Annual Report 2022

NORATIS

INVESTIERT IN WOHNEN

abridged version [1]

Group Key Figures

(IFRS)

	2018*	2019	2020	2021	2022
Revenue (million EUR)	56.1	76.0	28.7	73.6	85.6
EBIT (million EUR)	15.6	15.8	8.2	19.4	12.5
EBT (million EUR)	12.8	11.5	4.2	13.4	12.0
Consolidated net income (million EUR)	9.3	8.3	2.8	9.5	8.3
Earnings per share (weighted, undiluted, EUR)**	2.57	2.29	0.69	1.97	1.71
NAV per share (at market value)	-	19.60	22.80	30.16	28.79
Total assets (million EUR)	214.1	260.7	367.6	446.6	494.0
Units sold**	294	339	86	299	279
Units aquired	893	955	1,045	1,145	615
Existing units	1,791	2,407	3,366	4,212	4,548
Rental space of the property portfolio (rounded, sqm)	123,000	161,000	225,000	279,000	302,000

* According to German Commercial Code

** 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 modernisation backlog, 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 financial year 2022 was characterised by the war in Ukraine and the resulting energy crisis, supply shortages, and significant changes in commodity prices. Consequently, the inflation rate has also increased significantly, prompting the European Central Bank to raise interest rates significantly. After a long period of very low interest rates, we have witnessed an increase that has been rarely seen in the past. In this environment, the situation in the real estate market in Germany has also completely changed. After years of rising property prices, there was a significant calming down in the transaction market in the second half of the year, with prices declining significantly depending on segment, location, and features.

Due to the changing market conditions and uncertainty regarding the further development, Noratis AG has decided not to transfer any additional properties from current assets to fixed assets at the end of the financial year. This decision means that we have not realised any hidden reserves, which would have led to a higher result. Given the increased interest rates and the volatile environment, we wanted to maintain the flexibility of our portfolio.

In our initial planning, we had expected a significant increase in the result compared to the previous year, taking into account the contributions from the transfer of assets. However, we made a conscious decision to forgo these contributions. Earnings before interest and taxes (EBIT) for 2022 amounted to EUR 12.5 million, compared to EUR 19.4 million in the previous year. Earnings before taxes (EBT) were EUR 12.0 million, down from EUR 13.4 million previously. As a consolidated result, we report EUR 8.3 million, compared to EUR 9.5 million in 2021.

We achieved a positive contribution to the result through interest rate hedging transactions that were concluded in the past. Due to increased interest rates, the market value of the derivates at the end of 2022 has increased and needs to be recognised in the financial statements according to IFRS accounting. This is a temporary measure that will be offset over time until the maturity of the hedging transactions.

Despite the challenging market environment, we were able to further expand our real estate portfolio. In total, we acquired 615 units through several transactions in 2022. The decrease compared to the previous year, when we acquired 1,145 units, is due to the changed market conditions, especially in the second half of the year. We consciously refrained from making purchases when the sellers' price expectations appeared too high. Our goal is to continue growing, but we only make acquisitions if we see added value for Noratis AG from the transaction.

In 2022, we sold a total of 279 units, slightly fewer than the 299 units sold in 2021. The sale success was significantly influenced by the portfolio divestment at the beginning of the year, consisting of 242 units sold to an institutional investor.

As a result of the purchases and sales in the past year, the real estate portfolio at the end of 2022 stood at 4,548 units, compared to 4,212 units the previous year. The significant expansion of the portfolio and active work with the properties as part of our asset management have enabled us to increase our rental income to EUR 29.7 million, representing a growth of 29 percent.

André Speth
CFO

Igor Christian Bugarski
CEO

We have positioned ourselves early in the field of ESG (Environmental, Social, and Governance) and, accordingly, published our first sustainability report last year. We aim to systematically reduce the emissions of our portfolio and contribute to climate protection. At the same time, we remain committed to considering the interests of all stakeholders [2] in our business development.

Creating and preserving affordable housing is at the core of our business. This also applies to the energy-efficient development of our real estate portfolio. We not only consider the investments required for individual measures and how they can be financed but also take into account compensatory factors such as higher quality of living or lower ancillary costs.

Due to the existing challenges in the market, but also the opportunities that may arise, we have decided, in consultation with the Supervisory Board, to propose to the Annual General Meeting that no dividend be paid for the year 2022. The funds remaining in the company are thus also available for potential acquisitions.

The fundamental progress of Noratis AG in a challenging environment would not be possible without the dedication of our employees. We would like to express our sincere gratitude to the entire team. We also extend our thanks to our business partners for their trustful collaboration in 2022. To our shareholders, we appreciate the trust you have placed in us. We hope to continue to earn your support in the future.

Kind regards,

Igor Christian Bugarski

André Speth

2 Investors, tenants, employees, property buyers and sellers, banks and service providers

Interview

Noratis AG has managed to perform well in a challenging environment in 2022. The war in Ukraine, remarkable increases in commodity prices, and supply shortages of various products have led to a noticeable rise in inflation. Concurrently, interest rates have also increased significantly, resulting in higher financing costs. This has led to a notable decrease in transaction volume in the real estate market, accompanied by a stabilisation of prices. In this environment, Noratis AG has expanded its real estate portfolio to 4,548 units and achieved a consolidated result of EUR 8.2 million also through early hedging on the financing side. In an interview, Igor Christian Bugarski, CEO, and André Speth, CFO, explain the business development in 2022.

The Company has, as announced, further expanded its real estate portfolio in the 2022 financial year. How did you perceive the market environment?

Igor Christian Bugarski: Due to the increased interest rates, buyers, including Noratis AG, are no longer willing to pay the prices seen before. These prices simply do not fit the current financing costs. However, sellers have been reluctant to accept lower prices in most cases. This has resulted in significantly lower transaction numbers in the market. While our market segment, smaller portfolios with up to 500 residential units, has been less cyclical in terms of transaction numbers for years, we couldn't completely escape the impact of the market development. Nevertheless, we remain confident that we will continue to acquire attractive properties and successfully expand our portfolio in a value-oriented manner.

How did you respond to the rising interest rates?

André Speth: As the sale of properties remains part of our business model, we traditionally include variable-rate loans in our financing. This allows us to flexibly repay loans without incurring prepayment penalties when we sell a property. To partially hedge interest rate risks, we have previously taken precautions by entering into interest rate hedging agreements in the form of CAPs, which made a significantly positive contribution to our results in 2022. Additionally, given the high volatility of interest rates in 2022, we also entered into fixed-rate loans. In general, we finance our properties through a mix of equity, bank loans, and the proceeds from issued bonds.

In fact, in 2022, you almost reached the previous year's figure with 279 units sold.

Igor Christian Bugarski: This was primarily due to our block sale at the beginning of 2022. In addition, we also sold individual properties through privatisation. We are very pleased with the sales we made. They demonstrate our success in developing and making properties attractive to investors. We aim to build upon this success going forward.

You were unable to reach last year's figures in terms of the outcome. Could you please provide a brief explanation of the numbers?

André Speth: From the slightly lower sales mentioned, there was also a slightly lower disposal result. Additionally, in 2022, we did not transfer any properties from current assets to fixed assets, which means that no hidden reserves were realised in the income statement. While in 2021 we had a valuation result of approximately EUR 3.5 million for the properties, instead, we wrote off a total of around EUR 2.5 million. On the other hand, rental income has significantly increased, amounting to approximately EUR 29.7 million for the entire year. Furthermore, when comparing the figures to the previous year, it should be noted that we achieved a positive contribution to the results from derivatives through our early interest rate hedging in 2022. Overall, considering the environment and our conscious decision not to transfer properties to fixed assets, we are still satisfied with the results achieved in 2022.

The topic of sustainability now permeates the entire real estate market. What does this mean for Noratis AG?

Igor Christian Bugarski: We prepared for this at an early stage. Our sustainability report, which is published on our website, provides a comprehensive overview of our efforts. We analyze properties for sustainability even during the acquisition process, and energy improvement of properties is given high priority in our portfolio management. We anticipate that the energy performance of properties will become increasingly important for tenants and in transactions in the future. Accordingly, we have developed a plan that aims for significantly lower emissions from our portfolio in the coming years. It is important to ensure that housing remains affordable, and investments must also make economic sense. We strive to strike a balance between sustainability and financial considerations.

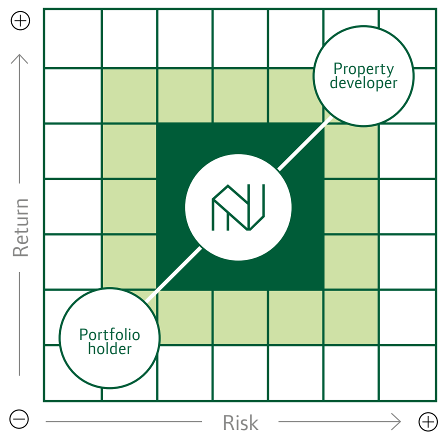
Your balance sheet contains significant valuation reserves. Could you please explain this briefly?

André Speth: At the end of the financial year 2022, we had properties valued at EUR 9.8 million recorded as fixed assets in our balance sheet. The appraised value of these properties is reflected in the balance sheet, and any changes directly impact the result. However, the majority of our properties, amounting to approximately EUR 455 million, are classified as working capital in current assets. For these properties, the appraised market values are not recorded in the balance sheet and do not directly impact the result. This may sound technical, but it has a significant impact on Noratis AG's financial results, as seen in the 2022 results. Based on the appraised values, the balance sheet contains a total of EUR 71.4 million in so-called hidden reserves, which are increases in value that have not been realised as profit yet. Taking this into account, the net asset value (NAV) at the end of 2022 stood at EUR 28.79 per share.

About the Company

Noratis AG is a leading real estate company specialising in the development of existing residential property portfolios in Germany. The focus is on properties that have aged and offer potential for commercial and/or technical development. Noratis revitalises existing apartments in order to preserve or create affordable housing. The goal is to provide tenants with an attractive cost-benefit ratio and a home they enjoy living in at each location. Geographically speaking, the Company focuses on properties in secondary locations such as cities with a population of more than 10,000 and those on the outskirts of metropolitan areas. In the careful enhancement of the respective locations and properties, Noratis AG considers the interests of all stakeholders, including investors, tenants, employees, buyers and sellers of real estate, banks, and service providers. For years, Noratis AG has positioned itself as a preferred partner nationwide for the development of residential properties. The Company's business model is characterised by sustainability. Furthermore, the implementation of sustainability criteria is examined during the acquisition phase of each project.

By positioning itself as a property developer, Noratis benefits from stable and predictable revenues through continuous rental income combined with the return potential of project development. This niche position between a traditional property holder and a developer provides a higher return potential than pure property holding would allow. Moreover, by developing already existing properties, the risk is lower compared to new construction project development due to existing rental income.



Noratis develops properties carefully by enhancing the outdoor areas and modernising the properties both aesthetically and technically. Energy improvements also play an important role in this process. The stated goal of Noratis is to reduce the average CO_2 emissions of its portfolio to well below 10 kg CO_2e/m²a by 2045.

Through the modernisation of properties, the aim is to enhance the quality of living so that tenants enjoy coming home and feel comfortable in their living environment. Typically, only vacant apartments are renovated and reintroduced to the rental market after the completion of the measures. Existing tenants have the choice: they can either remain in their current apartments or rent a modernised unit. This approach allows Noratis to generate stable rental income from the property during the modernisation phase. Additionally, the satisfaction of tenants increases through the careful enhancement of the properties and the resulting improvements. The approach pursued by Noratis aims to achieve a sustainable increase in rental income by reducing vacancies.

