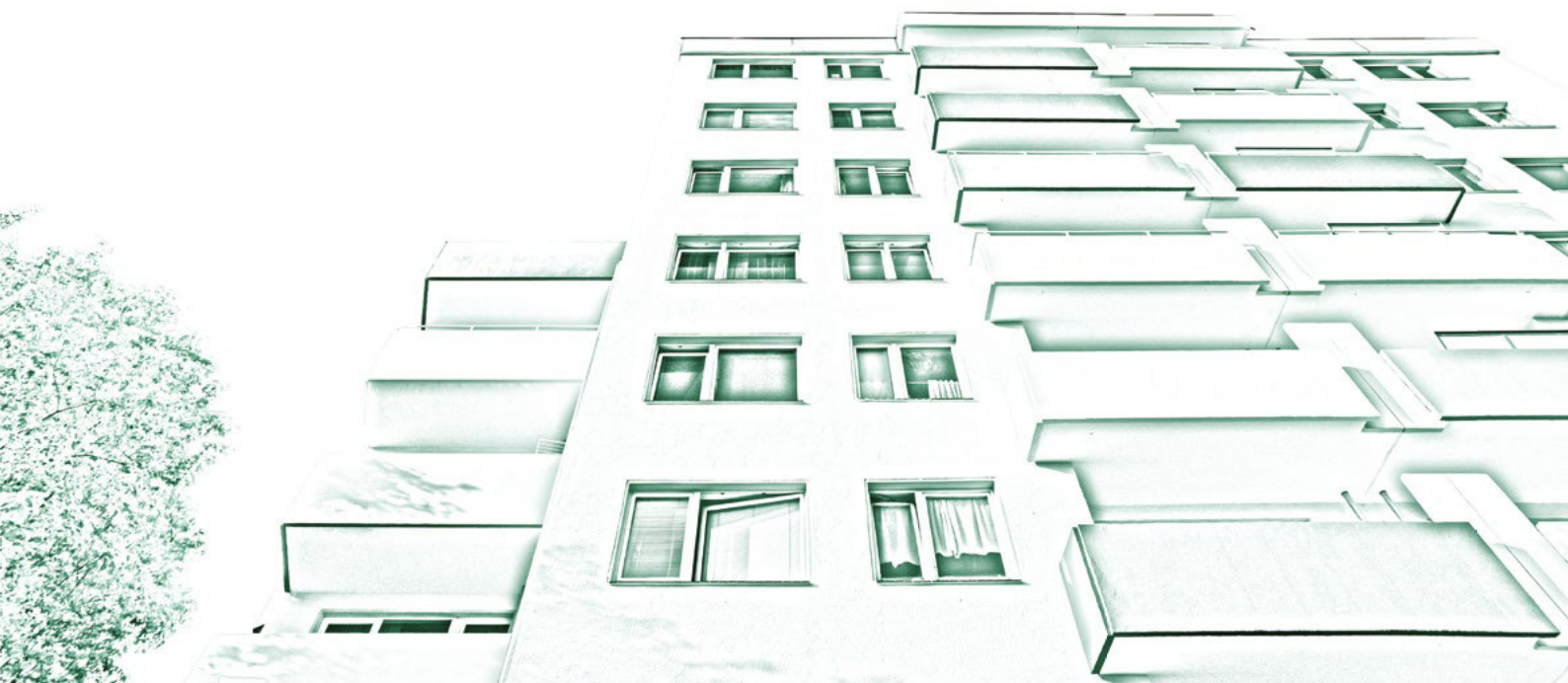




NORATIS

**Financial Report
First Half-Year 2022**



Group Key Figures (IFRS)

	2021	H1 2021	H1 2022
Revenue (EUR million)	73.6	59.8	68.1
EBIT (EUR million)	19.4	13.3	11.9
EBT (EUR million)	13.4	10.2	11.2
Consolidated net income (EUR million)	9.5	7.3	8.0
Earnings per share (basic, EUR) *	1.97	1.52	1.65
Total assets (EUR million)	446.6	376.2	443.7
Units sold	299	289	268
Units acquired	1,145	543	286
Units	4,212	3,620	4,230
Rental space of the property portfolio (rounded)	279,000	244,000	280,000

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Dear shareholders,

The first half of 2022 was characterised by a number of unexpected developments that affected more than just Noratis AG. We found ourselves facing societal challenges the likes of which we have not seen in Europe for a long time – and which we believed to be a thing of the past. The ramifications of the war in Ukraine are global, but they are being felt in Europe in particular. The turnaround in interest rate policy, the sharp upturn in inflation, rising construction costs and, in particular, the energy crisis are some of the other notable developments. The war has also exacerbated the existing supply chain issues. Taken together, these factors have been impacting economic performance ever since the start of the year.

In spite of this difficult market environment, Noratis AG performed well and developed successfully. Our focus on affordable existing properties again proved its worth. Earnings before interest and taxes (EBIT) amounted to EUR 11.9 million in the first half of 2022, down slightly on the prior-year figure of EUR 13.3 million. While 289 units were sold in the same period of the previous year, sales in the first half of 2022 amounted to 268 units. Due to the shorter holding period in particular, the profitability of the properties sold in the reporting period was lower than in the previous year.

At EUR 11.2 million, earnings before taxes (EBT) exceeded the prior-year figure of EUR 10.2 million. Accordingly, consolidated net income climbed to EUR 8.0 million in the first half of 2022 after EUR 7.3 million in the same period of the previous year.

Rental income also developed extremely well in the period under review, rising to EUR 14.0 million after EUR 10.2 million in

the first half of 2021. This substantial increase also reflects the continued growth in our property portfolio, which comprised 4,230 units at the end of the reporting period compared with 3,620 units one year previously. In addition, vacant units were let on a targeted basis and existing rents were adjusted as a result of our intensive building development measures.

Noratis AG acquired 286 units in the first half of 2022 compared with 543 units in the same period of the previous year. As they largely involve portfolio acquisitions, purchases in the first half of the year are traditionally subject to more pronounced fluctuations. In the first half of 2022, we also saw that many sellers were not yet ready to reflect the changed market conditions in their asking prices, resulting in a lower overall transaction volume. We have observed a similar reaction to changing market conditions in the past. The market tends to regulate itself in due course, and we expect to benefit from good acquisition opportunities when this happens.



Igor Christian Bugarski
CEO

André Speth
CFO

We see the medium-term to long-term development of the market as an opportunity to continue expanding our portfolio as planned by acquiring attractive existing properties. We also believe that the growing importance of environmental, social and governance factors (ESG) represents an opportunity. Accordingly, we are analysing the potential for energy optimisation and modernisation at all of our properties. We expect the energy performance of properties to play a bigger role when it comes to valuation and letting in future. In addition to a positive environmental footprint, lower energy consumption means lower incidental costs for tenants. This is an important aspect at a time when energy shortages and rising prices are forecast for the coming autumn and winter. With this in mind, we have adopted a target of making our portfolio climate-neutral by 2045.

The conditions in which we operate will undoubtedly remain challenging in the second half of 2022. However, we are confident that our business focus and our strong performance in the first half of 2022 will help us to achieve our full-year targets. As previously, our aim is to continue to expand our property portfolio and generate significantly higher EBIT and EBT than in 2021.

