

B-A-L Germany AG

Annual Report 2024

Executive Summary

- Confirmation of the business model: significant improvement in earnings before interest and taxes (EBIT) to EURk 75.2 from EURk 61.4 in the previous year
- The rental yield based on the total gross acquisition costs including incidental acquisition costs increases to 13.3% from 13.0% in the previous year
- Lettable space increases to 4,642 square metres at the end of 2024 (+2.7% YoY)
- Occupancy rate improves to 97% at the end of 2024 from 95% at the end of 2023
- Refurbishment and partial modernisation of nine residential units with a total of 610 square metres
- Due to HGB accounting, no IFRS-typical changes in the valuation of the property portfolio are affecting the annual result
- For the current financial year, a further improvement in earnings before interest and taxes to EURk 95 from EURk 75.2 is expected. This forecast is based on the currently planned borrowing of funds
- Planned acquisitions of attractive residential properties, financed from operating cash flows and by taking out bank loans
- Planned realisation of hidden reserves through opportunistic sale of properties that no longer meet the strategic profile

Selected key figures, 2024 vs. 2023			
		2023	2024
Turnover	EURk	348.0	360.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	EURk	153.6	137.6
in % of sales revenue	%	44.1%	38.1%
Earnings before interest and taxes (EBIT)	EURk	61.4	75.2
in % of sales revenue	%	17.6%	20.9%
Earnings before taxes	EURk	35.0	40.3
Earnings after taxes	EURk	28.5	33.6
Property, plant, and equipment	EURk	2,678.5	2,708.1
Equity capital	EURk	2,259.2	2,292.8
Equity ratio	%	66.5%	66.2%
Gearing ratio	%	36.9%	35.5%

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Letter to our Shareholders

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

As at the reporting date of 31 December 2024, our property portfolio comprised a total of 94 properties (previous year: 92). As a result of further acquisitions, the lettable area increased by 2.7% from 4,521 square metres in the previous year to 4,642 square metres. The rental income generated from this increased by 3.7% from EUR 348.0 thousand to EUR 360.8 thousand in the reporting year. As a result, the rental yield - based on the total gross acquisition costs including incidental acquisition costs - increased from 13.0% in the previous year to 13.3% in the 2024 financial year. The gearing ratio was just 35.5% at the end of 2024 (previous year: 36.9%) and thus remained at an exceptionally low level for a property portfolio holder.

Our entrepreneurial focus remains exclusively on the property market in Saxony. Not only are the origins of our company in this region, but we also have a robust network and in-depth market knowledge here. Even if this geographical focus potentially limits the scaling possibilities of our business model, we consider it economically sensible and risk-adequate to operate exclusively in markets in which we have in-depth expertise - instead of accepting excessive purchase prices and correspondingly lower rental yields in outside, less-known regions.

Our business model is also characterised by the fact that we specifically acquire selected residential units or smaller residential buildings, often with long-term leases, at comparatively low purchase prices, for example as part of distress sales, such as those resulting from inheritances. The acquisition of new buildings and the realisation of high-risk renovation projects are not part of our business model.

The low acquisition costs of our properties compared to the market environment enable us to charge rents that ensure a high degree of competitiveness. Even in rural or small-town locations, these rents contribute significantly to sustainable full occupancy. This was demonstrated last financial year when we succeeded in reducing the vacancy rate to 3% as of 31 December 2024. We therefore achieved our target. This was also made possible by the refurbishment measures carried out in previous years on newly acquired and existing properties.

We intend to consistently pursue our growth strategy in the current financial year, even in an environment of rising long-term interest rates. In doing so, we rely on a resilient and broadly diversified network of residential property agents and property management companies, which provides us with continuous access to attractive investment opportunities.

It is also planned that we will selectively sell individual properties of our portfolio if suitable market opportunities arise in order to realise existing hidden reserves. The funds generated from this will be

reinvested in new acquisitions with higher returns, thereby strengthening our capital base and further improving the quality of our portfolio.

The targeted expansion of our property portfolio remains our primary strategic goal. We see this as a key lever for sustainably increasing the value of the company - in particular by continuously reducing fixed costs per unit and optimising operating efficiency. In view of upcoming investment projects and to ensure long-term value creation, we will propose to the Annual General Meeting - in close consultation with the Supervisory Board - that no dividend be distributed for the 2024 financial year. The net retained profits reported as of 31 December 2024 are to be carried forward in full to new account so as to strengthen equity in a targeted manner and create additional financial leeway for future investments.

We will continue to pursue our consistently quality-orientated investment approach in the future. Every potential acquisition is subject to a structured review process: every residential property is inspected in person on site and all relevant documents are analysed in detail. In the case of existing vacancies, we develop property-specific letting concepts, hold talks with the property management company and - where possible - with existing tenants, and secure financing at an early stage. The purchase is only finalised once this inspection has been successfully completed.

This selective, small-scale approach undoubtedly requires more resources than the acquisition of entire portfolios, but it gives us much better control of the quality, earnings potential, and risks of individual investments.

For the current financial year, we aim to stabilise the vacancy rate of our portfolio at our internal target of 3%. If we succeed in doing so, we continue to expect a rental yield in the clear double-digits for the current portfolio - an exceptional yield compared to the market, which we want to secure and build on in the future with active portfolio management and operational excellence.

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, April 2025

Yours sincerely

Falko Zschunke

Peter Thilo Hasler

Report of the Supervisory Board

Ladies and Gentlemen,

The Supervisory Board continued to actively promote and monitor the development of the company in the 2024 financial year. It performed the tasks incumbent upon it in accordance with the law and the Articles of Association with commitment and dedication. This was based on the detailed reports of the Executive Board, most of which were presented orally. The Chairman of the Supervisory Board also regularly exchanged information and ideas with the Chairman of the Executive Board.

In the 2024 financial year, one ordinary meeting of the Supervisory Board was held on 20 September 2024. All Supervisory Board members were present at this meeting. The agenda for the Annual General Meeting was determined jointly by the Supervisory Board and the Executive Board. The discussions were held in an open and trusting atmosphere. The focus of the Supervisory Board meeting was the resolution of the 2024 Annual General Meeting and the resolution of the 2025 budget.

The Supervisory Board adopted the company's annual financial statements as of 31 December 2024 on 14 April 2025.

