



N O R A T I S

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**Financial Report**  
**First Half-Year 2019**

abridged version <sup>1</sup>

# Main Group Figures (German Commercial Code)

	2018	1st half-year 2018	1st half-year 2019
Revenues (million EUR)	56.1	20.8	47.7
EBIT (million EUR)	15.6	4.7	8.8
EBT (million EUR)	12.8	3.5	6.9
Consolidated net income (million EUR)	9.3	2.6	5.0
Earnings per share (undiluted)	2.57	0.71	1.39
Total assets	214.1	135.0	190.9
Units sold	294	133	177
Existing units*	1,791	1,404	1,778
Rental space of the property portfolio (rounded, thous. m <sup>2</sup> )	123	95	122

\* including commercial units

<sup>1</sup> 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 remains on track. We seamlessly continued our successful business development of recent years in the first half of 2019. This is confirmed by both earnings and the performance of our real estate portfolio.

Earnings before interest and taxes (EBIT) amounted to 8.8 million EUR in the first six months of 2019. This corresponds to a rise of around 89 percent compared to the previous year's figure of 4.7 million EUR. As a result, earnings before tax doubled to 6.9 million EUR. Consolidated net income reached 5.0 million EUR in the first half of the year compared to 2.6 million EUR a year earlier, a rise of approximately 95 percent. With these figures, we believe that we are well on the way to achieving our annual targets, which expect EBIT and earnings before tax to stabilise at the same level as in the previous two years.

The Company's revenue performance is also positive, with revenue more than doubling to 47.7 million EUR in the first half of 2019 after 20.8 million EUR in the prior-year period. This significant rise is based on both higher proceeds from real estate sales, which grew to 41.8 million EUR after 17.5 million EUR in the prior-year period, and increased rental income of 5.9 million EUR, up from 3.3 million EUR in the same period last year.

The transfer of benefits and obligations added a total of 164 apartments in Freital (near Dresden), Neu-Isenburg and Kassel. We sold a total of 177 units, up from 133 units in the first half of 2018. This includes block sales in Trier and Zweibrücken and the disposal of a property in Frankfurt. As a result, our real estate portfolio consisted of 1,778 units as of the end of June 2019, compared with 1,404 units at the end of June 2018 and 1,791 units at the end of 2018. This figure does not include the acquisition of a total of 132 apartments in Frankfurt am Main and Steinfurt (North Rhine-Westphalia) in June 2019. We also purchased an additional 65 units in Celle in July and are planning further acquisitions for the rest of the year.

For us, the consistently strong performance of our business confirms our positioning in the real estate market. As a portfolio developer, we combine the advantages of the attractive returns generated by project development with the stability of a portfolio holder. By focusing on properties with commerci-

## LETTER FROM THE MANAGEMENT BOARD

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**Igor Christian Bugarski**  
CEO



**André Speth**  
CFO

al and/or technical development potential on the outskirts of metropolitan areas and in cities with more than 10,000 inhabitants, we address a market segment that, in our opinion, is significantly more stable than prime locations, for example.

One critical success factor is the careful upgrading of our assets, which enables us to create and maintain affordable living space. We see our tenants as customers for whom we want to create tangible added value. After all, satisfied tenants are the basis for high occupancy rates and stable rents. This in turn enables us to keep individual properties in the portfolio for longer after upgrading so that we benefit from higher rental income before the properties are sold and the development return is realised. By doing so, we create further added value for our shareholders in the long term.

We paid another attractive dividend for the 2018 financial year, distributing around 50 percent of our net income for the year in line with our dividend policy. The amount distributed rose to around 4.68 million EUR this year compared to approximately 4.38 million EUR in the previous year. The Annual General Meeting in Eschborn on 17 June 2019 approved the corresponding dividend of 1.30 EUR per share on share capital raised by the 2018 capital increase.

Our business partners on the real estate market also value our business model. Our sustainable approach to managing our property portfolio make us a preferred business partner for

both vendors and acquirors. As a result, several investors have already acquired properties from us on several occasions due to their positive experience. This success is based on a trusting relationship with our broad network within the real estate sector, which we are continually expanding, just as we are constantly developing our corporate structure. Noratis AG had 49 employees as of the end of June, compared to 44 employees at the end of the 2018 financial year. This allows us to cover all core areas of the value chain with skilled in-house expertise.

