



18

Annual Report



Business development B-A-L Germany AG

	31.12.2015	31.12.2016	31.12.2017	31.12.2018
Residential units	16	17	32	48
Living space	383 m ²	432 m ²	840 m ²	1,648 m ²
Vacancy	0 %	2 %	0 %	3 %
Cash-Flow	-8,203.64	11,241.69	9,475.03 €	- 89,364.87 €
Total capital profitability	-6.82 %	4.35 %	0.82 %	0 %
Dept repayment time	n.n.	14.5 years	44.3 years	0.8 years
Equity ratio	23.82 %	21.09 %	10.14 %	74.58 %

Nossen, Lindenstr.





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1. Introduction by the CEO

*Dear shareholders,
Ladies and Gentlemen,*



The company's performance in the past fiscal year has developed a strong dynamic. We have been able to almost double our residential space and also acquire investment capital for the coming year. As in previous years, we have consistently reinvested all available surplus funds and have selected the most profitable out of the available offers. In this way, we have ensured the effective use of funds and have continued to place high priority on the expansion of our portfolio.

This year we received new growth capital from our shareholders. We will invest 100 % of these funds in building up our portfolio. In the coming year, these acquisitions will significantly improve earnings. From 2019 onwards, we plan to distribute at least half of our earnings and thus allow our shareholders to participate in our success.

Earnings in the rental business are mainly determined by the occupancy rate. Regional partnerships with property managers and agents who were able to offer short-notice viewing appointments due to their proximity to the properties once again proved their worth. At 3 %, the vacancy rate in 2018 is again close to zero.

I would once again like to extend a warm welcome to all new shareholders. You can of course be assured that your investment will soon pay off for you. Property letting is a safe and profitable business in which you can participate with us.

With kind regards



Falko Zschunke
CEO



2. Report of the Supervisory Board

Dear Ladies and Gentlemen,

During 2018, the Supervisory Board has been able to support the CEO of B-A-L Germany AG throughout a dynamic and successful year. The strategic direction adopted in the previous year has continued; the company's position has been further strengthened and developed in the interests of its shareholders.



The Supervisory Board was able to make intensive use of the opportunity to advise and monitor the CEO, and we ascertained that the CEO acted lawfully, appropriately and properly at all times. The CEO was always proactive in providing us with detailed information. This attention to detail enabled us to advise the Executive Board and to align the path we had taken with our corporate strategy. We were informed about measures, developments, facts and results of relevance to the company in both written and verbal form. The Executive Board used this active form of communication to inform us punctually and thoroughly and to seek advice where necessary. We received, advised and examined the significant business transactions both verbally and in writing. We were able to support the management in dynamically continuing the development of the company in the interests of the shareholders.

We approved the company's annual financial statements as of December 31, 2018 and prepared the agenda and proposed resolutions for the Annual General Meeting. With regard to transactions requiring our approval, we approved the capital increase and the preparations for the IPO. We assisted the CEO in its key decisions through consultations, meetings and discussions. The CEO informed us about the development of the business with full confidence. In addition to this communication carried out by the CEO, we also analyzed and evaluated the position and strategic orientation of the company outside meetings and discussions. In my function as Chairman of the Supervisory Board, I was also in regular and close contact with the CEO outside the Supervisory Board meetings.

We would like to thank the CEO for its achievements in the past year.

Hambühren, den 03.07.2019

On behalf of the Supervisory Board


Bernd Albrecht
Chairman



3. Corporate Strategy

3. Corporate Strategy

B-A-L Germany AG (BAL) is an asset management company focusing on residential real estate. BAL is headquartered in Meissen and focuses on the real estate market in Saxony. The focus is on the acquisition of individual units and smaller buildings at favorable prices and subsequent intensive management. The aim is to achieve the best possible return with limited financial resources.

In contrast to the established real estate companies, the focus is not on the top locations of the major cities of Saxony. The company uses the comprehensive market knowledge of associated property management companies to locate affordable properties with good income prospects in rural regions. Within this range of properties the most cost-effective units are then identified and acquired.

The basic criteria are as follows:

- Purchase price relative to living space and rental income
- Condition of the unit and the facilities
- Connection to infrastructure (railway and motorway network)
- Local features (universities, tourism, etc.)

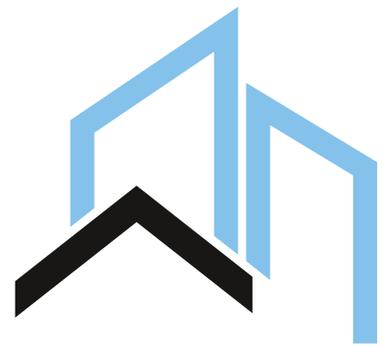
Increasingly important over the past year are also:

- Energy consumption of the property
- Internet connection
- Equipment of the unit (balcony, bathroom, etc.)

