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Group business fundamentals

Group business model

Aareon – the leading European provider of consulting services and systems for the property industry – offers its customers secure, ground-breaking solutions in the areas of consulting, software and services, enabling them to optimise their IT-based business processes in the digital age. The Company has a presence at 28 locations in Europe's key property markets, including nine in Germany. It also has international subsidiaries in France, the UK, the Netherlands, Norway and Sweden. The Aareon Group benefits from local expertise by sharing know-how between its locations in Germany and abroad and, as part of the digital transformation process, leverages the digitalisation specialities in each specific country to enhance its product and service portfolio.

Aareon has been a market player for almost 60 years. Aareon AG is a wholly owned subsidiary of Aareal Bank AG, Wiesbaden, a leading international property specialist. Within the Aareal Bank Group, Aareon belongs to the Consulting/Services segment, which offers solutions and services for target groups such as the residential and commercial property industries, and the energy production and waste disposal sectors. The majority of Aareal Bank customers are also customers of Aareon.

Aareon's portfolio

In the countries in which Aareon operates, it secures its customer base by generating a stable, long-term volume of business with its local ERP (enterprise resource planning) systems. Its customer relationships are sustainable and have often been in place for decades. Aareon is expanding its new portfolio of digital solutions and marketing it internationally – especially to its existing customers. Aareon Smart World is a digital ecosystem that combines these solutions and enables property companies to network with their customers, employees and business partners as well as with technical appliances in buildings and individual apartments. That makes it possible to redesign and optimise processes. The digital solutions help to lower costs

and, by creating a network between all those involved, give rise to new business models. They also make for more convenient and transparent communication.

Both in Germany and abroad, Aareon provides software solutions that can be accessed in different modes: either via in-house operations, hosting or as software as a service (SaaS) from the exclusive Aareon Cloud. The Aareon Cloud hosts the data at Aareon's certified IT Service Centre in Mainz, ensuring a high level of data security and data protection (see p. 32). After completion of the consultation, implementation and training phases, the customer generally opts for a maintenance model that guarantees support services on a regular basis.

Aareon reports on two segments: Germany and International Business.

In Germany, Aareon markets the ERP products Wodis Sigma as well as SAP® solutions and Blue Eagle, both of which are based on cutting-edge IT standards. Aareon is gradually phasing out the ERP product GES, replacing it with Wodis Sigma as well as SAP® solutions and Blue Eagle. Until it is ultimately phased out, GES will continue to be updated and maintained. Aareon's customers were informed of the phase-out several years ago and the majority of them have already opted for one of the replacement ERP systems.

Aareon Smart World allows these ERP products to be linked to digital solutions such as Mareon, Aareon invoicing service, Aareon ImmoBlue Plus, Mobile Services, Aareon CRM (tenants portal) and Aareon Archiv kompakt. Aareon Smart World Cockpit is a new digital solution that had its début at the Aareon Congress in Germany. Aareon customers in the UK are already deploying this product, which is branded 360° Field Worker in their local market. It is a mobile integrated solution for housing company field staff. Aareon Deutschland and KIWI.KI, a Berlin-based start-up, concluded a marketing part-

nership agreement in October, thus expanding the Smart Home segment of Aareon Smart World to include the KIWI smart keyless entry system.

Over and above this, Aareon offers add-on products and services such as the BauSecura insurance management solution. After the full acquisition and integration of phi-Consulting GmbH, Bochum, a year earlier, Aareon expanded its utility-sector offerings in the reporting period. The utility sector is an important partner for property companies. Building on Aareon's portfolio, phi-Consulting provides consultation and development services based on SAP® IS-U, which it rounds off with Aareal Bank solutions. Customers in both the property and utility segments are now benefiting from this integrated portfolio of products and services.

In the International Business segment, Aareon's subsidiaries offer ERP solutions that are tailored to their particular national markets, supplementing them with integrated digital solutions from Aareon Smart World – some of which are identical across the entire group. In the Netherlands, Aareon Nederland markets the ERP product Tobias AX on the basis of Microsoft Dynamics® AX. The ERP products Prem'Habitat and PortalImmo Habitat are marketed by Aareon France, while Aareon UK offers the ERP product QL.net in its local market. Incit markets the ERP product Incit Xpand in Scandinavia. Owing to legal requirements in the local market, there is heightened interest in Scandinavia in the BIM (Building Information Modelling) system integrated in Xpand.

Internationally, Aareon markets the digital solution CRM (tenants portal, 360° Tenant Portal) in both portal and app versions in the UK, France and the Netherlands. Aareon Smart World products such as Mareon and Aareon Archiv kompakt are also sold outside Germany. In the British market, 1st Touch offers the digital solution 1st Touch Mobile as well as 360° Field Worker. Aareon Nederland deploys the Trace & Treasury

product in the Netherlands. Following the acquisition of Square DMS B.V. (formerly Square DMS Groep B.V.), Grathem, in the previous year, Aareon Smart World was expanded to include ShareWorX®, a case management solution that is offered in the Netherlands and the Flemish-speaking region of Belgium. Aareon Nederland successfully completed the integration of Square DMS B.V. in 2016. Positive synergistic effects of the integration included the fact that Square, a subsidiary of Aareon Nederland, was able to secure key customer contracts.

Within the International Business segment, Incit is the entity responsible for add-on products and provides its customers with fact books – reference works containing standard information on operating and maintenance costs.

Market position

Aareon pursues a strategy of profitable growth and continued to grow organically in fiscal 2016. Key focal points for growth were digital solutions, ERP systems and the tapping of new markets related to the property industry. A strategy programme entitled Aareon Flight Plan was developed in 2016 with the goal of systematically achieving sustainable growth. It focuses, in particular, on positioning Aareon as a leading partner for the digital transformation in the property industry. The programme breaks down the digital transformation process at Aareon to the business-unit level and also takes in the corporate culture. At the same time, the Company is continuing to optimise its internal processes in order to enhance efficiency and profitability. Within the Aareal Bank Group, Aareon Flight Plan forms part of the Aareal 2020 future programme.

According to the Lünendonk List, an established annual market survey, Aareon is one of the leading IT service providers in the German market.¹ In France, the UK, the Netherlands and Scandinavia, Aareon's subsidiaries rank among the leading

1—Vgl. Lünendonk®-Liste 2016, Lünendonk GmbH, Mindelheim 2016

providers of software and services to the property industry. Competitors in this sector include SAP® partners and providers of proprietary industry products.