Noratis AG's successful performance would not be possible without the dedication of our employees. We would like to take this opportunity to thank them very much for their commitment. Our thanks also go to our business partners for their excellent collaboration. Last but not least, we would like to thank you, our shareholders, for placing your trust in us. We hope you will continue to give us your support.

Kind regards,

Igor Christian Bugarski

André Speth

# Noratis on the Capital Markets – First Half-Year 2019

The price development on the German stock markets trended upwards in the first half of 2019. This meant that the capital markets made gains despite the political uncertainty caused by the trade dispute between the USA and China as well as Brexit. Germany's DAX index, which represents the 30 largest listed stocks, rose by more than 17 percent in the first six months of 2019. The MDAX mid-cap index performed even better, climbing by around 19 percent, while the SDAX small-cap index recorded gains of approximately 20 percent. There were very different trends in individual sectors. The F.A.Z. Construction and Real Estate Index ended the period under review only slightly up. The FTSE EPRA/NAREIT Germany Index, which represents listed real estate companies, lost by almost 1 percent during the reporting period.

## Annual General Meeting

On 17 June 2019, the Annual General Meeting of Noratis AG took place. All of the agenda items were adopted by a large majority, including the proposal to pay a dividend of 1.30 EUR

Noratis AG shares recorded a moderate positive performance until the Annual General Meeting in June 2019, before shedding value after the distribution of a dividend of 1.30 EUR per share. After reaching a closing price of 22.00 EUR at the end of 2018, the stock reached a high of 23.50 EUR on Xetra, Deutsche Börse's electronic trading system, on 18 April 2019. The lowest Xetra price of 20.10 EUR was recorded on 27 June 2019. The shares' closing price on Xetra on 28 June 2019 was 20.90 EUR. A daily average of 2,786 shares were traded on Xetra in the first half of the year. The average daily trading volume on other stock exchanges was 3,764 shares, resulting in a combined daily trading volume of 6,550 shares in the first six months of 2019.

for the 2018 financial year. This resulted in the distribution of around 4.68 million EUR after approximately 4.38 million EUR in the previous year.

## Research

Analysts continued to see considerable upside potential in Noratis AG's shares. In a report published on 28 May 2019, SMC Research confirmed its "buy" recommendation and set a target

price of 33.70 EUR. Analysts at Warburg also rated the stock as a "buy" on 16 April 2019 with a target price of 28.00 EUR.