To support this complex and detailed selection process, the company uses an individual evaluation platform which performs a pre-selection in a mathematical-statistical procedure on the basis of the available data. The platform also offers the opportunity to involve both ordinary shareholders and important investors in the selection process.

This process enables the optimal use of limited resources as well as the achievement of key performance indicators that are above the industry average.

In order to broaden the capital base and enable further growth, additional funds are to be acquired in the future by listing on the capital market.



4. Personnel | 5. Approval of the annual financial statements

4. Personnel

There were two developments in personnel in the current financial year:

At its meeting on November 12, the Annual General Meeting elected Mr. Dennis von Die-men as a fourth member of the Supervisory Board.

An accountant was engaged on a part-time basis to ensure the rapid provision and prepa-ration of current business figures.

These measures will make the company more professional in its external appearance and enable it to meet the transparency requirements of the capital market.

5. Approval of the annual financial statements

The auditor Johannes Weßling - Greven has examined the annual financial statements of B-A-L Germany AG, consisting of the balance sheet, the income statement and the notes to the financial statements as at 31 December 2018. The financial statements received an unqualified audit opinion. The audit was conducted in accordance with § 317 HGB and generally accepted German standards for the audit of financial statements as established by the Institut der Wirtschaftsprüfer (IDW). The above-mentioned documents were sub-mitted to the Supervisory Board by the Management Board in good time and approved after detailed discussion.

5.1. Property portfolio

year	units	rentable area	current net rent p.a.	average net rent per m ²	vacancy	invest	average invest per m ²
2015	16	383	11.868	5.88	5 %	5.432	14.27
2016	17	432	27.344	5.91	0 %	12.015	27.82
2017	31	840	39.752	5.64	0 %	6.247	7.43
2018	46	1.590	63.069	5.40	3 %	100.531	63.25

score: RESCORE



5. Approval of the annual financial statements

5.2. Portfolio

During the course of the year, the residential portfolio continued to diversify significantly. In addition to acquisitions in existing facilities in Mittweida and Meißen, we acquired units at other locations, such as Grimma and Döbeln. This significantly reduces our dependence on the development of individual locations. The new locations will also give us a more insight into new facilities and thus further acquisition opportunities.

5.3. Strategic direction

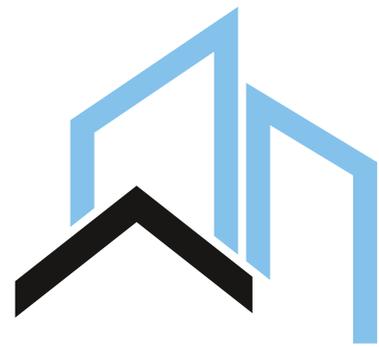
BAL is a portfolio holder of residential real estate. Our strategy consists of the acquisition of individual properties at favorable prices, optimum management and growth through reinvestment of the income generated.

So far, investments have been made exclusively in Saxony using local market knowledge, using shareholder equity and reinvested profits.

As a result, simple living space is offered at affordable prices. Tenants with low and middle incomes as well as commuters to the metropolitan areas are targeted.

5.4. Regional focus of the residential property portfolio

Saxony continues to be the focus of investment. Influenced by our special knowledge of the market, we see here the highest return opportunities and development. In the post-reunification years, a large number of new construction and refurbishment projects were carried out, fuelled by government subsidies and the possibility of special depreciation. Well-known property development companies with the necessary financial resources and know-how built residential complexes and sold the apartments to mainly small and individual investors. At the same time, under pressure from the Treuhandanstalt, the majority of the housing stock was privatized from municipal and cooperative ownership. In the process, the marketing opportunities were also improved in advance by dividing up and creating residential property. In addition to the abovementioned investors, the purchasers of this large housing stock were above all the former tenants - the future owner-occupiers. As is the case with most government incentive and control measures, the result is an over-supply that has been exacerbated by emigration and declining birth rates. At the peak of this development at the beginning of the millennium, some larger cooperatives attempted



5. Approval of the annual financial statements

to tackle the problem by demolishing and dismantling housing. However, most of these measures have already been discontinued, as demand for housing is recovering in cities where there is an increasing population. These pleasing developments are leading to falling vacancy rates and, as a result, to moderately rising rents. The positive economic situation in Bavaria also supports this trend. Since the year 2000, the economy in Saxony has grown by more than 28 percent, the second strongest growth of all the federal states.

