

THE GROUNDS

REAL ESTATE DEVELOPMENT AG



HALF-YEAR REPORT | 2022



THE GROUNDS

REAL ESTATE DEVELOPMENT AG

HALF-YEAR REPORT

for the financial period
1 January to 30 June 2022

This half-year report was published on 23 September 2022 and is also available in English.
The German version takes precedent in the case of any doubt.

Both versions of the half-year report are available online on our website:

www.thegroundsag.com/halbjahresberichte.html

www.thegroundsag.com/half-year-reports.html

For reasons of better legibility, we mostly use the masculine form of personal nouns in this report. This always refers to female and male persons at the same time and expressly includes other gender identities.



CONTENT

06	Key Figures
08	Letter to Shareholders
12	Portfolio and Properties
20	The Grounds on the Capital Market
24	Interim Group Management Report
36	Consolidated Half-yearly Financial Statements
46	Notes to the Consolidated Half-yearly Financial Statements
52	Financial Calendar
53	Credits

KEY FIGURES

Group key figures		H1 2022	H1 2021*
Revenue	TEUR	21,383	4,923
... of which sales	TEUR	20,322	3,687
... of which rental income	TEUR	892	695
Earnings before interest and taxes (EBIT)	TEUR	2,867	1,573
Consolidated net earnings	TEUR	1,483	36
Earnings per share	EUR	0.08	0.00
Total assets (*31 Dec. 2021)	TEUR	98,399	102,902
Equity (*31 Dec. 2021)	TEUR	26,956	25,337
Equity ratio (*31 Dec. 2021)	%	27.4	24.6
Financial liabilities & bonds (*31 Dec. 2021)	TEUR	52,664	60,747
Loan to value (LTV, *31 Dec. 2021)	%	61	69
Cash flow from operating activities	TEUR	13,074	5,294
Cash flow from investing activities	TEUR	-2,300	-4,993
Cash flow from financing activities	TEUR	-9,399	260
Employees		15	12

Portfolio key figures		30 June 2022	31 Dec. 2021
Portfolio (Fixed assets)			
Living/usable space	m ²	27,766	26,263
Units		434	410
Rental income p.a.	TEUR	1,638	1,486
Portfolio development (Current assets)			
Living/usable space	m ²	4731	7027
Units		44	69
Rental income p.a.	TEUR	329	458
Land development			
Planned living/usable space	m ²	30,168	30,168
Planned living/usable space in joint venture projects**	m ²	79,244	79,244

**resp. gross floor space (see portfolio overview)

Overview of The Grounds shares (Xetra prices)		H1 2022	H1 2021
Market capitalisation (as at 30 June)	TEUR	39,172	45,938
Share capital (as at 30 June)	TEUR	17,805	17,805
Closing price	EUR	2.20	2.58
Share price low	EUR	2.20	2.28
Share price high	EUR	2.60	2.98
ISIN		DE000A2GSVV5	
Segment		Primary market, Düsseldorf Stock Exchange	



LETTER TO THE SHAREHOLDERS

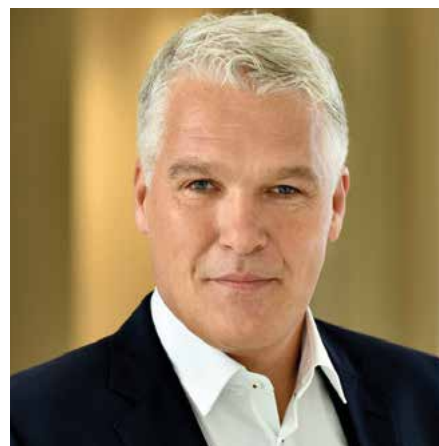
Dear Shareholders,

Dear Ladies and Gentlemen,

Despite challenging times, our business development is in line with our forecast. In the first half of 2022, our consolidated sales revenues rose sharply to EUR 21.4 million (previous year: EUR 4.9 million), our consolidated EBIT climbed to EUR 2.9 million (previous year: EUR 1.6 million), and we significantly improved our consolidated earnings after taxes to EUR 1.5 million (previous year: EUR 0.0 million).

This growth in sales revenues and earnings is attributable in particular to successful sales in the area of land and portfolio development. In terms of our land developments, the first half of the year saw the conclusion of a forward sale for our project development “Terra Homes” in Erkner near Berlin, as well as the complete sale of all of the residential units at our “Property Garden” project in Halberstädter Str. 153/155, Magdeburg. The sale of an additional 29 units in the area of portfolio development with a sales volume of EUR 7.3 million also contributed to our positive performance in the first half of the year.

At the same time, we expanded our portfolio in the first half of 2022 with the acquisition of a housing complex in Fehrbellin. We have also made several acquisitions in the current second half of the year, generating additional growth that



ARNDT KRIENEN

Management Board

Arndt Krienen, lawyer, has been a member of the company's Management Board since March 2020.

Before his current position, Mr. Krienen was CEO of Westgrund AG (Berlin) for 17 years and also CEO of SDAX listed Adler Real Estate AG. He was largely responsible for growing the portfolio to more than 50,000 existing apartments as well as for managing a staff of more than 500 people. Arndt has an extensive knowledge of real estate industry.

Arndt Krienen is Chairman of the Supervisory Board of DIOK Real Estate AG (Cologne) and Grillardor AG (Remscheid).



JACOPO MINGAZZINI

Management Board

Jacopo Mingazzini, business graduate (Dipl.-Kfm.) and real estate economist, has been member of the company's Management Board since August 2020.

Until March 2020 he was Managing Director of Accentro GmbH, which he founded in 1999 – additional since 2011 member of the Management Board of Accentro Real Estate AG.

Jacopo Mingazzini is lecturer at IREBS and, amongst others, he is member of the Management Board of "Liberale Immobilienrunde" as well of Association to Promote residential property" in Berlin.

will not be reflected in our key financial indicators until the reporting date of 31 December 2022. We expanded our portfolio to include an additional 22 residential units in Berlin-Lichtenberg, where we will also utilise the available densification potential to realise four attic apartments and a further 23 units in a new building. These will be offered to owner-occupiers and investors for purchase. In June, we acquired a 51% interest in a project development in Blankenfelde-Mahlow, which involves the construction of 186 three-storey residential units with over 23,800 m² of lettable space across a site of more than 50,000 m². In the third quarter of this year, we also acquired a 5,560 m² site in Königs Wusterhausen, where we intend to realise a residential construction project of approx. 6,600 m² usable space once the necessary conditions under building law have been put in place.

As the transfer of the risks and rewards of ownership for the aforementioned transactions will only take place in the second half of the year with the exception of the acquisition in Fehrbellin, our total consolidated assets declined slightly to EUR 98.4 million as at 30 June 2022 (previous year: EUR 102.9 million) on the back of the disposals in the period under review. Our total consolidated assets and our property assets (investment property and properties held for sale) will be significantly higher at the end of 2022 as a result of the acquisitions that have already been notarised.

