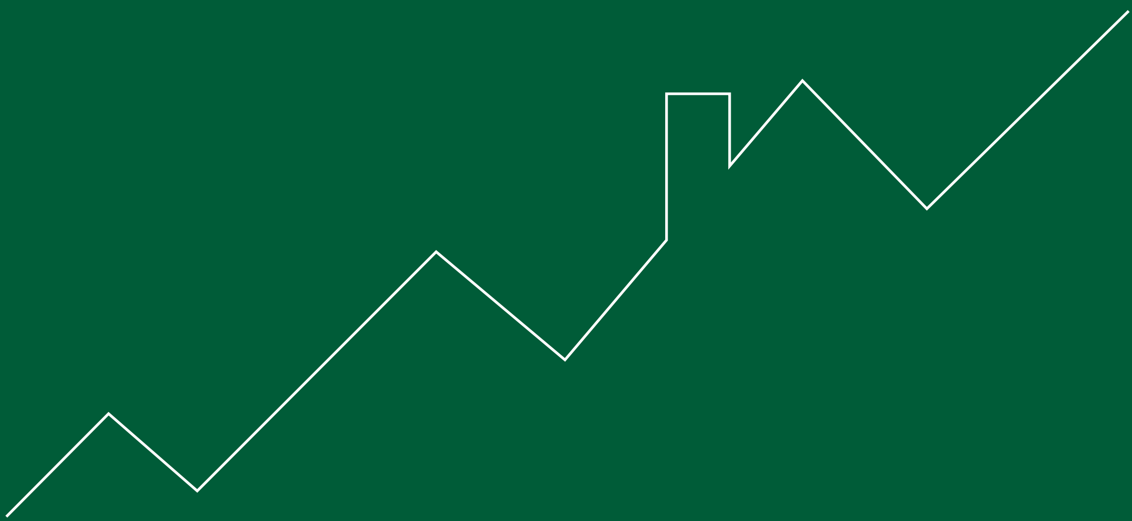
NORATIS



2019 Annual Report

Group Key Figures
(German Commercial Code)

	2015	2016	2017	2018	2019
Revenue (million EUR)	23.8	44.6	68.0	56.1	75.9
EBIT (million EUR)	3.8	9.9	15.2	15.6	15.8
EBT (million EUR)	1.5	6.0	12.2	12.8	12.1
Consolidated net income (million EUR)	1.1	4.2	8.7	9.3	8.7
Earnings per share (undiluted)*	239.27	841.04	2.97	2.57	2.40
Total assets (million EUR)	92.7	87.5	127.8	214.1	258.9
Units sold**	249	593	587	294	339
Units aquired**	884	136	773	893	955
Existing units**	1,465	1,008	1,194	1,791	2,407
Rental space of the property portfolio (rounded, m²)	93,000	69,000	80,000	123,000	161,000

* in each case based on the number shares or interests issued as of 31 December:
(2015: 4,500, 2016: 5,000, 2017: 2,920,000, 2018 and 2019: 3,601,897)

** incl. commercial units

Dear shareholders,

Noratis AG continued its positive performance in line with our expectations in financial year 2019. Healthy profitability enabled us to expand our real estate portfolio and take important steps for the future development of our company.

The number of units rose by around 34 percent to 2,407 at the end of 2019, thereby reaching a new record in the Company's history. Rental income also increased in line with portfolio expansion, rising by 63 percent to EUR 12.9 million. As a result, 17 percent of our 2019 revenue of EUR 75.9 million was attributable to rental income – an important step towards stabilising our company's performance in the long term. The largest contribution to revenue continued to come from property sales, which remain an integral part of our business model. With earnings before tax (EBT) of EUR 12.1 million, we remained at the same healthy level as in the previous two years, as forecast.

We sold a total of 339 units in 2019 and thus realised our returns from developing these properties. We acquired 955 units, which enabled us to expand property portfolios in locations such as Celle or the Rhine-Main region and move into new locations including Kassel, Leipzig and Magdeburg.

This positive business development was also reflected in total assets, which reached a new record high of EUR 258.9 million as a result of the growth of our real estate portfolio. This forms the basis for our future income. As we prepare our financial statements in accordance with the German Commercial Code (HGB) combined with the fact that all our properties are accounted for as current assets due to the intention to sell at a later date, any increase in the value of our properties is only recognised when these properties are sold. Until then, we generate hidden reserves from the appreciation of properties. These are valuation reserves in the balance sheet that result from differences between the carrying amounts of individual properties and the actual property prices achieved in the market. This means that the reported results only show part of the commercial success achieved in a given year. Another part is only shown in the future when these hidden reserves are realised through property sales. As in previous years, significant hidden reserves in our considerably expanded portfolio were once again independently confirmed based on an external market value appraisal for the 2019 reporting date.

By working successfully on our property portfolio, we are remaining true to our goal of creating and maintaining affordable living space. We deliberately acquire outdated properties which have a specific need for action on aspects such as the structure, technical installations or a high vacancy rate. We are also willing to invest in B-locations and C-locations where, unlike in prime locations in major cities, you can still find attractive acquisition opportunities with reasonable returns. Our aim here is to offer a particularly attractive rental package at each respective location in terms of rental rates and quality of accomodation. This approach allows us to contribute to a location's positive and sustainable development.