5.5. Orientation towards small to medium-sized residential units

„More affordable apartments!“ This is a demand that is currently being made in most communities. In recent years there has been a trend towards more living space within housing groups. Once again we have analyzed the demand from our rental partner IMMOPLAN. It is clear that there is an increased demand for one and two room apartments and that the vacancy rate in this area has fallen to a minimum. This development is even more serious in the case of large and luxury apartments from 150 m² upwards. However, there is practically no available supply in this area. Thus it was again possible last year to keep the vacancy rate at the lowest possible level of 3 %.

5.6. Average rent

The average rent of € 5.40 /m² is still a peak value among Saxon residential property companies. The slight decline compared to the previous year is due to the broader diversification of property locations. In the early years, properties were primarily purchased in Meissen and Mittweida. These locations have special location conditions and are currently not the focus of attention due to the sharp rise in purchase prices. In the past year acquisitions were made primarily in the Hainichen and Döbeln regions, which have lower rental levels. However, the correspondingly lower purchase prices in these areas secure the target yield in these locations. In addition, there is considerable potential for rent increases in the years to come. In the past there was always sufficient empty space available to tenants so that rising rents could be avoided, but this is declining. Government regulation (keyword: rent control) has no effect on the level of rents in rural regions.



5. Approval of the annual financial statements

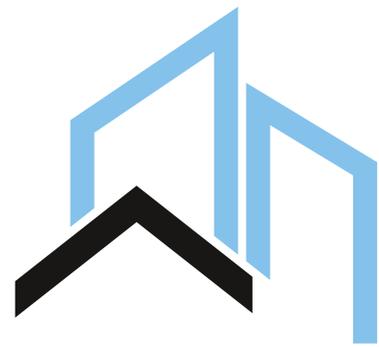
5.7. High occupancy rate

At the end of the fiscal year, 97 % of the existing apartments were let. The value is determined on the basis of the living space. There have been repeated increases in the course of the year, as newly acquired properties are partly unlet and in some cases also in need of renovation.

The development in recent years shows that the occupancy rate of housing stock in rural areas is continuously improving. Since the construction boom of the nineties, new dwellings have only been created to a very limited extent through construction or renovation. The migration trend, which has exacerbated the existing oversupply, is weakening markedly and is even reversing in some areas. The scarcity of housing in Saxony's metropolitan areas is increasingly being reflected in the surrounding areas. The construction industry will not bring any new apartments onto the market in the medium term. Approval processes are too bureaucratically overloaded and costly. As a result, in the foreseeable future there will only be projects aimed at higher-income tenants

Frankenberg, OT Dittersbach, Am Sachsenpark





6. Management Report

In the following management report, the Management Board provides a condensed view of the position of the company in the market environment and the opportunities that exist for further corporate development.

6.1. Principles – business model

BAL was founded in order to establish a profitable real estate portfolio in Saxony. The company focuses primarily on individual units or smaller properties as well as emergency sales. Attractive returns are achieved through prudent management and active tenant management. Properties are selected using an automated valuation and appraisal process. The objective characteristics such as location, purchase price, condition of the property, size and letting are evaluated and compared with the overall portfolio in a mathematical procedure. Further diversification takes place according to location, type of property and size of units. Investments are made solely in residential properties. No new construction or extensive renovation measures are planned.

6.2. Goals and strategies

The main objective of the company is to generate an attractive return by managing its own real estate portfolio. The most important strategy is the cost-effective use of resources and measures:

Minimization of management costs

All processes of property management that can be formalized are handled via the internal software platform RESCORE. This essentially includes the pre-selection of properties and the processing of ongoing administrative accounting. The majority of administrative processes are digitalized and are largely paperless. Data exchange with the various property managers and external service providers is carried out via stipulated interfaces. This is the only way to ensure that sufficient resources are available for the very detailed acquisition and purchasing process. Time-intensive tenant support and new rentals are outsourced to our administration partner IMMO-PLAN GmbH at a fixed price.



