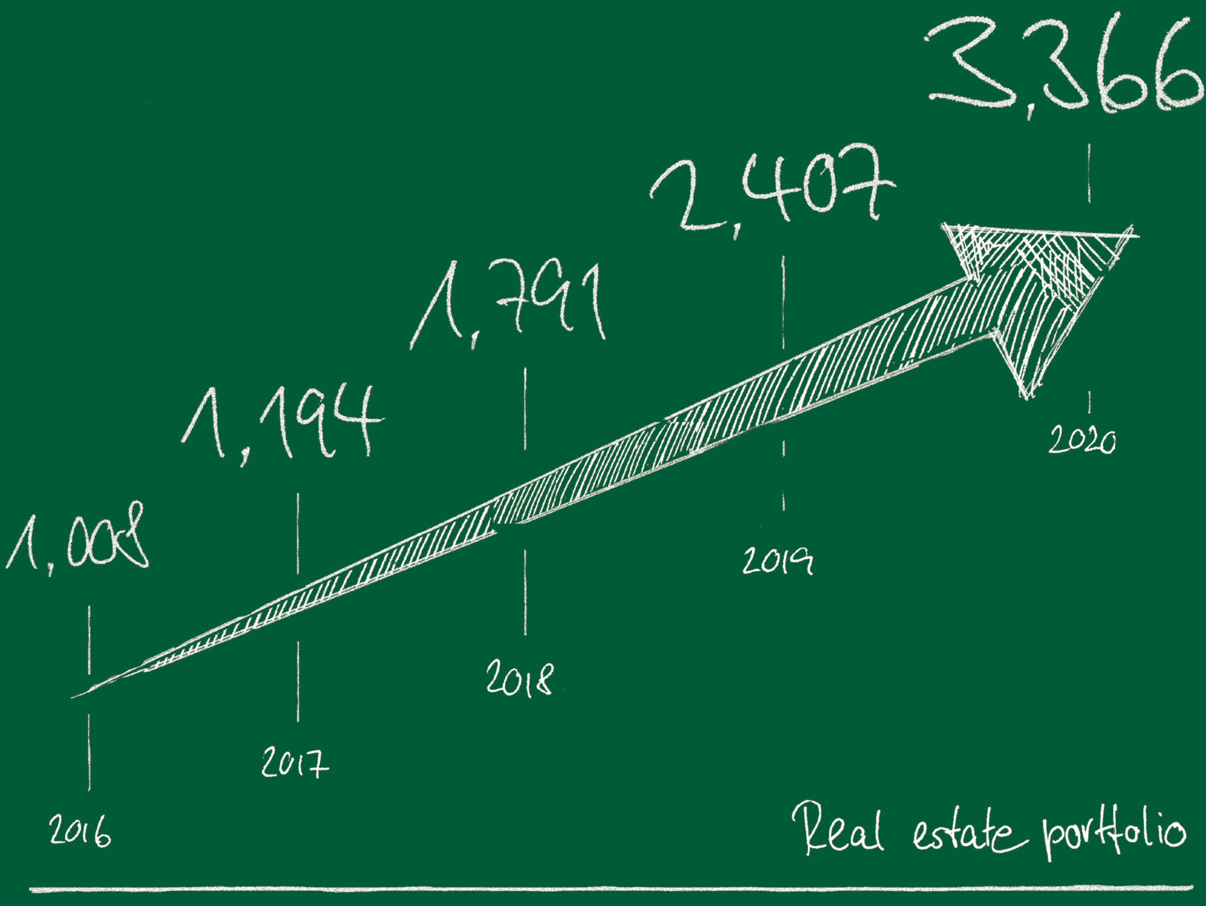
NORATIS



Annual Report 2020

abridged version [1]

Group Key Figures

(IFRS)

	2016*	2017*	2018*	2019	2020
Revenue (million EUR)	44.6	68.0	56.1	76.0	28.7
EBIT (million EUR)	9.9	15.2	15.6	15.8	8.2
EBIT (million EUR)	6.0	12.2	12.8	11.5	4.2
Consolidated net income (million EUR)	4.2	8.7	9.3	8.3	2.8
Earnings per share (weighted, undiluted, EUR)**	841.04	2.97	2.57	2.29	0.69
NAV per share (at market value)	-	-	-	19.60	22.80
Total assets (million EUR)	87.5	127.8	214.1	260.7	367.6
Units sold**	593	587	294	339	86
Units aquired	136	773	893	955	1,045
Existing units	1,008	1,194	1,791	2,407	3,366
Rental space of the property portfolio (rounded, sqm)	69,000	80,000	123,000	161,000	225,000

* According to German Commercial Code

** 2016 - 2018 based on German Commercial Code (number of shares at year-end), as of 2019 forward based on IFRS (weighted number of shares)

[1] only the German version of the annual report is relevant concerning the reporting standards of the Noratis AG

We take responsibility

There is an ever-growing demand for attractive living space. At the same time, Germany has countless aging properties characterised by outdated technology, high vacancy rates or a tense living environment. We recognise and realise this potential. In doing so, we create and maintain living space throughout Germany that is both attractive and affordable. Our approach is aimed at creating sustainable value for all stakeholders – including, of course, our shareholders.

Dear shareholders,

The coronavirus pandemic dominated the year 2020 and presented major challenges for all of us. Despite these conditions, Noratis AG continued to perform very successfully throughout the past 12 months. In March, we gained a new anchor shareholder in Merz Real Estate and achieved our goal to significantly expand our property portfolio.

Merz Real Estate (Merz) will also provide financial support for our planned growth over the coming years. Simultaneously with becoming a shareholder, Merz agreed to invest equity totalling up to EUR 50 million in Noratis AG as part of an investor and fixed subscription agreement. This agreement runs until the end of the financial year 2024 and has already been partially utilised in the context of the two capital increases for the year under review. The inflow of funds in spring totalled approximately EUR 5 million, while the gross proceeds from the second capital increase in autumn amounted to around EUR 16.9 million, of which approximately EUR 9.1 million originated from Merz.

We used this inflow of funds to provide financial backing for our stated goal to significantly expand our property portfolio. In addition to stepping up acquisitions, we deliberately refrained from conducting larger property sales during 2020. Overall, we were able to acquire 1,311 apartments at more than 15 locations*. Our newly established subsidiary Noratis West, which focuses on making smaller acquisitions in the Rhine-Ruhr region, also made its first acquisitions during the financial year 2020.

As well as expanding our property portfolio in the Rhine-Ruhr region, we were also able to strengthen our portfolio in the Rhine-Main region, the Leipzig region, the Hanover-Braunschweig-Göttingen-Wolfsburg metropolitan area and the greater Münster area. Having a larger number of apartments in a region creates management synergies that we aim to exploit. However, we also continue to invest in new locations across Germany. We were able to acquire portfolios in new regions in 2020, including Emden and Cuxhaven in the North and the Upper Palatinate in southern Germany.

As planned, we only sold individual properties as part of privatisation processes as well as one smaller portfolio transaction in 2020. As previously mentioned, we deliberately refrained from larger portfolio sales to achieve faster growth. Accordingly, we only sold a total of 86 units during the year in question including two locations in Hesse.

Due to our strategic focus on growth, our property portfolio increased to 3,632 units by the end of the year. This includes properties that have already been contractually secured but not yet

* Including 242 apartments in Münster as well as 24 units in Mülheim and Duisburg which were were contractually secured at the end of 2020 but only recognised in the balance sheet in 2021.

Igor Christian Bugarski
CEO

André Speth
CFO

recognised in our financial statement. This corresponds to a rise of around 50 percent compared to the previous year's portfolio of 2,407 units. We are extremely pleased with this performance.

As a result, our total assets increased to EUR 367.6 million at the end of 2020, up from EUR 260.7 million in the previous year. The equity ratio amounted to around 20.2 percent. This is the first time that we apply International Financial Reporting Standards (IFRS), having previously reported in accordance with the provisions of the German Commercial Code (HGB). We took this step in response to Noratis AG's growth and to increase visibility vis-à-vis international investors for whom IFRS reporting is important.

As we recognize our properties within current assets due to our fundamental intent to sell them, unlike pure portfolio holders, the accounting change has not prompted any substantial changes to the financial statements as compared to HGB methodology. However, switching to IFRS accounting makes it easier to calculate our net asset value at market value (NAV), which also factors in the valuation reserves of properties, and communicate this in our financial reporting from now on. This key figure is particularly significant in financial years such as the last year, in which we deliberately realised lower sales proceeds with a view to expanding the portfolio, as the disclosure of market values is the only way to make hidden reserves transparent, and thus our work on and with properties. Previously, these assets were only reported when properties were sold. This key figure also makes it easier to compare Noratis with other listed real estate companies who almost exclusivley report based on market values. At the end of 2020, NAV was EUR 22.80 per share, well above the share price at the same point in time.

During the year under review, we generated a total revenue of EUR 28.7 million, thus significantly less than the EUR 76.0 million in the previous year due to our decision to refrain from making larger property sales. The extent of our growth in the past year is primarily apparent when looking at rental income. Although most new acquisitions were only reported in the second half of the year in our financial statements, rental income still increased by around 30 percent to EUR 16.7 million in 2020, up from EUR 12.9 million in the previous year.

Our profit for the period amounted to EUR 2.8 million, after being EUR 8.3 million in the previous year. Our decision to refrain from making property sales also had an impact here, which is why we are nonetheless very satisfied with our earnings. This figure shows that we are making good progress towards being profitable through portfolio management alone.

However, selling optimised properties will remain an important part of our business model, even if we decide to transfer individual properties to a standing portfolio at some point in time. Only by disposals we can successfully realise the added value generated by successful asset management activities. Until now, this added value has been recognised in the property portfolio as hidden reserves but has not been visible in our financial statements.

We remain faithful to our strategy. As a portfolio developer active across Germany, we deliberately invest in properties in secondary locations that offer technical or commercial development potential. By working to enhance the value of our holdings, we create and maintain living space that is both attractive and affordable. In doing so, we consider the interests of all our stakeholders, from tenants and business partners to employees, local authorities and, of course, our shareholders.

We firmly believe this approach is what has made Noratis AG's successful performance over the years possible. It is just as important when purchasing properties as it is when developing a location. What's more, satisfied tenants form the basis for stable leases and low vacancy rates, both of which ultimately enable us to achieve attractive returns.

Despite the planned decline in earnings for 2020, we have decided to propose a dividend of EUR 0.50 per share to the Annual General Meeting, including the distribution reserve from financial year 2019. By doing so, we want to offer what we believe to be an attractive dividend for 2020. This proposal is also designed to show that we are very satisfied with our business performance in the past year. As for the year 2021, we are already planning several portfolio sales, which will show in next years' revenues. Despite these sales, we want to continue pursuing our aim to significantly expand the property portfolio in 2021 as well.

The coronavirus pandemic also posed challenges for our employees during the past year. We protected the health of our employees with initiatives such as integrating a work from home policy and online conferences into our business. At this point, we would like to express our particular thanks to our staff for their commitment in 2020, which enabled Noratis AG's strong performance. Our thanks also go to our business partners for their loyal cooperation. Finally, we would like to thank you, our shareholders, for placing your trust in us. Stay safe and well.

Kind regards,

Igor Christian Bugarski

André Speth


Insulation of roof & façade
Renovation of balconies and balcony balustrades
Partial replacement / modernisation of windows
Façade paintwork (attractive colouring)
Renovation of entrance areas, stairwells, communal areas
Insulation of basement ceilings
Redesign of outdoor facilities (paths, green spaces, parking spaces)
RIEDSTADT, MOSELSTRASSE

Interview

The significant expansion of the property portfolio was the main feature of the 2020 financial year. With Merz Real Estate GmbH, Noratis AG also attracted a new anchor shareholder, which is providing financial support for the Company's planned growth. In an interview, Noratis AG's new Supervisory Board chairman, Dr. Henning Schröer – who is also head of the Merz family office and Managing Director of the family's real estate companies – joins CEO Christian Bugarski and CFO André Speth to discuss the background to this development and the business opportunities it presents.

What are the Merz family's goals in becoming an anchor shareholder of Noratis AG?

Dr. Henning Schröer: The Merz family has already been active in the real estate sectore before and was keen to expand this line of business. With its focus on affordable housing, Noratis AG's business model convinced us as it factors in the interests of all stakeholders – from shareholders and investors to local authorities and, of course, tenants as well as employees. The Merz family has joined the Company as a long-term investor, and we are also looking forward to being able to support Noratis AG's growth on the capital markets.

Operationally speaking, what has changed because of the Merz family becoming an anchor shareholder?

Igor Christian Bugarski: We are glad to have the Merz family's full support for Noratis AG's growth strategy. This enables the Management Board to focus on operational implementation. The market is large and offers plenty of investment opportunities for us to achieve one of our goals of significantly expanding the property portfolio. Nevertheless, we are remaining true to our strategy. Noratis AG invests in housing across Germany. We want to do this by expanding existing locations and opening up new ones.

What does Merz's financial support for the Company's growth consist of?

André Speth: Simultaneously with becoming a shareholder, Merz agreed to invest a total of up to EUR 50 million of equity in Noratis AG until the end of the financial year 2024 as part of an investor and fixed subscription agreement. The two corporate actions in 2020 only used a small portion of this amount. This means that we still have a remarkably high level of flexibility to exploit any opportunities that may arise. This flexibility was extremely helpful to us amid the significant economic uncertainty triggered by the first lockdown last year and enabled us to continue making acquisitions during this period.

Are there synergies between Merz and Noratis AG?

Dr. Henning Schröer: We, of course, provide Noratis access to our network regarding property acquisitions and contribute our expertise on the Supervisory Board. However, the stake should be considered as a standalone investment by the Merz family that is based less on synergies and more on a fundamentally congruent understanding of the business's strategy and prospects.

CUXHAVEN, BRAHMSSTRASSE

In 2020 you deliberately accepted lower earnings in order to expand the property portfolio more quickly. What is the strategy behind this decision?