We would like to take this opportunity to again highlight the exemplary dedication of our team and to thank each and every one of them. Our thanks also go to our business partners for their cooperation in a spirit of mutual trust. Finally, we would like to thank you, our shareholders, for the confidence you have placed in us. As before, we are doing everything in our power to ensure the successful development of Noratis AG. We hope you will continue to give us your support.

Kind regards,

Igor Christian Bugarski

André Speth

Noratis AG – the company

Noratis AG is a leading portfolio
developer for residential properties
in Germany

Noratis AG is a housing company specialising in the development of existing properties in Germany. It purchases ageing properties, especially those with commercial and technical development potential in promising secondary locations or on the outskirts of conurbations. At the acquisition stage already, Noratis AG analyses the location and property-specific features in order to gauge the development potential and necessary investments. As part of its sustainability strategy, it also examines how the property can be developed further from an ESG perspective.

The property portfolio is managed intensively, with Noratis AG taking the interests of all stakeholders – investors/shareholders, buyers/sellers, service providers, tenants and employees – into account. Noratis's goal is not only to maintain attractive and affordable housing, but also to create it. It primarily renovates vacant apartments so that they can be offered for rent again. Existing tenants can stay in their apartments, but may also move into one of the newly renovated apartments if they are interested. In this way, Noratis AG generates steady, predictable rental income with its portfolios during the development phase, too.

Developed properties then either remain in the company's own portfolio, allowing it to profit from the higher rental income resulting from the development, or are sold at a profit in block trades or individual sales. With this approach, Noratis AG brings together the best of both worlds: the advantages of a portfolio holder with consistent, reliable rental income, combined with the above-average yield potential of a project developer.

Through its careful and sustainable upgrading of ageing properties and its respectful, trust-based interaction with all the contractual parties involved, Noratis AG has established itself as a preferred partner among the various stakeholder groups – investors/shareholders, buyers/sellers, service providers, tenants and employees – throughout Germany.

The strategy

With its niche positioning as a portfolio developer of residential properties at B and C locations throughout Germany, Noratis AG has been on a profitable growth trajectory for years. It intends to keep taking advantage of the opportunities that arise in the coming years for itself and its continued expansion. Its goal is to generate sustainable profitability from its property portfolio. By selling developed properties, Noratis AG reaps the rewards of its active asset management and generates additional earnings contributions. The returning funds are also available again for further property acquisitions.

In addition, the anchor shareholder Merz Real Estate has committed to providing equity of up to EUR 50 million by the end of 2024 for planned further growth. Around EUR 14 million of this had been invested by the end of the first half of 2022. This financial framework gives Noratis AG planning reliability for portfolio development, and especially when it comes to acquisitions: A very large number of properties are offered to the Eschborn-based portfolio developer each year through the network that it has developed over the years, and then undergo thorough due diligence.

Noratis AG's strategy is characterised by the fact that it prefers to make small-scale acquisitions ranging from 20 to around 500 residential units. Another advantage for the company is that there is comparatively less competition in this segment. Private investors are less active here, as the investments are often too high for them and they do not have sufficient technical expertise for the development process, while for institutional investors the estimated amounts often do not meet their minimum investment levels. With its niche positioning, Noratis can make acquisitions at better than average conditions in this segment.

The business model

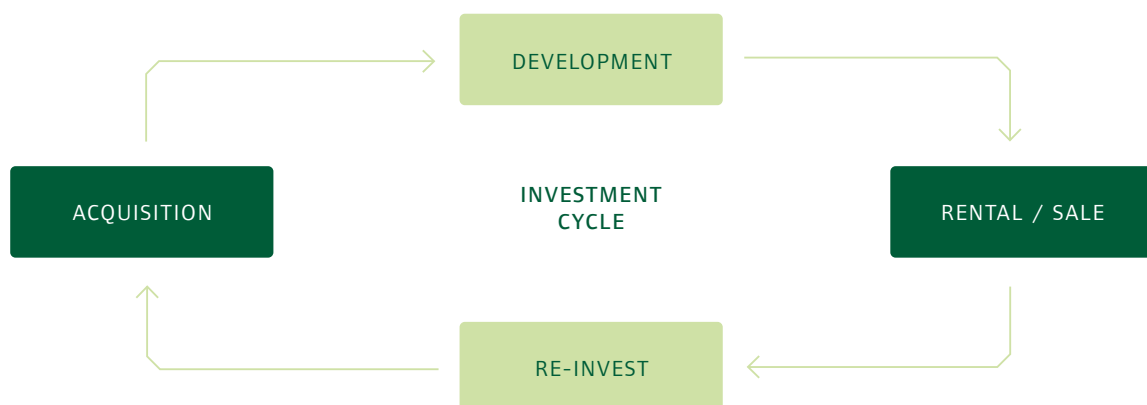
As a portfolio developer, Noratis AG focuses on maintaining and creating attractive yet affordable housing in Germany. Noratis invests in ageing existing properties, mostly in secondary locations, for which commercial and/or technical expertise is required for modernisation. Developed properties are either kept in the company's own portfolio in order to profit from the rent potential resulting from the development, or they are sold in portfolio transactions or individual sales, thereby realising the added value generated from asset management.

Due to the large number of property projects already successfully completed, Noratis AG can calculate necessary follow-up investments at the acquisition stage already and estimate a property's potential based on experience. Sustainability plays an increasingly important role for existing properties in particular, which is why Noratis AG has firmly established environmental, social and governance (ESG) topics in the company's strategy. Due to its focus on portfolio development, the business model is geared towards sustainability by its very nature. In addition, ESG criteria are set on acquisition already and for the portfolio properties. These serve to take advantage of the opportunities arising from the increasingly important sustainability issues in the property sector.

Vacant apartments are modernised in such a way that they can be rented affordably by a wide range of tenant groups, such as families, singles, couples and pensioners. There are no luxury renovations; instead, the aim is to offer the most attractive apartments in terms of price and housing quality at the respective location. Noratis AG wants its tenants to be happy to live there. This ensures stable tenancies, high occupancy rates and also high recommendation rates when there is a change in tenants.

By purchasing portfolios with generally fewer than 500 apartments and focussing on secondary locations, the company specialises in a property segment that experience shows is subject to less fluctuation than other parts of the real estate sector. In the past, the transaction volume of smaller portfolios has been less volatile than that of the market as a whole. Similarly, transaction prices in secondary locations are also subject to less fluctuation than in the top locations.

Always taking account of the interests of all stakeholders – investors/shareholders, buyers/sellers, service providers, tenants and employees – is an integral part of the company's strategy. This active partnership-based approach makes Noratis AG a preferred business partner – on a sustainable and long-term basis.



Development of the property portfolio





In the first half of 2022, there were significant changes in the economic environment for the property market: The war in Ukraine, increased energy prices, high inflation at levels not seen for years and significantly higher interest rates all led to a decline in the transaction volume for residential properties in Germany. In this environment, Noratis AG continued to develop well, successfully expanding its property portfolio to 4,230 units as of the end of the first half of the year. A year before, the portfolio had consisted of 3,620 units, while compared to the portfolio size of 4,212 units as of the end of 2021 there was a slight increase.

Noratis AG sold a total of 268 residential units by way of block sales and privatisations, thus almost reaching the level for 2021 as a whole of 299 residential units. In the previous year, too, the majority of sales were attributable to the first half of the year. It was mainly properties in Münster that were sold, as well as in Braunschweig, Tönisvorst and Castrop-Rauxel.