Developed properties remain in the portfolio of Noratis or are sold through block sales or privatisations.

Noratis prepares its financial statements according to the international financial reporting standards (IFRS). As a result, long-term held properties are accounted for as fixed assets in the balance sheet. For these properties, the value is regularly determined by appraisers, and any increase in value is reflected in the financial results and balance sheet. In the case of properties held as current assets, there is only a balance sheet and income statement adjustment if the market value is lower than the book value. However, if the market value is higher than the book value, the differences are not recognised in the balance sheet as well as in the income statement and thus lead to the formation of so-called hidden reserves.

By the end of 2022, Noratis had properties valued at EUR 9.8 million in fixed assets. In current assets, there were properties with a book value of approximately EUR 455 million. The hidden reserves amounted to EUR 71.4 million.

With Merz Real Estate GmbH & Co. KG, Noratis has an anchor shareholder that provides financial support for the pursued growth strategy. Until the end of 2024, there is an investor and preferential subscription agreement in place, through which Merz Real Estate GmbH & Co. KG provides up to EUR 50 million in equity capital.

The Value Chain

Noratis AG covers all core tasks along the value chain internally through qualified employees. This includes procurement, technical and commercial development of properties, asset management, and sales. As of December 31, 2022, the Noratis Group employed 73 staff members for these purposes.

Noratis can draw on its track record of around 35 projects successfully completed in recent years. The expertise gained from these projects is integrated into the Noratis platform and can be utilised for future real estate projects. This allows Noratis AG to conduct a comprehensive assessment of development potentials and costs already during the acquisition phase. This forms the basis for the efficient and successful development of the real estate portfolio.

Acquisition

In 2022, the real estate market was characterised by a changing market environment due to rising interest rates. While increased financing costs led to lower price expectations among buyers, sellers were often unwilling to make price concessions. This is a trend that has been observed in similar phases in the past. As a result, the transaction volume for residential properties in Germany decreased.

Noratis primarily acquires portfolios ranging from 20 to several hundred residential units. This segment is generally less cyclical, but it was still affected by market conditions to some extent. The Company acquired a total of 615 units in 2022, compared to 1,145 units in the previous year.

Noratis has been offered a large number of properties across Germany through its extensive and steadily growing network in recent years. Utilising the experience gained from numerous completed transactions, the Company carries out an efficient acquisition process to identify the most attractive properties, which are then subjected to a detailed individual examination. In total, in 2022, Noratis was offered 114,000 units, totaling approximately EUR 14.0 billion in value.

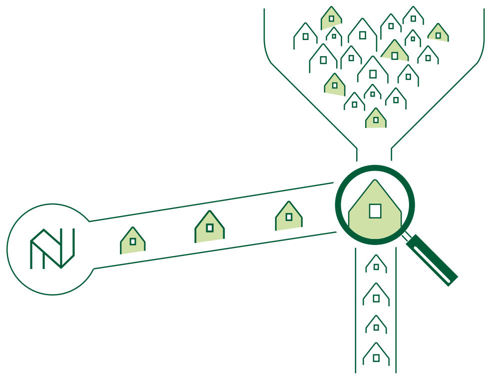
Through these acquisitions, Noratis is expanding its presence to new locations throughout Germany.

Furthermore, Noratis is also keen on acquiring additional properties at existing locations, which results in synergies in the management of its real estate portfolio. In 2022, properties were acquired in various regions, including Bavaria, the Rhine-Main metropolitan region, Bückeburg in Lower Saxony, and Remscheid and Essen in North Rhine-Westphalia.

Noratis prefers properties that have aged and have potential for commercial or technical development or require modernisation. This includes factory housing, residential complexes, as well as neighbourhoods. A prerequisite for acquisition is that both the property and its location are assessed as attractive through thorough analysis.

Noratis is particularly interested in acquiring properties in cities with a population of 10,000 or more, as well as in suburban areas around major cities, known as „Speckgürtel" in German, located in B and C-grade locations. The properties are upgraded to create or preserve affordable housing. Noratis combines stable rental income with attractive returns from property development.

In the Rhine/Ruhr region, Noratis operates through its subsidiary, Noratis West GmbH, which also acquires smaller properties and portfolios with transaction sizes of up to approximately EUR 5 million. Additionally, Noratis occasionally purchases smaller properties with attractive yield potential in the vicinity of its headquarters in the Rhine-Main area.



Asset Management

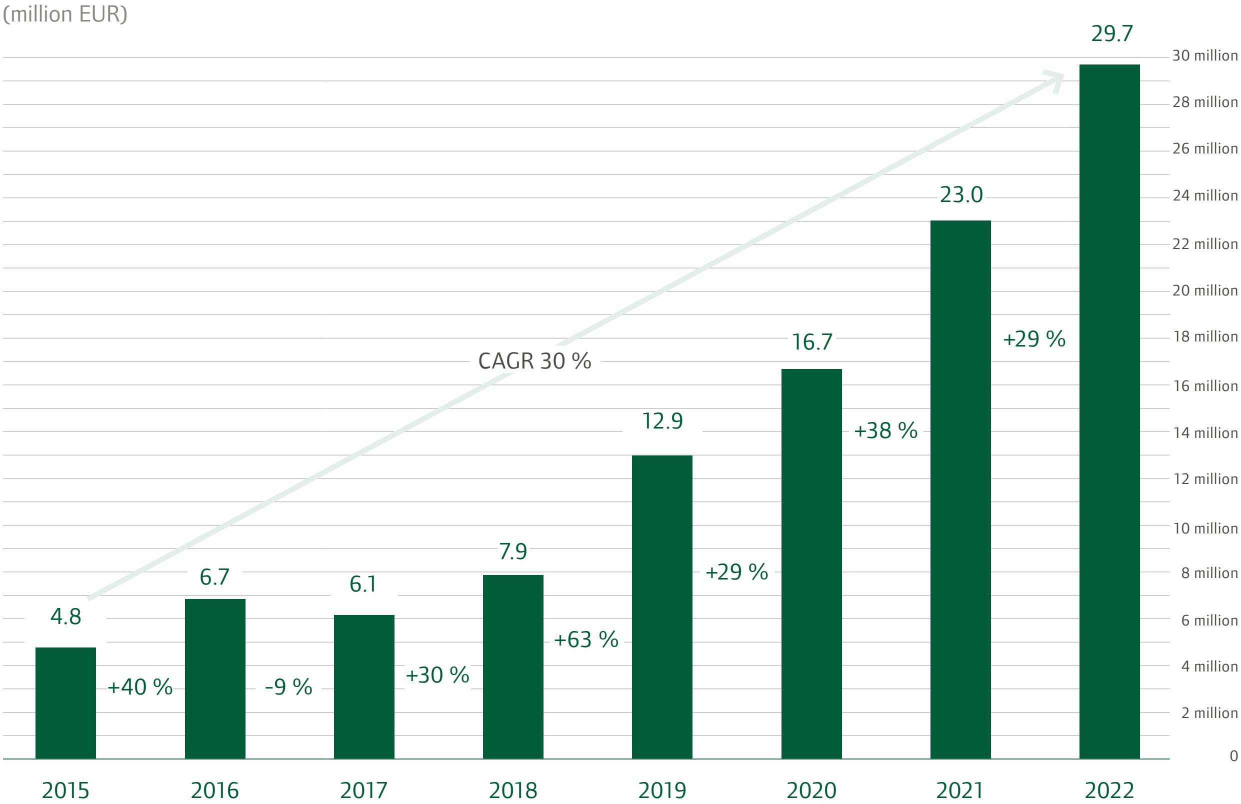
As a portfolio developer, the value-adding work with properties is an integral part of Noratis' business model. Right from the acquisition stage, Noratis assesses potential investment measures. This assessment draws upon the experience gained from numerous successfully completed real estate projects, enabling the Noratis platform to reliably identify development potentials and costs. An energy audit is also conducted as part of this evaluation process. The Company's long-term goal is to significantly reduce CO_2 emissions from its portfolio, aiming to achieve levels well below 10 kg CO_2e/m^2a by 2045.

As part of asset management, the properties are further developed by Noratis to create and maintain affordable housing. The Company aims to provide the best offering in terms of price and quality at each location, delivering attractive living spaces at affordable conditions to people. This includes ensuring that tenants feel happy to come home and live in their apartments. This approach ensures a high demand for developed and affordable housing, resulting in stable rental income.

In addition to renewing the outdoor areas, such as improving lighting and providing bicycle parking spaces, there is also regular visual enhancement of facades and entrance areas. Technical adjustments and the implementation of energy-related measures round off the spectrum of property upgrades. Noratis typically modernises only vacant apartments, which are then reintroduced to the rental market. This allows existing tenants to stay in their homes, increasing acceptance of the work among them and ensuring continuous rental income, even during the further development of the properties.

Thanks to successful asset management and further expansion of the real estate portfolio, rental income increased to around EUR 29.7 million in 2022, compared to EUR 23.0 million in the previous year. This represents a 29 percent growth in rental income compared to the previous year.

Gross Rental Income*
(million EUR)



* 2015 – 2018: according to German Commercial Code, 2019-2022: according to IFRS

Sales

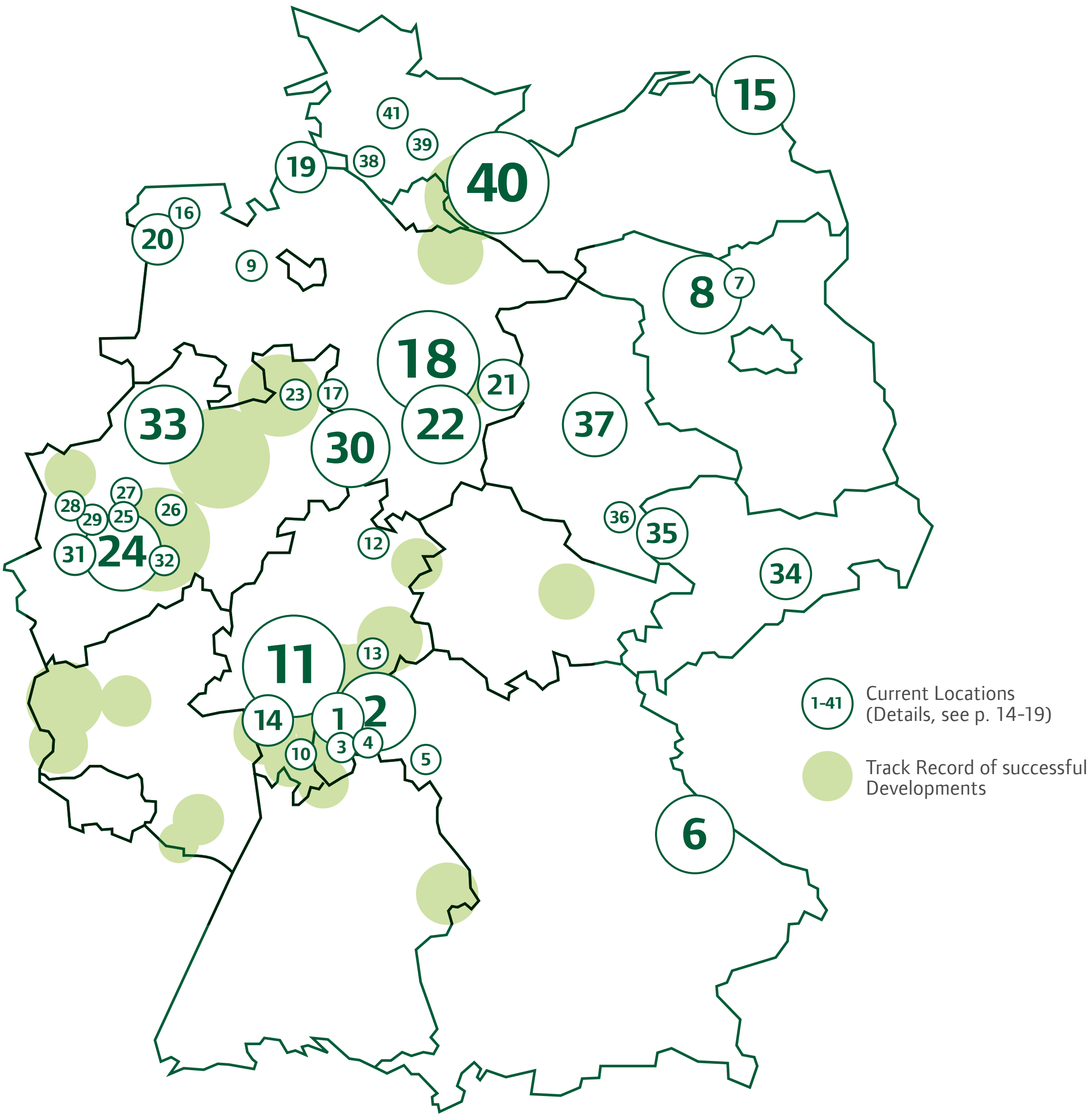
In 2022, Noratis AG sold a total of 279 units, slightly below the previous year's figure of 299 units. The sales activities were significantly influenced by the block sale of the portfolio in Münster at the beginning of the year, where 242 units with a total rental area of around 19,200 sqm were sold. The buyer was a long-term oriented institutional investor. In addition, Noratis conducted smaller block sales of a total of 28 residential units in North Rhine-Westphalia, with properties in Mönchengladbach, Tönisvorst, and Castrop. Individual property sales were also carried out as part of its privatisation activities.