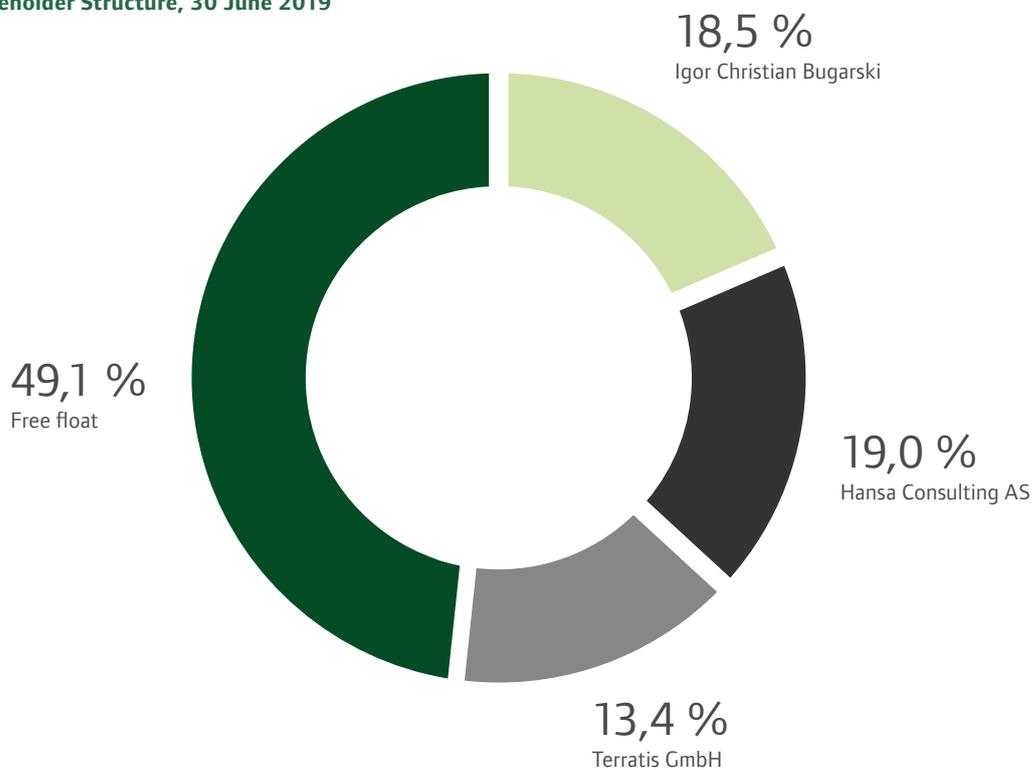
**Investor Relations**

Since comprehensive and transparent communication is integral to Noratis AG, the Company maintains contact with investors, analysts and journalists. Noratis regularly reports important corporate events via press releases and ad-hoc releases. The Company also publishes annual and half-yearly reports. In addition, Noratis AG regularly presents the Company at capital

markets conferences to showcase the Company’s business model and outlook to the financial community, cultivate existing contacts and forge new relationships. Information about the Company and its shares can be found on Noratis AG’s Investor Relations page:

<https://noratis.de/investor-relations/>

**Shareholder Structure, 30 June 2019**



Noratis share price performance from 1 January 2019 to 30 June 2019 (in EUR)



### Key data:

ISIN/WKN	DE000A2E4MK4/A2E4MK
Ticker symbol	NUVA
Type of shares	3,601,897 ordinary bearer shares without par value (no-par value shares)
Share capital	3,601,897 EUR
Market capitalisation on 30 June 2019	75.3 million EUR
Initial listing	30 June 2017
Initial issue price	18.75 EUR
Trading segment	Scale segment of Frankfurt Stock Exchange
Other exchanges	XETRA, Berlin, Düsseldorf, Munich, Stuttgart, Hamburg, Frankfurt, Tradegate
Designated Sponsor	ICF BANK AG



FRANKFURT



DRANSKE

# Consolidated Financial Statements

*as at 30 June 2019*

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# Interim Consolidated Balance Sheet

as at 30 June 2019

## ASSETS

In EUR		Financial year 30.06.2019	Previous year 31.12.2018
<b>A. Fixed assets</b>			
I. Intangible fixed assets			
1. Purchased concessions, industrial and similar rights and assets, licences in such rights and assets		42,235.51	50,893.00
II. Tangible fixed assets			
1. Land and land rights with residential buildings	9,853.51		10,094.00
2. Other equipment, operating and office equipment	409,369.37		448,871.00
		419,222.88	458,965.00
<b>B. Current assets</b>			
I. Land held for sale and other inventories			
1. Land and land rights with finished buildings	166,163,872.27		176,138,047.45
2. Prepayments	102,088.45		532,835.63
		166,265,960.72	176,670,883.08
II. Receivables and other assets			
1. Trade receivables	3,522,605.47		24,051,178.90
2. Other assets	582,110.59		449,357.40
		4,104,716.06	24,500,536.30
III. Securities			
1. Other securities		590,331.20	1,808,560.00
IV. Cash-in-hand, central bank balances, bank balances and cheques			
		16,938,208.10	7,850,726.00
<b>C. Prepaid Expenses</b>			
		2,388,355.03	2,725,155.90
<b>D. Deferred tax assets</b>			
		111,736.00	0.00
		<b>190,860,765.50</b>	<b>214,065,719.28</b>

## EQUITY AND LIABILITIES

In EUR		Financial year 30.06.2019	Previous year 31.12.2018
<b>A. Equity</b>			
I. Subscribed capital	3,601,897.00		3,601,897.00
II. Capital reserves	31,490,785.50		31,490,785.50
III. Net retained profits	14,479,908.73		14,149,651.11
IV. Non-controlling interests	229,074.87		218,492.37
		49,801,666.10	49,460,825.98
<b>B. Provisions</b>			
1. Tax provisions	2,938,779.44		2,793,164.37
2. Other provisions	3,681,951.02		2,641,933.99
		6,620,730.46	5,435,098.36
<b>C. Liabilities</b>			
1. Bonds	5,711,875.00		5,928,000.00
2. Liabilities to banks	127,491,450.75		149,088,142.41
3. Payments received	0.00		7,200.00
4. Trade payables	743,631.96		1,914,839.77
5. Other liabilities	491,411.23		649,509.44
- of which taxes 146 thousand EUR (274 thousand EUR)		134,438,368.94	157,587,691.62
- of which relating to social security 4 thousand EUR (9 thousand EUR)			
<b>D. Deferred income</b>		0.00	209,963.84
<b>E. Deferred tax liabilities</b>		0.00	1,372,139.48
		<b>190,860,765.50</b>	<b>214,065,719.28</b>

