Consolidated financial statements

Consolidated statement of comprehensive income

For the period 1 January to 31 December 2020

€ '000

	Note	2020	2019
Revenues	04.1	**258,055**	251,877
DACH		**163,893**	159,183
International Business		**94,162**	92,694
Other own work capitalised	05.1	**8,177**	6,645
Other income	04.2	**4,750**	4,392
Cost of materials	04.3	**45,248**	43,798
Staff costs	04.4	**142,658**	128,575
Other expenses*	04.5	**29,766**	29,406
EBITDA (earnings before interest, taxes, depreciation and amortisation)		**53,310**	**61,135**
Depreciation, amortisation and impairments		**24,321**	22,324
EBIT (earnings before interest and taxes)		**28,989**	**38,811**
Net financial income/expense	04.6	**–1,223**	–1,424
Net income from equity-accounted investments	05.3	**–473**	–217
EBT (earnings before taxes)		**27,293**	**37,170**
Income taxes	04.7	**9,435**	11,270
Consolidated net profit		**17,858**	**25,900**
Of which attributable to:			
Shareholders of the parent company		**15,823**	23,971
Non-controlling interests		**2,035**	1,929
Other comprehensive income (OCI)		**–1,874**	**–1,836**
Items not recycled to profit and loss		**–1,874**	**–1,836**
Actuarial gains/losses from defined benefit plans		**–2,662**	–2,675
Income tax on actuarial gains and losses from defined benefit plans		**788**	839
Comprehensive income		**15,984**	**24,064**
Of which attributable to:			
Shareholders of the parent company		**13,949**	22,135
Non-controlling interests		**2,035**	1,929

* As of this fiscal year, other taxes are reported under other expenses; the prior-year figure was adjusted accordingly.

Consolidated balance sheet

As at 31 December 2020

Assets – € '000

	Note	31 Dec. 2020	31 Dec. 2019
Non-current assets			
Intangible assets	05.1	**173,436**	143,176
Property, plant and equipment		**14,625**	15,102
Right-of-use assets	05.2	**55,175**	56,139
Financial assets	05.3/05.4	**14,176**	10,718
Other non-current assets	05.2	**2,056**	2,438
Deferred tax assets*	05.6	**5,202**	6,613
		264,670	**234,186**
Current assets			
Inventories		**424**	420
Contract assets and receivables due from customers	05.7	**51,912**	58,025
Other current assets	05.8	**7,492**	6,351
Current income tax receivables		**5,146**	1,420
Cash and cash equivalents	05.9	**50,385**	51,918
		115,359	**118,134**
		380,029	**352,320**

Equity and liabilities – € '000

	Note	31 Dec. 2020	31 Dec. 2019
Equity			
Equity attributable to shareholders	05.10/11/12	**198,791**	184,934
Non-controlling interests	05.13	**2,225**	2,125
		201,016	**187,059**
Non-current liabilities			
Provisions for pensions and similar obligations	05.14	**37,713**	35,898
Other non-current provisions	05.15	**1,451**	1,412
Non-current lease liabilities	05.2	**54,413**	56,120
Deferred tax liabilities*	05.5	**10,498**	7,691
Non-current purchase price liabilities	05.16	**1,975**	0
		106,050	**101,121**
Current liabilities			
Other current provisions	05.15	**14,908**	13,388
Income tax liabilities		**361**	1,784
Current purchase price liabilities	05.16	**276**	1,961
Trade payables	05.17	**11,173**	8,931
Contract liabilities	05.18	**19,888**	14,721
Current lease liabilities	05.2	**8,038**	7,482
Other liabilities	05.19	**18,319**	15,873
		72,963	**64,140**
		380,029	**352,320**

* Prior-year figure adjusted

Consolidated statement of changes in equity

For the period 1 January 2019 to 31 December 2020

€ '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 2019	**25,000**	**41,900**	**–5,373**	**104,199**	**165,726**	**84**	**1,803**	**167,613**
Dividend	0	0	0	0	0	0	–1,691	–1,691
Consolidated net profit	0	0	0	23,971	23,971	0	1,929	25,900
Other comprehensive income (OCI)	0	0	0	–1,836	–1,836	0	0	–1,836
Initial application of IFRS 16	0	0	0	–3,296	–3,296	0	0	–3,296
Other changes	0	0	369	0	369	0	0	369
31 December 2019	**25,000**	**41,900**	**–5,004**	**123,038**	**184,934**	**84**	**2,041**	**187,059**
1 January 2020	**25,000**	**41,900**	**–5,004**	**123,038**	**184,934**	**84**	**2,041**	**187,059**
Dividend	0	0	0	0	0	0	–1,948	–1,948
Consolidated net profit	0	0	0	15,823	15,823	0	2,035	17,858
Other comprehensive income (OCI)	0	0	0	–1,874	–1,874	0	0	–1,874
Changes in scope of consolidation	0	0	0	0	0	0	13	13
Other changes	0	0	–92	0	–92	0	0	–92
31 December 2020	**25,000**	**41,900**	**–5,096**	**136,987**	**198,791**	**84**	**2,141**	**201,016**

Consolidated statement of cash flows

For fiscal 2020

€ '000	2020	2019
EBIT (earnings before interest and taxes)	**28,989**	**38,811**
Depreciation, amortisation and impairments	**24,321**	22,324
Income taxes paid and income tax refunds received	**–13,227**	–14,531
Interest received	**4**	45
Interest paid	**–145**	–126
Increase (–)/decrease (+) from changes in assets*	**7,493**	–1,902
Increase (+)/decrease (–) from changes in liabilities	**7,588**	–682
Cash flow from operating activities	**55,023**	**43,939**
Net payments for investments in non-current assets	**–19,277**	–18,867
Payments for the purchase of consolidated companies and other business units/operations (less cash in hand acquired)	**–22,207**	–2,864
Payments made/received for loans*	**–3,950**	–175
Exchange-rate-related changes in non-current assets	**314**	–269
Cash flow from investing activities	**–45,120**	**–22,175**
Payments from lease receivables	**470**	472
Repayment and interest components of lease payments	**–9,866**	–9,548
Payments to non-controlling interests	**–1,948**	–1,691
Other changes in capital	**–92**	369
Cash flow from financing activities	**–11,436**	**–10,398**
Cash change in cash and cash equivalents	**–1,475**	11,268
Exchange-rate-related changes in cash and cash equivalents	**–58**	98
Total change in cash and cash equivalents	**–1,533**	**11,366**
Cash funds at the beginning of the period	**51,918**	40,552
Cash funds at the end of the period	**50,385**	**51,918**

