Consolidated financial statements

(shortened version)

Consolidated statement of comprehensive income

For the period 1 January to 31 December

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

Consolidated balance sheet

As at 31 December

Assets – € '000

	Note	31 Dec. 2022	31 Dec. 2021
Non-current assets			
Intangible assets	05.1	522,966	361,348
Property, plant and equipment		16,321	14,387
Right-of-use assets	05.2	22,108	54,753
Financial assets	05.3/05.4	15,282	11,448
Other non-current assets	05.2	1,196	1,677
Deferred tax assets	05.6	5,961	4,592
		583,834	**448,205**
Current assets			
Inventories		704	290
Contract assets*	05.7	14,699	17,665
Receivables from customers*	05.7	40,776	31,766
Other current assets	05.8	10,618	6,558
Current income tax receivables		10,865	9,047
Securities		1	53
Cash and cash equivalents	05.9	21,896	32,548
		99,559	**97,927**
Non-current assets held for sale	02.4	**6,776**	**0**
		690,169	546,132

Equity and liabilities – € '000

	Note	31 Dec. 2022	31 Dec. 2021
Equity			
Equity attributable to shareholders	05.10/05.11/05.12	192,393	206,656
Non-controlling interests	05.13	2,868	2,326
		195,261	**208,982**
Non-current liabilities			
Provisions for pensions and similar obligations	05.14	25,639	33,412
Other non-current provisions	05.15	1,189	1,417
Non-current lease liabilities	05.2	19,057	53,210
Deferred tax liabilities	05.5	23,806	19,118
Non-current purchase price liabilities	05.16	2,363	4,220
Non-current financing liabilities	06.2	315,448	134,687
		387,502	**246,064**
Current liabilities			
Current financing liabilities	05.9	4,563	0
Other current provisions	05.15	21,492	19,009
Income tax liabilities		2,118	1,126
Current purchase price liabilities	05.16	3,002	3,630
Trade payables	05.17	17,002	13,585
Contract liabilities	05.18	24,983	23,591
Current lease liabilities	05.2	9,270	8,495
Other liabilities	05.19	23,833	21,650
		106,263	**91,086**
Liabilities in connection with non-current assets held for sale	02.4	**1,143**	**0**
		690,169	546,132

* Prior-year figure restated

Consolidated statement of changes in equity

For the period 1 January 2021 to 31 December 2022

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

Consolidated statement of cash flows

For the period 1 January to 31 December

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

Notes to the consolidated financial statements

(shortened version)

01 General disclosures

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

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

Aareon AG is a majority-owned subsidiary of Aareal Bank AG, Paulinenstraße 15, 65189 Wiesbaden, Germany. AI Houses (Luxembourg) S.à r.l., 2–4 rue Beck, 1222 Luxembourg – a company owned by Advent International Corporation, 800 Boylston Street, Boston, MA, USA – has a material non-controlling interest in Aareon. The ownership shares are as follows: 58.70% Aareal Bank AG, Wiesbaden, Germany; 25.16% AI Houses (Luxembourg) S.à. r.l., Luxembourg; 16.02% Houses 2021 MEP Beteiligungs GmbH, Wiesbaden, Germany; 0.12% Houses Nominee Ltd., United Kingdom. Aareal Bank AG prepares consolidated financial statements for the lowest and highest consolidation levels. Aareon AG is included in the consolidated financial statements of Aareal Bank AG pursuant to the pertinent provisions concerning consolidation. The financial statements are published in Germany’s Federal Gazette (Bundesanzeiger).

02 Information on accounting policies and consolidation methods

02.1 Accounting principles

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

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

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

02.2 Consolidation principles

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

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

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

02.3 Currency translation

The companies belonging to the Aareon Group are independent sub-units. Financial statements prepared in currencies other than the euro are translated into euros using the functional currency method. The items in the statement of comprehensive income are translated using the average exchange rate; all monetary and non-monetary assets and liabilities are translated into euros on the reporting date. Both the average and reporting-date rates are calculated using the European Central Bank's reference rate. Currency translation gains/losses – arising from the above transactions as well as from the conversion of foreign currencies – are recognised in profit or loss. Differences affecting equity are disclosed in other comprehensive income until disposal of the subsidiary. This also applies to any deviations between the unappropriated surplus, which is converted using the closing rate at the reporting date, and the results shown in the consolidated statement of comprehensive income, which are based on average exchange rates. The components of equity to be consolidated as capital are translated using historical exchange rates.