The Company's market presence in the Netherlands was strengthened by the contract signed by Aareon Nederland on 27 December 2016 to acquire the remaining 50 percent of the shares in SG2ALL B.V. von de Alliantie, Hilversum. SG2ALL markets its services under the brand name Residentz ICT in the Netherlands. The takeover was a further step for Aareon in expanding its international outsourcing expertise.

Quality and security standards

Data protection and data security are of central importance to Aareon. Numerous clients in Germany and abroad make use of Aareon solutions as a service from the exclusive Aareon Cloud – meaning that the data is stored solely in the Aareon IT Service Centre and at a backup location. Aareon IT Service Centre operations are regularly examined for compliance with the PS 951 auditing standard of the Institute of Public Auditors in Germany (IDW). The TÜV Saarland technical inspection agency had already re-certified the Aareon IT Service Centre for a further two years in 2015, awarding it the status of a Certified Computer Centre – Level 3tekPlus. Since 2010, Aareon has voluntarily submitted to regular external data-protection audits in accordance with Section 9a of Germany's Federal Data Protection Act (BDSG). In 2016, the corresponding audits were carried out by the TÜV Rheinland technical inspection agency, which confirmed Aareon's status as a "service provider with audited data protection management". Aareon's system of information security management complies with the internationally recognised ISO/IEC 27001:2013 standard, a fact confirmed by the re-audit carried out in September 2016.

Research and development

Aareon's research and development (R & D) activities provide the foundation for its new digital solutions. By developing digital solutions, Aareon is helping the property industry and

related sectors grasp the opportunities thrown up by the digital transformation. The focus here is on customer benefit. Aareon's R & D profits from the different digitisation specialities in each country in which the Group operates, combining them to enhance Aareon Smart World as a whole. Aareon pursues an agile development approach so as to be able to carry out intensive testing at an early stage and take the step from idea to prototype as quickly as possible. The international development team takes social, political, economic and technical factors into account, integrating them into both new and existing digital solutions.

Aareon works hand in hand with property companies in line with the design thinking method. This user-centric approach to problem-solving provides the methodological underpinnings for the Aareon DesignLab, which was opened at the Company's head office in Mainz in 2016.

The information gained from the day-to-day business dialogue with customers also feeds into the Company's R & D activities. Aareon gauges the requirements of its customers by talking to them on a regular basis, e.g. by means of institutions such as customer advisory councils as well as through customer surveys.

As part of its constant efforts to hone its ERP systems and digital solutions, Aareon focused its capital expenditure in fiscal 2016 on the following: a digital platform for harmonising interfaces between ERP products and digital solutions as well as the creation of a shared technological base; the international refinement of CRM; and the enhancement of the ERP products QL.net, Tobias AX and Wodis Sigma (Release 8).

Capital expenditure on research and development in fiscal 2016 amounted to € 9.6 million (previous year: € 9.5 million). The capitalisation rate was 63 %. Amortisation of internally generated software amounted to € 2.4 million.

Economic report

General economic and industry environment

Economic growth

Low interest rates and moderate growth were the hallmarks of the economy in 2016. Above all else, however, the year was marked by political events that brought uncertainty and volatility to markets. In fiscal 2016, global economic output expanded by 2.2 %, a weaker rate of growth than in the previous year (2.7 %).

The eurozone posted stable, but not particularly dynamic, growth in the reporting period, with the full-year growth rate being slightly lower than in the prior year. At the start of the year, economic output was dampened by slowing demand in emerging markets, but propped up by strong private consumption. In the second half of the year, the economic situation remained robust despite all the uncertainty.

While the German economy was more dynamic in the first half of the year than in the second, it remained quite robust overall. From the middle of the year onwards, private consumption and the construction industry buoyed growth. By contrast, industrial production and exports weakened as the year progressed. At the end of the year, both consumer confidence and expectations in the manufacturing sector were high.

The French economy started 2016 with solid growth, but weakened, among other things, in the wake of strikes. Weak exports in the second half of the year were one factor that prevented the economy from growing faster. Overall, the rate of economic growth in 2016 was marginally higher than in the year before.

A number of countries outside the eurozone posted growth that was slightly higher than the eurozone, but lower than in the prior year. Sweden posted growth of 3.1 % (previous year: 3.8 %).

In a referendum on 23 June 2016, the majority of British electors voted to take their country out of the European Union. The vote triggered volatility in financial and capital markets, and created political uncertainty. That uncertainty also seeped into the property market, causing UK real-estate funds to temporarily suspend trading. Nonetheless, the vote had hardly any real negative effects on economic output in the further course of 2016; its effects were mainly on the relevant indicators of sentiment and were of a short-term nature. Although the economy grew at almost the same rate as in the previous year, second-half growth was buoyed by the services sector, with industrial production and the construction industry experiencing substantial declines. There was a slight decrease in capital expenditures, while private consumption remained robust despite the strong drop in the value of the British pound.

Though the eurozone unemployment rate declined slightly in the course of the year, it still remained relatively high. The unemployment rate also fell marginally across the EU as a whole.

Annual real growth in GDP in %

	2016	2015
Eurozone	1.7	1.9
Germany	1.8	1.5
France	1.1	1.2
Netherlands	2.1	2.0
United Kingdom	2.0	2.2
Norway	0.7	1.6
Sweden	3.1	3.8

Industry trend

In the countries in which the Aareon Group operates, the digital transformation of the property industry continued to gain momentum. However, the focus of digitisation is different in each country. On the whole, the networking of market players – such as property companies and their staff, customers, business partners and buildings – is gaining in importance. Digital solutions are benefiting people's private and working lives, enhancing the flexibility and convenience of everyday life. In this area especially, new providers and start-ups are entering the market. Aareon is tracking these developments and weighing up partnership options. In Germany, for instance, it entered into a marketing partnership with Berlin-based start-up KIWI.KI in 2016, enabling it to expand the Smart Home segment of its Aareon Smart World digital-solutions portfolio to include the KIWI smart keyless entry system.

Awareness of the digital transformation has increased noticeably across the property industry in Germany, with demand growing accordingly. Networking, integrability and the tapping of efficiency potential are key factors in this process. What is more, demand for affordable housing has increased as a result of immigration. All in all, the industry again posted solid growth in 2016, mainly due to long-term financing structures and to stable rental income from a more diverse tenant portfolio. Housing companies continue to rely on achieving sustainable portfolio growth and energy-efficiency gains. In 2016, the residential and commercial property companies organised in the German Federation of Housing and Property Companies (GdW) and its regional associations invested over € 14 billion in the future of their portfolios.