Igor Christian Bugarski: At our previous size, we were reliant on making one or two larger portfolio sales per year to meet our financial targets. That made us less flexible when it came to deciding when to sell properties. At the same time, our upgraded properties generate robust rental yields that also represent a compelling mix for our shareholders. Having a larger portfolio means we can be profitable from recurring rental income alone. It also enables us to be more flexible regarding the timing of property sales, as we are no longer as dependent upon individual transactions. Of course, this also has an impact on returns. To make these prospective earnings a reality, we accepted that our earnings would be lower in 2020 as we deliberately refrained from selling properties. However, this should be seen as a temporary event. As our market is fully intact, we can kick-start larger sales once again at any time and will do so from 2021 onwards.

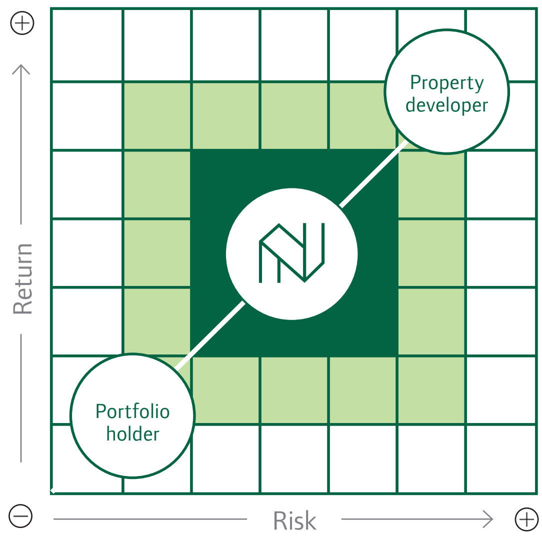
Why did you switch to IFRS international accounting standards?

André Speth: Most listed real estate companies in Germany report in accordance with IFRS. International investors in particular prefer these accounting standards, and our growth means we are noticeably attracting interest from foreign investors. We therefore decided to make the switch to improve the comparability of our financial figures and attract new investor groups. However, since we recognise our properties within current assets due to the intention to sell them again at a later date, the impact of this change on our results is comparatively low.

About the Company

Noratis AG is a developer of residential property portfolios across Germany. The Company primarily invests in properties in secondary locations, such as those on the outskirts of metropolitan areas or in cities with a population of more than 10,000. At the time of acquisition, these properties generally show technical and commercial development potential such as vacancy rates or a noticeable modernisation backlog. This potential is carefully realised based on many years of experience gleaned from around 30 completed property projects. Noratis upgrades these properties to create and maintain affordable living space. Our aim is to offer tenants attractive value for money at each respective location. We strive to achieve a high level of satisfaction among our tenants, which in turn leads to low vacancy rates. This trust-focused, long-term approach of considering the interests of our shareholders alongside those of tenants, investors, local authorities, and employees creates sustainable added value for all stakeholders. This has enabled Noratis AG to develop its business profitably and dynamically for many years.

As a portfolio developer, Noratis AG combines the advantages of both portfolio management and project development. In portfolio management, the Company benefits from the stability of regular and predictable rental income, while its development activities generate above-average returns without being exposed to the risks of a traditional project development business with low cash flows. By significantly expanding the property portfolio, Noratis AG plans to be profitable from portfolio management alone in the future. Another key element of the Noratis business is the sale of selected optimised properties, which enables the Company to generate an attractive return for its shareholders.



In 2020, Noratis AG gained an anchor shareholder in Merz Real Estate GmbH & Co. KG which also provides financial support for the Company's expansion and focussed business model. On its arrival in March 2020 Merz Real Estate GmbH & Co. KG signed an investor and fixed subscription agreement with an obligation to invest a total of up to EUR 50 million of equity in Noratis AG by end of the financial year 2024.

The Value Chain

Noratis AG covers the core areas of the value chain with skilled in-house expertise. Overall, the Noratis Group had an average of approximately 53 employees in financial year 2020. The core areas are property selection and acquisition, asset management – which includes the technical and commercial development of the properties – and property sales. These in-house skills ensure a consistently high level for each individual process by drawing on the experience gleaned from around 30 property projects completed in past years.

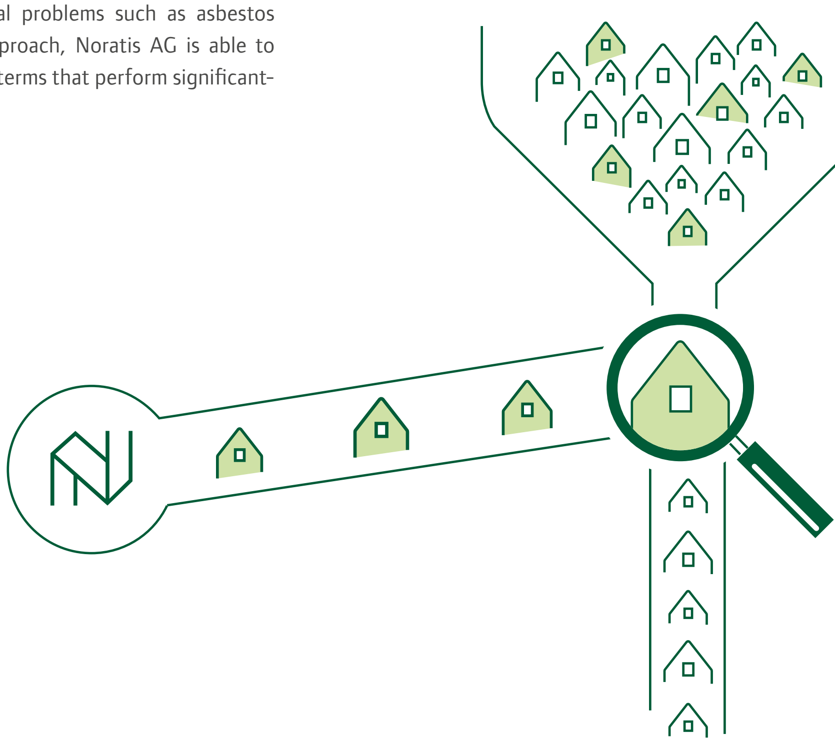
Acquisitions

Thanks to its exceptional network in the real estate sector, Noratis AG is constantly in the process of acquiring further attractive properties. The most promising portfolios are identified from those on offer based on optimised processes that incorporate the experience gained from completed projects. During financial year 2020, Noratis AG was offered more than 165,000 apartments overall with a value of around EUR 20.2 billion.

The Company acquired a total of 1,045 units as part of portfolio transactions and smaller property acquisitions during the financial year 2020. Including the 242 apartments in Münster and smaller portfolios in Mülheim and Duisburg that were contractually secured at the end of 2020 but only recognised in the financial statements 2021, the total acquired volume was 1,311 units. The Company primarily acquires residential properties at existing locations or opens up attractive new regions across Germany, focusing on outdated residential properties such as company-owned apartments, housing estates and residential areas. These are often located on the outskirts of metropolitan areas or in cities with a population of more than 10,000. Noratis also actively acquires properties with a certain vacancy rate or that require specific expertise when carrying out upgrades due to specific technical problems such as asbestos or legionella. By taking this approach, Noratis AG is able to acquire properties on attractive terms that perform significantly better than prime locations.

The Company can reliably assess the potential of a location and property during the acquisition process based on many years of experience gained from numerous completed projects and by using the Noratis platform. To do this, we conduct comprehensive acquisition analysis that skilfully assesses the investment required and the potential for value appreciation.

The focus is on residential portfolios ranging from around 20 residential units to several hundred residential units. The Noratis West subsidiary, which focuses on the Rhine-Ruhr region, also acquires smaller properties up to approximately EUR 5 million per transaction. Smaller properties with attractive potential returns and significant synergy effects can also be acquired in Noratis AG's home market, the Rhine-Main region, due to their geographical proximity to the Company's headquarters.



Asset Management

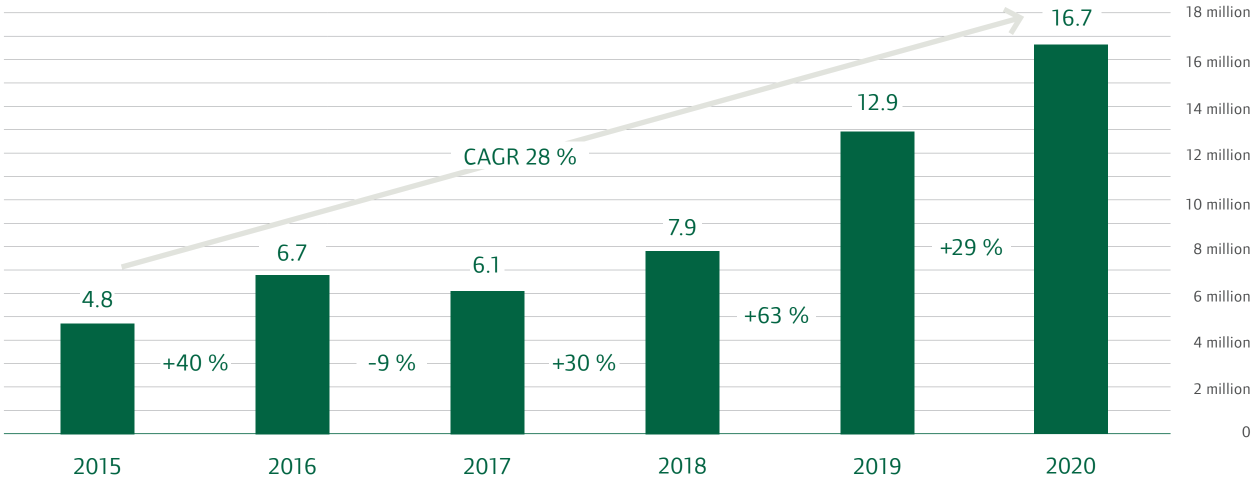
Developing the real estate portfolio is a key element of value creation at Noratis AG. We can create and maintain affordable apartments by making careful investments in the property portfolio. Depending on the specific needs of each property, Noratis invests in technical and energy-saving measures as well as upgrading facades, balconies, staircases, and outdoor areas, both to increase the value of the property and to offer tenants attractive living space with a feel-good factor. Individual apartments are renovated when they are vacant, either by upgrading the bathrooms and floors as required, or by modernising the entire apartment.

The aim of asset management is to enhance the attractiveness of properties to the extent that existing tenants are happy to remain in the apartments and vacancies are reduced. In contrast to expensive luxury renovations, our focus is on providing affordable apartments for young people, families, and senior citizens, for example. While this benefits tenants as much as it does Noratis AG, local communities also benefit.

In particular, affordable living space also means that a location offers attractive value for money, which enables Noratis to let properties effectively and profitably in the long term, even at B-locations. In doing so, we treat our tenants as customers. Their satisfaction has been the foundation of Noratis AG's many years of successful business development.

In the 2020 financial year, gross rental income from asset management and the significant expansion of the property portfolio rose to EUR 16.7 million, exceeding the previous year's figure of EUR 12.9 million by around 30%.

Gross Rental Income
(million EUR)



2015 - 2018: according to German Commercial Code, 2019 & 2020: according to IFRS

Sales

By significantly expanding the property portfolio, Noratis AG plans to be profitable from portfolio management alone in the future. With this in mind, the Company largely refrained from selling properties in 2020. As a result, portfolio management will play an ever more important role in Noratis AG's well-balanced business model as a portfolio developer in the future. However, selling optimised properties remains an integral part of the value chain and a key return driver.

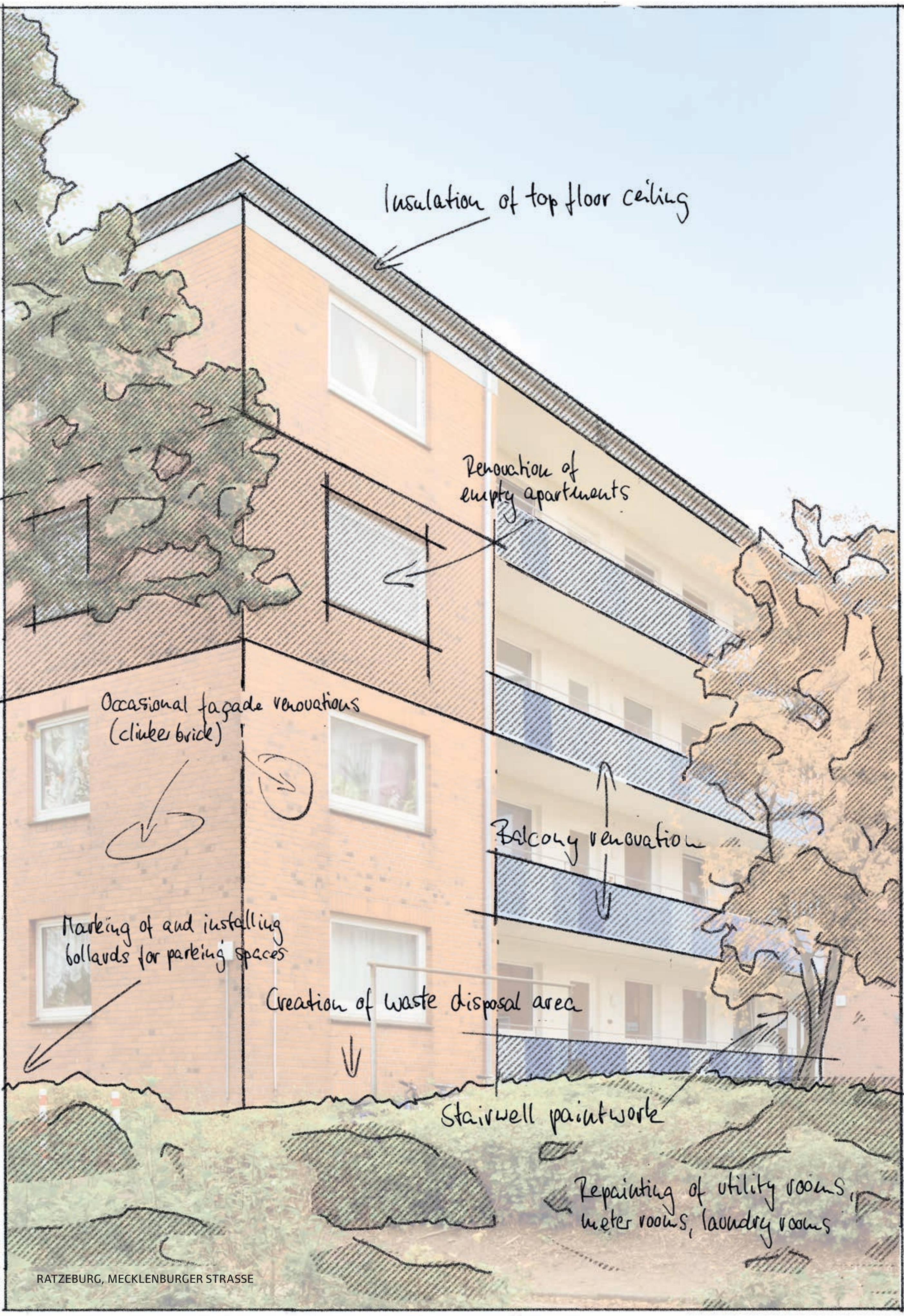
This combination enables Noratis AG to combine stable rental income with attractive developer returns from the sale of optimised properties. The profit contributions received from these sales are available for further expansion of the property portfolio as well as for dividend payments.