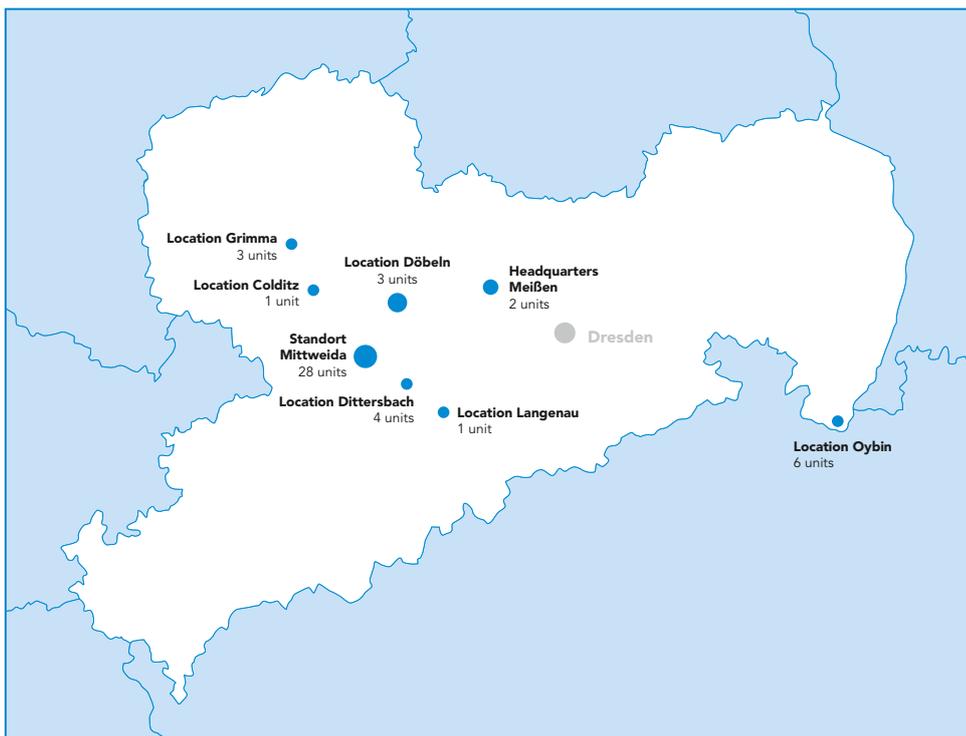
6. Management Report

Selection and purchase of the highest yielding properties

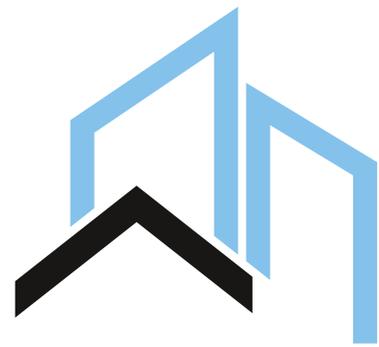
The main focus is on acquisition, which is predominantly decisive for business success. All incoming and collated offers are evaluated by our RESCORE software. The score value determined on the basis of the objective property data of each individual unit determines the sequence of further processing. The selection of the properties to be purchased and the presentation of the results are strictly based on yield criteria. It often happens, for example, that one unit is bought in one facility, while another is not, or is bought later. The result is a property return far above the industry average.

Focus on residential properties in Saxony

Unlike commercial or logistics properties, apartment letting is a small-scale business. Turnover is generated through a large number of tenants who each rent only a small area and make smaller rental payments. This allows for a higher level of diversification while using the same capital outlay. To reduce the risk of vacancies, the company invests only in residential properties. This ensures almost full occupancy and exemption from commercial tax.



score: RESCORE



The regional focus is on Saxony. In a nationwide comparison, Saxony is the only federal state with a high population density and good economic prospects that offers sufficient real estate at attractive prices. If the current population trend continues, there will be a significant increase in rents and purchase prices in the foreseeable future. Until then, attractive returns can be generated from the existing properties.

Diversification by location, area and type of property

In line with the described investment strategy of small-scale acquisition of individual properties, comprehensive diversification can already be established in this early phase. The corresponding distribution of the properties takes into account the locations in the metropolitan areas, the size of the units and the year of construction of the facilities as well as the proportion of the total complex.

This results in the following balanced distribution:

- Location: Chemnitz (43 %), Dresden (26 %), Leipzig (25 %)
- Living space; **units:** < 40 m² (69 %; **45 %**), >40 m² (31 %; **55 %**)
- Year of construction: before 1945 (20 %); before 1989 (20 %);
from 1990 (60 %)
- Proportion of co-ownership: partial ownership (73 %), entire complex (37 %)

If one of the abovementioned segments should persistently lose its attractiveness for tenants, the influence on the course of business is quite manageable. There is sufficient time to take countermeasures.

6.3. Management system

The RESCORE real estate platform provides the central management and control system. All essential property data is already recorded here in the selection phase. Based on the hard property data, a property appraisal is carried out using a mathematical scoring procedure. The score is available to all parties involved in the decision-making process, and supports the individual decision-making process. The purchase of a new property is primarily carried out with a unanimous decision.