Another significant milestone was the resolution on the statutes of the development plan for our Börde Bogen project in Magdeburg in mid-June 2022. Over the coming years, the approx. 32,310 m² building plot will see the construction of more than 800 apartments across seven construction sites and in several phases. Planning and construction work on our other project developments is also proceeding in line with expectations and will lead to the realisation of a volume in excess of EUR 500 million over the coming years.

Irrespective of the challenging market environment, we currently expect to achieve our defined operational targets by the end of the year. To date, additional sales from portfolio development with a volume of EUR 5.1 million have been notarised and are expected to be fully recognised in sales revenues and earnings in the second half of the year. The sales revenues and earnings contribution from project developments currently under construction, which is recognised according to the degree of completion, is also developing in line with expectations. As such, we consider our planned sales revenues target of EUR 35 to 38 million to be realistic. Achieving our forecast EBIT of between EUR 8.0 million and EUR 9.0 million will depend in part on how the value of our existing portfolio develops between now and the end of the financial year; we are reporting only minimal changes in our properties held in fixed assets at the end of the first six months. Although we are achieving continuous rent increases in our portfolio in the area surrounding Berlin, the development of the market is hard to predict.

Additional sales revenues and earnings potential for the current financial year in the amount of up to EUR 9.75 million could result from the debtor warrant for the logistics property in Hangelsberg that was sold in late 2020 if the development plan is completed before the end of 2022.

The Grounds is well positioned and growing sustainably, even if our positive operating business development is not reflected in our recent share price performance. This is certainly and above all a result of the deteriorating macroeconomic situation: rising interest rates, high inflation and higher construction costs bring about a revaluation of real estate companies from the investors' perspective. Although the macroeconomic conditions have deteriorated, our immediate market environment remains positive and we are concentrating on the area surrounding Berlin, which is experiencing an economic upturn, and on Magdeburg. These areas are becoming increasingly attractive in its own right thanks to the arrival of the Tesla Gigafactory and the opening of Berlin Brandenburg

Airport as well as the planned Intel plant in Magdeburg, among other things. We expect this development to continue in the coming years, with further impetus resulting from the fact that Berlin is seeing further population growth but the number of building permits is falling. As such, there is still no indication that the situation on the Berlin housing market will ease, meaning that the number of people looking for apartments in the area surrounding the German capital is likely to keep rising.

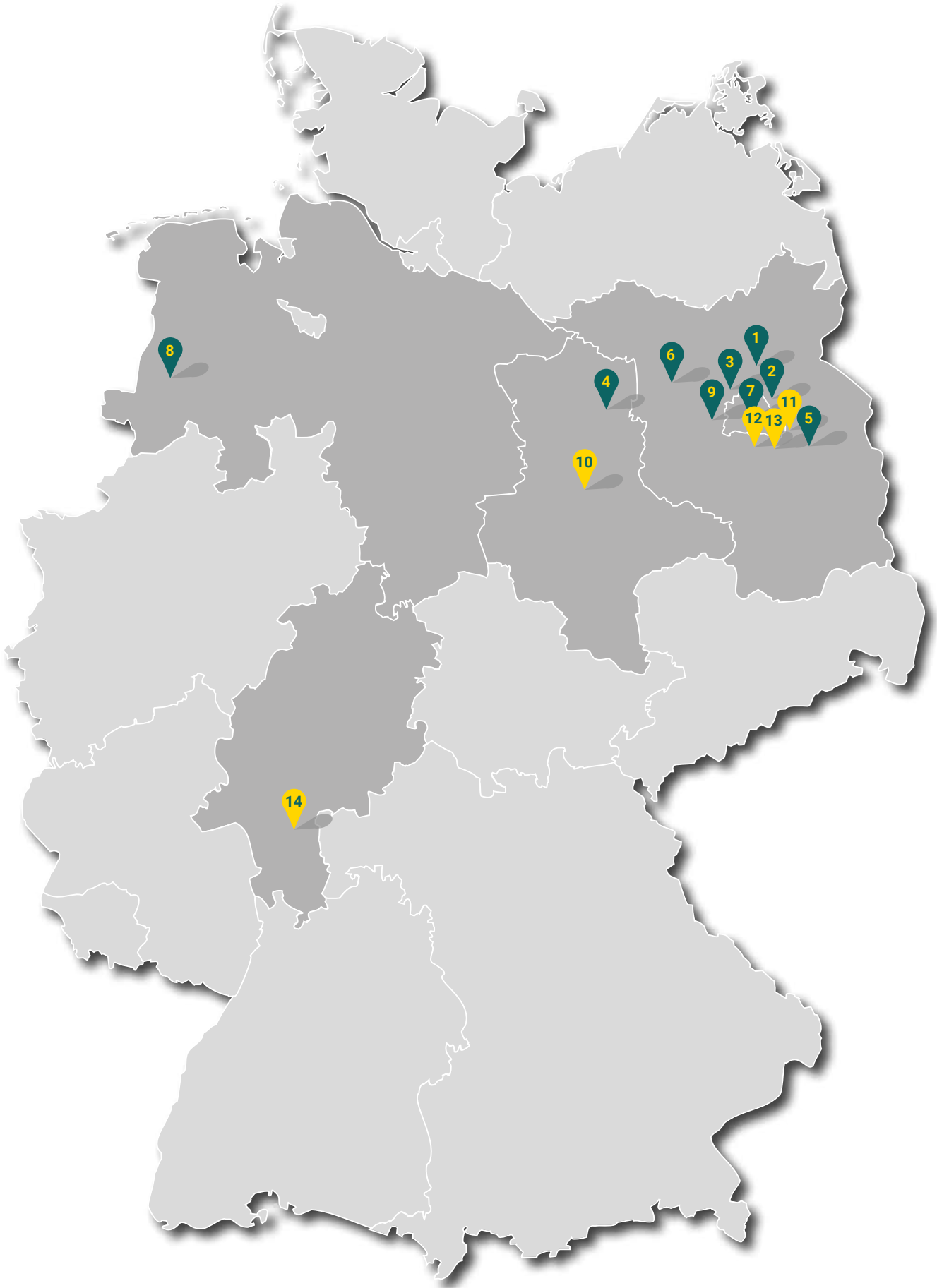
Berlin, September 2022

The Management Board

Arndt Krienen

Jacopo Mingazzini





PORTFOLIO AND PROPERTIES

Specialist for German residential property

The Grounds Group carries out housing projects in German metropolitan regions. In addition, The Grounds Group holds a steadily growing residential property portfolio as fixed assets.

The Grounds Real Estate Development AG is listed in the Düsseldorf Stock Exchange's OTC segment Primary market (ISIN: DE000A2GSVV5) and is based in Berlin.

