



NORATIS

2020/2020

Financial Report
First Half-Year 2020

abridged version ¹

Group Key Figures (German Commercial Code)

	2019	1st half-year 2019	1st half-year 2020
Revenue (EUR million)	75.9	47.7	14.0
EBIT (EUR million)	15.8	8.8	4.2
EBT (EUR million)	12.1	6.9	2.3
Consolidated net income (EUR million)	8.7	5.0	1.6
Earnings per share (basic, EUR) *	2.40	1.39	0.42
Total assets (EUR million)	258.9	190.9	266.3
Units sold**	339	177	32
Units acquired**	955	164	155
Units**	2,407	1,778	2,530
Rental space of the property portfolio (rounded)	161,000	122,000	167,000

* in each case based on the number shares or interests issued
(30 June 2019 and 31 December 2019: 3,601,897; 30 June 2020: 3,854,422)

** including commercial units

¹ only the German version of the half year report is relevant concerning the reporting standards of Noratis AG

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Dear shareholders,

Noratis AG can look back on successful business performance in the first half of 2020. Although we have also been impacted by the coronavirus pandemic in recent months, it has only had moderate effects on our business model. On the one hand, it caused rent payments to be deferred in some individual cases, while apartment viewings were limited for several weeks. On the other hand, we consistently implemented our strategy, which includes a considerable expansion of our real estate portfolio.

One particular milestone on our path towards growth was the arrival of Merz Real Estate as a shareholder in March 2020. By acquiring packages of shares, the Merz family who owns Merz Real Estate has not only become Noratis AG's largest shareholder but has also agreed to provide financial support for the Company's planned growth trajectory. To do this, Merz Real Estate reached an investor and fixed subscription agreement that will provide up to EUR 50 million via capital measures by the end of financial year 2024. Immediately after Merz became a shareholder, we carried out an initial capital increase that generated a EUR 5 million inflow of funds.

In our view, this agreement came at exactly the right time. For several weeks in spring, the particularly powerful spread of SARS-CoV-2 in Germany caused major uncertainty which was also reflected in the real estate sector. Thanks in large part to the funds generated by the capital increase, we were able to harness the growth opportunities that arose from this situation and continued to pursue our purchasing strategy.

We also reinforced our expansion in the area of small-scale real estate acquisitions of up to approximately EUR 5 million per transaction by establishing our first regional subsidiary, Noratis West. Noratis West focuses on the promising Rhine-Ruhr region. By integrating experienced real estate professionals into the local management team, Noratis West has direct market access to individual properties and smaller portfolios. As a first step, 39 units in Krefeld, Mönchengladbach and Solingen have already been acquired or contractually secured. We believe that we can use this model to even further develop our real estate portfolio in other regions.

Noratis AG acquired a total of 753 units in the first half of the year. The transfer of benefits and burdens for 155 of these units has already been completed until the end of June, while this process will take place for the remaining approximately 600 units during the second six months of the year. As planned, only 32 units have been sold as part of privatisation projects in both Riedstadt and Erlensee. As a result, the property portfolio grew to 2,530 units in the first half of 2020 after the transfer of benefits and burdens was completed, up from 1,778 units a year earlier.



Igor Christian Bugarski
CEO



André Speth
CFO

During the first six months of the year we purchased properties at existing locations in the Hanover-Braunschweig-Göttingen-Wolfsburg metropolitan region (126 units), the Rhine-Main region (298 units) and the Leipzig region (51 units). We have also added new locations in the Oberpfalz region in Bavaria (just under 160 units) and in Emden (79 units).

In order to accelerate the portfolio's further expansion, Noratis AG initially postponed sales as announced and is not currently planning any larger portfolio disposals for the rest of the year. The aim is to significantly increase the proportion of rental income within sales. In the future, Noratis AG should already be profitable from managing its existing portfolio alone. However, our strategy does not change. The main aspect of our business activities remains the disposal of assets. We will reduce our sales activities only temporarily to accelerate the portfolio growth. The advantage of a larger property portfolio is that there are more potential projects that can be sold, reducing the dependency of individual transactions. This gives us greater freedom to decide when and at what price a single property or package of properties will be sold, enabling us to secure further return potential in the future.

By doing this, we are remaining true to our aim of taking into account the interests of all of our stakeholders – from tenants, employees and local authorities to you, our shareholders – when developing our business. This approach is also supported by our new major shareholder. We believe this sustainability-focused approach is one of the secrets behind Noratis AG's strong performance.

As planned, due to the strategically low number of property sales, both revenue and consolidated net income are below the previous year's figures. Revenue for the first half of 2020 stood at EUR 14.0 million after EUR 47.7 million in the first half of

2019. Consolidated net income fell to EUR 1.6 million from EUR 5.0 million in the first half of 2019. Our strategic decision to focus on growth is clearly evident in total assets, which rose from EUR 190.9 million a year ago to EUR 266.3 million as of the end of June 2020 and is set to increase further as a result of both completed and future acquisitions. By doing this, we have laid the foundations for our future success – with stable and secure rental income from our steadily growing portfolio, combined with attractive development returns from the sale of comprehensively upgraded properties at the optimum time.

Noratis AG's successful performance would not be possible without the unwavering dedication of our employees. Over the last few months in particular, when the impact of the coronavirus pandemic was especially apparent, we have been able to build on our employees' commitment, and we would like to thank them very much for this. Our thanks also go to our business partners and, last but not least, you, our shareholders, for placing your trust in us. We hope you will maintain your close connection with Noratis AG in the future.

Kind regards,

Igor Christian Bugarski

André Speth

Noratis on the Capital Markets – First Half-Year 2020

In the first half of 2020, global stock markets were dominated by extreme price developments as a result of the coronavirus pandemic. German equity markets also experienced a rapid sell-off shortly after hitting record highs in February. They reached their lowest point on 18 March 2020 before recovering quickly. Germany's leading DAX index ended the first half of the year down by around seven percent. The MDAX mid-cap index recorded even heavier losses, losing ten percent of its value between the start of 2020 and the end of June, while Germany's SDAX small-cap index fell by around eight percent. The F.A.Z. Construction and Real Estate Index recorded smaller losses after declining by around four percent during the period under review. The FTSE/EPRA NAREIT Germany index, which includes listed real estate companies, remained virtually unchanged by the end of June with a loss of around 0.03 percent.