After the acquisition has been completed, the property data is loaded by the administration and the financial development of each property is accurately displayed on a daily basis. The development of the investment and the payment history of the tenants are also visible at all times. All important information on the portfolio is thus immediately and clearly available to the Management Board.



7. Economic Report

7. Economic Report

7.1. Macroeconomic and industry-specific framework conditions

Germany remains attractive as a real estate and investment market, both for residential and commercial properties. Transaction volumes have risen steadily since 2009, reaching a record high of 79 billion euros in 2015. In 2017, the transaction volume was stable at a high level of 73 billion euros after reaching 66 billion euros in the previous year. In the residential segment, mostly smaller and medium-sized portfolio deals were concluded.

The real estate industry is one of the largest and most important sectors for the German economy. With an annual gross value added of over 500 billion euros, 18.2 % of the total value added is generated by the real estate industry.

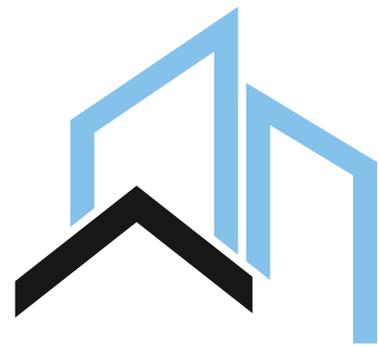
This makes the real estate industry much larger than the automotive industry or the retail trade. At the same time, the real estate industry is an extremely small sector with over 815,000 companies and approximately 3.9 million private landlords.

A special characteristic is the stability of the German real estate industry. Despite turbulent macroeconomic conditions with crises in the new economy, the financial crisis and the sovereign debt crisis, the real estate industry has developed very positively over the past few years.

7.2. Rental housing market

With a value of 125,000 euros, German households have on average relatively low real estate assets. Although the home ownership ratio in Germany has risen slightly in recent years, at around 45.5 % it is still at the lower end of the European average and has stagnated recently; since 2013 this has even declined slightly for the under 45 age group.

A look at the East German housing market reveals a clear change in trend. After years of east-west migration, the direction of movement now appears to be partially reversing. More and more people from the old federal states are finding a new home in eastern Germany. Due to the large price gap in real estate valuations, the slight upward trend is likely to continue in coming years.



7.3. Financing structure

The balance sheet total of B-A-L Germany AG has more than doubled to € 1,770,887 (previous year € 475,299).

The subscribed capital amounts to € 1.3 million (previous year € 50,000). Balance sheet equity amounts to € 1.32 million (previous year: € 48,214 million). This results in an equity ratio of 74.58 % (previous year: 10.14 %). Due to the net loss for the year, the return on equity is 0 % (previous year: 6.69 %). The net loss for the year is mainly due to the expenses incurred in connection with the company's IPO.

Borrowed capital increased to € 450,187 (previous year: € 427,085). This results in a debt ratio of 25.4 % (previous year: 89.86 %). The debt-equity ratio is 34.09 % (previous year: 470.9 %). Net debt for 2018 was – € 65,373 (previous year: € 418,350).

The debt repayment period is 10 month (previous year 44.3 years).

This results in a cash flow of – € 89,364.87 (previous year € 9,475.03). The goal of a positive cash flow could not be achieved this year as a result of the high costs incurred in connection with the company's IPO.

As a result, the return on total capital employed is 0 % (previous year: 0.82 %).

From the outset, corporate financing was based on self-financing through investment of share capital and retention of earnings. This initially solid form of financing was extended by several capital increases through the issue of new ordinary shares and investment of the acquired share capital. In addition, there were several investors and property vendors who provided the company with approx. EUR 0.4 million in the form of fixed-interest loans. In the fourth quarter, a further capital increase took place in which non-voting preference shares were created. As a result of these activities, the company's equity base remains very solid and the share capital, which has grown to EUR 1.3 million, represents a good basis for growth in the years to come.



7. Economic Report

7.4. Boards of the company

At the Annual General Meeting on 5 November 2018, Mr. Dennis van Diemen was appointed as a further member of the Supervisory Board. The composition is therefore as follows:

CEO		Falko Zschunke
Supervisory Board	Chairman	Bernd Albrecht
	Deputy Chairman	Ute Spengler
	Board Member	Frank Richter
	Board Member	Dennis van Diemen

As agreed, Mr. Zschunke does not receive any remuneration for his activities. The company provides the members of the Supervisory Board with a lump-sum expense allowance. The members of the Supervisory Board do not receive any additional remuneration.

7.5. Branch offices

There are still no Branch offices in operation.

