector to launch an open, integrated platform for customers and partners. The Aareon Smart Platform offers a wide array of web-based services, which customers and partners can use to design, develop and integrate their own IT solutions. (Photo below)



**Aareon Forum 2019: Keeping pace with the digital times**

The Aareon Forum focusses on networking, interaction and the use of new technologies for the property industry. Aareon provides inspiration and demonstrates the potential for added value in these trends. (Photo below)



**12 December**

**Hallesche Wohnungsgesellschaft mbH opts for further Aareon Smart World solutions**

The long-standing Aareon customer signs a contract for Wodis Sigma Kommunikationscenter, Aareon Immo blue Pro, Aareon CRM and the mobile apartment management system. It also agrees to extend the Aareon invoicing service already in use.

# Group management report

## 26 Group business fundamentals

- 26 **Group business model**
- 26 Aareon's portfolio
- 28 **Goals and strategies**
- 28 Adding even more value for customers
- 28 Growing digital solutions
- 29 Strengthening ERP systems further
- 29 Tapping relevant new markets and related sectors
- 29 Enhancing organisational performance and profitability
- 30 Quality and security standards
- 30 **Research and development**

## 32 Economic report

- 32 **General economic and industry environment**
- 32 Economic growth
- 32 Industry trend
- 33 **Key performance indicators**
- 33 **Business performance**
- 33 DACH segment
- 34 International Business segment
- 35 **Economic situation**
- 35 Earnings
- 37 Net assets
- 37 Financial situation

## 39 Our staff

- 40 Qualification and further training
- 40 Initial training and the promotion of young talent
- 40 Forward-looking corporate culture
- 41 Compensation principles

## 41 Internal control system

## 43 Risk report

- 44 Financial risks
- 44 Market risks
- 44 Management and organisational risks
- 45 Risks from incidental and ambient conditions
- 45 Production risks

## 47 Opportunities

- 47 Opportunities from customer focus
- 47 Opportunities from digital solutions
- 48 Opportunities from active brand management
- 48 Opportunities from being an international corporate group
- 48 Opportunities from being a preferred employer
- 49 Opportunities from a sustainable business model

## 49 Outlook

- 49 DACH segment
- 50 International Business segment
- 51 Strategic capital expenditure
- 51 Summary

# Group business fundamentals

## Group business model

Aareon – a European provider of consulting services and systems for the property industry – offers its customers consulting, software and services, enabling them to optimise their IT-based business processes and expand their business models. Aareon sees itself as a provider of support to the property industry and its partners for the digital transformation process. The Aareon Group has a presence at 37 locations in Europe's key property markets, including 14 in Germany. The company's international subsidiaries are located in Finland, France, the Netherlands, Norway, Sweden and the UK. Aareon also has a presence in Austria through a branch office of its subsidiary Aareon RELion Süd GmbH. The Aareon Group's research and development activities benefit from the individual expertise of its different locations and the sharing of know-how between them. In the context of the digital transformation, the Group harnesses each country's points of focus for the ongoing expansion of the Aareon Smart World portfolio.

Aareon AG is a wholly owned subsidiary of Aareal Bank AG, Wiesbaden, an international property specialist. Within the Aareal Bank Group, Aareon belongs to the Consulting/Services segment, which offers solutions and services for target groups such as the residential- and commercial-property industries, and the energy production and waste disposal sectors.

### Aareon's portfolio

The enterprise resource planning (ERP) systems marketed in each of its footprint countries form the linchpin of Aareon's digital ecosystem, Aareon Smart World. Aareon uses these systems to secure its customer base and generate a stable long-term business volume. In many cases, Aareon's customer relationships have been in place for decades. Its ERP

systems are integrated with digital solutions, which are constantly being expanded. New and existing customers make use of these integrated digital solutions not only to connect with their stakeholders – such as their customers, employees and business partners – but also to link up to technical appliances in apartments and buildings. That makes it possible to redesign and optimise processes. By interconnecting all parties, digital solutions help to reduce costs as well as create new business models and enhance convenience and transparency in communication.

The Aareon Group reports on two business segments: DACH (formerly Germany) and International Business. The DACH segment comprises the Group's operations in Germany, Austria and Switzerland. The change from Germany to DACH was made because of the company's growth in the Austrian and Swiss markets, where business activities in the previous year were not yet material.

In both the DACH and International Business segments, Aareon provides software solutions that can be accessed in different modes: either via in-house operations, hosting or as software as a service (SaaS) from the exclusive Aareon Cloud. When Aareon's customers opt for data hosting and SaaS, their data is stored in Aareon's certified IT Service Centre in Mainz, which ensures high levels of data security and data protection. After completion of the consultation, implementation and training phases, the customer generally opts for a maintenance model that guarantees support for the deployed software on a regular basis.

In the DACH segment, Aareon markets ERP products and services for the housing industry and commercial-property sector. Products of this kind targeting the housing industry include, in particular, Wodis Sigma and SAP® solutions / Blue

Eagle. The legacy system GES will remain available to customers until 31 December 2020 and will be maintained and upgraded until that time. The affected customers were informed about the discontinuation of GES several years ago. The vast majority of them have opted to switch to state-of-the-art ERP systems like Wodis Sigma, SAP® Solutions / Blue Eagle, and RELion (based on Microsoft® Dynamics 365 Business Central®) and many have already completed system migration. In the commercial-property sector, and with customers who manage both commercial-property and residential-housing assets, Aareon has a particular presence with its RELion product. The utility sector is an important partner for property companies, and Aareon offers consulting services for ERP products in this market. On top of this, Aareon in Germany offers outsourcing services and the BauSecura insurance management solution.

Aareon Smart World connects the ERP products offered in the DACH segment to digital solutions such as Mareon (integration of tradespeople), Aareon invoicing service (integration of invoice issuers), Aareon ImmoBlue Pro (tenant acquisition solution), Mobile Services, Aareon CRM (portal and app for tenants/owners) and Aareon Archiv kompakt (digital archiving solution). What is more, customers can benefit from the solutions provided by our PropTech partners. These include, for instance, the intelligent keyless entry system KIWI (which can be integrated into Mareon), the digital rental platform Immomio, and the Simplifa solution for digital lift maintenance. Aareon offers the energy sector Aareon Vacancy Management, a cross-industry solution that digitalises the handover process for tenants and landlords, as well as further digital solutions (Mareon, Aareon Invoicing Service). Customers in both the property and energy industries can profit from this integrated portfolio.

In the International Business segment, each Aareon subsidiary offers ERP solutions that are tailored to its particular national market, supplementing them with integrated digital solutions from Aareon Smart World – some of which are identical across the entire group. In the Netherlands, Aareon Nederland markets Tobias, an ERP product based on Microsoft® Dynamics® that targets the social-housing industry, while Kalshoven Automation sells REMS, an ERP solution for the commercial-property market. The ERP products Prem'-Habitat and Portallmmo Habitat are marketed by Aareon France, while Aareon UK offers Aareon QL, another ERP product, in its local market. In Scandinavia, Aareon Sverige and its subsidiaries Aareon Norge and Aareon Finland market the ERP product Incit Xpand with an integrated BIM solution. Aareon Sverige also provides its customers with fact books – reference works containing standard information on operating and maintenance costs.

Aareon markets the digital solution Aareon CRM (tenants portal, 360° Tenant Portal) in both portal and app versions in the UK, France and the Netherlands. Aareon Smart World products such as Mareon and Aareon Archiv kompakt are also sold outside Germany. In the British market, Aareon UK offers digital solutions like 1st Touch Mobile and 360° Field Worker as well as products of partner companies. In France, the product range also includes e-documents (digital dispatch) and Group Ware (digital exchange of files). In the Netherlands, Aareon Nederland deploys the Trace & Treasury product. Aareon Nederland also offers the Facilitor solution for facility management applications in the commercial-property sector and markets the case management solution ShareWorX® in the Netherlands and the Flemish-speaking part of Belgium. Beyond that, it provides outsourcing services to customers in its home market.

Aareon considers itself to be well positioned with its portfolio of ERP products, integrated digital solutions, and outsourcing/consulting services. Competitors in this sector include providers of proprietary industry products, SAP® partners and, increasingly, PropTech companies offering individual digital solutions. In 2018, Aareon decided to make additional strategic investments over the following years in order to further enhance the company's market penetration and promote the digital transformation (see following section).

## Goals and strategies

Aareon continued to grow in 2019 in line with its strategy of profitable growth. This strategy is based on the Aareon Flight Plan, which is evolved annually to meet the latest requirements. Aareon's goal is to be the leading international partner for the property industry and related markets. Within the Aareal Bank Group, the Aareon Flight Plan forms part of the Aareal 2020 future programme.

Key strategic areas of the Aareon Flight Plan in 2019 were:

- Adding even more value for customers
- Growing digital solutions
- Strengthening ERP systems further
- Tapping relevant new markets and related sectors
- Enhancing organisational performance and profitability

### Adding even more value for customers

Aareon wants to use its solutions and services to add value for its customers – as well as for their business partners and clients. To achieve this, Aareon can draw on its existing customer relationships, its work in customer advisory councils, specific customer events, its participation in associations and the application of user-centric approaches – like design thinking – during the development process.

### Growing digital solutions

The European property industry is in the throes of a digital transformation process. This promises Aareon Smart World's current and future digital solutions significant growth potential – especially when it comes to cross-selling to ERP customers. That is why we launched a strategic capital spending program to invest heavily in digital solutions and solutions based on innovative technologies. Proprietary R&D teams are building on and expanding these solutions, ensuring the transfer of knowledge across the Group. In this context, Aareon has also launched a user-centric form of collaboration with its customers and partners. In 2019, the Aareon Smart Platform was set up in Germany, France and the Netherlands. Aareon Smart Platform is an open, integrated platform for customers and partners, providing them with an easy means of developing their own solutions and integrating them (along with third-party ones) into Aareon Smart World. Preparations for the 2020 market launch of the virtual assistant Neela began in 2019. Other product developments designed to implement the company's international growth strategy are in the validation phase. As is the case with predictive maintenance, these developments are targeting new technologies and customer groups.

Aareon has gained a foothold in the start-up scene through a variety of different channels. The company acquired direct stakes in the PropTech Immomio (a digital rental platform) in Germany and in OSRE (a digital platform for real estate transactions) in the Netherlands. Aareon also holds shares in its strategic partners blackprint Booster and blackprint Booster International, which support future-oriented start-ups in the real-estate environment. It is also using Ampolon Ventures (AV Management GmbH) to establish start-ups together with company founders. 2019 saw the establishment of its first venture, OFI GROUP GmbH, Frankfurt am Main, which offers

Ophigo, a digital platform for office rentals. Aareon also partners with PropTechs:

- Germany: KIWI.KI (digital access systems), Simplifa (digital lift management)
- France: DPM Technologies (predictive maintenance), Activinnov (digital solutions for the social-housing industry), Connective (digital signatures)
- Netherlands: ValidSign (solution for validating digital signatures), Mail2Pay (platform for more efficient communication between those owing rent and those extending credit), EntrD (data anonymisation) and SmartLockr (e-mail encryption)
- Northern Europe: Metry (smart energy services)

By way of an asset deal, Aareon signed a contract in November 2019 to take over the business operations of CalCon Holding GmbH, Munich, and to acquire the company's subsidiaries with effect from 1 January 2020. The transaction closed on 20 February 2020. The acquisition is in line with Aareon's growth strategy. CalCon's epiqr product (for assessing the technical condition of buildings) and its new-generation AIBATROS product will supplement Aareon Smart World.

#### Strengthening ERP systems further

Aareon invests in the ongoing technological refinement of its ERP software solutions. Future ERP product generations in all countries in which Aareon is active are to be rendered cloud-ready and compatible with new technologies. To this end, the company has been pressing ahead with developments such as Aareon QL.web in the UK, Incit Xpand Allweb in Sweden and Tobias 365 in the Netherlands, as well as providing regular new releases for existing product generations in all countries.

#### Tapping relevant new markets and related sectors

Aareon's goal is to leverage the market potential for B2C and B2B2C business. To this end, the company has analysed a multitude of business ideas to identify a small number of what it calls "new growth cases" and to set these in motion.

Since entering the utility market in 2015, Aareon has striven to grow its market share. This entails offering solutions that optimise processes for real-estate companies and utilities alike, thus providing a comprehensive portfolio of services and solutions for the energy supply industry. These include the Aareon invoicing service, Mareon and Aareon Vacancy Management – a digital solution for energy suppliers, housing companies and providers of metering services that streamlines processes when units change hands.

Aareon intends to enhance its market penetration in the commercial-property market, too, garnering new customers in particular with its RELion product, which is integrated in the Aareon Smart World digital ecosystem.

Aareon made its début in the Swiss market by winning over a major customer for the RELion ERP solution. What is more, the company strengthened its presence in Finland with the establishment of Aareon Finland (a subsidiary of Aareon Sverige) on 1 January 2019.

#### Enhancing organisational performance and profitability

Aareon intends to further enhance its profitability thanks to an efficient, market- and customer-centric organisational structure that has clearly defined processes and that harnesses synergies to grow revenues and keep costs firmly in check. In 2019, the company continued its efforts to optimise and enhance its organisational performance and profitability, and



to make its organisational structure for operations more market- and customer-centric by creating three international divisions: Market (consulting and sales), Operations (ERP solutions and outsourcing business) and Digital Solutions and Ventures. The first phase in implementing the new structure began on 1 April 2019. At the board level, the Market Division is headed by Chief Market Officer Sabine Fischer, the ERP Systems and Outsourcing Division by Chief Operations Officer André Rasquin and the Digital Solutions Division by Chief Digital and Ventures Officer Imad Abdallah. As part of the organisational adjustments and the plan to tap additional market potential in Austria and Switzerland, Aareon's management in Germany also assumed responsibility for business in the Austrian and Swiss markets.

To make the Aareon Group even more efficient, the Netherlands-based companies Square DMS and Facilitor were merged into Aareon Nederland on 1 January 2019. Over and above this, the following key projects were the main drivers of enhanced organisational performance:

- work4future – to make the digital working world an integral part Aareon's corporate culture. A digital collaboration tool was rolled out across the Group to make internal communication transparent, fast and uncomplicated.
- ITSM (IT service management) – to optimise support processes. Owing to its complexity, this project will run for several years.
- Work continued on expanding the genesisWorld customer relationship management solution to include our international subsidiaries.

#### Quality and security standards

Data privacy and data security are of crucial importance to Aareon. Numerous clients in Germany and abroad make use of Aareon solutions as a service from the exclusive Aareon

Cloud – meaning that their data is stored solely in the Aareon IT Service Centre and at a backup location in Germany. Aareon IT Service Centre operations are regularly audited for compliance with the PS 951 nF auditing standard of the Institute of Public Auditors in Germany (IDW). In 2017, the TÜV Saarland Group, a technical inspection agency, re-certified the Aareon IT Service Centre for a further two years ("Certified Computer Centre Network – Fail-Safe Level 4"). Since 2010, Aareon has voluntarily submitted to regular external data-protection audits in accordance with Section 9a of Germany's Federal Data Protection Act (BDSG). In 2019, the corresponding re-certification process was performed by the technical inspection agency TÜV Rheinland i-sec GmbH; the certificate it issued is valid until 2022. TÜV Rheinland i-sec GmbH recognised Aareon as a "service provider with audited data protection management". Aareon's system of information security management complies with the internationally recognised ISO/IEC 27001:2013 standard. Following a re-audit in 2017, the certification was extended until 2020.

### Research and development (R&D)

Collaborative R&D activities form the foundation for the ongoing expansion and technological evolution of the Aareon Smart World digital ecosystem. These activities are designed to be user-centric and focus on adding value for customers and business partners alike. Given Aareon's international reach, its R&D benefits from specific points of focus for digitalisation in different countries and from the associated expertise of its subsidiaries in these areas. Aareon adopts an agile approach to development in order to carry out intensive testing at an early stage and take the step from idea to prototype as quickly as possible. Its international development teams take social, legal, economic and technical factors into consideration, integrating them into new and existing digital solutions.

