



23

# Annual Report



# Executive Summary

- Positive earnings after taxes for the first time since the IPO in 2019
- Lettable space increases to 4,521 square metres at the end of 2023 (+4.3%)
- Occupancy rate increases to 95% from 94% at the end of 2023
- Refurbishment and partial modernisation of eleven residential units with a total of 644 square metres
- HGB financial statements not affected by changes in the valuation of the property portfolio
- Significant improvement in earnings before taxes in the current financial year 2024 to EURk 50 from EURk 35 expected due to the higher portfolio of residential properties and simultaneous reduction in the vacancy rate to 3%
- Further acquisitions of attractive residential properties, financed from operating cash flows and by taking out bank loans
- Realisation of hidden reserves through opportunistic sales of properties if they no longer meet the strategic requirement profile

## Selected key figures

		<b>2022</b>	<b>2023</b>
Turnover	EURk	303,8	348,0
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	EURk	68.5	153.7
in % of sales revenue	%	22.5%	44.2%
Earnings before interest and taxes (EBIT)	EURk	11.1	61.4
in % of sales revenue	%	3.7%	17.6%
Earnings before taxes	EURk	-1.3	35.0
Earnings after taxes	EURk	-7.1	28.5
Carrying amount of property, plant and equipment	EURk	2,497.8	2,678.5
Equity capital	EURk	2,230.7	2,259.2
Equity ratio	%	71.0%	66.5%
Gearing ratio	%	2.2%	10.4%



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## Letter to the shareholders

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Dear Shareholders,  
Dear business partners and friends of our company,  
Ladies and Gentlemen,

Ten years after our company was founded, we are still at the very beginning. And yet we have achieved a great deal in this time.

As a result, our property portfolio comprised 92 properties at the end of 2023 (previous year: 89). As a result of the acquisitions, the lettable area increased by 4.3 % from 4,333 square metres at the end of 2022 to 4,521 square metres at the end of 2023. The resulting rental income increased by 14.6 % from EURk 303.8 in 2022 to EURk 348.0 in 2023. The rental yield, which we were able to achieve in relation to the total gross purchase prices (including incidental acquisition costs), rose to 13.0 % last year from 12.2 % in the previous year. At 10.4 % at the end of 2023 (previous year: 2.2 %), gearing remained at an exceptionally low level for property portfolio holders.



Our exclusive focus remains on the property market in Saxony. This is where our company has its roots and where we have the best and necessary contacts. This may limit our business model, but we believe it makes more sense to operate with a clear conscience in markets where we know our way around than to take on overpriced properties with low rental yields elsewhere. Our business model is also characterised by the fact that we acquire hand-picked properties – often flats let on long-term leases or smaller buildings – at low purchase prices, including from distress sales, for example in inheritance cases. New builds or dubious refurbishment measures are not part of our business model.

Due to the low purchase prices, we are able to charge rents that make it likely that our properties will be fully let, even in rural or small-town regions. Despite this, we still had a vacancy rate of 5 % at the end of 2023, which we cannot be satisfied with. This was partly due to the early refurbishment of newly acquired properties and properties already in our portfolio. We were able to take advantage of an unusually weak order situation for many tradesmen. We can see from the successful new lettings this year that this cost-conscious strategy is paying off.



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## Letter to the shareholders

We will continue on our growth path this year. In doing so, we will benefit from our extensive network with contacts to residential property agents and property managers. Of course, we also benefit from falling long-term interest rates – but unlike many other property companies, we are not dependent on them. Should the opportunity arise, we will take advantage of the improved market situation and sell individual property portfolios. This will allow us to realise hidden reserves, which we will then reinvest in attractive new acquisitions.

In principle, however, the acquisition of further units and thus the reduction of fixed costs per unit remains the most important corporate objective. To finance the upcoming investments, we, together with the Supervisory Board, will propose to the Annual General Meeting that no dividend be distributed for the past financial year, but that the net retained profits as of 31 December 2023 be carried forward to new account.

We continue to adhere to our tried-and-tested approach: we personally inspect each individual residential property, carefully check all documents, draw up a letting concept in the event of a vacancy, talk to the property management company and other tenants of the property and secure the financing. Only then do we finalise the purchase agreement. This small-scale acquisition is undoubtedly much more time-consuming than buying entire portfolios, but the result is worth the effort. If, as planned, we succeed in reducing our vacancy rate to our internal target of 3 % by the end of 2024, we still expect to achieve a double-digit rental yield on the basis of our current property portfolio - an exceptional figure that we are working hard to maintain at a similar level.

We would like to take this opportunity to thank our shareholders, business partners and friends for their trust and interest in the development of our company.

Meissen, July 2024

Yours sincerely

Falko Zschunke

Peter Thilo Hasler





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## Report of the Supervisory Board

Ladies and Gentlemen,

The Supervisory Board continued to actively promote and monitor the development of the company in the 2023 financial year. It performed the duties incumbent upon it in accordance with the law and the Articles of Association with commitment and dedication.



One ordinary meeting of the Supervisory Board was held in the 2023 financial year, at which all Supervisory Board members were present. The agenda for the Annual General Meeting was determined jointly by the Supervisory Board and the Executive Board. The votes and discussions were conducted in an open and trusting atmosphere.

The Supervisory Board approved the company's annual financial statements as at 31 December 2023.