Igor Christian Bugarski
CEO

André Speth
CFO

We modernise vacant apartments, look after the overall appearance of our properties as well as try to positively influence tenant behaviour, and examine the extent to which we can introduce sustainable energy-saving measures. We consider tenants as our partners and customers. We are glad to have tenants in our properties and lower vacancy rates by upgrading previously unused units. Our tenants are not the only ones to appreciate this approach. Cities and local authorities are also aware of the benefits of creating and maintaining housing that tenants want to live in. By developing attractive properties for tenants, owner-occupiers and investors, we also create long-term value for our shareholders. The performance of Noratis AG is proof of this.

Over the past year, our focus and specialisation has allowed us to significantly expand our property portfolio, even though the real estate markets continued to see high levels of demand in many places. We want to build on this and continue our growth into the future.

The entry of the Merz family as shareholder of Noratis AG in March 2020 has given us additional financial scope, which we intend to use in the coming years. We continue to see considerable potential in the market and firmly believe that medium and long-term prospects remain good. Although the effects of the coronavirus crisis are difficult to assess at present, we currently assume that its potential effects on our business will only be temporary and that there will be no lasting upheavals on the capital and real estate markets.

By proposing a dividend of EUR 0.80 per share, we want our shareholders to participate in the positive performance of our business and at the same time create additional flexibility. This is why we will be allocating a further EUR 0.30 per share to a distribution reserve that will be available in the short and medium term. A further EUR 0.10 per share will be allocated to a social fund to support tenants who are particularly affected by the coronavirus crisis. The total amount of the components listed above therefore is EUR 1.20 per share.

Noratis AG's strong performance would not be possible without the dedication of our employees, and we would like to thank them very much for this. Our thanks also go to our business partners for their loyal cooperation. Last but not least, we would like to thank you, our shareholders, for placing your trust in us. We will not let up in our commitment to driving forward the development of Noratis AG. We hope you will continue to give us your support.

Kind regards,

Igor Christian Bugarski

André Speth

Interview with the Management Board of Noratis AG, CEO Igor Christian Bugarski and CFO André Speth

Noratis AG primarily invests in smaller property portfolios in B- and C-locations, many of which are somewhat outdated. Why do you take this approach?

Igor Christian Bugarski: These properties generally do not attract attention of many investors and can therefore be acquired at a relatively cheaper price. By working on these properties and systematically upgrading them, we create attractive living space that offers the kind of good value for money that is in high demand. In short, we enhance value potential on-site, which enables us to generate attractive returns. Having successfully completed numerous projects, we are able to accurately assess the level of investment required for these properties. This allows us to create added value for all stakeholders from tenants to shareholders.

Why do you emphasise the interests of the various stakeholders when developing your portfolios?

Igor Christian Bugarski: It is our fundamental belief that sustainable success can only be achieved through satisfied stakeholders, since it is them who enable recurring business. Beginning with satisfied employees, we realize successful projects which in turn serve as important points of reference and help us to access additional property portfolios. We optimise residential properties by making sensible investments and treating the tenants as our customers and partners. Satisfied tenants help to ensure low vacancy rates and stable cash flows. This is why we only modernise vacant apartments, for example, and are glad to have existing tenants who enjoy living in their apartments. This approach is appreciated not only by our tenants but also by cities and real estate sellers. By taking this approach we create both confidence and value, which is obviously in the interest of most of our stakeholders, particularly our shareholders.

Your earnings before tax have been over EUR 12 million in each of the past three years. Can you explain these figures to us?

André Speth: Our earnings are generated from rental income and property sales. While rents provide regular income, portfolio disposals are particularly significant when it comes to property sales. Each year we have several projects that we consider ready for sale and for which the disposal process is being initiated. Only during the second half of the year do we then decide whether all of the projects will be disposed of in the same year to achieve our targets or whether the sale of individual portfolios will effectivley postponed to the next financial year. By doing this we can use project sales to stabilise our earnings, as demonstrated by our results during the past few years. In addition, because we report our financial results in accordance with the German Commercial Code (HGB), any increases in value generated by our active asset management efforts are only recognised when these properties are sold.

Does this mean you are talking about hidden reserves within the property portfolio?

André Speth: We actively manage our property portfolios to create sustainable value. We sold 339 apartments in 2019 to leave us with a property portfolio of around 2,400 apartments at the end of the year. This means we naturally assume that there are significant hidden reserves on the balance sheet. This should be taken into account when valuing Noratis shares. The exact amount of hidden reserves depends on the specific measures carried out at the property and/or the current status of modernisation work as well as developments on the property market.

You expanded your portfolios in Celle and the Rhine-Main region during 2019. Is this part of a trend to increase your presence in existing locations?

Igor Christian Bugarski: We are and will remain an investor in properties across Germany. If additional attractive acquisitions can be made at a location we already know very well, then of course we are glad to invest in smaller local residential portfolios. This was the case in both the Rhine-Main region and Celle. However, we also invested in numerous new locations including Magdeburg, Leipzig and Neuruppin. It depends on the property and each individual business case. However, we are still not planning to invest abroad. The German market is large enough and attractive enough for us to grow further here.

You do not regard new housing developments as competition to your business. Can you explain that?