Properties are sold in blocks to institutional investors or as part of individual privatisation processes. Existing tenants also have the opportunity to take ownership of their apartments. Yet owner-occupiers are not alone in being able to purchase properties in privatisation processes, as this kind of financial investment is also potentially attractive for private investors.

As planned, Noratis AG did not complete any larger sales in financial year 2020. Eighty-six units were sold as part of smaller portfolio transactions and individual privatisation processes. Apartments in Erlensee and Riedstadt were sold through privatisation processes, while the properties in Mölln and a small part of the portfolio in Ratzeburg were sold as blocks.

Units Sold

2014	2015	2016	2017	2018	2019	2020
98	249	593	587	294	339	86


Insulation of top floor ceiling
Renovation of empty apartments
Occasional façade renovations (clinker brick)
Balcony renovation
Marking of and installing bollards for parking spaces
Creation of waste disposal area
Stairwell paintwork
Repainting of utility rooms, meter rooms, laundry rooms
RATZEBURG, MECKLENBURGER STRASSE

A Flourishing Location - Celle Case Study

"It hasn't been this beautiful here for a long time." Uwe Gerche is the facility manager at the Noratis property in Celle. The Company encountered a host of challenges in Nordfeld to "breathe new life into these homes", as Gerche puts it. With the work complete, Noratis has successfully transformed an outdated housing development into living space that is now both attractive and affordable.


Before: The buildings were clearly outdated


Before: Several appartments stood empty

After: A colourful neighbourhood with a certain feelgood-factor

Celle is a pretty place. Before coronavirus, around three million day-trippers visited the town each year, with approximately 300,000 overnight stays in local tourist accommodation. From the picturesque old town with Europe's largest collection of half-timbered houses and Celle Castle with a history stretching back to the year 980 to the Celle Stallion Parade, the town has plenty to offer. Tourists are not the only ones who feel at home here. With around 70,000 residents, the district capital's population has remained stable for years.

After Noratis's comprehensive location analysis confirmed the town's appeal, the portfolio developer acquired a total of 252 apartments in the neighbourhood of Vorwerk in June 2018[1]. Further acquisitions have since increased the company's property portfolio in the Hanover-Braunschweig-Göttingen-Wolfsburg metropolitan region to over 600 apartments, including 400 in Celle alone.

[1] The acquisition was part of a block purchase of 345 apartments in Celle and Königslutter

The initial acquisition also included a clearly outdated complex of residential buildings comprising 64 apartments in Nordfeld, with crumbling facades, paths blocked by rusty bicycles and overflowing bins with numerous apartments standing empty. Several newspaper reports had also helped establish the neighbourhood's reputation as one of the town's least desirable addresses, despite its good transport links. In other words, it was a typical Noratis property: a good location combined with significant technical and commercial development potential.

With this in mind, Noratis carried out a comprehensive modernisation program to sustainably upgrade the property, improve quality of life and reduce vacancies. In accordance with Noratis's principles, the aim here was not to carry out luxury renovations but to create and maintain living space that is attractive yet affordable at the same time – both for new lettings and the site's existing tenants.

After initial clean-up work was carried out by the newly appointed facility management team, vacant apartments were renovated first before work began on outdoor areas, external facades, and communal areas in spring 2020. The introduction of a new waste management system, including new rubbish bin areas, particularly helped to improve the appeal of the buildings' access areas. The bicycle racks installed at the same time were welcomed by residents and helped to enhance the overall appearance of the site. The external facades were renovated and given a fresh, modern coat of paint. The entrance halls and staircases were also renovated to make entering apartments considerably more agreeable. Technical improvements were made, and a fibre optic connection was installed to provide tenants with a state-of-the-art infrastructure.

"It feels like I'm standing in front of a new property," says a delighted Uwe Gerche. Having been the site's facility manager for many years, the 58-year-old experienced the development first-hand. "This part of Nordfeld has enjoyed a real upgrade thanks to Noratis. I like living here and can feel the change even when I take a walk around the buildings in the evenings The quality of life has improved, and word has spread. New tenants have discovered Nordfeld for themselves," said Gerche.

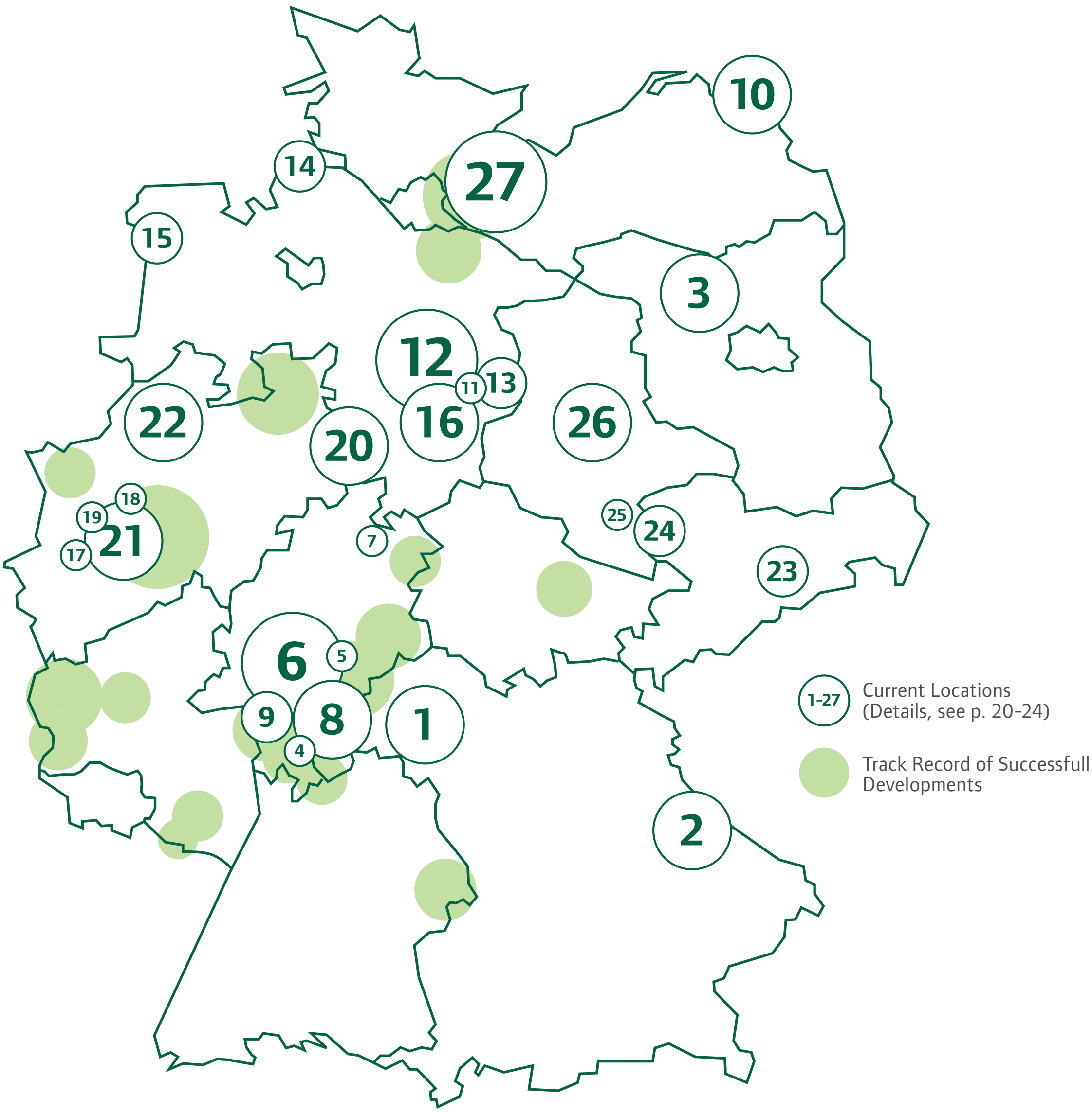
Nordfeld is not the only winner here. By making greater use of local service providers to renovate the apartments, buildings, and outdoor spaces, Noratis AG awarded contracts that benefited the entire region, which is entirely in line with its core values. Summarising the Company's approach, Igor Christian Bugarski, CEO of Noratis AG, said: "We want to create tangible added value for all stakeholders – from the vendors to the painters, electricians and technicians, and of course for our tenants too. After all, a good occupancy rate results in stable income, which is a key foundation for our business model. To put it another way, happy tenants are the key to happy shareholders."

In any case, the positive experiences of the last two years have more than validated the findings of the site analysis which was carried out when the property was acquired. Celle is indeed a pretty place, and Noratis AG can envisage making even more acquisitions after its third purchase here. With its population of 3.8 million, the Hanover-Braunschweig-Göttingen-Wolfsburg metropolitan region still offers ample opportunities for growth.

Hard facts, Celle Nordfeld

Acquisition	June 2018
Construction year	1976
Number of apartments	64
Rental space	5,300 sqm

The Property Portfolio



Financial year 2020 at Noratis AG can be summed up as a year of growth. The Group significantly expanded its property portfolio by increasing its purchasing activity while refraining from larger property sales. As a result, Noratis purchased 1,311 apartments during the year under review, clearly exceeding the previous year's acquisition figure of 955 units. By selling just 86 units in 2020, the Group increased its property portfolio to 3,366 units by the end of 2020 – a figure that rises to 3,632 units when including the acquisition of units in Münster, Mülheim, and Duisburg that have already been contractually secured but not yet recognised in the balance sheet at year end. This represents a rise of around 50% compared to the previous year.

Noratis AG invested in apartments all across Germany in 2020, purchasing properties in more than 15 locations in total. In doing so, the Group further expanded its existing portfolios in areas such as the Rhine-Main region, the Rhine-Ruhr region, the Leipzig region and the Hanover-Braunschweig-Göttingen-Wolfsburg metropolitan region, enabling it to create additional synergies in administration and management.

One new location that is particularly noteworthy is the greater Münster area, where Noratis AG notarised the acquisition of 242 apartments. The Group also entered the Bavarian market by acquiring a regional portfolio.

During the year under review, Noratis sold apartments in locations such as Erlensee and Riedstadt as well as Ratzeburg and Mölln by way of individual privatizations and smaller block trades.

The Group's regional Noratis West subsidiary performed well in its first financial year. This company specialises in smaller properties in the Rhine-Ruhr region of up to EUR 5 million per transaction. It acquired 70 apartments in 2020 and has already sold eight of these.

Overall, Noratis AG was invested in 33 locations across Germany at the end of the financial year. The portfolio almost exclusively consists of residential properties. However, it also includes some shops, while other units are used by a care facility for assisted living purposes. The Group held a total of 39 commercial units as of the end of the financial year.

At the end of 2020, the total lettable area of the property portfolio amounted to around 215,000 sqm, which results in an average apartment size of 65 sqm. Commercial space totalled around 10,000 sqm.