REGIONAL OVERVIEW

- | | | | |
|---|---|--|---|
|  1 | Schorfheide
Fixed assets |  8 | Meppen
Portfolio development |
|  2 | Bernau near Berlin
Fixed assets |  9 | Dallgow-Döberitz
Portfolio development |
|  3 | Kremmen
Fixed assets |  10 | Magdeburg
Land development <ul style="list-style-type: none">• Property Garden• LennéQuartier• Central Offices• Börde Bogen (Joint Venture) |
|  4 | Stendal/Prignitz
Fixed assets |  11 | Erkner
Land development |
|  5 | Rauen
Fixed assets |  12 | Königs Wusterhausen
Land development |
|  6 | Fehrbellin
Fixed assets |  13 | Blankenfelde-Mahlow
Land development |
|  7 | Berlin <ul style="list-style-type: none">• Margaretenstr. (Fixed assets)• Pankow (Portfolio development)• Maggie (Land development) |  14 | Neu-Isenburg
(Frankfurt/Main)
Land development
(Joint Venture) |

PORTFOLIO OVERVIEW

Portfolio properties

Our rental portfolio properties



Schorfheide near Eberswalde

- 38 residential units
- Usable space: 2,066 m²



Bernau near Berlin

- 59 residential units
- Usable space: 4,070 m²



Kremmen

- 24 residential units
- Usable space: 1,430 m²



Stendal/Prignitz

- Several locations
- 262 residential and commercial units
- Usable space: 17,147 m²





Rauen near Fürstenwalde

5

- 27 residential units
- Usable space: 1,550 m²



Fehrbellin

6

- 24 residential units
- Usable space: 1,503 m²



Berlin Margaretenstr.*

7

- 22 residential units
- Usable space: 1,089 m²

*Notarised; transfer of economic ownership still outstanding

Portfolio development

Condominiums and terraced houses for investors and owner occupiers



Berlin-Pankow

- 24 residential units
- Usable space: 1,858 m²
- In the sales process



Meppen

- 44 residential units
- Usable space: 3,211 m²
- In the sales process



Dallgow-Döberitz

- 28 residential units
- Usable space: 3,939 m²
- In the sales process



Joint ventures

Joint development of land



Börde Bogen in Magdeburg

10

- 800 units
- Gross floor space: 67,857 m²
- In planning



Terminal 3 in Neu-Isenburg (Frankfurt/Main)

14

- Hotel
- Gross floor space: 10,322 m²
- Approval is available

Land development

Our land development projects



Property Garden in Magdeburg

10

- 64 units
- Usable space: 3,637 m²
- Approved
- In the sales process



LennéQuartier in Magdeburg

10

- 181 units
- Usable space: 5,100 m²
- Under construction
- Sold



Central Offices in Magdeburg

10

- Office space
- Gross floor space: 17,140 m²
- In planning
- Sales launch: still pending



Terra Homes in Erkner

11

- 34 homes
- Usable space: 4,279 m²
- Approved
- Sold



Maggie* in Berlin

7

- 27 units
- Usable space: 1,859 m²
- Under construction
- Sales launch: shortly



Residential units* in Königs Wusterhausen

12

- 90 residential units
- Usable space: 6,640 m²
- In planning
- Sales launch: still pending



Highfly* in Blankenfelde-Mahlow

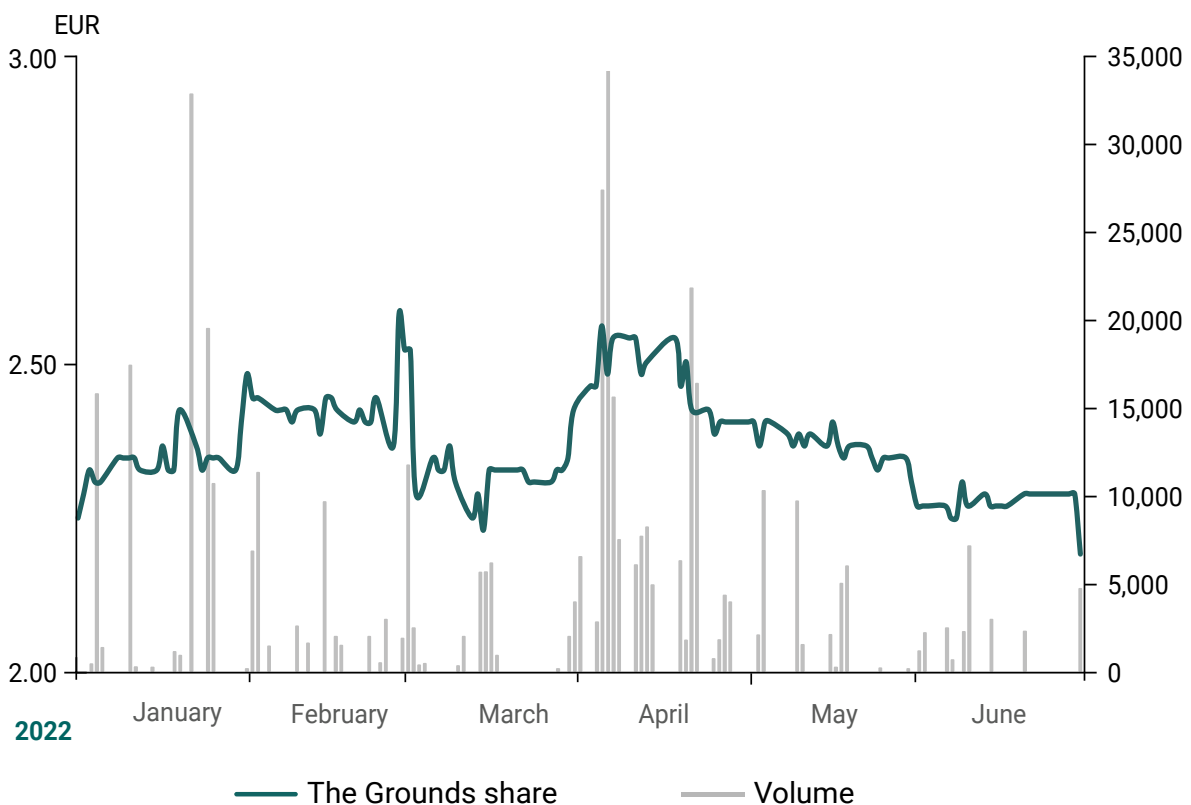
13

- 186 terraced houses and 7 commercial units
- Gross floor space: 32,099 m²
- In planning
- Sales launch: still pending

*Notarised; transfer of economic ownership still outstanding

THE GROUNDS ON THE CAPITAL MARKET

Development of The Grounds Share from 1 January to 30 June 2022 (Xetra prices)



Capital markets heavily impacted by geopolitical situation and fears of recession

The sustained uncertainty prompted by the war in Ukraine and the resulting impact on the world economy had a pronounced impact on the stock markets in the first half of the year. Increasing consumer prices, supply bottlenecks and rising interest rates as well as the threat of a recession led to significant losses across almost all asset classes and segments. The benchmark US index, the Dow Jones, fell by around 15% (its worst performance since 1962) and the broad-based S&P 500 recorded its worst first half of the year since 1970 at

–21%, while the Nasdaq, the exchange for tech stocks, saw a record slump of almost 30%. Germany's benchmark index, the DAX, declined by almost 20% to 12,784 points – a fall of over 20% compared with its most recent all-time high of 16,250 points in November 2021.

Property shares were among the underperformers in the first half of 2022, with some seeing losses of more than double the downturn experienced by the DAX. In addition to rising interest rates, property shares were negatively impacted by higher construction costs and delays to construction. The extremely negative price performance of German property shares in the first half of 2022 does not reflect the underlying market conditions, which remain fundamentally positive. The sustained shortage of supply led to a further increase in housing rents in almost all major cities in the first half of 2022, while the upturn in purchase prices slowed only slightly.