André Speth: Land and building costs have only been moving in one direction for years - upwards. Even more significant is the steadily growing amount of building regulations that make new builds increasingly complex and costly. As a result, today it is practically impossible to rent out new builds for less than EUR 10 per square metre per month with a reasonable return, taking only building costs into account. This does not even take land costs into consideration. However, we are currently active in B and C-locations; that is, in smaller and medium-sized towns where EUR 10 is often much too high. If we rent out a modernised portfolio property in these locations, the monthly rent per square metre of living space is generally well under EUR 10 depending on the property and location; the average in our portfolio is between EUR 6 and 7. That´s why we are talking about affordable housing. What makes our properties attractive is the fact that they offer superior value for money at each respective location.

How would you like to develop Noratis AG further in the medium term?

Igor Christian Bugarski: Noratis AG is and will remain a portfolio developer. Of course, we would like to continue growing and still see considerable potential in the market for expanding our business based on our network and platform. A significantly larger real estate portfolio means that rental income is likely to become an even stronger pillar of our business model in future and is in line with our strategy to combine the security of a portfolio holder with the excess returns of a project developer. Together with scheduled sales of upgraded property portfolios, we want to continue enhancing the attractiveness of Noratis AG in line with our approach for our tenants, employees, financing partners and, above all, for our shareholders.

Noratis AG on the Capital Markets in 2019

Share price

Noratis AG shares moved sideways while showing volatility in 2019. With a Xetra year-end price of EUR 21.70, the shares finished the year at a similar level to the previous year's closing price of EUR 22.00. The announcement on 2 April 2019 of positive business development in 2018 and a proposed dividend of EUR 1.30 gave the shares a significant boost. However, they were forced to surrender all of their price gains in the wake of the dividend payment after the Annual General Meeting on 17 June. The shares then rose moderately again by the end of the year. Taking the dividend payment into account, Noratis AG shareholders enjoyed an increase in value of around 4.5 percent in 2019.

Noratis share in 2019 (Xetra)

Closing price on 28 December 2018 (last trading day of 2018)	EUR 22.00
Closing price on 30 December 2019 (last trading day of 2019)	EUR 21.70
Annual high on 16 April 2019	EUR 23.30
Annual low on 22 July 2019	EUR 20.10

Trading volumes

While equity markets generally performed well, supported by the continuing low interest rate policy and despite ongoing existing political uncertainties such as the US-China trade conflict, property values largely failed to benefit from this development. The DAX, which includes Germany's major listed stock corporations, recorded a performance of 25.5 percent in 2019. The FTSE EPRA Nareit Germany Index, which includes various listed real estate companies in Germany, grew by around 9 percent in 2019.

In 2019, a daily average of 2,216 Noratis shares were traded on the Deutsche Börse's electronic trading system, Xetra. This corresponded to 45.2 percent of the total daily trading volume of Noratis shares.

ICF Bank AG continued to act as the designated sponsor and, as such, ensured the liquidity of the shares with binding bid and ask prices.

Annual General Meeting

On 17 June 2019, the Annual General Meeting of Noratis AG was held in Eschborn. All of the agenda items were adopted by a large majority. The AGM approved a resolution to distribute a payment of EUR 1.30 per share.

Analyst coverage

SMC and Warburg published research on the shares in 2019. Both issued a Buy recommendation. In the update published in October, SMC's target price for Noratis shares was EUR 34.10. Edison also reported on Noratis in the context of its listing in the Scale segment.

Research firm	Most recent update in 2019	Recommendation	Target price
SMC Research	10 Oct 2019	Buy	EUR 34.10
Warburg	16 April 2019	Buy	EUR 28.00

Investor Relations activities

As a result of its listing in the Scale segment of the Frankfurt Stock Exchange in 2017, Noratis AG is subject to specific transparency requirements. The Company regularly keeps the financial community informed about its development with half-yearly and annual reports as well as ad-hoc releases and press releases. Investors can access other relevant information on the Investor Relations section of the Noratis website www.noratis.de.

Noratis AG takes a proactive approach to Investor Relations activities. The Management Board regularly takes part in capital markets conferences to present and explain the Company's business model and corporate development to investors, analysts and media representatives. In 2019 Noratis AG was represented at events including the German Equity Forum and the Spring Conference in Frankfurt as well as the Munich Capital Markets Conference (MKK). These activities are supplemented by discussions with journalists, investor roadshows and numerous investor meetings and conference calls.

Additional information

ISIN / WKN / Ticker symbol	DE000A2E4MK4 / A2E4MK / NUVA
Type of shares	3,601,897 ordinary bearer shares without par value (no-par value shares)
Market capitalisation on 30 December 2019	approx. EUR 78 million
Share capital	EUR 3,601,897
Initial listing	30 June 2017
Trading segment	Scale
Designated sponsor	ICF BANK AG