In the Netherlands, additional taxes are placing a burden on social-housing companies. The resulting cost pressure is raising interest in digital solutions, especially investments in new,

state-of-the-art means of communicating with tenants, including self-service offerings for the latter. Outsourcing services and software as a service enjoy high levels of acceptance in the Netherlands market. New data security legislation is raising the profile of those IT service partners that can provide high certified levels of data protection. Further mergers of smaller housing companies are expected in future. Aareon Nederland is mainly active in the social-housing industry, where it is one of the leading providers of software, consulting and services. Microsoft, the world's leading software maker, included Aareon Nederland in its Microsoft Dynamics Inner Circle 2016. What is more, the company was nominated for the Digital Award 2016. The Aareon Group is also represented in the Netherlands market with its Swedish product Xpand.

Political influence remains strong in the social-housing industry in France, where government is interested in raising satisfaction levels among tenants and in reducing portfolio management costs through the merger of public-sector companies. As a result, the number of social-housing companies is expected to decline further. In France, the digitisation of social-housing companies is already further advanced than elsewhere, and large companies have created positions for digitisation officers. That is why demand for digital solutions continues to rise. Aareon France is the market leader in the French social-housing industry alongside one other competitor of note.

A sea change has taken place in the British housing market, with housing associations having to reduce their social-housing rents by one percent a year in the period until 2020. As a consequence, the companies in question must enhance their efficiency – for example, by optimising their business processes. This creates potential for the marketing of ERP and digital solutions. In addition, the British government is pursuing plans to strengthen the rights of tenants to purchase the premises they

rent. This should lend additional momentum to the trend toward mergers and takeovers of housing companies. As a result of consolidation in the housing market, new providers of IT for the sector are springing up and making competition more intense. Aareon profits from the strong position in the market of both Aareon UK and 1st Touch, the UK market leader for mobile applications, with demand focusing on tenant portals, self-service and 360° portals. The business trend remains stable in the UK, even in the wake of the Brexit vote.

In Sweden, internet-based service portals are a matter of course for housing companies and much used by their tenants. The scope of services is even broader here, for instance, with tenants also able to rent household appliances such as washing machines and refrigerators. Incit AB is the leader in the Swedish housing market.

Incit AS occupies a strong position in the Norwegian market, too. Although it does have one major competitor there, it is the only company that is able to satisfy all the latest trends and market requirements, including the BIM (Building Information Modelling) digital solution that is mandatory for all buildings owned by the public sector.

Key performance indicators

Revenue and EBIT are the key financial performance indicators used by Aareon to control and manage its business segments. EBIT is defined as earnings from operating activities before interest income/expense and taxes.

The main non-financial indicators that Aareon regularly monitors Group-wide are customer satisfaction and employee satisfaction (see p. 39). These indicators are not used for the purposes of internal control and management.

Business performance

Germany segment

Aareon's ERP business performed well in Germany. At the beginning of the year, Wodis Sigma went live simultaneously at 36 companies managing around 100,000 units. In addition, many GES customers opted to switch to Wodis Sigma in the course of 2016 under our migration campaign. The migration projects are running according to plan. As had been expected, customers prefer to use Wodis Sigma as a service from the exclusive Aareon Cloud. The some 840 customers that have already decided in favour of Wodis Sigma have made this ERP solution the leader in the German housing industry. In line with expectations, Aareon continued to post a decline in GES revenues due to ongoing migrations. Licensing-fee business for SAP® solutions and Blue Eagle performed very well, especially owing to the purchase of licences by major customers and to the acquisition of new business. Maintenance business grew in the reporting period, largely due to the number of systems that went live in the previous year.

The trend with digital-solutions business was also positive. There was particular demand for the Mareon service portal, Aareon Archiv kompakt, Aareon CRM, Aareon ImmoBlue Plus and Mobile Services. Digital solutions also benefited from migration business with ERP products, given that further process optimisation potential is analysed when software is replaced. Customers showed a keen interest in Mobile Services, with around 150 companies already being won over to the idea.

Aareon also posted good performance for add-on products. Business volume for the BauSecura insurance management solution grew. IT business outsourcing increased significantly due to high-volume contracts. Aareon also concluded its first full year of utility business with phi-Consulting.

International Business segment

In the Netherlands, further customers opted for the ERP solution Tobias AX, several of them going live with it. The large number of new customers, coupled with enhanced organisational efficiency, resulted in substantially higher revenues. In France, Aareon again enjoyed success in the reporting period with platinum maintenance contracts for the ERP products Portallmmo Habitat and Prem'Habitat. In the Britain, Aareon UK took part in numerous tenders with its ERP solution QL.net, winning the majority of them and consequently growing its new business. The new ERP product generation QL.net premièred in the market and was very well received. In Sweden, Incit Group won over further new customers for its ERP solution Incit Xpand, including a major Scandinavian hotel chain. A new-customer campaign for the Incit Xpand Smart Start solution, a preconfigured template, was particularly successful with small and medium-sized clients, and implementation processes are already under way. This new solution makes it easier for customers to migrate data to Incit Xpand. Consulting business also grew. Finally, the digital signature function for rental contracts was rolled out.

There was much demand for digital solutions in international markets. In the Netherlands, such solutions included, in particular, Mareon, Aareon Archiv kompakt, Aareon CRM, the tenant app, the call-centre functionality and the Treasury solution. For example, de Alliantie, Huizen – a major customer managing 64,000 units – opted for Mareon. The integration of Square DMS B.V. (formerly Square DMS Groep B.V.) – the Netherlands-based company that was acquired on 1 October 2015 and added a case management solution (including corresponding process consulting) to Aareon Smart World – was successfully completed, strengthening the Company's position in the market. Aareon France is helping several customers in its market to implement Aareon Smart World digital solutions. In particular, there is demand for tenants portals, invoicing services, the mobile handover process and Mareon. Erilia,

Marseilles, which manages 89,000 units, was one major customer that went live with Aareon France's invoicing service. In terms of the digital transformation, the UK is already a very mature market, especially when it comes to mobile solutions. Aareon's subsidiary 1st Touch is setting the trend in functions and design here with its 360° Tenant Portal and 360° Field Worker. These solutions have aroused a lot of interest with customers, landing the company additional contracts.