* Prior-year figure adjusted

Notes to the consolidated financial statements

01 General disclosures

The 2020 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 (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 2020 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 subsidiary of Aareal Bank AG, Paulinenstraße 15, 65189 Wiesbaden, Germany, which holds a stake of 70% in the company. The remaining 30% is held by 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. 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 discretion exercised by management differs in each case. The estimates and assumptions are based on historical experience and other metrics such as planning figures. The estimates and assessments used, as well as the underlying assessment factors and estimation methods, are regularly reviewed and compared with the events that actually occur. In our opinion, the parameters used are both suitable and reasonable, even when the current Covid-19 pandemic is taken into account.

The assumptions concerning the future and other sources of estimation uncertainty giving rise to a high risk of a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year concern, in particular, the calculation of pension obligations and of provisions, the measurement of intangible assets and the fair value of certain financial instruments, and the assessment of lease extension and termination options and of tax assets and liabilities. Discretionary decisions, and the estimation uncertainties associated with them, also arise in connection with the recognition of revenues (apportionment of transaction prices, application of input methods).

02.2 Consolidation principles

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

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

02.3 Currency translation

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

The following rates were used for currency translation:

€ 1 =		Balance sheet Closing rate		Statement of comprehensive income Average exchange rate	
		2020	2019	**2020**	2019
United Kingdom	GBP	**0.8990**	0.8508	**0.8892**	0.8778
Sweden	SEK	**10.0343**	10.4468	**10.4881**	10.5891
Norway	NOK	**10.4703**	9.8638	**10.7248**	9.8511
Romania	RON	**4.8683**	n.a.	**4.8380**	n.a.
Switzerland	CHF	**1.0802**	n.a.	**1.0703**	n.a.

The EUR-CHF exchange rate is now included because Aareon RELion GmbH opened a branch office in Switzerland in 2020.

02.4 Scope of consolidation

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

Under the purchase agreement of 26 November 2019, Aareon Planungs- und Bestandsentwicklungs GmbH acquired, by way of an asset deal, the business operations of CalCon

Holding GmbH, Munich, along with its subsidiaries, with effect from 1 January 2020. The subsidiaries CalCon Deutschland AG, epiqr Software GmbH, CalCon Ingenieurgesellschaft mbH (all of which are domiciled in Munich) and CalCon Austria GmbH, Vienna, were acquired in full. The stake acquired in the Romanian subsidiary amounts to 83.3%. The purchase price comprises a fixed amount of € 20,000k, which was paid in cash in February 2020, and a contingent purchase price. The contingent purchase price depends on a comparison of planned and actual EBIT in both 2020 and 2021. The fair value of the contingent purchase price amounted to € 3,964k as at the acquisition date and was based on an assumed target achievement value of 100%. The maximum contingent purchase price is € 6,000k. The estimated payment for net cash mentioned in the 2019 financial statements was adjusted slightly and an amount of € 792k disbursed. The fair value of the assets and liabilities was also adjusted marginally and now amounts to € 11,596k. The acquired assets and liabilities were recognised in the following amounts:

Acquisition of CalCon Holding GmbH and its subsidiaries, in € '000 – PROVISIONAL	Carrying amount prior to acquisition	Fair value on initial consolidation
Purchased software and other assets	1	6,367
Customer relations	0	6,018
Brands	0	1,158
Right-of-use assets	3,937	3,937
Receivables	1,479	1,479
Other assets	589	589
Cash and cash equivalents	406	406
Trade payables	36	36
Lease liabilities	3,937	3,937
Other liabilities	953	953
Deferred tax liabilities	0	3,595
Net assets acquired	**1,486**	**11,433**

Acquisition of CalCon Holding GmbH and its subsidiaries, in € '000 – FINAL	Carrying amount prior to acquisition	Fair value on initial consolidation
Purchased software and other intangible assets	1	6,389
Customer relations	0	5,933
Brands	0	1,013
Right-of-use assets	3,925	3,925
Property, plant and equipment	163	207
Receivables	1,455	1,455
Financial assets	126	126
Other assets	648	648
Cash and cash equivalents	406	406
Trade payables	36	36
Lease liabilities	3,925	3,925
Other liabilities	960	960
Deferred tax liabilities	0	3,586
Net assets acquired	**1,803**	**11,596**

The acquisition resulted in goodwill in the amount of € 13,174k. The goodwill includes market and synergy potential, and complements the Aareon Smart World product portfolio. CalCon's solutions make it possible to obtain an efficient, cost-effective and objective assessment of an existing property's technical condition and energy efficiency characteristics, and to draw up a detailed maintenance plan and budget. The acquisition allows Aareon to leverage further business potential, in both the public sector and the commercial-property markets in Germany and Austria. It also supports Aareon's growth strategy. Since the purchase date, the acquisition has contributed revenues of € 6,735k and a net profit of € 117k to the Aareon Group.

Refurbio GmbH, Berlin, was established on 23 July 2020, and Ecaria GmbH, Berlin, on 7 September 2020. Aareon Deutschland GmbH holds stakes in these companies of 18.4% and 19.99% respectively. The two companies were set up under Aareon's venture programme in partnership with founders from the start-up scene. As these companies are financed solely via Aareon, the latter has significant influence over them. They are therefore accounted for using the equity method. The financing constitutes a material business transaction between Aareon and these associates.

In order to streamline the Aareon Group's corporate structure, the following mergers were implemented with effect from 1 January 2020. On 6 January 2020, Kalshoven Automation B.V. was merged into its parent company, Aareon Nederland B.V. Upon entry in the commercial register on 23 July 2020, Aareon RELion Nord GmbH and Aareon RELion Süd GmbH were merged downstream into Aareon RELion GmbH. Both entities held equal shares in the company into which they were merged. The merger of CalCon Deutschland AG and epiqr Software GmbH into CalCon Ingenieurgesellschaft mbH was entered in the commercial register as a sidestream merger on 1 September 2020. The company was simultaneously renamed CalCon Deutschland GmbH.