Noratis AG shares were unable to buck the trend of weak performance in the equity markets and also recorded significant losses in February. They reached a low of EUR 14.75 on Deutsche Börse's electronic trading platform, Xetra, on 18 March 2020. Merz Real Estate became shareholder of Noratis AG on 20 March 2020, acquiring a 29.4 percent stake for EUR 21.00 per share. The arrival of this new shareholder and the stock market recovery caused the share price to rise rapidly. On 15 June 2020, the shares reached their highest Xetra closing price of EUR 22.40. At the end of the first half of 2020, the shares finished trading on Xetra at EUR 21.00. This meant that the shares ended the first half of 2020 down 3 percent from a closing price of EUR 21.70 at the end of 2019.

A daily average of 2,116 shares were traded on Xetra in the first half of the year. The average daily trading volume on other stock exchanges was 1,054 shares, resulting in a combined daily trading volume of 3,170 shares in the first six months of 2020.

Capital increase

After Merz Real Estate acquired 29.4 percent of the Company's shares from existing shareholders, this first step was followed by a capital increase during the first half of 2020 in which Merz Real Estate acquired 252,525 new shares for EUR 19.80 per share. The new shares are not eligible for a dividend for financial year 2019. The total number of shares increased to

3,854,422 as a result of the capital increase. This capital increase forms part of an investor and fixed subscription agreement in which Merz Real Estate has agreed to invest a total of up to EUR 50 million in Noratis AG via capital increases by the end of financial year 2024.

Annual General Meeting

As a result of the coronavirus crisis, the Annual General Meeting originally scheduled for 25 June 2020 was postponed until 18 August 2020. The Annual General Meeting has been held virtually to protect the health of the participants. The shareholders have agreed to the proposal of the Management and Su-

pervisory Boards of Noratis AG of the payment of a dividend of EUR 0.80 per share entitled to a dividend. In addition, EUR 0.30 per share of profits for the year will be allocated to a short to medium-term distribution reserve, while EUR 0.10 per share will be allocated to a social fund to support tenants.

Research

Several research houses continued to monitor Noratis AG and issued a buy recommendation for the stock during the first half of 2020. The price targets issued suggest significant upside

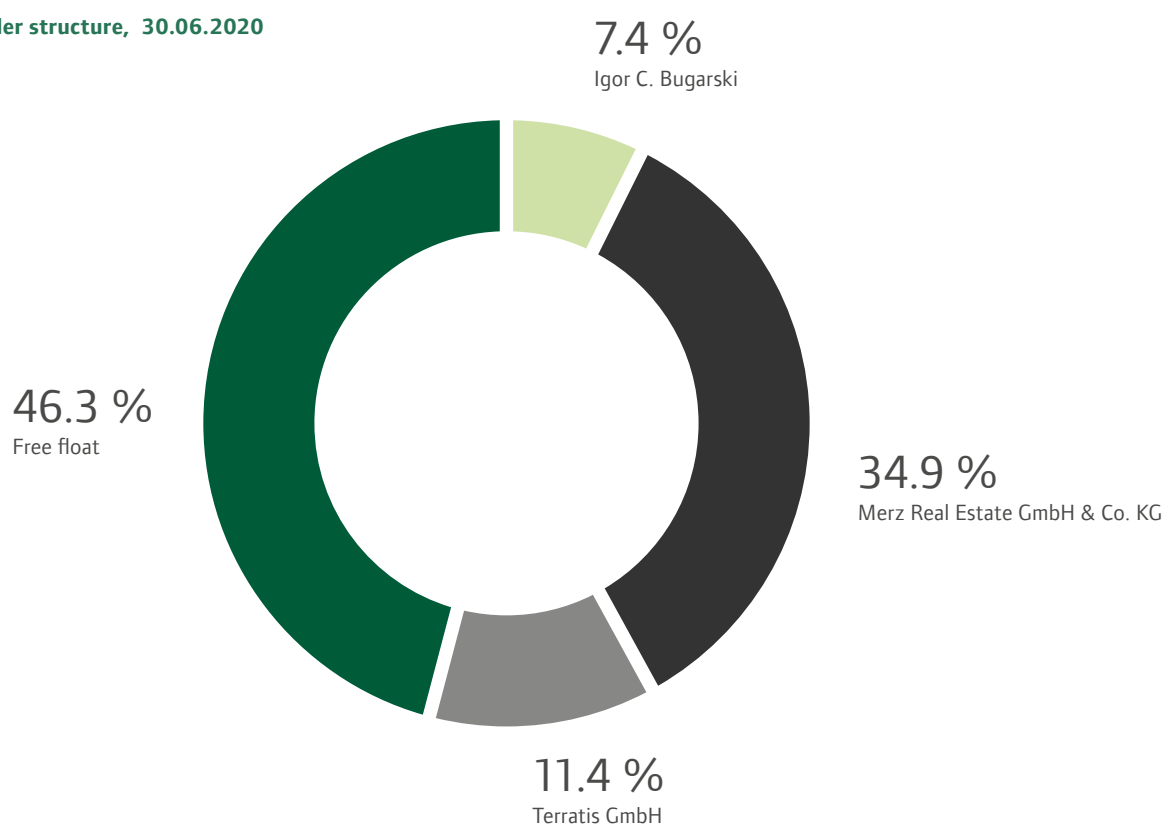
potential. Warburg set a target price of EUR 27.50 in a report published on 23 June 2020, while SMC Research gave a target of EUR 28.80 in its report from 13 May 2020.

Investor Relations

As transparent and comprehensive communication with investors, analysts and journalists is important to Noratis AG, the Company publishes half-yearly and annual reports in addition to regular press releases and ad-hoc notifications. After the bu-

siness model could still be presented to investors and journalists in person at the start of the year, Noratis AG then conducted virtual discussions in line with hygiene regulations designed to contain the coronavirus pandemic.