Noratis decides on a case-by-case basis whether a sale will be conducted through a block sale or privatisation. In addition to institutional investors, individual apartment sales also target tenants for self-occupancy, owner-occupiers, or investors looking for capital investments.

Units Sold since 2015

2015	2016	2017	2018	2019	2020	2021	2022
249	593	587	294	339	86	299	279

The Property Portfolio



Noratis, as a portfolio developer, invests nationwide in residential properties in Germany. Some properties also include retail stores on the ground floor, and a few residential units are utilised by care facilitie" offering „assi"ted living" concepts. However, the vast majority of units are residential apartments intended to provide affordable housing with good living quality for tenants.

In the financial year 2022, Noratis successfully expanded its real estate portfolio as planned. A total of 615 units were acquired in 9 transactions. This represents a decrease in acquisitions compared to the previous year, when 1,145 units were purchased, reflecting the changing market conditions. In terms of sales, a total of 279 units were sold during the reporting period, down from 299 units in the previous year. The largest sale was a block sale at the beginning of 2022, where 242 units were sold to an institutional investor. As a result of these transactions, the real estate portfolio grew to 4,548 units by the end of 2022, compared to 4,212 units a year earlier. Among these, 4,496 units were residential apartments with a total rental area of 289,000 sqm. The average apartment size at the end of 2022 was 64 sqm. Additionally, 52 commercial units with a total rental area of 13,000 sqm were held.

Through the acquisitions made in 2022, Noratis expanded its real estate holdings in Bavaria, Brandenburg, Lower Saxony, and North Rhine-Westphalia. By acquiring additional apartments in existing locations, Noratis can leverage synergies in property management. In addition to expanding real estate holdings at existing locations, Noratis regularly invests nationwide in new locations. As of the end of 2022, the real estate portfolio was spread across 48 locations.

Through its subsidiary, Noratis West GmbH, which focuses on smaller transactions up to five EUR 5 million in the Rhine-Ruhr metropolitan region, a total of 63 units were acquired in 2022. During the reporting period, 28 units were sold.

As of the end of 2022, the properties held by Noratis were primarily classified as short-term assets, with a value of EUR 457 million. The increases in value of these properties, as determined by expert opinions, neither lead to higher balance sheet values nor do they have a positive effect on the income statement. Instead, it leads to the creation of hidden reserves in the balance sheet, which amounted to EUR 71.4 million at the end of 2022. Long-term assets consisting of real estate were held at a value of EUR 9.8 million as of the end of 2022.

Development of the Noratis real estate portfolio

		31.12.2020	31.12.2021	31.12.2022
Units		3,366	4,212	4,548
Residential Units		3,327	4,156	4,496
Lettable Area (Residential)	sqm	215,000	267,600	289,000
Average Size of Appartment	sqm	65	64	64
Commercial units		39	56	52
Lettable Area (Commercial)	sqm	10,000	11,700	13,000

1

Location	Elsenfeld am Main
Acquisition	March 2022
Number of units	95
Rental Space	6,200 sqm
Sales channel	Block Sale

2

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

3

Location	Klingenberg am Main
Acquisition	March 2022
Number of units	21
Rental Space	1,300 sqm
Sales channel	Block Sale

4

Location	Obernburg am Main
Acquisition	March 2022
Number of units	44
Rental Space	3,200 sqm
Sales channel	Block Sale

5

Location	Ochsenfurt am Main
Acquisition	March 2022
Number of units	39
Rental Space	1,900 sqm
Sales channel	Block Sale

6

Location	Raum Cham / Oberpfalz
Acquisition	December 2020
Number of units	150
Rental Space	10,300 sqm
Sales channel	Block Sale

7

Location	Gransee
Acquisition	May 2022
Number of units	24
Rental Space	1,700 sqm
Sales channel	Block Sale

8

Location	Neuruppin
Acquisition	December 2019 - February 2021
Number of units	195
Rental Space	15,100 sqm
Sales channel	Block Sale

9

Location	Bremen
Acquisition	August 2021
Number of units	60
Rental Space	3,700 sqm
Sales channel	Block Sale

10

Location	Bensheim
Acquisition	July 2020 - December 2021
Number of units	68
Rental Space	4,300 sqm
Sales channel	Block Sale

11

Location	Frankfurt am Main
Acquisition	August 2018 - December 2019
Number of units	415
Rental Space	27,600 sqm
Sales channel	Block Sale / Privatisation

12

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

13

Location	Niederrodenbach
Acquisition	August 2021
Number of units	10
Rental Space	700 sqm
Sales channel	Block Sale

14

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

15

Location	Rügen
Acquisition	March 2017
Number of units	142
Rental Space	8,900 sqm
Sales channel	-------------

16

Location	Aurich
Acquisition	November 2021
Number of units	95
Rental Space	5,600 sqm
Sales channel	Block Sale

17

Location	Bückeburg
Acquisition	September 2022
Number of units	204
Rental Space	13,900 sqm
Sales channel	Block Sale

18

Location	Celle
Acquisition	June 2018 - December 2020
Number of units	399
Rental Space	28,300 sqm
Sales channel	Block Sale

19

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

20

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

21

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

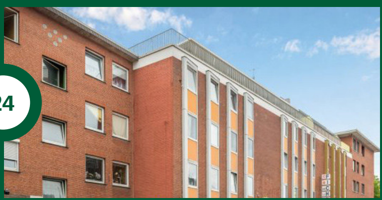
22

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

23

Location	Bielefeld
Acquisition	December 2021
Number of units	147
Rental Space	8,800 sqm
Sales channel	Block Sale

24



Location	Noratis West
Acquisition	August 2020 - July 2022
Number of units	205
Rental Space	13,000 sqm
Sales channel	Block Sale

25

Location	Essen
Acquisition	August 2022
Number of units	8
Rental Space	600 sqm
Sales channel	Block Sale

26

Location	Gelsenkirchen
Acquisition	July 2021
Number of units	151
Rental Space	8,700 sqm
Sales channel	Block Sale

27

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

28

Location	Kamp-Lintfort
Acquisition	August 2022
Number of units	76
Rental Space	5,000 sqm
Sales channel	Block Sale

29

Location	Krefeld
Acquisition	December 2019
Number of units	48
Rental Space	3,200 sqm
Sales channel	Privatisation

30

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

31

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

32

Location	Remscheid
Acquisition	August 2022
Number of units	41
Rental Space	3,000 sqm
Sales channel	Block Sale

33

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

34

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

35

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

36

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

37

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

38

Location	Lägerdorf
Acquisition	December 2021
Number of units	48
Rental Space	2,700 sqm
Sales channel	Block Sale

39

Location	Neumünster
Acquisition	December 2021
Number of units	60
Rental Space	3,600 sqm
Sales channel	Block Sale

40

Location	Ratzeburg
Acquisition	November 2017
Number of units	229
Rental Space	13,700 sqm
Sales channel	Block Sale

41

Location	Rendsburg
Acquisition	December 2021
Number of units	40
Rental Space	3,100 sqm
Sales channel	Block Sale

Total 4,548 units, thereof 52 commercial units

Note: Deviations in rental areas may occur due to rounding.

Noratis AG on the Capital Markets in 2022

Share Price

The Noratis AG's stock managed to largely evade the overall negative trend in the stock markets during the first half of 2022 and initially traded sideways. On February 10th, it reached its annual high of EUR 21.00. The positive development of the stock price was likely supported by reports of strong business performance in 2021 and the proposed dividend of EUR 0.55 per share. However, from the end of June, a continuous downward trend emerged. The annual low was reached on 21 November at a price of EUR 10.90. The stock closed the year with an Xetra closing price of EUR 11.60.

Noratis share in 2022 (Xetra)

Closing price on 30 December 2021 (last trading day of 2021)	19.55 Euro
Closing price on 30 December 2022 (last trading day of 2022)	11.60 Euro
Annual high on 10 February 2022	21.00 Euro
Annual low on 21 November 2022	10.90 Euro

The international stock markets experienced consistently negative performance due to various factors of uncertainty such as the war between Russia and Ukraine and record-high inflation. The German stock index DAX lost approximately 12.4 percent in 2022. However, the negative development was even more pronounced for publicly traded German real estate stocks. The changed market conditions, particularly the significant increase in interest rates, had a substantial impact on the real estate market. The FTSE EPRA Nareit Germany Index, which comprises listed real estate companies in Germany, plummeted by around 55.4 percent in 2022.

Trading Volumes

In 2022, a daily average of 2,003 Noratis shares were traded on the Deutsche Börse´s electronic trading system, Xetra. Across all stock exchanges, the daily trading volume of Noratis shares averaged around 3,698 shares. This means that trading on Xetra accounted for approximately 52 percent of the total daily trading volume of Noratis shares. ODDO BHF acted as the designated sponsor and, as such, ensured the liquidity of shares with binding bid and ask prices.

Annual General Meeting

The Annual General Meeting of Noratis AG was held as a purely virtual event on 23 June 2022. All of the agenda items were adopted by at least 96.4 percent of the votes represented at the meeting. Mr. Joachim von Bredow was elected as a new member of the Supervisory Board. The shareholders approved of the Management Board's and Supervisory Board's proposal to distribute a dividend of EUR 0.55 per share.

Analyst Coverage

SMC and Metzler both analysed Noratis shares in 2022 and issued a buy recommendation consistantly. Both research firms published their most recent update of 2022 in October, with Metzler setting a target price of EUR 19.60 and SMC issuing a target price of EUR 23.30. Pareto also recommended buying Noratis shares.

