

# THE GROUNDS

REAL ESTATE DEVELOPMENT AG



HALF-YEAR REPORT | 2023



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REAL ESTATE DEVELOPMENT AG

## HALF-YEAR REPORT

for the financial period  
1 January to 30 June 2023

This half-year report was published on 22 September 2023 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/de/investor-relations/finanzberichte-und-praesentationen/halbjahresberichte](http://www.thegroundsag.com/de/investor-relations/finanzberichte-und-praesentationen/halbjahresberichte)  
[www.thegroundsag.com/en/investor-relation/financial-reports-and-presentations/half-year-reports](http://www.thegroundsag.com/en/investor-relation/financial-reports-and-presentations/half-year-reports)

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

<b>06</b>	Key Figures
<b>08</b>	Letter to Shareholders
<b>10</b>	Portfolio and Properties
<b>18</b>	The Grounds on the Capital Market
<b>22</b>	Interim Group Management Report
<b>29</b>	Consolidated Half-yearly Financial Statements
<b>36</b>	Notes to the Consolidated Half-yearly Financial Statements
<b>42</b>	Financial Calendar
<b>43</b>	Credits

# KEY FIGURES

Group key figures		H1 2023	H1 2022
Revenue	TEUR	16,218	21,383
... of which sales	TEUR	15,306	20,322
... of which rental income	TEUR	908	892
Earnings before interest and taxes (EBIT)	TEUR	354	2,867
Consolidated net earnings	TEUR	-1,065	1,483
Earnings per share	EUR	-0,05	0,08
Total assets	TEUR	144,911	138,279*
Equity	TEUR	31,640	32,569*
Equity ratio	%	21,8%	23,6%*
Financial liabilities & bonds	TEUR	84,309	80,104*
Loan to value (LTV)	%	65%	67%*
Cash flow from operating activities	TEUR	-8,392	13,074
Cash flow from investing activities	TEUR	599	-2,300
Cash flow from financing activities	TEUR	6,117	-9,399
Employees		14	15

\* Value as of December 31, 2022

Portfolio key figures		30 June 2023	31 Dec. 2022
<b>Portfolio (Fixed assets)</b>			
Living/usable space	m <sup>2</sup>	26,463	27,319
Units		421	434
Rental income p.a.	TEUR	1,723	1,713
<b>Portfolio development (Current assets)</b>			
Living/usable space	m <sup>2</sup>	2,441	3,024
Units		21	26
Rental income p.a.	TEUR	154	208
<b>Land development</b>			
Planned living/usable space*	m <sup>2</sup>	180,145	180,145
Planned living/usable space in joint venture projects**	m <sup>2</sup>	10,322	10,322

\* Fully consolidated projects; use of gross floor space for projects in planning (see section: Portfolio and properties)

\*\* Interests in companies accounted for using the equity method

Overview of The Grounds shares (Xetra prices)		H1 2023	H1 2022
Market capitalisation (as at 30 June)	TEUR	20,654	39,172
Share capital (as at 30 June)	TEUR	17,806	17,805
Closing price	EUR	1.16	2.20
Share price low	EUR	1.12	2.20
Share price high	EUR	1.88	2.60
ISIN		DE000A2GSVV5	
Segment		Primary market, Düsseldorf Stock Exchange	



# LETTER TO THE SHAREHOLDERS

**Dear Shareholders,  
Dear Ladies and Gentlemen,**

Unfortunately, our business in the first half of this year was not satisfactory. Market conditions were simply too poor. An almost historic collapse on transaction markets, declining business figures in the construction industry, impairment requirements for portfolio properties and development projects, a sharp hike in interest rates and further increases in construction prices combined to create a toxic mix that made life very difficult for all property companies. Our 2022 Annual Report already noted that our two sales markets, private residential property buyers and institutional investors for project developments, had become far more challenging. What we did not anticipate, however, is how severe the slump would turn out to be in the current financial year.

Unfortunately, political decisions also contributed to the uncertainty. The abrupt end of KfW energy efficiency subsidies, the squabbling over the right approach to the heating act, debates over new rent controls – all of these factors caused homeowners and institutional investors to hold back. To overcome this (partially self-inflicted)



## JACOPO MINGAZZINI

Executive Board

Jacopo Mingazzini, business graduate (Dipl.-Kfm.) and real estate economist, has been member of the company's Executive Board since August 2020, since 1 May 2023 as its sole member.

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 as of "Association to promote residential property in Berlin".



caution, the federal government is now considering depreciation relief. Yet clear, stable and reliable general conditions would be far more important for the property industry with its long-term focus.