# Consolidated Income Statement

for the period from 1 January 2019 to 30 June 2019

In EUR		1st half-year 2019	1st half-year 2018	Full year 2018
1.	Revenue	47,689,667.09	20,777,725.59	56,120,576.74
2.	Increase or decrease in land held for sale with finished and unfinished buildings and unfinished services	-9,974,175.18	14,869,504.51	76,915,791.75
3.	Other operating income	67,898.94	621,199.31	698,387.26
4.	Cost of materials			
	a) Expenses for land held for sale	-22,369,420.21	-26,325,131.13	-107,784,194.57
	b) Expenses for other services	-2,402,992.04	-1,610,861.98	-3,636,413.93
		-24,772,412.25	-27,935,993.11	-111,420,608.50
5.	Personnel expenses			
	a) Wages and salaries	-1,645,819.06	-1,516,111.78	-3,147,233.25
	b) Social security, post-employment and other employee benefit costs	-209,298.28	-173,924.63	-379,481.82
		-1,855,117.34	-1,690,036.41	-3,526,715.07
6.	Depreciation, amortisation and write-downs			
	a) of intangible and tangible fixed assets	-84,721.02	-76,036.48	-170,746.40
7.	Other operating expenses	-2,194,938.16	-1,875,590.54	-3,072,149.49
8.	Other interest and similar income	119,894.62	135,281.81	208,232.51
9.	Interest and similar expenses	-2,036,706.36	-1,330,414.80	-2,979,498.48
10.	Taxes on income	-1,934,466.12	-921,315.72	-3,504,232.86
<b>11.</b>	<b>Earnings after taxes</b>	<b>5,024,924.22</b>	<b>2,574,324.16</b>	<b>9,269,037.46</b>
12.	Other taxes	-1,618.00	-1,441.00	-3,072.84
<b>13.</b>	<b>Net income for the period</b>	<b>5,023,306.22</b>	<b>2,572,883.16</b>	<b>9,265,964.62</b>
14.	Profit attributable to non-controlling interests	-10,582.50	-10,582.50	-21,165.00
<b>15.</b>	<b>Net income from the current year attributable to Group companies</b>	<b>5,012,723.72</b>	<b>2,562,300.66</b>	<b>9,244,799.62</b>
16.	Retained profits brought forward	9,467,185.01	4,904,851.49	4,904,851.49
<b>17.</b>	<b>Net retained profits</b>	<b>14,479,908.73</b>	<b>7,467,152.15</b>	<b>14,149,651.11</b>



CELLE

## Cash Flow Statement

for 1st half-year 2019

In thousand EUR	1st half-year 2019	1st half-year 2018	Full year 2018
Net income for the period	5,023	2,573	9,266
+/- Depreciation, amortisation and write-downs of fixes assets / reversals of write-downs of fixed assets	85	76	171
+/- Increase / decrease in provisions	1,040	-497	-276
+/- Other non-cash expenses / income	1	52	23
-/+ Increase / decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	31,279	-13,352	-99,824
+/- Increase / decrease in trade payables and other liabilities not attributable to investing or financing activities	-1,536	-2,442	-1,283
-/+ Gain / loss on disposal of fixed assets	1	0	0
+/- Interest expense / interest income	1,917	1,195	2,771
- Other investment income	0	0	0
+/- Expenditure for / income of exceptional size or incidence	0	791	791
+/- Income tax expense / income	1,934	921	3,504
+ 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	-3,347	-4,273	-1,062
<b>= Cash flows from operating activities</b>	<b>36,397</b>	<b>-14,956</b>	<b>-85,919</b>
+ Proceeds from disposal of intangible fixed assets	0	0	0
- Payments to acquire intangible fixed assets	0	0	-1
+ Proceeds from disposal of tangible fixed assets	11	0	0
- Payments to acquire tangible fixed assets	-45	-138	-234
+ Proceeds from disposal of long-term financial assets	0	0	0
- Payments to acquire long-term financial assets	0	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 thousand EUR	1st half-year 2019	1st half-year 2018	Full year 2018
+ 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	120	0	208
+ Dividends received	0	0	0
<b>= Cash flows from investing activities</b>	<b>86</b>	<b>-138</b>	<b>-27</b>
+ Proceeds from capital contributions by shareholders of the parent entity	0	14,552	14,552
+ Proceeds from capital contributions by minority shareholders	0	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	19,199	6,929	79,646
- Cash repayments of bonds and borrowings	-39,675	-5,933	-10,866
+ 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	-2,217	-1,387	-3,026
- Dividends paid to shareholders of the parent entity	-4,682	-4,380	-4,380
- Dividends paid to minority shareholders	-21	-21	-21
<b>= Cash flows from financing activities</b>	<b>-27,396</b>	<b>9,760</b>	<b>75,905</b>
<b>= Net change in cash funds</b>	<b>9,087</b>	<b>-5,334</b>	<b>-10,041</b>
+/- 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	7,851	17,892	17,892
<b>= Cash funds at end of period</b>	<b>16,938</b>	<b>12,558</b>	<b>7,851</b>