In this difficult market environment, The Grounds share price only fell by around 5% in the first half of 2022. Throughout the entire reporting period, The Grounds shares enjoyed stronger and, above all, more stable performance than the market as a whole. After opening the year at EUR 2.32, The Grounds share price initially rose steadily to a peak of EUR 2.60 in early March 2022. The Grounds shares recovered rapidly from the initial shock following Russia's invasion of Ukraine and were approaching their half-yearly high again by mid-April 2022. After this, however, they were unable to escape the negative sentiment on the global stock markets, falling to a low for the first half-year of EUR 2.20 at the reporting date. This price performance does not reflect the company's operating business development, which was positive and in line with expectations.

The Grounds share at a glance

There were no changes to the basic information on The Grounds shares in the reporting period. As previously, the share capital amounted to EUR 17,805,517.00, divided into 17,805,517 no-par-value registered shares.

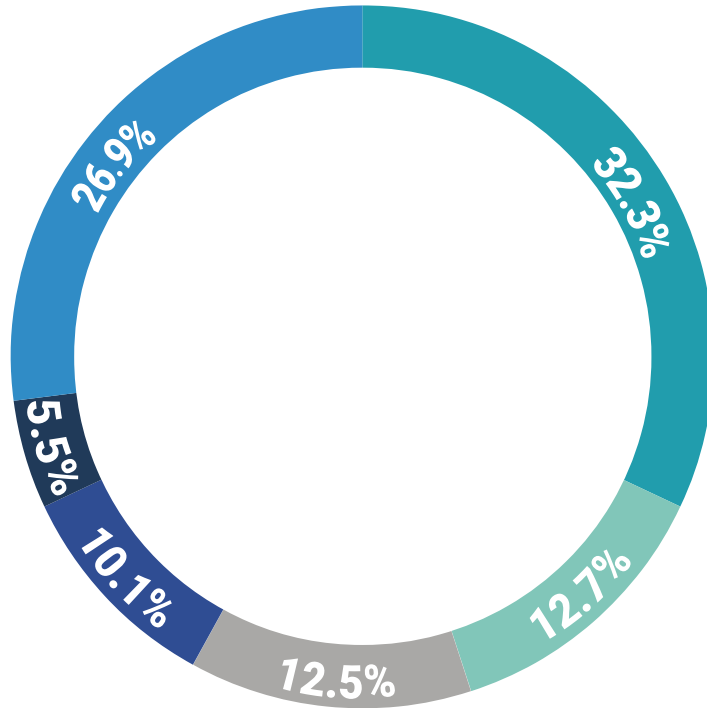
The Grounds' market capitalisation was EUR 39.2 million as at 30 June 2022 (previous year: EUR 45.9 million).

The Grounds share

ISIN / WKN	DE000A2GSVV5 / A2GSVV	
Market segment	Primary market, Düsseldorf Stock Exchange	
Markets	Xetra Tradegate OTC in Berlin, Frankfurt, Munich, Stuttgart	
Type of shares	No-par-value registered shares	
Number of shares as at 30 June	17,805,517	
Analyst recommendations	SMC Research Price target: EUR 3.60 "Buy"	Quirin Privatbank E. R. Price target: EUR 3.50 "Buy"
	H1 2022	H1 2021
Share price as at 30 June*	EUR 2.20	EUR 2.58
Percentage change compared to the start of the year	-5.2%	-11.0%
Market capitalisation as at 30 June	EUR 39,172,137	EUR 45,938,234
High for the first half of the year*	EUR 2.60	EUR 3.16
Low for the first half of the year*	EUR 2.20	EUR 2.28

* Prices on Xetra trading system of Deutsche Börse AG

Shareholder structure (as at 30 June 2022)



- Millennium Verwaltungs GmbH
 - ZuHause Immobilien Handelsgesellschaft mbH
 - Tarentum GmbH (Single Family Office)
 - RESI Beteiligungs GmbH
 - Management
 - Free float
- Total: 17,805,517 shares

INTERIM GROUP MANAGEMENT REPORT

25 1. Economic Report

28 2. Business Performance

33 3. Executive Bodies and Employees

33 4. Risks of Future Development

34 5. Report on Expected Developments

1 Economic Report

1.1 Development of the economy and the German construction industry

Having risen by 0.8% in the first quarter, German gross domestic product (GDP) grew by just 0.1% in the second quarter of 2022. The German Federal Statistical Office (Destatis) highlighted the considerable impact of the difficult global economic conditions, including the ongoing coronavirus pandemic, further supply chain disruption, high and rising inflation, and the war in Ukraine. Destatis had previously forecast stagnant growth for the second quarter of 2022, but the German economy performed better than anticipated even in the midst of an adverse global economic environment. One of the main growth drivers was consumer spending by private households, but their purchasing power is likely to decline considerably in the second half of 2022 in light of the high level of inflation (7.6% as at June 2022).¹ Deutsche Bundesbank considers double-digit inflation to be a possibility in the autumn months of 2022.²

The International Monetary Fund (IMF) now expects German economic growth for 2022 as a whole to amount to just 1.2%, a substantial reduction of 0.8 percentage points compared with its previous forecast in spring 2022. The ramifications of the war in Ukraine, and in particular the uncertainty surrounding energy supply and rising commodity prices, are affecting the German economy to a greater extent than was initially assumed. The biggest threat is the full cut-off of Russia's gas exports to Germany. This would lead to a further rise in inflation.³

With construction costs increasing, construction materials being impacted by limited availability and incoming orders falling (January to June 2022: -3.5% year-on-year in real terms⁴), the German construction industry expects sales revenues in the main construction sector to stagnate at best and potentially decline by up to 2% (in real terms) in 2022.⁵ For the first half of 2022, Destatis reported a 2.7% downturn in sales revenues (in real terms)

¹ See https://www.destatis.de/EN/Press/2022/08/PE22_357_811.html and https://www.destatis.de/EN/Press/2022/07/PE22_296_611.html

² See <https://www.heise.de/tp/features/Bundesbank-Zweistellige-Inflation-im-Herbst-moeglich-7242720.html?seite=all>

³ See <https://www.tagesschau.de/wirtschaft/iwf-deutschland-prognose-101.html> (German only)

⁴ See https://www.destatis.de/EN/Press/2022/08/PE22_358_441.html

⁵ See <https://www.bauindustrie.de/pm/wohnungsbau-bricht-ein-wirtschafts-und-oeffentlicher-bau-im-plus> and <https://www.bauindustrie.de/zahlen-fakten/auf-den-punkt-gebracht/baukonjunkturelle-lage-krieg-in-der-ukraine-bedroht-baujahr-2022> (German only)

compared with the previous year.⁶ The slowdown is already reflected in the number of building permits, which declined by 2.1% overall in the first half of 2022. Unfavourable price and interest rate developments led to a sharp fall in the number of building permits for detached houses of 17.0%, whereas building permits for apartment buildings rose by 7.8% in the first half of 2022. Private households are increasingly reaching the limits of their budgets when it comes to building homes, whereas institutional investors are concluding their projects.⁷

1.2 Development of the German property market

Although the total transaction volume on the German property investment market grew by 5% year-on-year to EUR 36.1 billion in the first half of 2022, the turbulent market environment had a pronounced impact in the second quarter. According to Jones Lang LaSalle Inc. (JLL), the result for the second quarter of EUR 12.3 billion was only around half the volume recorded in the first quarter. Most of the transactions concluded in the last weeks of the reporting period were initiated before the recent interest rate rise. In times of uncertainty caused by the war in Ukraine, continued supply chain disruption, record levels of inflation and the recent sharp rise in financing costs, the German property market is in search of a new equilibrium.