All Supervisory Board members have unrestricted access to the RESCORE property platform. They can view all property-related data for the entire portfolio and monitor the portfolio development in real time. The latest accounting data can also be reviewed and analysed. Questions from Supervisory Board members were answered promptly by the Executive Board; necessary and requested documents were provided without delay.

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

Yours sincerely,

Hambühren, 14 April 2025

Bernd Albrecht

Dennis van Diemen

Ernst G. Wittmann

Corporate Governance

Responsible and transparent corporate governance lays the foundation for the trust of investors, customers, employees, and the public in our company. As a company listed on the open market, the Executive Board and Supervisory Board of B-A-L Germany AG are committed to the principles of good corporate governance. The Executive Board and Supervisory Board are always guided by the regulations of the German Corporate Governance Code (GCGC).

The Executive Board is responsible for managing the company with the aim of achieving a sustainable increase in value. In doing so, it develops and implements the corporate strategy, makes operational and strategic decisions, and ensures compliance with legal requirements and internal guidelines. The Executive Board reports regularly, promptly, and comprehensively to the Supervisory Board on all significant developments and business transactions, corporate planning and strategy, as well as the company's situation, including the associated opportunities and risks.

The Supervisory Board monitors and advises the Executive Board with great diligence in the management of the company. It is composed of independent and professionally qualified members who, in their entirety, have the necessary knowledge, skills, and experience. Its main tasks include the appointment and dismissal of members of the Executive Board and the approval of important company decisions. The Supervisory Board was involved directly and at an early stage in all decisions of fundamental importance to the company.

A close and trusting dialogue between the Executive Board and the Supervisory Board is essential for effective corporate governance. Regular meetings and reports ensure that the Supervisory Board is informed about the financial situation, strategy, and significant corporate risks at all times. Both bodies pursue the common goal of ensuring the long-term success of the company and safeguarding the interests of stakeholders. The Chairman of the Supervisory Board was also in regular contact and dialogue with the Executive Board outside of Supervisory Board meetings. These discussions primarily concerned decisions regarding the acquisition of further properties and their financing.

All Supervisory Board members were considered independent in the reporting year. Potential 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 Executive Board of B-A-L Germany AG has developed a targeted growth strategy focused on the acquisition and sustainable management of residential properties. Since formation of the company, a portfolio of condominiums and smaller apartment buildings has been built, managed, and continuously optimised. In this context, a number of selected residential units have been specifically refurbished in order to increase their value and earnings potential. The overriding aim is the development of a yield-oriented property portfolio that provides an attractive investment for investors through stable value and transparency.

Acquisition

Purchasing is the key to our success. We pursue an extremely selective investment strategy. Incoming offers are analysed on the basis of clearly defined figures and only the most promising properties are included in the negotiations. Both our many years of experience from the existing portfolio and the expertise of our management partner IMMO-PLAN are included in the evaluation. The evaluation result is not only reviewed before purchase, but also regularly after acquisition. It is our conviction that it is not the city or region, but the micro-location within a community that is crucial for the long-term success of a property. We therefore target residential properties in rural areas with good infrastructure or good connections to regional centres.

Our focus is on small-scale acquisitions. While large investors primarily acquire larger properties and smaller investors usually only buy one or two units, we specifically select the most attractive apartments within a residential complex or location. In doing so, we knowingly accept challenges such as vacancies, structural defects, disturbed tenancies or, in individual cases, issues with regulatory authorities and factor these appropriately into our pricing strategy.

From this strategically compiled portfolio, we generate stable and predictable revenues. Our broad diversification effectively protects us from potential losses on individual properties or local market fluctuations. In addition, our presence in numerous owners' associations enables us to communicate directly with co-owners - a decisive advantage for future acquisitions and the selective development of our portfolio.

Management/development

The technical management of our property portfolio is performed by our long-standing management partner IMMO-PLAN, based in Döbeln. This cooperation allows us to efficiently exploit economies of scale in newly acquired properties without the need to maintain our own personnel or infrastructural capacities. The commercial side of property management is largely automated, so the management costs per unit continuously decrease with each additional acquisition.

We organise and monitor necessary maintenance and renovations independently. In doing so, we not only benefit from our many years of experience, but also from an optimised internal process structure that ensures efficient implementation. Basic rents are adjusted with a sense of proportion after acquisition. At the same time, we review and optimise contracts with utilities and service providers in order to reduce our tenants' operating costs for or at least keep them stable.

As a matter of principle, we do not carry out major conversions or new builds. Instead, we concentrate on targeted measures such as the addition of balconies, the replacement of heating systems, or the acquisition of additional garages and parking spaces. These types of investments are only made if they are expected to significantly increase the value of the respective unit.

Sales

If attractive sale opportunities arise for individual properties, we review the possibility of a sale and decide on a sale depending on the situation. The profits thus realised flow directly into new investments. Strategic adjustments are also conceivable in the future, for example the sale of properties that are situated further away from our administrative locations.

So far, however, we have not actively pursued this process. Together with the Supervisory Board, the Executive Board has decided to no longer pursue this part of our value chain opportunistically, but to bring it more to the fore in order to realise hidden reserves in the current and coming years.

Communication

Since our listing on the open market of the Vienna and Stuttgart stock exchanges, we have regularly published half-year reports in addition to our annual financial statements. Furthermore, we voluntarily make all company reports available in English - a practice that we will continue in future.

We will also increase our presence at analyst conferences and investor meetings. These events provide a valuable opportunity to share detailed and up-to-date information about our company's financial development, strategic direction, and operating activities directly with investors. As a company listed on the OTC market, we are convinced that an open dialogue strengthens the trust and interest of our investors while also increasing transparency.