Development of the Property Portfolio

		31.12.2018	31.12.2019	31.12.2020
Units		1,791	2,407	3,366
Residential Units		1,774	2,347	3,327
Lettable Area (Residential)	sqm	116,500	149,500	215,000
Average Size of Appartment	sqm	66	67	65
Commercial Units		17	60	39
Lettable Area (Commercial)	sqm	6,450	11,500	10,000

1

Location	Erlenbach am Main
Acquisition	December 2020
Number of units	197
Rental space	11,300 sqm
Sales channel	Block Sale

2

Location	Cham / Upper Palatinate area
Acquisition	December 2020
Number of units	161
Rental space	11,300 sqm
Sales channel	Block Sale

3

Location	Neuruppin
Acquisition	December 2019
Number of units	165
Rental space	13,200 sqm
Sales channel	Block Sale

4

Location	Bensheim
Acquisition	July 2020
Number of units	36
Rental space	1,800 sqm
Sales channel	Block Sale

5

Location	Erlensee
Acquisition	September 2016
Number of units	2 of 46
Rental space	200 sqm
Sales channel	Privatisation

6

Location	Frankfurt am Main
Acquisition	August 2018 - December 2019
Number of units	415
Rental space	27.600 sqm
Sales channel	Privatisation

7

Location	Kassel
Acquisition	March 2019
Number of units	36
Rental space	2,400 sqm
Sales channel	Block Sale

8

Location	Neu-Isenburg
Acquisition	June 2019 - September 2019
Number of units	185
Rental space	11,600 sqm
Sales channel	Block Sale

9

Location	Rüsselsheim
Acquisition	July 2020
Number of units	83
Rental space	8,300 sqm
Sales channel	Block Sale

10

Location	Rügen
Acquisition	March 2017
Number of units	142
Rental space	8,900 sqm
Sales channel	Block Sale

11

Location	Braunschweig
Acquisition	October 2020
Number of units	8
Rental space	700 sqm
Sales channel	Block Sale

12

Location	Celle
Acquisition	June 2018 - October 2019
Number of units	317
Rental space	23,000 sqm
Sales channel	Block Sale

13


Location	Königslutter
Acquisition	June 2018
Number of units	93
Rental space	5,500 sqm
Sales channel	Block Sale

14


Location	Cuxhaven
Acquisition	November 2020
Number of units	66
Rental space	3,400 sqm
Sales channel	Block Sale

15


Location	Emden
Acquisition	April 2020
Number of units	79
Rental space	3,800 sqm
Sales channel	Block Sale

16


Location	Wolfenbüttel
Acquisition	October 2020
Number of units	118
Rental space	8,900 sqm
Sales channel	Block Sale

17


Location	Rhine-Ruhr (Noratis West)
Acquisition	2020
Number of units	38
Rental space	2,700 sqm
Sales channel	Block Sale

18


Location	Gladbeck
Acquisition	May 2017
Number of units	32
Rental space	3,400 sqm
Sales channel	Block Sale

19

Location	Krefeld
Acquisition	December 2019
Number of units	48
Rental space	3,200 sqm
Sales channel	Block Sale

20

Location	Lügde
Acquisition	November 2020
Number of units	200
Rental space	14,600 sqm
Sales channel	Block Sale

21

Location	Ratingen
Acquisition	December 2018
Number of units	156
Rental space	11,000 sqm
Sales channel	Block Sale

22

Location	Steinfurt
Acquisition	August 2019
Number of units	111
Rental space	6,200 sqm
Sales channel	Block Sale

23

Location	Freital
Acquisition	February 2019
Number of units	93
Rental space	8,900 sqm
Sales channel	Block Sale

24

Location	Leipzig
Acquisition	December 2019 - June 2020
Number of units	92
Rental space	5,100 sqm
Sales channel	Block Sale

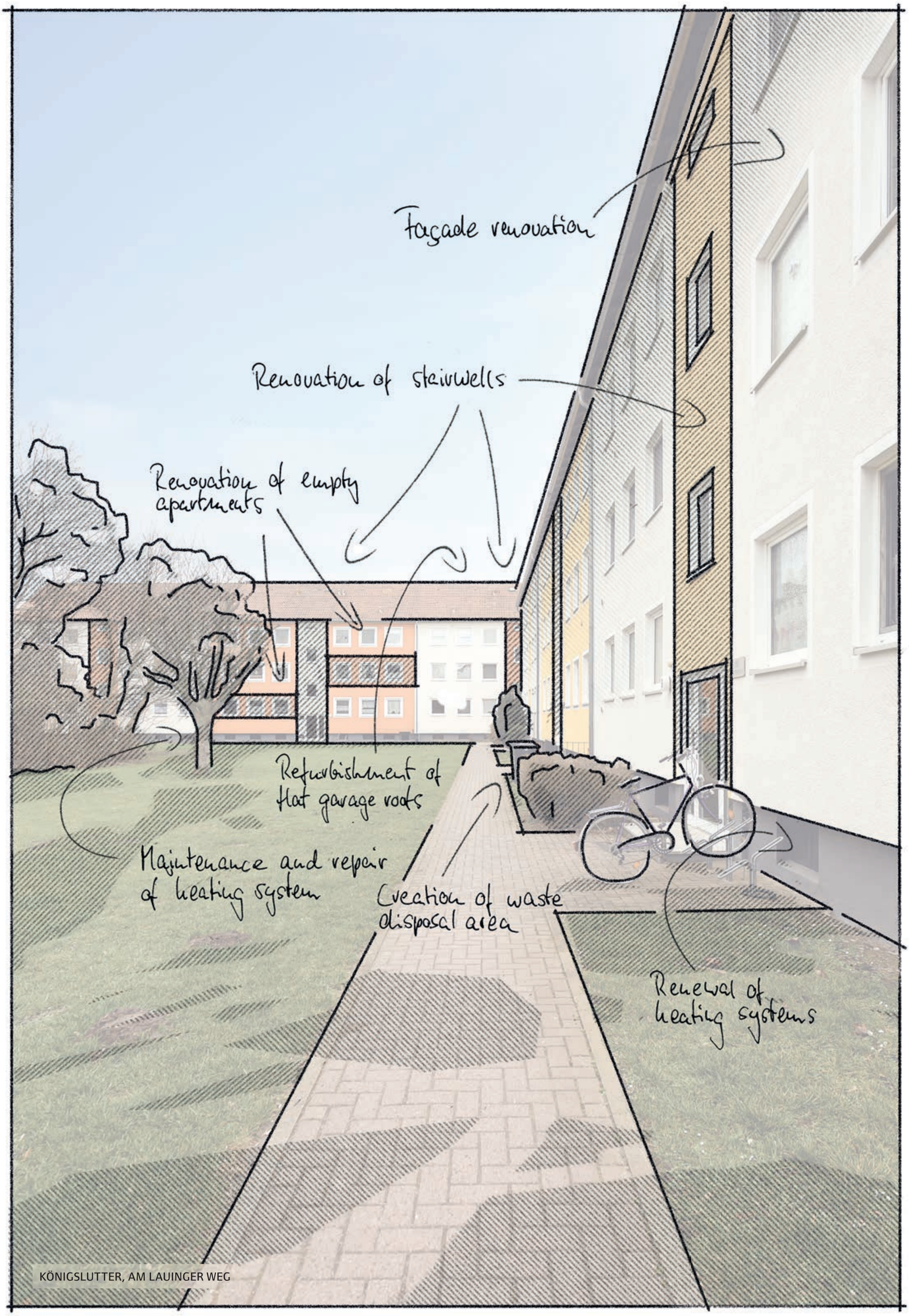
Location	Halle
Acquisition	June 2020
Number of units	19
Rental space	1,000 sqm
Sales channel	Block Sale

Location	Magdeburg
Acquisition	December 2019
Number of units	149
Rental space	8,900 sqm
Sales channel	Block Sale

Location	Ratzeburg
Acquisition	November 2017
Number of units	325
Rental space	18,800 sqm
Sales channel	Block Sale

Total 3,366 units, thereof 39 commercial units


WOLFENBÜTTEL, ALTER WEG



KÖNIGSLUTTER, AM LAUINGER WEG

Noratis AG on the Capital Markets in 2020

Share Price

Noratis AG shares were initially unable to buck the trend seen on the international equity markets at the start of the year. As the coronavirus pandemic spread, the shares reached a low of EUR 14.68 on Xetra on 18 March 2020. The share price then increased markedly in the wake of the announcement on 20 March 2020 that Merz Real Estate had acquired 29.4 percent of Noratis shares at EUR 21.00 per share and subscribed to a capital increase at EUR 19.80. On 15 June, the shares reached an annual high for 2020 of EUR 22.29. The announcement on 22 April that the business performed according to plan in 2019 and the proposal of a dividend of EUR 0.80 per share also had a positive impact on the share price. However, Noratis shares were unable to hold on to these gains throughout the year. The share price weakened slightly as a result of the capital increase carried out at EUR 17.55 per share in September. The shares also came under pressure during a period of market weakness in October before recovering slightly in November. With a Xetra year-end price of EUR 18, the shares finished the year around 17 percent below the previous year's closing price.

Noratis share in 2020 (Xetra)

Closing price on 30 December 2019 (last trading day of 2019)	EUR 21.70
Closing price on 30 December 2020 (last trading day of 2020)	EUR 18.00
Annual high on 15 June 2020	EUR 22.29
Annual low on 18 March 2020	EUR 14.68

2020 was a year of extremes on the capital markets, which recorded considerable losses as the coronavirus pandemic spread around the world. The DAX slumped by around 40 percent between the end of February and mid-March. However, this was soon followed by a recovery rally that allowed the DAX to end the year with a slight gain of 3.5 percent. The pandemic had a less severe impact on the German real estate market as the FTSE EPRA Nareit Germany index, which includes listed real estate companies in Germany, grew by around 11.3 percent in 2020.

Trading Volumes

In 2020, a daily average of 2,250 Noratis shares were traded on the Deutsche Börse's electronic trading system, Xetra. The average combined daily trading volume on all stock exchanges was 5,284 shares, which meant that 43 percent of the total daily trading of Noratis shares was attributable to Xetra. ICF BANK AG acted as the designated sponsor until the end of August and, as such, ensured the liquidity of the shares with binding bid and ask prices. ODDO SEYDLER BANK AG has been the designated sponsor since 01 September 2020.

Capital Increases

In spring 2020, Noratis AG gained a new anchor shareholder in Merz Real Estate GmbH & Co. KG, whose first step was to acquire 29.4 percent of shares from existing shareholders for EUR 21.00 per share. By doing so, Merz agreed to invest a total of up to EUR 50 million of equity in Noratis AG until the end of financial year 2024. Merz Real Estate then acquired 252,525 new shares at EUR 19.80 per share in a capital increase carried out immediately after their arrival as a new shareholder. Noratis AG received gross proceeds of EUR 5 million from this corporate action. In September 2020, Noratis AG carried out a further rights issue to finance property purchases. A total of 963,605 shares were issued at EUR 17.55 per new share, enabling the Company to generate gross proceeds of EUR 16.9 million. The share capital of Noratis AG increased to EUR 4,818,027.00 as a result of the capital increases.

Annual General Meeting

Due to the coronavirus pandemic, the Annual General Meeting originally scheduled for 25 June 2020 was postponed to 18 August 2020 and held as an online event. All the agenda items were adopted by a large majority. The Annual General Meeting accepted the proposal to pay a dividend of EUR 0.80 per share entitled to a dividend for financial year 2019. Among other agenda items, the Annual General Meeting also agreed to increase the number of Supervisory Board members from three to five. Dr. Henning Schröer, Managing Director of Merz Immobilien Management GmbH, and Michael Nick, Managing Partner of Merz Holding GmbH & Co. KG, were newly appointed to the Supervisory Board. At the end of the financial year, the Supervisory Board then appointed Dr. Henning Schröer as its new Chairman with effect from 1 January 2021, with Dr. Florian Stetter serving as Deputy Chairman of the Supervisory Board since then.

Analyst Coverage

Warburg and SMC both covered Noratis shares in 2020 and issued a buy recommendation. Both research firms published their most recent update of financial year 2020 in September, with SMC setting a target price of EUR 28.80 and Warburg issuing a target of EUR 27.50. Edison also reported on Noratis in the context of its listing in the Scale segment.

Research firm	Most recent update in 2020	Recommendation	Target price
SMC	4 September 2020	Buy	EUR 28.80
Warburg	1 September 2020	Buy	EUR 27.50

Investor Relations-Activities

Noratis AG has been listed in the Scale segment of the Frankfurt Stock Exchange since 2017 and is therefore subject to specific transparency requirements. As a result, the Company's Investor Relations activities focus on transparent communication with institutional and private investors. 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.

The coronavirus pandemic necessitated a switch from in-person to virtual meetings with investors, analysts, and journalists. Noratis AG participated in several conferences virtually in 2020, including the German Equity Forum in November.
Investors can access further information about the business development and the Company on the Investor Relations section of the Noratis website www.noratis.de.

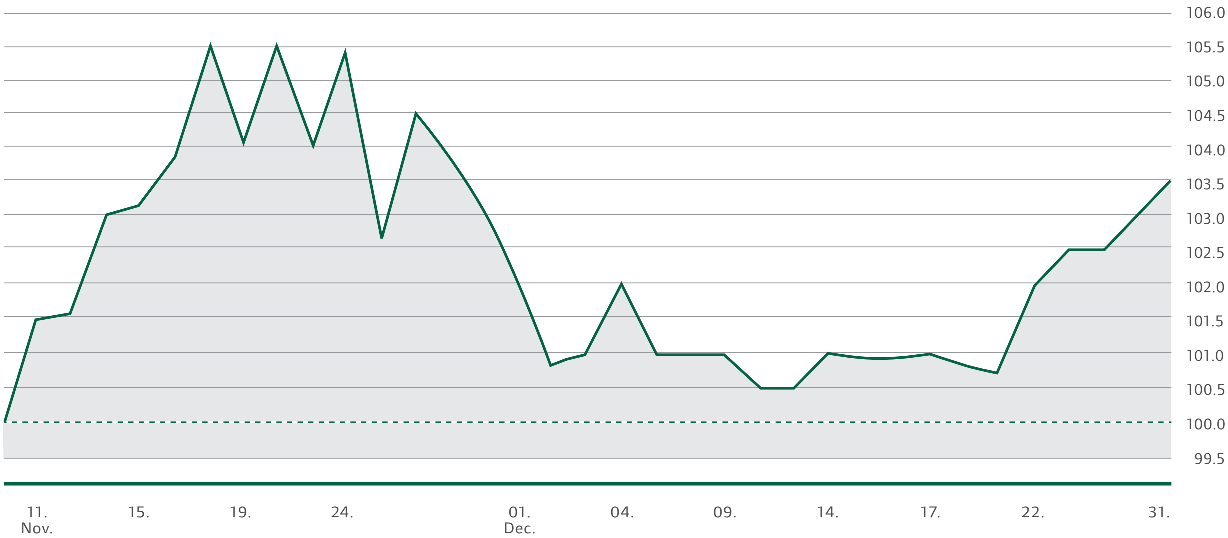
Additional information

ISIN/WKN/Ticker symbol	DE000A2E4MK4 / A2E4MK / NUVA
Type of shares	4,818,027 ordinary bearer shares without par value (no-par value shares)
Market capitalisation on 30 December 2020	approx. EUR 87 million
Share capital	EUR 4,818,027
Initial listing	25 June 2017
Trading segment	Scale
Designated sponsor	ICF Bank / From 1 September 2020 ODDO SEYDLER

Bonds

In October/November 2020, Noratis AG issued corporate bond 20/25 (WKN: A3H2TV, ISIN: DE000A3H2TV6) with a term of five years and an interest rate of 5.50% p.a. The proceeds from this bond will help the Company to profitably expand its residential portfolio in Germany. EUR 12.5 million was placed as part of the public offer from 26 October 2020 to 9 November 2020 in a particularly challenging environment dominated by the coronavirus pandemic, Brexit, and the US election. The bond was listed for trading on the open market (Quotation Board) of the Frankfurt Stock Exchange on 11 November 2020. As a follow-up to the public offer, further placements increased the issued volume of the bond to first EUR 22.5 million and then to EUR 30 million by the end of the year. The transaction was supported by ICF BANK AG. The closing price on 30 December 2020 of 103.5 percent represents a return of 4.68 percent.