On 23 December 2020, Aareon AG signed a contract to purchase a 100% stake in Arthur Online Limited ("Arthur"), London, UK. The acquisition took effect on 29 January 2021. This company will be included in the Aareon Group's financial statements as of February 2021.

Only a fixed purchase price was agreed, amounting to € 19,422k. A 91.05% stake (€ 17,246k) was paid for in cash on 1 February 2021. A further € 514k was paid for the company's net cash. The remaining 8.95% of the shares in Arthur, which have a fair value of € 1,663k, will be exchanged for shares in Aareon AG through a contribution in kind as part of a capital increase. The capital increase amounts to € 48k. The excess value of the shares will be added to the share premium. The sellers will contribute the remaining shares in Arthur to Houses Nominee Ltd., London, which will subscribe the new shares in Aareon AG issued in the course of the capital increase.

The provisional fair value of the assets and liabilities is € 3,772k. The acquired assets and liabilities were recognised in the following amounts:

Business combination with Arthur Online Ltd. in € '000 – PROVISIONAL	**Carrying amount prior to acquisition**	**Fair value on initial consolidation**
Purchased software and other assets	1,124	3,277
Customer relations	0	343
Brands	0	578
Right-of-use assets	214	214
Receivables	179	179
Other assets	241	241
Cash and cash equivalents	394	394
Trade payables	214	214
Lease liabilities	214	214
Other liabilities	540	540
Deferred tax liabilities	0	486
Net assets acquired	**1,184**	**3,772**

The acquisition resulted in provisional goodwill in the amount of € 15,651k. This acquisition enables Aareon to move into the market for small- and medium-sized property management firms in the UK, offering the company further growth opportunities.

02.5 Changes in accounting policies

The following amendments to the IFRSs, which must be applied in accounting periods beginning on or after 1 January 2020, had no effect on Aareon's accounting practices. These amendments include:

- Amendments to IFRS 3 (Business combinations) – Definition of a business (determining whether an entity has acquired a business or a group of assets)
- Amendments to IFRS 9 – Interest rate benchmark reform (IBOR reform) – Phase 1
- Amendments to IAS 1 and IAS 8 – Definition of "material"

In addition, amendments were made to IFRS 16 (Leases) that provide lessees with an optional exemption from assessing whether a Covid-19-related rent concession is a lease modification. In accordance with the amendments, a lessee may refrain from assessing whether a rent concession granted in direct relation to the Covid-19 pandemic is a lease modification and instead treat it as if it were not such a modification. No circumstances arose within the Aareon Group that could have led to the application of this amendment.

A number of new accounting standards and interpretations were also published. However, these are not mandatory for reporting periods beginning on or after 31 December 2020 and were not adopted early by Aareon. The effects of these new rules on the current and future reporting periods as well as on foreseeable future transactions are not deemed to be material.

In the interests of harmonising offsetting rules, as of the year under review, deferred taxes are disclosed as net amounts by fiscal unit. This change affected the German fiscal unit. The figures for the previous year were restated accordingly. In a further change as of the year under review, plan assets for pension provisions are now disclosed. The figures for the previous year were restated accordingly (see Note 05.14).

03 Accounting principles

03.1 Intangible assets

As a rule, goodwill is tested for impairment in the fourth quarter of each year. Its value is measured on the basis of the present value of future cash flows (value in use), which is determined using medium-term planning figures. This entails using the projected cash flows from the three-year plan adopted by Aareon AG's Management Board and approved by its Supervisory Board. Thus, the revenue and expense items are planned individually over this three-year period. The values assigned to the main assumptions are based on internal and external factors as well as on past experience. The previous year's planning figures also play a central role. Revenue planning is based mainly on assumptions regarding new business as well as renewals of contracts and additional business with existing customers. These assumptions also represent the main sources of estimation uncertainty. Regular revenues from existing customers, such as fees from licensing and maintenance contracts, are not generally subject to any major estimation uncertainty. The cost of materials is planned on the basis of planned revenues. Personnel numbers and salary growth are the main factors determining the personnel budget. Other costs are generally projected on the basis of prior-year figures, taking into account known non-recurring effects. On the expenses side, estimation uncertainty arises as a result of unplanned price increases and unpredictable non-recurring effects. The more forward-looking the assumptions, the higher the estimation uncertainty. As a rule, cash flows after the four-year time horizon are measured taking the perpetual annuity into account. The present value of future cash flows is determined on the basis of a Group-wide risk-adjusted discount rate of 7.62% after tax. The discount rate is calculated as the sum of a risk-free base interest rate of –0.03% plus a company-specific risk loading of 7.50% multiplied by a beta factor of 1.02. In view of the uncertain nature of planning beyond three years, we take a cautious view of the market environment and assume a growth rate of 2%. The recoverable amounts exceed the carrying amounts. If there is a significant change in one of the main assumptions described above – such as an increase of 1% in the risk-adjusted discount rate, a reduction of 5% in the EBIT included in cash flow or a drop in the growth rate to 1% – no impairment is recognised, all else being equal. There was no need to recognise any impairment losses in the reporting period.

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

Useful lives of intangible assets

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

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

03.2 Property, plant and equipment

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

Useful lives of property, plant and equipment

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

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

03.3 Leases

In accordance with IFRS 16, Aareon recognises in the balance sheet all leases, 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. Aareon does not apply the regulations of IFRS 16 in cases where it is the lessee of intangible assets. Where contracts contain both non-lease and lease components, Aareon elects, in line with the practical expedient granted under IFRS 16.15, not to separate these components. The 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). No impairment was required here either in the reporting period.

03.4 Financial assets and financial liabilities

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

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

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

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

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

The risk of default inherent in trade receivables is considered to be low. The business environment – i.e. the property sector – is deemed to be fundamentally robust. This has been particularly apparent during the Covid-19 pandemic. What is more, the roughly 3,000-strong customer base is diversified and does not display any material cluster risk. Potential risks are countered by means of loss allowances, which are recognised using the simplified approach permissible under IFRS 9, i.e. on the basis of the lifetime expected credit losses. Depending on the customer's situation and the maturity structure, both collective and individual assessments may be made when determining loss allowances. We also refer to the risk report, which forms part of the management report, for information regarding the Group-wide system in place at Aareon to measure, limit and control risks as well as for information provided in accordance with IFRS 7 concerning the description and scope of the risks arising out of financial instruments.