The following rates were used for currency translation:

€ 1 =		Balance sheet Closing rate		Statement of comprehensive income Average exchange rate	
		2022	2021	2022	2021
United Kingdom	GBP	0.8869	0.8403	0.8528	0.8596
Sweden	SEK	11.1218	10.2503	10.6296	10.1465
Norway	NOK	10.5138	9.9888	10.1026	10.1633
Romania	RON	4.9495	4.9490	4.9313	4.9215
Switzerland	CHF	0.9847	1.0331	1.0047	1.0811
Thailand	THB	36.8350	-	36.8560	-

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

02.4 Scope of consolidation (shortened version)

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

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

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

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

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

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

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

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

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

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

02.5 Changes in accounting policies

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

- Amendments to IAS 16 (Proceeds before Intended Use), amendments to IFRS 3 (Reference to the Conceptual Framework of IFRS), amendments to IAS 37 (Onerous Contracts – Cost of Fulfilling a Contract) and the Annual Improvements to IFRS 2018–2021 cycle.

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

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

03 Accounting principles

03.1 Goodwill and other intangible assets

After initial recognition in connection with a business combination, acquired goodwill is measured at cost less cumulative impairment losses. The goodwill is assigned to a cash-generating unit (CGU) for the purposes of impairment testing in accordance with IAS 36. Goodwill is tested for impairment by comparing the recoverable amount of the CGU with its carrying amount including goodwill. The recoverable amount is either the fair value or the value in use less costs to sell, whichever is higher. The recoverable amount is calculated within the Group using the discounted cash flow method. All acquired goodwill is tested for impairment at least once a year. If the recoverable amount is lower than the carrying amount, an impairment loss is recognised. Impairment losses are not reversed even if the reasons for them no longer apply. Goodwill is not amortised.

Aareon distinguishes six CGUs for the purposes of impairment testing: Aareon DACH, SMB UK, Aareon Netherlands, Aareon France, Aareon Nordics and Aareon UK. Although the CGUs pursue fundamentally similar business models, differing assumptions and risk assessments were made for each owing to their different levels of development. Measurement is based on the present value of future cash flows (value in use), which is determined using medium-term planning figures. This entails using the projected cash flows from the planning figures adopted by the Management Board of Aareon AG and approved by the Supervisory Board. Depending on the CGU in question, income and expense items are planned individually for the first five to six years. The values assigned to the main assumptions are based on internal and external factors as well as on past experience. The previous year's planning figures also play a central role. Revenue planning is based mainly on assumptions regarding new business as well as renewals of contracts and additional business with existing customers. These assumptions also represent the main sources of estimation uncertainty. Regular revenues from existing customers, such as fees from licensing and maintenance contracts, are not generally subject to any major estimation uncertainty. The cost of materials is planned on the basis of planned revenues. Personnel numbers and salary growth are the main factors determining the personnel budget. Other costs are generally projected on the basis of prior-year figures, taking into account known non-recurring effects. On the expenses side, estimation uncertainty arises as a result of unplanned price increases and unpredictable non-recurring effects. The more forward-looking the assumptions, the higher the estimation uncertainty. As a rule, cash flows after the four-year time horizon are measured taking the perpetual annuity into account. We expect EBITDA at all CGUs to increase, mainly due to the cross-selling push with digital solutions, growth in recurring revenues in combination with cost-reduction measures, and to the acquisitions made (applies to Aareon DACH, Aareon Netherlands and Aareon Nordics). The present value of future cash flows was determined based on risk-adjusted after-tax discount rates ranging between 8.86% and 11.30%. The discount rate is calculated using a risk-free base rate between 2.03% and 2.86% and a market-risk premium of between 7.00% and 7.12%, multiplied by a Beta factor in a range from 1.02 to 1.24. In view of the uncertain nature of the detailed planning phase, we take a cautious view of the market environment and assume a growth rate of 2%. The recoverable amounts of all CGUs exceed their carrying amounts. In the case of the CGUs Aareon DACH, Aareon Netherlands, Aareon France and Aareon UK, even if there were a significant change in one of the main assumptions described above – such as an increase of 1% in the risk-adjusted discount rate, a reduction of 5% in the EBITDA included in cash flow or a drop in the growth rate to 1% – no impairment would be recognised, all else being equal. In the case of the CGU SMB UK, a change in any of the above-mentioned assumptions would result in an impairment in the low-single-digit million euro range. In the case of the CGU Aareon Nordics, a change in the above-mentioned assumptions would result in an impairment in the low-single-digit to low-double-digit million euro range.