All members of the Supervisory Board have unrestricted access to the RESCORE property platform. They can view all property-related data for the entire portfolio and follow the development of the portfolio live. Current accounting data can also be viewed and analysed. Queries from members of the Supervisory Board were answered promptly by the Executive Board; required and requested documents were provided without delay.

We would like to thank the Executive Board for its work in a dynamic and challenging environment and for the remarkably positive business performance.

Yours sincerely,

Hambühren, 18 June 2024

Bernd Albrecht

Frank Richter

Dennis van Diemen



# Corporate Governance

The Management Board and Supervisory Board of B-A-L Germany AG are committed to the principles of good corporate governance. To this end, the members of the Supervisory Board also familiarised themselves with the German Corporate Governance Code in the reporting year.

In the 2023 financial year, the Supervisory Board performed the duties incumbent upon it in accordance with the law, the articles of association, the German Corporate Governance Code and the rules of procedure with great care. It regularly advised the Executive Board on its management of the company and monitored its activities on an ongoing basis. The Supervisory Board was directly involved at an early stage in all decisions that were of fundamental importance to the company.

The Management Board informed the Supervisory Board regularly, promptly, and comprehensively about all issues of relevance to the company relating to business policy, corporate planning and strategy as well as the company's situation, including the associated opportunities and risks.

The Chairman of the Supervisory Board was also in regular contact and dialogue with the Management Board members outside of the Supervisory Board meetings. The issues

concerned related in particular to decisions on the further acquisition of properties and their financing.

All Supervisory Board members were considered independent in the reporting year. Possible conflicts between the individual interests of board members and the interests of the company, which the members of the Supervisory Board would have to disclose immediately, did not arise in the reporting year.





# 1. Business model and corporate strategy

The Management Board of B-A-L Germany AG has formulated a growth strategy that focuses closely on the acquisition and management of residential property. To this end, a portfolio of freehold flats and small apartment blocks has been built up, held, and managed since the company was founded. Some of the residential units acquired have also been refurbished in a targeted manner. The main aim is to create a yield-orientated property portfolio whose shares represent a stable and transparent investment.

### **Acquisition**

Acquisition is the key to our success. We take an extremely selective approach. The most interesting offers are selected and negotiated based on key figures. During the evaluation process, we draw on the experience of both the existing portfolio and our management partner IMMO-PLAN. The valuation result is regularly verified both after the negotiation (before the purchase) and on an ongoing basis after the acquisition. We firmly believe that it is not the location in a particular city or region that is decisive, but the micro-location within the municipality. Based on a rigorous selection process, we have built up a portfolio of residential properties located in rural areas with good infrastructure or good connections to regional centres.

Our niche is small-scale purchases. While large investors favour larger units, smaller investors or owner-occupiers are rarely found in this market. Regardless of whether they are owner-occupiers or capital investors, smaller investors normally only acquire one or at most two residential units. We, on the other hand, select the most attractive units at the location and in the respective residential complex. We accept vacancies and structural defects, as well as disturbed tenancies and, in one case, conflicts with licensing authorities, and take these issues into account when setting prices.

With the portfolio built up in this way, we generate reliable and predictable sales. Thanks to our broad diversification, we are effectively protected against the loss of individual properties or regions. Our presence in many owners' associations also enables us to maintain direct contact with the co-owners. Together with our property knowledge, this is an important advantage for further acquisitions.



## 1. Business model and corporate strategy

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### **Management/development**

The technical management of the property portfolio is carried out by our management partner IMMO-PLAN from Döbeln. This enables us to utilise economies of scale for newly acquired properties without having to maintain the necessary capacities ourselves. The commercial part of property management is mainly automated, so that unit costs fall with each new acquisition.

We organise and supervise any necessary maintenance and renovations ourselves, drawing on our many years of experience and an internally optimised process organisation. We increase basic rents moderately after the purchase. Contracts with utilities and suppliers are renegotiated and optimised, thereby reducing or at least limiting our tenants' ancillary costs.

We do not carry out any major (re)construction work. The main measures are the addition of balconies, the replacement of heating systems or the purchase of garages and parking spaces. We only carry out these measures if we can achieve a significant increase in the value of the individual units.

### **Sales**

Should opportunistic sales opportunities arise for individual properties, we will also decide to sell the property. The profits realised will be reinvested immediately. In the future, strategic rationalisation is also possible, e.g. of properties that are far away from the administrative locations. However, this area will not be actively pursued, but rather opportunistically.

### **Communication**

Since our listing on the OTC markets of the Vienna and Stuttgart stock exchanges, we have published regular half-year reports in addition to our annual financial statements. We also publish all company reports in English on a voluntary basis. We will continue to adhere to this practice in the future.

However, we will increase our participation in analyst events and investor meetings. These provide us with a platform to share detailed and up-to-date information about our company's financial situation, strategic plans, and operational activities. We firmly believe that, as a listed company, we can thus help to increase the trust and interest of investors and further strengthen the transparency of our company.



## 1. Business model and corporate strategy | 2. Portfolio structure

In addition, we will offer a continuously updated investor presentation for download on our homepage. This will give investors and interested parties a comprehensive insight into our company's business activities, financial position, and future strategies. All stakeholders thus have access to the same information at all times, which reduces information asymmetries and strengthens confidence in our company.