Aareon works hand in hand with property companies and business partners in line with the design thinking method. This user-centric approach to problem-solving also provides the methodological underpinnings for the Aareon DesignLab. Customers are making the most of the design thinking workshops offered by specialists at the DesignLab.

What is more, information gained from the day-to-day dialogue with customers is fed back into the company's R&D activities. Aareon gauges the requirements of its customers by talking to them on a regular basis – e.g. by means of institutions such as customer advisory councils as well as through repeated Group-wide customer surveys.

Researchers take new technologies and their integratability into account where such technologies could be of benefit to the property industry. One result of the company's R&D activities in 2019 was the market launch in Germany, France and the Netherlands of the Aareon Smart Platform and Aareon Smart Partner Programme. The Aareon Smart Platform enables customers to develop software solutions for apartment and property management and to integrate them into Aareon Smart World. Partners can also develop their own solutions and make them available in Aareon Smart World. This creates an open, more diverse marketplace for housing-industry- and real-estate-management systems. Preparations for the 2020 market launch of our virtual assistant Neela got under way in 2019. Utilising cutting-edge AI and voice recognition technology, Neela can be used by property companies to manage their customer relationships more quickly and easily.

R&D expenses can be broken down into the development of 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 € 38.0 million in 2019 (previous year: € 34.9 million). Some of the capital spent on developing new functions and products for our customers had to be recognized in the balance sheet. The capitalisation rate as a percentage of total expenditure was 24%. Amortisation of internally generated software amounted to € 4.8 million.

# Economic report

## General economic and industry environment

### Economic growth

The eurozone economy slowed in 2019, with real GDP growing 1.2%, after 1.9% in the prior year. The slowdown was attributable in particular to a weak industrial sector, which mainly impacted Germany.

The UK economy grew by 1.2% (previous year: 1.4%). Exports there declined by 1.1% year on year, in part due to a worldwide decline in demand, but also to the uncertainty surrounding the country's exit from the EU. On the whole, this uncertainty was a negative factor for all economic players.

Employment markets remained positive in 2019 in almost all regions. The Eurozone unemployment rate fell by a total of 0.6 percentage points to 7.6%. In the UK, by contrast, the unemployment rate rose by 0.7 percentage points to 3.2%.

### Annual real growth in GDP in %

	2019 <sup>1)</sup>	2018 <sup>2)</sup>
Eurozone	1.2	1.9
Germany	0.6	1.5
Finland	1.3	1.7
France	1.3	1.7
Netherlands	1.7	2.6
Austria	1.5	2.3
United Kingdom	1.2	1.4
Norway	1.1	1.3
Sweden	1.4	2.4
Switzerland	0.8	2.8

(Source: OECD)

1) Preliminary figures; 2) Adjusted to reflect final figures

### Industry trend

The digital transformation process continues in the property industry – but with different country-specific points of focus. Digital ecosystems are increasingly gaining in importance for companies. More and more, the focus is shifting from connecting real-estate companies with their business partners, to the integration of buildings and technical equipment. New technologies such as artificial intelligence (AI) and Big Data are opening up further potential in this area.

In addition to established “old economy” companies, numerous PropTech companies have entered the market in recent years. They tend to offer individual digital solutions for the property industry.

The digital transformation of the property industry is continuing in the DACH segment, too. Awareness of the digital transformation has increased noticeably across the industry, with demand growing accordingly. Networking, integrability and the tapping of efficiency potential are key factors in this process. Over and above this, there is a growing focus on the prospects for new business models.

In the Netherlands property industry, digitalisation is even more advanced, thanks in part to the country's excellent IT infrastructure and to growing cost pressure on real-estate companies.

As a consequence of the ELAN legislation adopted in France in October 2018, which was conceived as a comprehensive response to changing conditions in the French housing market, the market is in the throes of a restructuring process. The number of housing-company mergers continues to rise. At the same time, the government is promoting digitalisation.

A new law in the UK states that social-housing rents have to be reduced by one percent a year until 2020. While this legal obligation is forcing companies to rationalise (and, in particular, to digitalise their processes), it is also putting pressure on providers of housing-industry IT to cut their prices. Since 2018, the industry's overall financial strength has improved – also thanks to financial commitments made by the government. That should create more scope for IT spending.

In Scandinavia, the digitalisation of society is already well advanced – with consequences for the property industry, too. Digital signatures for (rental) contracts are already a matter of course and readily accepted by tenants. What is more, the integration of start-ups – to feed digital data from related processes and systems into the housing industry's processes (e.g. for invoices or information for tenants) – is not simply encouraged, but demanded.

## Key performance indicators

Revenue and EBIT are the key financial performance indicators used by Aareon to measure and manage its business segments.

Owing to Aareon's increased importance within the Aareal Bank Group, the latter will provide the capital markets with a separate report on Aareon's performance going forward. As a result of this change, Aareon will no longer report EBIT as of 2020, but adjusted EBITDA (earnings before interest, taxes, depreciation and amortisation), which is the KPI more generally used in the software industry. 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. The Outlook section of the present annual report will use adjusted EBITDA for the first time.

## Business performance

### DACH segment

Aareon succeeded in winning over a large number of new customers – some of them major accounts – for its ERP solution Wodis Sigma. Many new Wodis Sigma customers are former GES customers. The majority of these have opted for state-of-the-art ERP systems like Wodis Sigma, RELion or SAP® Solutions / Blue Eagle, and many have already completed system migration. As anticipated, customers prefer to use Wodis Sigma as a service from the exclusive Aareon Cloud. We are still implementing a large number of migration projects, all of which are going according to plan. The total number of Wodis Sigma customers has risen to 1,048. The volume of business from Wodis Sigma and SAP® solutions / Blue Eagle grew year on year. This growth, in combination with regular price adjustments, led to higher income from maintenance and SaaS fees. Aareon also grew its consulting sales, expanding its range of such services with the market launch of strategic consulting modules for the digital transformation. In the commercial-property sector, Aareon won further customers for the RELion ERP solution, boosting the corresponding licensing and consulting income. The mse subsidiaries were renamed Aareon RELion in November.

Growth in revenues from outsourcing business continued apace. BauSecura's insurance business grew slightly year on year.

A particular focus of digital solutions business was the coordinated development of Aareon CRM at different locations in Germany and abroad, with the goal of simplifying the management of relationships with tenants and property owners. Marketing of the CRM app continued in Germany and it is already in productive operation with numerous customers. The Aareon Smart Platform was rolled out in Germany, the

Netherlands and France. This open platform enables customers and partners to develop their own solutions and integrate them securely into Aareon Smart World.

The company posted another strong year-on-year increase in business volume for digital solutions. There was particular demand in Germany for the following solutions: Mareon Service Portal, Aareon Archiv kompakt, Aareon CRM (portal and app for tenants/owners) and Aareon ImmoBlue Pro (tenant acquisition solution). More and more customers are enhancing their ERP systems with integrated digital solutions and thus developing their own digital ecosystems.

Ophigo, the first venture of AV Management GmbH, which operates under the brand name Ampolon Ventures, was represented at the MIPIM in Cannes and Expo Real in Munich. Ophigo offers a digital search platform for office space.

The process of marketing the Aareon Vacancy Management solution to utilities continues.

### International Business segment

The trend in the International Business segment was for the most part positive. Overall, the segment posted growth, particularly thanks to the markets in France, the Nordics and the Netherlands.

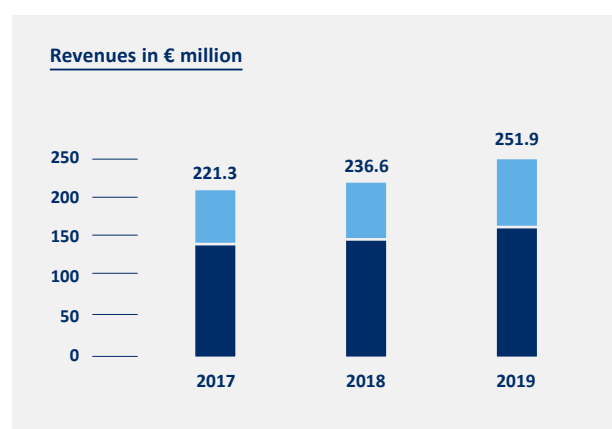
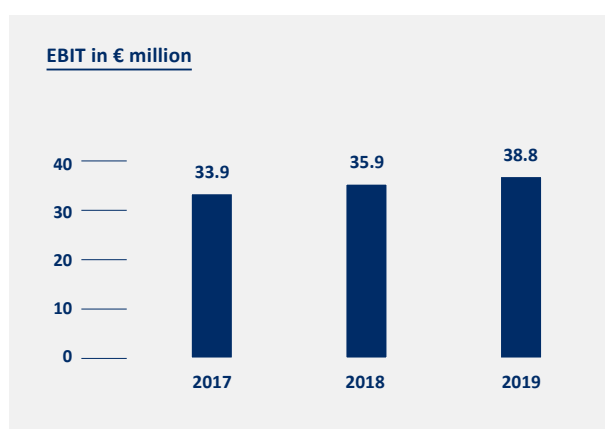
In the Netherlands, several major customers entered into long-term contracts for the Tobias ERP solution, while a number of other major customers went live with the product. The company did not lose any major customers. Rollout of the new generation of the Tobias 365 ERP product, which is based on Microsoft Dynamics 365®, commenced in the second quarter. The sales trend for the Netherlands ERP solution REMS for CRE management was positive. In France, ERP business was characterised by mergers between social-housing companies in the wake of the ELAN legislation passed in October 2018. As a result, Aareon was able to acquire several

new customers. Recurring revenues continued to grow thanks to regular price adjustments and the growing number of customers opting for Platinum maintenance contracts. In the UK, Aareon garnered new customers, including an important major one. What is more, demand for ERP products focused on software adjustments and add-on modules. In the highly competitive UK market, the company was not able to match its high level of licensing income of the prior year. Aareon Sverige won important tenders with its InCit Xpand ERP solution – for instance with several local governments in Sweden. In Norway, Aareon came out on top in a key tender launched by OBOS, a housing company that manages some 220,000 units. Aareon's performance with consulting services was much more robust in the year under review. The previous year's earnings had been dampened by costs for a complex major project in Norway. After multiple successes in the Finnish market, Aareon Sverige set up a subsidiary there (Aareon Finland OY) at the start of the year.

The volume trend for digital-solutions business remained positive in the International Business segment. Several customers opted for digital solutions in the Netherlands. ShareWorX (a case management solution) and Aareon CRM proved particularly popular there, and numerous customers also went live with these products. In France, around 50 contracts for new digital-solutions projects were signed – some of them for major customers – and demand for Aareon CRM was one point of focus. A number of major customers also completed go-lives. Five French customers have already opted for the newly launched Aareon Smart Platform. uportal, which provides self-service offerings for tenants, was in strong demand in Scandinavia.

In the Netherlands, a non-controlling interest in local Prop-Tech OSRE B.V. was acquired. OSRE's digital solution platform makes transactions related to the sale and rental of properties more efficient.





■ International  
■ DACH

## Economic situation

### Earnings

At € 38.8 million, Aareon's EBIT in 2019 was 8.1% higher than in the prior year (€ 35.9 million). The company thus exceeded its EBIT guidance of € 35.0–36.0 million. Consolidated revenues rose by 6.5% to € 251.9 million (previous year: € 236.6 million), slightly higher than the forecast range of € 247.0–250.0 million. The volume of digital-solutions business continued to grow strongly and was up by around 20%. Operating EBIT – adjusted for non-recurring effects – increased by 10.6% to € 41.6 million (previous year: € 37.6 million). In addition to its operating business, Aareon launched strategic initiatives in 2019 to accelerate growth. As the start of these initiatives was delayed, the costs incurred of € 2.4 million were lower than the expected range of € 6.0–7.0 million. Non-recurring factors included acquisition-related

expenses of € 0.4 million in 2019; in 2018, they related mainly to costs of € 1.6 million for a major project in Norway.

Despite a substantial increase in capital expenditure in 2019, internally generated assets were lower at € 6.6 million (previous year: € 7.8 million). Aareon relied to a certain degree on the support of external consultants to expand its digital-solutions portfolio and evolve its ERP products; the corresponding costs were capitalised. Other operating income amounted to € 4.4 million (previous year: € 5.4 million) and was influenced in both 2018 and 2019 by remeasurements of purchase price liabilities from acquisitions. The Group's total expenses rose by 4.8%, from € 213.8 million to € 224.1 million. The cost of materials rose by 9.2% to € 43.8 million (previous year: € 40.1 million), mainly due to increased expenses for the external consultants required to handle the large number of migration projects. The increase of 5.4%

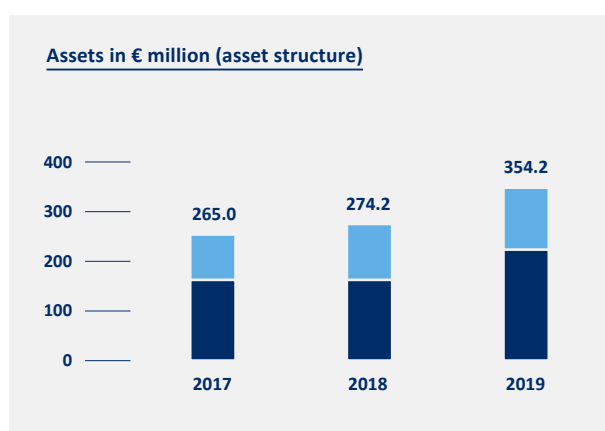
in personnel expenses to € 128.6 million (previous year: € 122.0 million) was predominantly due to a growth-induced increase in personnel numbers and to salary increases. Application of the new accounting standard IFRS 16 (Leases) impacted other operating expenses, which came to € 28.8 million in 2019. Adjusted for the effects of IFRS 16, other operating expenses amounted to € 38.3 million and were thus roughly equivalent to the 2018 figure of € 38.0 million (though the prior-year figure had included a payment to terminate a contract with a major customer in Norway).

Revenues in the DACH segment increased by 6.9 % to € 159.2 million (previous year: € 148.9 million), exceeding the guidance of € 152.0–154.0 million. Revenues from ERP products grew robustly thanks to performance enhancements in consulting business, higher maintenance and SaaS fees, and growth in outsourcing business. Insurance commission income from BauSecura also climbed. Growth was even stronger for digital solutions. Higher penetration rates – especially for CRM products, Aareon Archiv kompakt and mobile solutions – caused recurring revenues in particular to rise. Coupled with moderate costs, this extremely positive revenue trend meant EBIT in the DACH segment was higher, at € 28.7 million, than the forecast figure of € 26–27 million. In addition, the application of IFRS 16 had a positive effect of € 0.9 million on EBIT. Consequently, the DACH segment's operating EBIT was on a par with the prior year (€ 28.3 million).