Portfolio sales accounted for a transaction volume of EUR 16 billion, up 43% on the first half of 2021. 42 transactions involved deals with a volume of more than EUR 100 million. Individual deals saw less dynamic development (EUR 20 billion, –13% year-on-year).

Germany's big seven cities accounted for half of all transactions (+4 year-on-year). Berlin continues to lead the way with a transaction volume of EUR 6 billion, followed by Frankfurt am Main (EUR 3.9 billion) and Hamburg (EUR 3.6 billion).⁸

In the first half of 2022, the German housing market was characterised by robust rental markets but muted investments. According to Savills, the high degree of uncertainty on the market is reflected in the fact that the transaction volume declined by 27% year-on-year to EUR 7.5 billion. For the first time, the transaction volume for project developments exceeded the transaction volume for existing buildings. The fact that investors are

⁶ See https://www.destatis.de/EN/Press/2022/08/PE22_358_441.html

⁷ See https://www.destatis.de/EN/Press/2022/08/PE22_350_3111.html

⁸ See <https://www.jll.de/en/trends-and-insights/research/investment-market-overview>

increasingly interested in project developments rather than existing properties – in spite of the higher completion risks – is probably because the indexation of rental agreements is now extremely commonplace for new builds, whereas it remains comparatively rare for existing properties. Forward deals accounted for 43% of the transaction volume, well in excess of the five-year average (23%). The temporary wait-and-see mentality on the part of investors was also reflected in the number of transactions involving at least 50 residential units, which amounted to just 45 – the lowest figure since 2010.⁹

According to JLL, purchase prices for residential properties continued to rise in the first half of 2022, but growth momentum slowed. Asking prices for owner-occupied apartments in Germany's big eight cities increased by an average of 7.5% year-on-year (half the rate recorded in the same period of the previous year). Meanwhile, the growth rate for other urban municipalities was 3.3% (previous year: 8.2%) and growth in rural areas stagnated. This reluctance on the part of buyers – with property portals reporting a sharp downturn in demand for properties on sale in the second quarter of 2022 – is due in particular to the sharp rise in mortgage interest rates.¹⁰

Rents saw more pronounced growth in the first half of 2022, reflecting the strong demand on the rental market. Rent increases were reported in 75 of 80 major cities in Germany. The highest year-on-year growth rate was 14%, with smaller cities such as Lübeck and Rostock seeing the liveliest performance.¹¹

Savills expects activity on the housing investment market to remain muted over the coming months, with the differing price expectations of buyers and sellers currently posing a barrier to some transactions. Following a period of adjustment, the number of transactions is expected to rise again towards the end of the year, resulting in a volume of up to EUR 15 billion for 2022 as a whole. Savills cites political developments and utility and ancillary costs as risk factors affecting this outlook. As well as making it harder for many households to afford their payments, the massive rise in electricity and other utility and ancillary costs could prompt politicians to take action and introduce barriers to the conclusion of index-linked rental agreements, for example. In turn, this would make it more difficult to realise opportunities for rent increases.¹²

⁹ See <https://www.savills.de/insight-and-opinion/savills-news/329439/wohnimmobilienmarkt-deutschland-q2-2022> (German only)

¹⁰ See https://www.haufe.de/immobilien/entwicklung-vermarktung/marktanalysen/studie-situation-des-wohnungsmarktes-in-deutschland_84324_490504.html (German only)

¹¹ See <https://www.immobilienmanager.de/nachfrage-nach-mietwohnungen-zieht-an-26072022> (German only)

¹² See <https://www.savills.de/insight-and-opinion/savills-news/329439/wohnimmobilienmarkt-deutschland-q2-2022> (German only)

2 Business Performance

The Grounds Group increased its consolidated sales revenues more than fourfold, from EUR 4.9 million in the first half of the previous year to EUR 21.4 million in the first half of 2022. This was due in particular to the resale of individual properties, but sales were also recognised on a percentage-of-completion basis for the Erkner and Property Garden project developments for the first time. The Grounds continued its expansion in the area surrounding Berlin and made numerous acquisitions for its portfolio of existing properties and land developments. Most of the new acquisitions that have already been notarised will only be reflected in the full-year key financial indicators because the transfer of ownership was not yet complete as at 30 June 2022. Consolidated EBIT increased to EUR 2.9 million in the first half of 2022 (previous year: EUR 1.6 million), while consolidated earnings improved to EUR 1.5 million (previous year: EUR 0.0 million).

Sales-side milestones included the disposal of the Terra Homes project development in Erkner near Berlin as part of a forward sale, as well as the complete sale of all 64 residential units at the Property Garden project in Halberstädter Str. 153/155, Magdeburg. This was supplemented by additional sales from residential property resale. The 24 residential units in Berlin-Pankow, which have now been sold in full, had a sale completion status of 79% at the reporting date. The sale completion status in Meppen was over 61% at the reporting date, while the sale completion status in Dallgow-Döberitz was higher than forecast at around 21% as at 30 June 2022.

In the first half of 2022, The Grounds acquired an existing property portfolio (24 units) in Fehrbellin in Brandenburg state. The units acquired will contribute annual net rental income of around EUR 99 thousand to consolidated sales revenues.

The Grounds also acquired a 51% interest in a project development in Blankenfelde-Mahlow in early June. The seller of the shares is Deutsche Habitat GmbH, Berlin, which will realise the project together with The Grounds as a joint venture partner. The project development involves a total investment volume of more than EUR 100 million. Over the coming years, 186 three-storey residential units with gross floor space of around 32,000 m² will be constructed on the 56,245 m² site.

There was further growth after the reporting date. In Königs Wusterhausen, The Grounds acquired a 5,560 m² site where it intends to realise a residential construction project of approx. 6,600 m² usable space once the necessary conditions under building law have been put in place. The transfer of the risks and rewards of ownership is scheduled for late September 2022.

A residential building with 22 apartments in Berlin-Lichtenberg was acquired in late August 2022. The property has the potential for additional residential units to be created. Corresponding expansion measures will create four attic apartments in the existing building, while a second building with 23 residential units and a total lettable area of around 1,620 m² will be constructed in the courtyard. Construction work has already begun. The Grounds intends to keep the existing residential building with 22 apartments in its portfolio and offer the four new attic apartments and the 23 apartments in the new building to owner-occupiers and investors for purchase. The transfer of the risks and rewards of ownership is scheduled for late October 2022.