Shareholder structure, 30.06.2020

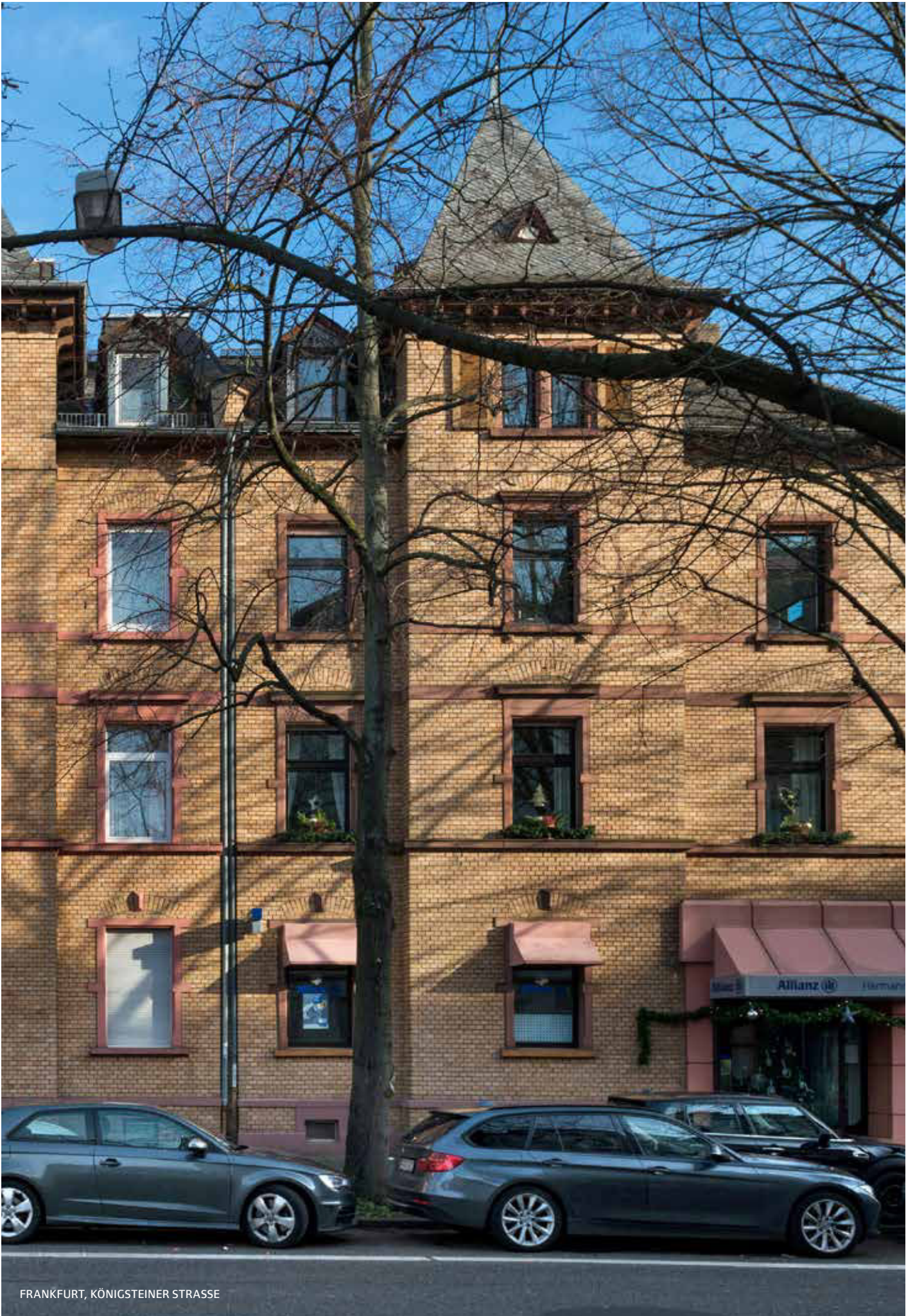


Noratis share price performance from 1 January 2020 to 30 June 2020 (in EUR)