A total of 286 units were acquired in the first half of 2022. The property portfolio was expanded mainly at locations in Bavaria close to Frankfurt, and there were also acquisitions in the area around Berlin and in the Rhine-Ruhr metropolitan region, among other locations.

Noratis AG thus remains on a growth trajectory. Over the next two quarters as well, opportunities arising on the market are to be used and attractive acquisitions are to be made. The focus here will be not only on expanding property holdings at the existing locations, but also developing new locations. Noratis AG's purchasing strategy remains focused on affordable housing in Germany.





Noratis on the capital market in the first half of 2022

Share price

The German stock market suffered substantial losses in the first half of 2022 and posted a historically weak performance. Significantly rising interest and inflation rates, supply chain problems and the war in Ukraine all had a negative impact on the stock market. The German benchmark index, the DAX, recorded a decline of 19.5% in the first half of the year, and there were even bigger decreases for small caps and in the property sector. The small-cap index SDAX saw a loss of around 27% in the reporting period. For the F.A.Z. Bau und Immobilien index, the decrease even came to around 34%, while for the FTSE/EPRA NAREIT Germany index, consisting of listed property companies, the price losses totalled approximately 36%.

In this market environment, Noratis AG's share price performance was initially robust and managed to escape the negative trend until well into June. However, after the Annual General Meeting held on 23 June 2022 and the payment of the divi-

dend of EUR 0.55 per share, there was also a more significant decrease in Noratis AG's share price, with the lowest price in the first half of the year recorded on the last day of the reporting period at EUR 15.50. The highest price was EUR 21.00 on 10 and 11 February 2022.

For the first half of the year, this results in a price loss of around 20.7%. Taking account of the dividend payment, the decrease comes to around 17.9%. Although the Noratis AG share thus performed considerably better than the market and particularly in comparison to listed real estate stocks, its share price performance is nonetheless disappointing from the company's perspective. The daily trading volume on all stock exchanges came to 3,631 shares in the first half of 2022, with 1,859 shares attributable to the electronic trading platform Xetra. This corresponds to around 50% of the trading volume.

Annual General Meeting

The Annual General Meeting for the 2021 financial year was held virtually again on 23 June 2022. Among other matters, the meeting resolved on the proposed increase in the dividend to EUR 0.55 per share. In addition, Joachim von Bredow was

elected as a new member of the Supervisory Board, taking over from Hendrik von Paepcke. All agenda items were adopted by more than 96.4% of the votes represented.

Research

Three research companies covered Noratis AG in the first half of 2022. In the latest publications, price targets between EUR

26.00 and EUR 30.20 were specified. The analysts issued a "Buy" recommendation for the Noratis share.

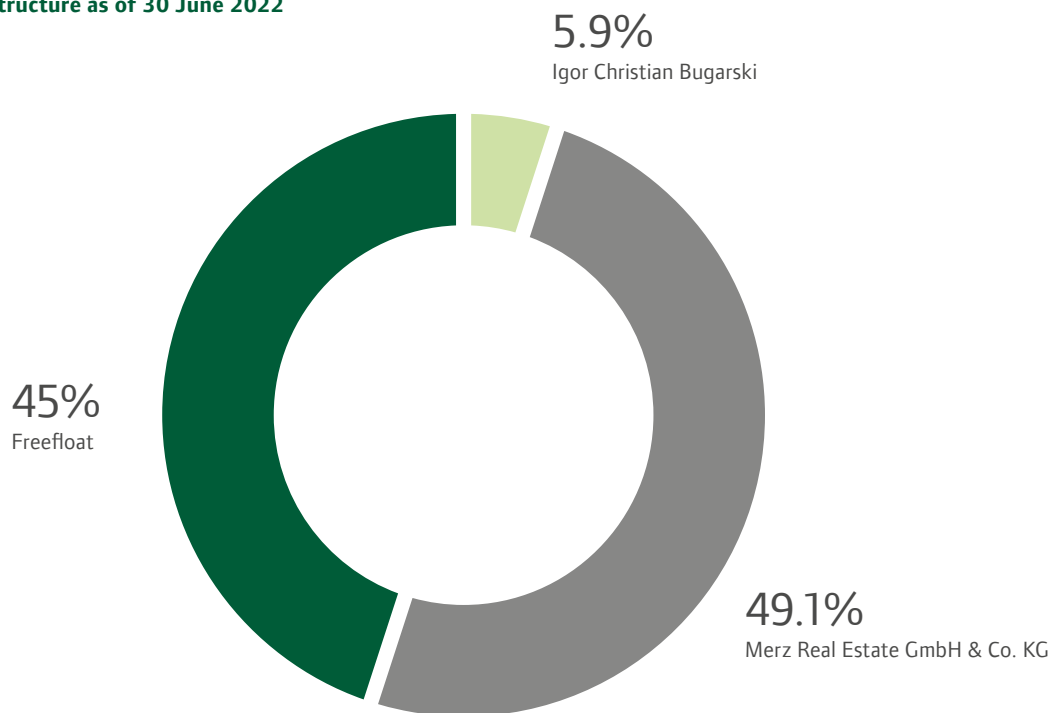
Research company	Last update in 2022	Recommendation	Price target
Metzler	2 May 2022	Buy	EUR 30.20
SMC	17 May 2022	Buy	EUR 29.20
Pareto	8 June 2022	Buy	EUR 26.00

Investor relations

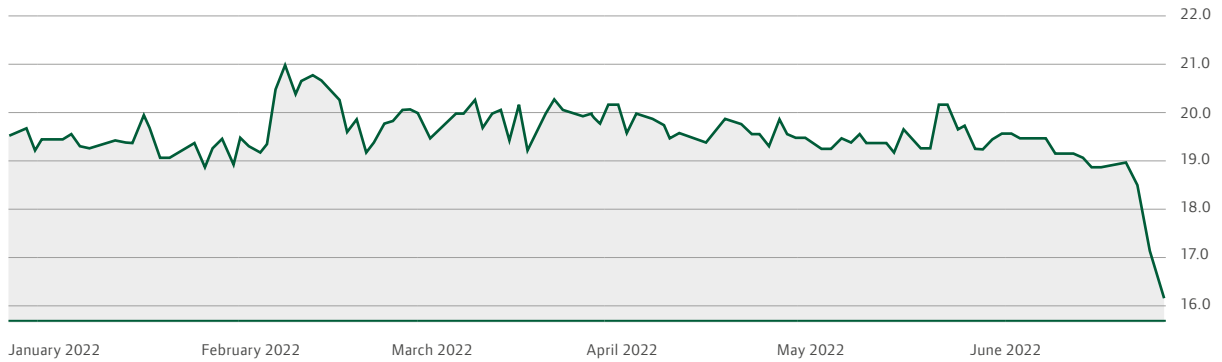
Noratis AG is committed to open and transparent communication with the capital market. It therefore reports regularly on its business development and publishes information on major company events in press releases and ad hoc disclosures. Noratis also publishes half-year and annual reports.

In addition to one-on-one meetings with institutional investors and media representatives, the Management Board of Noratis AG also regularly gives presentations at capital market conferences. This is intended to keep existing investors regularly informed about the business development as well as gaining additional investors for the company.