## 2. Portfolio structure

### Development

We acted very cautiously in the past 2023 financial year. The politically induced distortions on the energy markets hit us with a time lag. The massive increases in energy costs, coupled with the unilateral behaviour of the municipal utilities and the extended protection of tenants against debt collection measures, had to be borne primarily by the landlords. We have utilised all available reserves to pre-finance the energy costs for our tenants. At the end of 2023, however, we still have receivables from tenants in the mid five-digit range, which we will gradually reduce in the coming years by granting deferrals and agreeing instalments.

The pronounced diversification of our portfolio is also an advantage in these situations. In addition to the geographical distribution in Saxony, this diversification can be summarised as follows:

### Portfolio structure (as at 12/2023)

Living space	up to 45 m <sup>2</sup>	25%	up to 65 m <sup>2</sup>	36%	over 75 m <sup>2</sup>	39%
Year of construction of the properties	before 1945	35%	1945 to 1990	25%	after 1990	40%
Age of tenants	up to 30 years	54%	30 to 50 years	21%	over 50 years	25%
Proportion of properties owned	up to 10%	56%	10% to 50%	11%	over 50%	33%



## 2. Portfolio structure

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### **Portfolio management**

Day-to-day business is managed prudently and soundly. In doing so, we essentially set four priorities:

- Starting with acquisitions, we act in a very disciplined manner and on the basis of our purchase criteria. We select the most attractive offers from those available and focus primarily on the cash flows that can be realised after the acquisition.
- After the acquisition, we intensively manage the letting process. The properties are published on the letting platforms of our partners. We always respond promptly to viewing requests, usually on the same day, and support interested parties in making minor adjustments.
- Reduction of ancillary costs. We regularly analyse all cost items and renegotiate where possible. We reduce vacancy rates and adjust rents. Administrative costs are kept to an absolute minimum.
- We also create maximum transparency for our shareholders and partners. We publish all relevant figures and information and provide comprehensive answers to all enquiries. All data is available and can be accessed on the company's website.

### **Acquisitions**

After deducting the increased advance payments for energy costs, three new units were acquired from the surpluses generated in the past financial year. Ownership of two units was transferred to the company in 2023. The rentable space thus increased by 188 square metres to 4,521 square metres.

### **Proceeds from sale**

No sales were made in the past 2023 financial year.

### **Refurbishments**

Over the course of the year, eleven residential units with a total area of 644 square metres were renovated and partially modernised. Bank loans totalling EURk 186 were taken out for this purpose. In contrast, the planned balcony extensions in the Straße des Friedens in Döbeln had to be postponed again. The reason for the delay was the requirements of the building authorities, which had demanded a comprehensive approval process for the renovation of the balcony system involving all relevant authorities, neighbours and various



## 2. Portfolio structure | 3. Executive Board and Supervisory Board

experts. After working through all the requirements, measuring the building several times and taking additional comments and requests from the authorities into account, the final approval was granted in May 2024.

### Letting

The measures to reduce the vacancy rate were continued. The vacancy rate target of 5 % (as at 12/2023) was achieved for the existing properties.

With the newly acquired properties, we had initially purchased new vacancies, but these could be offset again in the course of 2023.

At the end of 2023, the occupancy rate was 95 %.

## 3. Executive Board and Supervisory Board

The company is led by two members of the Management Board.  
The Supervisory Board consists of three members.

Executive Board	Spokesman	Falko Zschunke	(until 2028)
	Chief Financial Officer	Peter Thilo Hasler	(until 2028)
Supervisory Board	Chairman	Bernd Albrecht	(until 2024)
	Deputy Chairman	Frank Richter	(until 2024)
	Member	Dennis van Diemen	(until 2028)



As agreed, the Executive Board member Mr Zschunke will continue to receive no remuneration for his activities. This agreement applies until a sustainable positive business result is achieved. The remuneration of the Management Board member Mr Hasler takes the form of fixed remuneration in the form of share options with sphaia advisory GmbH, Munich. The company grants the members of the Supervisory Board a lump-sum expense allowance. The members of the Supervisory Board do not receive any further remuneration.