Crises in the first half of the year were also reflected in our figures. Sales revenues declined and earnings were negative. It comes as little consolation that other property companies are faring no better and some are even doing far worse.

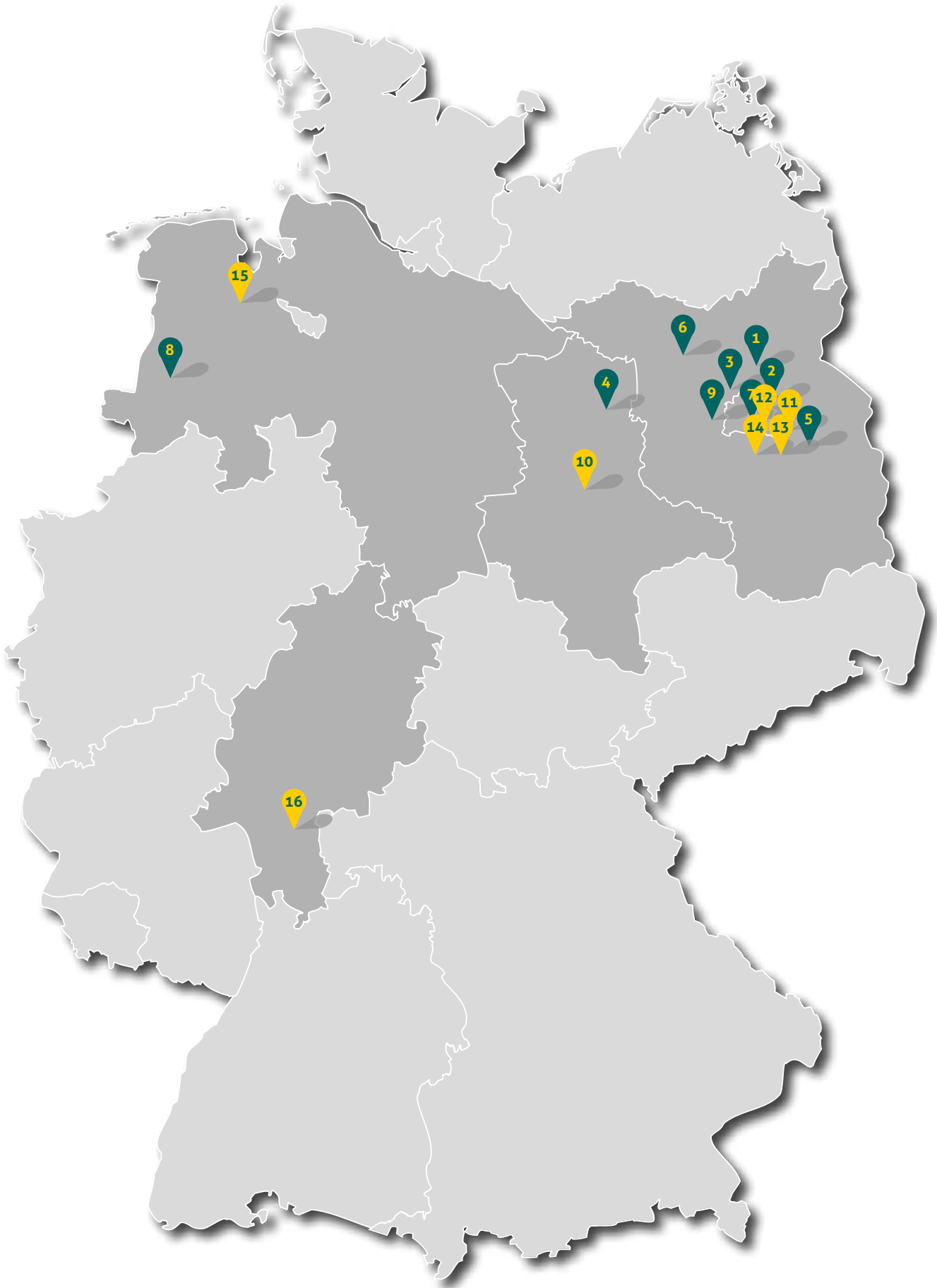
Nevertheless, we have achieved much of what we wanted to do. We successfully sold several residential units again in the first half of 2023, for example in Dallgow-Döberitz and in the Margaretenstraße new construction project in Berlin, putting us in line with our planning. We also continued our development projects in the first half of the year and continued to plan or build these as intended. In other places, however, we did not progress as expected. For example, we are still waiting on building permits that we had actually expected in the first half of the year.

While the first six months were not as we would have hoped in terms of sales revenues, income and business performance, we assume that the situation will slowly return to normal. We therefore remain confident that we can achieve our original guidance for the financial year. This is subject to the condition that the outstanding debtor warrant from the sale of the logistics property in Hangelsberg in 2020 will be credited in the second half of this year, which both the buyer and we expect.