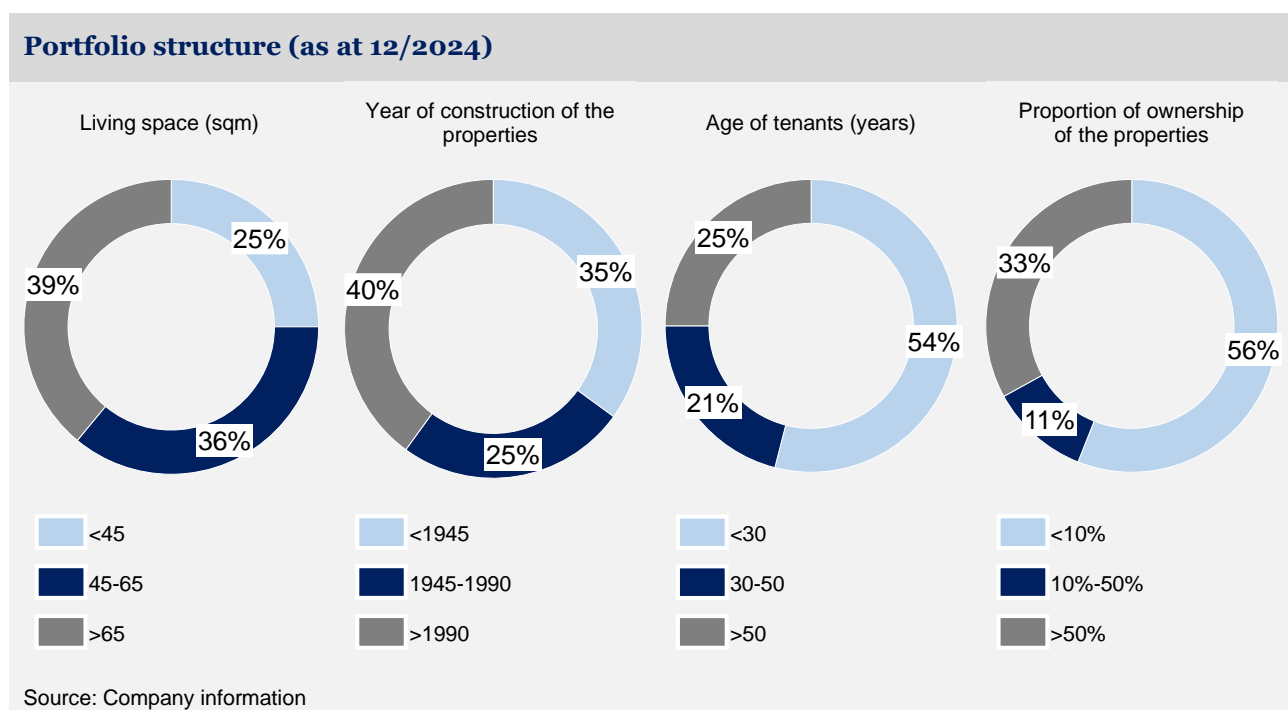
In addition, we will continue to provide a regularly updated investor presentation for download on our website. It gives investors and interested parties a comprehensive insight into our business development, financial position, and future strategy. The transparent access to information ensures that all stakeholders have access to the same relevant data at all times, which reduces information asymmetries and further strengthens the trust in our company.

2. Portfolio Structure

Development

Two residential units with a combined living space of 121 square metres were acquired in the past financial year 2024. The two flats are in good, central locations in Frankenberg and Rossau and are let. Total acquisition and production costs were around 55,000 euros.

A central component of our corporate strategy is guided by our conviction that the diversification of our portfolio is a decisive advantage. Diversification is not limited to the geographical distribution of properties across Saxony. Other diversification elements are summarised in the following diagram:



Portfolio management

We manage our day-to-day business in a prudent, solid, and cost-conscious manner. In doing so, we essentially set four priorities:

- Starting with acquisitions, we act in a very disciplined manner and based on 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 placed on the letting platforms of our partners. We always respond promptly to viewing requests, usually on the same day, and support interested parties with minor adjustments.
- Reducing ancillary costs. We conduct regular analyses of 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 on our portfolio holdings is available and can be accessed on the company's website.

Acquisitions

After deducting the increased prepayments for energy costs, two new units were acquired from the operating surplus of the past financial year. Ownership of both units was transferred to the company in 2024. The rentable space thus increased by 121 square metres to 4,642 square metres.

Proceeds from sale

As in previous years, no sales were made in the 2024 financial year. The focus of our business activities remains on expanding the profitable portfolio. Nevertheless, property sales will become increasingly important in the future, as they unlock hidden reserves that can be beneficial for the acceptance of our business model on the capital markets.

Refurbishments

Nine residential units with a total living space of 610 square metres were renovated and modernised during the financial year. For financing, a bank loan totalling around EUR 115 thousand was taken out.

Letting

The efforts to reduce the vacancy rate were continued. The target of a vacancy rate of 4% (as at 12/2024) was achieved for the existing properties, with a vacancy rate of 3%. At the end of 2024, the occupancy rate was thus 97%, which corresponds to full occupancy of the portfolio based on typical relocation activities.

3. Executive Board and Supervisory Board

The company is managed by two members of the Executive Board. The Supervisory Board consists of three members.

Management Board

Speaker	Falko Zschunke	until 2028
Chief Financial Officer	Peter Thilo Hasler	until 2028

Supervisory Board

Chairman	Bernd Albrecht	until 2029
Deputy Chairman	Dennis van Diemen	until 2028
Member	Ernst G. Wittmann	until 2029

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 Executive Board member Mr Hasler takes the form of a 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.