KÖNIGSLUTTER

# Group Management Report

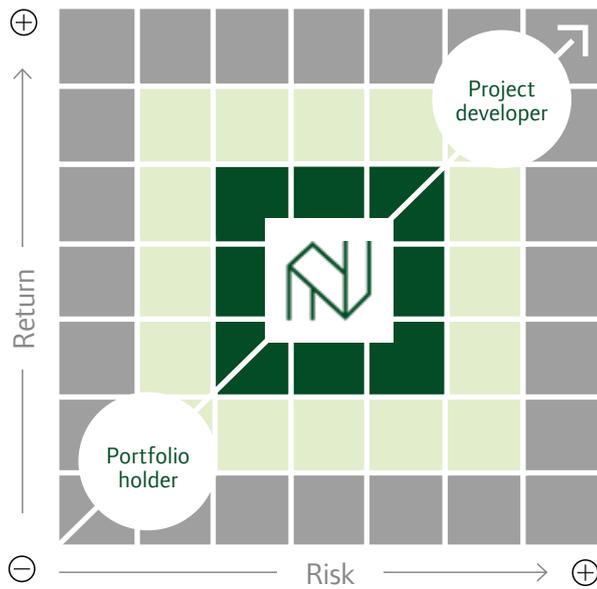
*for the first half of 2019*

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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 residential property portfolios. This focus allows the Group to combine the security of a property portfolio 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 enhanced 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 more than 10,000 inhabitants 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 49 employees as at 30 June 2019 (including marginal employment) performs the core tasks throughout the entire value chain. Thanks to this internal expertise, the existing network in the industry and the experience gained from realised projects, the Group has the flexibility to react quickly whenever opportunities arise in the market. Since 2014 alone, the Group has successfully developed and sold more than 2,100 apartments with a volume in excess of 220 million EUR. The current project development portfolio as at 30 June 2019 comprises just under 1,800 units with an area of around 122,000 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 lion's share of its revenue is generated from the continuous sale of properties that have already been developed. Notwithstanding the sales, real estate assets and the share of revenue accounted for by rental income are expected to rise steadily as the number of properties that are acquired should exceed sales.

### **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. Noratis AG holds all interests in the subsidiaries Noratis Wohnen GmbH and Noratis Residential GmbH, both established in financial year 2015, and in Zweite HeBa Immobilien UG (haftungsbeschränkt), as well as a 94% stake in Noratis Living GmbH, acquired at the end of June 2017. July 2018 saw the foundation of Noratis Habitat GmbH, a subsidiary wholly owned by Noratis AG.

The two subsidiaries Noratis Residential GmbH and Zweite Heba Immobilien UG were merged into Noratis Wohnen GmbH in July 2019. This has no effect on the consolidated financial statements.

### **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 equity ratio and loan to value (LTV) 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

After years of economic expansion, the growth prospects for the German economy have shown increasing signs of weakness. In their joint forecast for spring 2019, Germany's leading economic research institutes predicted a rise in gross domestic product (GDP) of just 0.8 percent. Growth of 1.9 percent was expected as recently as autumn 2018. This is due to political risks that have caused economic conditions to deteriorate. In its 2019 spring forecast, the federal government anticipated a rise in GDP of just 0.5 percent.

The Management Board of Noratis AG has not seen any adverse impact on its business activities as a result of the weaker economic environment. As a result, the business is expected to develop in line with planning in 2019.