Berlin, September 2023

Executive Board

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<br>Fixed assets               |  10  | Magdeburg<br>Land development   |
|  2 | Bernau<br>Fixed assets                    |  | <ul style="list-style-type: none"><li>• Property Garden</li><li>• LennéQuartier</li><li>• Central Offices</li><li>• Börde Bogen (Joint Venture)</li></ul> |
|  3 | Kremmen<br>Fixed assets                   |  11 | Erkner<br>Land development  |
|  4 | Stendal/Prignitz<br>Fixed assets          |  12 | Berlin<br>Land development  |
|  5 | Rauen<br>Fixed assets                     |  13 | Königs Wusterhausen<br>Land development   |
|  6 | Fehrbellin<br>Fixed assets                |  14 | Blankenfelde-Mahlow<br>Land development<br>(Joint Venture)  |
|  7 | Berlin<br>Fixed assets                    |  15 | Bad Zwischenahn<br>Land development   |
|  8 | Meppen<br>Portfolio development           |  16 | Neu-Isenburg<br>Land development<br>(Joint Venture)   |
|  9 | Dallgow-Döberitz<br>Portfolio development |  |   |

# PORTFOLIO OVERVIEW

## Portfolio properties

### Our rental portfolio properties



#### Schorfheide near Eberswalde



- 38 residential units
- Usable space: 2,066 m<sup>2</sup>



#### Bernau



- 59 residential units
- Usable space: 4,070 m<sup>2</sup>



#### Kremmen



- 24 residential units
- Usable space: 1,430 m<sup>2</sup>



#### Stendal/Prignitz



- Multiple locations
- 227 residential and commercial units
- Usable space: 14,751 m<sup>2</sup>



### Rauen near Fürstenwalde

- 27 residential units
- Usable space: 1,554 m<sup>2</sup>



### Fehrbellin

- 24 residential units
- Usable space: 1,503 m<sup>2</sup>



### Berlin-Lichtenberg

- 22 residential units
- Usable space: 1,089 m<sup>2</sup>



## Portfolio development

### Condominiums and terraced houses for investors and owner occupiers



#### Meppen

- 7 residential units\*
- Usable space: 463 m<sup>2</sup>\*
- In the sales process

8



#### Dallgow-Döberitz

- 14 residential units\*
- Usable space: 1,978 m<sup>2</sup>\*
- In the sales process

9

\* Space and unit data relates to units with transfer of ownership outstanding as at 30 June 2023.

## Land development

### Our land development projects



#### Property Garden in Magdeburg

10

- 64 units
- Usable space: 3,637 m<sup>2</sup>
- Under construction
- Sold



#### LennéQuartier in Magdeburg

10

- 181 units
- Usable space: 5,100 m<sup>2</sup>
- Completed
- Sold



#### Central Offices in Magdeburg

10

- Office space
- Gross floor space: 17,140 m<sup>2</sup>
- Building permit obtained
- In the sales process



#### Terra Homes in Erkner

11

- 34 homes
- Usable space: 4,279 m<sup>2</sup>
- Under construction
- Sold

(Continued from page 15)

## Land development

### Our land development projects



#### Maggie in Berlin-Lichtenberg

12

- 27 units
- Usable space: 1,859 m<sup>2</sup>
- Under construction
- In the sales process



#### Betty in Königs Wusterhausen

13

- 90 residential units
- Usable space: 6,640 m<sup>2</sup>
- In planning
- Sales launch: still pending



#### Elements\* in Bad Zwischenahn

15

- 255 units
- Gross floor space: 41,534 m<sup>2</sup>
- In planning
- Sales launch: still pending

\* notarised; transfer of economic ownership still outstanding



## Joint ventures

### Joint development of land



#### Börde Bogen in Magdeburg

10

- 655 units
- Gross floor space: 67,857 m<sup>2</sup>
- Sales launch: still pending



#### Highfly in Blankenfelde-Mahlow

14

- 186 terraced houses
- Gross floor space: 32,099 m<sup>2</sup>
- In planning
- Sales launch: still pending



#### Terminal 3 in Neu-Isenburg

16

- Hotel
- Gross floor space: 10,322 m<sup>2</sup>
- Building permit obtained
- In the sales process

# THE GROUNDS ON THE CAPITAL MARKET

Development of The Grounds Share from 1 January to 30 June 2023 (Xetra prices)



The German Stock Exchange performed extremely well in the first half of 2023. The DAX, the most important stock market barometer that includes the 40 largest listed German stock corporations and thus represents around 80% of market capitalisation, climbed by almost 15% in the first half of the year, almost entirely offsetting the previous year's losses. While the indices for mid-caps and small caps, MDAX and SDAX, were somewhat less dynamic, they also generated growth of around 7% (MDAX) and just under 10% (SDAX).