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Consolidated Financial Statements

as at 31 December 2019

Consolidated Balance Sheet

as at 31 December 2019

ASSETS

in EUR		Financial year 2019	Previous year 2018
A. Fixed assets			
I. Intangible fixed assets			
1. Purchased concessions, industrial and similar rights and assets, licences in such rights and assets		33,578.00	50,893.00
II. Tangible fixed assets			
1. Land and land rights with residential buildings	9,613.00		10,094.00
2. Other equipment, operating and office equipment	384,523.00		448,871.00
		394,136.00	458,965.00
B. Current assets			
I. Land held for sale and other inventories			
1. Land and land rights with finished buildings	238,848,806.97		176,138,047.45
2. Prepayments	0.00		532,835.63
		238,848,806.97	176,670,883.08
II. Receivables and other assets			
1. Trade receivables	8,220,936.25		24,051,178.90
2. Other assets	372,551.22		449,357.40
		8,593,487.47	24,500,536.30
III. Securities			
1. Other securities		1,652,158.98	1,808,560.00
IV. Cash-in-hand, central bank balances, bank balances and cheques		6,966,805.67	7,850,726.00
C. Prepaid expenses		2,260,170.82	2,725,155.90
D. Deferred tax assets		200,175.00	0.00
		258,949,318.91	**214,065,719.28**

EQUITY AND LIABILITIES

in EUR		Financial year	Previous year
		2019	2018
A. Equity			
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	18,116,263.41		14,149,651.11
IV. Non-controlling interests	218,492.37		218,492.37
		53,427,438.28	49,460,825.98
B. Provisions			
1. Tax provisions	2,678,688.66		2,793,164.37
2. Other provisions	2,310,999.45		2,641,933.99
		4,989,688.11	5,435,098.36
C. Liabilities			
1. Bonds	5,925,625.00		5,928,000.00
2. Liabilities to banks	175,062,805.01		149,088,142.41
3. Payments received on account of orders	3,000.00		7,200.00
4. Trade payables	18,451,679.73		1,914,839.77
5. Other liabilities	816,518.30		649,509.44
- of which taxes EUR 130 thousand (EUR 274 thousand)		200,259,628.04	157,587,691.62
- of which relating to social security EUR 4 thousand (EUR 9 thousand)			
D. Deferred income		272,564.48	209,963.84
E. Deferred tax liabilities		0.00	1,372,139.48
		258,949,318.91	**214,065,719.28**

Consolidated Income Statement

for the period from 1 January to 31 December 2019

in EUR			Financial year	Previous year
			2019	2018
1.	Revenue		75,950,454.87	56,120,576.74
2.	Increase or decrease in land held for sale with finished and unfinished buildings and unfinished services		62,710,759.52	76,915,791.75
3.	Other operating income		1,001,671.59	698,387.26
4.	Cost of materials			
	a) Expenses for land held for sale	-110,311,353.22		-107,784,194.57
	b) Expenses for other services	-5,751,837.51		-3,636,413.93
			-116,063,190.73	-111,420,608.50
5.	Personnel expenses			
	a) Wages and salaries	-3,582,669.77		-3,147,233.25
	b) Social security, post-employment and other employee benefit costs	-474,539.23		-379,481.82
			-4,057,209.00	-3,526,715.07
6.	Depreciation, amortisation and write-downs			
	a) of intangible and tangible fixed assets		-187,312.67	-170,746.40
7.	Other operating expenses		-3,591,571.33	-3,072,149.49
8.	Other interest and similar income		150,407.08	208,232.51
9.	Interest and similar expenses		-3,829,159.43	-2,979,498.48
10.	Taxes on income		-3,411,706.49	-3,504,232.86
11.	**Earnings after taxes**		**8,673,143.41**	**9,269,037,46**
12.	Other taxes		-2,900.00	-3,072.84
13.	**Net income for the period**		**8,670,243.41**	**9,265,964.62**
14.	Profit attributable to non-controlling interests		-21,165.00	-21,165.00
15.	**Net income from the current year attributable to Group companies**		**8,649,078.41**	**9,244,799.62**
16.	Retained profits brought forward		9,467,185.00	4,904,851.49
17.	**Net retained profits**		**18,116,263.41**	**14,149,651.11**


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Notes on the Cash Flow Statement

Noratis AG defines the term „cash funds“ as the „cash in hand and bank balances“ item shown in the consolidated balance sheet. This balance sheet item does not include cash and cash equivalents, the use of which is restricted for the Group.

Of the dividends paid shown in the cash flow statement EUR 4,682 thousand (previous year: EUR 4,380 thousand) is attributable to the shareholders of Noratis AG and EUR 21 thousand (previous year: EUR 21 thousand) to the minority shareholders of Noratis Living GmbH.

Cash Flow Statement

for financial year 2019

in EUR thousand		Financial year	Previous year
		2019	2018
	Net income for the period	8,670	9,266
+/-	Depreciation, amortisation and write-downs of fixes assets / reversals of write-downs of fixed assets	187	171
+/-	Increase / decrease in provisions	-331	-276
+/-	Other non-cash expenses / income	139	23
-/+	Increase / decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	-46,125	-99,824
+/-	Increase / decrease in trade payables and other liabilities not attributable to investing or financing activities	16,932	-1,283
-/+	Gain / loss on disposal of fixed assets	0	0
+/-	Interest expense / interest income	3,679	2,771
-	Other investment income	0	0
+/-	Expenditure for / income of exceptional size or incidence	0	791
+/-	Income tax expense / income	3,412	3,504
+	Cash receipts relating to income of exceptional size or incidence	0	0
-	Cash payments relating to expenditure of exceptional size or incidence	0	0
-/+	Income taxes paid	-4,923	-1,062
=	**Cash flow from operating activities**	**-18,360**	**-85,919**
+	Proceeds from disposal of intangible fixed assets	0	0
-	Payments to acquire intangible fixed assets	0	-1
+	Proceeds from disposal of tangible fixed assets	11	0