Research firm	Most recent update in 2022	Recommendation	Target price
Metzler	14 October 2022	Buy	EUR 19.60
SMC	06 October 2022	Buy	EUR 23.30

Investor Relations Activities

Noratis AG has been listed in the Scale segment of the Frankfurt Stock Exchange since 2017, and must therefore meet specific transparency requirements. As part of its active Investor Relations activities, the Group maintains a regular and transparent dialogue with institutional and private investors. It keeps the financial community informed about its performance with half-yearly and annual reports as well as ad-hoc releases and press releases.

Due to an improving situation regarding the coronavirus pandemic, meetings with investors, analysts, and journalists could be held once again in person. A combination of virtual and physical formats has been implemented, including Noratis AG´s participation in several conferences such as the German Equity Forum.

Investors can find other relevant 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 31 December 2022	approx. EUR 56 million
Share capital	EUR 4,818,027
Initial listing	30 June 2017
Trading segment	Scale
Designated sponsor	ODDO BHF

Bond

Noratis AG has two listed bonds outstanding. The first corporate bond 2020/25 issued in November 2020 (WKN: A3H2TV, ISIN: DE000A3H2TV6) has a coupon rate of 5.50 percent. The proceeds from this bond were used to further expand the Company´s growing portfolio of residential properties. The closing price of the bond at the end of the year on 30 December 2022 in Frankfurt was 96.50 percent.

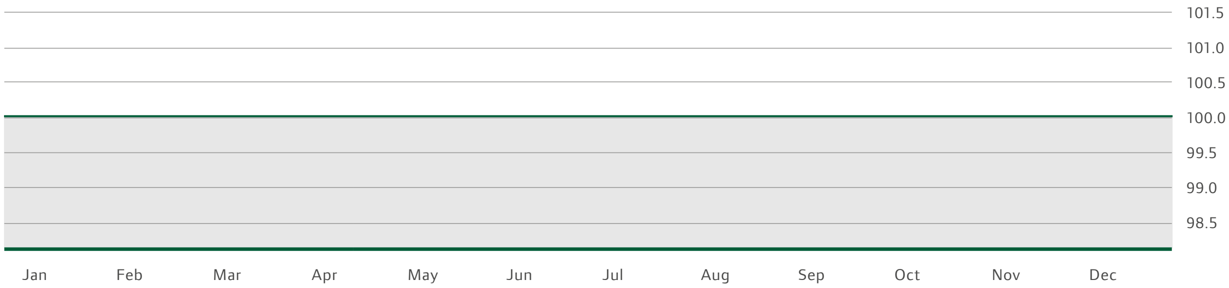
Noratis Bond 2020/2025 (Frankfurt)

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 percent 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	Quirin Privatbank
Intended use	Expansion of the real estate portfolio

In August 2021 Noratis successfully issued another corporate bond 2021/2027 (WKN: A3E5WP, ISIN: DE000A3E5WP8). The issue took place in the form of a private placement. The unsecured Noratis bond with an interest coupon of 4.75 percent p.a. was fully subscribed by a German insurance company. The bond was issued to further expand the portfolio and refinance previous acquisitions. The bond´s closing price at the end of the year on 30 December 2022 in Frankfurt was 100.00 percent.

Noratis Bond 2021/2027 (Frankfurt)



Additional Information

WKN/ISIN	A3E5WP/ DE000A3E5WP8
Issue volume (EUR)	EUR 10 million, up to EUR 40 million overall
Denomination (EUR)	EUR 100,000
Term	6 years (until 13 August 2027)
Interest coupon	4.75 percent
Issue price	100.00 percent of the nominal amount per note
Repayment amount (%)	100.00
Interest payment	annually
First interest payment	13 August 2022
Maturity	13 August 2027
Listing	Quotation Board (Open Market) of the Frankfurt Stock Exchange
Paying agent	Quirin Privatbank
Intended use	Expansion of the real estate portfolio

Sustainability – an Obligation and an Opportunity

Our responsibility to society, towards the environment and towards our stakeholders is a matter of course for Noratis and an integral part of our corporate culture. As a portfolio developer of ageing residential properties, we already live the principle of sustainability, as we preserve and create affordable housing in a resource-friendly way. We act in an ecologically and socially conscious manner and thereby creating added value for society, the environment and all of our stakeholders. We see ESG (Environmental, Social, and Governance) as an opportunity and integrate sustainable thinking and action into our business processes to make a significant contribution to improving the ecological balance. Simultaneously, we aim to position ourselves competitively for the future and ensure our company´s profitability in the long term.

For this we have defined five fields of action and set clear goals for ourselves:

Sustainable corporate governance – our approch

Noratis anchors the principle of sustainability – ensuring corporate success in the long term while taking into account the most important social and environmental aspects – in its organisation, business processes and corporate governance.

As an agile, innovative company that is open to change and proactively uses the opportunities of digitalisation, we see transformation and structural change as an opportunity. Our goal is to further develop our company for the future by using new technologies, breaking down data silos and developing a digital mindset. Inextricably linked to this is the transformation of the corporate culture. This represents a sustainable change that significantly influences employees.

Society and human being – taking responsibility

As owner and lessor of affordable residential properties, we actively assume and implement our social responsibility towards our tenants and society. Health and safety are particularly valuable assets that we strive to protect. We are very aware of our responsibility as an operator and take the necessary and reasonable measures to prevent or reduce risks or disadvantages to the health and safety of our tenants and other parties involved. In doing so, we specifically invest in the upgrading of aging company housing, neighbourhoods, and settlements in medium and small towns as well as outskirts of urban areas - in other words, in properties that are generally not in the spotlight.

* Tenants, employees, investors, buyers and sellers of real estate, banks and service providers

Environmental and climate protection – reducing our carbon footprint

We are fully aware of our responsibility as owner and lessor, particularly regarding our ecological impact, and we feel a sense of obligation towards our properties. We actively fulfill our responsibilities, meet the applicable legal requirements for environmental and climate protection. We are working to develop our building stock in a climate-neutral manner up to 2045 in keeping with the requirement of preserving and improving the Company´s economic viability. Through our materiality analysis, we have identified the following environmental and climate protection topics as essential: „Energy efficiency and climate protection," „Sustainable construction and operation," and „Environmental and nature conservation."

The implementation of the goals set in the Paris Climate Agreement within the building sector poses a significant challenge for the housing industry. The key lies in reducing energy consumption for heating and hot water supply in our apartments and utilising renewable energies.

Our goal is to significantly reduce the carbon intensity of our portfolio through energy-efficient modernisations, the use of more efficient energy supply as well as renewable energy. Based on a cost-benefit analysis, we aim to reduce or carbon footprint to less than 10 kg CO_2e/sqma by 2045. For this we are enhancing our expertise in the field of refurbishment and factor the required expenditure into the acquisition process.

Properties that are held in the portfolio for the long term to generate rental income must conform to efficiency class E at the very least. A renovation road map and an investment programme focused on carbon reduction will be developed for each of the eligible buildings. The investment programme will take account of the funding programmes available and KfW standards through appropriate grants management.

Attractive employer – strengthening our employer branding

Our employees are an integral part of our company's success, and the future sustainability of our organisation is determined, among other things, by their professional skills and motivation. We provide a supportive and dynamic work environment characterised by responsible behaviour and respectful interaction. We ensure a modern and forward-looking work environment.

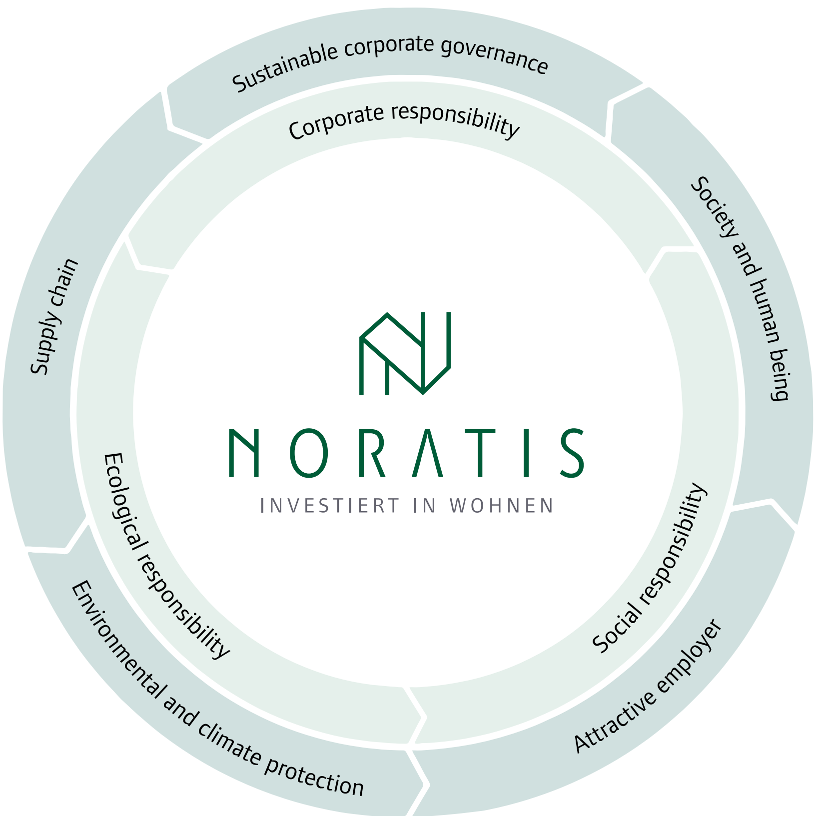
We strive to be perceived as an attractive employer, both internally and externally. Our goal is not only to attract highly qualified new employees, but also to retain and develop the skills of existing ones by strengthening the Noratis brand as an employer.

Despite the challenging market conditions, the past financial year was economically successful for Noratis. Our headcount has grown, and we have been able to solidify our position as a safe and future-oriented employer.

Supply chain – a responsible, reliable partner

Noratis is committed to responsible procurement of material and services and aims to avoid potential environmental impacts and unacceptable working conditions according to national and international standards within the supply chain. One key focus is the respect and promotion of human rights in the production and provision of goods and services by our contractors, as well as their suppliers and subcontractors. We are aware that ensuring compliance with labor and social standards, such as on construction sites and within the direct supply chain, can be challenging from a human rights perspective. Therefore, the topic of „supply chain" is not only crucial for Noratis in terms of risk management but also for maintaining our reputation.

Fields of action



Report of the Supervisory Board

Dear shareholders,

The financial year 2022 of Noratis AG was characterised by general geopolitical and macroeconomic developments. The interest rate turnaround and its impact on the transaction market, as well as the energy crisis, which further intensified the pressure on the ongoing transformation process of energy-efficient refurbishment of existing buildings, posed new challenges for Noratis AG as a portfolio developer.

During the past financial year 2022, which ended on 31 December 2022, the Supervisory Board performed the duties assigned to it by law, the articles of association and the rules of procedure carefully and to the fullest extent. In doing so, it monitored and regularly advised the Management Board in accordance with the provisions of the German Stock CorporationAct (AktG).

Monitoring and advisory activities of the Supervisory Board

The Management Board 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, focusing mainly on business performance, corporate planning – which in addition to earnings and asset situation also included financial, investment and staff 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. 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. During the 2022 financial year, the Supervisory Board also monitored the accounting process, risk management measures, the internal control system and compliance.