Property sector stocks bucked this trend. Solactive DIMAX, which comprises shares in all major companies in the property sector, lost almost 20% in the first six months of the year. Rapid interest rate hikes are generally to blame for this discrepancy between the general

stock market trend and the property sector. They resulted in high write-downs in property portfolios while also making new and follow-up financing far more expensive. As construction prices have continued to soar at the same time, development projects and new construction have become far less profitable. The number of building permits declined accordingly as did the number of construction projects started. Buyers and sellers on the transaction market had to adapt after a long period of low interest rates and so volumes on transfer markets shrank considerably. Overall, the property sector found itself in a major downturn in the first half of the year and there were no clear signs of when the economic situation might improve.

The Grounds' share price likewise was unable to escape the general trend for property shares. The fact that the share price declined by somewhat more than the DIMAX is likely due less to business performance than rather to the fact that smaller stocks are generally more volatile than higher-volume shares.

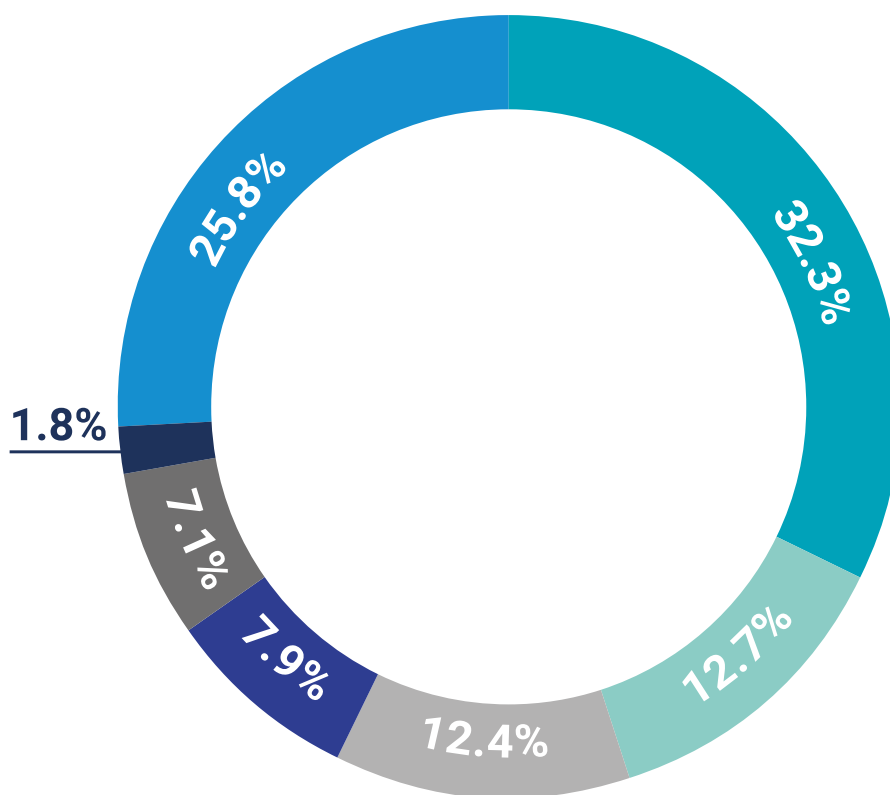
## The Grounds share at a glance

There were no changes to the basic information on The Grounds shares in the reporting period.

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 2.80 "Buy"	Quirin Privatbank E. R. Price target: EUR 1.27 "Hold"
	<b>H1 2023</b>	<b>H1 2022</b>
Share price as at 30 June*	EUR 1,16	EUR 2.20
Percentage change compared to the start of the year	-38.3%	-5.2%
Market capitalisation as at 30 June	EUR 20,654,400	EUR 39,172,137
High for the first half of the year*	EUR 1.88	EUR 2.60
Low for the first half of the year*	EUR 1.12	EUR 2.20

\* Prices on Xetra trading system of Deutsche Börse AG

Shareholder structure (as at 30 June 2023)



- Millenium Verwaltungs GmbH
  - ZuHause Immobilien Handelsgesellschaft mbH
  - Tarentum GmbH (Single Family Office)
  - RESI Beteiligungs GmbH
  - Deutsche Balaton AG
  - Management
  - Free float (approx.)
- Total: 17,805,517 shares