	Cash Flow Statement (continued)	2019	2018
-	Payments to acquire tangible fixed assets	-117	-234
+	Proceeds from disposal of long-term financial assets	0	0
-	Payments to acquire long-term financial assets	0	0
+	Payments from disposals of entities included in the basis of consolidation	0	0
-	Payments to acquire entities included in the basis of consolidation	0	0
+	Cash payments from the investment of cash funds for short-term cash management	0	0
-	Cash payments for the investment of cash funds for short-term cash management	0	0
+	Cash receipts relating to income of exceptional size or incidence	0	0
-	Cash payments relating to expenditure of exceptional size or incidence	0	0
+	Interest received	150	208
+	Dividends received	0	0
=	**Cash flow from investing activities**	**44**	**-27**
+	Proceeds from capital contributions by shareholders of the parent entity	0	14,552
+	Proceeds from capital contributions by minority shareholders	0	0
-	Cash payments to shareholders of the parent entity from the redemption of shares	0	0
-	Cash payments to minority shareholders from the redemption of shares	0	0
+	Proceeds from the issuance of bonds and from borrowings	74,465	79,646
-	Cash repayments of bonds and borrowings	-48,512	-10,866
+	Proceeds from grants / subsidies received	0	0
+	Cash receipts relating to income of exceptional size or incidence	0	0
-	Cash payments relating to expenditure of exceptional size or incidence	0	0
-	Interest paid	-3,818	-3,026
-	Dividends paid to shareholders of the parent entity	-4,682	-4,380
-	Dividends paid to minority shareholders	-21	-21
=	**Cash flow from financing activities**	**17,432**	**75,905**
=	**Net change in cash funds**	**-884**	**-10,041**
+/-	Effect on cash funds of exchange rate movements and remeasurements	0	0
+/-	Effect on cash funds of changes in the basis of consolidation	0	0
+	Cash funds at beginning of period	7,851	17,892
=	**Cash funds at end of period**	**6,967**	**7,851**


SAGARD

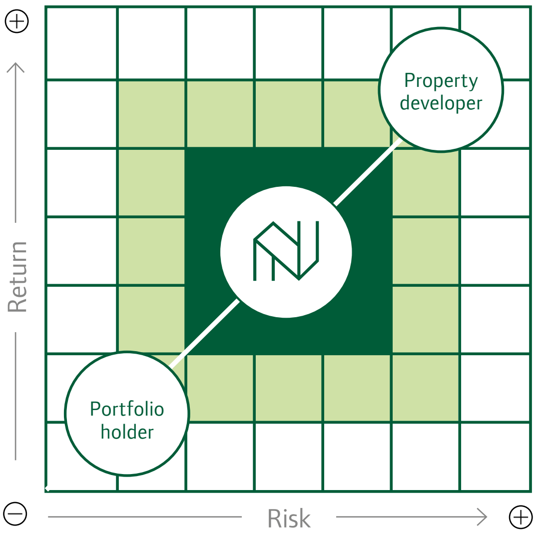
Group Management Report

for financial year 2019

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 flow 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 company-owned apartments, residential areas and housing estates from the 1950s to 1970s. Here, the Group prefers to invest in cities with a population of more than 10,000 inhabitants or on the outskirts of large urban areas.

The properties purchased are upgraded so that they provide 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 on average 50 employees during the 2019 financial year 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 sucessfully completed projects, the Group has the flexibility to react quickly whenever opportunities arise in the market. Since 2014 alone, the Group has sold just under 2,200 apartments at a total disposal price of around EUR 240 million. The current project development portfolio as at 31 December 2019 comprises more than 2,400 units with an area of around 161,000 sqm.

1.2. Strategy

The Noratis Group pursues a strategy of achieving sustainable growth in its residential property portfolio with stable cash flow from rental income. The lion's share of its revenue is generated from the continuous sale of developed properties. 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.

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

With growth of 0.6 percent, inflation-adjusted gross domestic product in Germany rose for the tenth successive year in 2019 according to calculations by the Federal Statistical Office (Destatis). However, this growth lost significant momentum compared to previous years. While the construction industry recorded strong growth of 4.0 percent and services sectors largely performed well, economic output in the manufacturing industry (excluding construction), which makes up around a quarter of the entire economy, contracted by 3.6 percent. This decline is primarily attributable to weak production in the automotive sector. However, the assessment of the current business situation and expectations for future economic development improved towards the end of the year, based on the ifo Business Climate Index, which stood at 96.3 points in December compared to 95.1 points in November.

According to figures from the Federal Statistical Office, the labour market situation continued to improve in 2019, with 45.3 million people in gainful employment at a workplace in Germany. This corresponds to growth of 0.9 percent year-on-year and is primarily due to an increase in employment subject to social security contributions. In its annual report for 2019, the Federal Employment Agency points out that unemployment and underemployment fell on average for the year. The unemployment rate dropped by 0.2 percentage points to 5.0 percent. According to figures from the Federal Employment Agency, this positive trend is primarily attributable to the strong performance of the labour market in the first four months of the year.