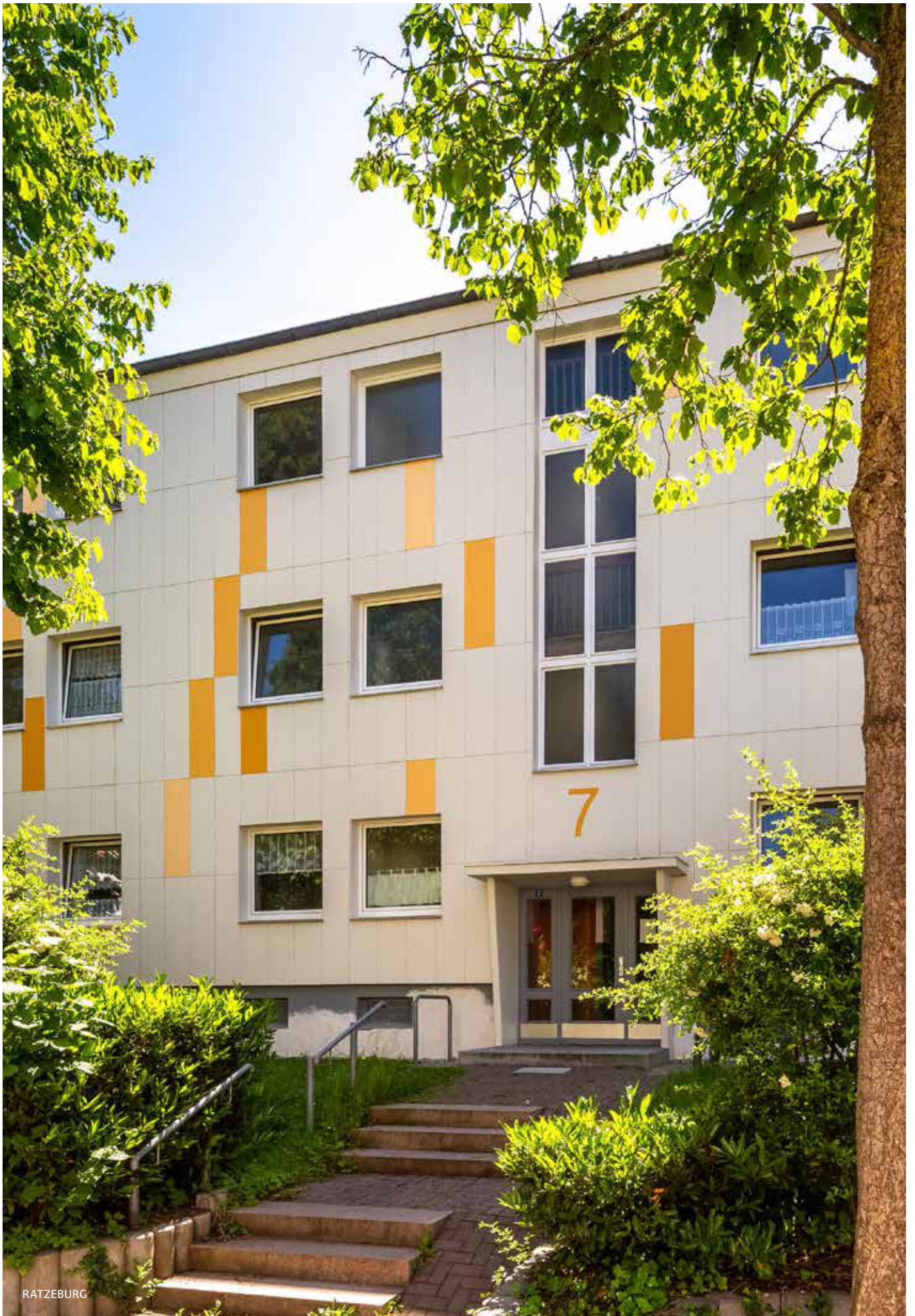


Key data:

ISIN/WKN	DE000A2E4MK4 / A2E4MK
Ticker symbol	NUVA
Type of shares	3,854,422 ordinary bearer shares without par value (no-par value shares)
Share capital	EUR 3,854,422
Market capitalisation on 30 June 2020:	EUR 80.9 million
Initial listing	30 June 2017
Initial issue price	EUR 18.75
Trading segment	Scale segment of Frankfurt Stock Exchange
Other exchanges:	XETRA, Frankfurt, Berlin, Stuttgart, Munich, Hamburg, Düsseldorf, Tradegate, Quotrix, L&S RT
Designated sponsor	ICF BANK AG



FRANKFURT, KÖNIGSTEINER STRASSE



RATZEBURG

Interim Consolidated Financial Statements

as at 30 June 2020

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Interim Consolidated Balance Sheet

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Consolidated Income Statement

Interim Consolidated Balance Sheet

as at 30 June 2020

ASSETS

in EUR		1st half-year 30.06.2020	Previous year 31.12.2019
A. Fixed assets			
I. Intangible fixed assets			
1. Purchased concessions, industrial and similar rights and assets, licences in such rights and assets		33,869.67	33,578.00
II. Tangible fixed assets			
1. Land and land rights with residential buildings	9,372.51		9,613.00
2. Other equipment, operating and office equipment	329,740.79		384,523.00
		339,113.30	394,136.00
III. Financial assets			
1. Long-term investments		12,250.00	0.00
B. Current assets			
I. Land held for sale and other inventories			
1. Land and land rights with finished buildings	253,495,043.01		238,848,806.97
2. Prepayments	2,608,179.98		0.00
		256,103,222.99	238,848,806.97
II. Receivables and other assets			
1. Trade receivables	594,006.57		8,220,936.25
2. Other assets	476,911.51		372,551.22
		1,070,918.08	8,593,487.47
III. Securities			
1. Other securities		0.00	1,652,158.98
IV. Cash-in-hand, central bank balances, bank balances and cheques			
		6,305,583.07	6,966,805.67
C. Prepaid expenses			
		2,221,358.07	2,260,170.82
D. Deferred tax assets			
		234,965.00	200,175.00
		266,321,280.18	258,949,318.91

EQUITY AND LIABILITIES

in EUR		1st half-year 30.06.2020	Previous year 31.12.2019
A. Equity			
I. Subscribed capital	3,854,422.00		3,601,897.00
II. Capital reserves	36,238,255.50		31,490,785.50
III. Net retained profits	19,749,710.48		18,116,263.41
IV. Non-controlling interests	361,957.16		218,492.37
		60,204,345.14	53,427,438.28
B. Provisions			
1. Tax provisions	2,678,574.78		2,678,688.66
2. Other provisions	1,655,218.29		2,310,999.45
		4,333,793.07	4,989,688.11
C. Liabilities			
1. Bonds	0.00		5,925,625.00
2. Liabilities to banks	200,600,893.62		175,062,805.01
3. Payments received on account of orders	7,000.00		3,000.00
4. Trade payables	717,659.84		18,451,679.73
5. Other liabilities	457,588.51		816,518.30
		201,783,141.97	200,259,628.04
D. Deferred income			
		0.00	272,564.48
		266,321,280.18	258,949,318.91

Consolidated Income Statement

for the period from 1 January 2020 to 30 June 2020

in EUR		1st half-year 2020	1st half-year 2019	Full year 2019
1.	Revenue	14,025,640.12	47,689,667.09	75,950,454.87
2.	Increase or decrease in land held for sale with finished and unfinished buildings and unfinished services	14,646,236.04	-9,974,175.18	62,710,759.52
3.	Other operating income	533,158.03	67,898.94	1,001,671.59
4.	Cost of materials			
	a) Expenses for land held for sale	-17,944,797.47	-22,369,420.21	-110,311,353.22
	b) Expenses for other services	-3,030,909.77	-2,402,992.04	-5,751,837.51
		-20,975,707.24	-24,772,412.25	-116,063,190.73
5.	Personnel expenses			
	a) Wages and salaries	-2,293,709.01	-1,645,819.06	-3,582,669.77
	b) Social security, post-employment and other employee benefit costs	-244,189.48	-209,298.28	-474,539.23
		-2,537,898.49	-1,855,117.34	-4,057,209.00
6.	Depreciation, amortisation and write-downs			
	a) of intangible and tangible fixed assets	-83,664.21	-84,721.02	-187,312.67
7.	Other operating expenses	-1,373,492.51	-2,194,938.16	-3,591,571.33
8.	Other interest and similar income	75,820.86	119,894.62	150,407.08
9.	Interest and similar expenses	-2,000,823.74	-2,036,706.36	-3,829,159.43
10.	Taxes on income	-670,100.00	-1,934,466.12	-3,411,706.49
11.	Earnings after taxes	1,639,168.86	5,024,924.22	8,673,143.41
12.	Other taxes	-2,257.00	-1,618.00	-2,900.00
13.	Net income for the period	1,636,911.86	5,023,306.22	8,670,243.41
14.	Profit attributable to non-controlling interests	-3,464.79	-10,582.50	-21,165.00
15.	Net income from the current year attributable to Group companies	1,633,447.07	5,012,723.72	8,649,078.41
16.	Retained profits brought forward	18,116,263.41	9,467,185.01	9,467,185.00
17.	Net retained profits	19,749,710.48	14,479,908.73	18,116,263.41