Noratis bond 20/25 (Frankfurt)



Additional information

WKN/ISIN	A3H2TV/ DE000A3H2TV6
Issue volume (EUR)	EUR 30 million, up to EUR 50 million overall
Denomination (EUR)	EUR 1,000
Term	5 years (until 11 November 2025)
Interest coupon	5.5 percent
Issue price	100.00% of the nominal amount per note
Repayment amount (%)	100.00
Interest payment	annually
First interest payment	11 November 2021
Maturity	11 November 2025
Listing	Quotation Board (Open Market) of the Frankfurt Stock Exchange
Paying agent	ICF BANK AG
Intended use	Expansion of the real estate portfolio

Report of the Supervisory Board

Dear shareholders,

The financial year 2020 was dominated by two important events. Firstly, Noratis attracted Merz Real Estate GmbH & Co. KG, a subsidiary of the Merz Group, as a new anchor shareholder. Secondly, the Company carried out comprehensive capital and financing measures to support the further significant growth of its property portfolio.

In all strategically relevant measures and decisions during financial year 2020, the Supervisory Board monitored and regularly advised the Management Board in accordance with the provisions of the German Stock Corporation Act (AktG), and consistently and diligently performed all of its duties as set out in law and the Company's articles of association and rules of procedure.

Monitoring and advisory activities of the Supervisory Board

The Management Board regularly, promptly and directly included the Supervisory Board in all key decisions of fundamental importance for the Company, thus enabling the Supervisory Board to carry out its monitoring activities without restrictions.

The Management Board regularly and comprehensively informed the Supervisory Board, both verbally and in writing, about business performance, corporate planning – which also includes net assets and results of operations as well as financial, investment and personnel planning – as well as the strategy of the Company and the Group. During the year under review, members of the Supervisory Board had the opportunity at all times to review the reports and resolution proposals submitted by the Management Board, critically assess them and add their own suggestions. In particular, the Supervisory Board had sufficient opportunity to discuss all of the Company's significant business transactions in detail and review their plausibility based on reports from the Management Board. The Supervisory Board also monitored the accounting process, risk management measures, the internal control and compliance system.

In addition, the chairman and other members of the Supervisory Board remained in regular contact with the Management Board outside of their meetings. In doing so, they regularly discussed the current development of the business situation as well as all significant transactions. The chairman of the Supervisory Board also held additional regular discussions with the Management Board to address the Company's strategic focus.

All matters requiring Supervisory Board approval according to the rules of procedure were presented to the Supervisory Board in order for them to reach a decision. The Supervisory Board thoroughly reviewed the submitted transactions and discussed them with the Management Board. These discussions regularly focused on the benefits, risks and impact of the relevant issue on the Company.

Supervisory Board meetings and focus of activities

The Supervisory Board's ability to meet was impacted by the restrictions of the COVID-19 pandemic during the year under review. With the exception of one meeting in February 2020, all Supervisory Board meetings were held either completely or partially as video or telephone conference. Despite this, all Supervisory Board members were present and involved in decision-making at all meetings.

The Supervisory Board held a total of 13 meetings during the year under review. In addition to the decisions required according to the German Stock Corporation Act in the course of the corporate actions and bond issues, the Supervisory Board's advice in these meetings focused on upcoming real estate transactions, the Group's net assets and results of operations, and its financial and liquidity position. Past and future business performance were also discussed in the Supervisory Board meetings, as well as medium-term liquidity, financial, investment and staff planning. In particular, the Supervisory Board discussed Noratis AG's positioning in the capital markets regarding capital and financing measures. As in financial year 2019, this year's meetings also intensively covered the partnering with a strategic investor, a topic which became increasingly likely at the start of the year under review, and the effect this has on the Company's strategic focus.

As well as making decisions at its face-to-face and virtual meetings, the Supervisory Board also made 18 decisions by circular resolution. These decisions primarily related to the approval of real estate acquisitions and disposals.

Composition of the Management Board and Supervisory Board

The composition of the Management Board remained unchanged in financial year 2020. The Company's articles of associations were amended increasing the number of Supervisory Board members from three to five by a resolution of the Annual General Meeting on 18 August 2020. Dr. Henning Schröer and Michael Nick were appointed as additional members of the Supervisory Board at the Annual General Meeting.

Dr. Florian Stetter served as chairman of the Supervisory Board for the entire 2020 financial year. Hendrik von Paepcke also continued to serve as vice chairman of the Supervisory Board in financial year 2020.

The Supervisory Board appointed a new chairman and vice chairman of the Supervisory Board at its meeting on 25 November 2020. Dr. Henning Schröer was appointed as chairman and Dr. Florian Stetter as vice chairman of the Supervisory Board of Noratis AG with effect from 1 January 2021.

Annual and consolidated financial statements, audit, dependent company report

RGT Treuhand Revisionsgesellschaft mbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, audited the annual and consolidated financial statements as of 31 December 2020 prepared by the Management Board as well as the management report and Group management report for financial year 2020 and issued each of them with an unqualified audit opinion.

The financial statement documents (annual financial statements and management report of the Company as well as the consolidated financial statements, Group management report and dependent company report in accordance with Section 312 AktG) for financial year 2020, the Management Board's proposal for the appropriation of profit and the auditor's reports were distributed to the Supervisory Board for inspection in a timely manner. The Supervisory Board reviewed the documents submitted by the Management Board and the auditor's reports with a particular focus on legality, correctness and appropriateness.

At the balance sheet meeting on 27 April 2021, the auditor reported on the major results of the audit to the Supervisory Board and was available to answer questions from Supervisory Board members. The Supervisory Board discussed the aforementioned documents and the auditor's findings at length with the auditor and Management Board. According to the final outcome of its own audit, the Supervisory Board raised no objections to the annual financial statements, management report, consolidated financial statements and Group management report for financial year 2020 and concurred with the findings of the audit. The Supervisory Board agreed with the auditor's assessment that there are no material weaknesses in the internal control and risk management system at Group

Information on memberships in other control bodies

Dr. Henning Schröer	No memberships in other control bodies
Dr. Florian Stetter	
Memberships in statutory supervisory boards	• Deutsche Wohnen SE, Berlin (Member of the Supervisory Board) • Historie & Wert Aktiengesellschaft, Wuppertal; wholly-owned subsidiary of Rockhedge Asset Management AG, Krefeld (Chairman of the Supervisory Board)
Memberships in comparable domestic and foreign supervisory bodies of commercial enterprises	• C&P Immobilien AG, Graz, Austria (Member of the Supervisory Board) • Intelliway Services AD, Sofia, Bulgaria (Member of the Board of Directors)
Michael Nick	
Memberships in comparable domestic and foreign supervisory bodies of commercial enterprises	• Merz Immobilien Management GmbH, Frankfurt am Main (Member of the Advisory Board) • carpe diem Gesellschaft für den Betrieb von Sozialeinrichtungen mbH, Wermelskirchen (Chairman of the Advisory Board)
Hendrik von Paepcke	No memberships in other control bodies
Christof Scholl	No memberships in other control bodies

level in relation to the accounting process. The Supervisory Board approved the annual and consolidated financial statements prepared by the Management Board. The annual financial statements are therefore adopted.

The Management Board prepared a report on relations with affiliated companies (dependent company report) for the first time for financial year 2020 in accordance with Section 312 AktG. The auditor reviewed this report and issued the following audit opinion in accordance with Section 313 (3) AktG:

“Having completed our audit and assessment in accordance with our duties, we confirm that

1. the factual details are correct,
2. the Company’s consideration for the legal transactions listed in the report was not unreasonably high and any disadvantages have been compensated for, and
3. there are no other circumstances relating to the measures disclosed in the report that would lead to a significantly different conclusion than that reached by the Management Board.”

At its meeting on 27 April 2021, the Supervisory Board independently reviewed the dependent company report and the associated auditor’s report and discussed them in detail. After completing this review, the Supervisory Board approved the results of the audit of the dependent company report by the auditor and, according to the final outcome of its own audit, raised no objections to the dependent company report or the final declaration of the Management Board contained therein.

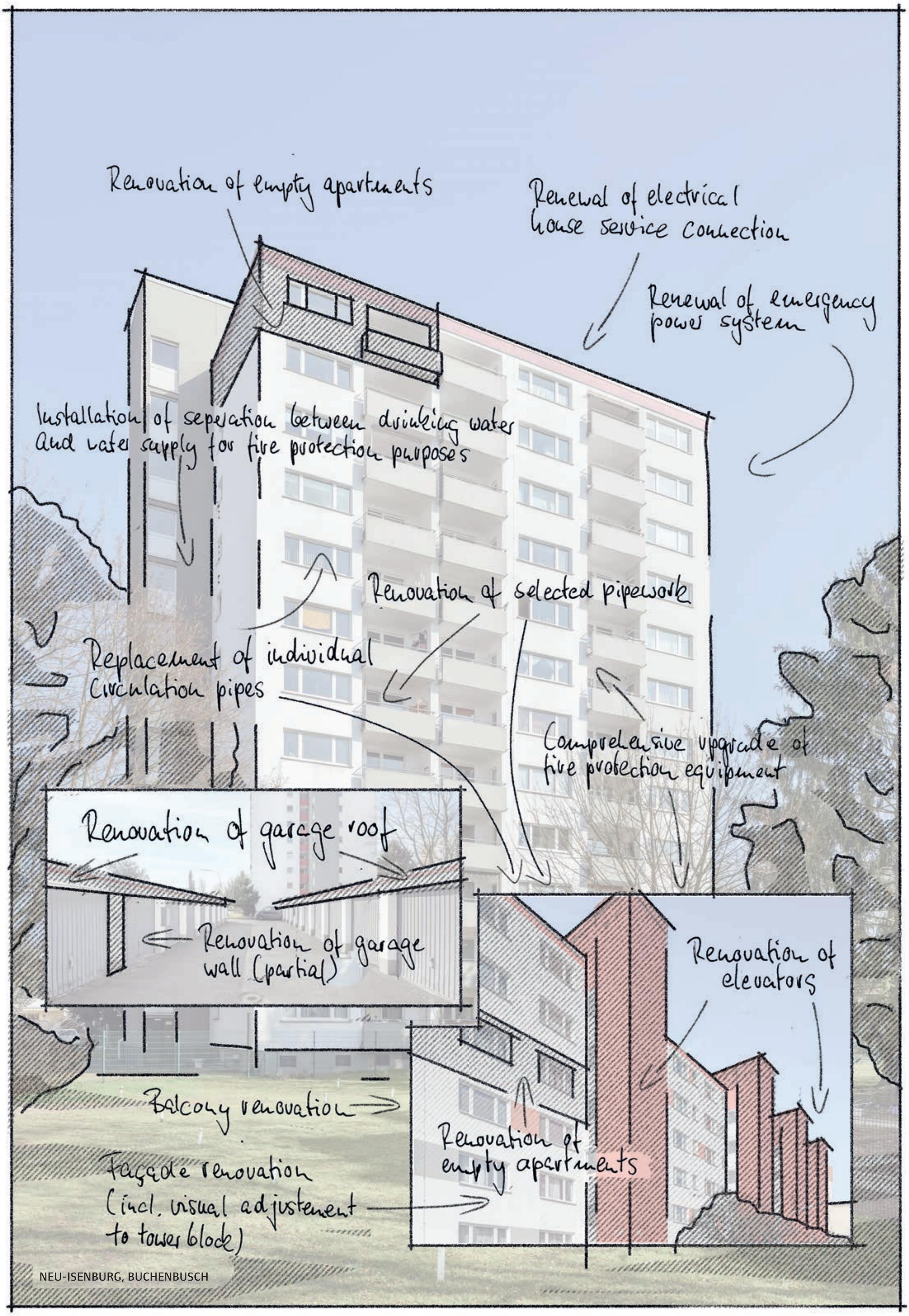
The Supervisory Board endorsed the Management Board’s assessment of the business situation and outlook as set out in the management report as well as its proposal for the appropriation of profit, which provides for a dividend of EUR 0.50 per Noratis AG share.

The Supervisory Board would like to thank all employees of Noratis AG and members of the Management Board for their efforts, commitment and loyalty in financial year 2020.

Eschborn, 27 April 2021

For the Supervisory Board of Noratis AG

Dr. Henning Schröer
Chairman


Renovation of empty apartments
Renewal of electrical house service connection
Renewal of emergency power system
Installation of seperation between drinking water and water supply for fire protection purposes
Renovation of selected pipework
Replacement of individual circulation pipes
Comprehensive upgrade of fire protection equipment
Renovation of garage roof
Renovation of garage wall (partial)
Renovation of elevators
Balcony renovation
Renovation of empty apartments
Façade renovation (incl. visual adjustement to tower block)
NEU-ISENBURG, BUCHENBUSCH

WOLFENBÜTTEL, WILHELM-BRANDES-STRASSE

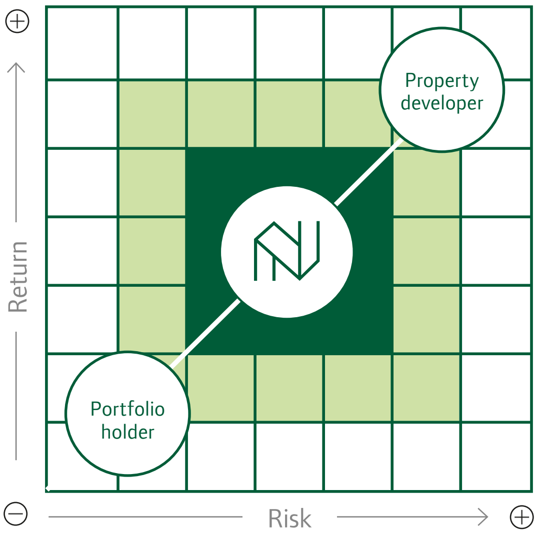
Group Management Report

as at 31 December 2020

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 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 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 or on the outskirts of large urban areas.