### 2.2. Situation in the German Property and Residential Property Market

In its 2019 report on the German housing market, Jones Lang LaSalle (JLL) assumes that the deterioration in the overall macroeconomic situation will become increasingly noticeable, even in the property market. In the residential property sector, this is reflected by the IW Real Estate Index, which fell from 50.1 points in the fourth quarter of 2018 to 37.4 points in the first quarter of 2019. Although JLL still expects new residential construction to rise, growth in transaction volumes is only seen as a result of price increases. At the same time, new residential construction is becoming increasingly unattractive in major cities due to factors such as a lack of building land. However, JLL anticipates sustained growth in rental and purchase prices from the majority of market players despite the economic slowdown and barriers to project development. JLL expects transaction volumes at the five-year level of around 17 billion EUR for 2019.

According to Ernst & Young's (E&Y) Real Estate Investment Market Trend Barometer 2019, market players were positive about the German transaction market at the start of the year. According to their assessment, a further rise in rents is expected in Germany. There is also continued confidence in the German investment market. In future, however, the focus will shift to investment properties due to the returns.

At the same time, the German Institute for Economic Research (DIW) believes the risk of a real estate bubble in Germany will decrease in the course of 2019. After reaching 92 percent in the summer of 2019, the risk for Germany is likely to fall slightly to 84 percent in the fourth quarter. The slowdown in property prices, particularly in major cities, is noticeable in this regard. In addition, financing for property investments appears to be relatively robust. Fixed interest rates are relatively long-term, for instance, which would suggest that a price bubble is not on the cards.

Noratis AG invests in apartments with development potential in secondary locations such as small and medium-sized cities as well as on the outskirts of metropolitan areas. The Management Board believes that these markets demonstrate lower volatility than prime locations and are becoming increasingly attractive to investors precisely because of the overall price increases and declining returns.

### 2.3. Course of Business

The Noratis Group's operations were positive in a market environment that remained favourable in the first six months of the year. Revenue, EBIT and EBT all rose considerably compared to the prior-year period. These key figures improved primarily as a result of the sharp increase in property sales in the first half of the year.

Block sales to institutional investors of 60 units in Frankfurt, 100 units in Trier and a smaller investment in Zweibrücken with eight units were all realised during the period under review. The ongoing privatisation of Großkrotzenburg was also successfully completed.

Due to acquisitions in Freital, Kassel and Neu-Isenburg, the portfolio remained around the same level as at the end of the 2018 financial year at 1,778 units.

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

#### Acquisitions

Location	Number of units	Sales channel
Freital <sup>(1)</sup>	93	Block sale
Kassel	36	Block sale
Neu-Isenburg	35	Block sale
<b>Total</b>	<b>164</b>	

(1) Incl. 40 commercial units.

#### Sales

Location	Number of units	Sales channel
Frankfurt Bornheim <sup>(1)</sup>	60	Block sale
Großkrotzenburg	9	Privatisation
Trier I	80	Block sale
Trier II	20	Block sale
Zweibrücken	8	Block sale
<b>Total</b>	<b>177</b>	

(1) Incl. 1 commercial unit that generates around 50 % of rental income.

The Group's residential real estate portfolio amounted to 1,778 units at the end of the first six months of the year, spread across the following locations:

Location	Number of units	Sales channel
Celle / Königslutter	345	Block sale
Erlensee	46	Privatisation
Frankfurt Fechenheim	19	Block sale
Frankfurt Ginnheim <sup>(1)</sup>	363	Privatisation
Frankfurt Rödelheim <sup>(1)</sup>	9	Block sale
Freital <sup>(1)</sup>	93	Block sale
Gladbeck <sup>(1)</sup>	32	Block sale
Kassel	36	Block sale
Neu-Isenburg	35	Block sale
Ratingen	156	Block sale
Ratzeburg/Mölln <sup>(1)</sup>	355	Block sale
Raum Erfurt	121	Block sale
Riedstadt	24	Privatisation
Rügen <sup>(1)</sup>	142	Block sale
Zweibrücken	2	Privatisation
<b>Total</b>	<b>1,778</b>	

(1) Incl. Commercial units ( Frankfurt Ginnheim: 7, Frankfurt Rödelheim: 2, Freital: 40, Gladbeck: 3, Ratzeburg/Mölln: 1, Rügen: 3).

Overall, the property portfolio remained at almost the same level in the first half of 2019, with 1,778 units (31 December 2018: 1,791 units) and a carrying amount 166.3 million EUR (31 December 2018: 176.7 million EUR), despite the high level of sales.