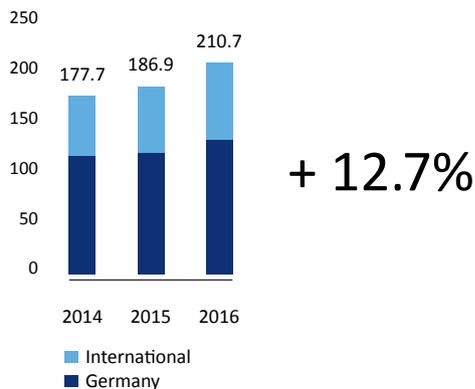
Economic situation

Earnings

At € 34.2 million, Aareon's EBIT for 2016 was significantly higher (+ 27.1 %) than in the prior year (€ 26.9 million). Consolidated revenues increased by 12.7 % to € 210.7 million (previous year: € 186.9 million), exceeding the forecast figure. Aareon put in a strong final quarter, posting high consulting income and additional licensing income. As a result of steady growth, the International Business segment accounted for 36.3 % of consolidated revenues (previous year: 35.6 %).

At € 5.7 million, internally generated assets were also higher than in the previous year (€ 4.4 million). They arose mainly in connection with expansion of the digital-solutions portfolio, the evolution of ERP products and the international development of a digital platform (see p. 5). Other operating income amounted to € 6.6 million (previous year: € 8.4 million), and was influenced in both 2016 and 2015 by remeasurements made in the course of acquisitions. The Group's total expenses rose by 9.2 %, from € 172.8 million in the previous year to € 188.7 million. The cost of materials rose substantially, to € 32.6 million (previous year: € 22.7 million), an increase that essentially correlates with higher sales revenues (especially third-party licences) and higher capital expenditure on R & D. The increase of 4.5 % in personnel expenses to € 111.0 million (previous year: € 106.2 million) was predominantly due to the higher personnel numbers brought about by the acquisitions of phi-Consulting and Square in the previous year as

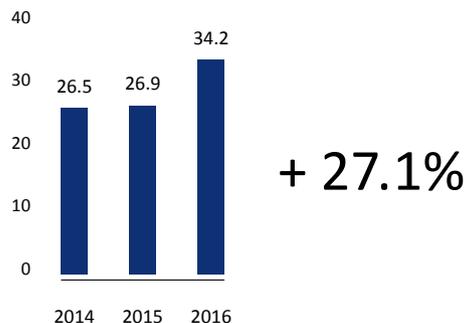
Revenues in € million



well to higher business volume, mainly in the International Business segment. At € 34.1 million, other operating expenses were up 2.1 % year on year (previous year: € 33.4 million).

The Germany segment exceeded our forecast for 2016, with revenues rising by a substantial 11.5 % to € 134.2 million (previous year: € 120.4 million). Owing to the higher number of migration projects, ERP-product revenues surged, especially for consulting business. Overall, the focus of business volume shifted as planned from GES to Wodis Sigma. New projects triggered a significant rise in licensing income for the ERP product SAP® solutions and Blue Eagle, while maintenance revenues and fees also increased strongly. Migration business also lifted digital-solutions revenues substantially, as they are marketed in combination with the ERP product. As for add-on products, revenues were buoyed, in particular, by new acquisitions, the first-time inclusion of phi-Consulting GmbH in the full-year accounts and an increase in outsourcing business.

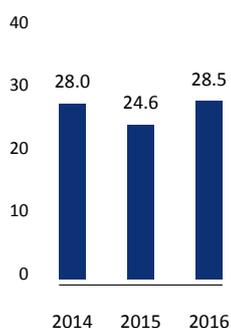
EBIT in € million



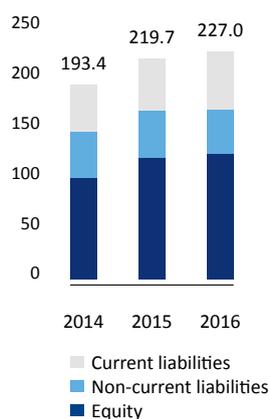
EBIT for the Germany segment came to € 21.6 million, up 43.0 % on the prior year (€ 15.1 million).

The International Business segment again posted robust growth, with revenues rising by a considerable 14.9 % to € 76.5 million (previous year: € 66.6 million) in line with expectations. ERP-product revenues grew strongly in France, the Netherlands and Sweden. The French sales model, which is based on platinum contracts for software maintenance, continued to be a big success. A large number of contracts were concluded with new customers in the Netherlands and Sweden, which in turn boosted consulting revenues in particular. Fiscal 2016 saw the market launch of the British ERP solution QL.net. Despite intense competition, we managed to win the majority of the tenders we took part in. Digital-solutions business grew strongly in all our international markets, resulting in a substantial 33.8 % increase in EBIT, which reached € 10.7 million (previous year: € 8.0 million).

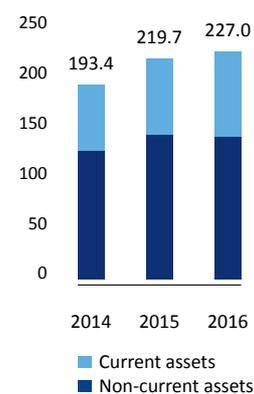
Return on equity in %



Total equity and liabilities in € million (capital structure)



Assets in € million (asset structure)



The main positive non-recurring effects outside the business segments (€ 1.9 million) were remeasurement of the Company's shares in SG2ALL following the complete takeover of that company (€ 1.3 million) and adjustment of the purchase price liabilities of the Incit Group (€ 0.6 million). In the previous year, effects of this kind had amounted to € 3.8 million and also resulted from the remeasurement of the purchase price liabilities of the Incit Group and from acquisition costs.

Financial situation Capital structure

Compared with the previous year, equity climbed by 2.3 %, from € 121.0 million to € 123.8 million. Alongside the addition of comprehensive income, a total dividend of € 31.5 million

from Aareon AG's unappropriated surplus was distributed in accordance with the resolution of the annual general meeting of 24 February 2016. In addition, Aareal Bank AG made a payment of € 15.5 million to the Company's share premium on 1 July 2016. Exchange rate fluctuations reduced the currency reserve by € 3.6 million. As a result of these factors, the return on equity rose to 28.5 % (previous year: 24.6 %).