Low-interest-bearing receivables are carried at their discounted amount, taking into account appropriate interest.

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

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

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.

In view of the massive market turbulence in the second half of March – triggered in particular by the Covid-19 pandemic – Aareon changed the bond portfolio mix it takes as a basis for determining the discount rate in accordance with IFRS. If Aareon had prepared its accounts using the previous mix, its pension provisions as at 31 December 2020 would have been 4–5% higher.

03.8 Income tax liabilities

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

03.9 Other provisions

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

03.10 Liabilities

Liabilities are recognised at their repayment or settlement amount. Liabilities from leases and purchase price liabilities are recognised at their present 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
— Consultancy contracts
— Maintenance, SaaS and hosting contracts

Revenue from licensing agreements for ERP business 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 the majority of cases, the right of use is granted for an indefinite period. Only in the case of Tobias AX is the right of use 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 toward the customer consists in granting the latter a right to use the above-mentioned 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), the licence fee has been determined and payment is probable. This means the customer has obtained control of the right of use granted to it. Payment is generally made after conclusion of the licence agreement or after successful implementation of the software; the deadline for payment can be up to 45 days.

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. Customers make advance payments for the services Aareon provides. 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.

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, Aareon's services include the provision of regular updates and support services for ongoing operation of the software. 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, the customers 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. Under hosting contracts, the customer takes control of the software, but commissions Aareon to provide the servers on which to run it. Revenues from maintenance, SaaS and hosting contracts are recognised pro rata temporis over the contractually agreed service provision period. The latter commences on the go-live date. The majority of customers pay their maintenance and hosting fees 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 provided.

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

In addition to country-specific ERP business for the property and energy supply industries, Aareon offers digital solutions – some of them internationally – 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.

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

04.1 Revenues

Revenues by business segment in € '000

	2020	2019
DACH	**163,893**	159,183
International Business	**94,162**	92,694
Total	**258,055**	**251,877**

Revenues by product group in € '000

	2020	2019
ERP products	**197,415**	200,948
Digital solutions and services	**60,640**	50,929
Total	**258,055**	**251,877**

Revenues by category in € '000

	2020	2019
Licensing revenues	**21,217**	21,853
Consulting revenues	**63,887**	68,222
Recurring revenues	**172,951**	161,802
Total	**258,055**	**251,877**

Revenues were higher year on year in both the **DACH** and **International Business** segments, up € 4,710k and € 1,468k respectively. The International Business segment accounted for 36.5% of consolidated revenues (previous year: 36.8%). **Licensing revenues** were on a par with the previous year despite growth in the SaaS business model (which entails **recurring revenues**). Consulting revenues declined due to the Covid-19 pandemic, also leading to lower **ERP product** revenues. In the case of **digital solutions and services,** Aareon was more than able to compensate for this reduction through greater penetration of the customer base with digital solutions and through the acquisition of CalCon.

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 € 1,435k were recognised for performance obligations from earlier periods.

04.2 Other income

Other income in € '000

	2020	2019
Measurement of purchase price liabilities	**1,863**	289
Non-cash income	**1,599**	1,708
Income from affiliated companies outside the Aareon Group	**369**	476
Research grants	**185**	371
Foreign-currency translation	**169**	171
Income from the reversal or reduction of individual impairment losses	**122**	73
Income from trade fairs and congresses	**34**	957
Other income	**409**	347
Total	**4,750**	**4,392**

The growth in income from the adjustment of purchase price liabilities is explained in Note 05.16. In the wake of the Covid-19 pandemic, trade fairs and congresses were cancelled, resulting in only minor revenues from this source in the year under review.

04.3 Cost of materials

Cost of materials in € '000

	2020	2019
Software and hardware costs	**3,855**	4,048
Cost of services purchased	**41,393**	39,750
Total	**45,248**	**43,798**

In 2020, the cost of materials was € 1,450k higher than in the previous year.

04.4 Staff costs / employees

Staff costs in € '000

	2020	2019
Salaries	**117,463**	105,327
Social security costs	**25,195**	23,248
of which: for post-employment benefits	**4,537**	4,269
Total	**142,658**	**128,575**

Staff costs increased by € 14,083k compared with the previous year, due chiefly to the integration of CalCon and the recruitment of further employees.

As at 31 December 2020, 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

	2020	2019
Employees	**1,605**	1,484
Executive managers	**94**	87
Total	**1,699**	**1,571**
of which: part-time employees	**344**	330

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

	2020	2019
Employees	**1,561**	1,460
Executive managers	**90**	83
Total	**1,651**	**1,543**
of which: part-time employees	**345**	338

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

	2020	2019
DACH	**949**	869
International	**702**	674
Total	**1,651**	**1,543**

04.5 Other expenses

Other expenses in € '000

	2020	2019
Legal and consultation expenses/ auditing costs	**9,284**	4,662
Occupancy expenses	**3,483**	2,944
Other staff costs and temporary staff	**2,632**	2,575
Software maintenance	**2,539**	1,986
Advertising/marketing/entertainment	**2,067**	3,816
Motor vehicle expenses	**1,907**	2,364
Travel expenses	**1,843**	5,144
Communication costs	**1,002**	867
Other taxes	**821**	600
Further training	**694**	890
Technology costs	**674**	583
Impairments of receivables	**638**	768
Contributions and bank fees	**550**	482
Insurance costs	**498**	492
Foreign currency translation	**322**	369
Office material	**194**	284
Compensation for Supervisory Board and Advisory Board	**121**	325
Measurement of purchase price liabilities	**0**	93
Sundry other expenses	**495**	162
Total	**29,766**	**29,406**

Other expenses were on a par with the prior year. Due to the Covid-19 pandemic, the decrease in travel and advertising expenses was particularly strong. There was a pronounced increase in consultation expenses as a result of Aareon's M&A activities and the launch of the Value Creation Program. All impairment losses stem from contracts with customers.

04.6 Net financial income / expense

Net financial income / expense in € '000

	2020	2019
Financial income	**116**	35
of which: with affiliated companies	**–63**	–86
Financial expenses	**1,339**	1,459
of which: with affiliated companies	**60**	60
Total	**–1,223**	**–1,424**

Financial expenses included interest cost of € 1,212k for lease liabilities. Financial income contains negative interest on balances held with Aareal Bank.