Shareholder structure as of 30 June 2022



Noratis share price performance in first half of 2022 (in EUR)



Additional information

ISIN / WKN / stock exchange symbol DE000A2E4MK4 / A2E4MK / NUVA

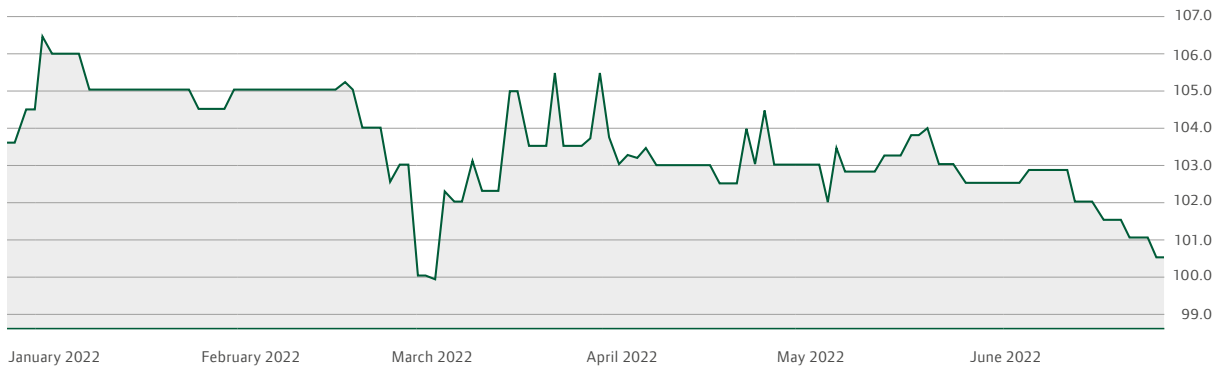
Type of shares	4,818,027 no-par value bearer shares
Market capitalisation on 30 June 2022	Approx. EUR 75 million
Share capital	EUR 4,818,027
First listing	25 June 2017
Trading segment	Scale
Designated sponsor	ODDO BHF

Bonds

In November 2020, Noratis AG placed a 5.50% corporate bond, EUR 30 million of which was issued. The bond has a denomination of EUR 1,000, meaning that private investors can also

invest in it. During the reporting period, it was almost always quoted at over 100%. On the last trading day of the first half of 2022, the bond closed at 98%.

Noratis AG 20/25 (Frankfurt Stock Exchange)



Additional information

WKN / ISIN	A3H2TV / DE000A3H2TV6
Issue volume (EUR)	EUR 30 million, up to EUR 50 million in total
Denomination (EUR)	EUR 1,000
Term	5 years (until 16 November 2025)
Interest coupon	5.5%
Issue price	100.00% of the nominal amount for each partial debenture
Redemption amount (%)	100.00
Interest payment	Annual
First interest payment	11 November 2021
Maturing on	11 November 2025
Listing	Quotation Board (Open Market) of Frankfurt Stock Exchange
Paying agent	Quirin Privatbank
Intended use	Expansion of the property portfolio

In August 2021, Noratis AG issued a 4.75% corporate bond with a term of six years. The issued tranche of EUR 10 million was fully subscribed by a German insurance company. The bond has a denomination of EUR 100,000 and has been quoted at 100% since trading began.

Additional information

WKN / ISIN	A3E5WP / DE000A3E5WP8
Issue volume (EUR)	EUR 10 million, up to EUR 40 million in total
Denomination (EUR)	EUR 100,000
Term	6 years (until 16 August 2027)
Interest coupon	4.75%
Issue price	100.00% of the nominal amount for each partial debenture
Redemption amount (%)	100.00
Interest payment	Annual
First interest payment	13 August 2022
Maturing on	13 August 2027
Listing	Quotation Board (Open Market) of Frankfurt Stock Exchange
Paying agent	Quirin Privatbank
Intended use	Expansion of the property portfolio

Sustainability is both a duty and an opportunity

Our responsibility to society, the environment and our stakeholders¹ is something that goes without saying for us at Noratis and represents an integral aspect of our corporate culture. As a portfolio developer of ageing residential properties, we already put the principle of sustainability into practice, as we maintain and create affordable housing in a resource-efficient way. We act in an environmentally and socially responsible manner,

thereby creating added value for society, the environment and all stakeholders. We see ESG as an opportunity and integrate sustainable thinking and action in our business processes to make an important contribution to improving our environmental impact while also positioning ourselves competitively for the future and ensuring the company's long-term profitability.

Sustainable business management – our approach

Our goal is to develop our company and make it fit for the future, particularly by using new technologies, further optimising processes, breaking down data silos and developing a digital mindset.

We have revised our mission statement and our values. Our values unite us and form the basis for our actions. They define our corporate culture.

Society and customers – taking responsibility

We are highly aware of our responsibility as an operator and take the necessary and reasonable measures to prevent or reduce risks or disadvantages to the health and safety of our tenants, customers and third parties.

We have conducted scheduled maintenance and inspections at our properties and will continue to initiate and monitor these at the necessary intervals.

Environmental and climate protection – reducing our carbon footprint

Our goal is to develop our building stock to be climate-neutral by 2045, subject to the condition of maintaining and optimising the company's profitability.

We evaluate our portfolio based on ESG aspects and are currently developing individual renovation plans.

¹ Sellers/owners, banks, employees, service providers/tradespeople, investors/shareholders, buyers

Attractive employer – strengthening our employer branding

Our goal is not only to gain new, highly qualified employees, but also to retain our existing employees and help them develop by strengthening the Noratis brand as an employer.

We have filmed job videos for the roles of asset manager and technical project manager, conducted an employee survey with good results, initiated a relaunch of the website and kicked off an advertising campaign in Immobilien Zeitung.

Supply chain – more responsible and reliable

When purchasing our products and services, our goal is to ensure that our requirements and expectations for the specified environmental and social standards are met.

We are gradually consolidating our material requirements and are in the process of establishing energy efficiency partnerships so as to ensure stable supply chains in the future.

Our values

RESPECT	<i>Active relationships are partnerships.</i>
RESPONSIBILITY	<i>We set ourselves challenges and take on responsibility.</i>
TRUST	<i>Authenticity and honesty form our foundation.</i>
BENEFIT	<i>We create added value. For everyone.</i>



Group Management Report

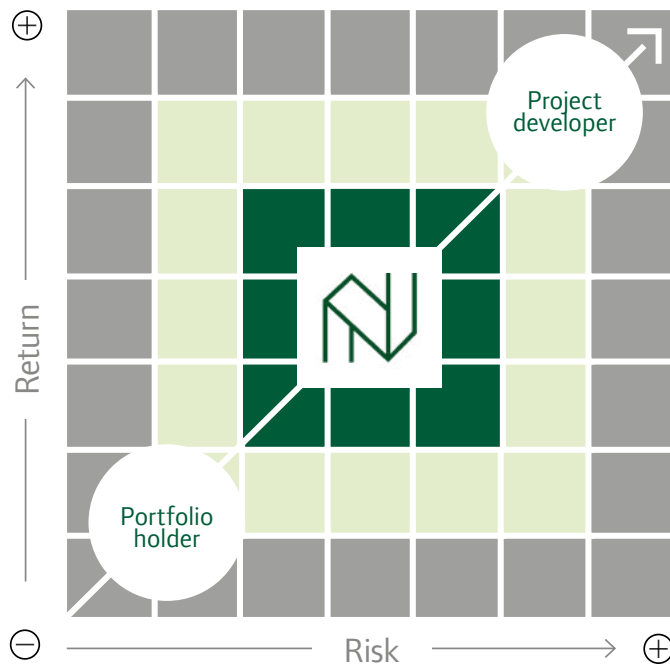
as at 30 June 2021

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1. Basic information on the Group

1.1. Overview

The Noratis Group specialises in portfolio development and management for residential properties. This focus allows the Group to combine the security and reliability of having its own property portfolio with the attractive returns of property development. Regular rental income from development properties and the existing portfolio ensures constant monthly cash flows and stable earnings contributions. Returns from developer activities generate additional earnings potential, which is leveraged by way of active sales. In addition, changes to the fair value of the portfolio are recognised through profit or loss each year.