# INTERIM GROUP MANAGEMENT REPORT

**23** 1. Economic Report

**25** 2. Business Performance

**27** 3. Executive Bodies and Employees

**27** 4. Risks of Future Development

**27** 5. Forecast Report

# 1 Economic Report

## 1.1 Macroeconomic development

The German economy lost considerable momentum in the first half of 2023. After adjustment for inflation and calendar effects, gross domestic product declined by 0.2% year on year. Growth momentum is not expected in the second half of the year either. The outlook for the year as a whole points to stagnation. On the labour market, the recessionary overall trends translated into a slight rise in the unemployment rate to 5.5% at the end of June 2023, 0.3 percentage points higher than in the previous year. Prices continued to increase, albeit not by as much as at the start of the year. Inflation reached 6.8% in June 2023. While energy prices flattened off, the cost of food, goods and services saw a considerable upturn. Further rent increases for new leases, especially in urban areas, had only a minor impact on the living costs index. With rents rising by just 2.0%, the rental industry actually helped stabilise prices in an inflationary environment.

## 1.2 Sector development

Significant parts of the property sector experienced a crisis or recession or otherwise trended downwards in the first half of 2023. This was true of building permits, the number of construction projects started, orders in the construction industry and, above all, of transaction volumes on property markets. The combination of construction prices, which are seeing double-digit increases, and interest rates, which have more than tripled in a short period of time, have made building far more expensive. Rents also increased, with the average figure concealing regional differences and the difference between new leases and existing rents. The rises are modest compared to current inflation (see above), but they nonetheless increase returns on rented properties.

These are not particularly favourable conditions for a company like The Grounds: while business success hinges only to a minor extent on rental income, it is far more dependent on the development and sale of land and properties and residential property resale, i.e. the sale of individual homes.

The transaction market, in particular, suffered a virtually unprecedented decline of almost 60% in the first half of 2023. The reasons for this are clear. After raising interest rates (in some cases significantly) on multiple occasions over a short period of time, the European Central Bank created major uncertainty in its efforts to contain inflation. The approach thus taken initially by many market players was to observe the situation and they are revaluing properties in view of the new financing conditions. Sellers were initially hesitant to adjust their price expectations to the new interest rates with potential buyers facing substantial increases in financing costs.

Energy efficiency and sustainability are also playing a larger roll in valuations. The EU's climate targets, to which Germany has committed, are known factors. We also know that the property sector accounts for about one third of greenhouse gases. What is not known is how these targets are to be achieved. Guidance is lacking. But as long as it remains unclear what measures will bring about the desired result, most market players will hold back on investments.

The property sector therefore found itself in a transition phase in the first half of the year, essentially holding its breath. However, this situation is not expected to persist for long as players are in the process of adapting to the new circumstances. Market prices have already declined on average and portfolio holders have already written down their investment properties considerably.

### **1.3 General legal conditions**

The discussions surrounding the amendment of the German Buildings Energy Act (heating act) presented by the federal government in April 2023 were a particular source of uncertainty on markets. Under this, new heating systems will have to operate on at least 65% renewable energy from 2024 onwards. With certain exceptions, the use of fossil fuels for heating would be banned entirely from 2045. It was long unclear, however, how heating systems are to be converted. Yet as the amendment affects almost everyone, ambiguities in the draft legislation and clumsy political communication – according to surveys – have even led to considerable shifts in voter support. Even the extensive government support announced to address the resulting social hardship has done little to change this. The Bundestag is expected to pass the amendment this year.



# 2 Business Performance

## 2.1 Financial performance

The Grounds generated sales revenues of EUR 16.2 million in the first half of 2023, which is far less than in the previous year (EUR 21.4 million). This difference is essentially because sales in the area of land and portfolio development, especially individual privatisation, were not as high in the first six months of the current financial year as in the extremely successful previous year.

At EUR 13.0 million, most sales revenues can be attributed to construction work billed in accordance with the percentage of completion method. This includes construction work in Margaretenstraße, Berlin, the LennéQuartier and Property Garden in Magdeburg and the Terra Homes terraced house project in Erkner. Privatisation income accounted for EUR 1.8 million and was generated by sales of owner-occupied apartments in Meppen and Dallgow-Döberitz. Rental income came to EUR 0.9 million and picked up slightly compared to H1 2022 despite portfolio streamlining in the Stendal and surrounding area portfolio and ongoing sales from portfolio development. One major factor was the increase in average rent per square metre in connection with new leases concluded for portfolio properties in the area surrounding Berlin.