At € 45.4 million, non-current liabilities were roughly on a par with the previous year (€ 46.6 million). Current liabilities were 10.7 % higher at € 57.7 million (previous year: € 52.1 million). A strong final quarter caused trade payables to rise.

Our staff

Liquidity

The statement of cash flows is the key to analysing Group liquidity. At € 40.9 million, cash flow from operating activities was up substantially on the prior year (€ 22.0 million), mainly due to the higher level of comprehensive income. Cash flow from investing activities amounted to € - 14.8 million (previous year: € - 22.0 million). In addition to capital expenditure of € 8.9 million on non-current assets, the Company paid € 1.2 million to acquire the remaining shares in SG2ALL and a further € 1.6 million in connection with the acquisitions of phi-Consulting and Square. Cash flow from financing activities amounted to € - 22.2 million (previous year: € 0.8 million). Major cash flows were triggered by the dividend payment of € 31.5 million to Aareal Bank AG and the proceeds of the capital increase (€ 15.5 million).

Net assets

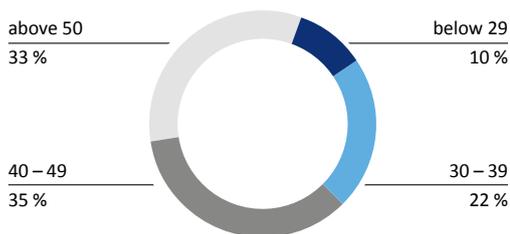
Aareon's total assets amounted to € 227.0 million in 2016, up 3.3 % compared with the previous year (€ 219.7 million). Non-current assets declined by 1.0 % to € 142.2 million (previous year: € 143.6 million), chiefly due to depreciation/amortisation of non-current assets. Goodwill and customer relations increased due to the acquisition of SG2ALL, as did the carrying amount of internally generated software, which mainly comprised development work on the digital platform and the refinement of ERP products and digital solutions. Current assets increased by 11.4 % year on year to € 84.8 million (previous year: € 76.1 million), predominantly due to the higher trade receivables in the amount of € 47.5 million (previous year: € 39.7 million) triggered by the strong final quarter.

As the digital transformation of the working world progresses, it is ever more important to have a personnel policy that focuses on employees as people. That is why Aareon pursues a sustainable, life-phase-oriented personnel policy. This policy takes account not only of the work-life balance, but also what level of performance can be expected of individuals in the particular phase of life in which they find themselves. Changes in society mean that factors such as knowledge and expertise, health, equal opportunities and diversity are as much a part of this policy as the professional development of each employee. The changes in question include the digital transformation, demographic change, higher retirement ages and immigration. Given the ever faster pace of technical progress, the concept of agility is gaining in significance. Flexibility and life-long learning are becoming increasingly important for companies and are encouraged under Aareon's personnel policy.

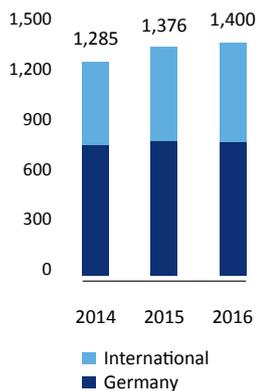
For over ten years now, Aareon has been carrying out anonymised Group-wide employee surveys. They serve as a tool for measuring the mood among employees and provide insights into how specific improvement measures can be put into practice. The Group-wide response rate of 67 % for the employee survey shows that both rank-and-file employees and management consider it important to contribute towards the future success of the Company. General levels of employee satisfaction remain high.

As at 31 December 2016, Aareon had a total of 1,400 employees (previous year: 1,376). The average period of service with the Company was 11.6 years (previous year: 11.5 years). The international subsidiaries account for 43.0 % of the workforce (previous year: 41.9 %). Aareon promotes flexible working time models: at the end of 2016, Aareon in Germany had 159 part-time positions (corresponding to 19.9 % of the workforce) (previous year: 136; 17.0 %) and 89 teleworking positions (11.2 % of the workforce) (previous year: 87; 10.9 %). The proportion of women in the workforce was 32.6 % (previous year: 32.5 %), while the share of women in management positions was 21.8 % (previous year: 18.8 %).

Age structure of workforce



Number of employees (as at 31 Dec.)



Qualification and further training

One of the aspects on which Aareon again focused its attention in fiscal 2016 was the development of its management staff. In the course of the Professional Individual Management Development programme (ProFI), managers were offered training sessions (e.g. labour law for managers, leadership at Aareon), diagnostics (including a development centre for new managers)

and consultation (e.g. personalised coaching sessions and leadership groups). Another focal point was supporting the internationalisation of Aareon, especially by means of language courses. The Certified Housing Manager (HfWU) training course at the Nürtingen-Geislingen University for Economics and the Environment in Germany was held once again in 2016.

The Company's first cross-mentoring programme was completed in 2016. Cross-mentoring is a personnel development tool aimed at encouraging knowledge transfer and involves the targeted exchange of ideas and experience between employees at different companies. Aareon's partners in this programme were Aareal Bank and SOKA-Bau in Wiesbaden.

Initial training and the promotion of young talent

In addition to trainee programmes, Aareon offers candidates a variety of vocational training courses in office management and IT (the latter as either an application development or systems integration specialist). The dual work-study programmes offered are: Property Business Administration, offered jointly with the Leipzig University of Co-operative Education; and Business Administration for Trade Fair, Congress and Event Management (Software Engineering) and Business IT (Application Management), both offered together with the Baden-Württemberg Cooperative State University (DHBW) in Mannheim. At the close of 2016, Aareon employed 16 trainees as well as three students (at the University of Cooperative Education).

As part of its efforts to promote young talent, Aareon organised a Girls' Day and Aareon Science Camps in 2016. The Company also supported the JOBLINGE initiative for socially disadvantaged young people. In March, a joint project week took place on digital transformation of the residential environment and was attended by members of the JOBLINGE initiative and Aareon trainees.

In 2016, Aareon presented its first WohnIT Award to school students in order to raise interest in IT and in the future of housing.

To encourage young talent and promote education, Aareon and the EBZ Business School in Bochum entered into an agreement to endow a professorship in Business IT. Since 2015, the Mainz University of Applied Sciences and Aareon have had a practical-experience partnership in the facility management field.