Although the number of registered vacancies in Germany remained very high in line with long-term trend at 774,000 in 2019, this figure was 22,000 lower than in the previous year. Most bottlenecks were evident in construction professions, technical occupations and in health and nursing professions. According to the Federal Employment Agency, however, it still cannot be said that there is a shortage of skilled workers.

2.2. Situation in the German property and residential property market

Figures released by the Federal Statistical Office show that prices for residential properties in Germany were 4.9 percent higher on average in the third quarter of 2019 than in the third quarter of 2018. According to the consumer price index published by the Federal Statistical Office, net rent exclusive of heating, lighting and other service costs in Germany was 5.6 percent higher in 2019 compared to the baseline value of 100 percent in 2015 and 1.5 percent higher compared to 2018.

According to Savills Research, properties valued at EUR 17.2 billion changed hands in the German residential investment market in 2019, equivalent to a rise of 3.0 percent year-on-year. Transactions of 50 apartments or more were included in this survey. This means that transaction volumes exceeded the EUR 15 billion mark for the third successive year. At around 39 percent, a large proportion of this figure was attributable to the top seven cities. An increase in acquisitions by public authorities contributed to these higher transaction volumes. With 22,700 residential properties purchased, the volume of acquisitions made by state and local governments amounted to EUR 3.2 billion, more than 2.5 times higher than in 2018.

The proportion of German investors also increased considerably, rising from 78 percent in 2018 to 90 percent in 2019 according to Savills. The fact that regulations vary from one federal state to another may have acted as a deterrent to foreign investors. According to figures from BNP Paribas Real Estate, special funds made up the largest buyer group with a share of around 30 percent. Other strong buyer groups included real estate corporations or REITs, mutual funds and the public sector.

In terms of transaction structure, one striking feature of Savills' figures for 2019 was that portfolio transactions declined significantly by 45 percent compared to the previous year. The number of project development acquisitions remained stable. According to Savills, high-volume urban district developments are currently a hot topic in the German property market.

Figures released by the Federal Statistical Office show that building permits were issued for 319,200 apartments between January and November 2019. This corresponds to a year-on-year increase of 1.3 percent. Of these building permits, 275,200 were issued for apartments in newly-constructed buildings, a rise of 0.2 percent. The number of building permits increased by 1.5 percent for single-family homes and by 0.9 percent for both two-family and multi-family houses.

Savills expects transaction volumes to exceed EUR 15 billion again in 2020 due to persistently low interest rates and a lack of investment alternatives. These factors will ensure that even more capital flows into residential property around the world. Germany is considered to be one of the most sought-after regions due to its large rental housing market and correspondingly high liquidity, on the basis that the public sector will continue to be a significant buyer in this market.

However, the estimates listed do not yet factor in the potential effects of the rapidly spreading coronavirus pandemic. It can be assumed that the actions initiated by the government to mitigate the crisis and its resulting effects on the economy will have a significant impact on the development of the markets mentioned above.

2.3. Course of business

The Noratis Group's operations were highly successful in a market environment that remained favourable. As planned, revenues increased and earnings remained at the same high level as in the previous two years. EBIT grew by 1.3% year-on-year, while EBT declined by 5.5% due to higher interest expenses.

Higher property sales were a key driver in 2019, although gross profit margins were lower as expected. This was primarily due to lower gross profit margins on block sales in financial year 2019. Rental income also rose considerably due to the larger property portfolio on average for the year. There were hardly any changes to the gross profit margin on rents.

Despite the significant 20.9% increase in total assets to EUR 258.9 million, the equity ratio only fell by 2.5% to 20.6%.

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

Acquisitions

Location	Number of units	Sales channel
Celle II	65	Block sale
Frankfurt-Höchst	18	Block sale
Frankfurt-Innenstadt (1)	25	Block sale
Freital (1)	93	Block sale
Kassel	36	Block sale
Krefeld	48	Block sale
Leipzig	60	Block sale
Magdeburg	149	Block sale
Neuruppin	165	Block sale
Neu-Isenburg I	35	Block sale
Neu-Isenburg II	150	Block sale
Steinfurt	111	Block sale
Total	**955**	

(1) Incl. commercial units (Frankfurt-Innenstadt: 4, Freital: 40)

Sales

Location	Number of units	Sales channel
Erfurt Area	121	Block sale
Erlensee	10	Privatisation
Frankfurt-Bornheim (1)	60	Block sale
Frankfurt-Fechenheim	19	Block sale
Großkrotzenburg	9	Privatisation
Riedstadt	11	Privatisation
Trier I	80	Block sale
Trier II	20	Block sale
Zweibrücken	9	Block sale
Total	**339**	

(1) Incl. commercial units, generating approximately 50% of rental revenues.

The Group's real estate portfolio amounted to 2,407 units at the end of the financial year, spread across the following locations:

Location	Number of units	Sales channel
Celle / Königslutter	345	Block sale
Celle II	65	Block sale
Erlensee	36	Privatisation
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
Leipzig	60	Block sale
Magdeburg	149	Block sale
Neuruppin	165	Block sale
Kassel	36	Block sale
Krefeld	48	Block sale
Neu-Isenburg I	35	Block sale
Neu-Isenburg II	150	Block sale
Ratingen	156	Block sale
Ratzeburg/Mölln (1)	355	Block sale
Riedstadt	13	Privatisation
Rügen (1)	142	Block sale
Steinfurt	111	Block sale
Zweibrücken	1	Privatisation
Total	**2,407**	

(1) Incl. commercial units (Frankfurt-Ginnheim: 7, Frankfurt-Innenstadt: 4, Frankfurt-Rödelheim: 2, Freital: 40, Gladbeck: 3, Ratzeburg/Mölln: 1, Rügen: 3).