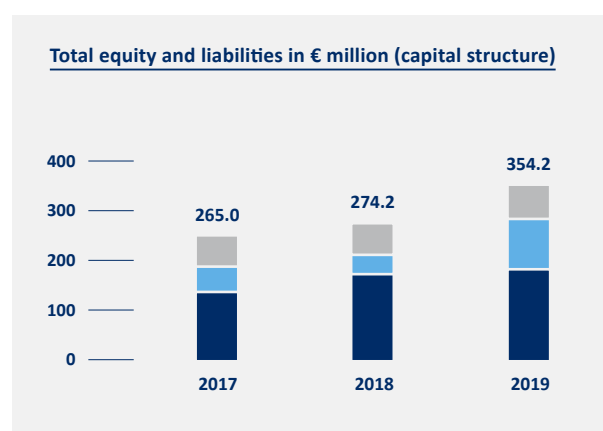
Adjusted for non-recurring effects, revenues in the International Business segment were up by 5.1 % to € 92.7 million (previous year: € 88.2 million). As far as ERP products are concerned, substantial increases in recurring revenues were achieved in both France and the Netherlands, though the forecast figure of € 94–96 million was not reached. In the UK in particular, efforts to stimulate licensing business with new and existing customers fell short of the mark, causing licensing revenues to contract. On the whole, ERP-product reve-

nues were comparable with the prior year. Digital-solutions business, on the other hand, grew significantly, with CRM products in France, Scandinavia and the Netherlands making a major contribution. The substantial increase in revenues, however, was hardly evident in overall costs – largely due to performance enhancements in Scandinavia and France. After a complex major project in Norway was terminated in 2018, ERP business in Scandinavia became much more profitable. In France, the volume of high-margin maintenance business continued to grow. As a result, EBIT (adjusted for non-recurring effects) rose by 40.2 % to € 12.9 million (previous year: € 9.2 million). Low revenue growth in the UK meant Aareon did not quite achieve its forecast figure of € 15.0–16.0 million.

As part of the strategic measures launched in 2019 to accelerate growth (see p. 28), various product ideas were validated. One product arising from this process was the Aareon Smart Platform (including the Smart Partner Programme), which had its market launch in Germany, France and the Netherlands in November. Preparations also began for the market launch announcement of another new product, the Aareon virtual assistant. The costs of validation and development services (after capitalisation) amounted to € -2.4 million in the year under review.



- Current assets
- Non-current assets



- Current liabilities
- Non-current liabilities
- Equity

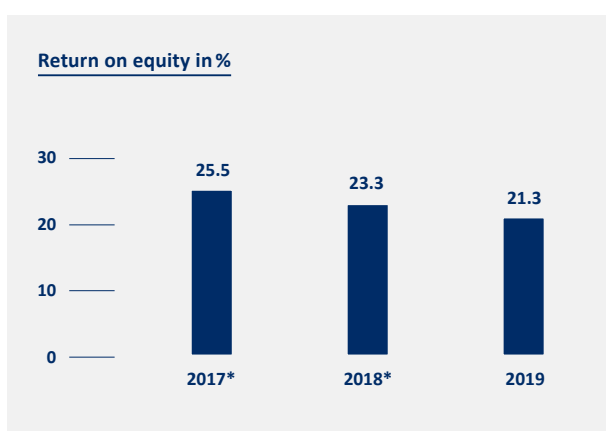
### Net assets

Aareon's total assets amounted to € 354.2 million in 2019, up 29.2% compared with the previous year (€ 274.2 million). At € 236.1 million, non-current assets rose by 38.2% on the previous year (€ 170.9 million). This increase was attributable to the recognition of right-of-use assets in accordance with IFRS 16. In this context, a sublease in which Aareon acts as the lessor was classified as a finance lease and the resulting receivable was also capitalised. Financial assets rose mainly due to additions to investments. Additions to intangible assets and to property, plant and equipment were roughly equivalent to depreciation, amortization and impairments. Current assets increased by 14.2% year on year to € 118.1 million (previous year: € 103.4 million), mainly due to an increase in cash and cash equivalents (see statement of cash flows).

### Financial situation

#### Capital structure

Equity rose by 11.6% year on year, from € 167.6 million to € 187.1 million. This was chiefly due to retention of the net profit for the year of € 25.9 million (previous year: € 25.7 million). Owing to the leverage effect, the amount recognised in lease liabilities on initial application of IFRS 16 was higher than the corresponding rights of use. The same applies to the receivable recognised for the finance lease in which Aareon is the lessor. Overall, this had a negative impact on equity of € -3.3 million. In addition, a reduction in the interest rate used to measure pension liabilities had a negative impact of € -1.8 million on equity. As a result of these factors, the return on equity declined to 21.3% (previous year: 23.3%). Non-current liabilities increased to € 103.0 million (previous year:



\*2017/2018 figures revised

€ 45.6 million). At € 64.1 million, current liabilities were up 5.1% (previous year: € 61.0 million). The increase in these last two items was mainly the result of the accounting of lease liabilities in line with IFRS 16.

### Liquidity

The statement of cash flows is the key to analysing Group liquidity. Cash and cash equivalents amounted to € 51.9 million in 2019, compared with € 40.6 million in the prior year. At € 43.8 million, cash flow from operating activities was substantially higher than in the previous year (€ 29.5 million). This increase was due in particular to the IFRS 16 accounting rules, in accordance with which payments of € -9.1 million by Aareon for rents and leases were classified as principal and interest payments for leases. They were thus reallocated from cash flow from operating activities to cash flow from investing activities. At € -22.0 million, cash flow from investing activities increase year on year (€ -16.7 million). Major cash outflows related to capital expenditure on non-current assets totalling € -18.9 million (previous year: € -15.4 million) and to maturities of purchase price liabilities in the amount of

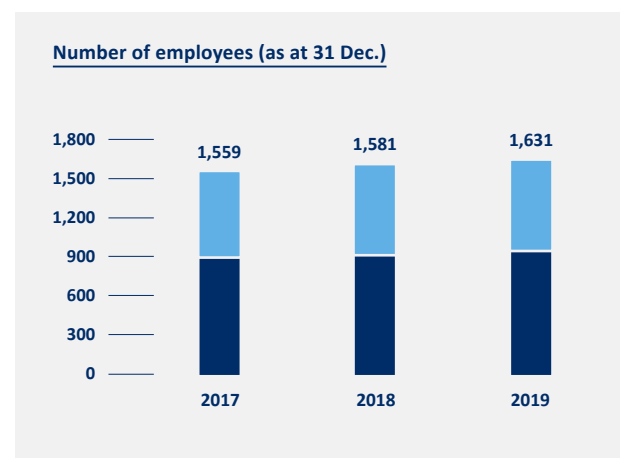
€ -2.9 million (previous year: € -2.4 million) from earlier corporate acquisitions. The higher cash outflows for non-current assets resulted from additions to investments and to increased capital expenditure on internally generated intangible assets. Cash flow from financing activities amounted to € -10.4 million (previous year: € -4.5 million). The capital outflows arose mainly in connection with payments of principal and interest for leases and payments to non-controlling interests.

# Our staff

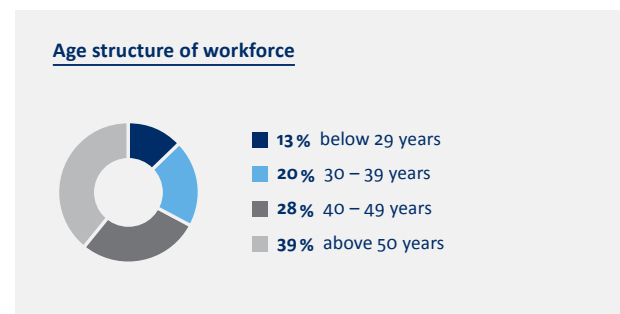
With their ideas, talents, enthusiasm and ability to inspire, Aareon's employees – in collaboration with the company's customers and partners – are what drives innovation at the company. Especially in the digital working world – and in the wake of the digital transformation – it is important to have a human resources policy that focuses on employees as people. Aareon has been pursuing a sustainable, life-phase-oriented personnel policy of this kind for several years now. The policy takes account not only of the employees' work-life balance – which also encompasses flexibility as regards when and where they perform their work – but also what level of performance can be expected of individuals in the particular phase of life in which they find themselves. Factors such as knowledge and expertise, health, equal opportunities, diversity and each employee's professional development are an important part of this policy and reflect the changes taking place in society – changes that include the digital transformation, demographic change, higher retirement ages and immigration. Given the ever faster pace of change and technical progress, the concept of agility is gaining in significance. Flexibility and life-long learning are becoming increasingly important for companies and are encouraged under Aareon's personnel policy.

For over ten years now, Aareon has been carrying out annual anonymised Group-wide employee surveys. They are a tool for gauging the employees' mood and provide insights into how specific improvement measures can be put into practice. The Group-wide response rate of 70 % for the employee survey shows that both rank-and-file employees and management consider it important to participate in the future success of the company. From Aareon's point of view, general levels of employee satisfaction remain high.

As at 31 December 2019, Aareon had a total of 1,631 employees (previous year: 1,581). The average period of service with the company was 10.5 years (previous year: 11.9 years). The international subsidiaries account for 44.0 % of the workforce (previous year: 42.8 %). Aareon promotes flexible working



■ International  
■ DACH



time models and, in this context, rolled out a company-wide agreement on off-site working options in 2019. The agreement grants employees the flexibility to perform some of their work outside the office, including from home. The proportion of women in the workforce was 33.1 % (previous year: 31.0 %), while the share of women in management positions was 24.1 % (previous year: 21.6 %).



## Qualification and further training

One of the aspects on which Aareon once again focused its attention in fiscal 2019 was the development of its management staff. In the course of the Professional Individual Management Development programme, managers were offered training sessions (e.g. leadership at Aareon), diagnostics (including a development centre for new managers) and consultation (e.g. personalised coaching sessions and leadership groups). Courses were also offered on traditional project management (e.g. Project Management Specialist Training Level D) and on the use of agile methods in project management. Other focal points of training included digitalisation (e.g. Digital Leadership and Digital Coaching) and long-term support for internationalisation at Aareon, especially by means of online language courses. The Certified Housing and Real Estate Specialist (EBZ Business School in Bochum) training course was conducted in this form for the first time in 2019.

Aareon also launched its fourth cross-mentoring programme in 2019. Cross-mentoring is a personnel development tool aimed at encouraging knowledge transfer. It involves the systematic sharing of ideas and experiences between employees at different companies.

## Initial training and the promotion of young talent

In addition to trainee programmes, Aareon offers dual-study degrees in Business IT and in Media, IT and Management, as well as a variety of vocational training courses in office management and IT (the latter with a specialisation in either application development or systems integration). At year-end 2019, the Aareon Group employed 16 trainees and three dual-study students in Germany.

As part of its programme to promote young talent, Aareon organised a Girls' Day and supported JOBLINGE, an initiative for young people who have had a hard start in life. Three

former participants of the JOBLINGE initiative are now completing their vocational training at Aareon. Four Aareon employees are supporting the JOBLINGE initiative as volunteer mentors.

In order to foster young talent and promote education, Aareon works together with several universities and supports a number of students from Johannes Gutenberg University Mainz who are holders of a German National Scholarship (Deutschlandstipendium).

## Forward-looking corporate culture

As an innovative company that is driving the digital transformation in all areas and managing the associated change process for its staff, Aareon launched the work4future project in 2017. Building on its existing life-phase-oriented personnel policy, Aareon is focusing on flexible working time models, smart and effective collaboration between employees, and the digital workplace. In 2019, a company-wide agreement on off-site working options was put in place that further enhances flexibility for employees in terms of where they perform their work. A digital collaboration tool was rolled out for internal communications. Office space concepts are constantly being refined by means of internal programmes. In corporate health management, numerous measures were taken in 2019 to support staff in the digital working world.

The company's personnel-related services to help employees achieve a healthy work-life balance include making working hours more flexible, partnering a family service company, and providing parent-child offices as well as crèche and kindergarten places in cooperation with a company based in Mainz.

Equal opportunities form an integral part of Aareon's personnel policy. Women are represented in various management roles and on the Management Board. Many women also exercise responsibility in projects and sub-projects or play a role as specialists. Aareon's goal is to achieve even greater

# Internal control system

balance in this area. In this context, targets for the representation of women were set at the subsidiary Aareon Deutschland GmbH in the previous year in accordance with the German Act on the Equal Participation of Women and Men in Leadership Positions in the Private and the Public Sector.

## 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. This policy can help Aareon to attract and retain highly qualified, dedicated employees with high potential. It is up to each individual company within the Group to design its own compensation system in line with these 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.

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 (compliance management). 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. Accounting and Contract Management handles financial accounting, including preparation of the annual financial statements, for Aareon AG and its subsidiaries Aareon Deutschland, AV Management phi-Consulting and the Aareon-RELion companies. The exception is the outgoing invoices of the Aareon-RELion companies, which are handled by the companies themselves. The financial accounts of BauSecura are handled by the Funk Group. Aareon UK, Aareon France, Aareon Nederland and the Scandinavian companies of the Group each have their own autonomous financial accounting systems. With the exception of Kalshoven Automation, all companies enter their financial data independently in the Group's SAP® software system. In 2019, the employees of the Finance unit in the Netherlands entered the financial data reported for this company in the Group's software system. The reported data is consolidated at Group level.

The Group accounting manual is an aid to preparing Aareon's financial statements, providing internal guidelines for the accounting process. 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. Appropriate control processes are in place to monitor both automated and manual entries. Key accounting procedures are subject to the dual-control principle. An authorisation process is in place to protect the accounting and financial reporting systems against unauthorised access. Aareon also makes use of external service providers, for instance to assist in measuring pension obligations.

Under the compliance management system, the units responsible at Aareon regularly monitor compliance with the company's internal guidelines and work instructions.

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

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.

# Risk report

Aareon AG monitors and manages its business risks by means of a Group-wide risk management system that is based on R2C\_risk to chance standard software and includes an early warning function. The risk management system enables those responsible for the relevant divisions, investments and projects to regularly record and analyse their respective risks – but not the associated opportunities – as well as to develop proactive risk management measures. Risks are assessed in two separate dimensions, namely in terms of their impact and their probability of occurrence. Only residual risk is assessed and reported, i.e. any risk minimisation measures in place are taken into account. 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.

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 expectancy (i.e. the product of impact and probability of occurrence), the corresponding measures specified by the risk owners are documented in the risk reports, to the extent that the risk expectancy exceeds a defined threshold. The threshold is currently set at € 100 k. At the applicable reporting date in the fourth quarter, ten 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 expectancy 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 DACH segment decide on the measures to be taken against risks whose expectancy exceeds a further defined threshold (€ 500 k or € 150 k).

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.

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 are considered to encompass liquidity, cost and revenue risks. Market risks include customer and competition risks, risks relating to associations' and advisory councils' opinion leadership as well as supplier risks. The management and organisational risks category combines risks relating to personnel and internal processes. The incidental and ambient conditions category includes legal risks as well as political, regulatory 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 quarterly risk assessments, the risks faced by the company in 2019 were deemed to be only marginally higher than in 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

In order to avoid liquidity risks throughout the entire Aareon Group, risks are monitored and controlled in Germany in weekly liquidity planning rounds. Short-term fluctuations in cash flow are monitored on a daily basis and, where necessary, suitable countermeasures taken. At the international subsidiaries, this liquidity forecast is prepared on a monthly basis. The default risk of financial instruments is taken into account in accordance with IFRS 7.

As Aareon AG is integrated in the financing processes of the Aareal Bank Group, its funding is judged to be secure at all times and the funding risk of subordinate importance. That is why no funding risk is recorded. Exchange rate risks can be posed by transactions carried out in foreign currencies. Such transactions are monitored on an ongoing basis and reported to the CFO of Aareon AG. Exchange rate risks are managed

centrally. Where necessary, currency risks are hedged Group-wide using hedging instruments.

To ensure that the revenue target is achieved as planned despite the large number of implementation projects in progress, Aareon deploys a resource management planning tool to assign the available consulting resources (and their corresponding expertise) to the projects still to be completed. On top of that, projects are closely monitored so as to detect any deviations from the plan/forecast in good time.

Tax risks were assessed as being unchanged compared with the previous year. The main concern was potential claims arising from company audits or from losses that do not qualify as loss carryforwards.

Financial risks were assessed as being unchanged in terms of content and no higher than in the previous year.

## 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, which include customer churn and the entry of new competitors into the market. Risks of this kind are monitored and the findings provided to management in a quarterly sales report. Aareon counters the risk of any deterioration in customer relationships by regularly checking levels of customer satisfaction.