The properties purchased are upgraded so that they deliver good 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 an average of 53 employees during the 2020 financial year performs the core tasks throughout the entire value chain, from acquisition to commercial and technical development to sales. 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 just under 2,300 apartments at a total disposal price of around EUR 250 million. The current project development portfolio as at 31 December 2020 comprises 3,366 units with an area of around 225,000 sqm.

1.2. Strategy

The Noratis Group pursues a strategy of achieving sustainable growth in its residential property portfolio. Its two main sources of income are the stable cash flows generated from rental income, and the continuous sale of developed properties, which generally account for the majority of sales revenues. Real estate assets and the share of revenue attributable to 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.

Noratis AG holds 100 percent of the shares in Noratis Wohnen GmbH, which was established in financial year 2015, and Noratis Habitat GmbH, which was established in July 2018, and 94 percent of the shares in Noratis Living GmbH, which was acquired in June 2017.

Noratis AG holds 65 percent of the shares in Noratis West GmbH, which was established in January 2020, and 75 percent of the shares in Noratis Nordost GmbH, which was established in October 2020.

Noratis AG acquired a 49 percent equity interest in G+N Energieeffizienz GmbH, which was established in February 2020. This company is not controlled by Noratis AG and is therefore not included in its 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 loan to value (LTV) and net loan to value (Net LTV) ratios and its equity ratio are also monitored, as is net asset value (NAV) based on the properties' market values. 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

Preliminary calculations by the Federal Statistical Office show that Germany's inflation-adjusted gross domestic product fell by 5 percent in 2020. As a result, the German economy entered a recession for the first time in ten years. The coronavirus pandemic and the measures imposed to contain it led to economic downturns across almost all areas of the economy. The manufacturing industry excluding construction, which makes up more than a quarter of the entire economy, recorded an inflation-adjusted decline of 9.7 percent compared to the previous year. Inflation-adjusted economic output in the industrial sector overall fell by as much as 10.4 percent. The construction industry was one of the few sectors to record positive development with a 1.4 percent increase in inflation-adjusted gross value added. However, the assessment of the current business situation and the outlook for the next half-year improved in December, based on the ifo Business Climate Index, rising from 90.9 points in November to 92.1 points.

The Federal Statistical Office recorded an average of 44.8 million people in gainful employment at a workplace in Germany for 2020. This corresponds to a 1.1 percent decline compared to 2019. The coronavirus pandemic brought an end to 14 years of continuous growth in the labour market. While employment subject to social security contributions remained stable – due in part to extended short-time work regulations – there were declines in marginal employment and among the self-employed. In its annual report for 2020, the Federal Employment Agency reported an increase in unemployment of 0.9 percentage points to 5.9 percent.

According to the Federal Employment Agency, the number of registered vacancies in Germany declined sharply to 613,000 jobs in 2020, a reduction of 21 percent compared to the previous year.

2.2. Situation in the German Property and Residential Property Market

Despite the severe economic recession, residential property prices in Germany continued to rise, growing by 7.8 percent year-on-year in the third quarter of 2020 according to figures released by the Federal Statistical Office. This was an even sharper increase than in the third quarter of 2019, when the annual price rise amounted to 4.9 percent.

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 between 3.6 percent higher in Saxony and 9.5 percent higher in Bremen in 2020 compared to the baseline value of 100 percent in 2015.

According to Savills Research (German Residential Investment Market 2020), the German residential investment market recorded its second highest-ever transaction volume of EUR 19.7 billion during the crisis-hit year of 2020, with 12 percent more properties changing hands compared to 2019. This proved the status of the real estate asset class as a safe haven in economically challenging times. There was also a notable increase in package sales. Although the proportion of these sales had steadily increased in previous years, their 71 percent share of transaction volumes in 2020 was significantly higher than 2019, when they made up 63 percent of transactions. Just as exceptional was the high proportion of transactions in the five former East German federal states, where transaction volumes increased by 70 percent compared to the previous year. At 83 percent, most of the investors were from Germany, with their share shrinking by 6 percentage points year-on-year. Real estate corporations or REITs were the most active buyer group with a share in transaction volumes of around 48 percent. With an investment volume of more than EUR 800 million, private equity funds showed stronger interest in German residential property than at any time since 2012. While microapartments and student apartments were less in demand among buyers due to higher fluctuation resulting from the pandemic, there was increasing investor demand across Europe for subsidised residential properties or those let at relatively low prices. In 2020, one in seven residential property transactions in Germany at least partially included subsidised apartments, which was on a par with the previous year's figure but markedly above the level of five years ago, when only one in 17 transactions included subsidised apartments.

According to the Federal Statistical Office, the number of building permits for apartments increased by 3.9 percent year-on-year from January to November 2020 compared to the same period in the previous year. In 2019, the number of building permits for apartments in Germany was approximately 360,500.

A number of legislative changes relating to the residential property market were agreed or came into force in 2020. On 14 February 2020, the Bundestag tightened up the rent control regulation that came into force initially on 1 January 2019 and agreed to extend it by a further five years – until the end of 2025. The amended brokerage commission regulation came into force on 23 December 2020. If a private consumer wants to buy a commonhold apartment or single-family home, the seller now has to bear half of the broker's fees.

Savills Research also expects above-average transaction volumes in the German residential property market in 2021. Institutional investors are likely to focus more strongly on real estate and residential property in particular due to its high degree of crisis resilience. Good growth opportunities are expected in the German market due to its high liquidity and stability. Identifying flourishing locations is likely to be one of the biggest challenges in the residential property market in future.

2.3. Course of Business

The Noratis Group's operations remained relatively stable despite the turbulence caused by the coronavirus crisis. Residential properties were hardly affected by the pandemic. The palpable sense of uncertainty in the first quarter and the resulting reluctance to enter into transactions was quickly overcome. Demand for residential properties as an asset class remains very strong. This ultimately became apparent from the increase in transaction volumes in 2020. Pandemic-related rent losses or risks from rent receivables were low and of minor importance for the course of business.

The number of employees was increased due to the expansion of real estate assets, particularly in the asset management business. Most new hires were made in the fourth quarter, which is why the average increase in the number of employees was lower.

Noratis prepared its consolidated financial statements as of 31 December 2020 in accordance with International Financial Reporting Standards (IFRS) for the first time. This step is intended to enhance transparency and comparability with other real estate companies. For information on the differences arising from this transition, please refer to the presentation in the notes to the financial statements.

The most significant event from the Company's perspective during the past financial year 2020 was to win Merz Real Estate GmbH & Co.KG (Merz) as a new anchor shareholder who will also provide financial support for the Group's planned growth over the coming years. Merz agreed to invest equity totalling up to EUR 50 million as part of an investor and fixed subscription agreement. This agreement runs until the end of financial year 2024 and has already been partially utilised in the context of via the two capital increases implemented in the past year. As a result, the Company was able to postpone the sales initially required to finance new property in financial year 2020 until subsequent years.

This enabled Noratis to expand its property portfolio significantly with a net increase of EUR 90.4 million.

Due to the larger portfolio of inventory properties, rental income rose by 28.8 percent to EUR 16.7 million while sales proceeds declined from EUR 63.0 million to EUR 12.0 million in line with planning. As a result, EBIT fell to EUR 8.2 million and EBT to EUR 4.2 million during the year under review.

Despite a marked 41.0 percent increase in total assets to EUR 367.6 million, the equity ratio remained unchanged from the previous year at slightly above 20% percent due to the capital increases.

In May 2020, the Company generated capital inflows of EUR 5.0 million as part of a capital increase with pre-emptive rights being excluded by issuing 252,525 shares at a price of EUR 19.80 per share to its new anchor shareholder Merz Real Estate GmbH & Co. KG.

The Group then generated issue proceeds of EUR 16.9 million by carrying out an additional capital increase to implement its growth strategy in September 2020.

Overall, this caused subscribed capital to rise by EUR 1.2 million to EUR 4.8 million and capital reserves to increase from EUR 31.5 million to EUR 51.8 million.

The successful placement of a EUR 30 million unsubordinated and unsecured corporate bond with a term of 5 years and an interest rate of 5.5 percent in November and December 2020 generated net inflows of EUR 29.3 million. These funds will be used to further expand the property portfolio.

Due to the Noratis business model, the property portfolio is also reported in inventories under IFRS accounting. As these properties are generally intended for sale after their successful development, they are reported at amortised cost and not at market value, which results in significant hidden reserves.

As of 31 December 2020, the market value of the properties as calculated by an independent external appraiser is approximately EUR 375 million, EUR 49 million higher than the current carrying amount of EUR 326 million. The difference between this and the reported current assets figure of EUR 334 million is due to prepayments and capitalised leasehold contracts. When taking these hidden reserves into account, less the current income tax of 27.4 percent, the Company's equity amounts to around EUR 110 million, which corresponds to an NAV of EUR 22.8 per share and an equity ratio of approximately 26 percent.

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

Acquisitions

State	Location	Number of Units	Sales Channel
Bavaria	Erlenbach/Main	197	Block sale
Bavaria	Cham / Upper Palatinate area	161	Block sale
Hesse	Bensheim	36	Block sale
Hesse	Rüsselsheim	83	Block sale
Lower Saxony	Braunschweig	8	Block sale
Lower Saxony	Cuxhaven	66	Block sale
Lower Saxony	Emden	79	Block sale
Lower Saxony	Wolfenbüttel	118	Block sale
North Rhine-Westphalia	Castrop	8	Block sale
North Rhine-Westphalia	Krefeld	8	Block sale
North Rhine-Westphalia	Lügde	200	Block sale
North Rhine-Westphalia	Mönchengladbach	16	Block sale
North Rhine-Westphalia	Solingen	14	Block sale
Saxony	Leipzig	32	Block sale
Saxony-Anhalt	Halle	19	Block sale
Total		**1,045**	

Sales

State	Location	Number of Units	Sales Channel
Hesse	Erlensee	34	Privatisation
Hesse	Riedstadt	13	Privatisation
North Rhine-Westphalia	Krefeld	8	Block sale
Rhineland-Palatinate	Zweibrücken	1	Privatisation
Schleswig-Holstein	Ratzeburg/Mölln	30	Block sale
Total		**86**	

The Group's residential real estate portfolio amounted to 3,366 units at the end of the financial year, spread across the following locations:

State	Location	Number of Units	Sales Channel
Bavaria	Erlenbach am Main	197	Block sale
Bavaria	Cham/Upper Palatinate area	161	Block sale
Brandenburg	Neuruppin	165	Block sale
Hesse	Bensheim	36	Block sale
Hesse	Erlensee	2	Privatisation
Hesse	Frankfurt am Main	415	Privatisation
Hesse	Kassel	36	Block sale
Hesse	Neu-Isenburg	185	Block sale
Hesse	Rüsselsheim	83	Block sale
Mecklenburg-Western Pomerania	Rügen	142	Block sale
Lower Saxony	Braunschweig	8	Block sale
Lower Saxony	Celle	317	Block sale
Lower Saxony	Königslutter	93	Block sale
Lower Saxony	Cuxhaven	66	Block sale
Lower Saxony	Emden	79	Block sale
Lower Saxony	Wolfenbüttel	118	Block sale
North Rhine-Westphalia	Castrop	8	Block sale
North Rhine-Westphalia	Gladbeck	32	Block sale
North Rhine-Westphalia	Krefeld	48	Block sale
North Rhine-Westphalia	Lügde	200	Block sale
North Rhine-Westphalia	Mönchengladbach	16	Block sale
North Rhine-Westphalia	Ratingen	156	Block sale
North Rhine-Westphalia	Solingen	14	Block sale
North Rhine-Westphalia	Steinfurt	111	Block sale
Saxony	Freital	93	Block sale
Saxony	Leipzig	92	Block sale
Saxony-Anhalt	Halle	19	Block sale
Saxony-Anhalt	Magdeburg	149	Block sale
Schleswig-Holstein	Ratzeburg	325	Block sale
Total		**3,366**	

including 39 commercial units

With 3,366 units (previous year: 2,407) and a carrying amount of EUR 333.5 million (previous year: EUR 243.2 million), the aggregate property portfolio at the end of 2020 increased year-on-year 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 profit and loss statement of the Noratis Group changed as follows in the 2020 financial year compared with 2019:

Mio. EUR	Financial Year 2020	Financial Year 2019
Units sold	86	339
Total revenue	**28.7**	**75.9**
Revenue from sales of inventory properties	12.0	63.0
Cost of sales	-7.0	-48.5
Gross profit sales	**5.0**	**14.4**
Letting revenue	16.7	12.9
Letting costs	-6.7	-5.8
Gross profit from letting	**10.0**	**7.1**
Other income	0.8	1.0
Gross profit	15.8	22.5
Personnel costs	-5.0	-4.1
Other operating expenses and depreciation	-2.6	-2.6
Earnings before interest and taxes (EBIT)	**8.2**	**15.8**
Net finance cost	-4.1	-4.3
Earnings before tax (EBT)	**4.1**	**11.5**
Income tax	-1.3	-3.2
Profit of the period	**2.8**	**8.3**

Rounding differences may occur for mathematical reasons.

The Group generated consolidated revenue of EUR 28.7 million in financial year 2020. Due to the planned postponement of property sales to subsequent years, proceeds from the sale of inventory properties fell by EUR 51.0 million year-on-year to EUR 12.0 million.

Although fewer sales and purchases of new properties led to a marked increase in letting proceeds, this was not enough to offset the decline in sales proceeds. Rental income rose by EUR 3.8 million or 28.8 percent to EUR 16.7 million.

Net income from the sale of inventory property relative to sales proceeds increased from 22.9 percent to 41.5 percent and is primarily attributable to the privatisations completed during the year under review. During the financial year, 55.8 percent of the total number of 86 residential units were sold to individual purchasers (2019: 8.8 percent).

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In the case of net income from letting relative to rental income, the Group increased the margin from 55.1 percent in the previous year to 59.8 percent. This margin is generally subject to lower fluctuations and primarily depends on rent levels, the condition of properties and vacancy rates.

Other operating income includes unused provisions for modernisation expenses amounting to EUR 0.6 million from block sales already completed.