7.6. Overall summary of business performance and situation

In the first five financial years, a solid portfolio of properties was acquired. The current shareholders support the business development to the best of their ability and expect an increase in properties and revenues. The foundations were laid with a generous capital increase and the planned initial listing at the beginning of 2019. The portfolio of acquired properties has grown strongly, so that we have both the resources and the opportunities for strong growth in the coming years.





8. Prognosis Report

With regard to the essential framework conditions until the end of 2019, the company has only positive expectations for the following reasons:

- Low energy costs and stable retail prices
- Continued low growth in new apartments
- Rising revenues through adjustment of minimum wages
- Metropolitan areas with population growth have a positive influence on the surrounding areas
- Continuing favorable interest rate environment

In this environment, moderately rising rents and falling vacancy rates are expected to continue in the coming year.

The Management Board continues to adhere to the growth targets of the previous year.

This means for 2019:

- Acquisition of at least 20 new units with approximately 1,000 m² living space
- Increase in share capital to secure growth finance
- Preparation for the raising of external capital in order to achieve a sustained improvement in return on equity
- Generation and payment of an initial dividend of at least 3 % of nominal value to our preferred shareholders.





9. Opportunities Report

9. Opportunities Report

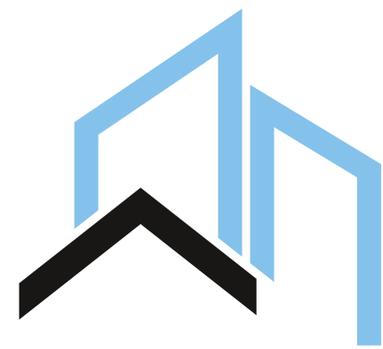
The company is currently very well positioned in the market. The small size of the company and the associated minimal administrative expenses enable management to invest almost all available funds in the acquisition of new units. This ensures that the company will reach the necessary size to enter the regulated market within the next two to three years, and will then be able to benefit strongly from its greater reach.

There are still sufficient properties in the existing stock that can be acquired at the current price level. As a result of constant acquisitions of properties on offer, we have been able to greatly expand our network of management companies and owners, which ensures continued access to inexpensive offers.

The main growth opportunities result from the capital market financing strategy adopted in 2018. Starting in 2019, the planned capital measures will generate more than one million euros of additional equity each year, which will ensure further growth in the existing dynamic.

Further business opportunities for the coming years will arise as the company grows in size as a result of the range of services offered in the area of existing portfolio properties.





10. Risk Report

An internal risk management system was created with the introduction of RESCORE in 2014. The early identification of risks is a priority. The system is regularly adapted to new developments and findings. As soon as potential risks are identified, measures to avoid and counter them are initiated.

The company's operations are managed, among other things, by presenting detailed and meaningful statistics, reports and evaluations regarding the development of portfolio properties, liquidity and financing structure. This provides information on cyclical management systems such as rent arrears, rent adjustment options, vacancies and the need to adjust advance payments for ancillary costs.

In addition, repair, modernization and renovation requirements are recorded and can be deduced. Financial management is subdivided into maturity-related liquidity portfolios, residual debt balances, interest and repayment obligations, residual terms of fixed and loan commitments as well as the average weighted interest rate of the portfolio and outstanding loan commitments. This data is accessible to management at all times in order to be able to immediately deal with identified risks and to limit or remedy them.

Despite the strict monitoring of corporate risks, entrepreneurial activities entail both risks and opportunities. The listing of the company on the Vienna Stock Exchange in particular has added further risks from the capital market environment to the typical business risks such as vacancies, payment defaults and damage to buildings. These include mainly cyclical market developments, which in some phases could make access to further equity more difficult. The company plans to present a comprehensive information strategy and a consistent dividend policy in order to present attractive investments in all market cycles.

As of the date of the Annual Report 2018, there were no significant risks arising.





BALANCE SHEET as at 31. December 2018

BALANCE SHEET as at 31. December 2018

ASSETS

	EUR	Financial year EUR	Previous year EUR
A. Fixed assets			
I. Intangible fixed assets			
1. Purchased concessions, industrial and similar rights and assets and licences in such rights and assets		3,543.00	139.00
II. Tangible fixed assets			
1. Tangible fixed assets buildings, including buildings on third-party land	950,430.29		230,804.54
2. Other equipment, operating and office equipment	2,506.00		0.00
2. Prepayments and assets under	47,142.89		3,683.76
		1,000,079.18	234,488.30
B. Current assets			
I. Receivables and other assets			
1. Trade receivables	5,682.66		2,858.29
2. Other assets	227,048.59		229,079.65
		232,731.25	231,937.94
– of which from shareholders EUR 7,990.21 (EUR 10,732.07)			
– of which due after more than one year EUR 112,619.45 (EUR 226,266.42)			
II. Cash-in-hand, central bank balances, bank balances and cheques		515,561.08	8,734.08



BALANCE SHEET as at 31. December 2018

ASSETS

	EUR	Financial year EUR	Previous year EUR
C. Prepaid expenses		<u>18,972.90</u>	<u>0.00</u>
		<u>1,770,887.41</u>	<u>475,299.32</u>

Meißen, Nossener Str.