## Management and organisational risks

In order to meet changing customer requirements, the company must ensure that the requisite personnel resources with the corresponding qualifications are made available in the right place at the right time. The increasing shortage of qualified staff, especially in the IT field, is making it difficult for the

organisation to achieve significant growth as planned. Aareon is countering this with approaches to recruitment that are new for the company, e.g. employer branding activities on social media. The company is also testing, or already deploying, substitutes to traditional employment models, e.g. greater use of nearshoring, offshoring and outsourcing.

Given the current spread of the coronavirus, the company's pandemic manual was reviewed. The precautionary measures in place were deemed adequate.

Owing to the inclusion of new risks such as unauthorised temporary employment and bogus self-employment, the risk assessment in the leadership and organisational risks category was higher compared with the previous year.

## Risks from incidental and ambient conditions

At Aareon, the term "incidental and ambient conditions" is used to cover legal, political, regulatory and compliance risks. As an IT service provider, Aareon is particularly exposed to risks from breaches of IT-relevant regulations. These risks can affect the Information Security, Data Protection and Compliance units. That is why 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.

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.

Aareon raises its employees' awareness of compliant behaviour by sensitising them to the issue and providing them with pertinent training and advice. The year under review saw the rollout of courses for the Compliance, Data Protection and Information Security units of our international subsidiaries. In addition to this, the Compliance Officer carries out checks after approval of the corresponding control plan by the Management Board. Compliance-relevant processes are honed and adapted so as to continuously improve the compliance management system.

The consequences for Aareon's established risk management system of the EU's General Data Protection Regulation (GDPR) and, in particular, of the risk-based approach that underpins it, were taken into account in a Group-wide programme launched to implement the GDPR requirements. The project to implement the GDPR was completed on schedule. 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.

Owing to the inclusion of new risks, risks from incidental and ambient conditions were deemed to be higher than in the previous year.

## 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. Responsibilities for continuous improvement processes for software quality have been assigned within the organizational structure. A particular focal point in this context is capital expenditure on security and the automation of testing with a view to achieving consistently high standards of quality at reduced cost.

The information security management system is based on the internationally recognised ISO 27001 standard and is subject to a continuous, risk-oriented improvement process. In this context, technical and organisational checks were established in order to ensure an appropriate level of protection as regards information processing. This relates not only to the area exposed to attack in public networks per se, but also 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, a uniform international method of determining the maturity of IT security was introduced on the basis of Aareon's security strategy. In addition, processes, guidelines and controls were honed in a risk-oriented manner.

Documented countermeasures are taken to minimise the risk of any serious disruptions during the operation of customer software. Thus far, we have not experienced any disruptions leading to a prolonged loss of service. In 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 IT Service Centres

were built in 2011, audited by the TÜV technical inspection agency and 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.

# Opportunities

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.

Identifying, creating and utilising opportunities is central to Aareon's corporate strategy of managing the digital transformation process in a purposeful manner. Aareon's own research and development activities play a crucial role here, as do its constant observation and analysis of developments in the property and IT industries, the competitive environment and society as a whole. The insights gained are incorporated into its strategic programme, the Aareon Flight Plan. The opportunities this gives rise to, some of which are correlated with each other, are categorised below. They were largely unchanged compared with the prior year:

- Opportunities from customer focus
- Opportunities from digital solutions
- Opportunities from active brand management and quality
- Opportunities from being an international corporate group
- Opportunities from being a preferred employer
- Opportunities from a sustainable business model

When utilising opportunities, Aareon weighs them up against the risks involved.

## Opportunities from customer focus

Customer focus is pivotal at Aareon. The goal is to use Aareon's portfolio of products and services to add value for customers. In many cases, Aareon's relationships with its customers, the property industry and their partners have grown over many years. The company is a member of several property industry associations, including the German Fed-

eration of Housing and Property Companies (GdW). Beyond that, Aareon systematically maintains a dialogue with its customers – through the Aareon customer advisory councils, at numerous customer events and in individual discussions with them. This proximity to the industry and customers presents opportunities to identify customer trends, needs and requirements as they arise and to factor them into the ongoing development and expansion of Aareon's portfolio of products and services. In this context, Aareon also makes use of agile development methods like design thinking and collaborates with customers and partners in pilot projects. These approaches can help enhance utility for the customer.

## Opportunities from digital solutions

The digital transformation process in society and the economy is proceeding apace and is characterised by technological innovations. Aareon integrates the opportunities offered by the digital transformation into its product strategy. It is constantly expanding the digital ecosystem Aareon Smart World, with its digital and mobile solutions, and also enhancing it with solutions from its PropTech partners. Aareon Smart World connects the partners in the property industry. Our customers can use it to work in a convenient, process-efficient manner using a single database, to expand their own customer service capabilities and to leverage potential for new business models. Their data is stored in the exclusive Aareon Cloud, which is located in the certified Aareon IT Service Centre. Aareon offers professional consulting services for all its products and services. Aareon consultants help their customers to set a digital agenda and focus on the right products and solutions to optimise their business processes. They also provide them with ongoing support throughout their implementation projects. Companies often want to be able to

source their IT services from a single provider because of the high degree of complexity involved. Compared with its competitors, Aareon has opportunities because of its ability to offer consulting, software and services from a single source. This sits well with Aareon's corporate strategy of building on its leading position in the market. 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. Aareon's R&D plays a central role in this process. When conducting R&D, Aareon also collaborates with property companies in line with the above-mentioned design thinking method. It also works together with PropTech companies and is a strategic partner of blackprint PropTech Booster.

## Opportunities from active brand management

Aareon takes an active approach to brand management, honing its corporate identity and setting itself off from the competition. As this influences customers' purchasing decisions, it is of central importance to Aareon's growth strategy. Aareon aspires to offer every customer the right solution or solution package. By resolutely pursuing this goal, Aareon sees an opportunity to grow faster than its competitors. In order to make good on its claims, Aareon systematically utilises quality management tools such as customer and employee surveys, and commissions regular audits and certifications in a variety of areas. In addition, the IT solutions it develops are reviewed and vetted in multiple quality assurance rounds.

## Opportunities from being an international corporate group

In recent years, Aareon has grown to become an international group. Digitalisation of the property industry has different points of focus in each of the countries in which Aareon operates. This creates opportunities not only for the transfer of knowledge between the Group's international and domestic entities, but also for research and development (see p. 32). Aareon makes use of these opportunities to expand Aareon Smart World and thus generate additional growth potential. These international connections were further strengthened by the introduction in 2019 of the new organizational structure.

## Opportunities from being a preferred employer

The demographic trend is making competition for qualified workers more intense. It is also essential to manage the transformation to a digital working world and make sure all employees are on board. That is why constantly honing our profile as a preferred employer – one that is capable of attracting new employees – is crucial to success. Our work4future project is addressing this issue. Aareon has implemented many measures in recent years and will continue to build on them. These include services to enable employees to achieve a healthy work-life balance, a life-phase-oriented personnel policy, equal opportunities, diversity, knowledge sharing and corporate health management. Binding leadership guidelines and a systematic dialogue between line managers and staff are additional components of our employer profile. This creates opportunities for enhancing employee satisfaction and

# Outlook

loyalty, and for facilitating the recruitment of new, highly qualified employees. In the race to recruit new workers, Aareon relies, among other things, on employer branding activities that help to establish links to potential employees at a very early stage.

## Opportunities from a sustainable business model

Together with the Aareal Bank Group, Aareon pursues a strategy that is geared to sustainability. This creates opportunities to ensure its viability in the long term and to cultivate an image of a responsible company with its stakeholders. Since 2012, the Aareal Bank Group 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; Aareon Smart World, which leverages the potential of digitalisation with its customer-centric, high-quality IT solutions; high levels of data protection and security; a responsible, life-phase-oriented personnel policy that exploits the opportunities provided by the digital working world; and systematic resource management. The Aareal Bank Group's annual Sustainability Report also describes the sustainability measures adopted by Aareon.

In 2020, Aareon will continue to pursue the growth strategy developed on the basis of its own strategy programme, which forms part of Aareal Bank's Aareal future programme. On the whole, consolidated revenues are expected to grow significantly. Adjusted EBITDA (see key financial performance indicators) will remain on a par with last year for the reasons given below. Key factors include:

- Accelerating organic growth through strategic capital expenditure
  - Creating and refining new digital solutions
  - Tapping new business fields
  - Solutions utilising innovative technologies
  - Using corporate venturing activities to play a role in the start-up scene
- Achieving greater market penetration for digital solutions, both with existing products and, inorganically, through the acquisition of CalCon
- Strengthening ERP business, especially through further successful migrations, additional capital expenditure and enhanced competitiveness
- Expanding activities in the utilities and commercial-property markets

## DACH segment

We expect revenues in the DACH segment to rise substantially in 2020, to between € 173.0 million and € 176.0 million. Adjusted EBITDA is also expected to be considerably higher than last year (around € 40.0 million), at between € 45.0 million and € 46.0 million.

Aareon expects ERP revenues to rise slightly in 2020. By 31 December 2020, all former GES customers will have been migrated (predominantly to either Wodis Sigma or SAP®-solutions / Blue Eagle). This will bring about a shift in balance

from migration business to in-force business. Owing to expansion of the existing-customer portfolio (e.g. due to the customer launch of SAP® S/4HANA), revenues from SAP® solutions / Blue Eagle are anticipated to continue growing. Additional capacities are to be built up for both utilities and commercial-property business so as to be able to handle the large number of customer projects. As for outsourcing services, robust customer demand will lead to a further increase in revenues. The volume of insurance management business with BauSecura should be on a par with last year. On the cost side, capacity growth will have an impact on personnel costs. Other costs are expected to remain unchanged year on year. Once the fixed costs for the IT landscape for GES customers in the Aareon IT Service Centre have been eliminated and all GES customers have been migrated, we expect to earn higher margins.

Digital solutions will make a decisive contribution to realising Aareon's growth potential in the DACH segment. The acquisition of CalCon, which was included in the consolidated financial statements on 1 January 2020, will be of key importance for growth in 2020. It will affect all revenue categories – namely licensing income, consulting income and recurring revenues. On top of that, organic growth of digital-solutions business is expected to continue at a high rate. In particular, the Aareon CRM digital solution (portal and app for tenants and owners) and Mobile Services are anticipated to grow substantially thanks to further go-lives. These products have already demonstrated their high potential: demand for them has been so high that, in some cases, it could not be satisfied immediately.

## International Business segment

In the International Business segment, we expect revenues to increase significantly in 2020, rising to € 98.0–100.0 million, while adjusted EBITDA will grow from around € 23.0 million in 2019 to € 24.0–25.0 million.

ERP product revenues in the International Business segment are expected to be slightly higher than last year. Recurring revenues will grow in all regions thanks to customer go-lives. The changeover from the current product generation Tobias AX to Tobias 365, which commenced in 2019 with a pilot customer in the Netherlands, will accelerate considerably in 2020. The new product generation will be available to customers solely as a SaaS solution. This will lead to a decline in licensing revenues for this product, which growth in recurring revenues will not be able to offset for a few years. This effect will be evened out again by 2022. In the UK and Scandinavian markets, licensing revenues from both new and existing customers are expected to increase. In the commercial-property sector in the Netherlands, revenues are also expected to grow substantially due to new customers.

Revenue from digital solutions in the International Business segment will be substantially higher than last year. Revenues are expected to grow for licensing and consulting business as well as for recurring services. In Scandinavia and the Netherlands, Aareon CRM products have the potential to generate strong revenue growth. 1st Touch Mobile will be the growth driver in the UK. In France, capacity growth to serve rising demand should also result in higher digital-solutions revenue.

On the cost side, personnel costs will rise due to workforce growth. The cost of materials is expected to be roughly the same as last year, given that Aareon's own employees are to cover the increase in resources.

## Strategic capital expenditure

In addition to pursuing the operating activities in its two business segments, Aareon made strategic investments in 2019, developing products that will be rolled out in Germany, France and the UK in 2020. The expected revenues from these products should be below € 1.0 million. Aareon expects to post further strategic capital spending in and after 2020. In 2020, the adjusted EBITDA effect is expected to amount to between € -7.0 million and € -8.0 million. It will comprise expenses for the ongoing development of digital solutions, including in connection with new technologies, and for tapping new business through start-up ventures with the aim of accelerating organic growth. This strategic capital spending should be beneficial for the entire Aareal Bank Group in the medium term and, in some cases, is being supported by Aareal Bank.

## Summary

In view of the information provided above, Aareon expects to post a substantial overall increase in revenues in 2020, which will rise to € 272.0–276.0 million. At € 68.0–71.0 million, adjusted EBITDA before strategic capital spending will be much higher than last year (€ 63.9 million).

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.



# Consolidated financial statements

**54** Consolidated statement  
of comprehensive income

**55** Consolidated balance sheet

**56** Consolidated statement  
of changes in equity

**57** Consolidated statement  
of cash flows

**58** Notes to the consolidated  
financial statements

58 General disclosures

58 Information on accounting policies  
and consolidation methods

58 Accounting principles

59 Consolidation principles

59 Currency translation

59 Scope of consolidation

60 Changes in accounting policies

62 Accounting principles

62 Intangible assets

63 Property, plant and equipment

63 Leases

64 Financial assets and financial liabilities

64 Inventories

64 Deferred taxes

65 Provisions for pensions and similar obligations

65 Income tax liabilities

65 Other provisions

65 Liabilities

65 Recognition of income and expenses

<b>66</b>	<b>Notes to the statement of comprehensive income of the Aareon Group</b>	<b>79</b>	<b>Other explanatory notes</b>
66	Revenues	79	Other financial obligations
67	Other operating income	79	Related-party transactions
67	Cost of materials	80	Auditors' fees
67	Staff costs/employees	80	Exemption for domestic group companies as per Section 264 (3) of the German Commercial Code (HGB)
68	Other operating expenses	80	Events after the reporting date
68	Net financial income/expense		
68	Income taxes		
<b>69</b>	<b>Notes to the consolidated balance sheet of the Aareon Group</b>	<b>81</b>	<b>Corporate bodies</b>
69	Intangible assets	81	Supervisory Board
70	Consolidated statement of changes in fixed assets 2019	81	Management Board
72	Property, plant and equipment, right-of-use assets, and lease liabilities		
72	Financial assets		
74	Shareholdings		
74	Deferred taxes		
74	Contract assets and receivables due from customers		
75	Other assets		
75	Securities		
75	Cash and cash equivalents		
75	Subscribed capital		
75	Share premium		
76	Accumulated Group earnings and profits		
76	Non-controlling interests		
76	Provisions for pensions and similar obligations		
78	Other provisions		
78	Purchase price liabilities		
79	Trade payables		
79	Contract liabilities		
79	Other liabilities		

82

## Independent Auditor's Report

# Consolidated statement of comprehensive income

for the period 1 January to 31 December 2019

€ '000	Note	2019	2018
Revenues	04.1	251,877	236,613
Germany		159,183	148,893
International Business		92,694	87,720
Other own work capitalised	05.1	6,645	7,758
Other operating income	04.2	4,392	5,351
Cost of materials	04.3	43,798	40,078
Staff costs	04.4	128,575	122,019
Depreciation/amortisation		22,324	12,809
Other operating expenses	04.5	28,806	38,048
Other taxes		600	827
<b>EBIT (earnings before interest and taxes)</b>		<b>38,811</b>	<b>35,941</b>
Net financial income/expense	04.6	-1,424	-296
Net income from equity-accounted investments	05.3	-217	0
<b>EBT (Earnings before taxes)</b>		<b>37,170</b>	<b>35,645</b>
Income taxes	04.7	11,270	9,927
<b>Consolidated net profit</b>		<b>25,900</b>	<b>25,718</b>
Of which attributable to:			
Shareholders of the parent company		23,971	24,064
Non-controlling interests		1,929	1,654
<b>Other comprehensive income (OCI)</b>		<b>-1,836</b>	<b>-590</b>
<b>Items not recycled to profit and loss</b>		<b>-1,836</b>	<b>-590</b>
Actuarial losses from defined benefit plans		-2,675	-948
Income tax on actuarial losses from defined benefit plans		839	358
<b>Comprehensive income</b>		<b>24,064</b>	<b>25,128</b>
Of which attributable to:			
Shareholders of the parent company		22,135	23,474
Non-controlling interests		1,929	1,654