With 2,407 units (previous year: 1,791) and a carrying amount of EUR 238.8 million (previous year: EUR 176.6 million), the aggregate property portfolio at the end of 2019 increased year-on-year for both key figures in line with planning. Accordingly, the headcount also increased in the financial year. Compared with the end of 2018, the average number of employees rose by 7 to 50.

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 in the 2019 financial year compared with 2018:

EUR million	Financial year 2019	Financial year 2018
Units sold	339	294
Revenue	**75.9**	**56.1**
Revenue, sale	63.0	48.2
Costs of sales (incl. outstanding modernisation costs)	-48.6	-30.9
Gross profit, sale	**14.4**	**17.3**
Revenue, rents	12.9	7.9
Cost of letting	-5.7	-3.6
Gross profit, letting	**7.2**	**4.3**
Gross profit	**21.6**	**21.7**
Other operating income	1.0	0.7
Personnel expenses	-4.1	-3.5
Depreciation, amortisation and write-downs	-0.2	-0.2
Other operating costs	-2.6	-2.3
Extraordinary effect: IPO/capital increase	0.0	-0.8
EBIT	**15.8**	**15.6**
Net interest expense	-3.7	-2.8
EBT	**12.1**	**12.8**
Taxes	-3.4	-3.5
Consolidated net income	**8.7**	**9.3**

Rounding differences may occur for mathematical reasons.

The Group generated consolidated revenue of EUR 75.9 million in financial year 2019. Compared with the previous year, revenue from property sales rose by EUR 14.8 million to EUR 63.0 million. Revenue from rentals also increased by EUR 5.0 million to EUR 12.9 million due to the larger property portfolio.

The gross profit margin on property sales declined as forecast, which was primarily due to lower gross profit margins on block sales. However, higher rental income meant that gross profit remained at the same level as the previous year.

Other operating income includes unused provisions for modernisation work amounting to EUR 0.8 million from block sales already completed.

The EUR 0.6 million increase in staff costs to EUR 4.1 million is largely attributable to the expansion of the workforce as a result of the larger property portfolio and the employee share ownership programme.

Despite lower gross profit and higher operating and staff costs, earnings before interest and taxes (EBIT) of EUR 15.8 million were slightly higher than the previous year's figure due to the costs for the capital increase included in the previous year.

Liabilities to banks rose due to the larger property portfolio in 2019 compared to the previous year and the financing associated with this – which also explains the EUR 0.9 million increase in net interest expense (interest expense less interest income) to EUR 3.7 million.

Earnings before tax (EBT) decreased by EUR 0.7 million year-on-year to EUR 12.1 million due to the higher interest expense.

2.5. Financial position

The development of the Group's cash flow is as follows:

EUR million	Financial year 2019	Financial year 2018
Cash flow from operating activities	-18.4	-85.9
Cash flow from investing activities	0.0	0.0
Cash flow from financing activities	17.4	75.9
Net change in cash funds	-0.9	-10.0
Cash funds at beginning of period	7.9	17.9
Cash funds at end of period	7.0	7.9

Cash flow from operating activities in financial year 2019 improved significantly compared to the previous year. This is primarily due to lower net purchases of inventory properties. Furthermore, some of the purchase price payments for property acquisitions in December were not due until January of the following year.

Cash flow from investing activities mainly include payments for newly-acquired property, plant and equipment of EUR 0.1 million. This is offset by almost exactly the same amount of interest received, resulting in a balance of EUR 0.04 million.

The significant decline in cash flow from financing activities is attributable to the decrease in borrowings attributable to lower property acquisitions in the financial year. The previous year's figure also included cash inflows of EUR 14.6 million from the capital increase.

Cash funds as at 31 December 2019 amounted to EUR 7.0 million (previous year: EUR 7.9 million). The available liquidity will be used primarily to acquire further inventory properties and to satisfy investment obligations. These include investments of around EUR 1.0 million to complete sales already made, for which corresponding provisions have been recognised.

At the end of 2019, the Group had unused credit facilities of EUR 24.1 million (previous year: EUR 10.6 million). As in the financial year ended, management assumes that the Group will again meet its payment obligations in 2020.

2.6. Net assets

Summary of the consolidated balance sheet:

	Financial year 2019		Financial year 2018	
	EUR million	%	EUR million	%
Assets	**258.9**	**100.0**	**214.1**	**100.0**
Fixed assets	0.4	0.2	0.5	0.2
Inventories	238.8	92.2	176.7	82.5
Receivables and other current assets	10.2	3.9	26.3	12.3
Cash	7.0	2.7	7.9	3.7
Prepaid expenses	2.3	0.9	2.7	1.3
Deferred tax assets	0.2	0.1	0.0	0.0
Equity and liabilities	**258.9**	**100.0**	**214.1**	**100.0**
Equity	53.4	20.6	49.5	23.1
Provisions	5.0	1.9	5.4	2.5
Liabilities to banks	175.1	67.6	149.1	69.6
Other liabilities	25.1	9.7	8.5	4.0
Deferred income	0.3	0.1	0.2	0.1
Deferred tax liabilities	0.0	0.0	1.4	0.7

Compared with the end of 2018, total assets of the Noratis Group climbed from EUR 214.1 million to EUR 258.9 million. The increase is primarily attributable to higher purchases in financial year 2019 in relation to sales and investments in inventory properties within the Noratis Group.