04.7 Income taxes

Income taxes in € '000

	2020	2019
German income taxes	**4,450**	7,926
Foreign income taxes	**3,563**	3,749
Actual tax expense	**8,013**	**11,675**
Deferred tax expense / income	**1,422**	–405
Total	**9,435**	**11,270**

The following table shows the reconciliation statement for the differences between income taxes based on the net income before taxes and the actual income tax reported. In order to calculate the expected tax expense, the Group tax rate of 31.7% valid in 2020 (previous year: 31.7%) was multiplied by earnings before taxes.

Reconciliation of tax expenses in € '000

	2020	2019
Earnings before income taxes	**27,293**	**37,170**
Trade tax	**4,094**	5,575
Corporation tax	**4,333**	5,901
Solidarity surcharge	**225**	307
Expected tax expense	**8,652**	**11,783**
Reconciliation:		
Non-deductible expenses	**640**	563
Tax-free income	**–292**	**–995**
Taxes for prior years	**133**	–170
Differences in tax rates of international subsidiaries	**–175**	–99
Other differences	**477**	188
Tax expense reported	**9,435**	**11,270**

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. 2019	Additions	Exchange-rate effects	31 Dec. 2020
DACH	35,125	13,174	0	**48,299**
International Business	49,708	0	163	**49,871**
Total	**84,833**	**13,174**	**163**	**98,170**

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

Carrying amounts in € ’000

	31 Dec. 2020	31. Dec. 2019
ERP solutions	**28,614**	**21,115**
Aareon Wodis Sigma / Wodis Yuneo	**7,806**	3,272
Aareon QL	**5,693**	5,283
Aareon Tobias / Aareon REMS	**5,518**	4,756
Aareon Incit Xpand	**4,568**	3,618
Aareon PortalImmo / Aareon Prem'Habitat	**3,329**	2,763
Aareon RELion	**1,700**	1,422
Digital solutions	**9,485**	**9,279**
Aareon CRM	**3,134**	3,667
Aareon Smart Platform	**1,608**	1,662
Aareon Trace & Treasury	**855**	904
Aareon WRM	**843**	251
Aareon SRM	**720**	705
Aareon BRM	**665**	889
New products (including Aareon Smart Partner, predictive maintenance)	**579**	0
Aareon Vacancy Management	**514**	588
Miscellaneous	**567**	613
Total	**38,099**	**30,394**

The increase in carrying amounts is attributable mainly to development of the new product generation Wodis Yuneo in the DACH segment. Internally generated software in the amount of € 28,751k was completed in the reporting period, while internally generated software worth € 9,348k was still under development. Research and development costs for the update and maintenance of existing functions, and to create new functions and products totalled € 41,913k in the year under review. Internally generated assets amounted to € 8,177k. Externally sourced services in the amount of € 4,672k were also capitalised.

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

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

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

	2020	2019
Carrying amounts		
Real estate (rental of office space, parking spots)	**50,608**	51,095
Operating and business equipment (vehicle fleet, servers, etc.)	**4,567**	5,043
Depreciation		
Real estate (rental of office space, parking spots)	**5,707**	4,983
Operating and business equipment (vehicle fleet, servers, etc.)	**3,102**	3,069

Interest expense from lease liabilities came to € 1,212k. Total cash outflows for leases in the period under review amounted to € 9,866k as at the reporting date.

Leases recognised in profit or loss in € ’000

	2020	2019
Current leases	**492**	462
Low-value leases	**193**	138
Variable leases	**0**	0

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

The following table shows the maturities of the lease liabilities.

Lease liabilities in € ’000

	2021	2022–2025	After 2025
Maturities of lease liabilities	8,038	22,698	31,715
Total	**8,038**	**22,698**	**31,715**

Aareon acts as lessor when renting out real estate. The company has one material rental agreement in place, which is classified as a finance lease. In the reporting period, the financial income from the net investment in the rental agreement came to € 30k. Variable rents on office and business equipment in the amount of € 189k were not included in the measurement of finance leases where Aareon is the lessor. The minimum lease payments amount to € 471k in each of the next four years and to € 235k for the remaining lease period in the fifth year.

05.3 Financial assets

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

Financial assets in € '000

	Interest held (%) 31 Dec. 2020	31 Dec. 2020	31 Dec. 2019
Time deposits		**4,210**	4,210
Guarantee for a lawsuit		**1,100**	1,100
Rent deposits		**1,210**	1,004
Loans to associates		**3,809**	0
Other		**3**	73
Other loans (recognised through profit or loss)		**10,332**	**6,387**
OFI Group GmbH	35.84	**307**	776
Refurbio GmbH	18.40	**0**	0
Ecaria GmbH	19.99	**0**	0
Investments in associates (equity-accounted)		**307**	**776**
blackprint Booster Fonds GmbH & Co. KG	12.49	**250**	250
blackprint Booster Fonds International GmbH & Co. KG	49.88	**420**	420
Investments – debt instruments (recognised through profit or loss)		**670**	**670**
OSRE B.V.	18.70	**1,403**	1,403
Immomio GmbH	14.54	**1,295**	1,295
MPC Best Select Company Plan GmbH & Co. KG	<20.00	**169**	187
Investments – equity instruments (recognised through other comprehensive income)		**2,867**	**2,885**
Financial assets		**14,176**	**10,718**

The time deposits relate to the guarantee issued to cover existing and future obligations in connection with membership in two supplementary pension funds.