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

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

Useful lives of intangible assets

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

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

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

03.2 Property, plant and equipment

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

Useful lives of property, plant and equipment

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

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

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

03.3 Leases

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

03.4 Financial assets and financial liabilities

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

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

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

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

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

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

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

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

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

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

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

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

03.5 Inventories

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

03.6 Deferred taxes

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

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

03.7 Provisions for pensions and similar obligations

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

03.8 Income tax liabilities

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

03.9 Other provisions

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

03.10 Liabilities

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

03.11 Recognition of income and expenses

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

Aareon generates its revenues mainly through

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

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

Revenue from licensing agreements concerns, in particular, the granting of rights of use for software products operated by customers in accordance with the in-house model. "In-house model" means the customers run Aareon's software on their own servers and are responsible for ensuring its functionality. In this context, the solutions developed by Aareon run on databases from third-party providers such as SAP®, Oracle® and Microsoft®. In the majority of these cases, Aareon acts on its own account in marketing these third-party licences and bears the implementation risk itself. Only in cases of minor importance does Aareon act as an agent and is paid commission for brokering the third-party licence. In the majority of cases, the right of use is granted for an indefinite period. In the case of Tobias AX, the right of use is granted for a limited time period, with the result that the customer has to pay for regular licence renewals. The software products are technical solutions that help property-industry customers to organise their business processes and, for example, to manage and control their property portfolios. Aareon's performance obligation towards the customer consists in granting the latter a right to use the software products. Revenue from licensing agreements is recognised when a contract has been signed by both parties with no rights of withdrawal, the product has been delivered in full (e.g. through provision of the licence key) and the licence fee has been determined. The customer thus obtains control of the right of use granted to them. Payment is generally made after conclusion of the licence agreement or after successful implementation of the software; the deadline for payment can be up to 30 days.

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

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

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

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

Consulting services include, for example, product customisation requests from customers, training provided in the use of the software (modules) and implementation services for migration projects. Revenue is recognised once the service has been rendered. In this context, assets are also generated or improved over which the customer has gained control. Revenue and contract assets are recognised in accordance with the percentage of completion, which is based on an input method. Under this method, a project's percentage of completion is calculated based on a comparison of the order costs already incurred – essentially for the personnel or external consultants deployed – with the total order costs expected. The customer makes advance payments for the services rendered by Aareon. These are either netted against the corresponding contract assets, or recognised as contract liabilities insofar as the advance payment received exceeds the value of the contract asset.

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

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

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

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

04.1 Revenues

Revenues by business segment in € '000

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

Revenues by category in € '000

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

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

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

04.2 Other income

Other income in € '000

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

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

04.3 Cost of materials

Cost of materials in € ’000

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

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

04.4 Staff costs / employees

Staff costs in € ’000

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

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

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

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

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

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

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

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

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

04.5 Other expenses

Other expenses in € '000

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

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

04.6 Financial income and financing expenses

Net financial income/expenses in € '000

	2022	2021
Financial income	42	78
of which: with affiliated companies	–12	–36
Financing expenses	16,557	6,554
of which: with affiliated companies	15,391	5,288
Total	–16,515	–6,476

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

04.7 Income taxes

Income taxes in € '000

	2022	2021
German income taxes	3,566	2,096
Foreign income taxes	3,185	4,175
Actual tax expense	**6,751**	**6,271**
Deferred income tax assets/liabilities	–4,607	–646
Total	2,144	5,625