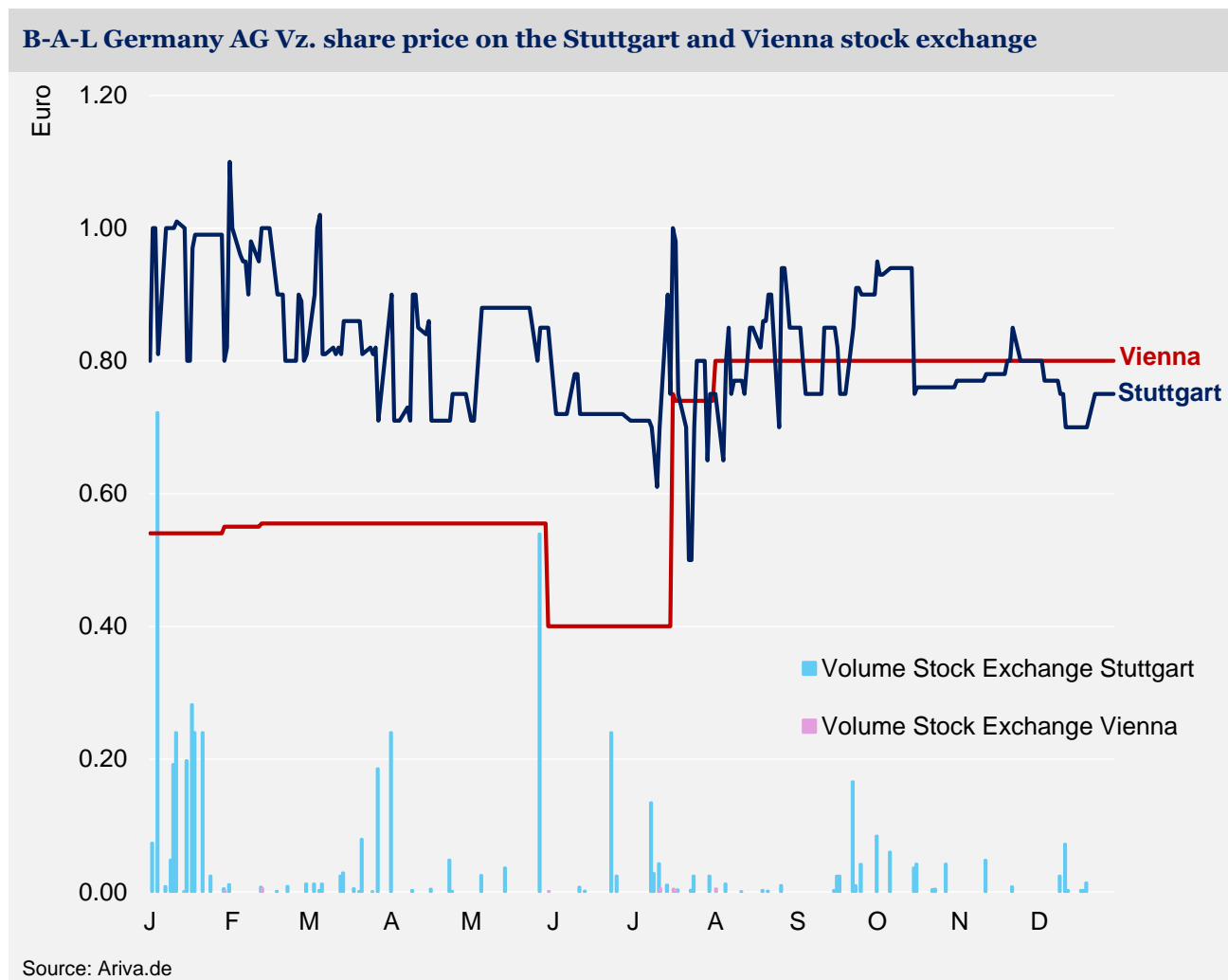
4. B-A-L Germany AG on the Capital Market

In 2024, the German stock market showed a remarkable development. The DAX, the leading index of the 40 largest listed companies in Germany, rose by 19% and reached 20,000 points for the first time. This development was largely driven by the strong performance of seven companies, known as the "Magnificent Seven": SAP, Rheinmetall, Siemens, Siemens Energy, Deutsche Telekom, Allianz, and Munich Re. SAP in particular benefited from the trend towards cloud computing and interest in artificial intelligence, contributing almost 40% of the DAX rise.

Despite the positive market development, the German economy was facing challenges. Persistently weak growth triggered political tensions within the governing coalition, which finally led to the break-up of the "Ampelkoalition" ("traffic-light coalition") in November 2024.

Share price

B-A-L Germany's share price was unable to benefit from this positive capital market environment, falling by 12.5% over the year to EUR 0.70 from EUR 0.80 per share at the end of 2023.



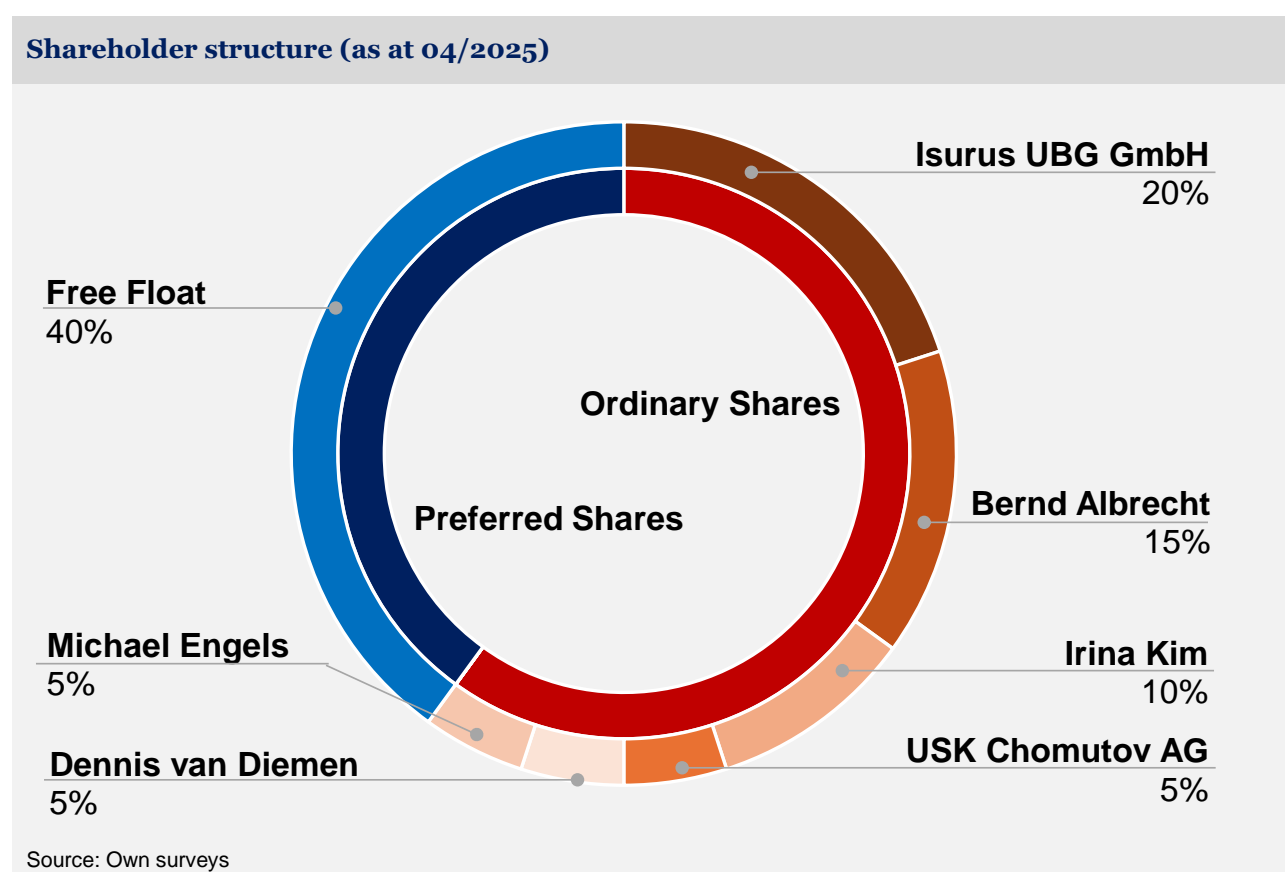
The average trading volume of B-A-L Germany AG shares in the past year was around 800 shares per trading day. Measured in euros, shares with an average daily value of around EUR 600 were traded in 2024, which is significantly higher than the previous year's level of EUR 476. The vast majority of shares were traded on the Stuttgart Stock Exchange, while shares were only traded on the Vienna Stock Exchange on seven days.