In addition to its regular Supervisory Board meetings, the Chairman and other members of the Supervisory Board remained in regular contact with the Management Board outside of these meetings. In doing so, they discussed the current development of the business situation as well as all significant transactions. The Chairman of the Supervisory Board and the Management Board also held regular and ongoing bilateral discussions focusing on the strategic direction of the Company in particular.

The Management Board presented all matters requiring Supervisory Board approval according to the rules of procedure to the Supervisory Board for a decision. The Supervisory Board thoroughly addressed and reviewed the transactions submitted to it for decision and discussed them in detail with the Management Board. These deliberations regularly focused on the benefits, risks and impact of the relevant transaction on the Company.

Supervisory Board meetings and focus of activities

The Supervisory Board held a total of six meetings during financial year 2022. All meetings were held face-to-face. All members of the Supervisory Board were present at all of the meetings.

The Supervisory Board's deliberations in these meetings focused on the following topics:

- financial position and earnings of the Group
- financial and liquidity position
- future portfolio development
- the short- and medium-term liquidity, financial, investment, and staff planning
- the adjustment and further development of the corporate strategy

Past and future business performance was regularly discussed by the Supervisory Board, as well as the strategic development of the Company's business model.

The Supervisory Board closely accompanied these topics throughout the entire financial year through its meetings, discussions, and conversations with the Management Board.

As well as making decisions during the in-person meetings, the Supervisory Board also made nine decisions by written circular. These decisions primarily related to the approval of real estate acquisitions and budget required by the bylaws, as well as the engagement of a specialised consulting firm in the real estate industry, as proposed and approved by the Supervisory Board. The scope of the assigned task includes a review of the short- and medium-term corporate planning and the possibility of adjusting the business model to strengthen the portfolio and focus the development division on ESG compliance. The Supervisory Board is involved in the ongoing evaluation of the results presented by the consulting firm, which is still underway at the time of this report.

Composition of the Management Board and Supervisory Board

The composition of the Management Board remained unchanged in financial year 2022.

During the reporting period, there was a change in the composition of the Supervisory Board. Mr. Henrik von Paepcke, a longstanding member of the Supervisory Board, ended his term with the expiration of the Annual General Meeting on 23 June 2022. On 23 June 2022, the Annual General Meeting elected Mr. Joachim von Bredow as a new member of the Supervisory Board. In its meeting on 29 November 2022, the Supervisory Board elected Mr. Joachim von Bredow as the new Chairman of the Supervisory Board, effective from 1 January 2023.

The Supervisory Board and the company would like to express their gratitude to Mr. Henrik von Paepcke, who has been a member of the Supervisory Board since the conversion of the company into a stock corporation in 2017, for his contribution and dedication to the company's well-being. Additionally, the Supervisory Board and the company extend their thanks to Mr. Dr. Henning Schröer, who served as the Chairman of the Supervisory Board until 31 December 2022, for his leadership of the Supervisory Board. Mr. Dr. Henning Schröer will continue to serve as a member of the Supervisory Board for the company.

Information on memberships in other control bodies

Joachim von Bredow	No memberships in other control bodies (from 23 June 2022)
Dr. Florian Stetter	
Memberships in statutory supervisory boards	• Deutsche Wohnen SE, Berlin (Vice-Chairman) • Historie & Wert Aktiengesellschaft, Wuppertal (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 Pharma GmbH & Co KGaA, Frankfurt am Main (Member of the Shareholders Advisory Council) • Merz Immobilien Management GmbH, Frankfurt am Main (Member of the Advisory Board) • carpe diem Gesellschaft für den Betrieb von Sozialleistungen mbH, Wermelskirchen (Chairman of the Advisory Board)
Dr. Henning Schröer	No memberships in other control bodies
Christof Scholl	No memberships in other control bodies
Hendrik von Paepcke	No memberships in other control bodies (until 23 June 2022)

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 2022 prepared by the Management Board as well as the management report and Group management report for financial year 2022 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 the financial year 2022, 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 accounts meeting on 11 May 2023, the auditor reported to the Supervisory Board the major findings of the audit 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 2022 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 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 financial year 2022 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,
1. the Company´s consideration for the legal transactions listed in the report was not unreasonably high and any disadvantages have been compensated for, and
2. 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 11 May 2023, 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 findings 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 suggested carrying forward the profit of Noratis AG to new account.

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 2021. Their commitment has made a key contribution to the success and positive performance of our business.

Eschborn, 11 May 2023

For the Supervisory Board of Noratis AG

Joachim von Bredow
Chairman

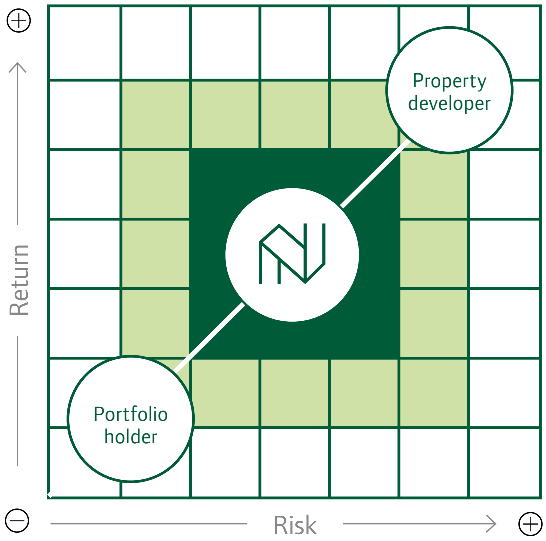
Group Management Report

as at 31 December 2022

1 Fundamental Information about the Group

1.1. Overview

The Noratis Group specialises in the development and management of residential property portfolios. This focus allows the Group to combine the security and predictability of having its own property portfolio with the attractive returns generated by property development. Recurring rental income generated from development properties and the portfolio under management ensures recurring monthly cash flows and stable contributions to earnings. The returns from developer activity generate additional earnings potential that is realised by active sales. In addition, changes in the market value of investment properties are recognised annually in the income statement.



The Noratis Group operates throughout Germany, focusing on residential properties with potential for development. These are mostly formerly company-owned apartments, residential areas and housing estates from the 1950s to 1970s. Here, the Group prefers to invest in secondary locations, i.e. 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 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 in inventory and developed until they are sold individually or in blocks. Proceeds from the sales are mainly reinvested in property purchases. In case of a long-term rental intention after completion of the development and being in line with defined, objective criteria, the respective property will be reclassified into investment property.

The Noratis Group's team of 69 employees on average during the 2022 financial year performs the core tasks throughout the entire value chain, from purchasing 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.

1.2. Strategy

The Noratis Group pursues a strategy of achieving sustainable growth in its residential property portfolio. Its main sources of income are the stable cash flows generated from rental income and the continuous sale of developed properties. Real estate assets and the share of revenue attributable to rental income are expected to rise steadily based on a proportionally higher number of units acquired compared to units sold and the establishment of an investment property portfolio earmarked for longterm rentals.

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 Groupwide 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.

Noratis holds 94 percent of the shares in Noratis Living GmbH, which it acquired in June 2017, and 65 percent of the shares in Noratis West GmbH, which was established in January 2020.

The share in Noratis Nordost GmbH, which was established in October 2020, was increased from 75 percent to 94.9 percent in June 2021.

Noratis Domus GmbH and Noratis Wohnwert GmbH were established in July 2021 and December 2021, respectively, each with a share capital of EUR 25 thousand. Noratis AG holds 100 percent of the shares in both entities.

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, its equity ratio and the interest rate hedging volume are also monitored, as is the 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

According to calculations by the Federal Statistical Office, the German economy grew by 1.8 in 2022 in price-adjusted terms compared to the previous year. This means that the growth of the German gross domestic product (GDP) was slightly weaker than in 2021, when it had still been 2.8 percent. In addition to the Corona pandemic losing momentum and global supply bottlenecks, new crises such as the Ukraine conflict and, as a consequence, the energy crisis and high inflation occured. According to preliminary calculations by the German Federal Statistical Office, the manufacturing sector was only able to record a slight increase in gross value added of 0.2 percent due to high energy prices and supply chain problems. The gross value added of the construction industry shrank by 2.3 percent compared to the previous year. The ifo business climate index, which measures the mood in the German economy, rose again in December for the first time in six months with a value of 88.6 points.

According to preliminary calculations by the Federal Statistical Office, employment in 2022 reached the highest level since German reunification in 1990. The number of employed persons with a place of work in Germany amounted to 45.6 million. Thus, not only were the declines in the number of employed persons from the previous years marked by the Corona pandemic, but the employment level from the pre-Corona year 2019 was also exceeded with an increase of 0.6 percent. According to the Federal Statistical Office, the increase in employment, which amounts to 1.3 percent compared to the previous year, was primarily driven by the immigration of foreign workers and a higher labour force participation of the domestic population. In particular the number of male and female workers rose by 1.6 percent compared to the previous year. The Federal Employment Agency was able to report a decline in the unemployment rate by 0.4 percentage points to 5.3 percent for the year 2022. The demand for new employees also remained at a high level despite the uncertain political and economic situation as a result of the Ukraine war. The number of registered jobs was 139,000 higher than in the previous year at around 845,000 on average in 2022.

2.2. Situation in the German Property and Residential Property Market

According to the Federal Statistical Office, prices for residential real estate fell by an average of 3.6 percent in the fourth quarter of 2022 compared to the previous year. This was the first year-on-year decline since 2010, meaning that the strong price momentum in the German residential property market has weakened significantly. In 2022 as a whole, there was an increase of 5.3 percent compared to the previous year, despite the decline in the last quarter.

In contrast, inflation increased significantly in 2022. Consumer prices were on average around 8 percent higher than in the previous year. Inflation was mainly fuelled by higher energy and food prices, which were driven up in particular by the Ukraine war. However, net rents rose by only 1.8 percent on average for the year compared to the previous year.

The difficult market environment with increased interest rates and high inflation left clear traces on the market for residential real estate. According to calculations by Savills Research, a transaction volume of EUR 12.3 billion was achieved for residential real estate in 2022, which corresponds to a decline of 77 percent compared to 2021. Only individual residential property segments such as student and micro-housing complexes or subsidised flats continued to record high demand among investors.

The turnaround in interest rates led to a drifting apart of the expectations of owners and investors. With regard to the different buyer groups, open-ended special funds and other fund and asset managers were particularly active in the market with a volume share of 29 percent and 18 percent respectively. Private equity funds and open-ended mutual funds, which each accounted for a share of around 10 percent, took advantage of the subdued demand to systematically increase their portfolios, according to Savills Research.

According to BNP Paribas Real Estate, the distribution of investment volume in 2022 showed an unusual picture. The highest activity was not in existing portfolios, as is usually the case - these now accounted for a share of around 27 percent - but in individual properties from the portfolio. The latter had a record volume of EUR 3.5 billion and a turnover share of 27 percent as well. In terms of locations, a significant proportion of the transactions were realised in the seven largest German cities.

According to the Federal Statistical Office, the number of building permits (for both new and existing buildings) in 2022 was 6.9 percent below the previous year at 354,400 approved dwellings. The negative development intensified in the second half of the year and is likely to be due primarily to uncertainty regarding the increasingly poor financing conditions, the shortage of materials and the associated high costs of building materials, as well as the shortage of skilled workers in construction.
In 2022, there were a number of legislative changes in the real estate sector, some of which also affected residential properties. For example, state funding for new buildings with the KfW efficiency house standard 55 was discontinued as of February. In the future, subsidies will only be possible from a KfW Efficiency House Standard 40. Baden-Württemberg is the first federal state to introduce a solar obligation, which obliges owners of new residential buildings and existing residential buildings (here in the case of extensive roof renovation) to install photovoltaic and solar thermal systems. Other federal states have adopted similar requirements for the year 2023. The reform of the rent index law came into force in July 2022. Uniform rules for the preparation of qualified rent indices are to create a legally secure basis for the determination of the local comparative rent.