RATINGEN

Cash Flow Statement

for 1st half-year 2020

In thousand EUR	1st half-year 2020	1st half-year 2019	Full year 2019
Net income for the period	1,637	5,023	8,670
+/- Depreciation, amortisation and write-downs of fixes assets / reversals of write-downs of fixed assets	84	85	187
+/- Increase / decrease in provisions	-656	1,040	-331
+/- Other non-cash expenses / income	51	1	139
-/+ Increase / decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	-8,092	31,279	-46,125
+/- Increase / decrease in trade payables and other liabilities not attributable to investing or financing activities	-18,352	-1,536	16,932
-/+ Gain / loss on disposal of fixed assets	0	1	0
+/- Interest expense / interest income	1,925	1,917	3,679
- Other investment income	0	0	0
+/- Expenditure for / income of exceptional size or incidence	0	0	0
+/- Income tax expense / income	670	1,934	3,412
+ Cash receipts relating to income of exceptional size or incidence	0	0	0
- Cash payments relating to expenditure of exceptional size or incidence	0	0	0
-/+ Income taxes paid	-705	-3,347	-4,923
= Cash flows from operating activities	-23,438	36,397	-18,360
+ Proceeds from disposal of intangible fixed assets	0	0	0
- Payments to acquire intangible fixed assets	-11	0	0
+ Proceeds from disposal of tangible fixed assets	0	11	11
- Payments to acquire tangible fixed assets	-18	-45	-117
+ Proceeds from disposal of long-term financial assets	0	0	0
- Payments to acquire long-term financial assets	-12	0	0
+ Payments from disposals of entities included in the basis of consolidation	0	0	0
- Payments to acquire entities included in the basis of consolidation	0	0	0
+ Cash payments from the investment of cash funds for short-term cash management	0	0	0
- Cash payments for the investment of cash funds for short-term cash management	0	0	0

Cash flow statement (continued)

in TEUR	1st half-year 2020	1st half-year 2019	Full year 2019
+ Cash receipts relating to income of exceptional size or incidence	0	0	0
- Cash payments relating to expenditure of exceptional size or incidence	0	0	0
+ Interest received	76	120	150
+ Dividends received	0	0	0
= Cash flows from investing activities	35	86	44
+ Proceeds from capital contributions by shareholders of the parent entity	5,000	0	0
+ Proceeds from capital contributions by minority shareholders	140	0	0
- Cash payments to shareholders of the parent entity from the redemption of shares	0	0	0
- Cash payments to minority shareholders from the redemption of shares	0	0	0
+ Proceeds from the issuance of bonds and from borrowings	40,612	19,199	74,465
- Cash repayments of bonds and borrowings	-21,029	-39,675	-48,512
+ Proceeds from grants / subsidies received	0	0	0
+ Cash receipts relating to income of exceptional size or incidence	0	0	0
- Cash payments relating to expenditure of exceptional size or incidence	0	0	0
- Interest paid	-1,981	-2,217	-3,818
- Dividends paid to shareholders of the parent entity	0	-4,682	-4,682
- Dividends paid to minority shareholders	0	-21	-21
= Cash flows from financing activities	22,742	-27,396	17,432
= Net change in cash funds	-661	9,087	-884
+/- Effect on cash funds of exchange rate movements and remeasurements	0	0	0
+/- Effect on cash funds of changes in the basis of consolidation	0	0	0
+ Cash funds at beginning of period	6,967	7,851	7,851
= Cash funds at end of period	6,306	16,938	6,967



CELLE, AM HOLZHOF

Group Management Report

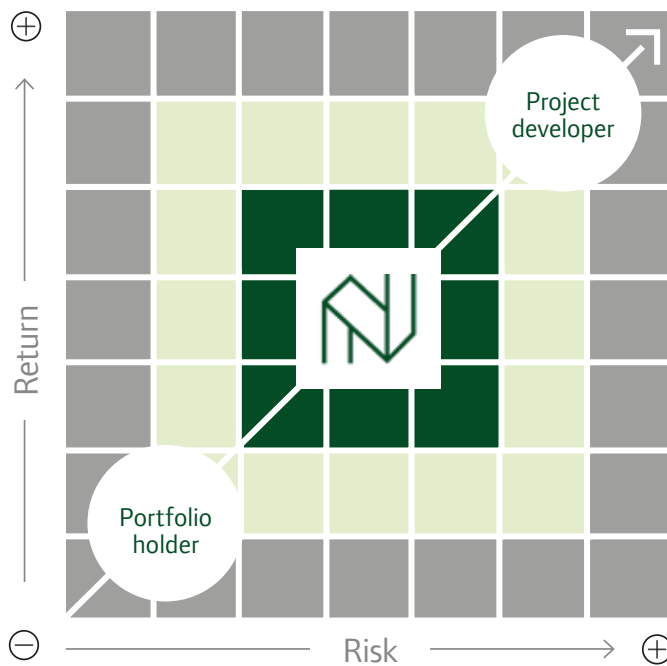
for the first half of 2020

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29	Report on Expected Developments
29	Internal Control and Risk Management System relevant for the Consolidated Financial Reporting Process

1. Fundamental information about the Group

1.1. Overview

The Noratis Group specialises in the development of existing residential property portfolios. This focus allows the Group to combine the security of a property portfolio holder with the attractive returns generated by property development. Regular rental income from the portfolio ensures continuous monthly cash flows and stable contributions to earnings. The returns from developer activity generate additional earnings potential in the portfolio that is realised by active sales of properties.



The Noratis Group operates throughout Germany, focusing on residential properties with potential for development. These are mostly employee housing, neighbourhoods or housing estates from the 1950s to 1970s. Here, the Group prefers to invest in cities with a population of more than 10,000 or on the outskirts of large urban areas.