#### 4. B-A-L Germany AG on the capital market

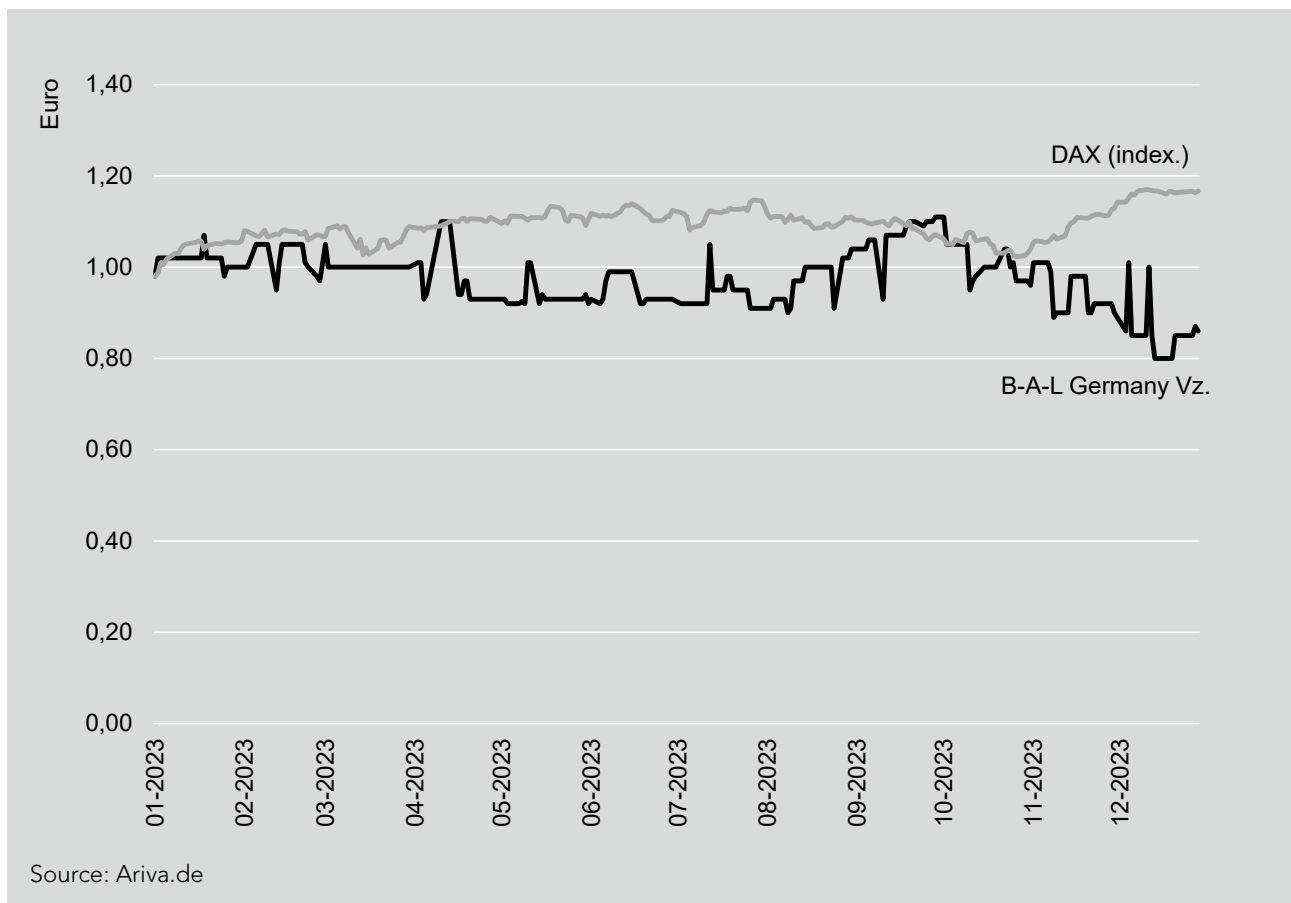
## 4. B-A-L Germany AG on the capital market

Shareholders will have fond memories of 2023. Despite a difficult starting position, with rising inflation rates, high key interest rates, ongoing geopolitical tensions and a war in Europe, the stock markets made strong gains. Following a year-end rally, which many experts and analysts had feared would come to an end in 2023, Germany's leading equity index, the DAX, rose by more than 20 % over the course of the year. In the meantime, the DAX reached new highs and even surpassed the 17,000-point mark.

### Share price

B-A-L Germany's share price was unable to benefit from this positive capital market environment, falling by 14.9 % over the year as a whole.

### Share price B-A-L Germany AG Vz. versus DAX





## 4. B-A-L Germany AG on the capital market

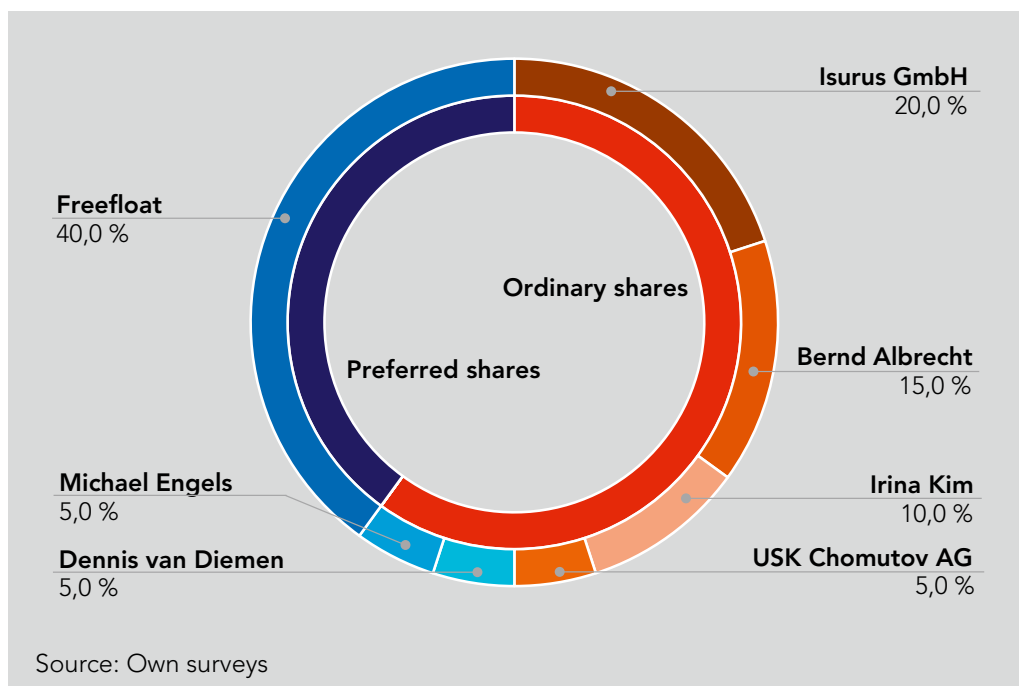
The average trading volume of B-A-L Germany AG shares in the past year was 710 shares per day. Measured in euros, shares with an average daily value of around EUR 476 were traded in 2023. The vast majority of these shares were traded on the Stuttgart Stock Exchange, while shares were only traded on the Vienna Stock Exchange on 15 days.