Planning and construction work on project developments is proceeding in line with expectations and will result in the realisation of a volume in excess of EUR 500 million over the next three years:

- LennéQuartier, Magdeburg: At the LennéQuartier construction project in Magdeburg, which has already been sold in full, the building shell was completed in the first quarter of 2022 and the interior fitout is currently in progress. Completion is expected by early 2023.
- Property Garden, Magdeburg: All of the residential units for the Property Garden project in Halberstädter Str. 153/155, Magdeburg, were sold by the end of April 2022. The floor slabs have already been laid and shell construction work has begun.
- Terra Homes, Erkner: The Grounds found an institutional investor for the development project in Erkner, which was sold as part of a forward deal. Site development for the 34 semi-detached houses began in April 2022. Shell construction work started in the third quarter.
- Central Offices, Magdeburg: The Central Offices project is currently still in the planning phase. It will involve the construction of a centrally located office and commercial building that meets the highest sustainability standards and that will offer around 14,500 m² of usable space as well as 110 underground parking spaces. The Grounds has already received some enquiries from potential tenants. The building permit is expected to be granted before the end of the 2022 financial year.

- Börde Bogen, Magdeburg (joint venture): A significant milestone was achieved in early June with the resolution on the statutes of the development plan. The building plot is around 32,310 m² in size and will be used to construct apartments with gross floor space of around 67,870 m². Over the coming years, more than 800 apartments will be built across seven construction sites and in several phases.

2.1 Results of operations

The most important sales revenues and earnings figures for The Grounds Group in the first half of 2022 were as follows:

	H1 2022	H1 2021
	EUR million	EUR million
Sales	21.4	4.9
EBIT	2.9	1.6
Consolidated net earnings	1.5	0.0

As mentioned above, consolidated sales revenues increased substantially to EUR 21.4 million in the first half of 2022. This sharp rise was driven in particular by higher sales from residential property resale and project developments. Rental income also increased by 28% to EUR 892 thousand (previous year: EUR 695 thousand).

Additional earnings contributions resulted from fair value adjustments of investment property in the amount of EUR 0.2 million (previous year: EUR 0.6 million) and other operating income of EUR 68 thousand (previous year: EUR 0.6 million).

The corresponding increase in expenses from the sale of properties as a result of the revenue made a significant contribution to the increase in the cost of materials to EUR 17.3 million (previous year: EUR 3.1 million).

The higher number of employees compared with the previous year meant that staff costs rose to EUR 1.1 million (previous year: EUR 0.8 million). By contrast, other operating expenses were down slightly year-on-year at EUR 0.8 million. This item primarily comprises third-party services, legal and consulting costs and capital market costs.

The financial result was unchanged at EUR –1.0 million (previous year: EUR –1.0 million). Higher interest expenses of EUR 1.3 million (previous year: EUR 1.1 million) were offset by higher interest income from loans to shareholders in joint venture projects in the amount of EUR 0.3 million (previous year: EUR 58 thousand). The Grounds increased its consolidated earnings before taxes from EUR 0.6 million in the previous year to EUR 1.9 million. Consolidated earnings after taxes rose to EUR 1.5 million (previous year: EUR 36 thousand). Accordingly, earnings per share improved to EUR 0.08 (previous year: EUR 0.00).

2.2 Net assets and financial position

The majority of the acquisitions already conducted in 2022 are not yet reflected in the consolidated balance sheet for the first half of the year as the transfer of economic ownership is still outstanding. As a result, The Grounds' consolidated balance sheet as at 30 June 2022 was characterised by the disposals resulting from property sales and the corresponding reduction in properties held for sale. This was offset by the increase in fixed assets following the acquisition of the property portfolio in Fehrbellin. As a result of these developments, total consolidated assets declined to EUR 98.4 million as at 30 June 2022 (previous year: EUR 102.9 million).

On the asset side of the consolidated balance sheet, non-current assets rose to EUR 41.8 million (previous year: EUR 41.1 million). This was largely due to the EUR 0.7 million increase in investment property. The reduction in current assets to EUR 56.6 million (previous year: EUR 61.8 million) was primarily attributable to the continuous property disposals. The value of properties held for sale declined from EUR 38.0 million to EUR 29.9 million. Contract assets also fell to EUR 2.2 million (previous year: EUR 4.6 million). By contrast, trade receivables increased by EUR 1.2 million to EUR 3.9 million because the buyers of project developments were invoiced for additional purchase price instalments shortly before the reporting date based on the percentage of completion. The Grounds had cash of EUR 3.9 million at the reporting date 30 June 2022 (previous year: EUR 2.4 million). Non-current assets held for sale in the amount of EUR 1.8 million relate to the sale of five properties from the existing portfolio in Stendal and the surrounding area which is expected to take economic effect in the second half of the year. This streamlining of the portfolio will reduce the vacancy rate in the portfolio by 1.6 percentage points.

Under equity and liabilities, The Grounds increased its total equity by the amount of its net income for the first half of the year to EUR 27.0 million (previous year: EUR 25.3 million). The equity ratio improved to 27.4% (previous year: 24.6%). A change in reporting affecting the calculation of the equity component of the convertible bond issued in 2021 resulted in the restatement of capital reserves and the reported non-current bond liabilities. A detailed description of the effects can be found in section 3 of the notes to the consolidated half-yearly financial statements. The EUR 3.2 million reduction in non-current liabilities to EUR 43.0 million (previous year: EUR 46.2 million) is also attributable to the continuous property disposals and the above-average reduction in loan liabilities. Non-current financial liabilities declined by EUR 4.1 million to EUR 20.3 million. Non-current financial liabilities primarily also include the convertible bond that was issued and increased in the 2021 financial year (EUR 16.8 million) and deferred income tax liabilities (EUR 6.3 million).

Current liabilities also fell by EUR 2.9 million to EUR 29.0 million. This was mainly due to the reduction in current financial liabilities to EUR 15.9 million (previous year: EUR 20.1 million). By contrast, advance payments received rose from EUR 0.7 million to EUR 2.3 million.

At EUR 3.8 million (previous year: EUR 1.2 million), cash funds were up significantly on the previous year. This increase was driven by the higher cash flow from operating activities, which amounted to EUR 13.3 million (previous year: EUR 5.3 million) as a result of the lower level of inventories and contract assets in particular. Cash flow from investing activities amounted to EUR -2.3 million (previous year: EUR -5.0 million) and mainly reflected the changes in investment property. Cash flow from financing activities saw the biggest change, amounting to EUR -9.4 million after EUR 0.3 million in the previous year. This was primarily due to the disposal of financial liabilities in connection with property sales.

3 Executive Bodies and Employees

There were no changes in the composition of the Supervisory Board or the Management Board in the first half of 2022.

The Supervisory Board was composed of Timo Tschammler (Chairman), Armin Hofmann (Deputy Chairman) and Eric Mozanowski.

The Grounds was managed by its Management Board members Arndt Krienen and Jacopo Mingazzini.

The Grounds Group had an average of 15 employees in the reporting period (previous year: 12).