The properties purchased are upgraded so that they also deliver value for money for low- or middle-income tenants. In doing so, the Noratis Group creates and maintains attractive, affordable living space. The properties in the portfolio are held and developed until they are sold individually or in blocks. Proceeds from the sales are mainly reinvested in property purchases.

The Noratis Group's team of 51 employees on average during the first half of 2020 performs the core tasks along the entire value chain. Thanks to this internal expertise, the existing network in the industry and the experience gained from successfully completed projects, the Group has the flexibility to react quickly whenever opportunities arise in the market. Since 2014 alone, the Group has sold around 2,200 apartments at a total disposal price of around EUR 260 million. The current project development portfolio as at 30 June 2020 comprises more than 2,500 units with an area of around 167,000 sqm.

1.2. Strategy

The Noratis Group pursues a strategy of achieving sustainable growth in its residential property portfolio with stable cash flows from rental income. The continuous sale of properties that have already been developed are a key component of the Group's revenues. Real estate assets and the share of revenue accounted for by rental income are expected to rise steadily due to a proportionally higher number of units acquired compared to units sold.

1.3. Group Structure

All of the Group companies pursue the same corporate strategy and operate in the same business segment. The parent company Noratis AG, which is listed in Deutsche Börse's Scale segment, acts as the management holding company, in which capacity it performs tasks for the entire Group on a Group-wide basis.

Zweite Heba Immobilien UG (haftungsbeschränkt) and the subsidiary Noratis Residential GmbH, which was established in 2015, were merged into Noratis Wohnen GmbH in June 2019, which also was established in 2015. Noratis AG continues to hold 100% of the shares. The merger had no effect on the consolidated financial statements.

Noratis AG holds 94% of the shares in Noratis Living GmbH, which was acquired at the end of June 2017, and 100% of the shares in Noratis Habitat GmbH, which was established in July 2018.

January 2020 saw the foundation of West GmbH with its registered office in Ratingen, Germany, in which Noratis AG holds a 65% equity interest.

1.4. Corporate Management

The Group-wide planning and management system is aligned with the Group's strategy and structured accordingly. The key operating indicators used by the Management Board mainly include the volume of purchases and sales realised, the scheduled implementation of refurbishments within budget and profits from the management of the individual portfolios. Key performance indicators in this context are the proceeds of sales realised, earnings before interest and taxes (EBIT) and earnings before taxes (EBT). The Group's loan to value (LTV) and net loan to value (Net LTV) ratios and its equity ratio are also regularly monitored. Regular reporting of these key indicators enables the Management Board to assess the Group's economic performance on an ongoing basis and develop appropriate countermeasures whenever negative trends arise.

2. Economic position

2.1. Macroeconomic Situation

The German economy suffered a historically sharp decline in the first half of 2020 as a result of the COVID-19 pandemic. In the second quarter of 2020, gross domestic product fell by 10.1 percent compared to the previous quarter after adjustments for price, seasonal and calendar effects, and by 11.7 percent compared to the previous year. Leading financial and economic experts from economic research institutes, government agencies and international organisations are anticipating a recovery in economic output for the second half of 2020, provided that infection rates can still be contained. In their joint forecast from spring 2020, leading economic research institutes expect the global economy to recover on a broad scale in the second half of the year. According to this joint forecast, gross domestic product in Germany will shrink by 4.2 percent in the full year 2020. The German Institute for Economic Research (DIW) anticipates economic growth of three percent in the third quarter of 2020. In its monthly report for July, the Deutsche Bundesbank assumes that economic activity in Germany had already reached its low point in April and that the economic recovery will continue in the second half of the year, thanks in part to the stimulus package agreed by the federal government.

2.2. Situation in the German Property and Housing Market

According to the Federal Statistical Office, Destatis, residential property prices in Germany rose by 6.8 percent year-on-year in the first quarter of 2020. While prices for single-family and two-family homes in Germany's seven largest cities (Berlin, Munich, Hamburg, Cologne, Frankfurt, Stuttgart, Düsseldorf) rose by 9.5 percent and prices for commonhold apartments increased by 7.4 percent, prices in other German cities with more than 100,000 residents grew by between 8.3 percent and 9.3 percent.

Thanks to a strong first quarter, the German property investment market generated a transaction volume of EUR 41.7 billion in the first half of 2020, up from around EUR 30 billion in the same period last year. As figures from Savills Research show, EUR 29.2 billion of this total is attributable to commercial property (+15 percent) and EUR 12.5 billion to residential property, which roughly doubled compared to the prior-year period. The residential property market showed its first signs of weakness resulting from the COVID-19 pandemic in the second quarter. Between April and June, residential properties changed hands for a combined EUR 3.2 billion, less than the quarterly average for the last five years of approximately EUR 4.1 billion.

According to BNP Paribas Real Estate, there is no question of there being a standstill in the investment markets as some predicted, despite signs of a slowdown in the second quarter. BNP Paribas has not observed any fundamental change in excess demand in residential markets. Cash flows are also very stable, and the risk of larger rent losses is significantly lower here than for commercial property. Many investors continue to believe that the positive trend in the German property market will continue as soon as the pandemic is suppressed or can be controlled by medication and vaccines. Germany scores highly among investors due to factors such as the country's high degree of legal certainty and stable political situation.

The Cologne Institute for Economic Research (IW) expects the residential market in Germany to emerge relatively unscathed from the coronavirus crisis. Despite the pandemic, purchase prices in Germany's 50 largest cities are expected to either not fall at all or fall only slightly by 12 percent at worst. Any slight price declines would primarily be attributable to dampened expectations about future rental income as well as a generally high level of uncertainty expressed in the form of more dynamic prices. On the other hand, any drop in prices is being curbed by sharply falling interest rates.

2.3. Course of Business

The Noratis Group's operations were only moderately affected by the prevailing market environment caused by the coronavirus pandemic. As planned, revenue from apartment sales was significantly lower compared to the same period last year.

The aim of this lower revenue from property sales is to significantly increase the property portfolio and thus generate additional growth. Properties are still acquired with the aim of selling them again once development work is complete.

As a result, EBIT fell significantly compared to the prior-year period due to lower sale proceeds.