The positive development 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:

million EUR	1st half-year 2019	1st half-year 2018	Financial year 2018
Units sold	177	133	294
<b>Revenue</b>	<b>47.7</b>	<b>20.8</b>	<b>56.1</b>
<b>Revenue, sale</b>	41.8	17.5	48.2
Costs of sales (incl. outstanding modernisation costs)	-33.3	-11.5	-30.9
<b>Gross profit, sale</b>	<b>8.4</b>	<b>6.0</b>	<b>17.3</b>
Revenue, rents	5.9	3.3	7.9
Cost of letting	-2.4	-1.6	-3.6
<b>Gross profit, letting</b>	<b>3.5</b>	<b>1.7</b>	<b>4.3</b>
<b>Gross profit</b>	<b>11.9</b>	<b>7.7</b>	<b>21.7</b>
Other operating income	0.1	0.6	0.7
Personnel expenses	-1.9	-1.7	-3.5
Depreciation, amortisation and write-downs	-0.1	-0.1	-0.2
Other operating costs	-1.2	-1.0	-2.3
Extraordinary effect: IPO/capital increase	0.0	-0.8	-0.8
<b>EBIT</b>	<b>8.8</b>	<b>4.7</b>	<b>15.6</b>
Net interest expense	-1.9	-1.2	-2.8
<b>EBT</b>	<b>6.9</b>	<b>3.5</b>	<b>12.8</b>
Taxes	-1.9	-0.9	-3.5
<b>Consolidated net income</b>	<b>5.0</b>	<b>2.6</b>	<b>9.3</b>

Rounding differences may occur in the table for mathematical reasons.

The Company significantly increased its consolidated revenue in the first half of 2019 compared to the same period last year. This was primarily due to the higher volume of sales. Revenue from sales rose by 24.3 million EUR to 41.8 million EUR. Revenue from rentals also increased by 2.6 million EUR to 5.9 million EUR due to the larger property portfolio. The growth in revenue also caused gross profit to rise by 7.7 million EUR overall to 11.9 million EUR.

In the first half of the previous year, other operating income included the reversal of a rental guarantee provision of 0.5 million EUR that was no longer required. After adjusting for this non-recurring effect, other operating income remained at the previous year's level. The slight rise in personnel expenses is due to the increase in the number of employees in the previous year, which only had a proportional impact in the first half of 2018.

The 0.2 million EUR increase in other operating costs to 1.2 million EUR is within the scope of business development. In contrast to 2018 (capital increase), the Company did not incur any capital procurement costs in the first half of 2019.

Earnings before interest and taxes (EBIT) improved significantly from 4.7 million EUR to 8.8 million EUR as a result of higher revenue.

Liabilities to banks rose due to the larger real estate portfolio at the end of the first half of 2019 compared to the first half of 2018. This also explains the 0.7 million EUR increase in net interest expense (interest expense less interest income) to 1.9 million EUR.

As a result of the sharp year-on-year rise in revenues in the first six months of the financial year, the Group increased its earnings before tax (EBT) by 3.4 million EUR to 6.9 million EUR and grew consolidated net income by 2.4 million EUR to 5.0 million EUR.

## 2.5. Financial Position

The consolidated cash flow statement developed as follows:

million EUR	1st half-year 2019	1st half-year 2018
Cash flows from operating activities	36,397	-14,956
Cash flows from investing activities	86	-138
Cash flows from financing activities	-27,396	9,760
Net change in cash funds	9,087	-5,334
Cash funds at beginning of period	7,851	17,892
Cash funds at end of period	16,938	12,558

The significant year-on-year rise in cash flows from operating activities in the first half of 2019 is primarily attributable to changes in two items. Receivables fell by 20.5 million EUR in the first six months of the year after the purchase price was paid for a property sale in December last year. By contrast, receivables only dropped slightly in the prior-year period. Land held for sale fell by 10.4 million EUR due to higher sales in the first six months of 2019, while inventories increased in the first half of 2018.

Cash flows from investing activities mainly include payments for items of property, plant and equipment and interest received.

The decline in cash flows from financing activities is attributable to the capital increase included in the prior-year period as well as the borrowings conducted in the course of property acquisitions in the first half of 2019. By contrast, the Company reduced its financing during the current financial year due to the high level of payments received for sales.

Cash funds as at 30 June 2019 amounted to 16.9 million EUR (30 June 2019: 12.6 million EUR). The available liquidity will be used primarily to acquire further inventory properties and to satisfy investment obligations. These include investments of around 2.5 million EUR to complete sales already made, for which corresponding provisions have already been recognised.