4 Risks of Future Development

The risk structure of The Grounds Group has not changed materially compared with the presentation in the consolidated financial statements for the year ended 31 December 2021 and on pages 47 to 62 of the Annual Report 2021.

5 Report on Expected Developments

The most recent forecast for the 2022 financial year published in the Annual Report 2021 remains in place. On the basis of the sales already notarised as part of portfolio and land development, the Management Board anticipates growth in consolidated sales revenues in a range between EUR 35 and 38 million, with EBIT declining slightly to between EUR 8.0 million and EUR 9.0 million.

We currently expect to achieve our defined operational targets by the end of the year. To date, additional sales from portfolio development with a volume of EUR 5.1 million have taken place and are expected to be fully recognised in sales revenues and earnings in the second half of the year. The earnings contribution from project developments, which is recognised according to the degree of completion, is also developing in line with expectations. As such, we consider our planned sales revenues target of EUR 35 to 38 million to be realistic. Achieving our EBIT forecast of between EUR 8.0 million and EUR 9.0 million will depend in part on how the value of our existing portfolio develops.

The forecast does not yet include the additional earnings potential of up to EUR 9.75 million from the debtor warrant for the logistics property in Hangelsberg that was sold at the end of 2020. If the development plan is completed in 2022 – which is the condition for the realisation of the debtor warrant – this would lead to a further significant increase in sales revenues and EBIT.

In spite of the numerous challenges, especially the war in Ukraine, high inflation and, with regard to The Grounds in particular, the sharp rise in construction costs and changing interest rates, the Management Board considers the market environment to still be favourable. The Grounds' construction products are progressing well in terms of both timing and costs, and there are no signs of a downturn in sales. Budget compliance has been ensured to date.





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CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

- 38** Consolidated Balance Sheet
- 40** Consolidated Income Statement
- 42** Consolidated Statement of Changes in Equity
- 44** Consolidated Cash Flow Statement
- 47** Notes to the Consolidated Half-yearly Financial Statements

CONSOLIDATED BALANCE SHEET

The Grounds Real Estate Development AG, Berlin, as at 30 June 2022

	30 June 2021	31 Dec. 2020
	TEUR	TEUR
Assets		
Non-current assets		
Intangible assets	14	15
Goodwill	1,941	1,941
Property, plant and equipment	218	266
Right-of-use assets	387	433
Investment property	31,770	31,050
Equity investments	187	152
Interests in companies accounted for using the equity method	5,443	5,441
Other financial assets	15	15
Deferred tax assets	1,803	1,768
Total non-current assets	41,778	41,082
Current assets		
Inventories	29,851	37,994
Contract assets	2,198	4,571
Trade receivables	3,891	2,723
Other receivables	15,110	14,146
Cash	3,761	2,385
Non-current assets held for sale	1,810	0
Total current assets	56,621	61,820
Total assets	98,399	102,902

	30 June 2021	31 Dec. 2020
	TEUR	TEUR
Equity		
Issued capital	17,806	17,806
Adjustment item from business acquisition	-12,453	-12,453
Capital reserves	2,974	2,837
Retained earnings	155	155
Net income	17,834	16,393
Attributable to shareholders of the parent company	26,317	24,738
Attributable to non-controlling shareholders	640	599
Total equity	26,956	25,337
Liabilities		
Non-current liabilities		
Financial liabilities	20,254	24,344
Bonds	16,160	15,971
Lease liabilities	275	330
Other liabilities	19	26
Deferred tax liabilities	6,281	5,506
Total non-current liabilities	42,989	46,178
Current liabilities		
Provisions	1,122	866
Financial liabilities	15,883	20,056
Bonds	367	376
Lease liabilities	145	132
Advance payments received	2,305	678
Current income tax liabilities	3,191	3,599
Trade payables	1,166	1,202
Other liabilities	4,275	4,480
Total current liabilities	28,454	31,387
Total assets	98,399	102,902

CONSOLIDATED INCOME STATEMENT

The Grounds Real Estate Development AG, Berlin, 1 January to 30 June 2022

	1 Jan. 2022 – 30 June 2022	1 Jan. 2021 – 30 June 2021
	TEUR	TEUR
Revenue	21,383	4,923
Changes in value of investment property	245	640
Other operating income	68	581
Change in inventories	432	304
Cost of materials	-17,274	-3,130
Staff costs	-1,065	-782
Depreciation of property, plant and equipment and amortisation of intangible assets	-99	-77
Other operating expenses	-825	-887
EBIT before income from associates	2,865	1,573
Income from associates	1	37
EBIT	2,867	1,610
Interest income	277	58
Interest expenses	-1,249	-1,087
Financial result	-972	-1,029
Earnings before income taxes	1,894	582
Income taxes	-411	-546
Consolidated net earnings	1,483	36
of which attributable to non-controlling shareholders	41	1
of which attributable to shareholders of the parent company	1,442	35
Earnings per share (in EUR)	0.08	0.00



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The Grounds Real Estate Development AG, Berlin, 1 January to 30 June 2022

	Issued capital	Adjustment item from business acquisition	Capital reserves	Retained earnings	Net income/ loss	Attributable to non-controlling shareholders	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
As at 1 Jan. 2022	17,806	-12,453	2,837	155	16,393	599	25,337
Share-based remuneration			137				137
Consolidated comprehensive income					1,442	41	1,483
As at 30 June 2022	17,806	-12,453	2,974	155	17,834	640	26,956

The Grounds Real Estate Development AG, Berlin, 1 January to 30 June 2021

	Issued capital	Adjustment item from business acquisition	Capital reserves	Retained earnings	Net income/ loss	Attributable to non-controlling shareholders	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
As at 1 Jan. 2021	17,806	-12,453	1,996	155	10,980	1,870	20,354
Recognition of the equity component of the convertible bonds							
Share-based remuneration			137				137
Acquisition of non-controlling interests						92	92
Consolidated comprehensive income					35	1	36
As at 30 June 2021	17,806	-12,453	2,556	155	11,015	1,963	21,041



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CONSOLIDATED CASH FLOW STATEMENT

The Grounds Real Estate Development AG, Berlin, 1 January to 30 June 2022

	1 Jan. 2022 – 30 June 2022	1 Jan. 2021 – 30 June 2021
	TEUR	TEUR
Consolidated net earnings	1,483	36
+ Write-downs on fixed assets	29	20
+ Depreciation of right-of-use assets	70	57
-/+ Net income from associates accounted for using the equity method/ investment income	-1	-37
+/- Increase/decrease in provisions	256	-1,791
+ Other non-cash changes	137	714
-/+ Changes in value of investment property	-245	-640
-/+ Increase/decrease in inventories, trade receivables, contract assets and other assets not related to investing or financing activities	8,661	950
+/- Increase/decrease in trade payables and other liabilities not related to investing or financing activities	1,379	4,762
+/- Interest expenses/income	972	1,029
+/- Income tax expense/income	411	546
-/+ Income taxes paid	-78	-351
= Cash flow from operating activities	13,074	5,294