B-A-L Germany shares reached their highest daily closing price of the year on 29 September 2023 at EUR 1.11, while the lowest daily closing price was recorded between 14 and 20 December 2023 at EUR 0.80.

As of 31 December 2023, the market capitalisation of the preference shares of B-A-L Germany AG amounted to EUR 688,000.

The following diagram shows the shareholdings according to our own surveys and the voting rights reported by shareholders in accordance with Sections 33 and 34 of the German Securities Trading Act (WpHG), based on the current share capital.

### Shareholder structure



According to the free float definition of Deutsche Börse AG, the preference shares are fully attributable to the free float. As of 31 December 2023, the free float of B-A-L Germany shares therefore amounted to 40 percent of the outstanding share capital of EUR 2.0 million.



## 5. Economic development in the 2023 financial year

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# 5. Economic development in the 2023 financial year



In a year characterised by difficult conditions in the residential property sector, B-A-L Germany AG performed well. Without exception, all of the company's relevant key performance indicators developed positively year-on-year.

Rental income, which remains the company's sole source of revenue, rose by 14.6 % to EURk 348.0 in the 2023 financial year from EURk 303.8 in the previous year. The residential property portfolio increased to 92 from 89 units at the end of the year as a result of acquisitions. As a result, the rentable living space increased by 4.3 % to a total of 4,521 square metres at the end of 2023 from 4,333 square metres in the previous year.

Vacancy rates are not uniformly defined in the property industry. According to the EPRA guidelines, which B-A-L Germany AG also follows, the vacancy rate is calculated as the ratio of the expected rental value of vacant space to the expected rental value of the entire existing property portfolio. Properties under development are not

taken into account. According to this definition, the vacancy rate at the end of 2023 was 5 %, compared to 6 % in the previous year.

In relation to the average rentable residential space, the monthly rent per square metre improved to EUR 5.00 after EUR 4.88 per square metre in the previous year, with a declining vacancy rate.

Due to the fixed cost depression inherent in the business model, earnings before interest, taxes, depreciation and amortisation (EBITDA) improved disproportionately to EURk 153.7 from EURk 68.5 in the same period of the previous year. This was also reflected in earnings before interest and taxes (EBIT), which multiplied from EURk 11.1 to EURk 61.4. After taxes, B-A-L Germany AG achieved earnings of EURk 35.0 in the 2023 financial year, compared to a loss of EURk -7.1 in the previous year.



## 5. Economic development in the 2023 financial year

The Executive Board's own expectations were therefore significantly exceeded at sales and earnings level.

The balance sheet total as of 31 December 2023 was EURk 3,395.8 (previous year: EURk 3,142.4). With equity of EURk 2,259.2 (previous year: EURk 2,231.7), the equity ratio was 66.5 % (previous year: 71.0 %). The return on average equity employed was therefore 1.3 %.

As a residential property portfolio holder, B-A-L Germany operates in a capital-intensive sector. Access to debt capital is a key success factor. As at the reporting date of 31 December 2023, interest-bearing liabilities totalled EURk 234.6 (previous year: EURk 50.1). At 10.4 % (previous year: 2.2 %), the gearing of B-A-L Germany AG remained at a low level for a residential property portfolio holder. The optimisation of the capital structure by taking out further bank loans therefore remains highly relevant and, alongside the reduction in the vacancy rate, is one of the decisive factors for the overall result of B-A-L Germany AG.

### Key data on the property portfolio of B-A-L Germany AG

		2018	2019	2020	2021	2022	2023
Number of units		48	67	81	81	89	92
Living space	square metres	1.648	2.781	3.749	3.749	4.333	4.521
YoY	%	96,2 %	68,8 %	34,8 %	0,0 %	15,6 %	4,3 %
Vacancy rate	%	3 %	8 %	11 %	9 %	6 %	5 %
Rental income	EURk	87,7	169,8	262,2	296,0	303,8	348,0
YoY	%	n/a	93,6 %	54,4 %	12,9 %	2,6 %	14,6 %
Rent per square metre per month	EUR	5,40	5,05	5,04	5,05	4,88	5,00



## 6. The residential property market in Saxony

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# 6. The residential property market in Saxony

The Free State of Saxony has been experiencing an economic renaissance since 2005. This upturn, often described as reindustrialisation, has led to the development of a manufacturing sector that is primarily characterised by small and medium-sized enterprises. In particular, the development of a more small-scale economic structure helped to reduce unemployment rates from double-digit to mid-single-digit percentages within just a few years. At the same time, Saxony has succeeded in re-establishing itself as a centre of (industrial) research, with the result that numerous research institutes now have sites in Saxony. With an expenditure share for research and development of around 3.1 % of gross domestic product, Saxony reached fifth place in the nationwide research and development ranking in 2021 (more recent figures are not available), together with Hesse, and Saxony is also in the good midfield nationwide in absolute terms (source: Federal Ministry of Education and Research).