The Noratis Group operates across Germany. It focuses on residential properties with development potential. These primarily include company-owned housing, neighbourhoods and residential areas built between the 1950s and 1990s. The Group prefers to invest in secondary locations, i.e. cities with 10,000 or more inhabitants or on the outskirts of urban areas.

The properties acquired are revamped so that they offer good value for money for low or middle income renters. This allows the Noratis Group to create and maintain attractive, affordable housing. Properties are held and developed in inventories until they are sold individually or as a block. Funds generated by sales are primarily reinvested in property purchases. On the basis of established, objective criteria, after developing the property it can also be decided that the property will be held with the intention to rent it out in the long term, which means it is transferred to investment property on account of the new intended use.

With an average of 68 employees in the first half of 2022, the Noratis Group team performs the core tasks of the entire value chain, from procurement to commercial and technical development to sale, using its own employees. Thanks to this internal expertise, its sector network and experience gained from past projects, the Group can respond to market opportunities quickly and flexibly. The current property portfolio as at 30 June 2022 comprises 4,230 units with around 280,000 square metres.

1.2. Strategy

The aim of the Noratis Group's strategy is to generate sustainable growth in the residential property portfolio. Material sources of income here are stable cash flows from rental income and ongoing sales of properties that have already been developed. Despite the disposals, property assets and the share of sales attributable to rental income are to be steadily increased by making a disproportionately high number of acquisitions and establishing a portfolio of investment properties for long-term rental.

1.3. Group structure

All Group companies operate in the same operating segment following the same corporate strategy. Noratis AG, the parent company listed in the Scale segment of Deutsche Börse, acts as a management holding company and performs tasks for the entire Group as part of this role.

Noratis AG holds all shares in Noratis Wohnen GmbH, which was established in the 2015 financial year, and Noratis Habitat GmbH, established in July 2018.

Noratis has a 94% interest in Noratis Living GmbH, which was acquired in June 2017, and 65% in Noratis West GmbH, which was established in January 2020.

Shares in Noratis Nordost GmbH, founded in October 2020, were increased from 75% to 94.9% in June 2021.

Noratis Domus GmbH was established in July 2021 and Noratis Wohnwert GmbH in December 2021, each with share capital of EUR 25 thousand. Noratis AG holds 100% of shares in both companies.

Noratis AG has a 49% interest in G+N Energieeffizienz GmbH, established in February 2020. This company is not managed by Noratis AG and so is not included in the consolidated financial statements.

1.4. Company management

The Group-wide planning and management system is based on the Group's strategy and structured accordingly. Operating performance indicators for the Management Board primarily comprise purchasing and sales volumes, modernisation work carried out within budget and the operating results of individual portfolios. Material key indicators here include sales proceeds, earnings before interest and taxes (EBIT) and earnings before taxes (EBT).

The loan to value (LTV) and net loan to value (net LTV) ratios, the equity ratio and net asset value (NAV) are also monitored based on market values of the Group's properties. Regularly reporting these key figures allows the Management Board to assess the Group's current business performance and take appropriate countermeasures in the event of adverse developments.

2. Economic situation

2.1. Overall economic situation

According to figures from the German Federal Statistical Office, the German economy grew slightly in the second quarter of 2022. Gross domestic product (GDP) adjusted for price, seasonal and calendar effects picked up by 0.1% compared to the previous quarter. The German economy thus proved resilient in light of the challenging economic conditions, which were made worse by the outbreak of war in Ukraine. GDP growth reached pre-pandemic levels of Q4 2019. Year-on-year GDP growth in Q2, adjusted for price and calendar effects, was 1.7%.

In its summer economic outlook, the ifo Institute anticipates economic growth of 2.5% for Germany in 2022. After consumer-related service industries boosted the economy significantly at the start of the year once pandemic restrictions were lifted and as consumer spending returned to normal, sustained supply shortages and high inflation then put the economy under strain again. In its economic outlook, the German Institute for Economic Research (DIW) anticipates economic growth of 3.0% for 2022. However, the monthly DIW Economic Barometer from July 2022 paints a far more pessimistic picture of the German economy on account of high inflation, energy shortages and ongoing supply chain disruption. The Deutsche Bundesbank's economic outlook published in its monthly report in August 2022 is equally bleak, with higher prices and the energy crisis depressing consumer sentiment.

2.2. German property and housing market

House prices climbed by an average of 12.0% year-on-year in the first quarter of 2022, according to the German Federal Statistical Office (Destatis), exceeding the 10% mark for the fourth time in a row. Nonetheless, price momentum seems to be slowing on a quarterly basis, with prices for houses and flats rising by an average of just 0.8% compared to the previous quarter. The fourth quarter of 2021 had seen a quarter-on-quarter increase of 3.1%.

An analysis by Savills Research concluded that the super cycle enjoyed by the German property market for 12 years came to an end in the second quarter due to changes in the market environment. This is reflected in the transaction volume: With a transaction volume of EUR 11.1 billion, Q2 2022 was the weakest sales quarter since the start of 2016. The year-on-year decline in the first half of 2022 was particularly pronounced in the housing sector, which saw a 26.5% drop to EUR 7.5 billion. According to Savills, the lower transaction volume is the result of an adjustment phase and the associated reluctance to conduct transactions. Buyer and seller price expectations have drifted apart, leading to a period of price adjustments that will likely be sustained into the autumn.

BNP Paribas Real Estate believes that the restrained first half of the year, with a lower transaction volume for residential properties, is the result of the European Central Bank's interest rate hike and increased financing costs for investors. According to BNP Paribas Real Estate, the housing and investment market is currently in a pricing phase. As things stand at present, the transaction volume is expected to gain ground again by the end of the year.

2.3. Business performance

The Noratis Group's operating performance in the first half of 2022 was stable despite the turbulence caused by the pandemic and the war in Ukraine. Nonetheless, demand for residential properties has slowed and buyers have become more restrained on account of changes on the capital market.

Despite somewhat higher sales compared to the previous year, the property portfolio decreased only slightly as a result of acquisitions. Noratis still intends to continue expanding its property assets by making more net purchases overall.

Gross rental income climbed by 37.1% to EUR 14.0 million, driven chiefly by considerable growth in property holdings in the previous year. Sales proceeds rose by 9.2% to EUR 54.1 million, causing a 2.9% decline in properties held for sale compared to 31 December 2021. Acquisitions in the first half of the year did not fully offset the sale.

While earnings before interest and taxes were EUR 1.4 million lower due to higher staff costs and other operating expenses, earnings before taxes were up EUR 1.0 million year-on-year. This can primarily be attributed to earnings from the fair value measurement of interest rate hedges of EUR 3.7 million.

The 6.5% rise in equity to EUR 86.6 million and slightly lower total assets caused the equity ratio to increase from 18.2% on 31 December 2021 to 19.5%.

At the end of the 2021 financial year, properties that are to be held in the portfolio in the long term to be let were reclassified from properties held for sale to investment property for the first time. To put this strategic expansion into practice, a separate asset management department was established to manage properties held on a long-term basis.