B-A-L Germany shares reached their highest daily closing price of the year on 1 February 2024 at EUR 1.10, while the lowest daily closing price was recorded between 23 and 24 July 2024 at EUR 0.50.

As of 31 December 2024, the market capitalisation of the preference shares of B-A-L Germany AG amounted to EUR 560,000.

Shareholder structure

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.



According to the free float definition of Deutsche Börse AG, the preference shares are fully attributable to the free float. As of 31 December 2024, the free float of B-A-L Germany shares therefore amounted to 40% of the outstanding share capital of EUR 2.0 million.

Annual General Meeting 2024

The Annual General Meeting of B-A L Germany AG took place on 20 September 2024 in a face-to-face event in Munich. 77.0% of the share capital was represented.

The shareholders approved all proposed resolutions by a large majority.

5. Economic Development in 2024

Despite the challenging conditions in the residential property sector, B-A-L Germany AG was successfully able to hold its own in the past year. All relevant key performance indicators developed positively year-on-year.

Rental income, which remains the company's sole source of revenue, rose by 3.7% to EUR 360.8 thousand in the 2024 financial year from EUR 348.0 thousand in the previous year. The residential property portfolio increased to 94 from 92 units at the end of the year due to acquisitions. As a result, the lettable residential space increased by 2.7% to a total of 4,642 square metres at the end of 2024 from 4,521 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 2024 was 3%, compared to 5% in the previous year.

Based on the average lettable residential space, the monthly rent per square metre including ancillary costs was EUR 6.68 (previous year: EUR 6.75) per square metre, with a declining vacancy rate.

Due to the fixed cost degression inherent in the business model, earnings before interest and taxes (EBIT) improved to EUR 75.2 thousand from EUR 61.4 thousand in the same period of the previous year. This corresponds to an increase of around 22.5%. After taxes, B-A-L Germany AG generated earnings of EUR 33.6 thousand in the 2024 financial year, compared to a net profit of EUR 28.5 thousand in the previous year.

Key data of the income statement of B-A-L Germany AG, 2018-2024								
		2018	2019	2020	2021	2022	2023	2024
Turnover	EURk	87.8	169.8	262.2	295.9	303.8	348.0	360.8
YoY	%	n/a	93.5%	54.4%	12.9%	2.7%	14.6%	3.7%
Earnings before interest, taxes, depreciation, and amortisation (EBITDA)	EURk	-88.7	-190.7	53.7	65.0	68.5	153.7	137.6
in % of sales revenue	%	-101.1%	-112.3%	20.5%	22.0%	22.5%	44.2%	38.1%
Earnings before interest and taxes (EBIT)	EURk	-100.7	-223.9	-5.0	6.0	11.1	61.4	75.2
in % of sales revenue	%	-114.7%	-131.9%	-1.9%	2.0%	3.7%	17.6%	20.9%
Earnings before taxes	EURk	-95.5	-231.2	6.7	15.2	-1.3	35.0	40.3
Earnings after taxes	EURk	-97.5	-234.0	1.7	9.5	-7.1	28.5	33.6

The balance sheet total as of 31 December 2024 was kEUR 3,461.2 (previous year: kEUR 3,395.8). With equity of kEUR 2,292.8 (previous year: kEUR 2,259.2), the equity ratio remained almost unchanged over the course of the year at 66.2% (previous year: 66.5%). The return on average equity employed was therefore 1.5% (previous year: 1.3%).

As a residential property portfolio holder, B-A-L Germany operates in a capital-intensive sector. As at the reporting date of 31 December 2024, interest-bearing liabilities totalled kEUR 813.8 (previous year: kEUR 834.6). At 35.5% (previous year: 36.9%), B-A-L Germany AG's gearing 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, in addition to reducing the vacancy rate, is one of the decisive factors for the overall result of B-A-L Germany AG.

Key data for the property portfolio of B-A-L Germany AG, 2018-2024								
		2018	2019	2020	2021	2022	2023	2024
Number of units		48	67	81	81	89	92	94
Living space	m2	1,648	2,781	3,749	3,749	4,333	4,521	4,642
compared to the previous year	%	n/a	68.8%	34.8%	0.0%	15.6%	4.3%	2.7%
Vacancy rate	%	3%	8%	11%	9%	6%	5%	3%
Rental income	EURk	87.8	169.8	262.2	295.9	303.8	348.0	360.8
compared to the previous year	%	n/a	93%	54%	13%	3%	15%	4%
Rent per square metre per month	EUR	4.57	5.53	6.55	7.23	6.22	6.75	6.68

6. The Residential Property Market in Saxony

Weak macroeconomic conditions in Germany

Geopolitical tensions continued to shape the economic environment in 2024. The war in Ukraine continued to escalate, tensions over Taiwan and Korea exacerbated the uncertainties.

In addition, political uncertainties - including the break-up of the so-called "Ampelkoalition" ("traffic light coalition") in Germany and the US presidential election - exacerbated the situation. The trend towards nationalism and protectionism, for example in form of tariffs and trade barriers imposed between the US, the EU, and China, slowed global trade and weighed on economic stability, particularly in Asia, Europe, and America.

Record temperatures in almost all regions, extreme weather events in Europe, and wildfires in Los Angeles continued to draw attention to the effects of climate change. Global inequalities and crises intensified existing migration flows.