Saxony's gross domestic product totalled around EUR 156 billion in 2023 (source: Federal and State Statistical Offices). In nominal terms, this corresponds to an increase of 6.7 %. However, the increase was due to inflation. In price-adjusted terms, Saxony's economic output fell by 0.6 % last year (source: Saxon State Chancellery) and thus more sharply than the national average of minus 0.3 % in price-adjusted terms (source: Federal Statistical Office).

With an annual average (2023) of 6.2 %, the unemployment rate in Saxony was slightly above the national average of 6.0 % (source: Federal Employment Agency). As of 30 November 2023 (more recent figures are not yet available), the population in the Free State was reported to be around 4.092 million, 0.2% higher than at the end of 2022. The Saxony State Statistical Office had already reported a net influx of 1.1 % into the state in 2022, including to regions with weaker infrastructure, after almost exclusively net outflows had been recorded since reunification.

The housing market in Saxony followed the trend of previous years. At the end of 2022 (more recent figures are not available), there were 2.401 million flats in Saxony, 0.4 % more than in the previous year. In contrast, the number of building permits for new residential buildings once again declined significantly: in 2023, only 2,333 building permits for new residential buildings were issued in Saxony, compared to 3,887 in the previous year (source: Statistical Office of the Free State of Saxony).



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## 7. Strengths and weaknesses, opportunities and risks

For us, this development means an opportunity to increase capacity utilisation and improve the quality of prospective tenants. However, this development also creates additional challenges for us. The significant rise in interest rates since 2022 has made debt-financed acquisitions more expensive and the further increase in ancillary costs is causing problems for some of our tenants. In the past 2023 financial year, however, we coped well with the bow wave of cost increases through consistent cost-cutting measures and were rewarded with a positive after-tax result. Our conservative property management strategy has proven its worth even in this difficult situation.

## 7. Strengths and weaknesses, opportunities and risks

We have identified the following strengths as well as growth and earnings opportunities for B-A-L Germany:

### **Consolidation of the administrator market**

Our management partner IMMO-PLAN grew significantly last year. Smaller management companies that started work at the beginning of the 1990s are for sale or have sold their portfolios. The growth of our management partner will continue to provide us with sales offers in the future.

### **Development of the economic environment**

The value and utilisation of the property portfolio are currently and in the foreseeable future positively influenced by the following factors:

- Migration from rural areas to cities and centres of large municipalities
- Increase in the cost of new construction activities due to bureaucratisation of housing construction
- Interest rate increases and the resulting reluctance of investors to make major investments (house building)
- Increasing demand for living space, especially for smaller household sizes

### **Digitalisierung**

The RESCORE system, which has been tried and tested for years, was significantly improved and simplified with version 2.0 at the end of 2021. The early identification of risks and



## 7. Strengths and weaknesses, opportunities and risks

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the permanent comparison of the actual situation with expectations from the acquisition phase continue to take centre stage. The system is regularly adapted to new developments and findings. If risks are identified, measures to avoid and deal with the effects are initiated immediately.

In addition, the introduction of our RESCORE 2.0 administration tool enables further automation of billing and administration processes, which will lead to further savings in personnel costs. In addition, the evaluation of tender objects has been simplified, enabling the review and evaluation of more tenders.

### **Acquisition and financing**

The rise in interest rates is making it more difficult to finance acquisitions economically and to reduce the company's interest burden in the medium term. We are still in dialogue with the most important shareholders and investors in order to assess the possibilities of raising capital on economic terms.

The main weaknesses and risks for the company's operating business arise from the following areas:

### **Identification of less suitable properties for purchase**

Rising prices in the major cities and, as a result, in the surrounding areas could lead to a shortage of supply in sought-after price ranges.

However, the supply of residential property exceeds the financial possibilities of demand many times over. We therefore assume that this risk is very unlikely to materialise in the coming years. We are also currently observing a generational shift among sellers. The investors of the 1990s have now reached an advanced retirement age and the heirs often lack a regional connection. This circumstance should contribute to a stable supply in the medium term.

### **Unexpectedly high vacancy rate**

A major risk for housing companies is vacancy, as vacancy costs such as house rent and letting commissions are added to the lost income.

Newly acquired properties always have vacancies, but we take these into account when negotiating the purchase price. Letting is driven forward in close co-operation with our management partner IMMO-PLAN and with high pressure. New lettings begin with the



## 7. Strengths and weaknesses, opportunities and risks

publication of the rental offer (sometimes with archive photos) as soon as the tenants give notice (for properties in the portfolio) or when the purchase agreement is signed (for new acquisitions), so that the number of months of lost rent can generally be limited.

### **Default by tenants**

If tenants owe rent, the landlord is usually faced with a costly legal process, which often results in considerable damage.

As a rule, the ordinary legal process takes at least one year before a residential unit can be re-let. However, this only applies if the tenant who is unwilling to pay leaves the flat in good order and does not take effective legal action. Prevention is the method of choice to avoid rent default from the outset. For new tenancies, a large number of documents and certificates are requested in order to identify difficult cases in advance. In the event of bottlenecks and proactive communication from a tenant, sensible solutions are agreed. In the worst-case scenario, B-A-L Germany always uses the harshest means possible. If a tenant exceeds the two-month period, a termination without notice is issued. Statistically, this case currently only occurs every two years in relation to BAL-Germany's entire property portfolio, which speaks in favour of the effectiveness of the checks prior to the start of the contract.