Consolidated statement of changes in non-current assets 2020

as at 31 December 2020

€ '000	Historical cost						
	1 Jan. 2020	Currency translation differences	Changes in scope of consolidation	Additions	Disposals	Reclassi-fications	31 Dec. 2020
I. Intangible assets							
1. Goodwill	118,459	90	13,174	0	0	0	**131,723**
2. Acquired intangible assets	51,894	–697	6,389	2,449	70	0	**59,965**
3. Internally generated intangible assets	64,083	–259	0	12,849	222	0	**76,451**
4. Customer relations	21,498	158	5,933	0	0	0	**27,589**
5. Brands	2,702	35	1,013	0	0	0	**3,750**
6. Prepayments made	0	0	0	0	0	0	**0**
	258,636	**–673**	**26,509**	**15,298**	**292**	**0**	**299,478**
II. Property, plant and equipment							
1. Land, leasehold rights and buildings	8,693	–9	0	989	97	33	**9,609**
2. Plant and machinery	8,041	0	0	0	0	–79	**7,962**
3. Other equipment, and office furniture/equipment	16,658	–48	177	3,131	1,880	79	**18,117**
4. Prepayments made	32	0	0	40	0	–33	**39**
	33,424	**–57**	**177**	**4,160**	**1,977**	**0**	**35,727**
III. Right-of-use assets							
1. Rights of use to land, leaseholds and buildings	56,057	–54	3,836	2,061	1,085	0	**60,815**
2. Rights of use to other equipment, and office furniture/equipment	8,094	–4	0	2,762	2,210	0	**8,642**
	64,151	**–58**	**3,836**	**4,823**	**3,295**	**0**	**69,457**
IV. Financial assets							
1. Investments in associates	776	0	0	5	473	0	**308**
2. Other investments	3,566	0	0	0	18	0	**3,548**
3. Other loans	6,868	0	126	3,818	0	0	**10,812**
	11,210	**0**	**126**	**3,823**	**491**	**0**	**14,668**
	367,421	**–788**	**30,648**	**28,104**	**6,055**	**0**	**419,330**

Accumulated depreciation and amortisation						Carrying amounts	
1 Jan. 2020	Currency translation differences	Additions	Disposals	Reclassi-fications	31 Dec. 2020	31 Dec. 2020	31 Dec. 2019
33,626	–73	0	0	0	**33,553**	**98,170**	84,833
43,055	–261	4,713	42	0	**47,465**	**12,500**	8,839
33,689	–107	4,944	174	0	**38,352**	**38,099**	30,394
4,591	60	1,348	0	0	**5,999**	**21,590**	16,907
499	13	161	0	0	**673**	**3,077**	2,203
0	0	0	0	0	**0**	**0**	0
115,460	**–368**	**11,166**	**216**	**0**	**126,042**	**173,436**	**143,176**
3,893	–5	456	66	0	**4,278**	**5,331**	4,800
7,361	0	230	0	–17	**7,574**	**388**	680
7,068	–43	4,017	1,809	17	**9,250**	**8,867**	9,590
0	0	0	0	0	**0**	**39**	32
18,322	**–48**	**4,703**	**1,875**	**0**	**21,102**	**14,625**	**15,102**
4,961	–5	5,707	456	0	**10,207**	**50,608**	51,096
3,051	–2	3,102	2,076	0	**4,075**	**4,567**	5,043
8,012	**–7**	**8,809**	**2,532**	**0**	**14,282**	**55,175**	**56,139**
0	0	0	0	0	**0**	**308**	776
11	0	0	0	0	**11**	**3,537**	3,555
481	0	0	0	0	**481**	**10,331**	6,387
492	**0**	**0**	**0**	**0**	**492**	**14,176**	**10,718**
142,286	**–423**	**24,678**	**4,623**	**0**	**161,918**	**257,412**	**225,135**

05.4 Information on associates

The following table provides financial figures on the associate OFI Group GmbH and on the associates Refurbio GmbH and Ecaria GmbH, which were established in 2020:

Associates in fiscal 2020, in € '000	**OFI Group GmbH 35.84%**	**Refurbio GmbH 18.40%**	**Ecaria GmbH 19.99%**
Non-current assets	188	27	45
Receivables and other assets	34	12	9
Cash and cash equivalents	1,800	296	338
Liabilities	2,931	471	488
Net assets/equity	**-909**	**-136**	**-96**
Capital contributions by Aareon	993	2	2
Aareon's share in net profit for the year (cumulative)	-686	-2	-2
Carrying amount of investment in Aareon's consolidated financial statements (equity-accounted)	**307**	**0**	**0**
Income	190	25	45
Operating expenses	1,390	167	149
Net financial income/expense	-106	-6	-4
Net profit/loss for the year	**-1,306**	**-148**	**-108**
Aareon's share in net profit/loss for the year	**-468**	**-2**	**-2**

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

05.5 Shareholdings

Name and registered office of company

	Interest held %
Aareon AG, Mainz	
Consolidated subsidiaries – DACH segment:	
Aareon Deutschland GmbH, Mainz, Germany	100
Aareon Planungs- und Bestandsentwicklungs GmbH, Mainz, Germany	100
Aareon RELion GmbH, Augsburg, Germany	100
AV Management GmbH, Mainz, Germany	100
BauSecura Versicherungsmakler GmbH, Hamburg, Germany	51
CalCon Austria GmbH, Vienna, Austria	100
CalCon Deutschland GmbH, Munich, Germany	100
CalCROM S.R.L., Iasi, Romania	83.33
phi-Consulting GmbH, Bochum, Germany	100
Consolidated subsidiaries – International Business segment:	
Aareon Finland OY, Helsinki, Finland	100
Aareon France SAS, Meudon-la-Forêt, France	100
Aareon Nederland B.V., Emmen, Netherlands	100
Aareon Norge AS, Oslo, Norway	100
Aareon Sverige AB, Mölndal, Sweden	100
Aareon UK Ltd., Kenilworth, United Kingdom	100
FIRE B.V., Utrecht, Netherlands	60
Associates:	
Ecaria GmbH, Berlin, Germany	19.99
OFI Group GmbH, Frankfurt am Main, Germany	35.84
Refurbio GmbH, Berlin, Germany	18.40

05.6 Deferred taxes

Deferred taxes in € '000

	31 Dec. 2020	31 Dec. 2019*
Pension provisions	**6,417**	5,542
Leases (right-of-use assets less lease liabilities)	**1,502**	1,538
Other provisions	**652**	944
Loss carryforwards	**538**	580
Miscellaneous	**0**	315
Total deferred income tax assets before netting	**9,109**	**8,913**
Non-current assets	**-3,829**	-2,306
Miscellaneous	**-78**	0
Total deferred income tax assets after netting	**5,202**	**6,613**
Intangible assets	**10,453**	7,613
Miscellaneous	**45**	78
Total deferred income tax liabilities	**10,498**	**7,691**

* Prior-year figure restated

The decrease in deferred tax assets is attributable to offsetting within the German fiscal unit of Aareon AG. Unused tax loss carryforwards for which no deferred tax assets were recognised amounted to € 4,377k in Germany.