Most property holdings are still recognised as inventories under IFRS on the basis of Noratis's business model. As there is an intention to sell, the properties are recognised in inventories and so are measured at amortised cost, not at market value, resulting in considerable hidden reserves.

The market value of the properties held in inventories as calculated internally by the company as at 30 June 2022 was around EUR 485.4 million, EUR 79.9 million higher than the current carrying amount of EUR 405.5 million. The difference compared to the value of current assets recognised of EUR 411.8 million is due to deducting advance payments and capitalised leaseholds. Taking account of these hidden reserves less income tax of 27.4% at present, the company's equity comes to around EUR 144.6 million, representing NAV per share of EUR 30.02 and resulting in an equity ratio of 27.6%.

Properties were acquired/sold at the following locations in H1 2022:

Acquisitions

State	Location	Number of units	Sales channel
Bavaria	Elsenfeld am Main	95	Block sale
Bavaria	Klingenberg am Main	21	Block sale
Bavaria	Obernburg am Main	44	Block sale
Bavaria	Ochsenfurt am Main	39	Block sale
Brandenburg	Gransee	24	Block sale
North Rhine-Westphalia	Hagen	29	Block sale
North Rhine-Westphalia	Herne	11	Block sale
North Rhine-Westphalia	Mönchengladbach	5	Block sale
North Rhine-Westphalia	Wesel	18	Block sale
Total		286	

Disposals

State	Location	Number of units	Sales channel
Bavaria	Cham region/Upper Palatinate	1	Block sale
Lower Saxony	Braunschweig	7	Privatisation
North Rhine-Westphalia	Castrop	8	Block sale
North Rhine-Westphalia	Münster	242	Block sale
North Rhine-Westphalia	Tönisvorst	10	Block sale
Total		268	

The Group's housing portfolio at the end of the first six months contained 4,230 units, split between the following locations:

State	Location	Number of units	Sales channel
Bavaria	Elsenfeld am Main	95	Block sale
Bavaria	Erlenbach am Main	197	Block sale
Bavaria	Klingenberg am Main	21	Block sale
Bavaria	Obernburg am Main	44	Block sale

State	Location	Number of units	Sales channel
Bavaria	Ochsenfurt am Main	39	Block sale
Bavaria	Cham region/Upper Palatinate	160	Block sale
Brandenburg	Gransee	24	Block sale
Brandenburg	Neuruppin	195	Block sale
Bremen	Bremen	60	Block sale
Hesse	Bensheim	68	Block sale
Hesse	Frankfurt am Main	415	Block sale / privatisation
Hesse	Kassel	36	Block sale
Hesse	Niederrodenbach	10	Block sale
Hesse	Rüsselsheim	83	Block sale
Mecklenburg-Western Pomerania	Rügen	142	---
Lower Saxony	Aurich	95	Block sale
Lower Saxony	Braunschweig	1	Privatisation
Lower Saxony	Celle	399	Block sale
Lower Saxony	Cuxhaven	66	Block sale
Lower Saxony	Emden	79	Block sale
Lower Saxony	Königslutter	93	Block sale
Lower Saxony	Wolfenbüttel	118	Block sale
North Rhine-Westphalia	Bielefeld	147	Block sale
North Rhine-Westphalia	Bottrop	22	Block sale
North Rhine-Westphalia	Duisburg	61	Block sale
North Rhine-Westphalia	Gelsenkirchen	151	Block sale
North Rhine-Westphalia	Gladbeck	32	Block sale
North Rhine-Westphalia	Hagen	59	Block sale
North Rhine-Westphalia	Herne	11	Block sale
North Rhine-Westphalia	Krefeld	48	Privatisation
North Rhine-Westphalia	Lügde	200	Block sale
North Rhine-Westphalia	Mönchengladbach	15	Block sale
North Rhine-Westphalia	Oberhausen	15	Block sale
North Rhine-Westphalia	Ratingen	156	Block sale
North Rhine-Westphalia	Solingen	14	Block sale
North Rhine-Westphalia	Steinfurt	111	Block sale
North Rhine-Westphalia	Wesel	18	Block sale
Saxony	Freital	93	Block sale
Saxony	Leipzig	92	Block sale
Saxony-Anhalt	Halle	19	Block sale
Saxony-Anhalt	Magdeburg	149	Block sale
Schleswig-Holstein	Lägerdorf	48	Block sale
Schleswig-Holstein	Neumünster	60	Block sale
Schleswig-Holstein	Ratzeburg	229	Block sale
Schleswig-Holstein	Rendsburg	40	Block sale
Total		4,230	

Including 53 commercial units

Overall, the property portfolio was more or less unchanged at the end of the first half of 2022 with 4,230 units (31 December 2021: 4,212) and total assets of EUR 422.1 million (31 December 2021: EUR 434.4 million). This includes investment property and advance payments made on properties held for sale.

The Noratis Group's good performance is reflected in its financial position and financial performance as described below.

2.4. Financial position

The Noratis Group's consolidated statement of comprehensive income was as follows in the first half of 2022 compared to the first half of 2021:

In EUR million	H1 2022	H1 2021
Units sold	268	289
Total revenue	68.1	59.8
Proceeds from sales of inventory properties	54.1	49.6
Expenses from the disposal of properties held for sale	-44.3	-38.3
Result from sales of inventory properties	9.8	11.3
Proceeds from letting	14.0	10.2
Expenses from letting	-6.8	-4.1
Result from letting	7.2	6.1
Other operating income	0.3	0.2
Interim result	17.3	17.6
Personnel costs	-3.3	-2.7
Other operating expenses and write-downs	-2.1	-1.6
EBIT	11.9	13.3
Finance income and financing expenses	-0.7	-3.1
EBT	11.2	10.2
Income tax	-3.2	-2.9
Consolidated net income	8.0	7.3

Rounding differences may occur.

In the first half of the year, consolidated sales increased by EUR 8.3 million or 14.0% against the previous year.

Proceeds from the disposal of inventory properties rose by 9.2% compared to H1 2021 and, as in the previous year, were generated almost entirely by block sales.

Revenue from letting picked up by EUR 3.8 million or 37.1% year-on-year to EUR 14.0 million as a result of substantial growth in net property holdings.

Net income from the disposal of properties held for sale in relation to sales proceeds declined from 22.8% to 18.2%, within the normal range of fluctuation.

The margin for net earnings from letting in relation to rental income fell from 59.3% in the previous year to 51.2%. This essentially reflects rent levels, the condition of the property and the vacancy rate.

Other operating income primarily includes income from offsetting benefits in kind.

The EUR 0.6 million rise in staff costs to EUR 3.3 million is due chiefly to hiring more staff in asset management and technical areas due to the larger property portfolio.

Other operating expenses and write-downs increased by EUR 0.5 million, primarily the result of higher risk provisions for rent receivables, higher travel expenses and higher IT costs.

Earnings before interest and taxes (EBIT) was down EUR 1.4 million in connection with lower net income from the disposal of properties held for sale, higher staff costs and other operating expenses.

Given the larger property portfolio compared to the previous year, financial liabilities to finance the properties were also higher. This resulted in additional financing expenses of EUR 1.3 million. This is offset by financial income of EUR 3.7 million from the fair value measurement of interest rate caps to hedge financial liabilities, which is also the reason for the EUR 2.4 million decline in net financial expenses (interest expense less interest income) to EUR 0.7 million.