### **Rising maintenance costs**

The owners' associations can decide by majority vote on cost allocations for necessary refurbishment measures, which are then to be borne proportionately by all owners of a community – including B-A-L Germany AG.

The company actively participates in the decision-making processes of the owners' associations and supports the respective administrations in finding sensible solutions to any problems that arise. In this way, costly bad investments are avoided in advance. In addition, B-A-L Germany is regularly represented by a partner management company in the owners' association for holdings of more than 30 %.



## 7. Strengths and weaknesses, opportunities and risks | 8. Forecast report

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### **Difficulties in raising capital**

Risks from the capital market environment mainly include cyclical market developments that could make it more difficult to access additional equity.

The company aims to convince investors that it is an attractive investment in all market cycles through its comprehensive information strategy and consistent dividend policy. In the past financial year, the company also succeeded in expanding its network of potential placement partners, which reduces dependencies.

### **Political interventions**

In our view, the need for further regulation and bureaucratisation on the part of politicians has grown. There is a tendency to introduce further reporting and auditing obligations for the economy. Private rental companies with their property assets appear to be a popular target. On the one hand, it is not possible to switch to another jurisdiction, and on the other hand, any regulation that is to the detriment of landlords reaches a large group of voters. This also explains the high-profile actionism with which politicians intervene in the property rights and freedoms of private landlords.

Despite the high probability of occurrence, the impact of any regulations (rent and cap brakes, expropriation, etc.) on B-A-L Germany is rather low. The size of the company allows the use of size-dependent optimisations. In particular, rents are at a very low level, meaning that B-A-L Germany will only be affected by the planned measures with a low probability, even taking into account occasional rent increases.

## 8. Forecast report

The weakening of the property markets and the decline in property values as a result of high inflation and the rapid rise in interest rates pose major challenges for the sector. The number of property transactions continues to fall, while at the same time decision periods are becoming longer and longer. Construction and energy costs are also expected to continue to rise, which is having a negative impact on new residential construction. This will directly affect metropolises with above-average population growth in particular, but also the surrounding areas indirectly.



## 8. Forecast report

In this environment, B-A-L Germany is well positioned to utilise existing market opportunities. Property revaluations, as required under the International Financial Reporting Standards (IFRS), are not applied at B-A-L Germany, as these are not provided for under HGB. Our company's operating result is therefore an unbiased indicator of the earnings performance of B-A-L Germany AG.

When properties are offered to us from our broad circle of agents, we can issue a binding purchase commitment within a few days thanks to our proprietary scoring model. This means that we are not only considerably faster than the large, often cumbersome property groups with their deep hierarchical structures, but can also buy on much more favourable terms than when a property is marketed on the usual internet portals.

At the same time, there is stable demand for high-quality residential properties in good micro-locations in our favoured B and C cities in the Free State of Saxony. We will not make the mistake of acquiring combined portfolios; instead, we continue to favour the acquisition of individual flats in small units, as these are the only way to realise the double-digit rental yields we are aiming for.

On the basis of these fundamental unique selling points, the further, sustainable increase in B-A-L Germany AG's earning power remains the focus of corporate management. In doing so, we are essentially pursuing the following strategic directions:

- Further acquisitions of attractive residential properties, financed from operating cash flows and by taking out bank loans
- Reduction in the vacancy rate to 3 % from 5 % at the end of 2023 through sustainable new lettings
- Significant improvement in the pre-tax result to EURk 50 from EURk 35 based on the increased portfolio of residential properties and a reduction in the vacancy rate
- Realisation of hidden reserves through opportunistic sales of properties that do not or no longer meet the strategic requirement profile.





## 8. Forecast report

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Even if the registered authorised capital would enable us to react to opportunities at short notice, we are not considering increasing our equity at the current share price level. The only remaining source of external financing is therefore borrowing. In principle, this can take the form of bank loans and corporate bonds. So far, however, our discussions with the banks contacted have not resulted in any economically viable financing offers. This is due in particular to the low loan amount that we would require for the acquisition of individual residential units, which is disproportionate to the fixed costs incurred by banks for granting a loan. Our capital requirements are also still too low for the corporate bond market.

Against this background, we have formulated goals for the coming years:

- Acquisition of up to 20 new residential units with a total area of up to 1,000 square metres
- Preparation of borrowing to sustainably improve return on equity

### **Sustainability**

Maintaining the value of the property portfolio is particularly important for a small company. Economical operation with a consistently high occupancy rate can only be achieved with well-maintained flats in an attractive environment. Equally important are respectful and fair dealings with tenants, tradespeople and service providers, which is why this is part of our everyday practice.

A certain amount of effort is required to reflect current sustainability issues in the reporting system. We have decided to develop a sustainability strategy in the coming years. As a first step, we will begin with an inventory in 2023. The plan is to record the energy requirements of the building stock and collate basic factors such as energy generation, the size and quality of green spaces and the types of supply and disposal. Based on the data obtained, we will define a target and submit it to the shareholders for approval.

In view of the associated costs, an ESG rating is not planned for the time being.