Continued on page 45

Continued from page 44

	1 Jan. 2022 – 30 June 2022	1 Jan. 2021 – 30 June 2021
	TEUR	TEUR
+ Proceeds from disposals of property, plant and equipment	21	0
– Payments for investments in intangible fixed assets	0	–3
– Payments for investments in property, plant and equipment	–1	–34
– Payments for investments in financial assets	–35	–5
– Payments for investment property	–2,285	–4,950
+ Interest received	0	0
= Cash flow from investing activities	–2,300	–4,993
+ Proceeds from issuing bonds and (financial) borrowing	1,217	24,142
– Payments from repaying bonds and (financial) loans	–9,300	–22,742
– Repayment of lease liabilities	–66	–53
– Interest paid	–1,249	–1,087
= Cash flow from financing activities	–9,399	260
Cash changes in cash funds	1,375	562
+ Cash funds at the beginning of the period	2,385	623
= Cash funds at the end of the period	3,761	1,185

NOTES TO THE CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

- 47** — 1. Fundamental Information
- 47** — 2. Reporting Principles
- 48** — 3. Accounting Policies
- 49** — 4. Explanatory Notes
- 50** — 5. Events after the Reporting Period

1 Fundamental Information

The Grounds Real Estate Development AG (hereinafter referred to as “The Grounds AG”) is domiciled in Berlin, Germany. It is entered in the commercial register of the Berlin Charlottenburg District Court under HRB 191556 B.

The company’s shares are listed on the OTC market of the Düsseldorf Stock Exchange (segment: Primary Market) under ISIN DE000A2GSV5.

The company’s operating activities relate to residential real estate projects in German metropolitan regions and cities and its business operations cover three core areas. These include establishing its own property portfolio, selling existing flats to investors or owner occupiers, and developing new housing construction projects with the aim of selling to institutional investors, capital backers and owner occupiers. The Grounds AG operates primarily as an operating holding company for its property companies.

2 Reporting Principles

These condensed consolidated interim financial statements for The Grounds AG have been prepared voluntarily and have not been audited or reviewed by an independent auditor.

The Grounds AG prepared its consolidated interim financial statements for the first half of 2022 in accordance with IAS 34 “Interim Financial Reporting”, which was adopted into European law on the basis of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (IFRS). The condensed consolidated interim financial statements should be read in conjunction with the IFRS consolidated financial statements of The Grounds AG for the year ended 31 December 2021, which were also prepared voluntarily.

The financial statements do not include a consolidated statement of comprehensive income as there were no effects requiring recognition in equity in other comprehensive income.

The Grounds AG has not yet divided its business activities into reportable segments within the meaning of IFRS 8, including in terms of company size, and hence does not prepare segment reporting.

The amounts in the explanatory notes to the consolidated interim financial statements are presented in thousands of euros (EUR thousand) unless stated otherwise. Single and total figures are rounded to the nearest figure. Additions to the individual figures shown may therefore result in minor discrepancies from the reported totals.

3 Accounting Policies

The Grounds AG applied the same accounting policies in its condensed consolidated interim financial statements for the first half of the 2022 financial year as in its voluntary IFRS consolidated financial statements for the year ended 31 December 2021.

In preparing these consolidated interim financial statements, it was detected that the amount of the equity component of the convertible bond issued in the first half of 2021 was overstated in the prior-year financial statements due to an erroneous cell reference in the calculation table. In accordance with IAS 8, the comparative prior-year figures have therefore been restated. The following table shows the individual adjustments to the consolidated balance sheet and consolidated income statement items affected.

	30 June 2021 (reported)	Adjustments	30 June 2021 (restated)
	EUR		EUR
Balance sheet items			
Capital reserves	4,662,173.25	-2,106,390.68	2,555,782.57
Bonds (non-current liabilities)	9,109,214.24	2,144,613.05	11,253,827.29
Deferred tax liabilities	3,693,668.49	20,335.80	3,714,004.29
Income statement items			
Interest expenses	-1,025,852.11	-61,389.74	-1,087,241.85
Income taxes	-548,781.77	2,831.57	-545,950.20

	31 Dec. 2021 (reported)	Adjustments	31 Dec. 2021 (restated)
	EUR		EUR
Balance sheet items			
Capital reserves	5,814,651.77	-2,977,386.84	2,837,264.93
Bonds (non-current liabilities)	12,850,237.59	3,121,212.40	15,971,449.99
Deferred tax liabilities	5,480,394.12	25,456.45	5,505,850.57
Income statement items			
Interest expenses	-2,271,776.98	-173,150.63	-2,444,927.61
Income taxes	-1,973,019.63	3,868.62	-1,969,151.01

The immaterial effects on the consolidated statement of cash flows are reflected in the prior-year column accordingly.

4 Explanatory Notes

4.1 Consolidated group

The Grounds AG included 22 subsidiaries in the consolidated interim financial statements as at 30 June 2022.

There were no changes in the subsidiaries included in consolidation in the first half of 2022.

4.2 Financial instruments

The fair values of the financial instruments reported in these consolidated interim financial statements are largely the same as their carrying amounts.

4.3 Related party transactions

The following related party transactions occurred in the financial year to 30 June 2022:

Receivables from related parties amounted to EUR 9,262 thousand as at 30 June 2022. This resulted in interest income from related parties of EUR 252 thousand.

Liabilities to related parties amounted to EUR 4,137 thousand as at 30 June 2022. This resulted in interest expenses to related parties of EUR 67 thousand.

All related party transactions were carried out on an arm's-length basis in the reporting period.

4.4 Average number of employees

The companies included in the consolidated financial statements had an average of 15 employees in the reporting period.

5 Events after the reporting period

The Grounds AG acquired a 51% interest in a project development in Blankenfelde-Mahlow by way of a purchase agreement dated 8 June 2022. The project development involves a total investment volume of more than EUR 100 million. Over the coming years, 186 three-storey residential units with gross floor space of around 32,000 m² will be constructed on the 56,245 m² site. The transfer of shares was completed in July 2022.

By way of a purchase agreement dated 30 August 2022, The Grounds AG acquired the shares of a residential property with densification potential in Berlin-Lichtenberg. The existing residential building has 22 residential units. It offers the potential for an additional four attic apartments as well as 23 residential units in a new building, with a total lettable area of around 1,620 m². The economic transfer of the property is scheduled for the fourth quarter of 2022.

Other than this, there were no other events of particular significance for The Grounds Group's financial position and performance after the end of the reporting period.

Berlin, 23 September 2022

Management Board of The Grounds Real Estate Development AG

Arndt Krienen

Jacopo Mingazzini

FINANCIAL CALENDAR

2022

17–18 October 22. European Large & MidCap Event, Paris

28–30 November German Equity Forum, Frankfurt am Main

These dates are provisional. Please check all final confirmed dates and further IR activities on our website at www.thegroundsag.com/financial-calendar.html

Forward-looking statements

This report may contain forward-looking statements. These relate to assumptions, estimates and expected developments for individual events. The forward-looking statements made are based on current expectations and certain assumptions. Accordingly, they entail a series of risks and uncertainties and may change over time. Many factors, many of which are beyond the company's control, could cause actual results and events to deviate from expected results and events – both positively and negatively.

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