The decline in sales revenues was offset to a large degree by the fact that the cost of materials was also lower as a result of reduced construction work. Staff costs were practically unchanged at EUR 1.0 million and other operating expenses rose from EUR 0.8 million to EUR 1.1 million compared to the previous year. This put EBIT in the first half of 2023 at EUR 0.4 million, down significantly year on year (EUR 2.9 million).

The financial result was minus EUR 2.0 million in the first half of 2023. This is higher than in the previous year on account of strong balance sheet growth in the prior year and the related increase in debt.

Consolidated net earnings came to minus EUR 1.1 million, EUR 0.8 million of which was attributable to shareholders.

## 2.2 Financial and asset position

Compared to the end of the previous year, The Grounds' balance sheet grew by around EUR 7 million to EUR 144.9 million. The main changes were in current assets and liabilities.

On the assets side, contract assets saw a particular upturn (up EUR 3.8 million at EUR 4.8 million), as did trade receivables (up EUR 2.3 million at EUR 4.1 million). Contract assets essentially reflected ongoing investments in construction projects from owner-occupied apartments that have already been sold and new construction projects. The increase in trade receivables is the result of instalments under the MaBV for new-build properties that had not yet been settled as at the reporting date. All other items were essentially unchanged.

Under equity and liabilities, equity declined by around EUR 1 million to EUR 31.6 million on account of the negative consolidated profit. The equity ratio therefore decreased slightly to 21.8% from 23.6% at the end of 2022.

Other material changes were in current financial liabilities, advance payments received and trade payables. These items are also directly related to construction work progress at the various properties.

At the end of the reporting period, The Grounds had cash of EUR 0.6 million, EUR 3.1 million less than a year ago. Cash flow from operating activities in the first six months of the current financial year was negative EUR 8.4 million. This was driven by factors including the negative consolidated profit, the fact that trade receivables decreased while trade payables rose and higher interest expenses as a result of more extensive debt funding. This was offset by positive cash flow from investing activities of EUR 0.6 million, essentially due to disposals of investment property, and positive cash flow from financing activities of EUR 6.1 million. This reflects additional financing taken up in the first half of 2023.

## 3 Executive Bodies and Employees

Arndt Krienen resigned from the Executive Board with effect from 1 May 2023. He had asked the Supervisory Board to prematurely terminate his position on the company's board for personal reasons. Jacopo Mingazzini has been the sole member of the Executive Board at The Grounds since this time.

Dr Peter Maser, Armin Hofmann and Eric Mozanowski were appointed to the Supervisory Board at the Annual General Meeting on 4 July 2023. Dr Peter Maser was elected Chairman of the Supervisory Board and Armin Hofmann Vice Chairman of the Supervisory Board of The Grounds Real Estate Development AG at the subsequent constituent Supervisory Board meeting. Timo Tschammler stepped down from the Supervisory Board when the new Supervisory Board was elected at the Annual General Meeting.

The Grounds had an average of 14 employees in the reporting period.

## 4 Risks of Future Development

The risk structure of The Grounds was described in detail in the 2022 Annual Report. There have been no material changes since this time.

## 5 Forecast Report

In the 2022 Annual Report, The Grounds stated that it expects to generate sales revenues of between EUR 40 million and EUR 45 million and EBIT of EUR 4 million to EUR 5 million before measurement effects in 2023. These objectives seem ambitious given the half-yearly financial statements. Nonetheless, the company is standing by this forecast, albeit only on the condition that the debtor warrant for the logistics property in Hangelsberg sold in 2020 is credited in the second half of the year. The realisation of the debtor warrant is subject to the adoption of a zoning resolution. The disclosure of the draft development plan was announced in September.



# CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

- 30** Consolidated Balance Sheet
- 32** Consolidated Income Statement
- 33** Consolidated Statement of Changes in Equity
- 34** Consolidated Cash Flow Statement
- 36** Notes

# CONSOLIDATED BALANCE SHEET

The Grounds Real Estate Development AG, Berlin, as at 30 June 2023

	30 June 2023	31 Dec. 2022
	TEUR	TEUR
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	16	16
Goodwill	1,942	1,942
Property, plant and equipment	196	231
Right-of-use assets	244	315
Investment property	35,906	35,769
Equity investments	2	152
Interests in companies accounted for using the equity method	2,312	2,316
Other financial assets	145	23
Deferred tax assets	3,151	2,465
<b>Total non-current assets</b>	<b>43,914</b>	<b>43,230</b>
<b>Current assets</b>		
Inventories	83,487	82,838
Contract assets	4,833	979
Trade receivables	4,114	1,821
Other receivables	7,965	6,479
Cash	598	2,273
Non-current assets held for sale	0	660
<b>Total current assets</b>	<b>100,997</b>	<b>95,050</b>
<b>Total assets</b>	<b>144,911</b>	<b>138,279</b>