# Consolidated balance sheet

as at 31 December 2019

## Assets – € '000

	Note	31 Dec. 2019	31 Dec. 2018
<b>Non-current assets</b>			
Intangible assets	05.1	143,176	142,153
Property, plant and equipment		15,102	15,060
Right-of-use assets	05.2	56,139	-
Financial assets	05.3	10,718	7,188
Other non-current assets	05.2	2,438	-
Deferred tax assets	05.5	8,514	6,457
		<b>236,087</b>	<b>170,858</b>
<b>Current assets</b>			
Inventories		420	262
Contract assets and receivables from customers	05.6	58,025	57,134
Other current assets	05.7	6,351	4,927
Current income tax receivables		1,420	162
Securities	05.8	0	344
Cash and cash equivalents	05.9	51,918	40,552
		<b>118,134</b>	<b>103,381</b>
		<b>354,221</b>	<b>274,239</b>

## Equity and liabilities – € '000

	Note	31 Dec. 2019	31 Dec. 2018
<b>Equity</b>			
Equity attributable to shareholders	05.10/05.11/05.12	184,934	165,726
Non-controlling interests	05.13	2,125	1,887
		<b>187,059</b>	<b>167,613</b>
<b>Non-current liabilities</b>			
Provisions for pensions and similar obligations	05.14	35,898	33,944
Other non-current provisions	05.15	1,412	1,411
Non-current lease liabilities	05.2	56,120	-
Deferred tax liabilities	05.5	9,592	10,276
		<b>103,022</b>	<b>45,631</b>
<b>Current liabilities</b>			
Other current provisions	05.15	13,388	13,192
Current income tax liabilities		1,784	3,405
Current purchase price liabilities	05.16	1,961	5,079
Trade payables	05.17	8,931	8,856
Contract liabilities	05.18	14,721	14,077
Current lease liabilities	05.2	7,482	-
Other liabilities	05.19	15,873	16,386
		<b>64,140</b>	<b>60,995</b>
		<b>354,221</b>	<b>274,239</b>

# Consolidated statement of changes in equity

for the period 1 January 2018 to 31 December 2019

€ '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	
<b>1 January 2018</b>	<b>25,000</b>	<b>41,900</b>	<b>-4,512</b>	<b>81,072</b>	<b>143,460</b>	<b>84</b>	<b>1,752</b>	<b>145,296</b>
Dividend	0	0	0	0	0	0	-1,603	-1,603
Consolidated net profit	0	0	0	24,064	24,064	0	1,654	25,718
Other comprehensive income (OCI)	0	0	0	-590	-590	0	0	-590
Changes in scope of consolidation	0	0	0	0	0	0	0	0
Other changes	0	0	-861	-347	-1,208	0	0	-1,208
<b>31 December 2018</b>	<b>25,000</b>	<b>41,900</b>	<b>-5,373</b>	<b>104,199</b>	<b>165,726</b>	<b>84</b>	<b>1,803</b>	<b>167,613</b>
<b>1 January 2019</b>	<b>25,000</b>	<b>41,900</b>	<b>-5,373</b>	<b>104,199</b>	<b>165,726</b>	<b>84</b>	<b>1,803</b>	<b>167,613</b>
Dividend	0	0	0	0	0	0	-1,691	-1,691
Consolidated net profit	0	0	0	23,971	23,971	0	1,929	25,900
Other comprehensive income (OCI)	0	0	0	-1,836	-1,836	0	0	-1,836
First-time application of IFRS 16	0	0	0	-3,296	-3,296	0	0	-3,296
Other changes	0	0	369	0	369	0	0	369
<b>31 December 2019</b>	<b>25,000</b>	<b>41,900</b>	<b>-5,004</b>	<b>123,038</b>	<b>184,934</b>	<b>84</b>	<b>2,041</b>	<b>187,059</b>

# Consolidated statement of cash flows

for fiscal 2019

€ '000

	2019	2018
<b>EBIT (earnings before interest and taxes)</b>	<b>38,811</b>	<b>35,941</b>
Write-up from the measurement of financial assets	22,324	12,809
Income taxes paid and income tax refunds received	-14,531	-13,295
Interest received	45	41
Interest paid	-126	-145
Increase (-)/decrease (+) from changes in assets	-2,077	-267
Increase (+)/decrease (-) from changes in liabilities	-682	-5,618
<b>Cash flow from operating activities</b>	<b>43,764</b>	<b>29,466</b>
Net payments for investments in non-current assets	-18,867	-15,370
Payments for the purchase of consolidated companies and other business units (less cash in hand acquired)	-2,864	-2,360
Exchange-rate-related changes in non-current assets	-269	1,044
<b>Cash flow from investing activities</b>	<b>-22,000</b>	<b>-16,686</b>
Payments made/received for working capital loan	0	-1,112
Payments from lease receivables	472	0
Repayment and interest components of lease payments	-9,548	0
Payments to non-controlling interests	-1,691	-1,603
Other changes in capital	369	-1,798
<b>Cash flow from financing activities</b>	<b>-10,398</b>	<b>-4,513</b>
Cash change in cash and cash equivalents	11,268	8,320
Exchange-rate-related changes in cash and cash equivalents	98	-53
<b>Total change in cash and cash equivalents</b>	<b>11,366</b>	<b>8,267</b>
Cash funds at the beginning of the period	40,552	32,285
<b>Cash funds at the end of the period</b>	<b>51,918</b>	<b>40,552</b>



# Notes to the consolidated financial statements

## 01 General disclosures

The consolidated financial statements of Aareon AG, Isaac-Fulda-Allee 6, 55124 Mainz, Germany, for 2019 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 (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 2019 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 wholly owned subsidiary of Aareal Bank AG, Paulinenstraße 15, 65189 Wiesbaden, Germany, which prepares its 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 discretion exercised by management differs in each case. The estimates and assumptions are based on historical experience and other metrics such as planning figures. The estimates and assessments used, as well as the underlying assessment factors and estimation methods, are regularly reviewed and compared with the events that actually occur. In our opinion, the parameters used are both suitable and reasonable.

The main assumptions concerning the future and other sources of estimation uncertainty giving rise to a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year concern, in particular, the calculation of pension obligations and of provisions, the measurement of intangible assets and the

fair value of certain financial instruments, and the assessment of lease extension and termination options and of tax assets and liabilities. Discretionary decisions, and the estimation uncertainties associated with them, also arise in connection with the recognition of revenues (apportionment of transaction prices, application of input methods).

## 02.2 Consolidation principles

In accordance with IFRSs, 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. Non-controlling interests are affected by any consolidation measures recognised in profit and loss and assigned a portion of the net income.

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

## 02.3 Currency translation

The international companies belonging to the Aareon Group are independent sub-units, whose financial statements are translated into euros using the functional currency method. The items in the statement of comprehensive income are translated using the average exchange rate; all monetary and non-monetary assets and liabilities are translated into euros on the reporting date. Both the average and reporting-date

rates are calculated using the European Central Bank's reference rate. Differences affecting equity are disclosed directly in a separate equity item until disposal of the subsidiary. This also applies to any deviations between the unappropriated surplus, which is converted using the closing rate at the 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 comprehensive income	
		Closing rate		Average exchange rate	
		2019	2018	2019	2018
United Kingdom	GBP	<b>0.8508</b>	0.8945	<b>0.8778</b>	0.8847
Sweden	SEK	<b>10.4468</b>	10.2548	<b>10.5891</b>	10.2583
Norway	NOK	<b>9.8638</b>	9.9483	<b>9.8511</b>	9.5975

## 02.4 Scope of consolidation

The group of consolidated companies includes Aareon AG as well as all subsidiaries in which Aareon AG either directly or indirectly holds the majority of voting rights or has the right to appoint the majority of the Supervisory Board members, or which it has gained control over in some other way (see Section 5.4).

Three companies were merged and two founded in the reporting year. In order to streamline Aareon's corporate structures in the UK, Aareon UK Ltd. was sold in 2018 by Aareon AG to its sister company 1st Touch Ltd. 1st Touch's operating activities were transferred in full to Aareon UK. As part of an international upstream merger, 1st Touch was

merged into its parent company, Aareon AG, leaving Aareon UK Ltd. as the Group's sole company in the UK. In addition, Facilitor B.V and Square DMS B.V. were merged into their parent company, Aareon Nederland B.V., with retroactive effect from 1 January 2019; the merger was registered with the Netherlands Chamber of Commerce on 5 January 2019. OFI Group GmbH, Frankfurt – in which Aareon Deutschland GmbH initially held a stake of 19.96% – was established on 1 February 2019. Under a contract dated 3 July 2019, the company's capital was increased, causing that stake to rise to 35.84%. As part of its Venture Programme, Aareon is part-owner of OFI Group, together with the start-up's founders, and accounts for this company using the equity method.

Further, Aareon Planungs- und Bestandsentwicklungs GmbH, Mainz – a wholly owned subsidiary of Aareon AG – was established on 30 October 2019 (date of entry in the commercial register). The company is the result of the acquisition on 1 January 2020 of the business operations of CalCon Holding GmbH, Munich, and its subsidiaries by way of an asset deal. The subsidiaries in Germany and Austria are being acquired in full, while the stake acquired in the Romanian subsidiary amounts to 83.3%. The purchase price comprises a fixed amount of € 20,000 k, which was paid in cash in February 2020, and a contingent purchase price. The contingent purchase price depends on a comparison of planned and actual EBIT in both 2020 and 2021. The fair value of the contingent purchase price amounted to € 3,799 k as at the acquisition date and was based on an assumed target achievement value of 100%. The maximum contingent purchase price is € 6,000 k. In addition, an estimated payment of € 827 k was agreed for the company's net cash. The provisional pro rata fair value of the assets and liabilities is € 11,433 k. The following amounts were recognised as provisional acquired assets and liabilities:

Acquisition of CalCon Holding GmbH and its subsidiaries, in € k	Carrying amount prior to acquisition	Fair value on initial consolidation
Purchased software and other assets	1	6,367
Customer relations	0	6,018
Brands	0	1,158
Right-of-use assets	3,937	3,937
Receivables	1,479	1,479
Other assets	589	589
Cash and cash equivalents	406	406
Trade payables	36	36
Lease liabilities	3,937	3,937
Other liabilities	953	953
Deferred tax liabilities	0	3,595
<b>Net assets acquired</b>	<b>1,486</b>	<b>11,433</b>

The acquisition resulted in goodwill in the amount of € 13,194 k. The goodwill includes market and synergy potential, and complements the Aareon Smart World product portfolio. CalCon's solutions make it possible to obtain an efficient, cost-effective and objective assessment of an existing property's technical condition and energy efficiency characteristics, and to draw up a detailed maintenance plan and budget. The acquisition allows Aareon to leverage further business potential, in both the public sector and the commercial-property markets in Germany and Austria. It also supports Aareon's growth strategy. No goodwill exists that could be expected to qualify as a tax deduction.

## 02.5 Changes in accounting policies

IFRS 16, Leases, was applied by Aareon for the first time on 1 January 2019. The new standard replaces IAS 17 and the associated interpretations IFRIC 4, SIC 15 and SIC 7. It introduces a single accounting model for lessees. As a result, lessees are obliged to recognise assets and liabilities for all leases unless

the lease term is 12 months or less or the underlying asset is of low value (under € 4,000). The lessee recognises an asset representing its right of use of the underlying leased object. It also recognises a lease liability representing its 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. For lessors, the accounting approach is essentially unchanged versus IAS 17, with leases continuing to be classified as either operating or finance. The classifications in IFRS 16 use the same criteria as in IAS 17. IFRS 16 also includes a number of other provisions on recognition, disclosures in the notes and sale-and-lease-back transactions. 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. Aareon does not apply the provisions of IFRS 16 in cases where it is the lessee of intangible assets. 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.

The standard was initially applied in accordance with the modified retrospective method, i.e. the effect of initial application was recognised directly in equity under retained earnings. On initial application on 1 January 2019, Aareon recognised € 58.7 million in right-of-use assets and € 66.3 million in corresponding lease liabilities. These figures resulted mainly from the recognition of right-of-use assets from long-term leases of office buildings and from the vehicle fleet for employees. As another consequence of the application of IFRS 16, a sublease was qualified as a finance lease, with Aareon acting as the lessor. As at 1 January 2019, € 2.9 million was recognised as the present value of the lease liability. Deferred taxes in the amount € 1.5 million were recognised on initial application, so that € 3.3 million was posted to

retained earnings. The statement of comprehensive income for 2019 included transfers from the items other operating income (decrease of € 0.5 million) and other operating expenses (decrease of € 9.5 million) to the items depreciation and amortisation (increase of € 8.0 million) and interest expense (increase of € 1.2 million). The prior-year figures were adjusted in neither the consolidated balance sheet nor in the statement of comprehensive income.

The right-of-use assets were tested for impairment. This method used is fundamentally the same as that applied when testing goodwill for impairment (Note 3.1). No impairment was required here either in the reporting period.

The operating lease liabilities as at 31 December 2018 were reconciled with the lease liabilities in the opening balance sheet as at 1 January 2019 as follows:

€ '000	
<b>Reconciliation</b>	
<b>Off-balance-sheet operating lease obligations as at 31 Dec. 2018</b>	<b>43,260</b>
Adjustment due to differing treatment of extension options	37,719
Effects of discounting	- 14,686
Miscellaneous	37
<b>Lease liabilities as at 1 Jan. 2019</b>	<b>66,330</b>

The weighted average marginal borrowing rate used by Aareon on 1 January 2019 for initial discounting of the lease liabilities was 2.0 %.

The other amendments made to the IFRSs had no effect on Aareon's accounting practices. These amendments include:

- Amendments to IFRS 9 – early repayment rules with negative compensation amounts and application of the IBOR reference interest rate for hedge accounting
- Amendments to IAS 28, Non-current Investments in Associates and Joint Ventures
- Annual Improvements to IFRSs (2015–2017 cycle)
- Amendments to IAS 19, Plan Amendment, Curtailment or Settlement
- IFRIC 23, Uncertainty over Income Tax Treatments

Aareon also opted for early adoption of the amended definition of materiality in line with IAS 1 and IAS 8; this did not have any effect on the company's financial statements. Initial application is mandatory for accounting periods beginning on or after 1 January 2020.

A number of new accounting standards and interpretations were also published. However, these are not mandatory for reporting periods beginning on or after 31 December 2019 and were not adopted early by Aareon. The effects of these new rules on the current and future reporting periods as well as on foreseeable future transactions are not deemed to be material.

## 03 Accounting principles

### 03.1 Intangible assets

As a rule, goodwill is tested for impairment in the fourth quarter of each year. Its value is measured on the basis of the present value of future cash flows (value in use), which are determined using medium-term planning figures. This entails using the projected cash flows from the three-year plan adopted by the Management Board of Aareon AG and approved by the Supervisory Board. Thus, the revenue and expense items are planned individually over this three-year period. The values assigned to the main assumptions are based on internal and external factors as well as on past experience. The previous year's planning figures also play a central role. Revenue planning is based mainly on assumptions regarding migration projects and 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. The present value of future cash flows is determined on the basis of a Group-wide risk-adjusted discount rate of 6.67% after tax. The discount rate is calculated as the sum of a risk-free base interest rate of 0.07% plus a company-specific risk



loading of 7.50 % multiplied by a beta factor of 0.88. In view of the uncertain nature of planning beyond three years, we take a cautious view of the market environment and assume a growth rate of 2 %, which corresponds to the expected inflation rate. The recoverable amounts exceed the carrying amounts. If there is 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 EBIT included in cash flow or a drop in the growth rate to 1 % – no individual impairment is recognised. There was no need to recognise any impairment losses in the reporting period.