For 2023, Savills Research expects the residential investment market to regain some momentum, but not to return to the level seen before the interest rate turnaround. There is even talk of a "new phase" in the residential property market.

Emerging risks in the form of further government regulations and the increasingly necassary energy refurbishment of existing properties due to sustainability obligations worsen the attractiveness for investors compared to bonds. This will lead to lower transaction volumes in the German residential real estate market in the future.

Savills Research currently sees the best opportunities in the residential property market in subsidised flats due to the favourable financing conditions and the fulfilment of social sustainability.

2.3. Course of Business

The turbulence caused by the Corona crisis and the war in Ukraine and the resulting changes in the real estate market did not have a noticeable impact on the Noratis Group's 2022 financial year until the fourth quarter. Demand for residential real estate has fallen significantly. In particular, rising interest rates and the risk of further government regulations in the context of energy-efficient refurbishment led to a significant decline in the volume of transactions in the residential real estate segment in 2022.

In the Noratis Group, revenues from the sale of real estate in 2022 rose by 10.5 percent year-on-year to EUR 55.9 million despite the decline in demand. Furthermore, notarised sales contracts in the amount of EUR 15.7 million were concluded with a change of use and burden in 2023. The pandemic-related rent losses and risks from rent receivables remained low and were still of minor importance for the course of business.

Due to the expansion of the real estate assets and the increasing environmental requirements, the number of employees was increased particularly in the asset management and technology business.

In line with the strategy, the property portfolio was increased from 4,212 units in the previous year to 4,548 units at the end of the financial year. The net increase in value of the property portfolio was EUR 30.6 million or 7.2 percent. Rental income rose by 29.0 percent to EUR 29.7 million in the 2022 financial year. The acquisitions from 2021, which were only included proportionately in the rental income in the previous year, also played a large part in this.

In the previous year, a result from the market value adjustment of EUR 3.5 million was achieved due to the decision to hold properties with long-term letting intentions and the associated reporting of properties held as financial investments. In the 2022 financial year, the market value of these properties decreased by EUR 0.4 million.

The market value of the inventory properties is determined annually by an independent external appraiser. As of the balance sheet date, this resulted in a devaluation requirement of EUR 2.1 million. This is mainly due to the ancillary costs of newly acquired properties. With further development and the associated increase in the value of the properties, this may lead to corresponding write-ups in the future.

Most of the property financing is concluded on the basis of the three-month Euribor. Therefore, the increased interest rate level has a direct impact on the result. The interest rate increases were particularly noticeable in the fourth quarter of the financial year, but could be partially compensated for by the interest rate hedging transactions concluded in the form of CAP agreements.

Overall, EBIT in the 2022 financial year fell by EUR 6.9 million to EUR 12.5 million due to higher personnel costs, the impairment of inventory properties and increased other operating expenses. In contrast, EBT fell by only EUR 1.4 million to EUR 12.0 million, mainly due to financial income from the increased market values of interest rate hedges.

Due to the Noratis business model, most of the property portfolio is reported in inventories under IFRS accounting as well. Since these properties are generally intended for sale, they are recognised at amortised cost under inventories and not at market value, which results in significant hidden reserves.

As of 31 December 2022, the market value of the properties held in inventory as calculated by an independent external expert is approximately EUR 515 million, EUR 71 million higher than the current carrying amount of EUR 444 million.

The difference between this and the reported current assets figure of EUR 455 million is due to the deduction of 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 139 million, which corresponds to a NAV of EUR 28.79 per share and an equity ratio of approximately 25 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	Elsenfeld am Main	95	Block sale
Bavaria	Klingenberg am Main	21	Block sale
Bavaria	Obernburg am Main	44	Block sale
Bavaria	Ochsenfurt am Main	39	Block sale
Brandenburg	Gransee	24	Block sale
Lower Saxony	Bückeburg	204	Block sale
North Rhine-Westphalia	Essen	8	Block sale
North Rhine-Westphalia	Hagen	29	Block sale
North Rhine-Westphalia	Herne	11	Block sale
North Rhine-Westphalia	Kamp-Lintfort	76	Block sale
North Rhine-Westphalia	Mönchengladbach	5	Block sale
North Rhine-Westphalia	Remscheid	41	Block sale
North Rhine-Westphalia	Wesel	18	Block sale
Total		**615**	

Sales

State	Location	Number of Units	Sales Channel
Bavaria	Raum Cham / Oberpfalz	1	Block sale
Lower Saxony	Braunschweig	8	Privatisation
North Rhine-Westphalia	Castrop	8	Block sale
North Rhine-Westphalia	Mönchengladbach	10	Block sale
North Rhine-Westphalia	Münster	242	Block sale
North Rhine-Westphalia	Tönisvorst	10	Block sale
Total		**279**	

The Group's residential real estate portfolio amounted to 4,548 units at the end of the financial year, spread across the following locations:

State	Location	Number of Units	Sales Channel
Bavaria	Elsenfeld am Main	95	Block sale
Bavaria	Erlenbach am Main	197	Block sale
Bavaria	Klingenberg am Main	21	Block sale
Bavaria	Obernburg am Main	44	Block sale
Bavaria	Ochsenfurt am Main	39	Block sale
Bavaria	Raum Cham / Oberpfalz	160	Block sale
Brandenburg	Gransee	24	Block sale
Brandenburg	Neuruppin	195	Block sale
Bremen	Bremen	60	Block sale
Hesse	Bensheim	68	Block sale
Hesse	Frankfurt am Main	415	Block sale/Privatisation
Hesse	Kassel	36	Block sale
Hesse	Niederrodenbach	10	Block sale
Hesse	Rüsselsheim	83	Block sale
Mecklenburg-Western Pomerania	Rügen	142	---
Lower Saxony	Aurich	95	Block sale
Lower Saxony	Bückeburg	204	Block sale
Lower Saxony	Celle	399	Block sale
Lower Saxony	Cuxhaven	66	Block sale
Lower Saxony	Emden	79	Block sale
Lower Saxony	Königslutter	93	Block sale
Lower Saxony	Wolfenbüttel	118	Block sale
North Rhine-Westphalia	Bielefeld	147	Block sale
North Rhine-Westphalia	Bottrop	22	Block sale
North Rhine-Westphalia	Duisburg	61	Block sale
North Rhine-Westphalia	Essen	8	Block sale
North Rhine-Westphalia	Gelsenkirchen	151	Block sale
North Rhine-Westphalia	Gladbeck	32	Block sale
North Rhine-Westphalia	Hagen	59	Block sale
North Rhine-Westphalia	Herne	11	Block sale
North Rhine-Westphalia	Kamp-Lintfort	76	Block sale
North Rhine-Westphalia	Krefeld	48	Privatisation
North Rhine-Westphalia	Lügde	200	Block sale
North Rhine-Westphalia	Mönchengladbach	5	Block sale
North Rhine-Westphalia	Oberhausen	15	Block sale
North Rhine-Westphalia	Ratingen	156	Block sale
North Rhine-Westphalia	Remscheid	41	Block sale
North Rhine-Westphalia	Solingen	14	Block sale
North Rhine-Westphalia	Steinfurt	111	Block sale
North Rhine-Westphalia	Wesel	18	Block sale
Sachsen	Freital	93	Block sale
Sachsen	Leipzig	92	Block sale
Sachsen-Anhalt	Halle	19	Block sale
Sachsen-Anhalt	Magdeburg	149	Block sale
Schleswig-Holstein	Lägerdorf	48	Block sale
Schleswig-Holstein	Neumünster	60	Block sale
Schleswig-Holstein	Ratzeburg	229	Block sale
Schleswig-Holstein	Rendsburg	40	Block sale
Total		**4,548**	

including 52 commerial units

With 4,548 units (previous year: 4,212) and a carrying amount of EUR 464.7 million (previous year: EUR 434.4 million), the aggregate property portfolio at the end of 2022 increased year-on-year for both key figures in line with planning. Portfolios accounted for as investment properties are included in that amount.

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 Operation

The consolidated statement of profit or loss and comprehensive income of the Noratis Group changed as follows in the 2022 financial year compared with 2021:

EUR million	Financial Year 2022	Financial Year 2021
Units sold	279	299
Total revenue	**85.6**	**73.6**
Revenue from sales of inventory properties	55.9	50.6
Cost of sales of inventory properties	-45.7	-39.2
Gross profit from sales of inventory properties	**10.2**	**11.4**
Letting revenue	29.7	23.0
Letting cost	-15.3	-10.4
Gross profit from letting	**14.4**	**12.6**
Other operatin income	0.5	0.4
Gross profit	**25.1**	**24.4**
Personnel costs	-5.9	-5.3
Result from fair value adjustments of investment property	-0.4	3.5
Write-down of inventory property	-2.1	0.0
Other operating expenses and depreciation / amortisation	-4.2	-3.3
EBIT	**12.5**	**19.3**
Net finance cost	-0.5	-5.9
EBT	**12.0**	**13.4**
Income tax	-3.7	-3.9
Profit for the period	**8.3**	**9.5**

Rounding differences may occur for mathematical reasons.

The Group generated consolidated revenue of EUR 85.6 million in financial year 2022. This corresponds to an increase of EUR 12.0 million or 16.3 percent.

Rental income rose by 29.0 percent to a total of EUR 29.7 million. This includes ancillary rental costs of EUR 10.5 million. These rose disproportionately by 43.8 percent compared to the previous year due to higher energy costs. The acquisitions from 2021, which were only included proportionately in the previous year, also played a large part in the increase in rental income.

The result from the sale of inventory properties in relation to sales revenue fell from 22.5 percent to 18.3 percent and is within the normal range of fluctuation.

The margin on rental income fell from 54.8 percent in the previous year to 48.5 percent. This is generally subject to smaller fluctuations and essentially depends on the level of rent (largely linked to the location and condition of the property) as well as the vacancy rate.

Other operating income primarily includes unused provisions for modernisation expenses from block sales already completed and income from the settlement of benefits in kind.

The EUR 0.6 million increase in staff costs to EUR 5.9 million is largely attributed to the expansion of workforce in both the commercial and technical asset management teams as a result of the expanded property portfolio.

The market value of the properties is determined annually by an independent external appraiser. This resulted in an adjustment to investment properties of EUR 0.4 million, which was recognised as an expense. A devaluation of EUR 2.1 million was recognised for the inventory properties due to these market values, which is largely attributable to the ancillary costs of the newly acquired properties.

Other operating expenses and depreciation rose by EUR 0.9 million to EUR 4.2 million compared to the previous year and are mainly due to the increase in legal and consulting costs, external services, risk provisioning for rent receivables and travel and entertainment expenses.

Earnings before interest and taxes (EBIT) declined by EUR 6.8 million to EUR 12.5 million due to higher personnel costs, the impairment of inventory properties and increased other operating expenses.

Most of the property financing is concluded on the basis of the three-month Euribor. Therefore, the increased interest rate level has a direct impact on the result. The interest rate increases were particularly noticeable in the fourth quarter of the financial year, but could be partially compensated by interest rate hedging transactions in the form of CAP agreements. Furthermore, the financial income from the significantly increased market values for the interest rate hedges had a positive effect. Despite the higher financial liabilities and the increased interest rate level, net financial expenses (interest expenses minus interest income) therefore fell by EUR 5.4 million to EUR 0.5 million.