	30 June 2023	31 Dec. 2022
	TEUR	TEUR
<b>Equity</b>		
Issued capital	17,806	17,806
Adjustment item from business acquisition	-12,453	-12,453
Capital reserves	3,248	3,111
Retained earnings	155	155
Net income	16,725	17,563
Attributable to shareholders of the parent company	25,481	26,182
Attributable to non-controlling shareholders	6,159	6,387
<b>Total equity</b>	<b>31,640</b>	<b>32,569</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Financial liabilities	27,643	27,658
Bonds	16,547	16,351
Lease liabilities	103	207
Other liabilities	100	19
Deferred tax liabilities	6,910	6,683
<b>Total non-current liabilities</b>	<b>51,303</b>	<b>50,918</b>
<b>Current liabilities</b>		
Provisions	1,348	1,399
Financial liabilities	39,751	35,719
Bonds	367	376
Lease liabilities	173	142
Advance payments received	6,842	4,489
Current income tax liabilities	3,271	4,393
Trade payables	4,683	1,660
Other liabilities	5,533	6,616
<b>Total current liabilities</b>	<b>61,968</b>	<b>54,793</b>
<b>Total assets</b>	<b>144,911</b>	<b>138,279</b>

# CONSOLIDATED INCOME STATEMENT

The Grounds Real Estate Development AG, Berlin, 1 January to 30 June 2023

	1 Jan. 2023 – 30 June 2023	1 Jan. 2022 – 30 June 2022
	TEUR	TEUR
Revenue	16,218	21,383
Changes in value of investment property	0	245
Other operating income	181	68
Change in inventories	586	432
Cost of materials	-14,398	-17,274
Staff costs	-1,016	-1,065
Depreciation of property, plant and equipment and amortisation of intangible assets	-92	-99
Other operating expenses	-1,121	-825
<b>EBIT before income from associates</b>	<b>359</b>	<b>2,865</b>
Income from associates	-5	1
<b>EBIT</b>	<b>354</b>	<b>2,867</b>
Income from equity investments	0	0
Interest income	27	277
Interest expenses	-1,986	-1,249
<b>Financial result</b>	<b>-1,959</b>	<b>-972</b>
<b>Earnings before income taxes</b>	<b>-1,605</b>	<b>1,894</b>
Income taxes	540	-411
<b>Consolidated net earnings</b>	<b>-1,065</b>	<b>1,483</b>
of which attributable to non-controlling shareholders	-225	41
of which attributable to shareholders of the parent company	-840	1,442
<b>Earnings per share (in EUR)</b>	<b>-0.05</b>	<b>0.08</b>



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The Grounds Real Estate Development AG, Berlin, 1 January to 30 June 2023

	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
<b>As at 1 Jan. 2023</b>	<b>17,806</b>	<b>-12,453</b>	<b>3,111</b>	<b>155</b>	<b>17,563</b>	<b>6,387</b>	<b>32,569</b>
Share-based remuneration			137				137
Consolidated comprehensive income					-840	-225	-1,065
Disposal of non-controlling interests					3	-3	0
<b>As at 30 June 2023</b>	<b>17,806</b>	<b>-12,453</b>	<b>3,248</b>	<b>155</b>	<b>16,725</b>	<b>6,159</b>	<b>31,640</b>

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
<b>As at 1 Jan. 2022</b>	<b>17,806</b>	<b>-12,453</b>	<b>2,837</b>	<b>155</b>	<b>16,393</b>	<b>599</b>	<b>25,337</b>
Share-based remuneration			137				137
Consolidated comprehensive income					1,442	41	1,483
<b>As at 30 June 2022</b>	<b>17,806</b>	<b>-12,453</b>	<b>2,974</b>	<b>155</b>	<b>17,834</b>	<b>640</b>	<b>26,956</b>

# CONSOLIDATED CASH FLOW STATEMENT

The Grounds Real Estate Development AG, Berlin, 1 January to 30 June 2023

	1 Jan. 2023 – 30 June 2023	1 Jan. 2022 – 30 June 2022
	TEUR	TEUR
Consolidated net earnings	–1,065	1,483
+ Write-downs on fixed assets	20	29
+ Depreciation of right-of-use assets	72	70
–/+ Net income from associates accounted for using the equity method/ investment income	4	–1
+/- Increase/decrease in provisions	–51	256
+ Other non-cash changes	137	137
–/+ Changes in value of investment property	0	–245
–/+ Gains/losses on the disposal of fixed asset	–22	0
–/+ Increase/decrease in inventories, trade receivables, contract assets and other assets not related to investing or financing activities	–8,217	8,661
+/- Increase/decrease in trade payables and other liabilities not related to investing or financing activities	4,373	1,379
+/- Interest expenses/income	–2,012	972
+/- Income tax expense/income	–540	411
–/+ Income taxes paid	–1,091	–78
<b>= Cash flow from operating activities</b>	<b>–8,392</b>	<b>13,074</b>