The property portfolio reported in inventories grew by EUR 17.3 million to EUR 256.1 million in the first half of the year. This includes EUR 2.6 million of prepayments for properties where the transfer of benefits and burdens will take place after 30 June.

Equity increased by EUR 5.0 million as a result of the capital increase carried out in May 2020 as part of the implementation of the Group's growth strategy. Of this figure, EUR 0.3 million was allocated to subscribed capital and EUR 4.7 million to capital reserves. As a result, the equity ratio increased from 20.6% as of 31 December 2019 to 22.6% as of 30 June 2020.

In the course of the financial year, properties were acquired or sold at the following locations:

Acquisitions

Location	Number of units	Sales channel
Emden	79	Block sale
Halle ⁽¹⁾	19	Block sale
Leipzig	32	Block sale
Mönchengladbach/Krefeld ⁽¹⁾	25	Block sale
Total	155	

(1) Incl. commercial units (Halle: 1, Mönchengladbach/Krefeld: 6).

Sales

Location	Number of units	Sales channel
Erlensee	19	Privatisation
Riedstadt	13	Privatisation
Total	32	

The Group's residential real estate portfolio amounted to 2,530 units at the end of the first six months of the year, spread across the following locations:

Location	Number of units	Sales channel
Celle	317	Block sale
Erlensee	17	Privatisation
Emden	79	Block sale
Frankfurt-Ginnheim ⁽¹⁾	363	Privatisation
Frankfurt-Höchst	18	Block sale
Frankfurt-Innenstadt ⁽¹⁾	25	Block sale
Frankfurt-Rödelheim ⁽¹⁾	9	Block sale
Freital ⁽¹⁾	93	Block sale
Gladbeck ⁽¹⁾	32	Block sale
Halle ⁽¹⁾	19	Block sale
Leipzig	92	Block sale
Magdeburg	149	Block sale
Möln	20	Block sale
Mönchengladbach/Krefeld ⁽¹⁾	25	Block sale
Neuruppin	165	Block sale
Kassel	36	Block sale
Krefeld	48	Block sale
Königsutter	93	Block sale
Neu-Isenburg	185	Block sale
Ratingen	156	Block sale
Ratzeburg	335	Block sale
Rügen ⁽¹⁾	142	Block sale
Steinfurt	111	Block sale
Zweibrücken	1	Privatisation
Total	2.530	

(1) Incl. commercial units (Frankfurt Ginnheim: 7, Frankfurt Innenstadt: 4, Frankfurt Rödelheim: 2, Freital: 40, Gladbeck: 3, Halle: 1, Mönchengladbach/Krefeld: 6, Ratzeburg: 2, Rügen: 3).

With 2,530 units (31 December 2019: 2,407 units) and a carrying amount of EUR 253.5 million (31 December 2019: EUR 238.8 million), the aggregate property portfolio at the end of the first six months of 2020 increased for both key figures in line with planning.

The positive performance of the Noratis Group is reflected in the net assets, financial position and results of operations as described below.

2.4. Results of Operations

The consolidated income statement based on the presentation of the Noratis Group's revenue categories of sales and rent as well as attributable costs changed as follows in the first half of 2020:

million EUR	1st half-year 2020	1st half-year 2019	Financial year 2019
Units sold	32	177	339
Revenue	14.0	47.7	75.9
Revenue, sales	6.0	41.8	63.0
Costs of sales (incl. outstanding modernisation costs)	-3.3	-33.3	-48.6
Gross profit, sales	2.7	8.4	14.4
Revenue, rents	8.0	5.9	12.9
Cost of letting	-3.0	-2.4	-5.7
Gross profit, letting	5.0	3.5	7.2
Gross profit	7.7	11.9	21.6
Other operating income	0.5	0.1	1.0
Personnel expenses	-2.5	-1.9	-4.1
Depreciation, amortisation and write-downs	-0.1	-0.1	-0.2
Other operating costs	-1.3	-1.2	-2.6
Extraordinary effect: IPO/capital increase	-0.1	0.0	0.0
EBIT	4.2	8.8	15.8
Net interest expense	-1.9	-1.9	-3.7
EBT	2.3	6.9	12.1
Taxes	-0.7	-1.9	-3.4
Consolidated net income	1.6	5.0	8.7

Rounding differences may occur for mathematical reasons.

Consolidated revenue in the first half of 2020 declined considerably year-on-year. Revenue from sales fell by EUR 35.8 million to EUR 6.0 million, reflecting the Group's goal of further expanding its property portfolio. As a result, revenue from rents rose significantly by EUR 2.1 million to EUR 8.0 million.

Due to a higher margin on sales and rents, the EUR 4.2 million decline in gross profit to EUR 7.7 million is lower in percentage terms than the decline in revenue. While revenues fell by a total of 70.6%, gross profit decreased by 35.3%.

Other operating income includes provisions for rental guarantees amounting to EUR 0.3 million from block sales already completed. Not all of these provisions are still required.

The EUR 0.6 million increase in staff costs to EUR 2.5 million is largely attributable to the expansion of the workforce in the second half of 2019.

Earnings before interest and taxes (EBIT) amounted to EUR 4.2 million; as expected, this figure was well below the comparable prior-year figure of EUR 8.8 million due to lower sales proceeds. Improved gross profit margins and higher rental income could only partially offset the decline in sales proceeds.

Net interest expense (interest expense less interest income) remained steady compared to the same period last year despite higher financing volumes. This was primarily due to the further drop in interest rates and the higher volume of credit agreements not secured by property with corresponding interest expenses that were included in the first half of 2019.

Earnings before tax (EBT) also decreased by EUR 4.6 million year-on-year to EUR 2.3 million as a result of lower EBIT.

2.5. Financial Position

The consolidated cash flow statement changed as follows:

million EUR	1st half-year 2020	1st half-year 2019
Cash flows from operating activities	-23.4	36.4
Cash flows from investing activities	0.0	0.1
Cash flows from financing activities	22.7	-27.4
Net change in cash funds	-0.7	9.1
Cash funds at beginning of period	7.0	7.8
Cash funds at end of period	6.3	16.9

Cash flows from operating activities were significantly lower in the first half of 2020 than in the same period last year. This is primarily due to the net increase in inventories as well as the drop in trade payables, as the payment for one property purchase in December 2019 was only due in January 2020.