05.7 Contract assets and receivables due from customers

Contract assets and receivables due from customers in € '000

	31 Dec. 2020	31 Dec. 2019
Contract assets	**18,942**	25,015
Trade receivables	**34,383**	31,870
Receivables from affiliated companies	**1,080**	3,072
Receivables from associates	**0**	179
Impairment losses on contract assets and receivables from customers	**-2,493**	-2,111
Total	**51,912**	**58,025**

The portion of project performance obligations not yet satisfied amounts to € 7,130k, of which € 7,083k is likely to be realised in 2021 and € 47k in 2022 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.

There are no restrictions on ownership or disposal of the disclosed receivables. Impairment losses were recognised for the risk of default. Trade receivables were impaired as follows:

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

	2020	2019
Impaired contract assets and receivables from customers	**7,556**	8,235
Impairments as of 1 January	**2,111**	**1,702**
Changes in scope of consolidation	**14**	0
Additions	**656**	929
Reversals	**161**	186
Utilisation	**104**	348
Exchange-rate effects	**–23**	14
Total as of 31 December	**2,493**	**2,111**

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

05.8 Other assets

Other assets in € '000

	31 Dec. 2020	31 Dec. 2019
Other current financial assets	**1,679**	1,279
Other current non-financial assets	**5,813**	5,072
Total	**7,492**	**6,351**

Other current non-financial assets mainly comprise deferred advance payments of € 5,481k 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. 2020	31 Dec. 2019
Cash in hand	**15**	15
Balances held with banks	**50,370**	51,903
of which: with affiliated companies	**34,294**	35,283
Funds with maturities of up to three months	**50,385**	**51,918**

There were no loan liabilities as of 31 December 2020.

05.10 Subscribed capital

The subscribed capital of Aareon AG is fully paid up and, as at 31 December 2020, was as follows:

Number and class of shares in € '000

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

Each share has a theoretical par value of € 1.

05.11 Share premium

The share premium was unchanged compared with the previous year.

05.12 Accumulated Group earnings and profits

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

05.13 Non-controlling interests

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

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. 2020	36,164	-266	35,898
2. Net expense for the period			
a) Service cost	416	0	416
b) Interest cost	331	-3	328
3. Payments			
a) Pension benefits paid	-1,580	0	-1,580
b) Employer contributions	0	-17	-17
4. Remeasurement			
a) Due to experienced-based adjustments	780	0	780
b) Due to changes in financial assumptions	1,887	0	1,887
c) Difference between actual return and return calculated using the discount rate (plan assets)	0	1	1
Balance as at 31 Dec. 2020	**37,998**	**-285**	**37,713**

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. 2019	34,192	-248	33,944
2. Net expense for the period			
a) Service cost	350	0	350
b) Interest cost	563	-4	559
3. Payments			
a) Pension benefits paid	-1,584	0	-1,584
b) Employer contributions	0	-14	-14
4. Remeasurement			
a) Due to experienced-based adjustments	-536	0	-536
b) Due to changes in financial assumptions	3,179	0	3,179
c) Difference between actual return and return calculated using the discount rate (plan assets)	0	0	0
Balance as at 31 Dec. 2019	**36,164**	**-266**	**35,898**

The plan assets consist solely of reinsurance policies.

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

Assumptions in %

	31 Dec. 2020	31 Dec. 2019
Interest rate	**0.61**	0.93
Expected inflation rate	**1.75**	1.75
Income trend	**2.00**	2.00
Pension trend	**1.75**	1.75
Fluctuation rate	**3.00**	3.00

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

Changes in these assumptions would have the following consequences:

Sensitivity analysis 2020

	Sensitivity	Obligation adjusted due to sensitivities, in € '000
Interest rate (0.61%)	1.00%	33,096
Interest rate (0.61%)	–1.00%	44,164
Pension trend (1.75%)	0.25%	39,145
Pension trend (1.75%)	–0.25%	36,870
Income trend (2.00%)	0.50%	39,290
Income trend (2.00%)	–0.50%	36,782
Life expectancy (Heubeck 2018 G)	+1 year	40,636
Life expectancy (Heubeck 2018 G)	–1 year	35,376

Sensitivity analysis 2019

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

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

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

Plan participants by category

	31 Dec. 2020
Active employees	282
Former employees with vested benefits	28
Pensioners	141
Total	**451**

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

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

2021	1,568
2022	1,562
2023	1,562
2024	1,550
2025	1,551
2026–2030	8,027

Service and interest costs are recognised under staff costs. The expense recognised for defined contribution pension plans amounted to € 9,487k. 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. 2020	Change in scope of consolidation	Additions	Reclassifications	Utilisation	Reversals	Balance as at 31 Dec. 2020
Variable salary components	11,517	0	10,591	0	9,624	247	12,237
(previous year)	(10,569)	(0)	(9,604)	(0)	(8,508)	(148)	(11,517)
Other provisions	3,283	409	1,549	0	1,091	28	4,122
(previous year)	(4,034)	(0)	(1,364)	(0)	(1,866)	(249)	(3,283)
Total	**14,800**	**409**	**12,140**	**0**	**10,715**	**275**	**16,359**
(previous year)	**(14,603)**	**(0)**	**(10,968)**	**(0)**	**(10,374)**	**(397)**	**(14,800)**

Development in 2020 (prior-year figures in parentheses)

Aareon AG makes payments to the members of its Management Board that qualify as cash-settled **share-based payments** within the meaning of IFRS 2. The obligations arising out of these share-based payments are recognised as staff costs and via corresponding provisions. Claims to the phantom stocks of Aareal Bank are paid in cash. The payments are distributed over three or 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 payment (SAR) amounted to € 551k. At the end of the period under review, 14,970 shares were outstanding at an average price per share of € 28.36 (previous year: 12,494 shares; € 33.14). Of these outstanding shares, 9,207 (previous year: 8,282) were exercisable and 8,503 (previous year: 5,674) were granted. The exercise prices of the outstanding shares range between € 25.42 and € 39.10.