BALANCE SHEET as at 31. December 2018

EQUITY AND LIABILITIES

	EUR	Financial year EUR	Previous year EUR
A. Equity			
I. Subscribed capital		1,300,000.00	50,000.00
II. Capital reserves		120,000.00	0.00
III. Accumulated losses brought forward		1,785.50 –	5,010.67 –
IV. Net loss for the financial year		97,514.83 –	3,225.17
B. Special reserve for investment grants and subsidies		0.00	200,000.00
C. Provisions			
1. Provisions for taxes	668.81		538.99
2. Other provisions	<u>14,812.66</u>		<u>16,160.41</u>
		15,451.74	<u>16,699.40</u>
D. Liabilities			
1. Liabilities to banks	50,590.00		0.00
– of which due after more than one year EUR 50,590.00 (EUR 0.00)			
2. Trade payables	53,832.40		1,635.70
– of which due within one year EUR 53,832.40 (EUR 1,635.70)			
2. Other liabilities	<u>329,859.87</u>		<u>208,495.72</u>
– of which to shareholders EUR 0.00 (EUR 324.70)		434,228.27	210,131.42
– of which taxes EUR 826.50 (EUR 0.00)			



BALANCE SHEET as at 31. December 2018

EQUITY AND LIABILITIES

	EUR	Financial year EUR	Previous year EUR
– of which due within one year EUR 1,258.72 (EUR 200,324.70)			
– of which due after more than one year EUR 328,601.15 (EUR 8,171.02)			
E. Deferred income		424,00	254,00
		<u>1.770.887,41</u>	<u>475.299,32</u>

Döbeln, An der Alten Gärtnerei





INCOME STATEMENT from 01.01.2018 to 31.12.2018

INCOME STATEMENT from 01.01.2018 to 31.12.2018

	EUR	Financial year EUR	Previous year EUR
1. Sales		<u>87,751.69</u>	<u>55,227.00</u>
2. Gross revenue for the period		87,751.69	55,227.00
3. Other operating income			
a) Income from reversal of provisions	537.56		0.00
b) Miscellaneous other operating income	<u>3,694.06</u>		<u>28.34</u>
		4,231.62	28.34
– of which currency translation gains EUR 231.02 (EUR 0.00)			
4. Cost of material			
a) Cost of purchased services		1,799.28	270.00
5. Personnel expenses			
a) Wages and salaries	2,280.27		0.00
b) Social security, post-employment and other employee benefit costs	702.01		0.00
	<u> </u>	2,982.28	<u>0.00</u>
6. Depreciation, amortisation and write-downs			
a) Amortisation and write-downs of intangible fixed assets and depreciation and write downs of tangible fixed assets		11,972.10	4,885.33



INCOME STATEMENT from 01.01.2018 to 31.12.2018

	EUR	Financial year EUR	Previous year EUR
7. Other operating expenses			
a) Occupancy costs	43.423,15		26.554,26
b) Insurance premiums, fees and contributions	513,34		292,00
c) Cost of third-party repairs and maintenance	2.807,47		2.138,81
d) Selling and distribution expenses	3.365,32		3.005,94
e) Miscellaneous operating costs	120.746,44		13.092,27
f) Miscellaneous other operating expenses	<u>5.530,48</u>		<u>844,20</u>
		176.386,20	45.927,48
8. Other interest and similar income		11.075,46	1.167,23
– of which from affiliated companies EUR 137.70 (EUR 53.81)			
9. Interest and similar expenses		5.621,21	671,08
10. Taxes on income		<u>244,79-</u>	<u>544,82</u>
11. Net income/net loss after tax		95.457,51 –	4.123,86
12. Other taxes		<u>2.057,32</u>	<u>898,69</u>
13. Net loss for the financial year		<u><u>97.514,83</u></u>	<u><u>3.225,17–</u></u>



Audit opinion

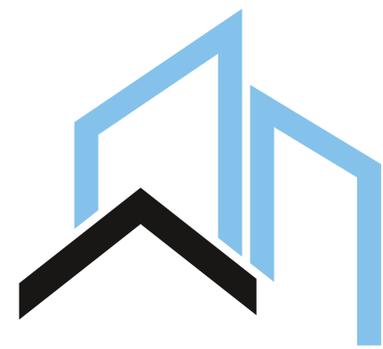
I have audited the annual financial statements of **B-A-L Germany AG, Meissen**, comprising the profit and loss account as at 31 December 2018, the balance sheet for the fiscal year from 1 January 2018 to 31 December 2018, and the notes to the financial statements, together with a description of the accounting policies used.