Purchased intangible assets, primarily software, are capitalised at cost and subject to straight-line amortisation in accordance with their customary useful lives. The amortisation methods and useful lives are reviewed annually. Any adjustments are made in accordance with IAS 8.

**Useful lives of intangible assets**

Internally generated intangible assets	3 – 10 years
Acquired intangible assets	3 – 10 years
Customer relations	5 – 25 years
Brands	20 – 25 years

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. Any adjustments are made in accordance with IAS 8. 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

An impairment loss within the meaning of IAS 36 is recognised if it is compulsory to carry the asset at a lower value, i.e. if the net realisable value or the value in use of the asset in question is lower than its carrying amount.

**03.3 Leases**

As described in Note 2.5, as at 1 January 2019 Aareon amended the way in which it accounts for leases in which it is the lessee in accordance with IFRS 16. Until 31 December 2018, the company applied the rules of IAS 17 and IFRIC 4. The finance lease requirements of IAS 17 are fulfilled for the use of leased property, plant or equipment if all of the major opportunities and risks associated with ownership are transferred to the lessee.

In this case, the respective assets are capitalised at the present value of the minimum lease payments and depreciated using the straight-line method over the asset's useful life or the duration of the lease, whichever is shorter. The obligations from future lease payments are discounted and recognised as a liability.

#### 03.4 Financial assets and financial liabilities

Under IFRS 9, the classification of financial assets and liabilities depends on the respective business model. 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)

With equity instruments, IFRS 9 distinguishes between business models in which the instrument is held with or without the intention to trade.

It 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, other financial assets as well as financial liabilities as held-to-collect. They are thus recognised at amortised cost. Aareon does not exercise its option to recognise them at fair value. With equity instruments, Aareon decides on a case-by-case basis whether to exercise its option to recognise an instrument through other comprehensive income. Otherwise the instruments are measured at fair value through profit or loss. Derivatives are also recognised at fair value through profit or loss.

Adequate loss allowances are recognised for trade receivables, as fixed percentages and by means of an individual approach that takes account of the customer situation and maturity structure. Low-interest-bearing receivables are carried at their discounted amount, taking into account appropriate interest.

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.

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

#### 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 the Aareon Group has a present obligation arising from a past event, the settlement of which is expected to result in an outflow of resources. The amount of the provision corresponds to the best possible estimate at the 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 their repayment or settlement amount. Liabilities from finance leases and purchase price liabilities are recognised at their present value.

### 03.11 Recognition of income and expenses

Revenues and other operating 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
- Consulting and training projects
- Maintenance contracts
- SaaS/ASP and hosting fees

Software licence revenue is recognised if a contract has been signed by both parties with no rights of withdrawal, the product has been delivered in full (e.g. through provision of the licence key), the licence fee has been determined and payment is probable. This means the customer has obtained control of the right to use the product. 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 45 days.

Maintenance, SaaS/ASP and hosting services are realised pro rata over the contractual performance period. This type of revenue from contracts with customers is not recognised until the product goes live. The majority of customers pay their maintenance and hosting fees in advance for a certain period (at most one year) and have differing deadlines for payment (up to 45 days). 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 provided.

Consulting and training services are recognised through profit or loss when the service has been performed. The Group also provides implementation services as part of its project work. In these cases, assets are created or improved over which the customer obtains control. Revenue and contract assets are recognised in accordance with the percentage of completion, which is generally based on an input method. A project's percentage of completion is calculated based on a comparison of the order costs already incurred with the total order costs expected. Application of an input method would incur excessively high costs. Customers make advance payments for services Aareon provides over a long period. These are netted under the corresponding contract assets or recognized under contract liabilities to the extent that the advance payment received exceeds the contract asset. Provisions are recognised for impending losses from this type of service in the period in which the losses were caused.

Operating expenses are recognised through profit or loss when the service is utilised or when the expenses are incurred in economic terms. Interest income and expense are recognised on an accrual basis.

In addition to country-specific ERP business for the property and energy supply industries, Aareon offers digital solutions – some of them internationally. These solutions include Mareon, Aareon Archiv kompakt, mobile services, Aareon CRM (tenants portal), Aareon ImmoBlue Pro, ShareWorX®, Facilitor and Trace & Treasury. Aareon also has other products and services in its portfolio, such as the BauSecura insurance management solution, IT outsourcing and Integrated Payment Transactions.

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

### 04.1 Revenues

#### Revenues by business segment in € '000

	2019	2018
DACH	159,183	148,893
International Business	92,694	87,720
<b>Total</b>	<b>251,877</b>	<b>236,613</b>

#### Revenues by product group in € '000

	2019	2018
ERP products	200,948	194,204
Digital solutions and services	50,929	42,409
<b>Total</b>	<b>251,877</b>	<b>236,613</b>

#### Revenues by category in € '000

	2019	2018
Licensing revenues	21,853	25,663
Consulting revenues	68,222	60,746
Recurring revenues	161,802	150,205
<b>Total</b>	<b>251,877</b>	<b>236,613</b>

Revenues were higher year on year in both the **DACH** and **International Business** segments, up € 10,290 k and € 4,974 k respectively. The International Business segment accounted for 36.8 % of consolidated revenues (previous year: 37.1 %).

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 € 766 k were recognised for performance obligations from earlier periods.

#### 04.2 Other operating income

Other operating income in € '000		
	2019	2018
Non-cash income	1,708	1,518
Income from trade fairs and congresses	957	993
Income from affiliated companies outside the Aareon Group	476	879
Research grants	371	0
Measurement of purchase price liabilities	289	832
Income from the reversal or reduction of individual impairment losses	73	590
Other income	518	539
<b>Total</b>	<b>4,392</b>	<b>5,351</b>

The growth in income from the adjustment of purchase price liabilities is explained in Note 5.16.

#### 04.3 Cost of materials

Cost of materials in € '000		
	2019	2018
Software and hardware costs	4,048	5,040
Cost of services purchased	39,750	35,038
<b>Total</b>	<b>43,798</b>	<b>40,078</b>

In 2019, the cost of materials was € 3,720 k higher than in the previous year.

#### 04.4 Staff costs/employees

Staff costs in € '000		
	2019	2018
Salaries	105,327	99,598
Social security costs	23,248	22,421
of which: for post-employment benefits	4,269	4,946
<b>Total</b>	<b>128,575</b>	<b>122,019</b>

Staff costs increased by € 6,556 k year on year, mainly due to increased recruitment and higher provisions for variable compensation and overtime/vacation.

As at 31 December 2019, 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		
	2019	2018
Employees	1,484	1,453
Executive managers	87	74
<b>Total</b>	<b>1,571</b>	<b>1,527</b>
of which: part-time employees	330	346

Employees (excluding temporary staff, trainees and interns) – annual average		
	2019	2018
Employees	1,460	1,445
Executive managers	83	76
<b>Total</b>	<b>1,543</b>	<b>1,521</b>
of which: part-time employees	338	345



<b>Employees (excluding temporary staff, trainees and interns)</b>		
<b>– annual average by business segment</b>		
	<b>2019</b>	<b>2018</b>
DACH	869	854
International	674	667
<b>Total</b>	<b>1,543</b>	<b>1,521</b>

#### 04.5 Other operating expenses

<b>Other operating expenses in € '000</b>		
	<b>2019</b>	<b>2018</b>
Travel expenses	5,144	5,011
Legal and consultation expenses / auditing costs	4,662	4,516
Advertising/marketing/entertainment	3,816	3,742
Occupancy expenses	2,944	9,279
Other staff costs and temporary staff	2,575	2,578
Motor vehicle expenses	2,364	5,109
Software maintenance	1,986	1,972
Further training	890	815
Communication costs	867	942
Impairments of receivables	768	172
Technology costs	583	726
Insurance costs	492	480
Fees and contributions	363	321
Compensation for Supervisory Board and Advisory Board	325	334
Office material	284	203
Measurement of purchase price liabilities	93	144
Payment in connection with a major project	0	990
Miscellaneous other operating expenses	650	714
<b>Total</b>	<b>28,806</b>	<b>38,048</b>

**Other operating expenses** fell by € 9,242 k year on year, chiefly due to initial application of IFRS 16, which resulted in lower reported amounts for rental expenses, especially for real estate and motor vehicles. In Norway, a major project had been cancelled prematurely in the prior year against a payment of € 990 k and the waiver of all outstanding receivables. The total non-recurring effect (including legal ex-

penses) came to € 1,630 k in the prior year. All impairment losses stem from contracts with customers.

#### 04.6 Net financial income/expense

<b>Net financial income/expense in € '000</b>		
	<b>2019</b>	<b>2018</b>
Other interest and similar income	35	30
of which: with affiliated companies	- 86	0
Interest and similar expenses	1,459	- 326
of which: with affiliated companies	60	- 68
<b>Total</b>	<b>- 1,424</b>	<b>- 296</b>

Compared with the previous year, interest expense was considerably higher due to the application of IFRS 16. Interest and similar expenses included interest cost of € 1,292 k for lease liabilities. Other interest and similar income contains negative interest on balances held with Aareal Bank.

#### 04.7 Income taxes

<b>Income taxes in € '000</b>		
	<b>2019</b>	<b>2018</b>
German income taxes	7,926	9,078
Foreign income taxes	3,749	3,440
<b>Actual tax expense</b>	<b>11,675</b>	<b>12,518</b>
Deferred tax expense/income	- 405	- 2,590
<b>Total</b>	<b>11,270</b>	<b>9,927</b>

The decline in deferred taxes was primarily due to the change in deferred taxes on loss carryforwards and to the even stronger decrease in deferred taxes on work in progress in the prior year.

The following table shows the reconciliation statement for the differences between income taxes based on the net income before taxes and the actual income tax reported. In order to calculate the expected tax expense, the Group tax rate of 31.7% valid in fiscal 2019 (previous year: 31.7%) was multiplied by earnings before taxes.

Reconciliation of tax expenses in € '000		
	2019	2018
<b>Earnings before income taxes</b>	<b>37,170</b>	<b>35,645</b>
Trade tax	5,575	5,347
Corporation tax	5,901	5,658
Solidarity surcharge	307	294
<b>Expected tax expense</b>	<b>11,783</b>	<b>11,299</b>
Reconciliation:		
Non-deductible expenses	563	582
Tax-free income	-995	-1,215
Taxes for prior years	-170	-121
Differences in tax rates of international subsidiaries	-99	-515
Other differences	188	-103
<b>Tax expense reported</b>	<b>11,270</b>	<b>9,927</b>

## 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. 2018	Disposals	Exchange- rate effects	31 Dec. 2019
DACH	35,182	-57	0	<b>35,125</b>
International Business	49,664	0	44	<b>49,708</b>
<b>Total</b>	<b>84,846</b>	<b>-57</b>	<b>44</b>	<b>84,833</b>

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

Carrying amounts in € '000		
	31 Dec. 2019	31 Dec. 2018
<b>ERP solutions</b>	<b>21,115</b>	<b>17,794</b>
DACH	4,694	3,563
International Business	16,420	14,231
<b>Digital solutions</b>	<b>9,279</b>	<b>8,129</b>
Aareon CRM	3,667	3,071
Aareon Smart Platform/Partner	1,662	1,700
Aareon BRM	889	585
Aareon SRM	705	752
Aareon Vacancy Management	588	662
Trace & Treasury	904	556
Miscellaneous	864	803
<b>Total</b>	<b>30,394</b>	<b>25,924</b>

Internally generated software in the amount of € 18,053 k was completed in the reporting period, while internally generated software worth € 12,341 k was still under development. Research and development costs for the update and maintenance of existing functions, and to create new functions and products totalled € 37,971 k in the year under review. Internally generated assets amounted to € 6,645 k. Externally sourced services in the amount of € 2,476 k were also capitalised.

### Consolidated statement of changes in fixed assets 2019

as at 31 December 2019

€ '000	1 Jan. 2019	Currency translation differences	Historical cost				Reclassifications	31 Dec. 2019
			First-time application of IFRS 16	Additions	Disposals			
<b>I. Intangible assets</b>								
1. Goodwill	118,472	45	0	-58	0	0	<b>118,459</b>	
2. Acquired intangible assets	50,208	364	0	1,658	336	0	<b>51,894</b>	
3. Internally generated intangible assets	55,530	281	0	9,121	849	0	<b>64,083</b>	
4. Customer relations	21,570	-72	0	0	0	0	<b>21,498</b>	
5. Brands	2,718	-16	0	0	0	0	<b>2,702</b>	
6. Prepayments made	0	0	0	0	0	0	<b>0</b>	
	<b>248,498</b>	<b>602</b>	<b>0</b>	<b>10,721</b>	<b>1,185</b>	<b>0</b>	<b>258,636</b>	
<b>II. Property, plant and equipment</b>								
1. Land, leasehold rights and buildings	9,176	1	0	226	738	28	<b>8,693</b>	
2. Plant and machinery	8,175	0	0	5	139	0	<b>8,041</b>	
3. Other equipment, and office furniture/equipment	13,194	38	0	4,349	923	0	<b>16,658</b>	
4. Prepayments made	40	0	0	20	0	-28	<b>32</b>	
	<b>30,585</b>	<b>39</b>	<b>0</b>	<b>4,600</b>	<b>1,800</b>	<b>0</b>	<b>33,424</b>	
<b>III. Right-of-use assets</b>								
1. Rights of use to land, leasehold rights and buildings	0	136	54,349	2,399	827	0	<b>56,057</b>	
2. Rights of use to other equipment, and office furniture/equipment	0	6	4,315	3,847	74	0	<b>8,094</b>	
	<b>0</b>	<b>142</b>	<b>58,664</b>	<b>6,246</b>	<b>901</b>	<b>0</b>	<b>64,151</b>	
<b>IV. Financial assets</b>								
1. Investments in associates	0	0	0	993	217	0	<b>776</b>	
2. Other shares in associates	1,743	0	0	1,823	0	0	<b>3,566</b>	
3. Other loans	5,937	0	0	965	34	0	<b>6,868</b>	
	7,680	0	0	3,781	251	0	<b>11,210</b>	
	<b>286,763</b>	<b>783</b>	<b>58,664</b>	<b>25,348</b>	<b>4,137</b>	<b>0</b>	<b>367,421</b>	

1 Jan. 2020	Accumulated depreciation and amortisation				Carrying amounts		
	Currency translation differences	Additions	Disposals	Reclassifications	31 Dec. 2019	31 Dec. 2019	31 Dec. 2018
33,626	0	0	0	0	<b>33,626</b>	<b>84,833</b>	84,846
39,304	301	3,785	335	0	<b>43,055</b>	<b>8,839</b>	10,904
29,606	61	4,830	808	0	<b>33,689</b>	<b>30,394</b>	25,924
3,426	-17	1,182	0	0	<b>4,591</b>	<b>16,907</b>	18,144
383	-4	120	0	0	<b>499</b>	<b>2,203</b>	2,335
0	0	0	0	0	<b>0</b>	<b>0</b>	0
<b>106,345</b>	<b>341</b>	<b>9,917</b>	<b>1,143</b>	<b>0</b>	<b>115,460</b>	<b>143,176</b>	<b>142,153</b>
4,171	-3	462	737	0	<b>3,893</b>	<b>4,800</b>	5,005
7,260	0	240	139	0	<b>7,361</b>	<b>680</b>	915
4,094	34	3,705	765	0	<b>7,068</b>	<b>9,590</b>	9,100
0	0	0	0	0	<b>0</b>	<b>32</b>	40
<b>15,525</b>	<b>31</b>	<b>4,407</b>	<b>1,641</b>	<b>0</b>	<b>18,322</b>	<b>15,102</b>	<b>15,060</b>
0	0	4,983	22	0	<b>4,961</b>	<b>51,096</b>	0
0	0	3,069	18	0	<b>3,051</b>	<b>5,043</b>	0
<b>0</b>	<b>0</b>	<b>8,052</b>	<b>40</b>	<b>0</b>	<b>8,012</b>	<b>56,139</b>	<b>0</b>
0	0	0	0	0	<b>0</b>	<b>776</b>	0
11	0	0	0	0	<b>11</b>	<b>3,555</b>	1,732
481	0	0	0	0	<b>481</b>	<b>6,387</b>	5,456
492	0	0	0	0	<b>492</b>	<b>10,718</b>	<b>7,188</b>
<b>122,362</b>	<b>372</b>	<b>22,376</b>	<b>2,824</b>	<b>0</b>	<b>142,286</b>	<b>225,135</b>	<b>164,401</b>

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

Aareon leases, in particular, real estate, and operating and office equipment. Some of these leases are long term and have sufficiently certain extension options of up to ten years. No material residual-value guarantees were given for these leases.