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

Reconciliation of tax expenses in € '000

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

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

05 Notes to the consolidated balance sheet of the Aareon Group

05.1 Intangible assets

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

The amortised goodwill by business segment is as follows:

Carrying amounts in € ’000

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

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

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

Carrying amounts of internally generated intangible assets in € ’000

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

*Prior-year figure restated

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

Remaining amortisation period in years	
Aareon Wodis Sigma / Wodis Yuneo	8.3
Aareon QL	4.7

Internally generated software in the amount of € 46,790k was completed in the reporting period, while internally generated software worth € 14,020k was still under development. Research and development costs for the update and maintenance of existing functions, and to create new functions and products totalled € 59,333k in the year under review. Internally generated assets amounted to € 11,726k. Retrospective estimates are applied when calculating the per-diem rate for capitalisation. Externally sourced services in the amount of € 8,823k were also capitalised.

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

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

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

Consolidated statement of changes in fixed assets 2022

as at 31 December 2022

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

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

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

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

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

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

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

Leases recognised in profit or loss in € '000

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

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

The following table shows the maturities of the lease liabilities.

Lease liabilities in € '000

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

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

05.3 Financial assets

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

Financial assets in € '000

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

The time deposits relate to the guarantee issued to cover existing and future obligations in connection with membership in two supplementary pension funds. The investment in OSRE B.V. was increased to 100% in the reporting year. As a result, OSRE B.V. became a consolidated company of the Aareon Group on 31 December 2022. Due to the consolidation of OSRE B.V., the FVTOCI effect of € 1,000k from 2021 was reclassified to retained earnings. Refurbio GmbH was sold during the reporting year and Ecaria GmbH was fully impaired. The related expenses are reflected in net income from equity-accounted investments (€ –1,371k; previous year: € –501k).

05.4 Information on associates and joint ventures

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

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

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

05.5 Shareholdings

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

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

05.6 Deferred taxes

Deferred taxes in € '000

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

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

05.7 Contract assets and receivables due from customers

Contract assets and receivables due from customers in € '000

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

*Prior-year figure restated

The portion of project performance obligations not yet satisfied amounted to € 6,124k, of which € 6,043k is likely to be realised in 2023 and € 81k in 2024 or thereafter. Aareon does not recognise the unsatisfied portion of performance obligations in connection with maintenance and SaaS contracts, as the customer's consideration corresponds to the performance delivered by Aareon. Contract assets are not subject to any significant changes – except for an acquisition-related increase in value.

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

Impairment losses on contract assets in € '000

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

Impairment losses on receivables from customers in € '000

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

05.8 Other assets

Other assets in € '000

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

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

05.9 Cash and cash equivalents

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

Cash and cash equivalents in € '000

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

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

05.10 Subscribed capital

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

Number and class of shares in € '000

25,048,418 no-par value ordinary shares	25,048

Each share has a theoretical par value of € 1.

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

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

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

05.11 Share premium

The share premium was unchanged compared with the previous year.

05.12 Accumulated Group earnings and profits

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

05.13 Non-controlling interests

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

05.14 Provisions for pensions and similar obligations

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

The plan assets consist solely of reinsurance policies.

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

Assumptions in %

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

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

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

Sensitivity analysis 2022

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

Sensitivity analysis 2021

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

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

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

Plan participants by category

	31 Dec. 2022
Active employees	281
Former employees with vested benefits	26
Pensioners	146
Total	**453**

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

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

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

Service and interest costs are recognised under staff costs. The expense recognised for defined contribution pension plans amounted to € 9,244k. It mainly comprised employer contributions to the statutory pension scheme. For reasons of materiality, pension provisions are not presented by maturity.