Forward-looking corporate culture

Aareon is an innovative company that is driving the digital transformation in all areas. In view of the changing demands of a digital work environment, Aareon was among the first 100 pilot companies to carry out the INQA audit (INQA = Initiative Neue Qualität der Arbeit [New Quality of Work Initiative]). In September, Andrea Nahles, Germany's minister of labour and social affairs, honoured Aareon for its forward-looking corporate culture, presenting it with the INQA audit certificate, which confirms that the Company has developed and put in place numerous measures in relation to personnel management, equal opportunities and diversity, health, knowledge and skills. The certificate also underscored that the Company is continuing the life-phase-oriented personnel policy it introduced the previous year. The INQA audit is sponsored by the Federal Ministry of Labour and Social Affairs.

Work-life balance

Over the last nine years, Aareon has repeatedly been certified as a family-oriented company by berufundfamilie gGmbH, a non-profit organisation. The Company's numerous personnel-related services include, for example, more flexible working hours in the form part-time and teleworking models. Over and above that, Aareon works hand in hand with a family service company, which provides employees with advice on childcare, long-term care for dependants as well as assistance with psychosocial issues. Several Aareon locations have parent-child offices. In Mainz, Aareon collaborates with other companies to offer gratis crèche and nursery-school spots to the children of employees. For the first time since 2012, when Aareon was winner in the Mid-Sized Companies category, the Success Factor Family Competition was organised in the reporting period. Aareon again made it to the finals of the competition.

Equal opportunities and diversity

Equal opportunities form an integral part of Aareon's personnel policy. Women are represented in various management roles as well as on the Management Board and Supervisory Board. Many women also exercise responsibility in projects and sub-projects or play a role as specialists. Aareon's goal is to achieve even more balance in this area, and that involved setting targets in the previous year for the representation of women at Aareon Deutschland GmbH in accordance with the statutory requirements.

The Diversity project represents an opportunity to consciously recognise diversity and harness it for the Company – after all, we live in a diverse society. Diversity is already part and parcel of working life at Aareon – indeed, it has become a matter of course.

Health management

In 2016, Aareon's health management activities revolved around the slogan "Fit for Working World 4.0". Employee surveys and participation in the INQA audit had revealed that this was a topic of particular interest. The activities covered aspects like recharging one's batteries, healthy leadership, deceleration, time management and an e-learning tool on mental health.

Compensation principles

With their transparency and sustainability, Aareon's compensation systems are aligned with the Company's strategic goals. The objective is to provide employees with compensation that is attractive and motivating, and not only matches the position they occupy, but is also in line with market benchmarks and personal performance. Equal pay for men and women performing the same duties is part of that as well. This is a policy that can help Aareon to attract and retain highly qualified, dedicated employees with high potential. It is up to each individual company within the Group to design its own compensation system in line with these principles, and ultimate responsibility for this rests with local management, who must

also take into account the co-determination rights of any bodies representing the employees in each company as well as local statutory regulations. Aareon makes its principles for compensation systems known at every Group company.

Internal control system

Aareon's internal control system (ICS) consists of systematic organisational measures and controls that are designed to ensure compliance with the Company's directives and to avert potential losses caused by the Company's own staff or third parties. The purpose of the accounting-related internal control system is to guarantee that the Company's operations are properly executed in legal and economic terms. One of the principal aims is to ensure the conformity of internal and external accounting processes and compliance with the relevant legal provisions.

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

The Management Board of Aareon AG is responsible for designing, establishing, applying, refining and reviewing an appropriate system of internal control over financial accounting. At Aareon AG, the processes for (Group) financial accounting are managed by the International Finance unit, which is also responsible for Group reporting. All of the Company's subsidiaries are included in its consolidated financial statements.

Finance and Internal Services handles financial accounting (including preparation of the annual financial statements) for Aareon AG and its subsidiaries Aareon Deutschland and Aareon Immobilien Projekt Gesellschaft. The unit also supports phi-Consulting's independent financial accounting systems. The financial accounts of BauSecura are handled by the Funk Group. Aareon UK, Aareon France, Aareon Nederland and Incit each have their own independent financial accounting systems, while 1st Touch receives support in financial-accounting matters from its sister company Aareon UK. With the exception of Incit, all companies enter their financial data independently in the Group's SAP® software programme. In fiscal 2016, the financial data reported by these companies was entered in the Group's software programme by members of the Aareon Group's International Finance unit. The data is consolidated at Group level.

The group accounting manual is an aid to preparing Aareon's financial statements. It provides internal guidelines for the accounting process that comply with the legal requirements. These guidelines are made available to all Aareon subsidiaries, reviewed on a regular basis and updated as required. During preparation of the financial statements, plausibility checks are carried out in the accounting systems of subsidiaries and key individual items analysed. In addition, a schedule for preparation of the annual financial statements is in place, in accordance with which all the subsidiaries complete their separate financial statements and submit them to the relevant Group department for preparation of the consolidated financial statements. Appropriate control processes are in place to monitor both automated and manual entries. Key accounting procedures are subject to the dual-control principle. An authorisation process is in place to protect the accounting and financial reporting systems against unauthorised access. Aareon's Finance unit has an adequate number of highly qualified staff,

Risk report

who have the requisite knowledge and experience for their areas of responsibility. Aareon also makes use of external service providers, for instance to assist in measuring pension obligations.

Aareon regularly monitors compliance with various guidelines, e.g. in respect of signatory powers, the use of company cars or travel expenses.

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

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

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

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

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

Aareon AG monitors and manages its business risks by means of a Group-wide risk management system that is based on the R2C_risk standard software and includes an early warning function. The risk management system enables those responsible for the relevant divisions, investments and projects to regularly record and analyse their respective risks – but not the associated opportunities – as well as to develop proactive risk management measures. Risks are assessed in two separate dimensions, namely in terms of their impact and their probability of occurrence. Only residual risk is assessed and reported, i.e. any risk minimisation measures in place are taken into account. The resulting risk reports, which are consolidated by the Group's Legal, Risk Management and Compliance unit, 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 the Company's management with a basis for deciding what action to take. For each of the ten risks assessed in each quarter as having the highest expectancy (i.e. the product of impact and probability of occurrence), the corresponding measures specified by the risk owners are documented in the risk reports, to the extent that the risk expectancy exceeds a defined threshold. The threshold is currently set at € 100,000. At the applicable reporting date in the fourth quarter, six risks met the criteria for special individual reporting. In addition to documentation of the measures taken in the fourth quarter, the measures taken against risks whose expectancy ranked among the top ten in any of the preceding three quarters are also documented. This juxtaposition of risks and measures serves two purposes: firstly, to aid comprehension of the risk assessments and, secondly, to assess the effectiveness of the measures taken. Over and above this, the International Board (IB) of Aareon AG and the management of Aareon Deutschland decide on the measures to be taken against risks whose expectancy exceeds a further defined threshold.