The Noratis Group generated earnings before taxes of EUR 11.2 million. This represents a EUR 1.0 million year-on-year upturn and primarily reflects higher financial income, which offsets lower income from the disposal, higher staff costs and other operating expenses.

2.5. Financial performance

The consolidated statement of cash flows is as follows:

In EUR million	H1 2022	H1 2021
Cash flow from operating activities	9.2	-18.2
Cash flow from investing activities	0.0	0.0
Cash flow from financing activities	-6.7	-4.8
Net change in cash and cash equivalents	2.5	-23.0
Cash and cash equivalents at beginning of period (1 January)	8.7	31.0
Cash and cash equivalents at end of period (30 June)	11.2	8.0

Rounding differences may occur.

Positive cash flow from operating activities in the first six months of the financial year is the result predominantly of the net sale of properties held for sale. On the other hand, the negative cash flow compared to the previous year primarily reflected net acquisitions of properties.

Cash flow from investing activities includes payments for property, plant and equipment, although these came to less than EUR 0.1 million overall.

As in the previous year, the negative cash flow from financing activities results primarily from the dividend payment, interest paid, transaction costs from issuing loans and payments for the purchase of derivatives for the interest rate hedging of the loans. The change compared to the previous year is chiefly due to higher payments for the purchase of new derivatives. New property financing resulted in cash inflow of EUR 39.6 million, offset by cash outflows for repayments of EUR 39.6 million.

The cash and cash equivalents as of 30 June 2022 of EUR 11.2 million (30 June 2021: EUR 8.0 million) are primarily to be used to acquire additional property portfolios.

As of 30 June 2022, the Group has unutilised credit facilities of EUR 15.6 million (31 December 2021: EUR 2.1 million). In the first six months of the financial year, the Noratis Group met all financial obligations on time, and the Management Board expects that all payments will also be fulfilled as agreed in the second half of 2022.

2.6. Assets and liabilities

Summary of the consolidated statement of financial position:

	H1 2022		2021 financial year	
	EUR million	%	EUR million	%
Assets	443.7	100.0	446.6	100.0
Investment property	10.2	2.3	10.2	2.3
Fixed assets	1.1	0.2	0.9	0.2
Financial and other assets	5.9	1.3	0.9	0.2
Non-current assets	17.2	3.9	12.0	2.7
Properties held for sale	411.8	92.8	424.2	95.0
Trade receivables	1.3	0.3	1.1	0.2
Financial and other assets	2.2	0.5	0.6	0.1
Cash and cash equivalents	11.2	2.5	8.7	1.9
Current assets	426.5	96.1	434.6	97.3
Equity and liabilities	443.7	100.0	446.6	100.0
Shareholders' equity	86.6	19.5	81.3	18.2
Bond	39.2	8.8	39.1	8.8
Financial liabilities and provisions	301.6	68.0	218.8	49.0
Deferred tax liabilities	1.7	0.4	0.6	0.1
Non-current liabilities	342.5	77.2	258.5	57.9
Bond and financial liabilities	7.1	1.6	87.9	19.7
Trade payables	2.7	0.6	15.5	3.5
Contract liabilities, tax liabilities, provisions and other liabilities	4.8	1.1	3.4	0.8
Current liabilities	14.6	3.3	106.8	23.9

Rounding differences may occur.

Total assets decreased slightly by EUR 2.9 million year-on-year to EUR 443.7 million. Under assets, the main change was the EUR 12.4 million decline in properties held for sale. This was countered by the additions to financial and other assets and cash and cash equivalents. Under equity and liabilities, the increase in equity and the decrease in trade payables were the main drivers. Financial liabilities increased by EUR 1.0 million, but there was a significant shift between current and non-current financial liabilities.

At the end of the 2021 financial year, properties that are to be held in the portfolio in the long term to be let were reclassified from properties held for sale to investment property for the first time. The decision on the change in intended use and the resulting reclassification was made on the basis of the following objective criteria that must all be met:

- A sustainable minimum return on equity
- Planned development measures are largely complete
- Low asset management intensity
- Long-term value stability of the properties
- Positive assessment of ESG compliance or compliance with minimum ESG requirements
- Maturity-matched long-term financing has been concluded or will be implemented soon (commencement of contractual negotiations for the transition from project financing to long-term financing)

Properties reclassified from properties held for sale to investment property as of the end of the 2021 financial year are measured at market value. Income from fair value adjustments is recognised in the statement of comprehensive income. There were no changes in market value compared to 31 December 2021.

The non-current and financial assets item comprises interest rate hedges recognised at a fair value of EUR 5.9 million. Right-of-use assets for leased office space and the vehicle fleet of EUR 0.9 million (31 December 2021: EUR 0.6 million) are also included. In accordance with the IFRS leasing standard, right-of-use assets must be recognised and depreciated over the term of the lease. Conversely, a lease liability is recognised under financial liabilities.

As a result of the higher total sales, land and buildings intended for sale decreased by EUR 12.4 million to EUR 411.8 million. This includes right-of-use assets of EUR 5.3 million (31 December 2021: EUR 5.3 million) from leaseholds, which in accordance with the IFRS leasing standard must be accounted for in the same way as non-current assets. The properties held by the Noratis Group are predominantly recognised in inventories.

Financial and other assets primarily include costs incurred for the heating and hot water supply of the buildings. These are passed on to tenants via service charges.

The increase in cash and cash equivalents is primarily the result of the net value of payments received for the sale of properties and the financing of newly purchased properties.

Overall, the earnings of the financial year and the contrasting dividend payment of EUR 2.6 million improved equity by EUR 5.3 million or 6.5% to EUR 86.6 million.

Financial liabilities increased by EUR 1.0 million in total, resulting from repayments and the borrowing of new loans. There was a significant shift in non-current and current liabilities compared to 31 December 2021. This is essentially attributable to two property portfolios. For one portfolio, the loan was repaid in full due to the sale in the first half of 2022. The financing for another property was extended.

Of the deferred tax liabilities of EUR 1.7 million (31 December 2021: EUR 0.6 million), EUR 1.0 million results from the different measurement of investment property and EUR 1.2 million from interest rate hedges, financial liabilities and lease valuation. The deferred tax assets of EUR 0.5 million (31 December 2021: EUR 0.6 million) from tax loss carryforwards, which can be offset against tax liabilities from future profits, were netted against the deferred tax liabilities.

The trade payables as of 31 December 2021 included the purchase price of properties held for sale of EUR 14.2 million, which was not due until the first half of 2022.

The change in contract liabilities, tax liabilities, provisions and other liabilities is primarily the result of the increase in tax liabilities of EUR 1.5 million to EUR 2.1 million.

3. Opportunity and risk report

With regard to the risks of future business development, please refer to the information provided in the risk report of the consolidated financial statements as of 31 December 2021. In the first half of 2022, additional risks arose from the Ukraine war and its consequences such as the development of raw material prices, disrupted supply chains, increasing interest rates and rising inflation.

Increasing energy costs in particular can make it harder for tenants to pay and thus result in more cases of non-payment. In light of the uncertain supply situation and potential further price rises, increasing payment defaults cannot be ruled out in the future.