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

05.15 Other provisions

Other provisions in € '000

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

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

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

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

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

Other provisions by maturity:

Other provisions in € '000

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

05.16 Purchase price liabilities (shortened version)

Contingent purchase price liabilities in € '000

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

Contingent purchase price liabilities developed as follows:

Purchase price liabilities in € '000

	1 Jan. 2022	Additions	Reclassi-fication	Adjustment	Payment	Interest cost	31 Dec. 2022
Total	7,850	3,346	0	-2,949	-2,905	23	5,365

05.17 Trade payables

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

05.18 Contract liabilities

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

05.19 Other liabilities

Other liabilities in € '000

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

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

06 Other explanatory notes

06.1 Other financial obligations

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

Other financial obligations in € '000

	2023	2024–2027	After 2027
Purchase commitments	26,759	8,737	0
Future leases	208	542	0
Total	**26,967**	**9,279**	**0**

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

06.2 Related-party transactions

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

These primarily relate to service provision and comprise the following:

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

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

Line of credit

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

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

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

In the reporting period, the business transactions with Aareal Bank AG and its subsidiaries (excluding those belonging to the Aareon Group) comprised revenues and other income in the amount of € 17,710k (previous year: € 18,552k), interest expense of € 15,391k (previous year: € 5,288k), and cost of materials and other expenses in the amount of € 502k (previous year: € 404k). As at the reporting date, Aareon had outstanding receivables of € 378k (previous year: € 3,533k), loan liabilities (after netting with the discount in line with the effective-interest method) of € 315,448k (previous year: € 134,687k), current financing liabilities of € 4,563k and other liabilities of € 2,276k (previous year: € 1,482k) in relation to Aareal Bank and its subsidiaries (excluding those belonging to the Aareon Group). Current financing liabilities incur interest of 1.06%, which is less than the market rate.

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

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

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

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

The total compensation of € 6,182k paid to members of the Management Board included contributions to defined contribution plans in the amount of € 83k. The total expenses for share-based payments amounted to € 33k. All compensation is current, except for share-based payments in the amount of € 21k. Members of the Supervisory Board received compensation totalling € 16k in the reporting year (previous year: € 0k).

06.3 Share-based payment plans

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

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

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

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

06.4 Auditors' fees

In the reporting period, € 489k was recognised for auditing of the financial statements (previous year: € 359k), € 0k for tax consultancy services (previous year: € 0k) and € 0k for other services (previous year: € 0k).

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

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

06.6 Capital management

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

Total net leverage ratio

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

06.7 Events after the reporting date

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

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

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

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

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

07 Corporate bodies

07.1 Supervisory Board

Jochen Klösges, Chair
Chair of the Management Board of
Aareal Bank AG, Wiesbaden

Marc Heß
Member of the Management Board of
Aareal Bank AG, Wiesbaden

Jeffrey Paduch
Managing Partner,
Advent International Corporation, London, UK

Arnd Zinnhardt
Former member of the Management Board of
Software AG, Darmstadt

07.2 Management Board

Hartmut Thomsen
Chair of the Management Board, since 1 April 2022
Strategy; Legal, Risk Management & Compliance; Data Protection, Data Security; Corporate Marketing & Communications; Corporate Affairs & Post Merger Integration; Audit; Business Development; Transaction & Corporate Development

Dr Manfred Alflen
Chair of the Management Board, until 31 March 2022
Strategy; Group HR; Legal, Risk Management & Compliance; Data Protection & Data Security; Corporate Marketing & Communications; Corporate Affairs and Post Merger Integration; Audit; Business Development; Transaction & Corporate Development

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

Sabine Fischer
Member of the Management Board, until 30 June 2022
Markets & Countries; Customer Satisfaction; Sales & Consulting; Development of Market Segments; BauSecura

Dr Ernesto Marinelli
Member of the Management Board, since 1 July 2022
Recruiting; Talent Management; Total Reward; People GTM; PMO; ESG; PMI; Learning; Transformation

Dr André Rasquin
Member of the Management Board
ERP Systems; Outsourcing; Group IT Services; Group Application Management

Christian M. Schmahl
Member of the Management Board
Corporate Finance; Controlling; Accounting & Tax; Contract & Credit Management; Procurement; Facility & Fleet Management

Rumyana Trencheva
Member of the Management Board, since 1 July 2022
Markets and Countries; Customer Satisfaction; Sales and Consulting; Development of New Market Segments; BauSecura

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

Mainz, 3 March 2023

The Management Board

Hartmut Thomsen

Dr Imad Abdallah

Dr Ernesto Marinelli

Dr André Rasquin

Christian M. Schmahl

Rumyana Trencheva

Comprehensive auditor's opinion

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