The German economy slipped back into recession last year. Gross domestic product (GDP) fell by 0.2%, according to the Federal Statistical Office. There had already been a decline of 0.3% in 2023. Germany's last two consecutive years of recession were in 2002/03.

This has consequences for employment figures: Although the number of employees subject to social insurance contributions reached a new high of 35.2 million in October 2024, employment growth slowed, and the average unemployment rate in Germany rose to 6.0% from 5.7% in 2023 (source: Federal Statistical Office).

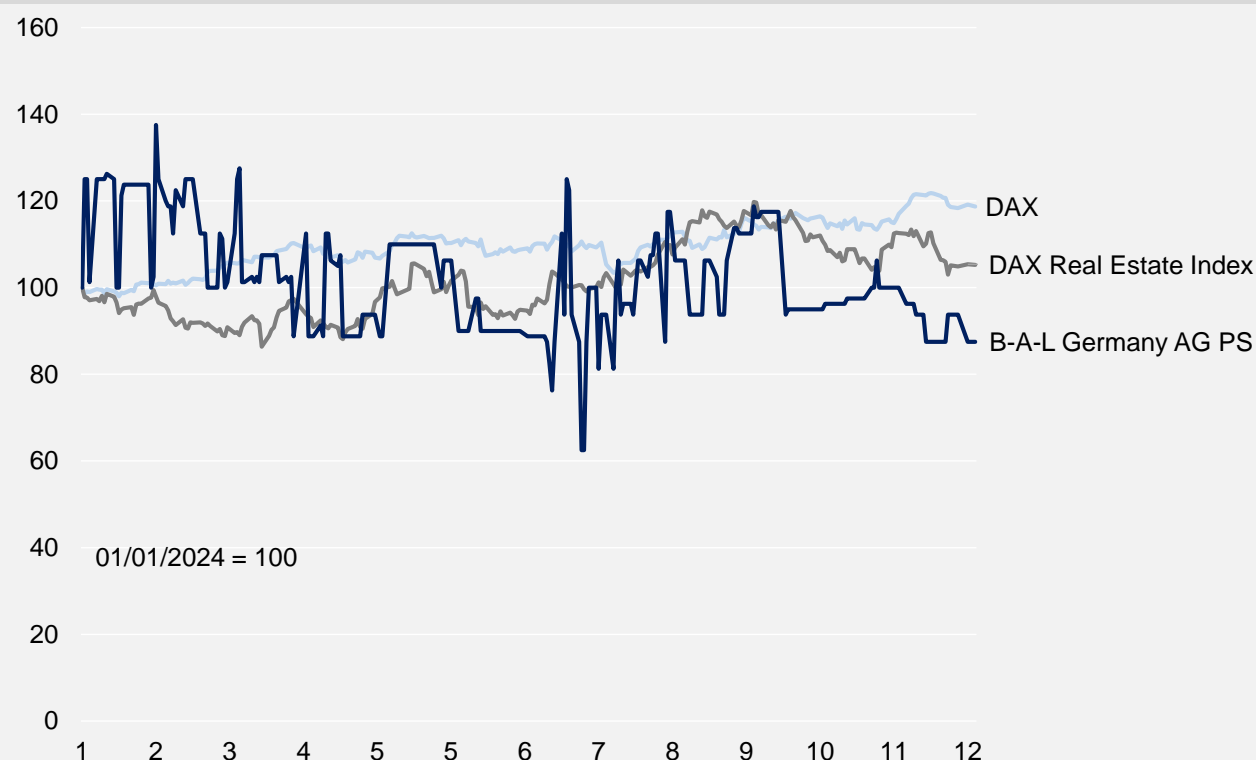
Stock markets continue their upswing

In 2024, the international capital markets continued to be dominated by the monetary policy of the leading central banks and investors' interest rate expectations. The first interest rate cuts by the US and European central banks led to significant gains on the international stock markets in the third quarter of 2024.

However, market sentiment turned increasingly gloomy in the fourth quarter as it became apparent that further interest rate cuts - particularly in the US - could either be delayed or not materialise at all. This had a noticeable negative impact on the stock markets, particularly on real estate stocks, as these were more sensitive to higher interest rates due to their high capital intensity and consequently experienced greater losses.

In this environment, the German benchmark index DAX rose by 18.8% year-on-year and the DAX sub-index All Real Estate by 3.4%.

B-A-L Germany AG Vz. share price compared with benchmarks (indexed)



Source: Deutsche Börse

Property market Saxony

The Free State of Saxony also faced an economic downturn in 2024. Compared to the previous year, price-adjusted gross domestic product fell by -0.4% and thus even more than the national average of -0.2% (source: Federal Statistical Office, State Statistical Office).

At just under 140,000 people, 6.6% more persons were registered as unemployed at the end of 2024. This put the unemployment rate at 6.5% (source: Federal Employment Agency).

As of 30 November 2024 (more recent figures are not yet available), the population of Saxony was reported at around 4.045 million, -0.2% less than at the end of 2023. After a temporary net influx in 2022, the number of inhabitants thus decreased slightly.

The housing market in Saxony followed the trend of previous years. At the end of 2023 (more recent figures are not available), there were 2.333 million residential units in Saxony, 0.3% more than in the previous year (source: State Statistical Office).

However, Saxony recorded a decline in new construction activity in 2024, particularly in municipal housing construction. According to the Verband der Wohnungs- und Immobilienwirtschaft Sachsen (VDW), local authorities and cooperatives planned to complete almost 420 new flats, which corresponds to an increase of 150 flats compared to the previous year. Nevertheless, new construction

activity is falling short of expectations and demand, not least due to high construction costs and economic uncertainties.

For our company, this development presents an opportunity to increase capacity utilisation and improve the quality of prospective tenants.

Fundamental market studies on the property market in Saxony are not currently available or will only be published at a later date.

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 property management market

Our management partner IMMO-PLAN was able to grow significantly again last year. Smaller management companies that started work in the early 1990s are for sale or are handing over 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 investor reluctance towards large-scale investments (housing construction)
- Increasing demand for living space, especially for smaller household sizes

Digitalisation

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 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 implemented 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 sustained rise in interest rates is increasingly hindering the cost-efficient financing of acquisitions and constraining the company's ability to reduce its interest burden over the medium term. We are still in dialogue with our major shareholders and investors 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 the sought-after price ranges.