Cash flows from investing activities mainly include payments for newly-acquired property and investments of EUR 0.04 million. This is offset by EUR 0.08 million in interest received, resulting in a balance of EUR 0.04 million.

The significant year-on-year increase in cash flows from financing activities in the first half of the year is attributable to higher net borrowings resulting from property purchases as well as a significant decline in sale proceeds and associated repayments. This figure also includes the financing of a property purchase from 2019 that was only due for payment in January 2020, as well as inflows of EUR 5.0 million from the capital increase.

Cash funds as at 30 June 2020 amounted to EUR 6.3 million (30 June 2019: EUR 16.9 million). The available liquidity will be used primarily to acquire further inventory properties and to satisfy investment obligations. These include investments of around EUR 0.6 million to complete sales already made, for which corresponding provisions have been recognised.

As at 30 June 2020, the Group had unused credit facilities of EUR 16.3 million (31 December 2019: EUR 24.1 million). As in the financial year ended, management assumes that the Noratis-Group will again meet its payment obligations in 2020.

2.6. Net Assets

Summary of the consolidated balance sheet:

	1st half-year 2020		1st half-year 2019	
	million EUR	%	million EUR	%
Assets	266.3	100.0	258.9	100.0
Fixed assets	0.4	0.2	0.4	0.2
Inventories	256.1	96.2	238.8	92.2
Receivables and other current assets	1.1	0.4	10.2	3.9
Cash	6.3	2.4	7.0	2.7
Deferred income	2.2	0.8	2.3	0.9
Deferred tax assets	0.2	0.1	0.2	0.1
Equity and liabilities	266.3	100.0	258.9	100.0
Equity	60.2	22.6	53.4	20.6
Provisions	4.3	1.6	5.0	1.9
Liabilities to banks	200.6	75.3	175.1	67.6
Other liabilities	1.2	0.5	25.1	9.7
Deferred income	0.0	0.0	0.3	0.1

Compared with the previous year, total assets of the Noratis Group climbed from EUR 258.9 million to EUR 266.3 million. The increase in assets is primarily attributable to higher purchases in relation to sales and investments in inventory properties, which more than compensated for the decrease in receivables.

As a result of the total of net purchases, land and buildings held for sale increased by EUR 17.3 million to EUR 256.1 million as at 30 June 2020. All of the properties that the Noratis Group holds in its portfolio are held as current assets because the properties are acquired with the intention of being resold after their successful development.

The EUR 9.1 million fall in receivables and other current assets is primarily attributable to the decline in trade receivables. At the end of 2019, this item included purchase price receivables that became due only in 2020. As of 30 June 2020, purchase price receivables amounting to EUR 0.2 million were recognised.

Deferred tax assets include tax loss carryforwards of EUR 0.2 million for the financial year and for prior years, which can be offset against future tax liabilities.

On the liabilities side, equity primarily increased due to the capital increase and the earnings generated in the first half of 2020. Overall, equity improved by EUR 6.8 million to EUR 60.2 million.

The decline in provisions by EUR 0.7 million to EUR 4.3 million as of 30 June 2020 is primarily attributable to the decrease in other provisions. Provisions for modernisation expenses and other obligations pledged as part of a sale were reduced by EUR 0.4 million. Provisions for outstanding invoices also decreased by EUR 0.3 million.

Liabilities to banks rose by EUR 25.5 million as against the end of 2019 to EUR 200.6 million due to the net addition of properties. This figure includes the loan taken out for a property purchase in the previous year.

Other liabilities decreased by EUR 23.9 million as of 30 June 2020 due primarily to the acquisition of inventory properties in December for which some of the payments were not due until the end of January 2020.

3. Report on Opportunities and Risks

For information on the risks of future business development, please refer to the statements made in the risk report in the consolidated financial statements as of 31 December 2019. Regardless of the coronavirus pandemic, there have been no fundamental changes to the opportunities and risks of future business development since the start of the financial year.

When it comes to property investments, residential property is among the most conservative and lowest-risk asset classes, as the coronavirus pandemic has demonstrated once again. While other industries and even commercial lettings have had to deal with sharp declines in some cases, the residential property sector has remained largely unscathed so far. Although rent losses and deferrals have risen somewhat, these increases are still not considered to be critical.

To date, there has been no slump in residential property prices. According to Savills, rolling transaction volumes for the last 12 months are still above EUR 100 billion, including EUR 41.7 billion in the first half of 2020. Despite coronavirus, the ImmoScout24 apartment price index shows that asking prices for commonhold apartments rose in the second quarter of 2020 compared to the first quarter. Asking prices for commonhold apartments within the portfolio increased by 2.5% and by 1.3% for new-build commonhold apartments.

4. Report on Expected Developments

The effects of the coronavirus pandemic pushed the German economy into a deep recession. A noticeable recovery began once contact restrictions were eased. According to the Federal Ministry for Economic Affairs and Energy (press release dated 13 July 2020), the German economy passed its low point in April. The impact of the coronavirus pandemic was much less noticeable in the residential property market. With this in mind, and provided that the economy continues its recovery, the Management Board expects the Group's performance to remain positive in 2020.

As already explained in the consolidated financial statements dated 31 December 2019, no larger portfolio disposals are currently planned for the rest of the year in order to accelerate the portfolio growth. Although this will lead to significantly higher rental income in 2020, it will not be enough to offset the decline in sales proceeds. As a result, EBIT and EBT for financial year 2020 are expected to be significantly lower than in the previous year.

5. Internal Control and Risk Management System for the Consolidated Financial Reporting Process

The control system relevant for the consolidated financial reporting process is derived from the central accounting organisation at parent company Noratis AG. The Group's financial statements are prepared by its own employees who are supported by external service providers, particularly with regard to tax issues and payroll accounting. Rental accounting is also carried out by the Group's own employees in order to manage external property management firms.

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

Noratis AG

Eschborn, 21 August 2020



Igor Christian Bugarski
Chief Executive Officer



André Speth
Chief Financial Officer

Financial Calendar

14 – 15 October 2020	EXPO Real Hybrid Summit in Munich
16 – 18 November 2020	Equity Forum in Frankfurt a.M.
31 December 2020	End of financial year 2020

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Disclaimer

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