The EUR 0.9 million increase in personnel costs to EUR 5.0 million is largely attributable to the expansion of the workforce as a result of the expanded property portfolio. This increase in headcount primarily took place in the second half of the year, which means that only a proportion of these costs is included in the previous year's figure. In view of this, the average number of employees only rose by 3 employees to 53 compared to 2019.

Earnings before interest and taxes (EBIT) fell by EUR 7.6 million or 48.1 percent to EUR 8.2 million due to fewer property sales and higher personnel costs.

The reduction in net financial expenses despite the enlarged property portfolio and the related increase in financial liabilities to banks is primarily explained by the fall in expenses for interest rate hedges. These almost exclusively consist of interest rate caps that are recognised at fair value as of the balance sheet date. This resulted in an expense of EUR 0.8 million in the previous year compared to an expense of less than EUR 0.1 million in the year under review.

The Noratis Group generated earnings before tax of EUR 4.1 million. This represents a decline of EUR 7.4 million compared to the previous year and is primarily due to the reduction in proceeds from the sale of inventory property and the increase in staff costs

2.5. Financial Position

The consolidated cash flow statement changed as follows:

Mio. EUR	Financial Year 2020	Financial Year 2019
Cash flows from operating activities	-94.0	-18.0
Cash flows from investing activities	0.1	0.0
Cash flows from financing activities	118.0	17.1
Change in cash and cash equivalents	24.1	-0.9
Cash and cash equivalents at beginning of year	7.0	7.9
Cash and cash equivalents at end of year	31.1	7.0

There are two primary reasons for the significant reduction in cash flows from operating activities. Net purchases of inventory properties were higher during the year under review. In addition, liabilities for property portfolios acquired in the previous year totalling EUR 7.7 million only became due for payment in 2020.

Cash flows from investing activities mainly include payments for newly-acquired property, plant and equipment of EUR 0.1 million. This is offset by EUR 0.2 million in interest received, resulting in a balance of EUR 0.1 million.

The significant increase in cash flows from financing activities resulted from net inflows of EUR 21.3 million generated by the two capital increases. By issuing a new EUR 30.0 million bond, the Group received a further EUR 29.4 million after issuing costs. The early repayment of the 2017 bond totalling EUR 4.1 million had an offsetting effect. The additional loans taken out as part of the expansion of inventory property had the most significant impact. The cash inflows from these loans totalled EUR 92.7 million, compared to payment outflows from repayments of EUR 14.0 million.

Cash and cash equivalents of EUR 31.0 million as of 31 December 2020 (previous year: EUR 7.0 million) will primarily be used to purchase additional inventory properties.

As at 31 December 2020, the Group had unused credit facilities of EUR 15.6 million (previous year: EUR 24.1 million). During the past financial year, the Noratis Group met all of its financial obligations on schedule, and management also expects all payments to be made in accordance with agreements in 2021.

2.6. Net Assets

Summary of the consolidated statement of financial position:

	Financial Year		Previous Year	
	Mio. EUR	%	Mio. EUR	%
Total assets	**367.6**	**100.0**	**260.7**	**100.0**
Fixed and financial assets	1.2	0.3	1.5	0.6
Deferred tax assets	0.4	0.1	0.5	0.2
Non-current-assets	**1.6**	**0.4**	**2.0**	**0.8**
Inventory properties	333.5	90.7	243.1	93.2
Trade receivables	1.3	0.4	8.2	3.1
Financial and other assets	0.2	0.1	0.4	0.2
Cash	31.0	8.4	7.0	2.7
Current assets	**366.0**	**99.6**	**258.7**	**99.2**
Total equity and liabilities	**367.6**	**100.0**	**260.7**	**100.0**
Equity	**74.3**	**20.2**	**52.6**	**20.2**
Bond	29.4	8.0	4.1	1.6
Financial liabilities and provisions	254.6	69.3	175.0	67.1
Non-current-liabilities	**284.0**	**77.3**	**179.1**	**68.7**
Bond and financial liabilities	3.6	1.0	4.5	1.7
Trade payables	1.4	0.4	18.5	7.1
Tax and other liabilities	4.3	1.2	6.0	2.3
Current liabilities	**9.3**	**2.5**	**29.0**	**11.1**

Total assets grew by 41.0 percent to EUR 367.6 million compared to the previous year. The increase in assets is primarily attributable to purchases of and investments in inventory properties as well as a rise in cash. On the liabilities side, the increase in equity, bond issue and higher financial liabilities were the main drivers. The reduction in trade payables had an offsetting effect.

Applying the new IFRS leases standard from 1 January 2019 onwards means that right-of-use assets for leased office space and the vehicle fleet have been capitalised. In return, a lease liability for the same amount was recognised in financial liabilities. The right-of-use assets are depreciated over the entire term of the contract. As of 31 December 2020, right-of-use assets for office space amounting to EUR 0.6 million (previous year: EUR 0.8 million) and for the vehicle fleet totalling EUR 0.1 million (previous year: EUR 0.1 million) were capitalised.

Deferred tax assets include tax loss carryforwards of EUR 0.3 million (previous year: EUR 0.2 million), which can be netted against future tax liabilities. In addition, EUR 0.1 million (previous year: EUR 0.3 million) from the differing measurement of interest rate hedges, financial liabilities and the lease measurement are included in IFRS with respect to tax legislation. These differences will resolve themselves over time and will result in corresponding tax adjustments.

As a result of the net purchases during the year under review, inventory properties held for sale increased by EUR 90.4 million to EUR 333.5 million as at 31 December 2020. This includes right-of-use assets of EUR 4.3 million (previous year: EUR 4.3 million) from leasehold land that should be reported in the same way as non-current assets in accordance with the IFRS leases standard. All of the properties that the Noratis Group holds in its portfolio are reported in inventory property because the properties are usually acquired with the intention of being resold after their successful development.

The EUR 6.9 million decline in trade receivables is attributable to purchase price receivables from the previous year totalling EUR 7.7 million that only became due in 2020. All of these receivables were paid during the financial year under review.

Cash increased significantly due to the issuance of a EUR 30 million bond and the assumption of additional unsecured liabilities with a volume of EUR 5 million in November and December 2020. This cash is to be used to finance additional property purchases.

On the liabilities side, equity grew significantly as a result of two capital increases. In May 2020, a total of 252,525 new shares were issued to new anchor shareholder Merz Real Estate GmbH & Co. KG, generating gross inflows of EUR 5.0 million. In September 2020, a total of 963,605 new shares were placed via another capital increase, resulting in gross inflows of EUR 16.9 million. Including net income for the financial year and the offsetting effect of the dividend payment totalling EUR 2.9 million, equity increased by EUR 21.7 million or 41.2 percent to EUR 74.3 million.

The successful placement of a EUR 30 million bond with a term of 5 years and an interest rate of 5.5 percent in November and December 2020 generated net inflows of EUR 29.3 million. These funds will be used to further expand the property portfolio.

The significant increase in financial liabilities primarily resulted from the financing of newly acquired properties, particularly those in Neuruppin, Rüsselsheim, Wolfenbüttel, Lügde and the Cham/Upper Palatinate area. The change in current financial liabilities is primarily due to the different maturities and repayment agreements for property financing.

Trade payables in the previous year included a figure of EUR 16.8 million for the purchase of inventory properties that only became due in 2020 and reduced the amount reported during the year under review accordingly.

In contract liabilities, obligations arising from sales agreements fell by EUR 0.8 million. Tax liabilities were reduced by a total of EUR 1.1 million due to the payment of EUR 1.3 million in income taxes for the previous year. The increase in other liabilities resulted from the rise in liabilities to employees and tenants amounting to EUR 0.7 million and a reduction in liabilities from outstanding invoices of EUR 0.3 million.

3 Report on Opportunities and Risks

a.) Risk Report

Risk Management

Management is responsible for appropriately realising and implementing the risk management process. To identify potential risks, management monitors the macroeconomic situation as well as financial developments and those in the real estate sector.

As risks are an unavoidable part of any corporate activity, the Noratis Group is governed by the principle that the opportunities and risks of all business transactions must be presented in a transparent manner. All managers are aware of the potential risks and work continuously with management to identify potential risks as early as possible and avoid or minimise known risks, ideally in advance. The option to take countermeasures, some of which have already been discussed, should always be preserved in order to prevent or at least minimise potential economic damage. To that end, the Group has created a risk matrix that describes and evaluates risks and defines measures based on cause and effect. This risk matrix is discussed with managers and updated at regular intervals.

At operating level, risk awareness among our employees and sufficient consideration of risks within our processes are firmly embedded and part of our day-to-day business along the entire value chain, from purchasing and asset management, including technical development, all the way to sales. All larger purchasing decisions are made unanimously by the Management Board and in consultation with the Supervisory Board after conducting detailed due diligence, including an analysis of locations and market conditions.

Regular meetings chaired by the Management Board and involving the asset management team, the technical department and sales ensure effective monitoring of all activities relating to the property portfolio (primarily property strategy, letting, defects, investment, budgets) as well as planned sales of properties and portfolios. The extent to which targets are met, both financially and in scheduling terms, is also reviewed and monitored. This enables management to identify potential deviations that could adversely impact the business at an early stage.

Working processes within the Group are regulated in detail by organisation agreements. The organisation handbook is constantly being expanded and optimised. Each organisation agreement is reviewed by the relevant parties within the Company and approved by the Management Board. Responsibilities along the value chain are precisely defined to ensure smooth working processes within the Group. This ensures that there is a clear description of responsibilities and competencies.

The Company has binding standards for all significant agreements and documents to avoid legal risks. All purchase and sale agreements as well as declarations of division are reviewed for conformity with the standards on a case-by-case basis, and all special features are coordinated with management.

Impact of the Coronavirus Pandemic on the Group

The measures taken by the German federal government and federal states to contain the coronavirus pandemic have not had any serious impact on the residential property market. The palpable sense of uncertainty in the first quarter and the resulting reluctance to enter into transactions was quickly overcome. In fact, 12 percent more apartments changed hands in 2020 than in the previous year, according to Savills Research. As a result, the impact on the Noratis Group's course of business was relatively low. As in most companies, the restrictions of hygiene regulations were offset by the increase in work from home. Appropriate write-downs were made to take into account the increased risks associated with rent receivables. Provided that the coronavirus pandemic does not worsen further, and conditions do not change significantly, the crisis will continue to have a low impact in the future and will not pose a threat to the Group.

Regulatory and Political Risks

Like all companies in the real estate sector, the Noratis Group is exposed to general risks arising from legislative changes to the wider environment or from other regulations. These regulations may relate to tenancy law (e.g. rent control, restrictions due to redevelopment areas or public funding, etc.), building law, labour law, environmental law or tax law.

The occurrence of such risks usually means that rents cannot be developed as planned. This has an adverse effect on a project's potential rental yield and, in turn, negatively impacts the calculated selling price. It may not be possible to carry out planned modernisation measures at all or to the desired extent or schedule, which has a negative impact on the expected return. Regulatory changes can also partially or completely limit the opportunity to sell apartments at particular locations individually.

As the Group's business activity is limited to Germany only and changes to laws and regulations in particular are announced by means of publication in a timely manner, the Group can usually adjust to such changes in good time.

Performance-related Risks

(i) Risks associated with the Purchase of Properties

The success of the Noratis Group's business model is largely based on the purchase of suitable residential properties with development potential and the aim of selling them again after their successful development. In this context, there are construction, legal and economic risks if the assessments made as part of the purchase prove to be incorrect. In particular, incorrect assessments regarding property and location appeal, rent development potential, development costs, structure, contaminated sites, other encumbrances, saleability, and the time required to carry out modernisation and renovation work, as well as the employee capacity required, may have a negative impact on the Group's financial position and results of operations.

These risks are addressed in comprehensive due diligence conducted as part of the purchase process. In addition, financing is generally designed to ensure that properties can also be held in the portfolio in the medium term and still generate surpluses.

(ii) Risks associated with the Development of Properties

There are development risks for the Group if the actual costs of renovation and modernisation measures exceed those calculated in advance for the measures in question. When carrying out its work, the Group also partially relies on the cooperation and approval of authorities, tenants and local residents. This may result in delays or additional costs or may even mean that the measures cannot be carried out at all or to the desired extent.

Due to the strong focus of our business model on residential properties of a simple or moderate standard, modernisation measures are largely standardised, which provides us with a relatively high degree of cost and planning certainty. Furthermore, the work required is less complex and risky compared to new builds, for example, and does not typically lead to a reduction in rents.

The technical department has a detailed calculation and controlling tool that compares budgeted figures with commissioned and already billed items broken down by trade. This enables any deviations from the overall project to be identified at an early stage and, if necessary, to be offset as effectively as possible.

(iii) Risks associated with the Sale of Properties

The Group uses two distribution channels to sell its developed properties: individual privatisations and block/portfolio sales. Both distribution channels generally involve sales risks if the willingness of buyers to acquire property changes and the properties cannot be sold at all or to the envisaged extent, at the estimated terms or within the intended timeframe. These risks may arise directly in connection with a specific property or location (e.g. incorrect assessment of location, deterioration of location, decline in rent, vacancies, structural problems) or as a result of wider commercial and economic changes.

One important factor is financing capabilities within the market and the overall interest rate environment.

The Company addresses these risks and seeks to minimise them. It does so by constantly monitoring the market, maintaining contacts and having the option to generate a lower yet positive return from portfolio management if a property is not successfully marketed.

Letting Risks

Rent losses due to higher vacancy rates or credit risks among tenants have a negative impact on the Group's results of operations. This means that monitoring the letting situation is very important.

Occupancy rates are monitored closely by the asset management team based on standardised monthly rent reports.

Reports on vacancy rates, terminations, net lettings and measures required to establish the lettability of empty apartments are constantly among the topics discussed in the aforementioned regular meetings. The asset management team also monitors and follows the clearance of claims for rent arrears on a monthly basis.

New lettings generally require property management to review the creditworthiness of the prospective tenant.

Financial Risks

(i) Liquidity Risks

Liquidity is a particular focus area of Group management, partly in order to ensure that daily payment obligations can be met in a timely manner. Generally speaking, there are substantial fluctuations in liquidity over the course of the year due in particular to the block sales and purchases carried out by the Group.