The Noratis Group generated earnings before taxes of EUR 12.0 million. This represents a decline of EUR 1.4 compared to the previous year and is primarily attributable to lower EBIT and lower net financial expenses.

2.5. Financial Position

The consolidated statement of cash flows changed as follows:

EUR million	Financial Year 2022	Financial Year 2021
Cash flows from operating activities	-33.0	-70.1
Cash flows from investing activities	0.1	-0.1
Cash flows from financing activities	35.4	47.9
Net change in cash funds	2.5	-22.3
Cash funds at beginning of period	8.7	31.0
Cash funds at end of period	11.2	8.7

Rounding differences may occur for mathematical reasons.

As in the previous year, the negative cash flows from operating activities were primarily due to net purchase of inventory properties, with the purchase price of one property portfolio acquired during the year under review only due for payment in 2022.

Cash flows from investing activities mainly include payments for newly-acquired property, plant and equipment and interest income received of EUR 0.2 million.
The decrease of EUR 12.5 million in cash flows from financing activities mainly resulted from the issuance of a bond of EUR 10 million in the previous year. Furthermore, interest payments and payments for the acquisition of derivatives increased by EUR 3.2 million to EUR 9.2 million in the financial year.

The cash funds of EUR 11.2 million as of 31 December 2022 (previous year: EUR 8.7 million) will be used primarily to purchase additional property portfolios.

As of 31 December 2022, the Group had unused credit facilities of EUR 15.6 million (previous year: EUR 2.1 million). During the past financial year, the Noratis Group met all of its financial obligations on schedule, and the Management Board also expects all payments to be made in accordance with the agreements in 2023.

2.6. Net Assets

Balance sheet summary:

	Financial year 2022		Previous year	
	EUR million	%	EUR million	%
Assets	**494.0**	**100.0**	**446.6**	**100.0**
Investment property	9.8	2.0	10.2	2.3
Fixed assets	1.1	0.2	0.9	0.2
Financial assets	9.5	1.9	0.9	0.2
Non-current assets	**20.4**	**4.1**	**12.0**	**2.7**
Inventory properteis	454.8	92.1	424.2	95.0
Trade receivables	1.6	0.3	1.1	0.2
Financial and other assets	6.0	1.2	0.6	0.1
Cash	11.2	2.3	8.7	1.9
Current assets	**473.6**	**95.9**	**434.6**	**97.3**
Equity and liabilities	**494.0**	**100.0**	**446.6**	**100.0**
Equity	**86.9**	**17.6**	**81.3**	**18.2**
Bond	39.3	8.0	39.1	8.8
Financial liabilieties and provisions	330.1	66.8	218.8	49.0
Deferred tax liabilities	2.1	0.4	0.6	0.1
Non-current liabilities	**371.5**	**75.2**	**258.5**	**57.9**
Bond and financial liabilities	29.6	6.0	87.9	19.7
Trade receivables	2.1	0.4	15.5	3.5
Contract liabilities, tax liabilities, provisions and other liabilites	3.9	0.8	3.4	0.8
Current liabilities	**35.6**	**7.2**	**106.8**	**23.9**

Rounding differences may occur for mathematical reasons.

Total assets grow by 10.6 percent to EUR 494.0 million compared to the previous year. The increase in assets is primarily attributed to purchase of and investments in inventory properties and the increased market values of derivatives. On the liabilities side, the increase in liabilities to banks is the main driver. This was offset by the decline in trade in trade receivables had a counteracting effect. In the previous year, a real estate portfolio was acquired for which payment was not due until the 2022 financial year.

In 2021, properties intend to remain in the portfolio for long-term rental were reclassified from inventories to non-current assets. The reclassification was based on objective criteria, all of which have to be met. No reclassification from inventories to non-current assets took place in 2022. These properties were measured at market values.

Right of-use assets for leased office space and the vehicle fleet were capitalised in accordance with the IFRS leases standard. In return, a leasing liability in 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 2022, right-of-use assets for office space amounting to EUR 0.6 million (previous year: EUR 0.5 million) and for the vehicle fleet totalling EUR 0.2 million (previous year: EUR 0.1 million) were capitalised.

The financial assets primarily contain hedges for interest rate increases. Due to the interest rate level in the 2022 financial year, the market values for these hedges also increased by EUR 8.4 million.

As a result of the net purchases during the year under review, land and buildings held for sale increased by EUR 30.6 million to EUR 454.8 million as at 31 December 2022. This includes right-of-use assets of EUR 9.4 million (previous year: EUR 5.3 million) from leasehold land that should be reported in the same way as non-current assets in accordance with the IFRS lease standard. Most of the properties held by the Noratis Group are reported in inventories.

The result for the financial year and the offsetting dividend payment of EUR 2.7 million resulted in an overall improvement in equity of EUR 5.6 million or 6.8 percent to EUR 86.9 million.

The significant increase in financial liabilities primarily resulted from the financing of newly acquired properties, particularly those in Bückeburg, Kamp-Lintfort, Remscheid and a portfolio in Lower Franconia. The change in current and non-current financial liabilities is primarily due to the extension of financing for a property portfolio.

The deferred tax liabilities of 2.1 million EUR (previous year: 0.6 million EUR) arise in the amount of 2.4 million EUR from interest rate hedging transactions, 0.9 million EUR from the differential valuation of investment properties (investment real estate), and 0.2 million EUR from financial liabilities and lease valuation. The deferred tax assets from tax loss carryforwards amount to 1.4 million EUR (previous year: 0.6 million EUR) and can be offset against the deferred tax liabilities arising from future profits. These amounts have been netted against the deferred tax liabilities.

Trade receivables include a figure of EUR 14.2 million for the purchase price of inventory that only became due in the 2022.

In contract liabilities, obligations arising from prepayments of operating costs and acquirer invoicing fell by EUR 0.4 million. Tax liabilities were reduced by a total of EUR 0.2 million due to the payment of EUR 4.2 million in income taxes for the previous year. The rise in other liabilities primarily results from the increase in tenant balances.

3 Report on Opportunities and Risks

3.1. 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

While the impact of the coronavirus pandemic is still being felt everywhere, it so far had only a minimal effect on the Noratis Group. A certain level of routine has become evident in day-to-day operations, and there are hardly any restrictions remaining. The economic impacts have largely been overcome. The Management Board does not expect any significant risks to the Group as a result of the coronavirus pandemic.

Effects of the Ukraine war / Interest rate turnaround

The war in Ukraine has made Europe, and especially Germany, acutely aware of its dependence on energy resources from Russia. The resulting energy crisis, with significantly increased energy costs, is still being felt. A return to pre-Ukraine war price levels for energy resources is unlikely. The current political leadership also sees the energy crisis as an opportunity to accelerate the expansion of alternative energy sources. For the Group, the consequences of the Ukraine war result in risks associated with the pre-financing of ancillary rental costs and the higher risk of default on rental receivables. However, these risks are not currently considered significant, similar to the assessment during the coronavirus pandemic. On the other hand, high inflation and the resulting increase in interest rates have a significantly greater impact on the real estate industry and thus on the Noratis Group. The Group expects that the average 3-month Euribor for the remaining financial year 2023 will range from 3.0 to 3.5 percent, resulting in significantly higher interest costs compared to the financial year 2022. However, a portion of these costs can be mitigated through interest rate hedging. The high interest rate environment also influences future selling prices, as higher interest costs need to be offset by investors through price discounts in property acquisitions.

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 additional costs might be incurred or 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 also 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.

The current political leadership sees the current energy crisis as an opportunity to accelerate the expansion of alternative energies and intends to ban oil and gas heating systems in the future. Regardless of the transitional periods, the transition to renewable energies will be unstoppable. Currently, there are still significant uncertainties regarding the financing of the associated costs. Passing on the full costs to tenants will likely not be possible. The support announced by the government, such as subsidies, is not sufficient. Furthermore, there are significant uncertainties regarding the availability of skilled craftsmen and products, as well as the network infrastructure required to achieve the set climate goals.

"ESG" (Environmental, Social & Governance) has become established as the standard for sustainable investments. These three letters describe three sustainability-related areas of corporate responsibility with regard to the environment, social issues and corporate governance.

Energy consumption, heat supply, and the generation of electricity and heat in properties have become crucial value criteria for real estate. Particularly in the case of existing properties, the energy upgrading of buildings will play a central role. In addition to financing, there is a significant need for technical implementation, which still requires further development compared to new constructions. The Noratis Group sees these challenges as significant opportunities for the future success of the company as a portfolio developer.

Performance-related Risks

a) 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.

b) 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 offset as effectively as possible as required.

c) 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 (such as 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. Rising interest rates have a negative impact on achievable sales prices, as the resulting additional costs are generally offset by investors through discounts in purchase prices. The energy efficiency of a property is also becoming an increasingly important criterion that will continue to gain significance in the future.

The Company addresses these risks and seeks to minimise them. It does this 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 regularly and 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

a) Liquidity Risks

Liquidity is a particular focus area of Group management, partly 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 required 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 2022.

b) Interest Rate Change Risks

The majority of property financing agreements are concluded based on the three-month Euribor rate. To hedge the variable-rate financing within the Group against interest rate risks, separate cap agreements were reached with banks for the majority of this variable-rate financing. The Group is exposed to interest rate risks despite these interest rate hedges, as the hedges do not cover the entire volume of variable-rate financing, and any interest rate hedges will be borne by the Noratis Group until the respective agreed cap has been reached.

Group management continually monitors the development of short and long-term interest rates and remains in close contact with the banks providing financing. Due to the short-term and significant increase in interest rates, only a portion of the interest rate increases will be offset in the financial year 2023 despite interest rate hedging. Furthermore, rising interest rates generally lead to lower prices when selling inventory properties, thereby negatively affecting the sales margins.

c) 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.

From the investor and subscription agreement with the anchor shareholder Merz Real Estate GmbH & Co. KG for originally 50 million EUR, the Group can still access approximately EUR 36 million equity, thus reducing dependence on debt financing.

The Group is party to credit agreements with a total volume of EUR 29 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 2022 reporting date, all requirements arising from credit agreements within the Group were met, which meant there were no early repayment obligations.

d) 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 the ongoing Ukraine conflict, which has caused significant increase in inflation and interest rates. These interest rate increases have resulted in a significantly lower number of transactions and price declines in the housing market in 2022. Additionally, government regulations in the field of energy-efficient renovations increase risks for investors. Nevertheless, it is expected that the demand for housing in Germany will remain high in the coming years, partly due to unfulfilled government construction goals. The transaction market will regain momentum, but it is unlikely to reach the pre-interest rate hike levels as quickly.

Due to the changed conditions, especially the increased interest rates and the resulting caution in the transaction market, there are risks related to the valuation of inventory properties that could lead to a need for write-downs in the future.

At present, no risks have been identified that might pose a threat to the Noratis Group, as long as inflation does not regain significant momentum, interest rates do not increase significantly, and there is no escalation of the energy crisis.

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.

3.2. Opportunities for Future Development

The real estate market in Germany has undergone significant changes compared to the previous year. The sharp increase in interest rates has resulted in significant declines in the transaction market and has had a negative impact on prices. It is unlikely that the market will reach the levels seen before the interest rate turnaround in the coming years.