However, the supply of residential property far exceeds the financial means of the demand. We therefore assume that this risk is very unlikely to materialise in the coming years. Right now, we are also observing a generational shift among sellers. The investors of the 1990s now have reached a fairly retirement age and their heirs often lack a regional connection. This situation should contribute to a stable supply in the medium term.

Unexpectedly high vacancy rate

A major risk for property companies is vacancy, as vacancy costs such as house fees and letting commissions are added to the revenue shortfall.

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 effort. New lettings begin with the 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 without rent can usually be limited.

Default by tenants

When tenants default on their rent, the landlord is usually faced with a costly legal process that 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 defaulting on payments leaves the flat in good order and does not take effective legal action. Prevention is the method of choice to avoid rent defaults from the outset. For new tenancies, a number of documents and certificates are requested to identify difficult cases in advance. In the event of financial bottlenecks and proactive communication by a tenant, reasonable solutions are agreed. In the worst-case scenario, B-A-L Germany always takes the toughest measures. If a tenant exceeds the two-month period, the tenancy will be terminated without notice. Statistically, this only occurs every two years for the entire property portfolio of BAL-Germany, which underlines the effectiveness of the checks prior to the start of the contracts.

Rising maintenance costs

The associations of property owners can decide by majority vote on refurbishments and necessary renovations, the cost 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 property management in finding appropriate solutions to any issues that may arise. This helps to avoid costly bad investments 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%.

Difficulties in raising capital

Risk factors arising from the capital market environment mainly include cyclical market developments, making it more difficult to raise 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 appetite for further regulation and bureaucratisation on the part of politicians has grown. There is a tendency to introduce further reporting and auditing obligations for businesses. Private rental companies with their property assets appear to be a popular target. On the one hand, it is not possible to move to another jurisdiction, and on the other, any regulation that is to the detriment of landlords is popular with a large group of voters. This also explains the high-profile activism with which politicians intervene private landlords' property rights and freedom .

Despite a high probability of occurrence, the impact of regulations (rental cap and price brakes, expropriation, etc.) on B-A-L Germany is rather low. The size of the company allows the use of size-dependent optimisations. In addition, rents are very low, so that B-A-L Germany is less likely to be affected by any planned measures, even taking into account occasional rent increases.

8. Forecast Report

The residential property market is currently characterised by considerable uncertainty. This is the result of multiple overlapping developments with both economic and structural causes. One major influencing factor is the development of interest rates. After a long period of extremely low interest rates, the central banks - in particular, the European Central Bank - have tightened monetary policy significantly since 2022 as part of their efforts to combat inflation. The rise in interest rates has a direct impact on financing conditions for property investments: Builders, investors, and owner-occupiers are facing significantly higher borrowing costs, which has dampened demand and caused a sharp decline in construction activity, particularly in new residential construction. Major uncertainty here centres on the question of how long the current interest rate level will last and when a further loosening of monetary policy can be expected.

This is closely related to increasing uncertainty in pricing. As buyers and sellers are often unable to agree on a mutually acceptable price - not least due to divergent expectations regarding future market developments - transaction volumes have fallen significantly. Many potential transactions are being postponed because market participants hope for improved conditions in the near future. This has led to a temporary "freeze" in the market, which poses considerable challenges for institutional investors in particular, as they usually face some degree of "investment pressure".

Another factor contributing to the uncertainty is the sharp increase in construction costs. Persistent supply bottlenecks, increased energy prices, and higher labour costs are all to blame. As a result, many project developments are no longer economically viable, which has led to a veritable wave of insolvencies in recent months. Whether and to what extent construction costs will normalise in the future is difficult to predict.

Regulatory requirements, particularly matters of sustainability, are also causing uncertainty. Increasing requirements for energy efficiency, climate protection, and ESG standards (environmental, social, governance) are fuelling the need for investments, especially in existing properties. Buildings that do not meet these requirements ("brown buildings") tend to lose value, whereas sustainable properties ("green buildings") are more stable. However, it is still difficult to assess the long-term impact of these requirements on market prices.

In addition, there is a fundamental structural change in some sub-segments, particularly in commercial property. Office real estate is under pressure because space requirements of many companies have changed due to hybrid working models. Brick-and-mortar retail is also suffering from the impacts of digitalisation and changing consumer behaviour, which is leading to vacancies and conversion considerations in many cities.

Finally, geopolitical tensions - such as the war in Ukraine, trade conflicts, or uncertainties in the Middle East - and weak economic development in key regions such as China are increasing the general investment risk. International investors are acting much more cautiously than in previous years.

Overall, it can be said that uncertainty on the property markets is currently characterised by both short-term macroeconomic shocks and long-term structural changes. Sustainable stabilisation will largely depend on whether interest rates, construction costs, and regulatory conditions become more predictable again in the medium term.

Despite the challenging market conditions, B-A-L Germany AG is well positioned to successfully utilise any opportunities that arise. In contrast to accounting in accordance with International Financial Reporting Standards (IFRS), the German Commercial Code (HGB) does not provide for regular revaluations of real estate. Therefore, the reported operating result is solely based on realised income and actual business operations. It thus provides an undistorted and reliable picture of the operating performance of B-A-L Germany AG.

Whenever we are offered a property by one of our many real estate agents, we are able to submit a binding purchase offer within a few days thanks to our proprietary scoring model. This not only makes us notably faster than the large, often cumbersome property groups with their deep hierarchical structures, but also allows us to buy at much more favourable terms than when a property is marketed on the usual internet portals.

Furthermore, there is stable demand for high-quality residential properties in good micro-locations in our preferred B and C cities in Saxony. Our strategy remains based on the small-scale acquisition of individual flats, as these are the properties where our targeted double-digit rental yields can be realised. We stay away from property portfolios.

Based on these fundamental unique selling points, the management focuses on the further, sustainable increase of B-A-L Germany AG's profitability. In doing so, we are essentially pursuing the following strategic directions:

- Further acquisitions of attractive individual residential properties, financed from operating cash flows and bank loans.
- Maintaining the vacancy rate of 3%.
- Significant improvement in earnings before interest and taxes (EBIT) to EURk 95 from EURk 75.2 based on an increased portfolio of residential properties, financed by the planned bank loans.
- Realisation of hidden reserves through opportunistic sales of properties that do not or no longer meet the strategic profile.