The Group also requires a significant amount of equity or equity-equivalent funds for the mortgage-backed loans in order to finance property purchases. These funds are typically provided by taking on new unsecured liabilities or by free liquidity from sales, as selling prices are usually higher than the repayment obligations associated with the loan. These unsecured liabilities are not project-specific and must be extended or refinanced as required.

The terms of the mortgage-backed loans are based on the planned project terms, with the majority of the loan repaid by the sale of the properties. If the planned project term is exceeded, the Group must rely on follow-up financing from either the bank already providing financing or a new bank.

The Group addresses these financing risks with sufficient liquidity planning instruments and by maintaining a continuous dialogue with relevant financing partners. Ongoing business transactions are planned and monitored based on the due dates of incoming and outgoing payments as part of liquidity planning. The Management Board is kept regularly informed about the current liquidity situation. The Noratis Group also has overdraft facilities and undrawn credit facilities totalling EUR 15.6 million to bridge short-term liquidity shortfalls, of which EUR 15.6 million was still available as of 31 December 2020.

(ii) Interest Rate Change Risks

The majority of property financing agreements are concluded based on the three-month Euribor rate. Medium and longer-term commitments are primarily protected against change risks via separate cap agreements with banks.

Group management continually monitors the development of short and long-term interest rates and remains in close contact with the banks providing financing.

(iii) Financing Risks

The Group relies on external funds on reasonable terms to finance purchases and refinance acquired properties as well as its operating activities. There are financing risks for the Noratis Group if the willingness to provide external funds changes or is hampered based on Company-related or external factors. The conditions under which the Group takes on external funds may also deteriorate and have a negative impact on the Group's financial position. If this results in problems servicing ongoing loans, the Group may be forced to realise real estate collateral. Such distress sales would result in significant financial disadvantages for the Noratis Group.

The Group is party to credit agreements with a total volume of EUR 30 million in which the bank has credit requirements regarding the debt servicing capability that must be maintained, equity ratios, a net LTV covenant and the interest coverage ratio that must be maintained. Breaching these credit requirements may result in early repayment obligations. As of the 31 December 2020 reporting date, all requirements arising from credit agreements within the Group were met, which meant there were no early repayment obligations.

(iv) Default Risks

Generally speaking, there are no additional risks from bad debts other than risks relating to rent losses. Property sales are completed exclusively via notarised purchase agreements that require the buyer to pay the purchase price in full and without reservation before the transfer of ownership can take place or be recorded in the land register. This is only initiated once receipt of payment has been confirmed in the accounts by the asset management team or the legal department for the acting notary.

If the buyer does not satisfy the purchase agreement, the agreement must be rescinded in accordance with standard purchase agreement provisions.

Market-related Risks

The Group acquires residential properties across Germany with the aim of selling them again after their successful development. In this respect, the Group is highly dependent on market and macroeconomic developments over which it has no influence. These include the relationship of supply and demand for properties in particular locations and price brackets, tax conditions, developments in the local labour market, overall economic developments and resulting cyclical fluctuations in the residential property market.

As a result, it cannot be ruled out that the residential property market relevant to the Company could be impacted by a deterioration in the macroeconomic situation in Germany, Europe or worldwide and that this would have a negative impact on the Group's performance. This applies in particular to the further course of the coronavirus pandemic, which has caused significant revenue and earnings declines in many areas of the economy. The housing sector was one of the few exceptions in this regard, with prices and rents for residential property continuing to perform well despite the recession. At present, no pandemic-related risks have been identified that might pose a threat to the Noratis Group.

Legal Risks

There are isolated legal disputes, the outcomes of which cannot be predicted. These primarily relate to rent disputes. The Noratis Group has recognised appropriate provisions for risks arising from legal disputes.

Risk Concentration

As the Group aims to complete not only smaller transactions but also larger ones compared to the existing portfolio, this may lead to a concentration of risk in one portfolio or location. In particular, if the aforementioned performance-related risks come into effect and expectations are not met, this may have a negative impact on the Group's net assets, financial position and results of operations.

b.) Opportunities for Future Development

The real estate market in Germany – and the residential property sector in particular – remains a highly attractive market that has proven very stable in times of crisis.

On the sales side, the Group continues to benefit from the current low interest rate environment, strong investor interest in real estate as tangible assets, and the fact that Germany remains attractive to both domestic investors and, in particular, international investors as a relatively secure investment location due to the overall economic situation.

When it comes to property investments, residential property is among the most conservative and lowest-risk asset classes, as default risks are divided among many individual tenants. The historically low interest rates often make it cheaper for tenants to buy property than rent it, while investors can often purchase properties on terms that enable the rent to finance both the interest and part of the repayments.

On the purchasing side the Group's competitive advantages are based on the combination of preferred lot sizes, locations and property condition. The Company is flexible with regard to the number of units to be purchased.

While the size of target properties is often below the minimum purchasing volume of larger competitors, this volume is often too large for prospective private investors. When it comes to location and property condition, the Noratis Group prefers locations on the outskirts of metropolitan areas and in cities with basically stable demographic development, as well as properties with technical and commercial development potential that are exposed to less competition than properties in prime locations. In addition, prices in peripheral locations are less volatile and many buyers shy away from the modernisation measures required. By contrast, Noratis specialises in developing these properties with its in-house technical team and can look back on a variety of successfully completed developments.

Another advantage of focusing on housing estates, company-owned apartments and residential areas is that relatively low costs and standardised measures enable developments to be carried out efficiently, economically and with a high degree of cost certainty due to the high level of homogeneity among these properties (e.g. standardised floorplans).

The Group’s business model enables it to occupy an attractive niche between portfolio holders and project developers. Ongoing rents provide the Company with the kind of stable recurring income from which portfolio holders also benefit. Development measures and well-timed sales, on the other hand, have a positive effect on returns without exposure to the development risks of a new build.

The niche occupied by the Noratis Group is also attractive when it comes to analysing supply and demand. The Group's properties typically are of a simple to moderate standard with a monthly rent that is generally well below EUR 10.00 per square metre of living space.

Demand in this segment is less volatile than for properties in the higher price segment due to the breadth of the population. Supply, on the other hand, is limited by price increases but in particular by new energy regulations, which means that hardly any new properties are being built with a monthly rent significantly below EUR 10.00 per square metre of living space.

In this respect the Noratis Group, with its business model as both a property portfolio developer and a real estate trading company, is in an excellent position to actively exploit opportunities for further growth in the German real estate market and minimise potential risks. It is highly likely that stable to rising rents, property prices and demand for residential properties, plus low vacancy rates combined with low interest rates, will also enable the Group to generate stable income and achieve further organic growth in the near future.

There are also plans to acquire new portfolios in 2021 and thus further expand the Group's portfolio of inventory properties compared to the portfolio at the end of 2020 despite the planned sales. The Group typically aims to purchase between 20 and 500 units per transaction, although it also evaluates portfolios of up to 2,000 residential units.

c.) Overall Assessment of the Report on Opportunities and Risks

Based on current assessments, Noratis Group management is not aware of any going-concern risks that could threaten the existence of the Group. Management is confident of being able to convert the opportunities available in the German real estate market into additional growth in future without taking unjustifiable risks.

4 Report on Expected Developments

As a result of the coronavirus crisis, the German economy recorded a significant decline after 10 years of growth. Gross domestic product fell by 5 percent in 2020. This also affected the employment market and brought an end to 14 years of continuous growth in the labour market.

However, this has had little effect on the real estate sector and the housing market in particular, which even recorded an increase in transaction volumes compared to 2019. High transaction volumes are also expected in the German residential property market in 2021.

Metropolitan areas in particular are still experiencing high demand that is hardly being reduced by new-build apartments. There are still good opportunities to sell upgraded properties that also deliver value for money for low or middle-income tenants.

Provided that the restrictions imposed to tackle the coronavirus pandemic are gradually lifted during the second quarter as vaccinations are rolled out, Noratis Group management expects the Group to continue performing well in 2021.

As in previous years, the Company plans to continue increasing the volume of inventory properties. By carrying out capital increases in 2020 and taking on unsecured loans, particularly the corporate bond, the Group has sufficient equity or equity-equivalent funds to continue to successfully implement its growth strategy.

This will lead to a further increase in rental income. Despite the expansion of the property portfolio, the Group is planning to significantly increase sales proceeds for 2021 and thus generate much higher EBIT and EBT than in 2020.

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 2021 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. The programme for employee shares implemented in this context is to be continued.

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.

6 Closing Statement by the Management Board on the Dependent Company Report

There were no reportable measures in the 2020 financial year.

Noratis AG

Eschborn, 27 April, 2021

Igor Christian Bugarski
Chief Executive Officer

André Speth
Chief Financial Officer

BENSHEIM, LAHNSTRASSE

SCHWANDORF, GIBACHTRASSE

Consolidated Financial Statements

as at 31 December 2020

Consolidated Balance Sheet

ASSETS

in EUR thousand	31.12.2020	31.12.2019	01.01.2019
Property, plant and equipment	1,039	1,276	1,458
Other intangible assets	28	34	51
Investment in associates	11	0	0
Financial assets	88	136	912
Deferred tax assets	398	513	164
Non-current-assets	**1,564**	**1,959**	**2,585**
Inventory properties	333,508	243,157	181,003
Trade receivables	1,294	8,221	24,051
Financial assets	71	284	99
Other assets	92	109	387
Cash	31,032	6,967	7,851
Current assets	**365,997**	**258,738**	**213,391**
Total assets	**367,561**	**260,697**	**215,976**

EQUITY AND LIABILITIES

in EUR thousand	31.12.2020	31.12.2019	01.01.2019
Share capital	4,818	3,602	3,602
Capital reserves	51,777	31,491	31,491
Retained earnings	17,189	17,288	13,715
Equity attributable to owners of Noratis AG	**73,784**	**52,381**	**48,808**
Non-controlling interests	476	218	218
Equity	**74,260**	**52,599**	**49,026**
Other provisions	55	45	38
Bond	29,376	4,111	3,961
Financial liabilities	254,516	174,954	133,264
Deferred tax liabilities	0	0	1,372
Non-current liabilities	**283,947**	**179,110**	**138,635**
Other provisions	130	113	134
Bond	226	162	158
Financial liabilities	3,370	4,362	20,155
Trade payables	1,424	18,452	1,765
Tax liabilities	1,592	2,679	2,793
Contract liabilities	701	1,605	1,740
Other liabilites	1,911	1,615	1,570
Current liabilities	**9,354**	**28,988**	**28,315**
Total equity and liabilities	**367,561**	**260,697**	**215,976**

Consolidated Profit and Loss Statement

in EUR thousand	2020	2019
Total revenue	**28,700**	**75,950**
Revenue from sales of inventory properties	12,032	63,009
Cost of sales of inventory properties	-7,039	-48,577
Gross profit from sales of inventory properties	**4,993**	**14,432**
Letting revenue	16,668	12,941
Letting costs	-6,706	-5,815
Gross profit from letting	**9,962**	**7,126**
Other income	847	958
Gross profit	**15,802**	**22,516**
Personnel costs	-4,986	-4,057
Depreciation and amortisation	-423	-400
Other operating expenses	-2,183	-2,251
Earnings before interest and taxes (EBIT)	8,210	15,808
Profit/loss of equity-accounted entities	-1	0
Finance income	205	150
Finance costs	-4,259	-4,419
Earnings before tax (EBT)	**4,155**	**11,539**
Income tax	-1,358	-3,263
Profit for the period	**2,797**	**8,276**
Attributable to owners of the parent	2,784	8,255
Attributable to non-controlling interests	13	21

Consolidated Cash Flow Statement

in EUR thousand	2020	2019
Profit for the period	2,797	8,276
Depreciation, amortisaten and write-downs	423	400
Changes in inventory properties	-90,375	-62,177
Increase/decrease in trade receivables and other assets not attributable to investing or financing activities	7,041	16,026
Increase/decrease in liabilities (excluding borrowings) and provisions	-17,424	16,710
Finance income / finance costs	4,054	4,269
Income tax expense / income	1,358	3,263
Income taxes paid	-2,157	-4,923
Equity-settled share-based payments	122	0
Other non-cash income/expenses	116	139
Cash flows from operating activities	**-94,045**	**-18,017**
Proceeds from disposal of fixed assets	1	11
Payments to acquire fixed assets	-70	-117
Payments to acquire financial assets	-12	0
Interrest received	205	150
Cash flows from investing activities	**124**	**44**
Proceeds from capital contributions by shareholders of the parent entity	21,911	0
Proceeds from capital contributions by minority shareholders	265	0
Transaction costs related to the issuance of shares	-629	0
Proceeds from borrowings	92,712	74,315
Cash repaymentss of borrowings	-14,008	-48,512
Proceeds from the issuance of bonds	30,000	150
Cash repayments of bonds	-4,111	0
Transaction costs related to the issuance of bonds	-662	0
Cash repayments of lease liabilities	-205	-187
Repurchase of own shares	-150	0
Proceeds from sale of own shares	73	0
Payment for purchase of derivative financial instruments	-178	-40
Interest paid	-4,129	-3,934
Dividends paid to shareholders of the parent entity	-2,882	-4,682
Dividends paid to minority shareholders	-21	-21
Cash flows from financing activities	**117,986**	**17,089**
Net change in cash funds	**24,065**	**-884**
Cash funds at beginning of period	6,967	7,851
Cash funds at end of period	**31,032**	**6,967**

BRAUNSCHWEIG GNEISENAUSTRASSE

Financial Calendar

10 May 2021	**Annual report 2020**
16 June 2021	**Annual General Meeting**
26 August 2021	**Hamburger Investorentag (HIT)**
7–8 September 2021	**MIPIM in Cannes, France**
30 September 2021	**Financial report first half-year 2021**
11–13 October 2021	**EXPO REAL in Munich**
November 2021	**Eigenkapitalforum in Frankfurt/Main**
11 November 2021	**Annual interest payment for 5.5 % Bond 2020/2025**
31 December 2021	**End of the financial year 2021**

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