In my opinion, based on the findings of my audit, the accompanying annual financial statements comply in all material respects with German principles of commercial law applicable to joint stock companies and in accordance with generally accepted accounting principles present a true and fair view of the net assets and financial position of the company as of December 31, 2018 and of its results of operations for the fiscal year from January 1, 2018 to December 31, 2018

In accordance with Section 322 (3) sentence 1 HGB, I declare that my audit did not lead to any objections to the correctness of the annual financial statements.

Basis for the Audit Opinion

The audit was conducted in accordance with Section 317 HGB and the generally accepted German standards for the audit of financial statements established by the Institute of Public Auditors (IDW). My responsibility under these rules and principles is further described in the section „Responsibility of the auditor for the examination of the annual financial statements“ of my report. I am independent of the company in accordance with German commercial and professional law and have performed my other German professional duties in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for our audit opinion on the annual financial statements.



Responsibility of the Legal Representatives and the Supervisory Board for the Annual Financial Statements

The legal representatives are responsible for the preparation and fair presentation of the annual financial statements in accordance with German commercial law in all material respects, and for the presentation of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting. Furthermore, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with German principles of proper accounting to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. In addition, they have the responsibility to report matters relating to the continuation of the business, if relevant. Furthermore, they are responsible for preparing the financial statements in accordance with accounting principles, unless there are factual or legal conditions preventing this.

The Supervisory Board is responsible for overseeing the financial reporting process of the company for the preparation of the financial statements.

Responsibility of the Auditor for the Examination of the Financial Statements

My objective is to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether intentional or unintentional, and to issue a report of confirmation including my opinion on the financial statements.



Audit Report

Reasonable assurance is a high level of security, but not a guarantee that an audit conducted in accordance with § 317 HGB and generally accepted German standards for the audit of financial statements determined by the Institute of Public Auditors in Germany (IDW) will disclose a material misstatement. Incorrect representations can result from violations or inaccuracies and are regarded as significant if it could reasonably be expected that they would individually or collectively influence the economic decisions of users made on the basis of these annual financial statements.

During the audit I exercised dutiful discretion and maintained a critical attitude.
Furthermore:

- I identify and evaluate the risks of material misstatement, whether intentional or unintentional, of the financial statements, plans and procedures adopted in response to those risks, and of audit evidence obtained that is sufficient and appropriate to provide the basis for my audit opinion. The risk that material misstatements will not be detected is greater in the case of violations than in the case of inaccuracies, as violations may involve fraudulent interplay, misstatement, intentional incompleteness, misrepresentation or departure from internal controls.
- I gain an understanding of the internal control system relevant to the audit of the financial statements in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of that system.
- I assess the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimates and related disclosures presented by the legal representatives.
- I draw conclusions on the appropriateness of the accounting policies adopted by management for the continuing operations of the company and, based on the audit evidence obtained, whether there is significant uncertainty about events or circumstances that could give rise to material doubts about the company's ability to continue as a going



concern. If I conclude that there is a material uncertainty, I am required to draw attention in the auditor's report to the related information in the financial statements or, if that information is inappropriate, to modify my opinion. I draw my conclusions on the basis of the audit evidence obtained up to the date of my audit opinion. Future events or circumstances may, however, result in the company being unable to continue as a going concern.

- I assess the overall presentation, the structure and the content of the annual financial statements including the disclosures and whether the annual financial statements represent the underlying transactions and events in such a way that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting.
- I have also discussed with those responsible for governance the planned scope and timing of the audit and significant findings of the audit, including any deficiencies in the internal control system that I identify during my audit.

This is a translation of the original audit opinion. Only the German version is valid. In the event of discrepancies between the German and English versions of all content, the German version shall prevail over the English version.

Greven, den 04.07.2019

(Wirtschaftsprüfer)

DIPLOM. Kfm. Johannes W. BIRING B.A. T. X.
WIRTSCHAFTS-PRÜFER
SIEGEL
GREVEN



Frankenberg, OT Dittersbach, Sachsenburger Weg



Döbeln, Wappenschstr.



Frankenberg, OT Dittersbach,
Sachsenburger Weg

Wermsdorf, OT Calbitz, Kötitzer Str.



Döbeln, Hainichener Str.