We have entered into intensive negotiations with a bank about raising debt capital at attractive economic conditions. We expect to be able to report on the conclusion of these negotiations in the near future.

We therefore confirm the medium-term targets set in the previous year:

- 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

For a smaller property company, the long-term preservation of the portfolio's value is of central strategic importance. Economically stable operation with a consistently high occupancy rate can only be realised on the basis of well-maintained residential properties in an intact, attractive environment. Equally indispensable are respectful, reliable, and fair dealings with tenants, tradesmen, and service providers - basic principles that we actively live by in our daily work.

In light of increasing regulatory requirements and growing social expectations, we have decided to develop a structured sustainability strategy over the coming years. The first step was a comprehensive inventory in the 2023 financial year, in order to systematically record the key basic data of our property portfolio - in particular, the energy needs of the properties, types and sources of energy, the size and quality of green spaces, and the existing supply and waste disposal infrastructure.

Based on these data, we will then define specific targets and present them to the Annual General Meeting for approval. This will lay the groundwork for systematically integrating aspects of environmental sustainability into our business activities and reporting in future.

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

9. Our Properties



Annual financial statements 2024

Profit and Loss Account

	EUR	Financial Year EUR	Prior Year EUR
1. Sales		360,800.72	348,039.14
2. Gross revenue		360,800.72	348,039.14
3. Other operating income			
a) Income from reversal of provisions	5,898.00		196.92
b) Miscellaneous other operating income	<u>81,468.03</u>		<u>73,926.47</u>
		87,366.03	74,123.39
4. Cost of materials			
a) Cost of raw materials, consumables and supplies, and of purchased merchandise		38.55-	27.75-
5. Personnel expenses			
a) Wages and salaries	6,364.80		6,364.80
b) Social security costs and expenses for old age pensions and other benefits	<u>3,265.61</u>		<u>3,269.18</u>
		9,630.41	9,633.98
6. Depreciation and amortization			
a) Of noncurrent intangible assets and property, plant and equipment		62,383.94	92,274.78
- of which extraordinary write-downs EUR 0.00 (EUR 30,260.96)			
7. Other operating expenses			
a) Occupancy costs	187,450.23		179,215.21
b) Insurance premiums, fees and contributions	578.77		658.76
c) Cost of third-party repairs and maintenance	35,350.70		23,976.59
d) Advertising and travel costs	890.30		250.79
e) Selling and distribution expenses	6,442.30		6,568.80
f) Miscellaneous operating costs	34,030.06		34,171.20
g) Miscellaneous other operating expenses	<u>36,211.56</u>		<u>14,018.01</u>
		300,953.92	258,859.36
8. other interest and similar income		4,709.45	297.47
9. Interest and similar expenses		39,655.37	26,769.06
10. Taxes on income and earnings		0.36	0.59-
11. Net income/net loss after tax		40,290.75	34,951.16
12. Other taxes		6,664.23	6,497.38
13. Net income for the financial year		<u>33,626.52</u>	<u>28,453.78</u>

Balance Sheet

ASSETS

	EUR	Financial Year EUR	Prior Year EUR
A. Noncurrent assets			
I. Intangible fixed assets			
1. Purchased concessions, industrial property rights and similar rights and values as well as licenses to such rights and values		3.00	3,789.00
II. Tangible fixed assets			
1. Properties, rights equivalent to real property and buildings, including buildings on third-party land	2,708,053.62		2,678,449.56
2. Other equipment, operating and office equipment	789.00		3.00
3. Advance payments made and construction in progress	210,048.25		232,862.18
		2,918,890.87	2,911,314.74
Total noncurrent asset		2,918,893.87	2,915,103.74
B. Current assets			
I. Receivables and other assets			
1. Trade receivables	256,249.70		237,424.79
2. Other assets	252,400.44		199,897.07
- of which remaining term greater than 1 year EUR 187,002.94 (EUR 150,944.88)			
		508,650.14	437,321.86
II. Cash on hand, central bank balances, bank balances, and checks		13,990.04	19,233.59
Total current assets		522,640.18	456,555.45
C. Prepaid expenses		19,693.97	24,144.63
		<u>3,461,228.02</u>	<u>3,395,803.82</u>

TOTAL EQUITY AND LIABILITIES

	EUR	Financial Year EUR	Prior Year EUR
A. Equity			
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		300,838.70	329,292.48
IV. Net income for the financial year		33,626.52	28,453.78
Total equity		<u>2,292,787.82</u>	<u>2,259,161.30</u>
B. Provisions			
1. Other provisions		14,845.00	16,743.00
C. Liabilities			
1. Liabilities to financial institutions	213,834.98		234,632.48
- of which remaining term greater than 1 year EUR 213,834.98 (EUR 234,632.48)			
2. Trade payables	138,059.16		106,225.99
- of which remaining term up to 1 year EUR 138,059.16 (EUR 106,225.99)			
3. Other liabilities	796,347.36		772,973.47
- of which remaining term up to 1 year EUR 443,564.45 (EUR 408,293.90)			
- of which remaining term greater than 1 year EUR 352,782.91 (EUR 364,679.57)			
		1,148,241.50	1,113,831.94
D. Prepaid expenses		5,353.70	6,067.58
		<u>3,461,228.02</u>	<u>3,395,803.82</u>

Financial Calendar

15/04/2025

Annual report for the 2024 financial year

16/04/2025

Invitation to the Annual General Meeting 2025

01/05/2025

Record date Annual General Meeting 2025

21/05/2025

Annual General Meeting, Meissen

29/08/2025

Half-year report for the 2025 financial year

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The annual report is published in German and English. The German version is always authoritative. The annual report can be found on the website at www.bal-ag.de.

Disclaimer

This report contains forward-looking statements. These statements are based on the current experience, assumptions, and forecasts of the Executive Board and the information currently available to it. The forward-looking statements are not to be understood as guarantees of the future developments and results mentioned therein. Rather, future developments and results depend on a variety of factors. They involve various risks and uncertainties and are based on assumptions that may prove to be incorrect. These risk factors include, in particular, the factors mentioned in the risk report of the 2024 Annual Report. We assume no obligation to update the forward-looking statements made in this report. This financial report does not constitute an offer to sell or a solicitation of an offer to buy securities of B-A-L Germany AG.