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

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

The introduction of categories and subcategories assists the Company in drafting a harmonised risk atlas and achieving a uniform approach to the examination of risks. The risk atlas summarises the risks and indicators monitored by the individual divisions and Group companies.

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

Viewed on average across the quarterly risk assessments, the risks faced by the Company in 2016 were deemed to be somewhat higher than in the previous year. Overall, Aareon was not exposed to any risks that would have threatened its status as a going concern or that had a significant impact on its net assets, financial situation or earnings. The following is a description of risks of material interest to the readers of the financial statements.

Financial risks

In order to avoid liquidity risks, risks are monitored and controlled in Germany in weekly liquidity planning rounds. Short-term fluctuations in cash flow are monitored on a daily basis and, where necessary, suitable countermeasures taken. At the Company's international subsidiaries, this liquidity forecast is prepared on a monthly basis.

As Aareon is integrated in the financing processes of the Aareal Bank Group, its funding is judged to be secure. Therefore, the funding is risk not taken into account. Exchange rate risks may be posed by transactions carried out in foreign currencies. Such transactions are monitored on an ongoing basis and reported to the CFO of Aareon AG. Exchange rate risks are managed centrally. Where necessary, currency risks are hedged Group-wide using hedging instruments. Aareon AG counters expense-related risks, which include market price risks, by promoting cost-awareness enforced by tight budgeting.

Financial risks were assessed as being higher relative to the previous year. The increase in financial risks was mainly due to the fact that revenues were considered to pose a greater risk. The focus is on reaching our target revenues in accordance with our plan or forecast.

Incidental and ambient conditions

At Aareon, the term incidental and ambient conditions is used to cover legal, political, regulatory and compliance risks. Aareon uses standard contracts that are refined and adapted on an ongoing basis to reflect changes in products and laws as well new court rulings. Where necessary, Aareon mutually agrees changes or additions to existing contracts with the relevant contracting parties in order to ensure that the contractually agreed services match those actually delivered to, or required by, the customer. Complaints management is a means of minimising potential claims for damages in connection with software implementation projects.

The measures taken by Aareon to raise awareness of the importance of compliance include sensitising, training and advising staff. The Company has also updated its guidelines, in particular the General Guidelines for the Prevention of Corruption in the Aareon Group and the Principles governing the signing of documents in the Aareon Group. In addition to this, the Compliance Officer carries out audits after approval of the corresponding audit plan by the Management Board. Compliance-relevant processes are honed and adapted so as to continuously improve the compliance management system.

Market risks

Aareon counteracts the risk of being unable to enforce its list prices in the marketplace by regularly monitoring the agreed terms and conditions. The results of these monitoring activities are presented once a month at a meeting of executive management. Aareon also deals with general market risks, which include customer churn, greater demands on software systems and the entry of new competitors into the market. Risks of this kind are monitored and the findings provided to the Management Board in a monthly sales report.

Production risks

Like any other project, software development harbours the risk that the final product cannot be provided at the targeted cost, in the expected quality, or within the time frame required by the market. That is why such work is carried out using development and management methods based on internationally recognised standards. A uniform and professional approach is central to product development. Risks are rendered transparent and tracked in the course of development and customer projects with the aid of various methods and tools. Responsibilities for the systematic improvement of software quality have been assigned in the organizational structure.

Dealing with information security risks is an integral part of Aareon's risk management activities. Realistic, documented countermeasures are taken to minimise the risk of any serious disruptions during the operation of customer software. Thus far, we have not experienced any disruptions leading to a prolonged loss of service. In order to minimise the risk of the application being disrupted as a result of unauthorised access or an attack, technical and organisational measures have been taken that are anchored in the internal control system in accordance with German auditing standard PS 951 n.F. Appropriate fire-protection, loss-protection and disaster-prevention measures have also been put in place. Internal redundancies are in place to counter the failure of individual systems or components. Aareon's data centres were built in 2011 and have been checked by the TÜV technical inspection agency. An important aspect in their construction was the use of state-of-the-art technologies and the deployment of cutting-edge encryption technology in the fibre-optic-based mirroring of data between the two data centres. The Company has also installed comprehensive data backup processes that allow it to reconstruct lost data in whole or in part in due course. Aareon also takes out insurance to cover risks arising out of its operations.

Opportunities

Identifying, creating and utilising opportunities is central to Aareon's corporate strategy. Aareon's own research and development activities play a crucial role here, as do its ongoing observation and analysis of developments in the property and IT industries, the competitive environment and society as a whole. The diverse opportunities this results in, some of which are correlated with each other, are categorised below. They were largely unchanged compared with the prior year:

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

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

Opportunities from customer focus

Customer focus is pivotal at Aareon. In many cases, our relationships with our customers and with the property industry have grown over many years. The Company is a member of several property industry associations, including the German Federation of Housing and Property Companies (GdW). Over and above this, Aareon systematically maintains a dialogue with its customers – through the Aareon customer advisory councils, at numerous customer events and in individual discussions with them. This proximity to the industry and customers presents opportunities to identify customer trends, needs and requirements as they arise and to factor them into the ongoing development and expansion of Aareon's portfolio of products and services. These customer-related activities enable the Company to maintain its high levels of customer satisfaction and customer loyalty in the long term. High levels of customer satisfaction heighten Aareon's chances of growing its business.