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

	2019	2018
<b>Carrying amounts</b>		
Real estate (rental of office space, parking spots)	51,095	0
Operating and business equipment (vehicle fleet, servers, etc.)	5,043	0
<b>Depreciation</b>		
Real estate (rental of office space, parking spots)	4,983	0
Operating and business equipment (vehicle fleet, servers, etc.)	3,069	0

Interest expense from lease liabilities came to € 1,292 k. Total cash outflows for leases in the period under review amounted to € 9,534 k as at the reporting date.

### Leases recognized in profit or loss in € '000

	2019	2018
<b>Carrying amounts</b>		
Current leases	462	0
Low-value leases	138	0
Variable leases	0	0

Leases that can be assigned to more than one of the above categories are assigned to the higher category in each case.

The following table shows the maturities of the lease liabilities.

Lease liabilities in € '000	2020	2021–2024	After 2024
Maturities of lease liabilities	7,482	22,785	33,335
<b>Total</b>	<b>7,482</b>	<b>22,785</b>	<b>33,335</b>

Aareon acts as lessor when renting out real estate. 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 € 59 k. Variable rents on office and business equipment in the amount of € 143 k were not included in the measurement of finance leases where Aareon is the lessor. The minimum lease payments amounted to € 471 k in each of the first five years and to € 235 k for the total years remaining.

## 05.3 Financial assets

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



<b>Financial assets in € '000</b>			
	Interest held (%)	31 Dec. 2019	31 Dec. 2018
	31 Dec. 2019		
Time deposits		4,210	3,260
Guarantee for a lawsuit		1,100	1,100
Rent deposits		1,004	990
Other		73	106
<b>Other loans (recognised through profit or loss)</b>		<b>6,387</b>	<b>5,456</b>
OFI Group GmbH	35.84	776	0
<b>Investments in associates (equity-accounted)</b>		<b>776</b>	<b>0</b>
blackprint Booster Fonds GmbH & Co. KG*	12.49	250	250
blackprint Booster Fonds International GmbH & Co. KG	49.88	420	0
<b>Investments – debt instruments (recognised through profit or loss)</b>		<b>670</b>	<b>250</b>
OSRE B.V.	18.70	1,403	0
Immomio GmbH	14.54	1,295	1,295
MPC Best Select Company Plan GmbH & Co. KG, Germany	<20	187	187
<b>Investments – equity instruments (recognised through other comprehensive income)</b>		<b>2,885</b>	<b>1,482</b>
<b>Financial assets</b>		<b>10,718</b>	<b>7,188</b>

\*Prior-year classification amended

These deposits relate to the guarantee issued to cover existing and future obligations in connection with membership in two supplementary pension funds. They increased by € 950 k in the year under review.

Along with another investor, Aareon acquired shares in the newly created fund blackprint Booster Fonds International GmbH & Co. KG in 2019. As a result, Aareon theoretically holds a large stake of 49.88 % in the fund at the present time. As the fund has not yet been closed and further investors are being sought, the size of Aareon's stake will decrease once other investors are found. That is why the shares were recognised under investments.

The following table provides financial figures on the associate OFI Group GmbH, which was established on 1 February 2019:

<b>OFI Group GmbH in € '000</b>	
	31 Dec. 2019
Non-current assets	29
Receivables and other assets	17
Cash and cash equivalents	372
Liabilities	21
<b>Net assets/equity</b>	<b>397</b>
Capital contributions by Aareon	993
Aareon's share in net profit for the year	-217
<b>Carrying amount of investment in Aareon's consolidated financial statements (equity-accounted)</b>	<b>776</b>
Income	20
Operating expenses	618
Net financial income/expense	-8
<b>Net profit/loss for the year</b>	<b>-606</b>
<b>Aareon's share in net loss for the year (35.84 %)</b>	<b>-217</b>

## 05.4 Shareholdings

Name and registered office of company	Interest held %
<b>Aareon AG, Mainz</b>	
<b>Consolidated subsidiaries – DACH segment:</b>	
Aareon Deutschland GmbH, Mainz, Germany	100
Aareon Planungs- und Bestandsentwicklungs GmbH, Mainz, Germany	100
Aareon RELion GmbH, Augsburg, Germany (formerly mse RELion GmbH)	100
Aareon RELion Nord GmbH, Hamburg, Germany (formerly mse Immobiliensoftware GmbH)	100
Aareon RELion Süd GmbH, Augsburg, Germany (formerly mse Augsburg GmbH)	100
AV Management GmbH, Mainz, Germany	100
BauSecura Versicherungsmakler GmbH, Hamburg, Germany	51
phi-Consulting GmbH, Bochum, Germany	100
<b>Consolidated subsidiaries – International Business segment:</b>	
Aareon Finland OY, Helsinki, Finland	100
Aareon France SAS, Meudon-la-Forêt, France	100
Aareon Nederland B.V., Emmen, Netherlands	100
Aareon Norge AS, Oslo, Norway	100
Aareon Sverige AB, Mölndal, Sweden	100
Aareon UK Ltd., Kenilworth, United Kingdom	100
FIRE B.V., Utrecht, Netherlands	60
Kalshoven Automation B.V., Amsterdam, Netherlands	100
<b>Associates:</b>	
OFI Group GmbH, Frankfurt am Main, Germany	35.84

## 05.5 Deferred taxes

Deferred taxes in € '000	31 Dec. 2019	31 Dec. 2018
Pension provisions	5,542	5,241
Leases (right-of-use assets less lease liabilities)	1,538	0
Other provisions	944	368
Loss carryforwards	580	790
Miscellaneous	-90	57
<b>Total deferred income tax assets</b>	<b>8,514</b>	<b>6,457</b>
Measurement of assets under construction	-405	6
<b>Current deferred income tax liabilities</b>	<b>-405</b>	<b>6</b>
Intangible assets	9,918	10,258
Miscellaneous	79	12
<b>Non-current deferred income tax liabilities</b>	<b>9,997</b>	<b>10,270</b>
<b>Total deferred income tax liabilities</b>	<b>9,592</b>	<b>10,276</b>

In Germany, unused tax loss carryforwards for which no deferred tax assets were recognised amounted to € 5,044 k.

## 05.6 Contract assets and receivables due from customers

Contract assets and receivables due from customers € '000	31 Dec. 2019	31 Dec. 2018
Contract assets	25,015	24,123
Trade receivables	31,870	31,064
Receivables from affiliated companies	3,072	3,649
Receivables from associates	179	0
Impairment losses on contract assets and receivables from customers	-2,111	-1,702
<b>Total</b>	<b>58,025</b>	<b>57,134</b>

The portion of project performance obligations not yet satisfied amounts to € 8,977 k, of which € 8,853 k is likely to be realised in 2020 and € 124 k in 2021 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.

Receivables from affiliated companies include reimbursements by Aareal Bank for Aareon's activities in the start-up scene in relation to the property industry. There are no restrictions on ownership or disposal of the disclosed receivables. Write-downs were made to account for the risk of default. Trade receivables were impaired as follows:

**Impairment losses on contract assets and receivables from customers in € '000**

	2019	2018
Impaired contract assets and receivables from customers	8,235	5,280
<b>Impairments as of 1 January</b>	<b>1,702</b>	<b>1,650</b>
Addition from the first-time application of IFRS 9	0	347
Additions	929	843
Reversals	186	713
Utilisation	334	425
<b>Total as of 31 December</b>	<b>2,111</b>	<b>1,702</b>

In Germany, overdue but not impaired receivables relate solely to receivables that are overdue by up to 90 days.

### 05.7 Other assets

**Other assets in € '000**

	31 Dec. 2019	31 Dec. 2018
Other current financial assets	1,279	1,106
Other current non-financial assets	5,072	3,821
<b>Total</b>	<b>6,351</b>	<b>4,927</b>

Other current non-financial assets mainly comprise deferred advance payments of € 4,980 k for subsequent periods.

### 05.8 Securities

The securities held in the portfolio in the prior year were sold in the year under review.

### 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. 2019	31 Dec. 2018
Cash in hand	15	16
Balances held with banks	51,903	40,536
of which: with affiliated companies	35,283	25,803
<b>Funds with maturities of up to three months</b>	<b>51,918</b>	<b>40,552</b>

No loan liabilities existed as of 31 December 2019.

### 05.10 Subscribed capital

The subscribed capital of Aareon AG is fully paid up and was as follows at 31 December 2019:

**Number and class of shares in € '000**

25,000,000 no-par value ordinary shares	25,000
---	--------

Each share has a theoretical par value of € 1.

### 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 under 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, and FIRE B.V., Utrecht.

### 05.14 Provisions for pensions and similar obligations

Pension obligation trend:

Pension obligation in € '000		
	2019	2018
1. Pension provisions as of 1 January (accrued pension cost)	33,944	33,457
2. Net expense for the period		
a) Service cost	350	373
b) Interest cost	559	601
3. Experience-based adjustments recognised through OCI	- 536	- 345
4. Actuarial adjustments recognised through OCI	3,179	1,310
5. Actual utilisation	1,598	1,452
<b>Pension provisions as of 31 December</b>	<b>35,898</b>	<b>33,944</b>

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

Assumptions in %		
	31 Dec. 2019	31 Dec. 2018
Interest rate	0.93	1.67
Expected inflation rate	1.75	1.75
Income trend	2.00	2.00
Pension trend	1.75	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:

Sensitivity analysis 2019		
	Sensitivity	Obligation adjusted due to sensitivities, in € '000
Interest rate (0.93 %)	1.00 %	31,337
Interest rate (0.93 %)	- 1.00 %	41,629
Pension trend (1.75 %)	0.25 %	36,961
Pension trend (1.75 %)	- 0.25 %	34,860
Income trend (2.00 %)	0.50 %	37,167
Income trend (2.00 %)	- 0.50 %	34,708
Life expectancy (Heubeck 2018 G)	+1 year	38,376
Life expectancy (Heubeck 2018 G)	- 1 year	33,430

**Sensitivity analysis 2018**

	Sensitivity	Obligation adjusted due to sensitivities, in € '000
Interest rate (1.67%)	1.00 %	29,791
Interest rate (1.67%)	- 1.00 %	39,126
Pension trend (1.75%)	0.25 %	34,903
Pension trend (1.75%)	- 0.25 %	33,001
Income trend (2.00%)	0.50 %	35,157
Income trend (2.00%)	- 0.50 %	32,826
Life expectancy (Heubeck 2018 G)	+1 year	36,149
Life expectancy (Heubeck 2018 G)	- 1 year	31,718

The sensitivity analysis is based on changes in a single assumption, with all other assumptions remaining constant. It is unlikely that this would occur in reality, and there could indeed be a correlation between changes in certain assumptions. For this reason, the same method was employed to calculate the sensitivity of the defined benefit obligation to changes in actuarial assumptions as is used to determine the pension provisions in the balance sheet (see Note 3.7). The types and methods of the assumptions used when preparing sensitivity analyses did not change compared with the previous period. No sensitivity analysis was carried out that factored in changes in the fluctuation rate or expected inflation rate 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. 2019
Active employees	269
Former employees with vested benefits	29
Pensioners	139
<b>Total</b>	<b>437</b>

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

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

2020	1,584
2021	1,565
2022	1,568
2023	1,566
2024	1,550
2025 – 2029	7,864

Service and interest costs are recognised under staff costs. The expense recognised for defined contribution pension plans amounted to € 8,702 k. 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 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. 2019	Change in scope of consolidation	Additions	Reclassifications	Utilisation	Reversals	Balance as at 31 Dec. 2019
Variable salary components (previous year)	10,569 (11,716)	0 (0)	9,604 (9,800)	0 (25)	8,508 (9,594)	148 (1,378)	11,517 (10,569)
Other provisions (previous year)	4,034 (6,114)	0 (0)	1,364 (1,390)	0 (- 25)	1,886 (2,991)	249 (454)	3,283 (4,034)
<b>Total (previous year)</b>	<b>14,603</b> <b>(17,830)</b>	<b>0</b> <b>(0)</b>	<b>10,968</b> <b>(11,190)</b>	<b>0</b> <b>(0)</b>	<b>10,374</b> <b>(12,585)</b>	<b>397</b> <b>(1,832)</b>	<b>14,800</b> <b>(14,603)</b>

Development in 2019 (prior-year figures in parentheses)

Aareon AG makes payments to the members of its Management Board that qualify as cash-settled share-based payments within the meaning of IFRS 2. The obligations arising out of these share-based payments are recognised as staff costs and via corresponding provisions. Claims to the phantom stocks of Aareal Bank are paid in cash. The payments are distributed over three or four calendar years from the grant date. Provisions for share-based payment are recognised in full from the commitment date. The provisions are recognised in the amount of the fair value of the obligation in question at the reporting date and adjusted if the share price changes. Provisions for share-based payments (SAR) amounted to € 638 k. At the end of the period under review, 12,494 shares were outstanding at an average price per share of € 33.14 (previous year: 12,138 shares; € 35.51). Of these outstanding shares, 8,282 (previous year: 8,370) were exercisable and 5,674 (previous year: 4,734) were granted. The exercise prices of the outstanding shares range between € 27.53 and € 39.10.

Other provisions are also 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 € 36 k in the reporting period.

Other provisions by maturity:

Other provisions € '000				
	1 Jan. 2019	31 Dec. 2019	1 Jan. 2019	31 Dec. 2019
	< 1 year		> 1 year	
Variable salary components (previous year)	10,085 (11,148)	10,971 (10,085)	484 (568)	546 (484)
Other provisions (previous year)	3,107 (4,999)	2,417 (3,107)	927 (1,115)	866 (927)
<b>Total (previous year)</b>	<b>13,192</b> <b>(16,147)</b>	<b>13,388</b> <b>(13,192)</b>	<b>1,411</b> <b>(1,683)</b>	<b>1,412</b> <b>(1,411)</b>

## 05.16 Purchase price liabilities

Purchase price liabilities in € '000		
	31 Dec. 2019	31 Dec. 2018
<b>Current purchase price liabilities</b>		
Kalshoven Automation	0	1,285
Aareon-RELion companies	1,961	3,794
<b>Total</b>	<b>1,961</b>	<b>5,079</b>



Purchase price liabilities developed as follows:

Purchase price liabilities in € '000					
	1 Jan. 2019	Payment	Carrying amount	Miscellaneous	31 Dec. 2019
<b>Current purchase price liabilities</b>					
Kalshoven Automation	1,285	-1,342	57	0	0
Aareon-RELion companies	3,794	-1,522	-253	-58	1,961
<b>Total</b>	<b>5,079</b>	<b>2,864</b>	<b>-196</b>	<b>-58</b>	<b>1,961</b>

### 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 2019, contract liabilities amounted to € 14,077 k, of which € 10,077 k was recognised though profit or loss in the year under review.