Continued on page 35

Continued from page 34

	1 Jan. 2023 – 30 June 2023	1 Jan. 2022 – 30 June 2022
	TEUR	TEUR
+ Proceeds from disposals of intangible fixed assets	0	0
+ Proceeds from disposals of property, plant and equipment	66	21
+ Proceeds from disposals of financial assets	150	0
+ Proceeds from the disposal of investment property	660	0
– Payments for investments in intangible fixed assets	–1	0
– Payments for investments in property, plant and equipment	–28	–1
– Payments for investments in financial assets	–123	–35
– Payments for investment property	–137	–2,285
+ Interest received	12	0
+ Dividends received	0	0
<b>= Cash flow from investing activities</b>	<b>599</b>	<b>–2,300</b>
+ Proceeds from issuing bonds and (financial) borrowing	13,932	1,217
– Payments from repaying bonds and (financial) loans	–9,728	–9,300
– Repayment of lease liabilities	–73	–66
– Interest paid	1,986	–1,249
<b>= Cash flow from financing activities</b>	<b>6,117</b>	<b>–9,399</b>
Cash changes in cash funds	–1,675	1,375
+ Cash funds at the beginning of the period	2,273	2,385
<b>= Cash funds at the end of the period</b>	<b>598</b>	<b>3,761</b>

# NOTES TO THE CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

- 37** — 1. Fundamental Information
- 37** — 2. Reporting Principles
- 38** — 3. Accounting Policies
- 38** — 4. Explanatory Notes
- 39** — 5. Personnel Changes
- 40** — 6. Events After the Reporting Period

# 1 Fundamental Information

The Grounds Real Estate Development AG (hereinafter referred to as “The Grounds AG”) is based 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 2023 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 2022, 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 2023 financial year as in its voluntary IFRS consolidated financial statements for the year ended 31 December 2022..

## 4 Explanatory Notes

### 4.1 Consolidated group

The Grounds AG included 26 subsidiaries in the consolidated interim financial statements as at 30 June 2023.

Capstone Opportunities AG sold the subsidiaries CS1 GmbH, CSO Verwaltung GmbH and WMKG GmbH and the associate CS2 GmbH to The Grounds Real Estate Development AG in the first half of 2023. This did not result in any changes to ownership interests.

## 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 2023:

Receivables from related parties amounted to EUR 1,259 thousand as at 30 June 2023. This resulted in interest income from related parties of EUR 24 thousand.

Liabilities to related parties amounted to EUR 5,913 thousand as at 30 June 2023. This resulted in interest expenses to related parties of EUR 56 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 14 employees in the reporting period.

# 5 Personnel Changes

On 1 May 2023, the Executive Board member Arndt Krienen asked the The Grounds Real Estate Development AG Supervisory Board to prematurely terminate his position on the company's board with immediate effect for personal reasons. The Supervisory Board granted this request. The company will be managed by Jacopo Mingazzini as the sole member of the company's Executive Board until further notice.

Dr Peter Maser, Armin Hofmann and Eric Mozanowski were appointed to the Supervisory Board at the Annual General Meeting on 4 July 2023. Dr Peter Maser was elected Chairman of the Supervisory Board and Armin Hofmann Vice Chairman of the Supervisory Board of The Grounds Real Estate Development AG at the subsequent constituent Supervisory Board meeting.

## 6 Events After the Reporting Period

In the Highfly joint venture project in Blankenfelde-Mahlow of the subsidiary HIM 5 GmbH, which is majority owned by The Grounds Real Estate Development AG, restructuring talks are being held with the joint venture partner and promising renewal negotiations are underway with the subordinated capital provider to continue the project. The project is to be completed in stages after the building permit is granted.

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, 22 September 2023

Executive Board of The Grounds Real Estate Development AG

Jacopo Mingazzini





# FINANCIAL CALENDAR

## 2024

**26 April**

Publication of Annual Report 2023

These dates are provisional. Please check all final confirmed dates and further IR activities on our website at [www.thegroundsag.com/en/investor-relation/financial-calendar](http://www.thegroundsag.com/en/investor-relation/financial-calendar).

### **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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The Grounds Real Estate Development AG

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# THE GROUNDS

REAL ESTATE DEVELOPMENT AG