Other provisions are also recognised in accordance with IAS 37 for all identifiable risks and uncertain obligations in the amount of their probable occurrence. The interest cost for non-current provisions amounted to € 42k in the reporting period.

Other provisions by maturity:

Other provisions in € '000

	01 Jan. 2020	31 Dec. 2020	01 Jan. 2020	31 Dec. 2020
	< 1 year		> 1 year	
Variable salary components (previous year)	10,971 (10,085)	11,689 (10,971)	546 (484)	548 (546)
Other provisions (previous year)	2,417 (3,107)	3,219 (2,417)	866 (927)	903 (866)
Total (previous year)	**13,388 (13,192)**	**14,908 (13,388)**	**1,412 (1,411)**	**1,451 (1,412)**

05.16 Purchase price liabilities

Purchase price liabilities in € '000

	31 Dec. 2020	31 Dec. 2019
Non-current purchase price liabilities	**1,975**	**0**
CalCon companies	**1,975**	0
Current purchase price liabilities	**276**	**1,961**
Aareon RELion	**0**	1,961
CalCon companies	**276**	0
Total	**2,251**	**1,961**

Purchase price liabilities developed as follows:

Purchase price liabilities in € '000

	01 Jan. 2020	Additions	Adjustment	Payment	Miscellaneous	31 Dec. 2020
Non-current purchase price liabilities						
CalCon companies	0	1,975	0	0	0	1,975
Current purchase price liabilities						
Aareon RELion	1,961	0	-139	-1,822	0	0
CalCon companies	0	2,781	-1,724	-792	11	276
Total	**1,961**	**4,756**	**-1,863**	**-2,614**	**11**	**2,251**

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 2020, contract liabilities amounted to € 14,721k, of which € 13,872k was recognised though profit or loss in the year under review.

05.19 Other liabilities

Other liabilities in € '000

	31 Dec. 2020	31 Dec. 2019
Current other financial liabilities		
Paid-leave liabilities	**3,537**	3,152
Miscellaneous other financial liabilities	**4,901**	4,152
	8,438	**7,304**
Current other non-financial liabilities		
Tax liabilities	**9,323**	8,070
Miscellaneous other non-financial liabilities	**558**	499
	9,881	**8,569**
Total	**18,319**	**15,873**

The 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

	2021	2022–2025	After 2025
Obligations from the acquisition of Arthur Online Ltd. and the associated capital increase	20,636	0	0
Purchase commitments	14,477	5,286	0
Future leases	101	410	0
Total	**35,214**	**5,696**	**0**

06.2 Related-party transactions

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

These primarily relate to service provision and comprise the following:

— Collaboration with Aareal Bank with regard to the fully automated and integrated accounting and payment services for property companies in Germany as implemented in the software systems Wodis Sigma, SAP® solutions/Blue Eagle and GES
— Provision of data centre services and related implementation services
— Purchase of IT equipment such as mobile phones and workstations
— Reimbursement of expenses incurred by Aareon to provide personnel and engage external consultants during the sale of a non-controlling interest in Aareon AG by its parent company, Aareal Bank AG.

In the reporting period, the business transactions with Aareal Bank and its subsidiaries (excluding those belonging to the Aareon Group) comprised revenues and other income in the amount of € 19,362k as well as cost of materials and other expenses in the amount of € 463k. The € 625k reimbursed for expenses incurred during the sale process conducted by Aareal Bank was deducted from the corresponding expenses. As at the reporting date, Aareon had outstanding receivables of € 1,084k and liabilities of € 182k in relation to Aareal Bank and its subsidiaries (excluding those belonging to the Aareon Group).

Loans totalling € 3,809k were made to equity-accounted companies to assist them in establishing and expanding their business.

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.

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

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

The total compensation paid to members of the Management Board amounted to € 2,697k, and included contributions to defined contribution plans in the amount of € 89k. The total expenses for share-based payments amounted to € 94k. All compensation is current, except for share-based payments in the amount of € 90k.

06.3 Auditors' fees

In the reporting period, € 543k was recognised for auditing of the financial statements, € 2k for tax consultancy services and € 59k for other services.

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

Aareon Deutschland GmbH, Mainz, phi-Consulting GmbH, Bochum, and Aareon RELion GmbH, Augsburg, 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.

06.5 Events after the reporting date

On 23 December 2020, Aareon AG signed a contract to purchase a 100% stake in Arthur Online Ltd., London. The acquisition took effect on 29 January 2021 (see Note 02.4).

07 Corporate bodies

07.1 Supervisory Board

Thomas Ortmanns, Chairman
Member of the Management Board
Aareal Bank AG, Wiesbaden

Hermann J. Merkens, Deputy Chairman
Chairman of the Management Board
Aareal Bank AG, Wiesbaden

Lutz Freitag (until 16 March 2020)
Consultant
Hamburg

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

Jeffrey Paduch (since 3 Nov. 2020)
Managing Partner
Advent International Corporation, Boston, MA, USA

The compensation paid to members of the Supervisory Board in the reporting year amounted to € 10k.

07.2 Management Board

Dr. Manfred Alflen
Chairman of the Management Board
Strategy; Human Resources & Organisation; Legal, Risk Management & Compliance; Data Protection & Data Security; Corporate Marketing & Communications; Board Office; Audit; Business Development; Transaction Corporate Development

Dr. Imad Abdallah
Member of the Management Board
Digital Solutions; Aareon Ventures; Group Enterprise Architecture; Digital Platform & Innovations Lab; Digital Product Strategy

Sabine Fischer
Member of the Management Board
Markets & Countries; Customer Satisfaction; Sales & Consulting; Development of Market Segments; BauSecura

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; Accounting; Contract & Receivables Management; Controlling; Procurement; Facility Management & Fleet Management

Mainz, 5 March 2021

The Management Board

Dr. Manfred Alflen

Dr. Imad Abdallah

Sabine Fischer

Dr. André Rasquin

Christian M. Schmahl

Independent Auditor's Report

To Aareon AG, Mainz

Audit Opinions

We have audited the consolidated financial statements of Aareon AG, Mainz, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Aareon AG for the financial year from 1 January to 31 December 2020.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the Audit Opinions

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

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

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

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

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

uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

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

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

Frankfurt am Main, 8 March 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christian F. Rabeling	ppa. Thomas Körner
German Public Accountant	German Public Accountant