### 05.19 Other liabilities

Other liabilities in € '000		
	31 Dec. 2019	31. Dec 2018
<b>Current other financial liabilities</b>		
Paid-leave liabilities	3,152	3,522
Miscellaneous current other financial liabilities	4,152	4,447
	<b>7,304</b>	<b>7,969</b>
<b>Current other non-financial liabilities</b>		
Tax liabilities	8,070	8,077
Miscellaneous non-current other non-financial liabilities	499	340
	<b>8,569</b>	<b>8,417</b>
<b>Total</b>	<b>15,873</b>	<b>16,386</b>

The miscellaneous other financial liabilities mainly comprise liabilities in connection with wages and salaries. The other tax liabilities consist solely of transaction taxes such as value-added tax and 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			
	2020	2021–2024	After 2024
Obligations from the assumption of CalCon Holding GmbH's business operations	21,400	4,000	0
Purchase commitments	16,741	6,122	0
Future leases	137	212	0
<b>Total</b>	<b>38,278</b>	<b>10,334</b>	<b>0</b>

### 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, SAP® solutions/Blue Eagle and GES
- Provision of data centre services and related implementation services
- Purchase of IT equipment such as mobile phones and workstations

- Compensation of expenses incurred to implement measures relating to the start-up scene and corporate ventures
- Co-financing of the Aareon Congress

In the reporting period, the business transactions with Aareal Bank and its subsidiaries (excluding those belonging to the Aareon Group) comprised revenues and other operating income in the amount of € 18,570 k as well as cost of materials and other operating expenses in the amount of € 464 k. The compensation of € 2,207 k paid by Aareal Bank for measures relating to the start-up scene and corporate ventures was netted against the costs incurred.

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

All transactions with related parties were conducted on the basis of international price comparison methods as per IAS 24, on the same conditions that are customary with non-Group third parties (arm's-length transactions).

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 paid to members of the Management Board amounted to € 2,351 k, and included contributions to defined contribution plans in the amount of € 95 k. The total expenses for share-based payments amounted to € 291 k. All compensation is current, except for share-based payments in the amount of € 278 k.

### 06.3 Auditors' fees

In the reporting period, € 439 k was recognised for auditing of the financial statements, € 3 k for tax consultancy services and € 140 k for other services.

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

Aareon Deutschland GmbH, Mainz, which is included in the consolidated financial statements of Aareon AG, has, with the approval of the General Meeting of Shareholders granted in accordance with Section 264 (3) of the German Commercial Code (HGB), been exempted from the obligation of preparing annual financial statements and a management report in compliance with the corresponding provisions for corporations.

### 06.5 Events after the reporting date

Apart from the acquisition of CalCon, no material events occurred after the reporting date.

## 07 Corporate bodies

### 07.1 Supervisory Board

**Thomas Ortmanns, Chairman**

**Member of the Management Board**

Aareal Bank AG, Wiesbaden

**Hermann J. Merkens, Deputy Chairman**

**Chairman of the Management Board**

Aareal Bank AG, Wiesbaden

**Lutz Freitag**

**Consultant**

Hamburg

**Marc Heß**

**Member of the Management Board**

Aareal Bank AG, Wiesbaden

The compensation paid to members of the Supervisory Board in the reporting year amounted to € 12 k.

### 07.2 Management Board

**Dr. Manfred Alflen**

**Chairman of the Management Board**

Human Resources & Organisation; Board Office; Legal, Risk Management & Compliance; Data Protection & Data Security; Corporate Marketing & Communications; Strategy; Internal Audit

**Dr. Imad Abdallah**

**Member of the Management Board**

Digital Solutions; Ampolon Ventures; Group Enterprise Architecture; Digital Platform & Innovations Lab; Digital Product Strategy

**Sabine Fischer**

**Member of the Management Board**

Consulting and Sales; Commercial Real Estate; BauSecura

**Dr. André Rasquin**

**Member of the Management Board**

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

**Christian M. Schmahl**

**Member of the Management Board**

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

Mainz, 6 March 2020

The Management Board



Dr. Manfred Alflen



Dr. Imad Abdallah



Sabine Fischer



Dr. André Rasquin



Christian M. Schmahl

# Independent Auditor's Report

To Aareon AG, Mainz

## Audit Opinions

We have audited the consolidated financial statements of Aareon AG, Mainz, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Aareon AG for the financial year from 1 January to 31 December 2019.

## In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

## Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

## Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting

unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the

Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective

audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Frankfurt am Main, 9 March 2020

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Christian F. Rabeling  
German Public Accountant

ppa. Thomas Körner  
German Public Accountant



# Report of the Supervisory Board

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

The Supervisory Board met on four occasions during 2019, twice in the first half of the year and twice in the second, while one resolution was adopted by circular memorandum. At all of these meetings, the Management Board informed the Supervisory Board in detail of the business policies, economic development, strategic orientation and sales activities of both the company and the Group. The content and findings of the internal audits conducted at the Group companies were explained to the Supervisory Board. The risk reporting and internal control systems were also presented to it on a regular basis.

The Supervisory Board was kept informed by the Management Board of the Group companies' products and their customer-side implementation and launch, with emphasis being placed on major customer and acquisition projects. Particular points of focus in this regard were the company's growth strategy, its strategic planning, potential acquisitions as well as the ERP product Wodis Sigma, enhancing business for the ERP product SAP® solutions/Blue Eagle, the further expansion of Aareon Smart World and business trends for digital solutions, Aareon's range of consulting services and its International Business segment, especially business trends in the UK and Scandinavia. The Supervisory Board was kept up to date on the progress of migration from GES to Aareon's other ERP solutions.

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 Supervisory Board was provided with detailed information

on the status of the company's strategy programme Aareon Flight Plan, including the growth strategy for digital solutions (digital roadmap and new growth cases), the business trend at Ampolon Ventures (AV Management GmbH) and the project for the further integration of Aareon RELion (formerly mse Group). The Management Board gave the Supervisory Board a detailed presentation of the new market- and customer-centric matrix organization and provided regular updates on the status of the New Governance project launched for this purpose.

The Management Board informed the Supervisory Board on an ongoing basis of the planned purchase of the CalCon Group and the establishment of Aareon Planungs- und Bestandsentwicklungs GmbH, which ultimately acquired the former with the Supervisory Board's approval.

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 three times, and the Auditing Committee twice, during 2019.

The Supervisory Board appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as the company's auditors. PricewaterhouseCoopers examined the annual financial statements and management report of Aareon AG as of 31 December 2019 (prepared in accordance with the German Commercial Code – HGB) as well as the consolidated financial statements and group management report as of 31 December 2019 (prepared in accordance with IFRS). Based on the results of its audit, PricewaterhouseCoopers GmbH 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 unappropriated surplus of € 90,829,377.27, of which € 0 will be distributed to shareholders and € 90,829,377.27 will be carried forward. No allocations will be made to retained earnings.

On 16 March 2020, 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 2019 – all of which received an unqualified auditor's report – as well as the Management Board's proposal for the appropriation of profit. In preparation for their deliberations, the members of the Supervisory Board were provided in advance with comprehensive documentation, which they dealt with in depth.

Representatives of PricewaterhouseCoopers GmbH 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 2019 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 examination, the Supervisory Board has no objections to raise to the report of the Management Board on the company's relations with affiliates.

Effective 1 April 2019, the Supervisory Board appointed Dr. Imad Abdallah to Aareon AG's Management Board. The Supervisory Board wishes him every success in his new position.

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

Mainz, March 2020

The Supervisory Board



Thomas Ortmanns  
(Chair)

# Aareon customers

Around 3,000 customers have opted for consulting, software and services from Aareon.

## Germany (selection)

- Aachener Siedlungs- und Wohnungsgesellschaft mbH, Cologne
- ABG Frankfurt Holding GmbH, Frankfurt am Main
- Adlershorst Baugenossenschaft eG, Norderstedt
- ADO Properties, Berlin
- alstria office REIT-AG, Hamburg
- Antan Real Estate GmbH & Co. KG, Frankfurt
- ATOS Property Management GmbH, Hamburg
- Baugesellschaft München-Land GmbH, Haar
- degewo AG, Berlin
- DERAG Deutsche Realbesitz AG & Co. KG, Munich
- DIC ONSITE GmbH, Frankfurt
- eG Wohnen 1902, Cottbus
- EUROPA CENTER AG, Hamburg
- FONCIA DEUTSCHLAND GmbH & Co. KG, Frankfurt am Main
- FORTUNA Wohnungsunternehmen e.G., Berlin
- GAG Immobilien AG, Cologne
- Gallus Services GmbH (formerly FUTURA), Leipzig
- GBS Gemeinnützige Bau- und Siedlungs-GmbH, Saarlouis
- GEG German Estate Group AG, Frankfurt
- GRPM, Bensberg
- Grundstücks-Gesellschaft TRAVE mbH, Lübeck
- GSW Gesellschaft für Siedlungs- und Wohnungsbau Baden-Württemberg mbH, Sigmaringen
- HASPA HanseGrund GmbH, Hamburg
- JOSEPH-STIFTUNG Kirchliches Wohnungsunternehmen, Bamberg
- Jost Hurler Beteiligungs und Verwaltung GmbH & Co. KG, Munich
- Matrix Immobilien GmbH, Hamburg
- Max Aicher GmbH & Co. KG, Freilassing
- Münch Wohnungsverwaltungs GmbH, Cologne
- Polis Immobilien AG, Berlin
- Sächsische Wohnungsgenossenschaft Chemnitz eG, Chemnitz
- Sedlmayr Grund und Immobilien AG, Munich
- STRABAG Residential Property Services GmbH, Berlin
- TREUREAL GmbH, Leipzig
- WBM Wohnungsbaugesellschaft Mitte mbH, Berlin
- WIELANT HOFFMANN GmbH, Hamburg
- WIRO Wohnen in Rostock Wohnungsgesellschaft mbH, Rostock
- Wohnungsbaugenossenschaft Gablonzer Siedlungswerk, Kaufbeuren
- Wohnungsgenossenschaft „Glückauf“ Süd Dresden e.G., Dresden
- Wohnungsgenossenschaft WARNOW Rostock-Warnemünde e.G., Rostock

## International (selection)

### Finland

— Spoon Asonnut, Espoo

### France

— Adoma, Paris

— Batigère, Metz

— Cus Habitat, Strasbourg

— Dyar Al Madina, Casablanca/Morocco

— Erilia, Marseille

— Espace Habitat, Charleville-Mézières

— Foyer Rémois, Reims

— Groupe Valophis, Créteil

— Les résidences Yvelines Essonne, Versailles

— Limoges Habitat, Limoges

— Loire HABITAT, Saint-Étienne

— Neolia, Monbéliard

— OPAC Amiens, Amiens

— Silène, Saint-Nazaire

— Société Immobilière du Grand Hainaut, Valenciennes

— 1001 Vies Habitat, Paris

### United Kingdom

— Believe, Seaham, County Durham

— Church of England Pensions Board, London

— Hafod, Cardiff, Wales

— Halton Housing Trust, Runcorn

— Link HA, Edinburgh

— Northwards/Manchester City Council, Manchester

— SAGE Housing, London

— Soha, Didcot, Oxon

— Together Housing Group, Halifax

— Torus, St Helens, Merseyside

— West Dunbartonshire Council, Scotland

### The Netherlands

— BrabantWonen, Oss

— Chr. Wst. Patrimonium, Groningen

— Domesta, Emmen

— GroenWest, Woerden

— Stichting Intermaris, Hoorn

### Norway

— Forsvarets forskningsinstitutt, Oslo

— Forsvarsbygg, Oslo

— Helse Vest, Bergen

— Maya Eendom, Oslo

— NorgesGruppen, Oslo

— OBOS Forvaltning, Oslo

— Olav Thon Gruppen, Oslo

— Oslo kommune, Oslo

— Universitetet i Oslo, Oslo

### Austria

— Baugenossenschaft „Frieden“, Vienna

— Techem Messtechnik GmbH, Innsbruck

### Sweden

— AB Gavlegårdarna, Gävle

— Akelius Lägenheter AB, Stockholm

— Bostads AB Mimer, Västerås

— Göteborgs Stad, Gothenburg

— Malmö Stad, Malmö

— SBC, Stockholm

— Stena Fastigheter, Gothenburg

— Stockholms Stad, Stockholm

— Uppsalahem AB, Uppsala

— Willhem AB, Gothenburg

# Publishing information

## Published by

### Aareon AG

Corporate Marketing & Communications  
Isaac-Fulda-Allee 6  
55124 Mainz

[www.aareon.com](http://www.aareon.com)

## Press officer

### Aareon AG

Corporate Marketing & Communications  
Karin Veyhle  
E-Mail: [Karin.Veyhle@Aareon.com](mailto:Karin.Veyhle@Aareon.com)

---

## Design

3st kommunikation GmbH, Mainz, Germany

## Photography

Title: Adobe Stock; p. 8 to p. 13: Adobe Stock; p. 21 Stefan Freund, Frankfurt, Germany; p. 20 – January: Aareon AG, Mainz, Germany; p. 20 – February: Copyright JGU Mainz/Stefan Sämmmer, Ober-Olm, Germany; p. 20 – March: Stefan Freund, Frankfurt, Germany; p. 21 April: Aareon AG, Mainz, Germany; DESWOS e.V., Cologne, Germany; p. 21 – May: Aareon AG, Mainz, Germany; p. 21 and 22 – Juni: Christian Klant, Berlin, Germany; Chantal Eelen, Emmen, Nederland; p. 22 – July: Frank Nussbaum, Jugendbildungsstätte des Theodor Wuppermann e.V., Juist, Germany; p. 22 – September: Aareon AG; p. 23 – November: Christian Klant, Berlin, Germany; Adobe Stock



## Germany

---

### German Subsidiaries

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

Aareon RELion GmbH und  
Aareon RELion Süd GmbH  
Kurzes Gelände 12  
86156 Augsburg  
Phone: +49 821 71004-0

Aareon RELion Nord GmbH  
Jarrestraße 2  
22303 Hamburg  
Phone: +49 40 534351-50

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

CalCon Deutschland AG  
Beethovenplatz 4  
80336 München  
Phone: +49 89 552698-0

phi-Consulting GmbH  
Lise-Meitner-Allee 2  
44801 Bochum  
Phone: +49 234 43897-0

### German operations

Berlin  
Spreepalais  
Anna-Louisa-Karsch-Straße 2  
10178 Berlin  
Phone: +49 30 88099-701

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

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

Hückelhoven  
Gut Gansbroich 1-2  
41836 Hückelhoven  
Phone: +49 2433 951809-0

Leipzig  
Petersstraße 22-24 (2. OG)  
04109 Leipzig  
Phone: +49 341 9985-300

Munich  
Kaflerstraße 2  
(Pasinger Hofgärten)  
81241 München-Pasing  
Phone: +49 89 211219-0

Stuttgart  
Hospitalstraße 12  
70174 Stuttgart  
Phone: +49 711 222909-0

## International

---

Austria  
Aareon RELion Süd GmbH  
Austrian office IZ NÖ Süd  
Straße 2, Objekt M6+7  
2355 Wiener Neudorf  
Phone: +43 (1)877-9577

Finland  
Aareon Finland Oy  
Pohjoisesplanadi 39  
00100 Helsinki  
Phone: +46 31 725 43 00

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

Netherlands  
Aareon Nederland B.V.  
Cornelis Houtmanstraat 36  
7825 VG Emmen  
Phone: +31 88 2420242

FIRE B.V.  
Weg der Verenigde Naties 1  
3527 KT Utrecht

Norway  
Aareon Norge AS  
Calmeyers gate 5  
0183 Oslo  
Phone: +47 90 82 50 54

Sweden  
Aareon Sverige AB  
Flöjelbergsgatan 10  
43137 Mölndal  
Phone: +46 31 725 43 00

United Kingdom  
Aareon UK Ltd.  
Building 500  
Abbey Park  
Stareton  
Kenilworth  
CV8 2LY  
Phone: +44 2476 323723

## Group head office

---

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

### An Aareal Bank Group company

---

Aareal Bank AG  
Paulinenstraße 15  
65189 Wiesbaden  
Germany  
Phone: +49 611 348-0  
www.aareal-bank.com