Rising government regulations in the energy sector will create a significant need for measures to improve thermal insulation and heat supply in order to reduce carbon emissions in the future. The majority of existing properties have energy efficiency levels well below current standards for new buildings. This presents opportunities for developers who specialise in revitalising existing properties and possess the necessary expertise. The demand for renovated properties with good energy efficiency will increase significantly due to climate goals and the rising costs of energy.

The company can better position itself to meet the demand for properties with the required minimum standards and thereby generate advantages through its expertise in property renovation and development.

On the purchasing side the Group's competitive advantages are based on its preferred lot sizes, locations and property condition. The Company is flexible with regard to the number of units to be purchased. and has built up extensive experience in the renovation of existing properties over the years.

When it comes to location and property condition, the Noratis Group prefers locations on the outskirts of metropolitan areas ("secondary locations") and in cities with basically stable demographic trends, as well as properties with technical and commercial development potential that are exposed to less competition than 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 project developments.

The focus on residential buildings, company housing, or neighborhoods has the additional advantage that, due to relatively low effort and standardised measures, development can be carried out efficiently, cost-effectively, and with high cost certainty. This is possible because of the high homogeneity of these properties, such as standardised floor plans, which allow for streamlined and cost-effective development processes.

The Group's business model enables it to occupy an attractive niche between portfolio holders and project developers. Ongoing rent provides the Company with the kind of stable rental 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.

Therefore, the Noratis Group is well positioned with its business model as a real estate asset developer to actively seize opportunities in the German real estate market and minimise potential risks. The experience in the field of renovation, in particular, provides good prospects for stable returns and further organic growth of the company in the future.

3.3. Overall Assessment of the Report on Opportunities and Risks

Assuming a functioning transaction market and no further long-term EURIBOR increases above 5 percent, as well as disruptions in the energy market, the Noratis Group´s Management Board 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.

The effects of interest rate increases are now clearly noticeable and have led to a significant decline in transactions in the real estate market. In the past, the high demand was primarily driven by capital seeking alternatives to fixed-income securities. Some increase in activity in the residential investment market is expected in the course of 2023. However, an increase to the level before the interest rate turnaround is unlikely. To achieve climate goals in the building sector, the energy-efficient refurbishment of existing properties will be a key factor. This will also increase the risks with regard to the costs incurred for this and further government regulatory measures. In principle, the demand for housing continues to rise due to population growth as well as increasing demand for space and constantly missed targets for the construction of new housing. The wave of refurbishments expected in the coming years creates diverse potential for portfolio developers, and the management sees good future opportunities for the Group.

4 Report on Expected Developments

According to the Federal Statistical Office, the German economy experienced a price-adjusted growth of 1.8 percent in 2022. This growth rate is slightly weaker than the previous year, but considering the new crises such as the war between Russia and Ukraine and the resulting energy crisis, as well as high inflation, it is not surprising.

Due to the significant increase in interest rates associated with inflation, the property market has experienced a strong decline in transactions and initial price decreases for the first time in years. The price expectations of sellers and buyers have diverged. While many buyers have anticipated a decline in prices, the majority of property owners are not yet willing to accept price reductions. The market is going through a period of adjustment that was not yet completed in the fourth quarter of 2022.

Regardless of this, the demand for rental apartments has continued to increase. Additionally, many households can no longer afford to purchase their own homes due to the rise in interest rates, which means they remain renters. It can be expected that the already low vacancy rates will continue to decline and rents will continue to rise. Metropolitan areas in particular are still experiencing high demand that is hardly being reduced by newbuild apartments. There are still good opportunities to sell upgraded properties that also deliver value for money for low or middle-income tenants.

The war in Ukraine and the latest increase in prices have laid bare Germany and Europe's dependency on Russian energy sources. As a result, upgrading the energy efficiency of existing apartments will become increasingly important for the real estate sector. The Management Board of the Noratis Group wants to use this development as an opportunity to further enhance its expertise in this area, enabling it to improve its competitive positioning when it comes to portfolio acquisitions in particular.

The upheavals in the portfolio market will have a significantly stronger impact on the company in the new financial year 2023.

Due to the high interest rates, property prices will decrease, thereby reducing the margins of already acquired properties. In addition, the significantly higher interest rates, although only noticeable in the last quarter of the fiscal year 2022, will have an impact. The company's interest rate hedges can only partially offset these additional costs. Furthermore, there are negative effects resulting from the maturity-related changes in the market value of derivatives (interest rate hedging transactions), which made a positive contribution to the results in the fiscal year 2022.

The board of Noratis Group expects a negative pre-tax result, assuming that the 3-month Euribor stabilises at a range of 3.0 to 3.5 percent. Lower sales proceeds combined with reduced margins and relatively stable rental income will result in an EBIT lower than that of the 2022 fiscal year but not significantly worse. However, due to significantly increased interest costs and the maturity-related decline in market value of derivatives, the pre-tax result (EBT) will be significantly negative.

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. The Group also wants to position itself in terms of ESG issues and develop a sustainable strategy.

As planned, the number of employees has expanded in the financial year, reflecting the Company´s growth to date. In 2023, a weak transaction market is expected, and therefore, no further personnel growth is anticipated. Depending on the development of the real estate portfolio, the plan for 2023 is to continue attracting qualified employees. 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.

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 2022 financial year.

Eschborn, 11 May 2023

Noratis AG

Igor Christian Bugarski
Chief Executive Officer

André Speth
Chief Financial Officer

Bensheim

Consolidated Financial Statements

as at 31 December 2022

Consolidated Balance Sheet as at 31 December 2022

ASSETS

EUR thousand	31.12.2022	31.12.2021
Investment property	9,840	10,200
Property, plant and equipment	1,060	842
Intangible assets	23	29
Investments accounted for using the equity method	43	29
Other financial assets	9,451	862
Deferred tax assets	4	1
Non-current assets	**20,421**	**11,963**
Inventory properties	454,812	424,180
Trade receivables	1,603	1,086
Financial assets	1,179	49
Other assets	4,838	553
Cash	11,159	8,724
Current assets	**473,591**	**434,592**
Total assets	**494,012**	**446,555**

EQUITY AND LIABILITIES

EUR thousand	31.12.2022	31.12.2021
Share capital	4,818	4,818
Capital reserves	51,774	51,817
Retained earnings	29,820	24,238
Equity attributable to owners of Noratis AG	**86,412**	**80,873**
Non-controlling interests	445	423
Equity	**86,857**	**81,296**
Other provisions	67	61
Bond	39,314	39,135
Financial liabilities	330,077	218,722
Deferred tax liabilities	2,089	563
Non-current liabilities	**371,547**	**258,481**
Other provisions	140	149
Bond	408	413
Financial liabilities	29,224	87,456
Trade receivables	2,092	15,519
Tax liabilities	440	603
Contract liabilities	606	231
Other liabilities	2,698	2,407
Current liabilities	**35,608**	**106,778**
Total equity and liabilities	**494,012**	**446,555**

Consolidated Statement of Profit or Loss and Comprehensive Income

EUR thousand	2022	2021
Total revenue	**85,606**	**73,598**
Revenue from sales of inventory properties	55,919	50,590
Cost of sales of inventory properties	-45,706	-39,193
Gross profit from sales of inventory properties	**10,213**	**11,397**
Letting revenue	29,687	23,008
Letting cost	-15,292	-10,391
Gross profit from letting	**14,395**	**12,617**
Other operating income	495	436
Gross profit	**25,103**	**24,450**
Personnel costs	-5,910	-5,322
Depreciation and amortisation	-483	-460
Result from fair value adjustments of investment property	-360	3,532
Write-down of inventory property	-2,097	0
Other operating expenses	-3,754	-2,836
Earnings before interest and taxes (EBIT)	**12,499**	**19,364**
Profit / loss of equity-accounted entities	15	17
Finance income	8,747	505
Finance cost	-9,272	-6,458
Earnings before taxes (EBT)	**11,989**	**13,428**
Income tax	-3,713	-3,892
Profit of the period	**8,276**	**9,536**
thereof attributed to		
- owners of the parent	8,232	9,471
- non-controlling interests	44	64

There is no reconciliation from profit for the period to comprehensive income according to IAS 1.81 ff.

Consolidated Statement of Cash Flows

EUR thousand	2022	2021
Profit for the period	8,276	9,536
Fair value adjustments of investment property	360	-3,532
Depreciation and amortisation	483	460
Gain / loss on disposal of fixed assets	0	4
Chance in inventory properties	-28,675	-96,316
Write-down / write-up of inventory property	2,097	0
Increase / decrease in trade receivables and other assets not attributable to investing or financing activities	-3,323	-531
Increase / decrease in liabilities (excluding borrowings) and provisions	-12,621	14,123
Result from investments accounted for using the equity method	-15	-17
Finance income / finance cost	525	5,953
Income tax exepense / income	3,713	3,892
Income tax paid	-4,166	-3,953
Equity-settled share-based payments	35	86
Other non-cash expenses / income	282	191
Cash flows from operating activities	**-33,029**	**-70,104**
Payments for acquisition of property, plant and equipment and intangible assets	-184	-110
Interest received	236	6
Cash flows from investing activities	**52**	**-104**
Proceeds from borrowings	91,065	83,629
Cash repayments of borrowings	-42,975	-36,126
Proceeds from the issuing of bonds	0	10,000
Transaction costs related to the issuance of bonds and new borrowings	-467	-918
Cash repayments of lease liabilities	-305	-230
Repurchase of own shares	-157	-91
Proceeds from sale of own shares	78	45
Payments for purchase of derivative financial instruments	-1,310	-275
Interest paid	-7,846	-5,704
Dividends paid to shareholders of the parent entity	-2,650	-2,409
Dividends paid to other shareholders	-21	-21
Cash flows from financing activities	**35,412**	**47,900**
Net change in cash funds	**2,435**	**-22,308**
Cash funds at beginning of period	8,724	31,032
Cash funds at end of period	**11,159**	**8,724**

Consolidated Statement of Changes in Equity

EUR thousand	Subscribed capital	Capital reserves	Reserves for own shares	Retained earnings	Equity attributable to shareholders of Noratis AG	Non-controlling interests	Total equity
As of January 1, 2021	**4,818**	**51,777**	**0**	**17,189**	**73,784**	**476**	**74,260**
Profit for the period				9,472	9,472	64	9,536
Change in non-controlling interests				-15	-15	-96	-111
Purchase of own shares		-86	-5		-91		**-91**
Sales of own shares		1			1		1
Equity-settled share-based payments		126	5		131		131
Dividends paid				-2,409	-2,409	-21	-2,430
As of December 31, 2021	**4,818**	**51,817**	**0**	**24,238**	**80,873**	**423**	**81,296**
As of January 1, 2022	**4,818**	**51,817**	**0**	**24,238**	**80,873**	**423**	**81,296**
Profit for the period				8,232	8,232	44	8,276
Purchase of own shares		-149	-8		-157		-157
Equity-settled share-based payments		106	8		114		114
Dividends paid				-2,650	-2,650	-21	-2,671
As of December 31, 2022	**4,818**	**51,774**	**0**	**29,820**	**86,412**	**445**	**86,857**

Financial Calendar

May 2023	**Annual report 2022**
19 June 2023	**Annual General Meeting**
13 August 2023	**Annual interest payment for 4.75 % Bond 2021/2026**
30 September 2023	**Financial report first half-year 2023**
04–06 October 2023	**EXPO REAL in Munich**
11 November 2023	**Annual interest payment for 5.5 % Bond 2020/2025**
27–29 November 2023	**Eigenkapitalforum in Frankfurt/Main**
31 December 2023	**End of financial year 2023**

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