Opportunities from pioneering solutions

Digitilisation is proceeding apace. Aareon integrates the opportunities offered by the digital transformation into its product strategy: the digital ecosystem Aareon Smart World, with its pioneering digital and mobile solutions, is constantly being expanded. Aareon Smart World links up the partners in the property industry. Customers can work in a convenient, process-efficient manner using a single database and can leverage potential for new business models. Their data is stored in the exclusive Aareon Cloud, which is located in a certified Aareon data centre. Aareon offers professional consulting services for all its products and services. Aareon consultants assist their customers in selecting the right products and solutions to optimise their business processes and provide them with ongoing support throughout their implementation projects. Ideally, companies want to be able to source their IT services from a single provider owing to the high degree of complexity involved. Compared with its competitors, Aareon has opportunities because of its ability to offer consulting, software and services from a single source. This sits well with Aareon's corporate strategy of consolidating and building on its leading position in the market. When refining and enhancing existing products and services or developing entirely new ones, the Company harnesses the growth potential arising out of the new trends and requirements of both customers and the market. Aareon's R & D plays a central role in this process (see p. 4). When carrying out R & D, Aareon also collaborates with property companies in line with the design thinking method. In recent years, the Company has launched cloud computing from the exclusive Aareon Cloud and established the topic of property-industry digitilisation with new digital and mobile solutions. Aareon developed these issues to create Aareon Smart World in 2015 and has been constantly expanding and building on this platform since then.

Opportunities from active brand management and quality

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

Opportunities from being an international corporate group

In recent years, Aareon has grown to become an international group. Digitilisation of the property industry has different points of focus in each of the countries in which Aareon operates. This creates opportunities not only for the transfer of knowledge between the Group's international and domestic entities, but also for research and development (see p. 4). Aareon makes use of these opportunities to expand Aareon Smart World and thus generate additional growth potential. The acquisition by Aareon Nederland of the remaining 50 percent of the shares in Netherlands-based subsidiary SG2ALL (see p. 32) offers further opportunities for growth.

Opportunities from being a preferred employer

The demographic trend is making competition for qualified workers more intense. In addition, it is necessary to set the course for "Working World 4.0". One success factor is to constantly hone our profile as a preferred employer that is

capable of attracting new employees (see p. 39). Aareon has implemented many measures in recent years and will continue to build on them. These include services to enable employees to achieve a healthy work-life balance, a life-phase-oriented personnel policy, equal opportunities, diversity, knowledge sharing and corporate health management. With an eye to the digital working world, Aareon carried out an INQA audit (INQA = New Quality of Work Initiative) in 2016. Binding leadership guidelines and a systematic dialogue between line managers and staff are additional components of our employer profile. This creates opportunities for enhancing employee satisfaction and loyalty, and for facilitating the recruitment of qualified employees. In the race to recruit new, highly qualified workers, Aareon relies on employer branding activities that help to establish a link with potential employees at a very early stage.

Opportunities from a sustainable business model

Together with the Aareal Bank Group, Aareon pursues a strategy geared to sustainability. This creates opportunities to ensure the Company's viability in the long term and to cultivate an image with its stakeholders of Aareon as a responsible company. Since 2012, the Aareal Bank Group has been accorded Prime Status in the sustainability rankings of well-known economic research organisation oekom research AG. Key aspects of sustainability at Aareon include: a sustainable business model; Aareon Smart World, which leverages the potential of digitilisation with its customer-centric, high-quality IT solutions; high levels of data protection and security; a responsible, life-phase-oriented personnel policy; and systematic resource management. The Aareal Bank Group's annual Sustainability Report also describes the sustainability measures adopted by Aareon.

Outlook

In 2017, Aareon will continue to pursue its growth strategy on the basis of the Aareon Flight Plan, which forms part of the Aareal 2020 future programme. We expect to see a slight increase in Group revenues, while EBIT should be roughly on a par with last year. The decisive factors in growth will be:

- Further expansion of the Aareon Smart World portfolio of digital solutions
- Stronger ERP business, especially through further successful migrations and enhanced competitiveness
- More outsourcing business thanks to the acquisition of SG2ALL

In 2017, Aareon will expend capital to optimise its system landscape and internal processes (SAP® S/4 HANA, IT service management). Investments will also be made to extend Aareon Smart World, to tap new fields of enterprise (e.g. with the change management product in the utility sector) and to enhance performance and efficiency. No major non-recurring effects of a positive nature are expected in 2017.

Germany segment

We expect both revenues and EBIT in Germany to be slightly higher in 2017, rising to € 135.0–137.0 million and € 23.0 – 24.0 million respectively. At the same time, personnel costs will be higher, as will the revenue-driven cost of materials, and capital will be expended on strategic initiatives and on measures to enhance performance and efficiency.

As more GES customers migrate as planned to the ERP solution Wodis Sigma, we expect consulting business (especially the use of external consultants) to grow.

We expect the share in revenues accounted for by SAP® solutions/Blue Eagle to rise, in particular as consulting business expands, more licences are purchased by existing customers and more external consultants are deployed.

We also assume that the revenues generated with the digital solutions of Aareon Smart World will continue to grow in 2017, given that the importance of this topic for the property industry, and customer interest in it, have grown substantially. We assume that there will be greater demand, in particular, for Aareon ImmoBlue Plus, Aareon CRM and Mobile Services.

International Business segment

We expect both revenues and EBIT in the International Business segment to increase significantly in 2017, rising to € 82.0 – 84.0 million and to € 11.0 – 12.0 million respectively. Ongoing penetration of the market with digital solutions and expansion of the Aareon Smart World portfolio will be central factors in this trend. The EBIT of Netherlands-based SG2ALL, with its portfolio of outsourcing services, will be included in the business segment in full for the first time in 2017.

ERP-product revenues in the International Business segment are expected to be slightly higher than last year. In the UK, we expect to see a strong rise in consulting and licensing business for the ERP solution QL and further market penetration of the new ERP product generation QL.net. This software will be evolved for full web-compatibility. In Sweden, we expect the Incit Group to grow its revenues from Incit Xpand, especially through the acquisition of new customers in the Scandinavian markets and the boost to consulting business that will bring. Revenues in France and the Netherlands are expected to de-

cline marginally. The positive trend for maintenance business at Aareon France should continue, while licensing business should decrease owing to the planned release cycle. In the Netherlands, we expect to largely complete migration to the Tobias AX product in 2017. Thanks to ongoing penetration in all markets, digital solutions will be the main revenue driver in the International Business segment. In the Netherlands, maintenance revenues for Aareon CRM are expected to increase, as are Facilitor revenues (owing to greater market penetration) and new business for Trace & Treasury. Demand for digital solutions should continue to grow in the UK as well. Such solutions include 1st Touch Mobile, 360° Field Worker and the tenants portal.

Summary

In view of the information provided above, Aareon expects overall to post a slight increase in revenues, which will rise to € 217.0 – 221.0 million. At around € 34.0 – 35.0 million, EBIT will be roughly on a par with the last year.

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