Due to the rise in inflation to over 7% in the second quarter of 2022, interest rates also continued to increase. At the end of the July, the three-month Euribor was 0.23%. Most of Noratis's financial liabilities are concluded on the basis of the three-month Euribor and result in an increase in interest expenses when the value is positive. Rising interest costs are therefore expected in the future, with a portion compensated for by interest rate caps. On the basis of the current financing structure, an increase in the three-month Euribor to 0.50% or 0.75% would mean additional expenses for the Group of around EUR 1.2 million and EUR 1.6 million per year, respectively.

The dependence of Germany and Europe on fuel from Russia is reflected in the high price rises. Upgrading existing homes' energy efficiency will therefore be of central importance for the real estate industry. However, Noratis also sees future opportunities here and wants to continue expanding its expertise in this area.

4. Forecast

The first six months of the 2022 financial year proceed as planned for the Noratis Group. Demand for affordable housing remains high, especially in metropolitan areas. However, the rise in prices for houses and flats slowed down in the second quarter.

The increase in sales proceeds forecast in connection with the publication of the business figures for 2021 was achieved in the first half of 2022 already. On the condition that the war in Ukraine does not spill over to other countries, the increase in energy prices can largely be absorbed, and the current interest rate level does not get considerably worse, the Management Board of the Noratis Group assumes that Group will continue performing positively.

5. Internal control system and risk management with regard to the Group financial reporting process

The control system with regard to the Group financial reporting process arises from the central accounting organisation at the Group's parent company Noratis AG. The Group's financial statements are prepared by its own employees, supported by external service providers, particularly with regard to tax and payroll accounting. Rental accounting is also performed by the Group's own employees for the inspection of external property management companies.

Extensive management reports at Group and property level are prepared on a monthly basis.

6. Closing statement by the Management Board on the dependent company report

There were no reportable measures in the first half of 2022.

Eschborn, 29 September 2022

Noratis AG



Igor Christian Bugarski
Chief Executive Officer



André Speth
Management Board member



Consolidated interim financial statements

as of 30 June 2022

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Consolidated statement of financial position

ASSETS

EUR '000	30/06/2022	31/12/2021
Investment property	10,200	10,200
Property, plant and equipment	1,080	842
Intangible assets	23	29
Investments accounted for using the equity method	34	29
Other financial assets	5,872	862
Deferred tax assets	2	1
Non-current assets	17,211	11,963
Properties held for sale	411,844	424,180
Trade receivables	1,308	1,086
Financial assets	53	49
Other assets	2,117	553
Cash and cash equivalents	11,184	8,724
Current assets	426,506	434,592
Total assets	443,717	446,555

EQUITY AND LIABILITIES

EUR '000	30/06/2022	31/12/2021
Share capital	4,818	4,818
Capital reserves	51,738	51,817
Retained earnings	29,521	24,238
Total equity attributable to Noratis shareholders	86,077	80,873
Non-controlling interests	485	423
Total equity	86,562	81,296
Other provisions	64	61
Bond	39,225	39,135
Financial liabilities	301,533	218,722
Deferred tax liabilities	1,690	563
Non-current liabilities	342,512	258,481
Other provisions	128	149
Bond	1,473	413
Financial liabilities	5,599	87,456
Trade payables	2,672	15,519
Tax liabilities	2,072	603
Contract liabilities	359	231
Other liabilities	2,340	2,407
Current liabilities	14,643	106,778
Total equity and liabilities	443,717	446,555

Consolidated statement of comprehensive income

EUR '000	H1 2022	H1 2021
Total revenue	68,117	59,769
Proceeds from sales of inventory properties	54,106	49,550
Expenses from sales of inventory properties	-44,272	-38,245
Result from sales of inventory properties	9,834	11,305
Proceeds from letting	14,011	10,219
Expenses from letting	-6,841	-4,157
Result from letting	7,170	6,062
Other operating income	290	239
Interim result	17,294	17,606
Personnel costs	-3,333	-2,744
Depreciation and amortisation	-237	-230
Other operating expenses	-1,856	-1,329
Earnings before interest and taxes (EBIT)	11,868	13,303
Result from companies accounted for using the equity method	5	4
Financial income	3,700	1
Finance costs	-4,349	-3,091
Earnings before taxes (EBT)	11,224	10,217
Income taxes	-3,228	-2,892
Consolidated net income	7,996	7,325
Attributable to:		
- Shareholders of the parent company	7,934	7,301
- Non-controlling interests	62	24

There is no reconciliation from consolidated net income to total comprehensive income in accordance with IAS 1.81 et seq., as the consolidated net income is equal to the total comprehensive income.

Consolidated statement of cash flows

EUR '000	H1 2022	H1 2021
Consolidated net income	7,996	7,325
Depreciation and amortisation	237	230
Change in properties held for sale	12,328	-30,639
Increase/decrease in trade receivables and other assets not attributable to investing or financing activities	-2,074	-269
Increase/decrease in liabilities (not including financial liabilities) and provisions	-12,805	571
Result from companies accounted for using the equity method	-5	-4
Finance costs/finance income	649	3,090
Income taxes	3,230	2,892
Income taxes paid	-602	-1,518
Other non-cash expenses/income	251	173
Cash flow from operating activities	9,205	-18,149
Cash outflow for investments in property, plant and equipment and intangible assets	-23	-49
Interest received	0	1
Cash flow from investing activities	-23	-48
Cash inflow from borrowings	39,648	26,668
Cash repayments of financial liabilities	-39,569	-26,504
Transaction costs from issuing bonds and loans*	-210	-429
Cash repayments of lease liabilities	-134	-109
Repurchase of own shares	-157	-91
Cash inflow from the sale of own shares	78	45
Cash outflow for the purchase of derivatives	-1,310	-275
Interest paid	-2,418	-1,746
Dividends paid to shareholders of the parent company	-2,650	-2,409
Cash flow from financing activities	-6,722	-4,850
Net change in cash and cash equivalents	2,460	-23,047
Cash and cash equivalents at beginning of period	8,724	31,032
Cash and cash equivalents at end of period	11,184	7,985

* In the previous year's financial statements, the transaction costs from issuing loans were recognised under interest paid. The corresponding amount of EUR 429 thousand was adjusted accordingly in the respective items of the financial statements for the previous year.

Consolidated statement of changes in equity

EUR '000	Issued capital	Capital reserves	Reserve for treasury shares	Retained earnings	Equity attributable to Group shareholders	Non-controlling interests	Consolidated equity
As of 1 January 2021	4,818	51,777	0	17,189	73,784	476	74,260
Consolidated total comprehensive income				7,301	7,301	24	7,325
Change in non-controlling interests				-15	-15	-96	-111
Acquisition of treasury shares		-86	-5		-91		-91
Disposal of treasury shares		1			1		1
Equity-settled share-based payment transaction		40	5		45		45
Dividend payment				-2,409	-2,409		-2,409
As of 30 June 2021	4,818	51,732	0	22,066	78,616	404	79,020
As of 1 January 2022	4,818	51,817	0	24,238	80,873	423	81,296
Consolidated total comprehensive income				7,934	7,934	62	7,996
Acquisition of treasury shares		-149	-8		-157		-157
Equity-settled share-based payment transaction		70	8		78		78
Dividend payment				-2,650	-2,650		-2,650
As of 30 June 2022	4,818	51,738	0	29,521	86,077	485	86,562





Financial Calendar

04-06 October	EXPO REAL in Munich
11 November	Annual interest payment for 5.5 % Bond 2020/2025
28-30 November	Eigenkapitalforum Frankfurt/Main
31 December	End of the financial year 2022

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Disclaimer

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