As a result of the total of net purchases, land and buildings held for sale increased by EUR 62.1 million to EUR 238.8 million as at 31 December 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 EUR 16.1 million fall in receivables and other current assets is primarily attributable to the decline in trade receivables. At the end of 2018, this item included purchase price receivables due for payment in February 2019. As of 31 December 2019, this figure included new purchase price receivables amounting to EUR 7.7 million, of which EUR 5.6 million was received by the end of January 2020.

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

On the liabilities side, equity increased due to the earnings generated in financial year 2019. The dividend payment to shareholders of EUR 4.7 million had an offsetting effect. Overall, equity improved by EUR 3.9 million to EUR 53.4 million.

The decline in provisions by EUR 0.4 million to EUR 5.0 million at the end of financial year 2019 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 0.5 million. By contrast, provisions for outstanding invoices rose by EUR 0.1 million.

Liabilities to banks rose by EUR 26.0 million as against the end of 2018 to EUR 175.1 million due to the net addition of properties as at 31 December 2019.

Other liabilities increased by EUR 16.6 million at the end of financial year 2019 due primarily to the acquisition of inventory properties in December, with some payments not due until the end of January 2020.

The decline in deferred tax liabilities is attributable to the elimination of differences in the carrying amounts of inventory properties from the initial consolidation of Noratis Living GmbH following the sale of the property.

3. Report on expected Developments

The German economy has been on a growth trajectory for ten years. However, this growth has lost momentum compared to previous years. According to the Federal Statistical Office, inflation-adjusted gross domestic product rose by 0.6 percent in 2019. The labour market also continued to develop encouragingly. According to the Federal Employment Agency's annual report for 2019, unemployment and underemployment fell further on average for the year.

A further rise in prices is also expected in the real estate sector for 2020. Metropolitan areas in particular are still experiencing high demand that is hardly being reduced by new-build apartments.

However, these positive economic forecasts have since been put into perspective by the coronavirus crisis. The figures from the latest survey conducted by the Leibniz Centre for European Economic Research (ZEW) declined significantly to record the sharpest fall since the survey began in December 1991. The ZEW polls 170 analysts and professional investors every month.

Despite the government assistance initiatives already announced, financial experts expect gross domestic product to fall in the first and second quarters of 2020. Although this will also impact the property market, the effect is likely to be reduced by the high level of demand.

In light of the coronavirus crisis and the difficulties encountered even by health experts in predicting the further development of the pandemic, forecasting is only possible to a limited extent.

Assuming that the steps taken to limit the spread of coronavirus soon have an effect and thus prevent any additional or more prolonged upheaval in the capital and property markets, management expects the Group to continue developing positively in 2020.

As in previous years, the Group plans to further increase the volume of inventory properties in 2020 through net purchases of properties.

In light of the recent announcement that new major shareholder Merz Real Estate GmbH & Co.KG will provide additional capital, including EUR 5 million in the short term as part of a capital increase with preemptive rights being disapplied by issuing 252,525 new shares at a price of EUR 19.80 per share, some of the sales actually planned for 2020 to finance new property can be realised in 2021 or later. 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 are expected to be significantly lower than in the previous year.

The execution of the transaction with Merz Real Estate GmbH & Co.KG is still subject to approval by the Federal Cartel Office. In the unlikely event that this approval is denied, this will also have a significant impact on forecasts.

With regard to its non-financial performance indicators, the Group plans to continue its strategy from the previous year of further enhancing its visibility in the market in order to improve access to potential sellers of portfolios beyond what has already been achieved.

As planned, the number of employees was significantly increased in the financial year ended, reflecting the Company's growth to date. The plan for 2020 is to increase the headcount further depending in particular on the acquisition success achieved and the resulting net increase in inventories of real estate portfolios. Going forward, the focus here will remain on the long-term retention and development of employees, as the commitment and specialist knowledge of employees as well as their collaboration are essential prerequisites for the successful achievement of the Company's objectives. In this context, a programme for employee shares was implemented at the end of 2019 and is planned to be continued.

For the 2020 financial year, the Company intends to prepare its consolidated financial statements in accordance with IFRSs for the first time. This step is intended to enhance transparency and comparability with other real estate companies.

4. 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, 20 March 2020

Igor Christian Bugarski
Chief Executive Officer

André Speth
Chief Financial Officer

Financial Calendar

30. June - 2. July 2020	**Equity Forum - Frühjahrskonferenz in Frankfurt a. M.**
18. August 2020	**Annual General Meeting in Eschborn**
20. August 2020	**Hamburger Investorentag (HIT)**
30. September 2020	**Financial report first half-year 2020**
5.-7. October 2020	**EXPO REAL in Munich**
16.-18. November 2020	**Eigenkapitalforum in Frankfurt a. M.**
31. December 2020	**End of the financial year**

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