## 9. Annual financial statements

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# 9. Annual financial statements

### ASSETS

	EUR	Financial Year EUR	Prior Year EUR
<b>A. Noncurrent assets</b>			
I. Intangible fixed assets			
1. Purchased licences, trademarks and similar rights and values as well as licenses to such rights and values		3,789.00	10,284.00
II. Tangible fixed assets			
1. Properties, rights equivalent to real property and buildings, including buildings on third-party land	2,678,449.56		2,497,807.99
2. Other equipment, operating and office equipment	3.00		3.00
3. Advance payments made and construction in progress	<u>232,862.18</u>		<u>137,670.14</u>
		<u>2,911,314.74</u>	<u>2,635,481.13</u>
Total noncurrent asset		2,915,103.74	2,645,765.13
<b>B. Current assets</b>			
I. Receivables and other assets			
1. Trade receivables	237,424.79		231,155.80
2. Other assets	199,897.07		158,159.86
– of which remaining term greater than 1 year EUR EUR 150.944,88 (EUR 133.157,66)			
		<u>437,321.86</u>	<u>389,315.66</u>



## 9. Annual financial statements

### ASSETS

	Financial Year EUR	Prior Year EUR
II. Cash on hand, central bank balances, bank balances, and checks	19,233.59	97,378.84
Total current assets	456,555.45	486,694.50
<b>C. Prepaid expenses</b>	<u>24,144.63</u>	<u>9,980.81</u>
	<b><u>3,395,803.82</u></b>	<b><u>3,142,440.44</u></b>





## 9. Annual financial statements

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### TOTAL EQUITY AND LIABILITIES

	EUR	Financial Year EUR	Prior Year EUR
<b>A. Equity</b>			
I. Subscribed capital		2,000,000.00	2,000,000.00
II. Capital reserves		560,000.00	560,000.00
III. Accumulated losses brought forward		329,292.48	322,184.84
IV. Net income for the financial year		28,453.78	7,107.64 –
Total equity		<u>2,259,161.30</u>	<u>2,230,707.52</u>
<b>B. Provisions</b>			
1. Other provisions		16,743.00	13,244.92
<b>C. Liabilities</b>			
1. Liabilities to financial institutions	234,632.48		50,147.67
– of which remaining term up to 1 year EUR 0.00 (EUR 147.67)			
– of which remaining term greater than 1 year EUR 234,632.48 (EUR 50,000.00)			
2. Trade payables	106,225.99		72,470.81
– of which remaining term up to 1 year EUR 106,225.99 (EUR 72,470.81)			
3. Other liabilities	772,973.47		770,465.52
– of which taxes EUR 0.00 (EUR 196.33)			



## 9. Annual financial statements

### TOTAL EQUITY AND LIABILITIES

	Financial Year EUR	Prior Year EUR
– of which remaining term up to 1 year EUR 408,293.90 (EUR 405,283.96)		
– of which remaining term greater than 1 year EUR 364,679.57 (EUR 365,181.53)		
	1,113,831.94	893,084.00
<b>D. Prepaid expenses</b>	6,067.58	5,404.00
	<b>3,395,803.82</b>	<b>3,142,440.44</b>





## INCOME STATEMENT from 01/01/2023 to 31/12/2023

# INCOME STATEMENT from 01/01/2023 to 31/12/2023

	EUR	Financial Year EUR	Prior Year EUR
1. Sales		<u>348,039.14</u>	<u>303,772.43</u>
<b>2. Gross revenue</b>		<b>348,039.14</b>	<b>303,772.43</b>
3. Other operating income			
a) Income from reversal of provisions	196.92		835.00
b) Miscellaneous other operating income	<u>73,926.47</u>		<u>23,150.90</u>
		74,123.39	23,985.90
4. Cost of materials			
a) Cost of raw materials, consumables and supplies, and of purchased merchandise	27.75 –		29.45 –
b) Expenses for purchased services	<u>0.00</u>		<u>1,300.00</u>
		27.75 –	1,270.55
5. Personnel expenses			
a) Wages and salaries	6,364.80		6,916.59
b) Social security contributions and expenses for pensions and other benefits	<u>3,269.18</u>		<u>4,388.02</u>
		9,633.98	11,304.61
6. Depreciation and amortization			
a) Of noncurrent intangible assets and property, plant and equipment		92,274.78	57,364.33



## INCOME STATEMENT from 01/01/2023 to 31/12/2023

	EUR	Financial Year EUR	Prior Year EUR
– of which extraordinary write-downs EUR 30.260,96 (EUR 0,00)			
7. Other operating expenses			
a) Occupancy costs	179,215.21		156,152.99
b) Insurance premiums, fees and contributions	658.76		397.50
c) Cost of third-party repairs and maintenance	23,976.59		18,088.82
d) Advertising and travel expenses	250.79		118.66
e) Selling and distribution expenses	6,568.80		6,009.50
f) Miscellaneous operating costs	34,171.20		46,926.60
g) Miscellaneous other operating expenses	14,018.01		18,997.11
		258,859.36	246,691.18
8. other interest and similar income		297.47	216.61
9. Interest and similar expenses		26,769.06	12,598.94
10. Taxes on income and earnings		0.59 –	1.79
<b>11. Net income/net loss after tax</b>		<b>34,951.16</b>	<b>1,256.46 –</b>
12. Other taxes		6,497.38	5,851.18
<b>13. Net income for the financial year</b>		<b>28,453.78</b>	<b>7,107.64 –</b>