At the end of the first six months of 2019, the Group had unused credit lines of 10.6 million EUR (31 December 2018: 10.6 million EUR). As in the financial year ended, management assumes that the Group will again meet its payment obligations in 2019.

## 2.6. Net Assets

Summary of the consolidated balance sheet:

	1st half-year 2019		Financial Year 2018	
	million EUR	%	million EUR	%
<b>Assets</b>	<b>190.9</b>	<b>100.0</b>	<b>214.1</b>	<b>100.0</b>
Fixed assets	0.5	0.3	0.5	0.2
Inventories	166.3	87.1	176.7	82.5
Receivables and other current assets	4.7	2.4	26.3	12.3
Cash	16.9	8.9	7.9	3.7
Deferred income	2.4	1.2	2.7	1.3
Deferred tax assets	0.1	0.1	0.0	0.0
<b>Equity and liabilities</b>	<b>190.9</b>	<b>100.0</b>	<b>214.1</b>	<b>100.0</b>
Equity	49.8	26.1	49.5	23.1
Provisions	6.6	3.4	5.4	2.5
Liabilities to banks	127.5	66.8	149.1	69.6
Other liabilities	7.0	3.7	8.5	4.0
Deferred income	0.0	0.0	0.2	0.1
Deferred tax liabilities	0.0	0.0	1.4	0.7

Rounding differences may occur in the table for mathematical reasons.

Compared with the end of 2018, total assets of the Noratis Group fell from 214.1 million EUR to 190.9 million EUR. This decline is primarily due to the reduction in receivables. Lower purchases and investments in inventory properties in relation to sales in the first half of 2019 also had an impact.

As a result of the total of net sales, land and buildings held for sale decreased by 10.4 million EUR to 166.3 million EUR as at 30 June 2019. 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 decline of 21.4 million EUR in receivables and other current assets to 4.7 million EUR is primarily due to the purchase price payment in the first six months of the year for a property sale in December. While the purchase agreement stipulated payment in 2019, the transfer of benefits and obligations took place on 31 December 2018. The other securities included in this item, which fell from 1.8 million EUR to 0.6 million EUR, are bonds issued by Noratis AG that the Company repurchased to optimise its cost of capital and holds in its own portfolio.

As a result of the purchase price payment, cash also rose from 7.9 million EUR as of 31 December 2018 to 16.9 million EUR.

On the liabilities side, equity grew by 0.3 million EUR. The earnings of 5.0 million EUR realised in the first half of 2019 were almost cancelled out by the 4.7 million EUR dividend payment to shareholders.

The increase in provisions of 1.2 million EUR to 6.6 million EUR as of 30 June 2019 was primarily attributable to the rise in contractually agreed refurbishments arising from the sale of properties. Corresponding provisions have been recognised for these measures.

Liabilities to banks fell by 21.6 million EUR to 127.5 million EUR compared to the end of 2018 due to the net sale of properties.

Other liabilities decreased by 1.5 million EUR as of 30 June 2019. This was primarily due to a land transfer tax for acquiring the Celle and Königslutter property. The payment was made in January 2019.

Deferred taxes were recognised as a result of the appreciation of properties upon initial consolidation of Noratis Living GmbH. This appreciation in value will be incorporated into the Group and the deferred taxes recognised will be reversed through profit and loss when these properties are sold.

### 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 2018. There have been no significant changes to the opportunities and risks of future business development since the start of the 2019 financial year.

### 4. Report on Expected Developments

The Management Board expects current conditions to continue for the remainder of this financial year. The deterioration in the macroeconomic situation will only have a limited impact on the property market in 2019. Overall, the Company anticipates higher revenue and lower gross profit year-on-year for the 2019 financial year, with EBIT and EBT at a similar level to the 2017 and 2018 financial years.

### 5. Internal Control and Risk Management System relevant 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, 30. August 2019



Igor Christian Bugarski  
Chief Executive Officer



André Speth  
Chief Financial Officer



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# Financial Calendar

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<b>7.-9. October 2019</b>	<b>EXPO REAL in Munich</b>
<b>14.-15. October 2019</b>	<b>Large &amp; Midcap Event in Paris (France)</b>
<b>26. November 2019</b>	<b>Eigenkapitalforum in Frankfurt a. M.</b>
<b>31. December 2019</b>	<b>End of the Financial Year</b>

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